



**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE  
TERRITORIAL DEVELOPMENT POLICY COMMITTEE**

**GOV/TDPC/RUR(2008)3  
For Official Use**

**Working Party on Territorial Policy in Rural Areas**

**Trends in Strategies for Rural Policy: The Case of Italy**

**10th Session of the Working Party on Territorial Policy in Rural Areas**

**2 December 2008  
OECD Conference Centre  
2, rue André Pascal, 75116 Paris**

*This document is submitted to Delegates of the Working Party on Territorial Policy in Rural Areas for DISCUSSION and APPROVAL at the 10th Session.*

*The Assessment and Recommendations will be on OLIS as a separate document under cote GOV/TDPC/RUR(2008)4.*

For further information, please contact Betty-Ann Bryce ([betty-ann.bryce@oecd.org](mailto:betty-ann.bryce@oecd.org)) or Raffaele Trapasso ([raffaele.trapasso@oecd.org](mailto:raffaele.trapasso@oecd.org)).

## TABLE OF CONTENTS

CHAPTER I: PROFILE OF RURAL ITALY .....	3
Key points .....	4
1.1 Rural Italy within the OECD .....	5
1.2 Rural regions perform lower than the national average .....	18
1.3 Rural Italy faces social, economic, and environmental challenges .....	21
To sum up .....	39
ANNEX 1.1: METHODOLOGY FOR THE DECOMPOSITION OF GDP GROWTH .....	40
ANNEX 1.2: METHODOLOGY FO IDENTIFYING AND MAPPING INDUSTRIAL DISTRICTS IN ITALY .....	41
ANNEX 1.3: A CLASSIFICATION OF RURAL ITALY BASED ON REGIONAL ACCESSIBILITY/REMOTENESS .....	47
CHAPTER 2: POLICY ASSESSMENT .....	51
Key points .....	51
2.1 Rural development policy in Italy closely follows the EU framework drawing from Regional and Agricultural policy .....	52
Despite significant changes under the new 2007-2013 framework, the Italian approach to rural development in the case of the Ministry of Agriculture, maintains a predominantly sectoral focus.....	57
The Italian rural development institutional framework is marked by decentralised system.....	67
The Regional rural development Governance models are innovative .....	69
FOCUS on 3 Rural Regions in Italy: Calabria, Veneto and Emilia-Romagna .....	71
CHAPTER 3 POLICY RECOMMENDATIONS .....	93
3.1 Italy needs to embrace a broader rural development strategy .....	99
3.2 A more focused rural policy will involve adapting funding to the rural vision .....	106
3.3 A well rounded, targeted policy approach should contain a stronger focus on sustainability .....	109
3.4 Key priorities for Italy's Rural Policy include:.....	112
In sum .....	127
ANNEX.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
BIBLIOGRAPHY .....	130
Calabria.....	132
Calabria.....	133

## **CHAPTER I: PROFILE OF RURAL ITALY**

This chapter focuses on the socio-economic forces at work in rural Italy. It is divided in three sections. In the first section rural Italy is compared to other rural regions in the OECD to highlight national comparative advantage. The second section integrates the OECD classification with the one proposed by national authorities to obtain a more detailed definition of rural which mirrors the complex topology of the country. The third, and last, section presents in a systematic way the main challenges that burden the sustainability of rural regions in Italy.

## Key points

1. Italy is among the least rural countries within the OECD. It is strongly urbanised and is home to dense networks of small and medium size cities. In this context, only 27% of its territory is predominantly rural (PR). This area has 10% of the national population and produces 8% of Italy's GDP. Intermediate rural regions (IR) cover a larger portion of the country, are home to 37% of national population, and produce 34% of national GDP.

2. Thanks to a diversified economic base, Rural Italy displays a GDP per capita higher than the OECD average. Farming activities are generally declining. Agriculture is intertwined with manufacturing and service activities in a competitive agro-food industry, which made up 9% of national export in 2007. Manufacturing plays a key role in rural regions. PRs have 12% of Italy's manufacturing firms and 22 *Marshallian Industrial Districts* (out of 157 in Italy). Finally, natural and cultural amenities drive the competitive tourism industry.

3. This report uses the OECD classification of rural regions and the one from the Ministry of Agriculture (MoA) of Italy) as the basis of analysis. Although the MoA's definition is overbroad, for example, it includes some urban areas in rural regions, it represents a key policy instrument because it was derived based on consensus, between the central government and all the regions. The MoA's definition divides rural regions into three categories. First, *rural regions with specialised and intense agriculture* (RR SIA) localised in peri-urban areas mostly in the plains. Second, *intermediate rural regions* (IRR) localised in the hill areas. Last, *rural regions with comprehensive development problems* (RR DP) localised in the mountain areas and in some plains in Sardinia and Sicily. MoA's classification also takes into account the north-south economic divide that characterises Italy.

4. Based on this the challenges that may compromise rural Italy's sustainability within the near future include:

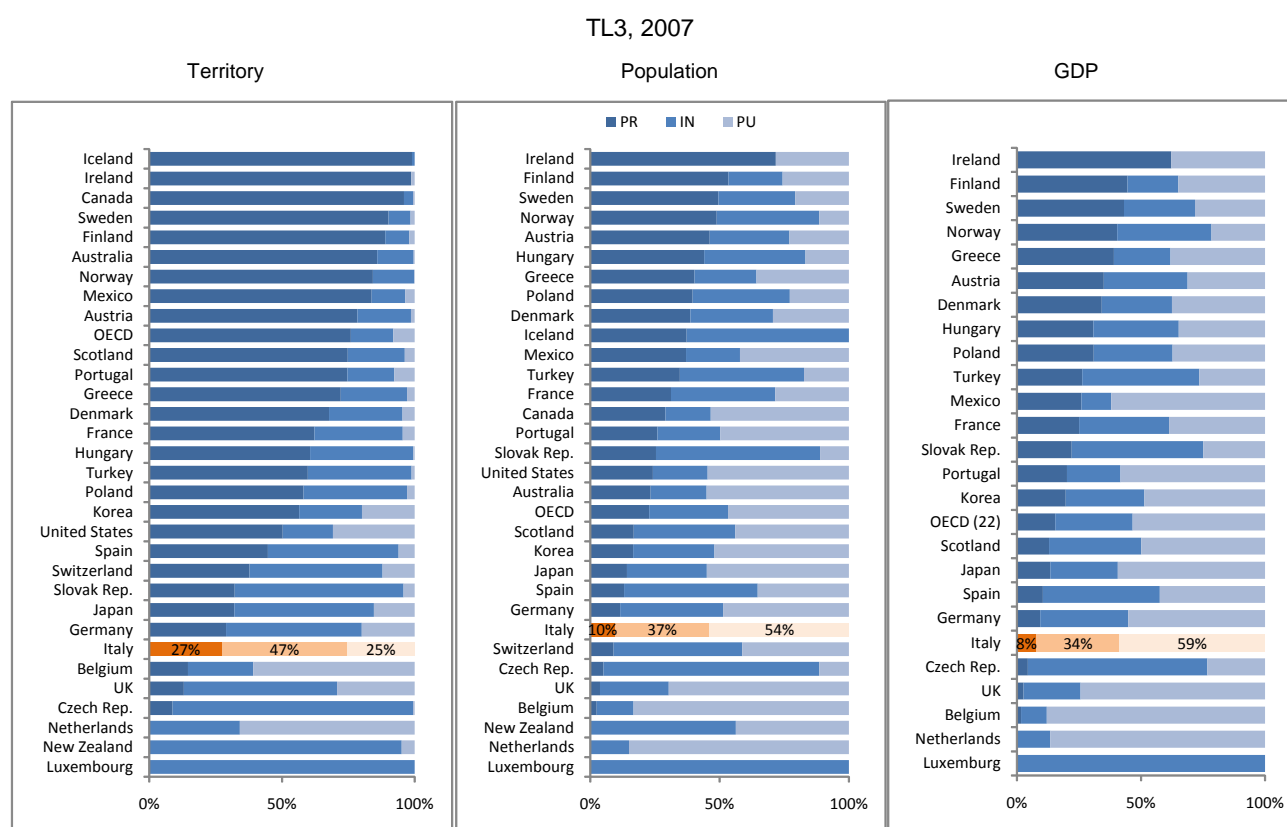
- The high concentration of senior citizens, which is interchangeable with depopulation in some cases, could undermine the sustainability of education services, and overwhelm public health care. Ageing and depopulation also reduce the attractiveness of rural regions for some ICT related business services.
- However, ageing and depopulation are partially offset by the in-migration of foreign workers. Primary and secondary activities absorb immigrants, while the concentration of elderly people attracts care-giver workers (*badanti*). Promoting the integration of immigrants in rural regions would reverse current demographic trends and help reduce the current pressure on urban poles, but the integration of immigrants will pose a challenge.
- The urban sprawl transfers of negative externalities such as traffic congestion and pollution to rural regions may continue if territorial scale planning is not improved..
- The environment remains undervalued and misused. Intensive agriculture contributes to soil pollution and also puts pressure on water resources (Italy ranks 6<sup>th</sup> in the OECD for the use of water in agriculture). At the same time, the abandonment of traditional agriculture endangers the landscape and biodiversity.
- Finally, organised crime continues to undermine the development of the most insulated RR DPs in the south of the country; these are areas already challenged by low investment and tourism and intense outmigration.

## 1.1 Rural Italy within the OECD

### *Italy is among the least rural countries within the OECD*

5. According to the OECD classification only 27% of the national territory is predominantly rural (PR). These regions are home to 10% of the national population and produce 8% of the national GDP (Figure 1.1) (Box 1.1). A large part of the territory is classified as intermediate rural (IR) which host 37% of the national population, and produce 34% of the national GDP. Based on the data, which is below OECD average, Italy can be considered a strongly urbanised country. To illustrate, over the years the *Pianura Padana*, the largest and most fertile plain in the country, has developed into an urbanised continuum defined as the “endless city” (Bonomi, Abruzzese, 2004) or, concerning Veneto, the “diffused city” (Bialasiewicz, 2004). PRs are geographically concentrated in the centre of the country, along the Apennines mountain range but some exceptions to this can be found in the two islands (Sicily and Sardinia), and in the southernmost part of continental Italy (Figure 1.2).

**Figure 1.1 Territory, Population and GDP in Predominantly Rural Regions in OECD Countries**



Source : OECD Regional Database

### **Box 1.1 OECD Regional Typology and Rural Classification**

The OECD has classified regions within each member country. The classifications are based on two territorial levels (TLs). The higher level (Territorial Level 2) consists of about 300 macro-regions while the lower level (Territorial Level 3) is composed of more than 2 300 micro-regions. This classification – which for European countries is largely consistent with the Eurostat classification – facilitates greater comparability of regions at the same territorial level. Indeed, the two levels, which are officially established and relatively stable in all member countries, are used by many as a framework for implementing regional policies.

A second important issue for the analysis of regional economies concerns the different “geography” of each region. To take account of these differences and establish meaningful comparisons between regions belonging to the same type and level, the OECD has established a regional typology according to which regions have been classified as predominantly urban, predominantly rural and intermediate using three criteria:

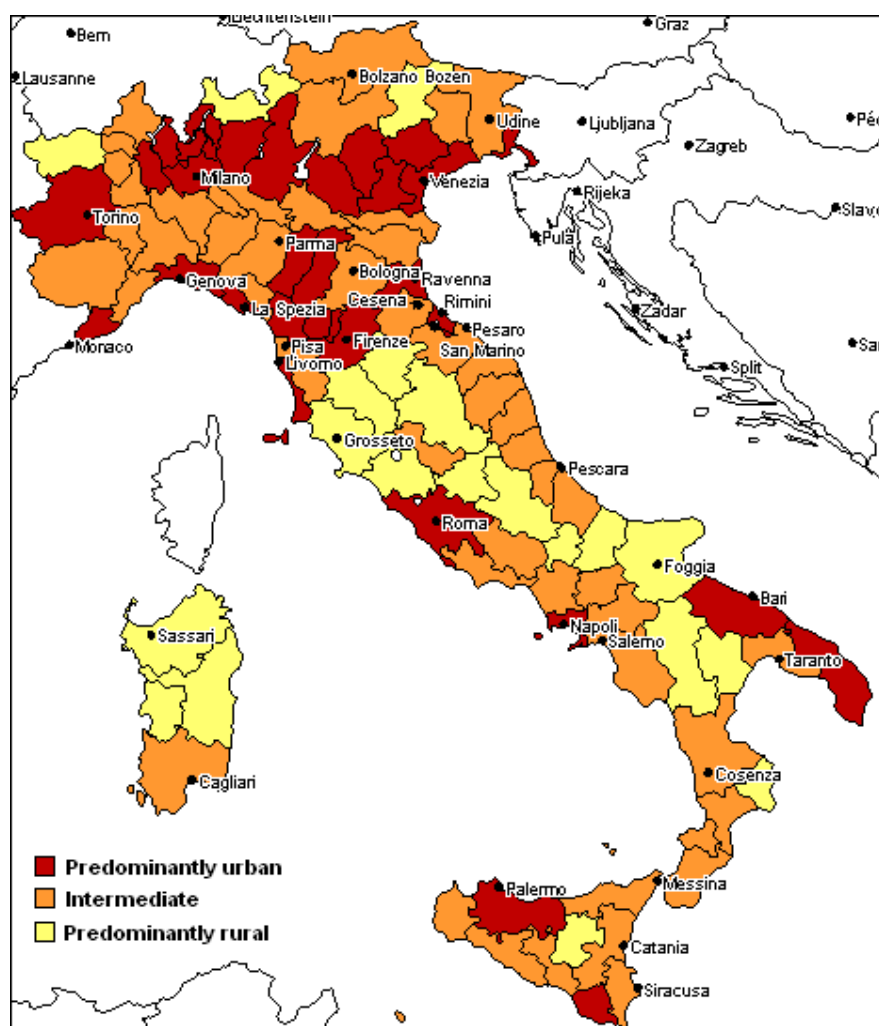
1. Population density. A community is defined as rural if its population density is below 150 inhabitants per km<sup>2</sup> (500 inhabitants for Japan to account for the fact that its national population density exceeds 300 inhabitants per km<sup>2</sup>).
2. Regions by % population in rural communities. A region is classified as predominantly rural if more than 50% of its population lives in rural communities, predominantly urban if less than 15% of the population lives in rural communities and intermediate if the share of the population living in rural communities is between 15% and 50%.
3. Urban centres. A region that would be classified as rural on the basis of the general rule is classified as intermediate if it has an urban centre of more than 200 000 inhabitants (500 000 for Japan) representing no less than 25% of the regional population. A region that would be classified as intermediate on the basis of the general rule is classified as predominantly urban if it has an urban centre of more than 500 thousand inhabitants (1 million for Japan) representing no less than 25% of the regional population.

This regional typology results in the above figure on population distribution by region type in OECD countries.

*Source* : OECD (2005), *Regions at a Glance*, OECD Publications: Paris

Figure 1.2 Italy's Regions According to the OECD Regional Classification

TL3, 2007



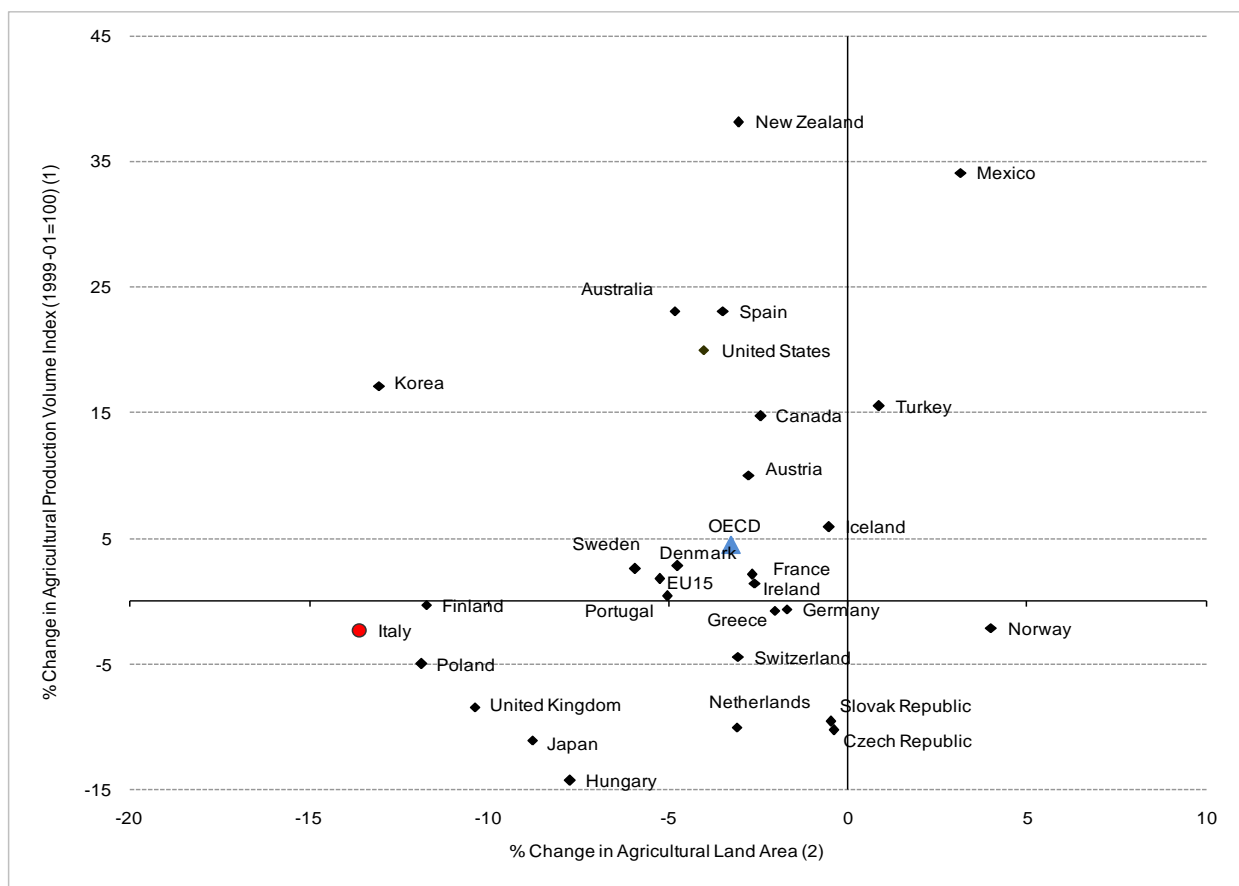
Source: OECD Regional Database

*Agriculture represents a marginal part of the economy and is less productive than the EU average*

6. In this context, farming activities contribute just over 2% of national GDP and 5% of employment. In the south the primary sector contributes over 4% of GDP and nearly 10% of employment, but agriculture is not as intensive and specialised as in the north. The volume of agriculture production and the surface of land used by primary activities have been strongly decreasing between 1990 and 2004 (Figure 1.3).<sup>1</sup> The average total factor productivity (TFP) of the primary sector is lower than other selected OECD countries such as Spain, United States, as well as than the EU-15 average (Figure 1.4). TFP is low in spite of the large support of the Common Agricultural Policy (CAP), and the national expenditure within the CAP framework. Support to agriculture has declined from 39% of farm receipts in the mid-1980s to 34% in 2002-04 (OECD Agriculture, 2008). This compares to the OECD average of 30%.

**Figure 1.3 Agriculture production volume index and agriculture land area**

1990-2004

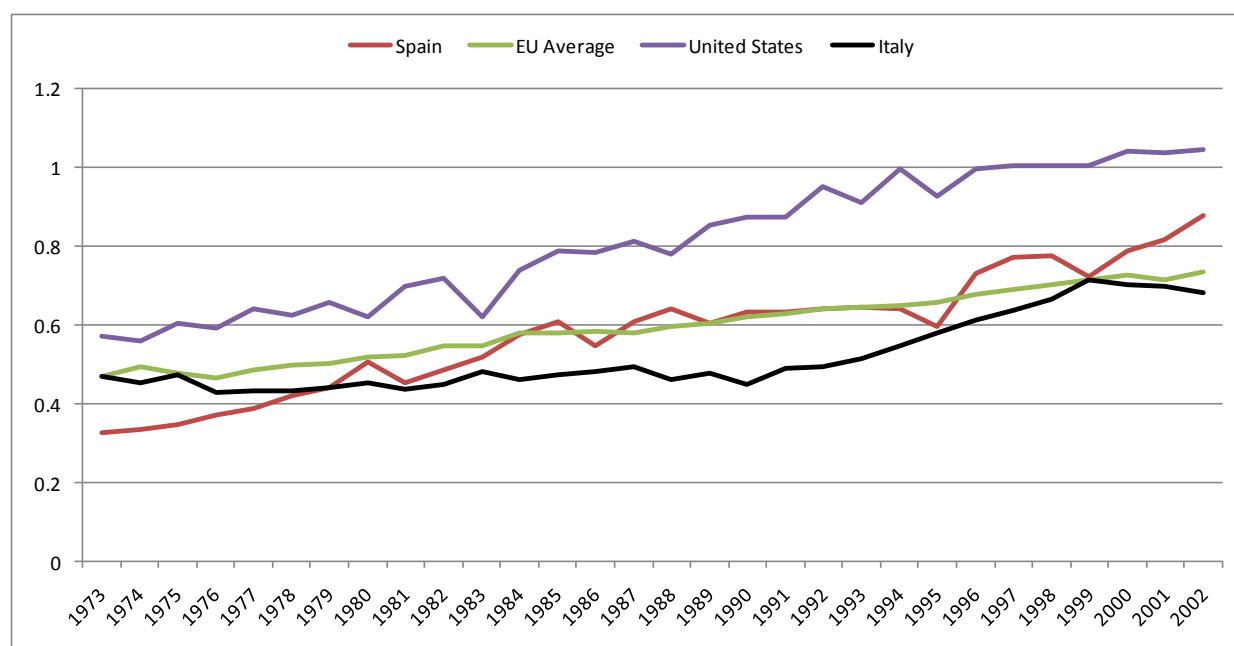


1. The agricultural production index is a volume index of total crop and livestock production. The data included in the figure are averages for 2002-04, with 1999-01 as the base period = 100. Czech Republic and Slovak Republic: Average 1990-92 = Average 1993-95. Belgium and Luxembourg are excluded as data are available only from 2000 to 2004.
2. % change in the total national agricultural land area expressed in thousand hectares, 1990-92 to 2002-04.

Source: OECD (2008) Environmental Performance of Agriculture in OECD Countries Since 1990



**Figure 1.4 Total Factor Productivity Trends of Agriculture in Italy, Spain, EU, and USA**  
(1973-2002)



Source: OECD (2008) Environmental Performance of Agriculture in OECD Countries Since 1990

### ***Rural regions produce a higher GDP than the average of Rural OECD***

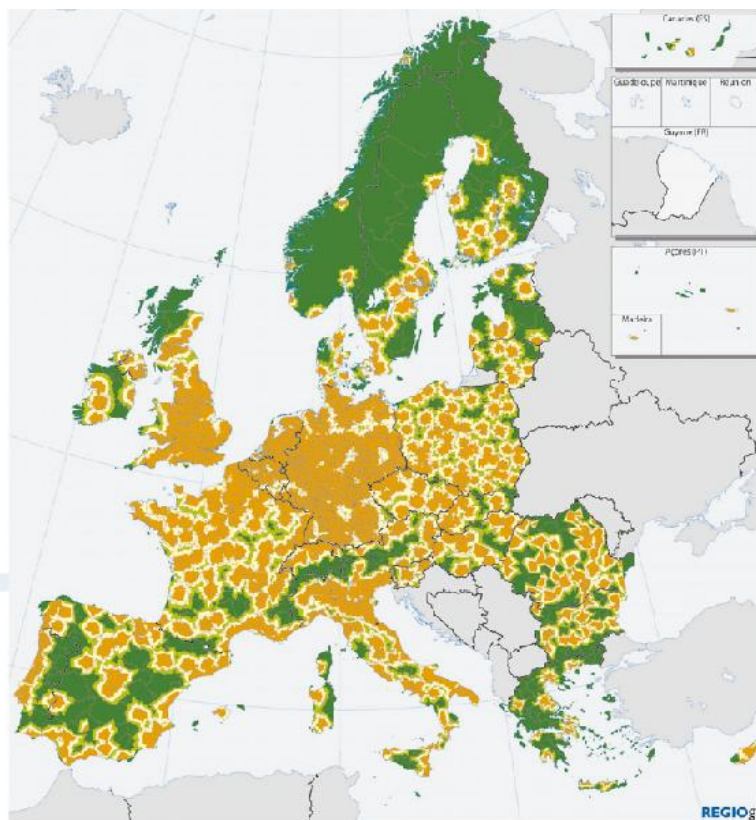
7. Italy's *predominantly rural regions* (PRs) have, on average, one of the highest GDP per capita within the OECD rural regions. For instance, Aosta and Belluno, the richest PRs in Italy, rank respectively third and seventh within the OECD PRs in terms of GDP per capita. Rural Italy's good performance may be linked to the country's dense population and the fact that many rural regions are well connected to urban poles and dense urban networks of small and medium cities. For instance, a recent study demonstrates that Italy is among the European countries with fewer remote regions (Dijkstra, *et al.* 2008). In this sense, Italy has the same characteristics as France and Germany, and is quite different from others such as Spain, or the Scandinavian countries (Figure 1.5). Accordingly, even those regions that are considered as "remote" (municipalities where more than 50% of the population is at less than 45 minutes from cities with over 50 000 habitants, according to the EU classification of remoteness) and display economic performance close to the national average (Figure 1.6). Accessibility, however, explains only a part of the regional performance. As the data demonstrates, there is a positive and robust correlation between the number of workers in manufacturing and tertiary activities, used as a proxy for economic diversification, and the level of GDP per capita in 2003 (Figure 1.7). PRs' performance is remarkable also at the national level. Economic diversification multiplies job opportunities in rural regions. In 2003, in some northern PRs, as Aosta and Belluno, the unemployment rate was below 5%, while in Siena it was 3%, vis-à-vis the national average of 8.7%.

**Figure 1.5 Accessibility in European countries by road to cities with at least 50 000 inhabitants**

- 0 - 30 minutes
- 30 - 45 minutes
- 45 - 60 minutes
- > 60 minutes

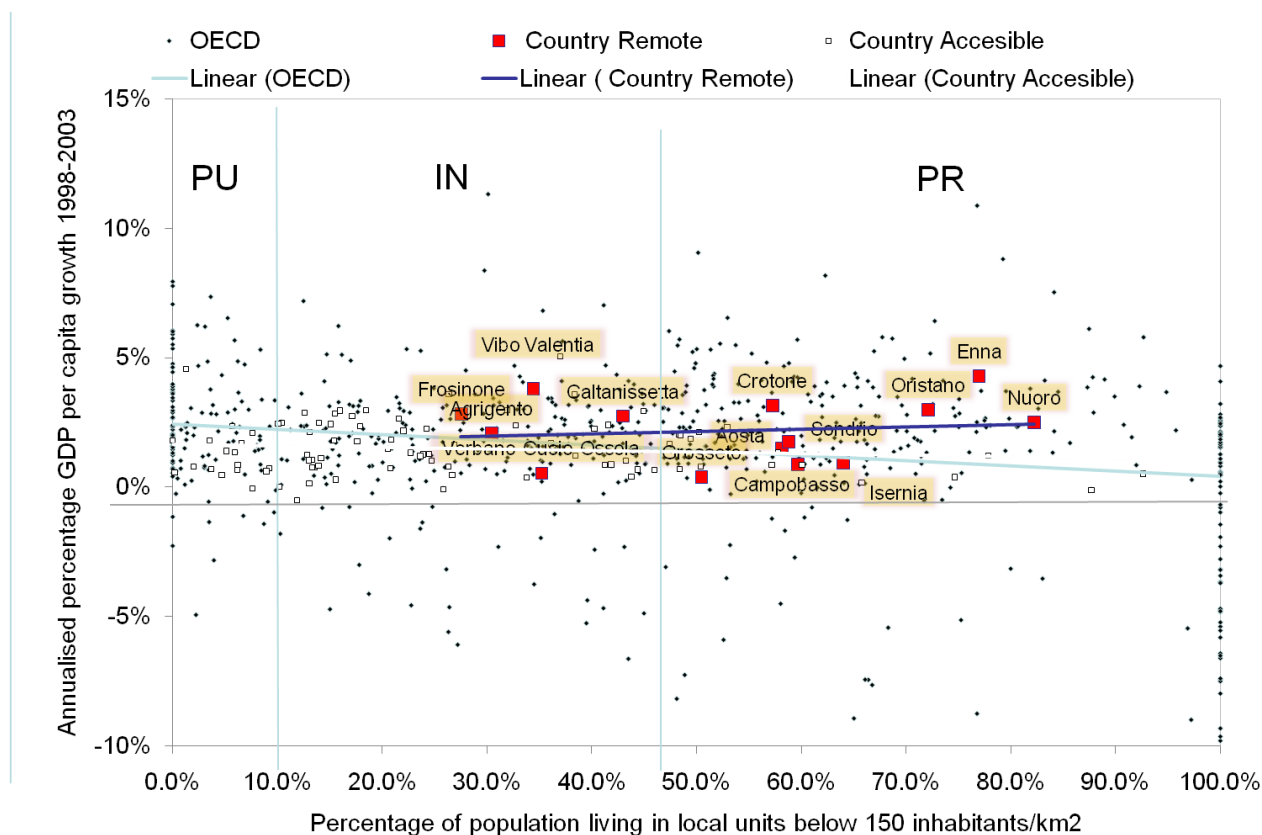
Sources: Eurostat, EuroGeographics, EEA, JRC, Statistics Finland, Statistics Sweden, REGIO-GIS

© EuroGeographics Association for the administrative boundaries



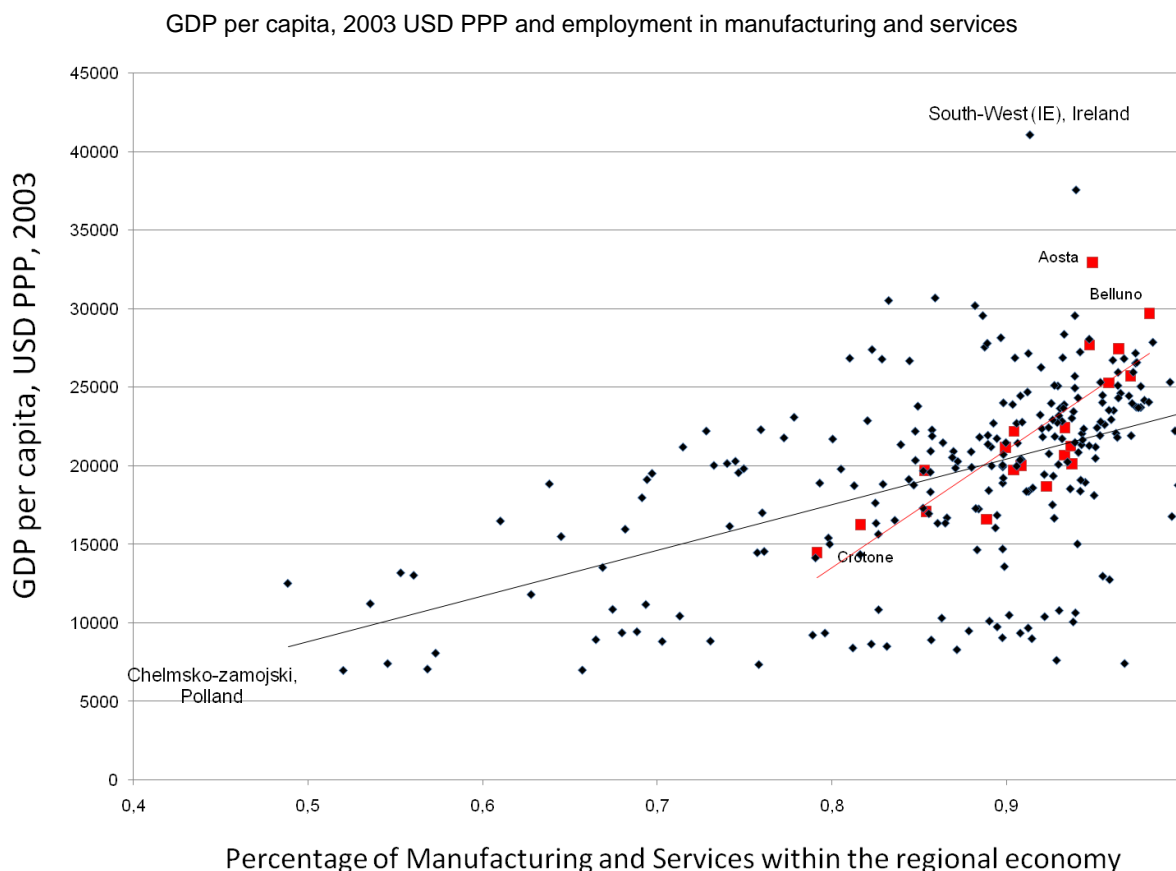
Source : Dijkstra, Lewis and Hugo Poelman, (2008), Remote Rural Regions: How the proximity to a city influences the performance of rural regions. Directorate General for Regional Policy, European Commission, Regional Focus No.1/2008

Figure 1.6 Economic Performance of Remote Regions in Italy in 2003



Note: According to the EU's classification, those regions (TL3) in which 50% of the population lives at less than 45 minutes travel by road to a city are considered as "close to a city". Regions that do not satisfy this condition are considered as remote.

Source: OECD Regional Database based on the EU's classification of remoteness

**Figure 1.7 Performance of Rural Italy within OECD rural regions**

Source: OECD Regional Database

### ***Regional performance depends on a diversified economic base***

*Rural regions are endowed with remarkable natural and cultural amenities...*

8. Natural and cultural assets drive the competitiveness of Italy PRs and *intermediate rural regions* (IRs). For instance, a part of the national agro-food industry, a sector that exported EUR 27 billion (i.e. 9% of national export) in 2007, strongly relies on natural amenities and on local cultural assets. An important niche within the national agro-food industry, related to rural regions, is that of traditional foods. This sector alone encompass more than 160 products (ISTAT, 2007) listed in the two EU's categories *Protected Geographical Indication* (PGI), and *Denomination of Protected Origin* (DPO).<sup>2</sup> Firms involved in the production of PGI and DPO foods were more than 80 thousand in 2007, 20% more than in 2006 when their export was worth EUR 3.5 billion (ISMEA, 2006). In this framework, agriculture and manufacturing are interconnected and has been enhancing its “multi-functional” role by providing services to improve the quality of the landscape and protecting local cultures. Traditional foods are often produced by local *filières* of small integrated farms, in which the value chain include a large number of integrated producers. Rural regions are also endowed with an artistic patrimony. The National Institute of Statistics (ISTAT) identifies 352 cities of historical and artistic interest in rural regions, 41 of which are listed by UNESCO as World Heritage Sites. Another flourishing industry based on regional assets is agri-tourism. Agri-tourism plays a strategic role in highly advanced tourist regions, and couple competitiveness with sustainability (OECD,

2002). Almost every Italian region has a rich mixture of coast, plain and mountains. This complexity provides regions with diversified tourism opportunities (Box 1.1). For instance, rural Italy was home to some 15 thousand farmhouses in 2005, 14% more than in 2004. In fact, Tuscany hosted more than 1.2 million foreign tourists in its farmhouses in 2003 (Regione Toscana, 2004). Also in the southern regions, although comprehensive data is unavailable, the number of farmhouses is increasing, signalling a promising business activity. Another important example of tourism in rural regions includes *Albergo Diffuso*; an extended hotel with guestrooms around the village. The concept for *Albergo Diffuso* developed in Italy in the early 1980s. It is based on refurbishing abandoned houses in rural areas and transforming them into large hotels that are strongly interlinked with the local cultural amenities thus, triggering renewal and development in rural regions.

#### Box 1.2 Agro-tourism in Italy

Agri-tourism represents an important source of income in rural Italy and offers rural regions the opportunity to develop a sustainable form of tourism. It attracts tourists that want to learn more about local culture and economic activities, thus providing a stimulus for forestry and environmentally friendly activities. It also plays a revitalising role in the most deprived areas, generating additional income for farm household and local communities with few other substantial economic activities. Based on a series of qualitative trends in tourism more sustainable types of tourism are looked for. Agri-tourism has developed over the last decade as a particular highly demanded type of tourism with constantly high increase rates. Bolzano, Siena, Perugia, Florence and Grosseto are, in decreasing order, those with the highest concentration of farmhouses, together accounting for 41% of the national total (ISTAT, 1998). In Siena the increase has led to a situation where agri-tourism offered already 32% of the areas tourist beds (in 1998).

Agro-tourism provides an additional income, both through room and board sales and through direct-to-consumer sales of agro-food products (cheese, wine, olive oil, fruit products, vegetables, meat and poultry). Increasingly organic farms are involved in agri-tourism activities. All over Italy, 63% of agri-tourist units offer some kind of gastronomic service which explains the particular attraction of this type of tourism. On the demand side, the growing popularity of countryside tourism has inspired the farm operators to engage in these activities. For instance, a part of Italy's landscape in regions such as Tuscany, Umbria, Sicily, Puglia and Marche is agricultural, highly aesthetic, with a variety of hills, plains and woods, and many ancient farmhouses.

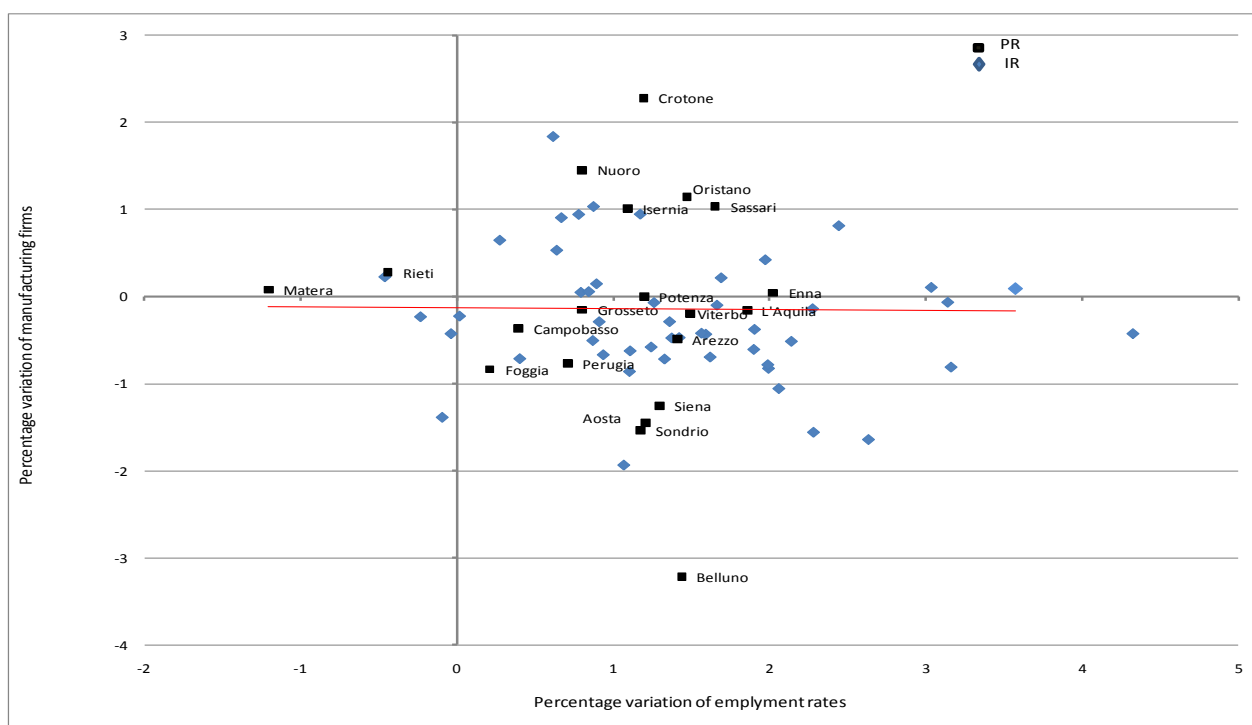
Source : ESPON (2004)

*...and are home to manufacturing and service activities...*

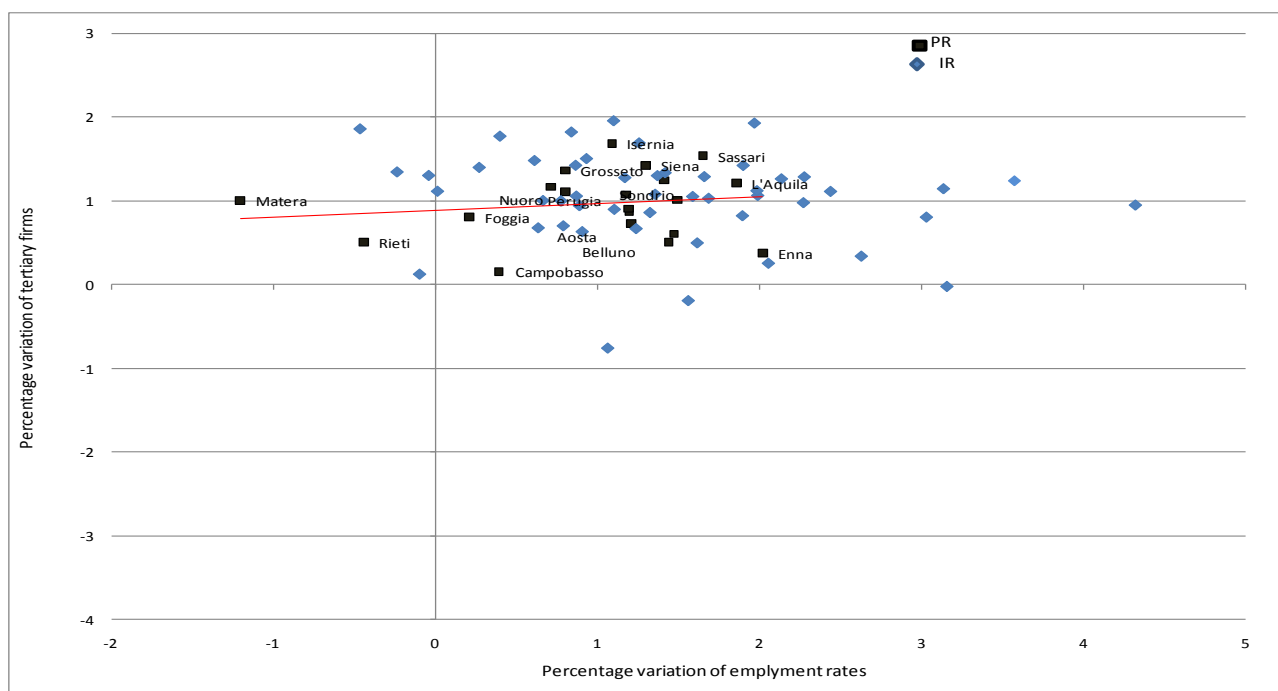
9. Italy, more than other OECD countries is the place of SMEs, and rural regions mirror this national trend. In 2003, the number of firms in Italy totalled 4.2 millions (ISTAT, territorial indicators). More than 90% of these firms were "micro" firms (between 1 and 9 employees). Taking manufacturing alone, PRs were home to 12% of Italian manufacturing firms (541 thousand), while some 40% were located in IRs in 2003. A similar concentration can be observed for the tertiary sector. Thus, while manufacturing firms have been decreasing, tertiary activities followed an opposite trend increasing almost everywhere in Rural Italy, during 1993 and 2003 (Figure 1.8-9). In this context, wage moderation has been facilitating the creation of a large number of new jobs. Between 1999 and 2003, for instance, rural regions displayed a consistent increase of employment (Figure 1.8-9). This is a national trend. Between 2001 and 2006, Italy is the country that created much new jobs in the European Union, only after Spain (OECD, "Economic Surveys, Italy", 2007). Total employment growth has been the strong point of the economy since 1995. The increase of both participation and employment depends almost entirely on the introduction of flexibility.<sup>3</sup> On the one hand, flexibility facilitated the entrance into the labour market of young people and women. On the other hand, flexibility allowed the regularisation of a large number of shadow workers (Meldolesi, 2004).

10. These figures, however, do not necessarily indicate the tertiarization of rural regions, and actually could be masking the manufacturing restructuring underway since the end of the 1990s. To compete with late-comers (such as China and India) traditional/mature manufacturing in Italy has been specialising its output and its industrial organisation (Micelli, 2007). The export trends reveal that the performance of Italy in terms of value is positive. For instance, export prices have been rising, relative to general product prices, this is more the case in Italy than in Spain or Germany, allowing it to maintain market shares much better in value than in volume terms (OECD, "Economic Surveys, Italy", 2007) (Figure 1.10). These figures also demonstrate that the specialisation of Italy in mature/traditional sectors (but with a high value-added), usually considered a structural problem of the country, could turn out to be a competitive advantage within the near future. Late-comers, after starting their industrialisation in mature sectors, are now shifting into high-tech areas and investing in human capital. New OECD areas of comparative advantage may before long become contested and overcrowded. Export prices of such goods have in fact been falling, also because of technology, so that the terms of trade for countries specialising in them result in income loss. Accordingly, Italy may be better placed for the long run due to its solid export base with high grade consumer items and the manufacturing machinery (OECD, "Economic Surveys", Italy, 2007).

**Figure 1.8 Percentage variations of manufacturing firms and employment rates, 1999-2003**



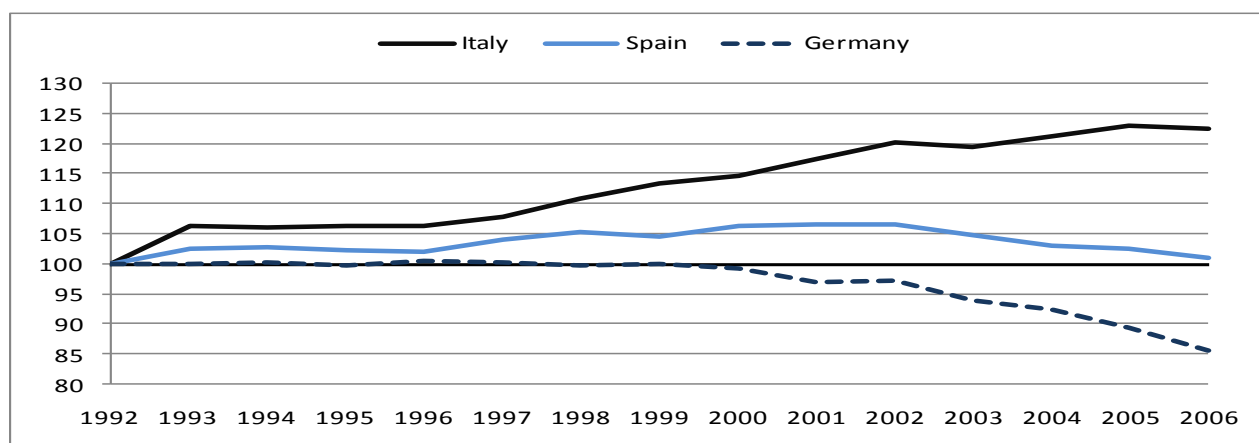
Source: ISTAT, Territorial Indicators

**Figure 1.9 Percentage variations of tertiary firms and employment rates, 1999-2003**

Source: ISTAT, Territorial Indicators

**Figure 1.10 Trend of export prices in Italy, Spain, and Germany**

1992-2006



Note: Export unit prices of goods and services deflated by producer prices index.

Source: OECD, Economic Review of Italy, 2007

...which in some regions spur “Marshallian Industrial Districts”

11. In some rural regions, the concentration of SMEs takes the form of Marshallian Industrial Districts. Following the methodology elaborated by ISTAT (Sforzi, 1991), PRs are home to 22 industrial

districts, i.e. 14% of overall industrial districts in Italy (See Annex 1.2). Industrial districts are based on a *small-scale and diffused industrialisation* which resulted from a socio-economic environment with a specific mix of *codified* and *tacit* knowledge (Box 1.3). The local community creates a stratified supply-chain, based on an intense process of division of labour, and specialises in the production of a given good, often linked to the local crafting tradition (Becattini, 1979; Brusco, 1989). The largest part of predominantly rural regions home to an industrial district are localised in the so-called *Third Italy*.<sup>4</sup> Rural regions in this area are home to 16 industrial districts: Arezzo (5), Perugia (5) Siena (3) (in Tuscany and Umbria), and Belluno (3) (Veneto) (Figure 1.11).

### Box 1.3 Marshallian Industrial Districts

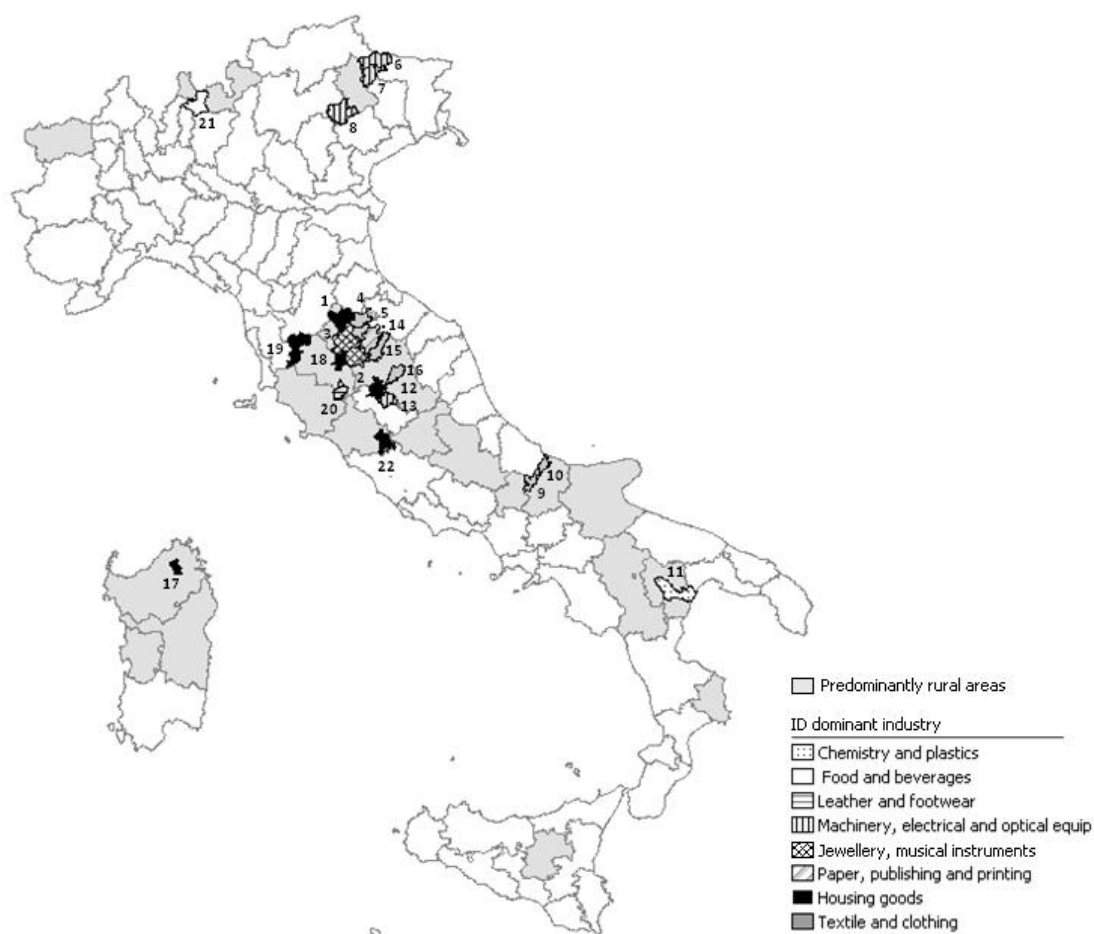
An **industrial district (ID)** is “a socio-territorial entity which is characterized by the active presence of both a community of people and a group of firms in a naturally and historically bounded area” (Becattini, 1992), *Industrial districts and inter-firm cooperation in Italy*, ILS, Geneva, p.38). This community shares a system of values and common practices which spread into the district through the customs and the institutional structure (markets, firms, professional schools, trade unions, employer’s organizations, etc.).

In 1890, the economist Alfred Marshall (1890) documented the existence of a form of organization of production based on the concentration, in some districts of English industrial cities, of people and small and medium-sized firms specialized in different parts of a production process. In these ‘industrial districts’, internal large scale economies were substituted by external economies related to the existence of skilled workers, specialized suppliers, and an informal system of knowledge diffusion.

The notion of the Marshallian industrial district (MID) was reprised by Giacomo Becattini (Becattini, 1975) to explain why the specialized local production systems of small and medium enterprises (SME) in the Italian region of Tuscany were so successful at the same time that the large firm production model of Turin and Milan was experiencing serious crisis. Nowadays industrial districts are a widespread mode of production in many countries, and in Spain and Italy have become an instrument of analysis of economics and a tool for the policy strategies.



Figure 1.11 Industrial districts in rural regions in Italy



Source: Boix, 2008

12. Rural industrial districts are generally specialised in mature/traditional manufacturing, i.e. housing goods, jewellery and musical instruments, and textile and clothing. Fourteen out of the 22 rural industrial districts are specialised in these traditional production. Overall, they employ 187 000 workers. Other dominant specializations in rural areas are “machinery tools”, “electrical and optical equipment” (4 industrial districts with 39 000 employees), “paper, publishing and printing” (1 industrial district and 20 000 employees), “food and beverages” (1 industrial district and 19 000 employees), “chemistry and plastics” (1 industrial district and 10 000 employees), and “leather and footwear” (1 industrial district and 4 000 employees). It is worth noting, that sometimes local specialisation appear articulated and some rural regions are have industrial districts with different specialisations. Furthermore, as discussed in the Annex 1.2, taking into account local labour markets (LLMs) instead of administrative borders, there are also some industrial districts with rural characteristics in regions classified as urban by the OECD.

13. Rural regions that are home to industrial districts have higher employment rates and employment growth rates than the Rural Italy’s average. Industrial districts generated 18% of the employment in rural areas (around 279 000 employees) in 2001. The largest industrial districts in terms of employment are Arezzo (60 000 employees), Poggibonsi (27 000 employees), Assisi (21 000 employees), Feltre (20 000 employees), and Città di Castello (20 000 employees). These five areas represent 53% of the total employment in rural industrial districts. Between 1991 and 2001, the growth rate of employment of

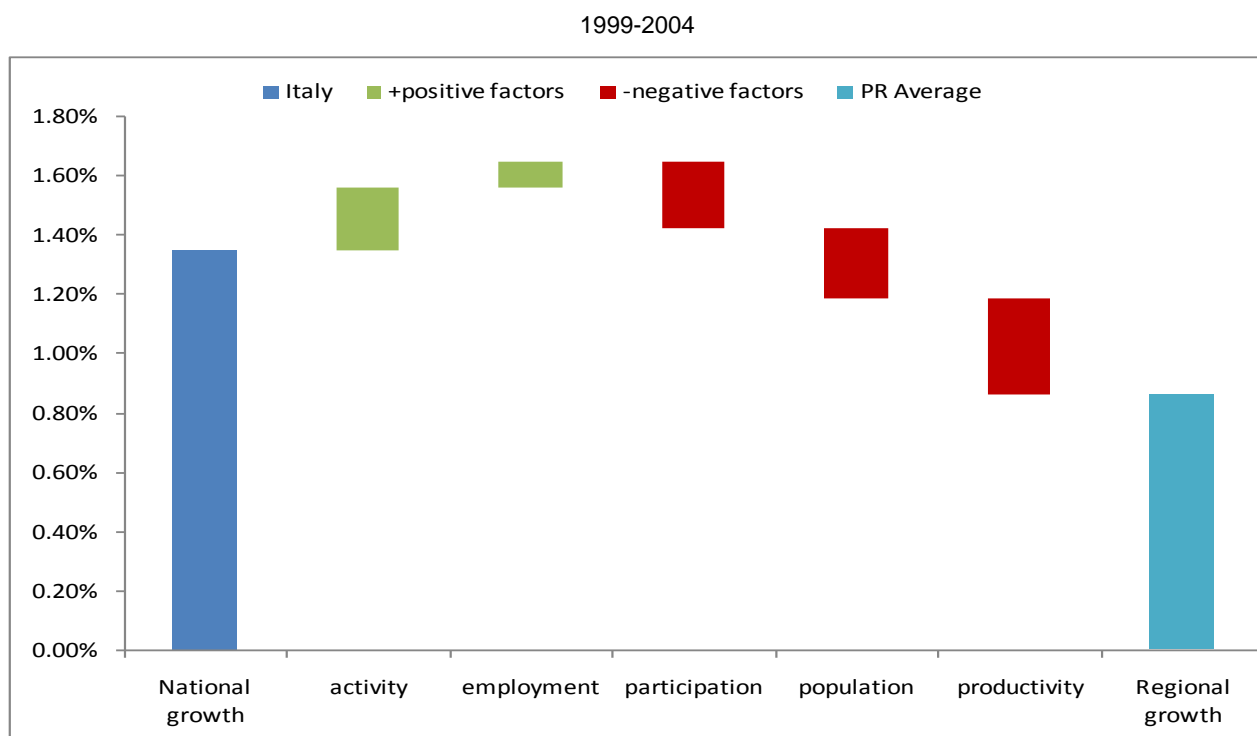
industrial districts in rural areas was 7.1% (18 600 employees) whereas the average of Rural Italy was 5.6%.

## 1.2 Rural regions perform lower than the national average

### *Rural Italy displayed lower economic growth than the national average*

14. Despite the potential in rural regions they produced a lower GDP growth than the national average between 1999 and 2004. Mirroring a common situation within the OECD, GDP per capita is lower in overall rural regions vis-à-vis urban nodes. Tax payers' data, the only available at the municipal level, show that the average disposable income in rural areas was 45% of the urban one in 2004. Taking into account components of economic growth (i.e. GDP per capita growth), rural regions performed lower than the national average due to: (i) their lower labour productivity; (ii) an inferior participation rates; and (iii) their lower population growth (Figure 1.12). For instance, figures about women's activity and participation rates are very low in Italy and particularly in PRs (Figure 1.13). Although, as discussed above, greater flexibility of the labour market regulations facilitated the participation of women into the labour market, the situation in rural regions is still problematic and there is a large gender gap. In spite of the overall negative performance, data at the provincial level reveals a group of rural regions that outperformed the national average (Figure 1.14). In this case, positive employment rates represent the strongest source of GDP growth, both in IRs and PRs. The provincial breakdown, however, confirms that participation rate is a major problem for rural regions, and goes hand in hand with the poor capacity rural regions have to attract population.

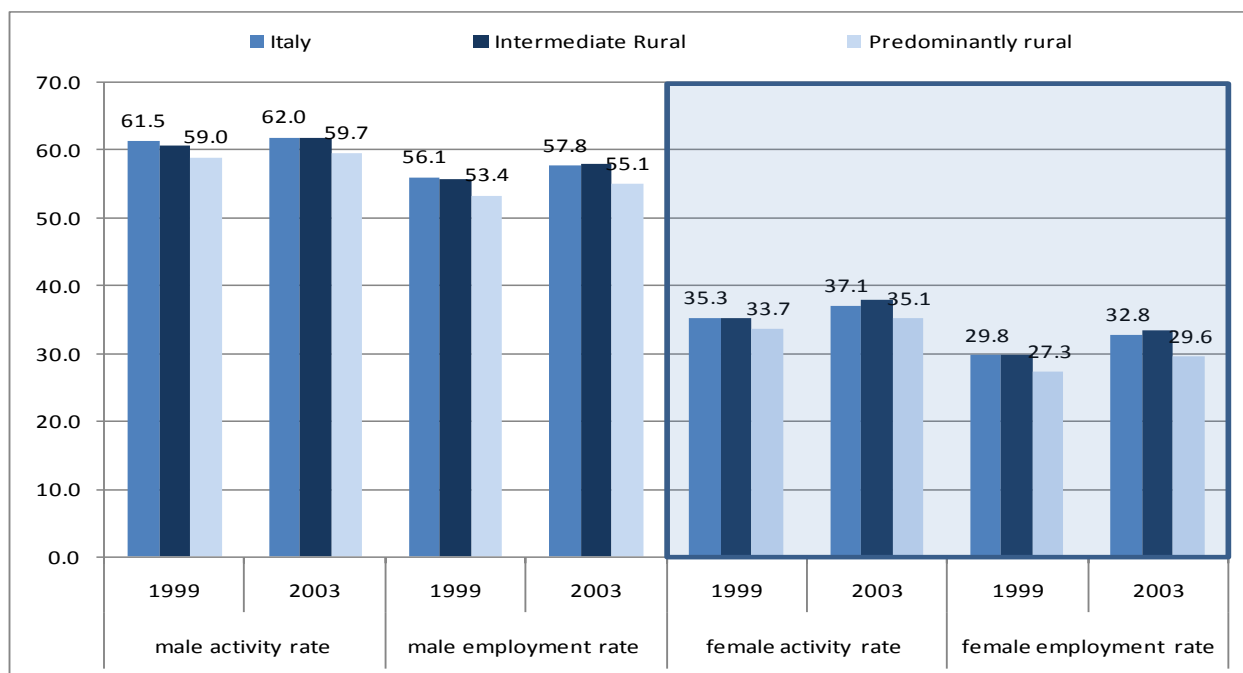
**Figure 1.12 Components of the difference in growth of the average PR region with national average**



Source: OECD regional database

**Figure 1.13 Male and female labour market, 1999-2003**

Average activity and employment rates in Italy, IRs, PRs



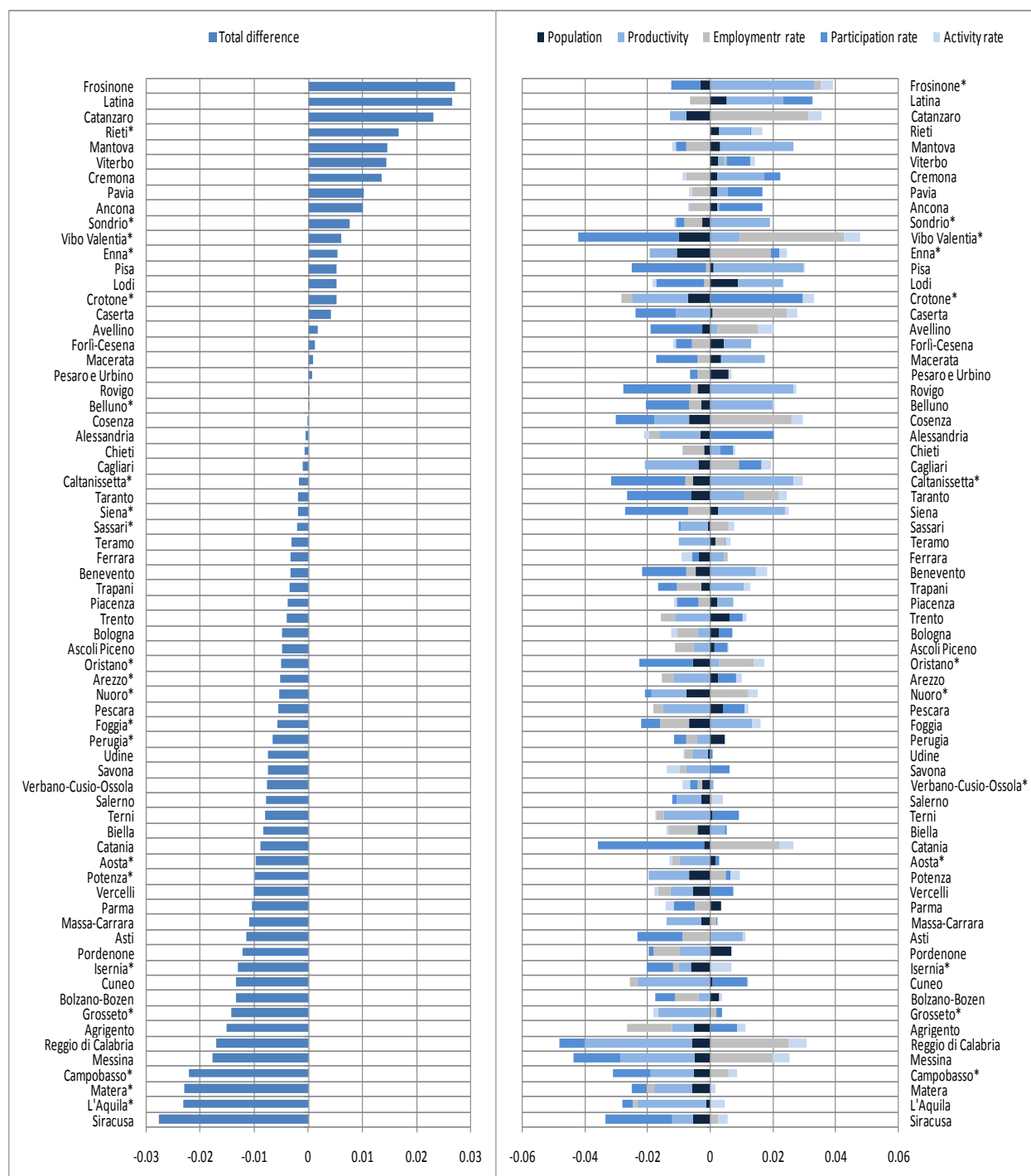
Source : ISTAT, Territorial Indicators

**Figure 1.14 Rural Regions GDP Growth as compared to Italy's average**

1999-2004

Regional difference

Components of the regional difference



Source: OECD Regional database

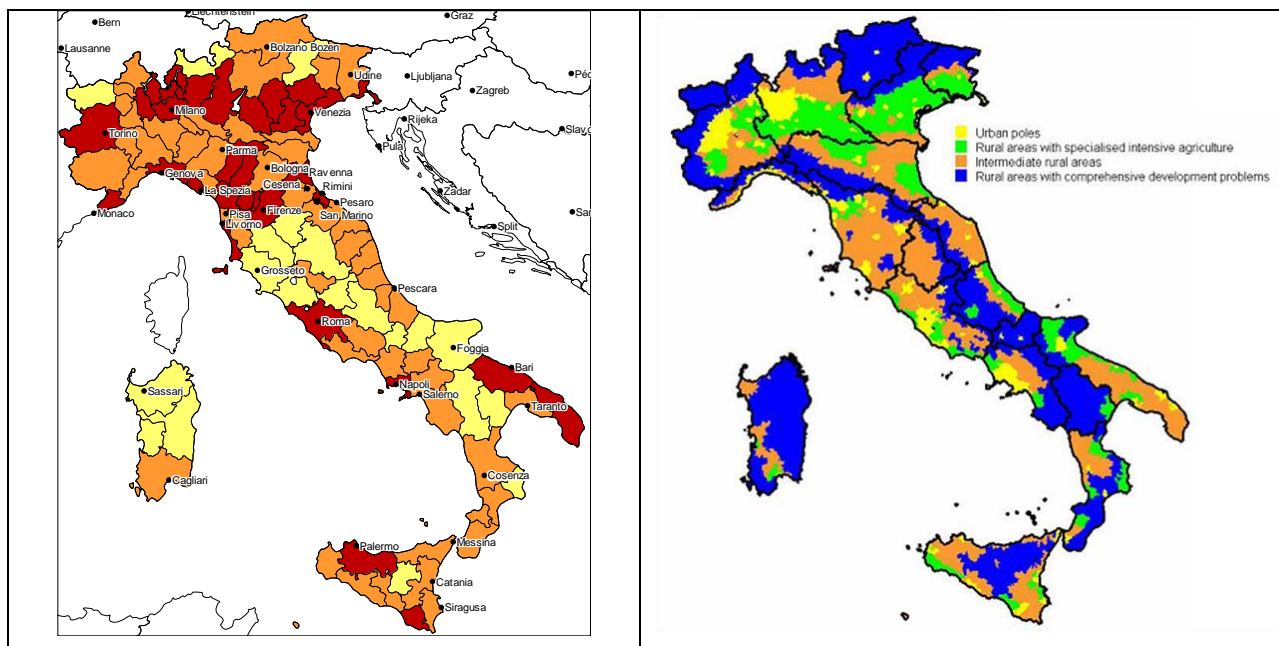
### 1.3 Rural Italy faces social, economic, and environmental challenges

#### *A more detailed definition of rural is needed to assess regional challenges*

15. Given the complexity of Rural Italy, the OECD definition, which takes a macro perspective of *rural*, may prove to be too restrictive to assess regional characteristics and trends. As discussed above (Box 1.1), the OECD classifies rural regions according to population densities, and the localisation of urban nodes, at Territorial Level 3 (i.e. *provinces*, in the case of Italy). This approach does not fit rural Italy, where altitude and proximity to the coastline generate dramatic differences in climate conditions, water availability, and soil fertility. A *partial* solution to this problem is the rural classification implemented by the MoA, which will be utilised along with the OECD definition throughout this study (Figure 1.15). Although this classification does not take into account regional accessibility/remoteness (see Annex 1.3), and is over broad in that it includes some urban areas in the rural definition, it has two main positive characteristics. First, it was derived by consensus between the central and regional governments. Second, it represents the first systematic tool to set a rural policy in Italy. The MoA's classification of rural is based on a *four-step algorithm* which considers population densities (i.e. the OECD definition), altitude, and the degree of local specialisation in farming activities (Box 1.4). In particular, the MoA divides rural regions into three categories.

- (i) *Rural regions with specialised intensive agriculture (RR SIA)*. These regions encompass 1 632 municipalities, are home to 22% of the national population, and are mostly located in the plains of northern and central Italy, close to large urban poles. Population densities are generally fairly high (253 inhabitants/sq. km). Farming activities are highly specialised and capital intensive. These regions produce alone 38% of agriculture's value added.
- (ii) *Intermediate rural regions (IRR)*. Overall, 2 676 municipalities fall in this category, mainly located on hill and mountain territories. They represent 24% of Italy's population and about 32% of the national territory. These regions are home to a highly diversified economic base, while agriculture is generally declining. Farming has registered strong signs of crisis in the last decade, losing a considerable amount of area (-12% utilised agricultural area – UAA) and employment (-27%).
- (iii) *Rural regions with development problems. (RR DP)*. This group includes 2 759 municipalities, i.e. 12% of Italy's population. The bulk of these regions are located in mountain or hill territories, while a smaller number is in the plains of the south and the islands (Sardinia and Sicily). Population densities are the lowest of the country (54 inhabitants/sq. km). On average, these rural regions suffer from a gap in the endowment of public/private services as compared to other areas of the country.

Figure 1.15 A comparison between the rural classifications of the OECD and the Ministry of Agriculture of Italy



Source: OECD and Ministry of Agriculture of Italy

#### Box 1.4 The Classification of Rural Regions Implemented by the Ministry of Agriculture of Italy

The MoA classification of Rural Italy aims at refining the OECD classification taking into account the intra-provincial differences, which in a complex territory such as Italy, can be significant. In particular, the MoA classification of rural regions acts at the municipal level (TL4) and follows a four-step algorithm.

**First step:** the municipalities/provincial capitals with over 150 inhabitants/sq. km are selected, considered representative of the major urban centres, where a good share of urbanisation phenomena and the major non-agricultural activities are concentrated. At the national level this group of municipalities can represent the “urban areas in a strict sense” and is excluded from subsequent elaboration.

**Second step:** the OECD methodology is applied to the remaining municipalities, identifying the predominantly urban areas (rural municipalities population < 15% total population), significantly rural (rural municipalities population > 15% and < 50% total population) and predominantly rural (rural municipalities population > 50% total population) not at the provincial level (OECD methodology), but rather by distinguishing the municipalities within each Province in terms of altitude (plain, hill, and mountain areas) and the incidence of the population of the municipalities classified as rural in terms of total population.

**Third step:** the category of predominantly urban areas is further disaggregated, since it includes pronounced differentiation between a set of municipalities more similar to provincial capitals (e.g. the municipalities in proximity to Italy’s major cities and/or certain coastal municipalities with considerable urban development) and a set of densely populated municipalities where rich and intensive agriculture is present (e.g. the plains of Northern Italy). A reclassification within these two predominantly urban areas is performed to distinguish them on the basis of population density (150 inhabitants/sq. km) and the weight of total farmland compared to territorial area. This leads to identify those areas that are “urbanised rural”, which are characterised by both high population density and the presence of agriculture activities (over 2% of territorial area). Finally, applying the altitude principle, a “heavily urbanised rural” category is obtained. In this category rural municipalities have a significant weight (over 15% of the total population), while urbanised rural municipalities have a predominant weight (over 50% of the rural population).

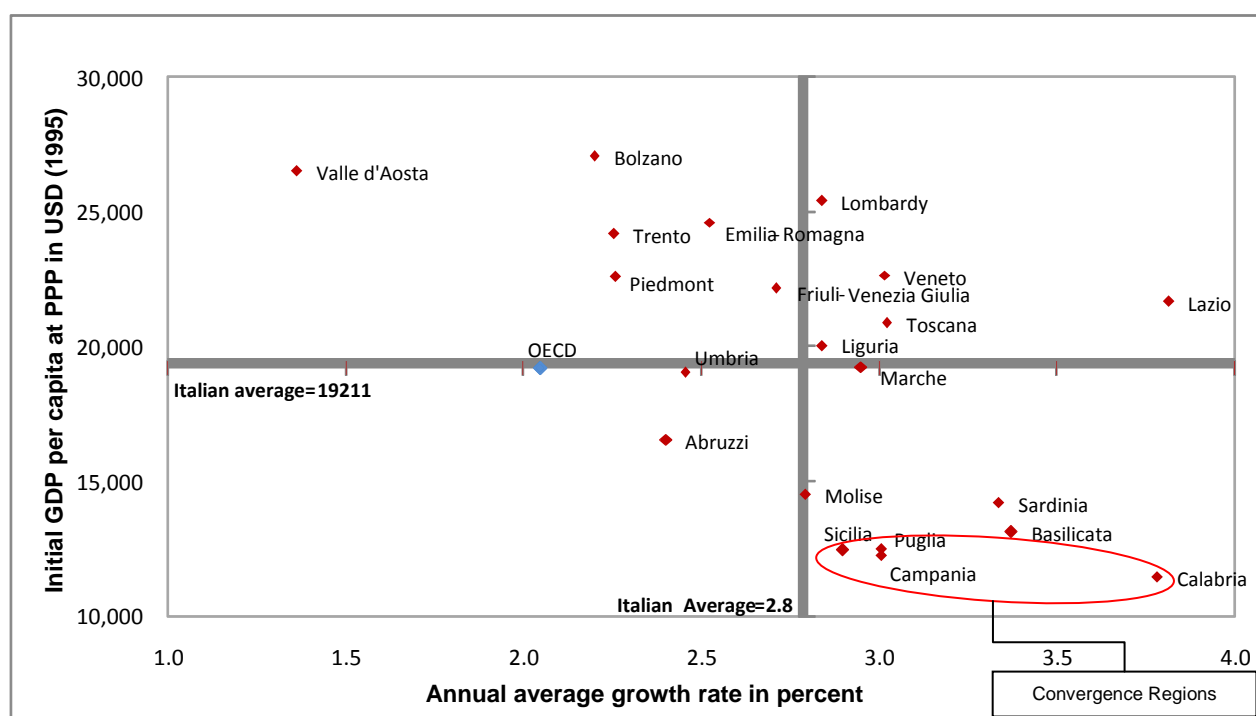
**Fourth step:** The algorithm spurs 36 categories (plus one for the provincial capitals) which are aggregated on the basis of their common characteristics. This process provides the following four homogeneous areas: *Urban Poles*,

which consists of provincial capitals with over 150 inhabitants/sq. km and all heavily urbanised areas; *Rural Areas with Specialised Intensive Agriculture*, which include Urbanised Rural Plain Areas, Urbanised Rural Hill Areas, Predominantly Rural Plain Areas and Significantly Rural Plain Areas; *Intermediate Rural Areas*, which include Predominantly Rural Hill Areas (North and Centre), Significantly Rural Hill Areas and Significantly Rural Mountain Areas (North and Centre); and *Rural Areas with Comprehensive Development Problems*, which include Predominantly Rural Mountain Areas, Predominantly Rural Hill Areas (South) and Significantly Rural Mountain Areas (South).

Source: Ministry of Agriculture of Italy

16. The distinction between northern “competitiveness” regions and the southern “convergence” regions should also be considered when assessing rural Italy.<sup>5</sup> A sort of “developmental border” situated somewhere south of Latium. The less developed south includes four administrative regions: Campania, Puglia, Calabria, and Sicily. These “convergence” regions display the lowest performance within Italy. In general, the north of Italy outperforms the south in respect of socio-economic indicators. To illustrate, the average GDP per capita in the southern regions was EUR 17 483 in 2007, i.e. 57.5% of the value of the centre-north (EUR 30 381) (Figure 1.16). In 2001, the average unemployment rate in southern RR DP was 21.7%, 13% more than in northern RR DP. The north-south divide appears to be a structural phenomenon, since short term performance (economic growth between 1999 and 2004) is not related to the location of the rural region (Figure 1.16).

Figure 1.16 Income and growth in Italian regions (1995-2005)



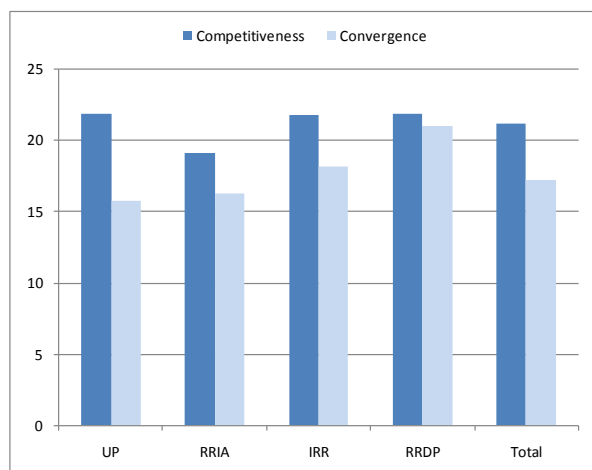
Source: OECD regional database.

### *Rural regions are confronted with social, economic, and environmental issues*

*The concentration of the elderly is very high and in some regions is interlinked with depopulation*

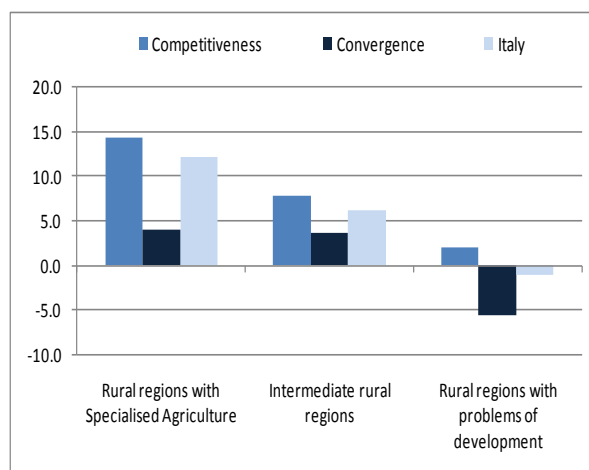
17. Population ageing is a national trend. The concentration of inhabitants aged over 65 years is very high in rural regions, and increasing over time. In 2006, the ratio between the number of people over 65 and the number under 15 was 141/100, the highest in the OECD after only Japan and Germany. The percentage of retirees increased from 15.5% in 1992 to about 20% in 2006. Concentration of senior citizens goes hand in hand with poverty. According to ISTAT, in 2001, 45% of families living below the poverty line had a member aged over 65 years. In particular, population ageing is intense in RR DPs, where people aged 65 years and over made up 22% of the population in 2006, and this concentration increased by 21% since 1992 (Figure 1.17-18). In “convergence” RR DPs ageing is linked to depopulation. In this part of the country, RR DPs lost 6% of their population (7.1% in Calabria) between 1992 and 2006.

**Figure 1.17 Concentration of +65 in rural regions in 2006**



Source : ISTAT and Ministry of Agriculture of Italy

**Figure 1.18 Demographic trends in rural Italy (1992-2006)**

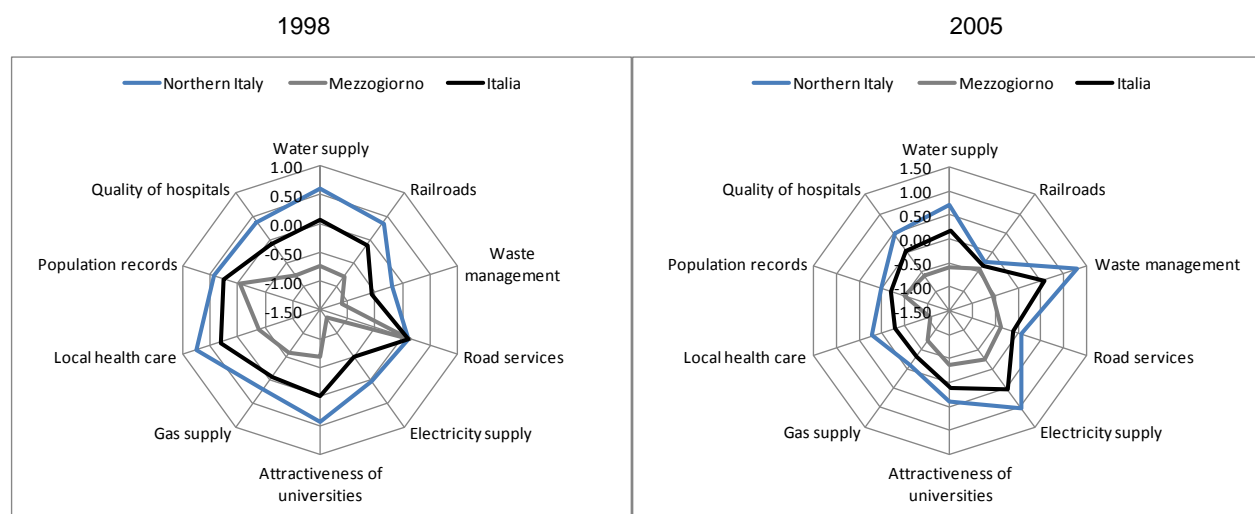


Source: ISTAT and Ministry of Agriculture of Italy

*The demographic imbalance challenges the quality and accessibility of some basic services...*

18. The quality of public services is a national concern. According the Bank of Italy (2006), the overall quality (which, in some cases is the *perceived* quality) of public services has generally declined across the country, between 1998 and 2005 (Figure 1.19). The data also reveals a large north-south gap with respect to the quality of public services. The north of Italy outperforms the south in all the basic public sectors (water, electricity, health care) and also has a more attractive university framework.



**Figure 1.19 Quality of public services in Italy**

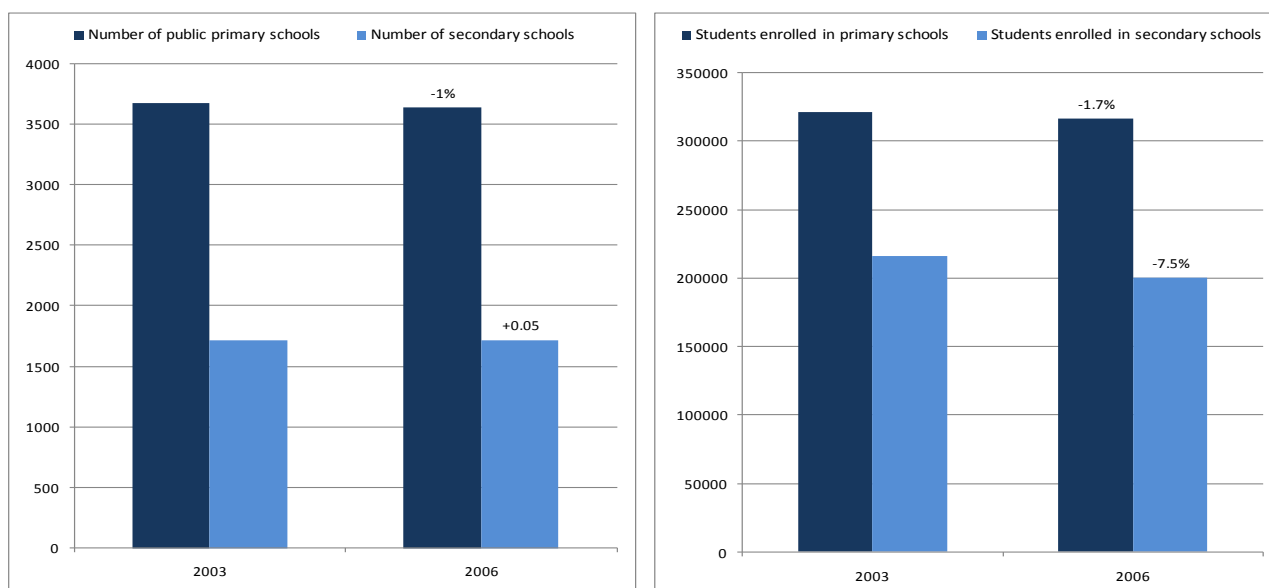
3. The north of Italy encompasses all the competitiveness regions with the exception of Sardinia, Abruzzi, and Molise, which are considered to be part of South of Italy.

Source: Bank of Italy, 2006

19. Within this context, rural regions' availability and accessibility to public services is even more complex. In particular, ageing and depopulation are challenging the sustainability of some basic public services such as (i) *education services*; and (ii) *health care services*.

#### i) Accessibility and quality of education services

20. Due to ageing and depopulation, the number of students enrolled in primary and secondary schools in RR DPs has decreased by 1.7% and 7.1% respectively, between 2003 and 2006 (Figure 1.20). In particular, in the RR DPs of Calabria, Sicilia, Puglia, and Campania (the "convergence" regions), students enrolled in primary and secondary schools have decreased by 3.7% and 10.4% respectively, over the same period. Another major issue is the accessibility to education services. According to the data secondary schools are concentrated in urban areas and students living in rural regions have to face a long commuting (Table 1.1).<sup>6</sup> Commuting is more intense in the "competitiveness" part of the country (where the indicator used to measure commuting reaches 200% in some urban areas, meaning that student commuting to these areas are as numerous as students living there) and might be related to students drop-out, which is particularly intense all over Italy, where about 200 thousand students (33%) of first-year enrolees) drop out of school each year.<sup>7</sup> Drop out is particularly high (49%) for vocational education. In terms of geographical areas, the least favourable situation is found on the islands (39%) and in the Northwest (35%), while the Northeast (27%) and Central Italy (28%) display the lowest drop out rate.

**Figure 1.20 Number of schools and enrolled students in RR DPs in 2003**

Source: Elaboration on data of the Ministry of Education of Italy

**Table 1.1 Student's commuting from rural to urban regions**

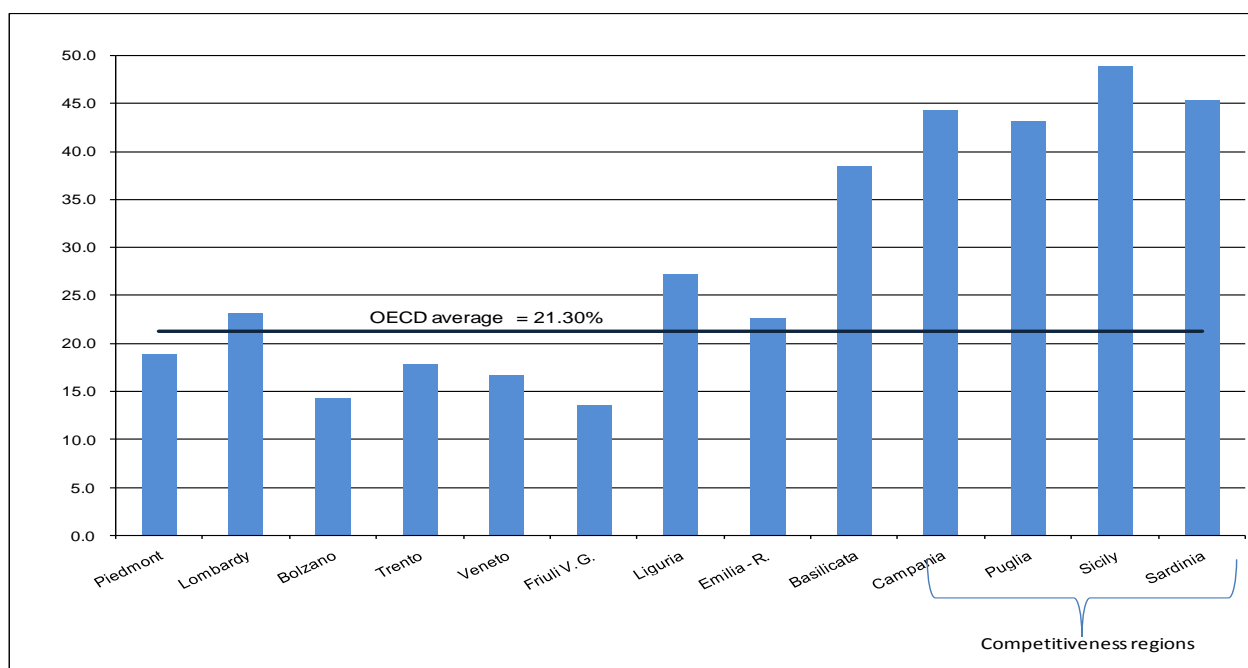
Percentage in Administrative Regions – 2006-2007

	Urban poles	RR SIA	IRR	RR DP
	%			
Piedmont	110.6	64.1	49.9	51.9
Valle d'Aosta				89.6
Lombardy	106.4	47.5	49.4	58
Bolzano	169.4			46.4
Trento	154.6			61.3
Veneto	211.2	63.6	57.5	76.8
Friuli-V-G	212.6	35.6	47.6	58.2
Liguria	105.1		32.4	34.9
Emilia-Romagna	164	98	64.3	66
Tuscany	140.7	76.4	58.7	55.6
Umbria			92.9	112.4
Marches	195.3		78.2	65.8
Lazio	108.6	93.5	76.5	9.7
Abruzzi	220.5	79.6	30.5	72.2
Molise	236.9			57.3
Sardinia	291.6	54.6	101.8	77.4
Basilicata		90.2		105.4
<i>Competitiveness</i>	125.2	68.5	67.8	63.6
Campania	91.5	81.1	86.5	88.2
Puglia	156.3	78.1	76.5	71.1
Calabria	161.3	90.5	80	95.8
Sicily	117.3	80.3	76	80.8
<i>Convergence</i>	107.3	81.9	78	90.1
<b>ITALY</b>	<b>118.4</b>	<b>71.8</b>	<b>72.3</b>	<b>75.1</b>

Source: Elaboration on Ministry of Education of Italy and ISTAT data

21. Besides accessibility, in Italy there are also some concerns about the quality of education. For instance, the OECD Programme for International Student Assessment (PISA) assesses the level of education of 15 year students and places Italy 26<sup>th</sup> out of 30 OECD countries (OECD, 2007c). Such a low educational attainment is considered as one of the factors affecting Italy's competitiveness (OECD, Economic Surveys, Italy, 2007). However, in a complex country like Italy, the aggregate national performance may mask different results at the regional level, as well as a different performance between rural and urban areas. At the TL2 level, which in Italy corresponds to administrative regions, there is a clear north-south divide. In particular, some northern regions perform within the OECD average (Figure 1.21). Interestingly enough, these territories boast a large number of predominantly and intermediate rural regions. Unfortunately, OECD PISA cannot be used to assess performances at a lower territorial level (e.g. TL3, which in Italy corresponds to provinces) since under TL2 samples of students are too small and not statistically robust, or even absent, as in the case of some Italian southern areas. To solve this problem the Ministry of Education of Italy and the Ministry of Economic Development of Italy are financing a focus of OECD PISA on regions (TL2 and TL3) all over the country to obtain a complete and deep database. Some studies, however, have already tried to integrate OECD PISA data with other databases to obtain a preliminary picture of local trends (Box 1.5).

**Figure 1.21 Students with low mathematical literacy in some Italian Regions, as assessed by OECD PISA 2006**



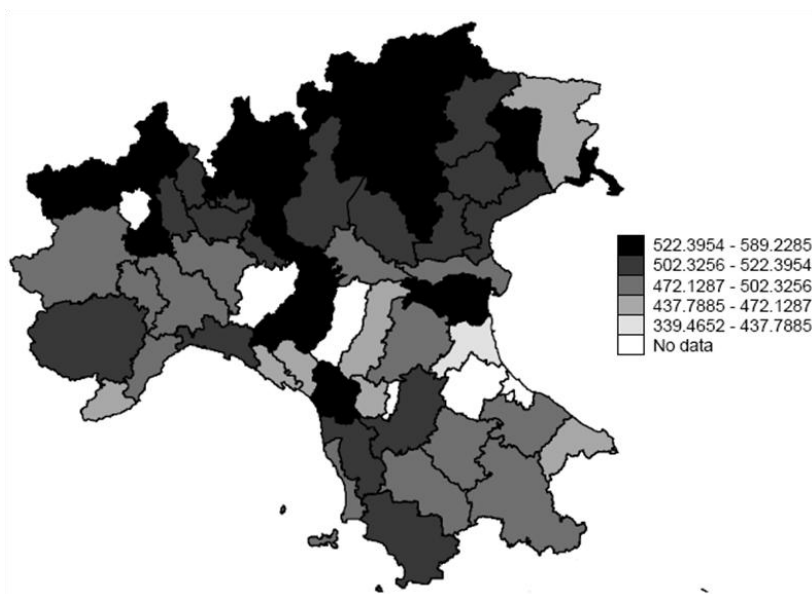
Source : Ministry of Economic Development (2007), Annual report on Actions in Under-Utilised Areas

#### **Box 1.5 Measuring the quality of education at the regional level (TL3)**

Bratti et al. (2007) developed a model through which measuring the mathematical competencies (as defined by the OECD PISA) of students in some provinces in the north-centre Italy. The model integrates OECD PISA data with data from the Ministry of Public Education, the Italian agency for the assessment of the educational system (INVALSI), administrative data at the provincial level, the national Labour Force Survey, and other surveys run by the Italian National Statistical Institute (ISTAT). According to this assessment, in spite of a less favourable endowment of secondary schools, some northern provinces score above the national average as well as the OECD average (Bratti *et al.*, 2007). Such a good performance may depend on well equipped schools, and low unemployment rates. The employment probability, in particular, is highly correlated with student performances. For instance, an increase by one

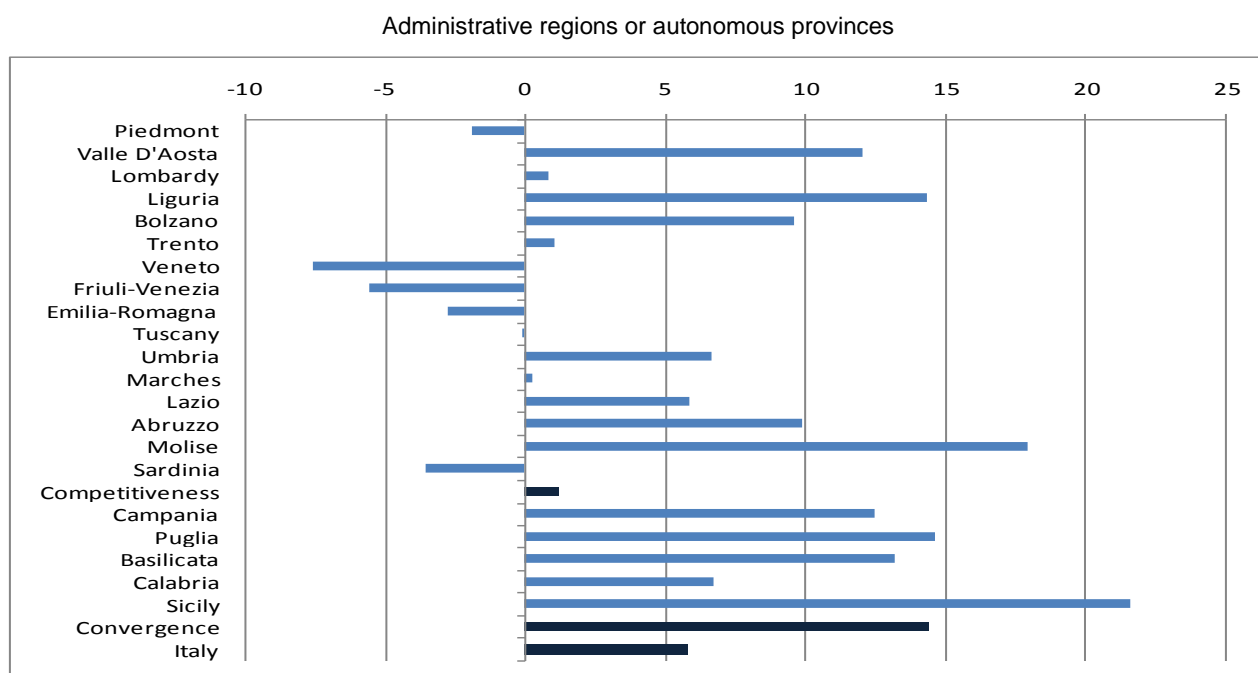
percentage point in the employment probability would be associated with a more than one-point increase in the PISA scores (Bratti *et al.*, 2007). The rural regions in the north of the country have, on average, a low unemployment rate and this would justify their higher score in the PISA, while, conversely rural regions in the south perform lower than the national average due to their high unemployment rates, irregular work, and crime, which lower young citizens' incentive to invest in their human capital (Bratti *et al.* 2007). As illustrated by the figure below, which displays a map of the provinces assessed by Bratti *et al.*, some of these well performing territories are actually rural regions (PR and IR) according to the OECD classification. Therefore it could be important to investigate the factors that generate such a good result where the density of education facilities is lower, yet the linkage between the local community and the school "facilities" may be more intense.

**Level of mathematical competencies in some Italian provinces, 2003**



Source : Bratti, et al. (2007)

22. The geography of tertiary education is more complex than the rest of the education framework, and in southern regions show a higher increase of students enrolled in universities than the rest of the country. Italy is home to a polycentric system of universities. This facilitates the access to tertiary education. Although specific data assessing the performances of rural regions are not available, the share of people enrolled in tertiary education has been increasing almost everywhere and especially in the "convergence" area. However, the increase of the student population may also depend on the conditions of the regional labour market. Some of the southern regions with high youth unemployment are, in fact, those in which the percentage of people enrolled in higher education increased the most (Figure 1.22). Although such an increase can be considered as a positive feature, it may also depend on the fact that, given the lack of job opportunities, young people in the "convergence" area prefer to delay their entrance into the labour market.

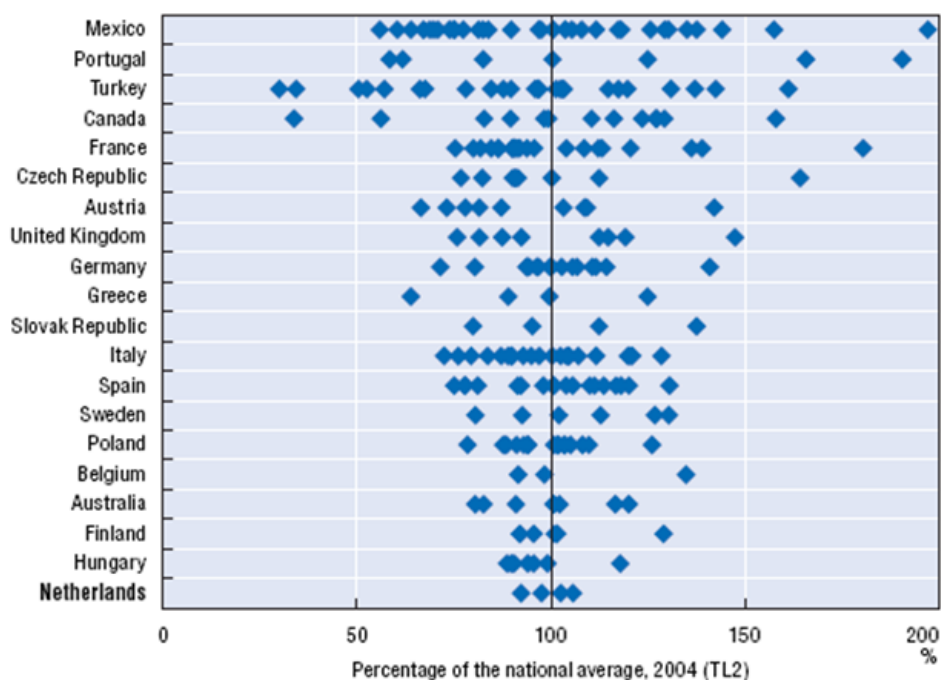
**Figure 1.22 Percentage variations of students enrolled in tertiary education, 2000-2007**

Source: Elaboration on Ministry of Education of Italy and ISTAT data

## ii) Accessibility and quality of health care service

23. Negative demographic trends in rural regions also affect public health care. The concentration of elderly people has increased the demand for *health care services*. A shortage of nurses, financial difficulties, and the progressive ageing of the population are placing great strain on nursing homes that are now unable to meet all the needs of the elderly (Eurostat, 1999; ISTAT, 2000). As discussed above, approximately 22% of the population of Italy is aged over 60 years. This means that some 13 million people, of whom an estimated 7 million are female and 5 million are male, are likely to require care at some stage because of chronic illness or the effects of ageing – a situation that is likely to increase. It is anticipated that by 2020, the elderly population will increase by as much as 30% and that the percentage of those aged over 80 years will increase from 4% to 7%. A large percentage of these senior citizens are located in rural regions, and have a relatively low capacity to commute. Nonetheless, the bulk of hospitals and health care facilities are located in urban areas (57% of the total – more than 60% of hospital beds – considering the definition of rural provided by the MoED), where, on average, there is an hospital every 32 square kilometres (the density is ten times lower in rural areas).<sup>8</sup>

24. The low density of hospitals in rural regions, however, does not represent a negative indicator *per se*. The variation of the number of hospitals in Italian macro-regions (TL2) is not that high and mirrors the OECD average (Figure 1.23). The main problem in respect of health care facilities is likely to be related to the quality of the service rather than its quantity, since the presence of health facilities alone does not necessarily guarantee the supply of a good service. In fact, the current territorialisation of hospitals, i.e. the creation of *health districts*, which has gone hand in hand with the reform of the national health system, is much more advanced in the north-centre Italy rather than in southern areas.<sup>9</sup> So while the former has seen a reduction of the number of facilities, the latter still displays a relatively high quantity of small hospitals also in rural regions. Nonetheless, a large number of individuals keep on migrating from south to north to access high-quality health care services (Figure 1.24).

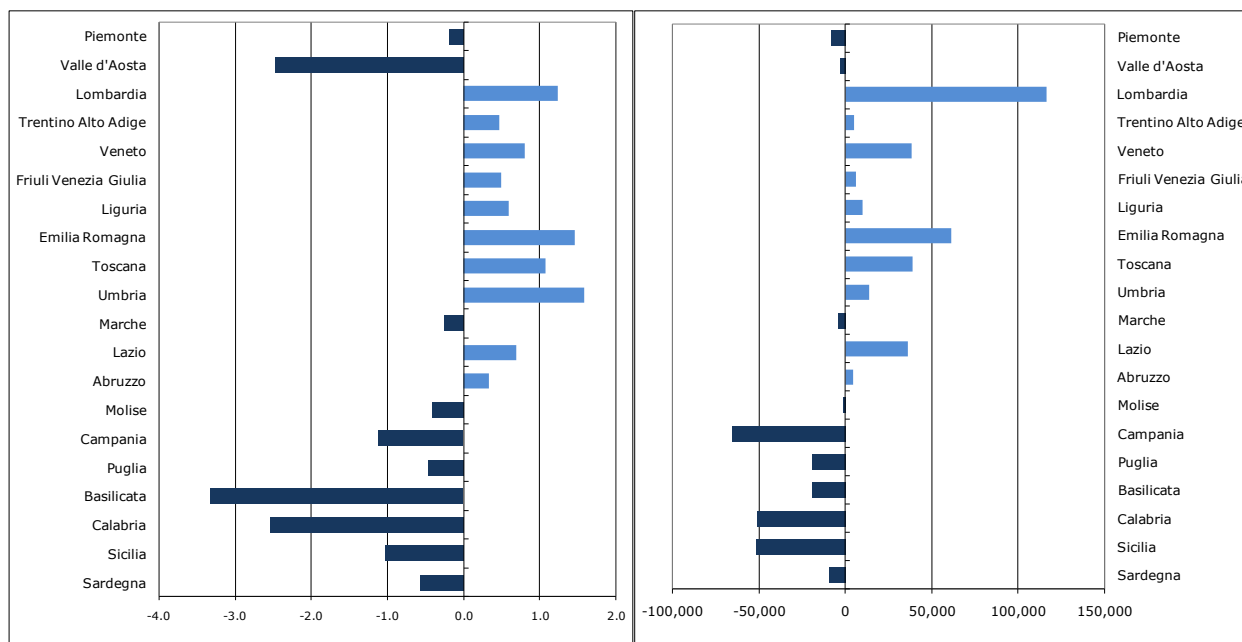
**Figure 1.23 Variation in the number of hospital beds per 1 000 people at TL2 level**

Note: The horizontal axis indicates the number of hospital beds in the different TL2-regions per country, where 100 represents the national average.

Source: OECD (2007), Regions at a Glance, OECD Publications, Paris

**Figure 1.24 Population fluxes related to health care services (2000-2002)**

As a percentage of regional population (left hand) and the absolute number of individual (right hand)



Source : Ministry of Economic Development of Italy

25. It must be said, however, that the situation for rural regions is unclear, due to the lack of analysis and evaluation of current trends. First of all, it is uncertain the role of private institutions in the delivery of health care in Italy. Second, there is also a problem about the current territorialisation of the service. A case study performed by the evaluation unit of the Ministry of Economic Development in Umbria (Lucatelli, *et al.*, 2006) demonstrated that the presence of general hospitals, located at the core of the health district, could not be enough, and that the services actually provided would need to be carefully monitored. At the same time, the rationalisation of the hospitals and the guarantee of quality services (and of centres with a high technological level) would require thinking out specific and effective solutions for remote rural areas. In this context, policy makers could capitalise on some experiences implemented through the cooperation between the central and local governments to improve accessibility to health care in remote regions (Box 1.6).

#### Box 1.6 Examples of Remote Medicine Projects in Italy

The Italian government is implementing projects to guarantee health care assistance in mountainous areas and small islands (i.e. remote regions). These projects are co-ordinated by the Ministry of Health of Italy and Local Sanitary Enterprises (ASLs) and use information technology (ICT) to ensure high quality health services in remote rural regions.

- *EolieNet*. Implemented in the Aeolian Archipelago, it provides citizens of the islands with health care services putting in connection local general practitioners with specialists who provide telemetric support in case of emergency and first aid. This project stems from an agreement between the regional government of Sicily, the ASL of Messina (the closest city to the Aeolian Archipelago), and the National Association of Small Islands.
- *Telesal project*. It stems from collaboration between the Ministry of Health, local authorities, and research institutes. Its purpose is to develop a system based on satellite technologies that provides citizens with certain basic services directly in their home. Citizens are connected with health care facilities, thus favouring the supply of emergency services, remote screening and prevention, remote assistance, remote consultation, and remote training. This project started in 2006 and is still in the experimental phase.
- *Farma-click*. It is an automatic drug dispenser to be localised in remote rural regions. This machine connects through a camera the patient with the pharmacist, who listens to the description of the patient's symptoms. Through the terminal machine, the pharmacist can scan the prescription to the patient, and authorises the machine to dispense the drugs.
- Finally, some caravans, specially equipped, travel to certain rural areas to offer specialised exams such as screening, X-rays, and electrocardiograms. These campers are also used as ambulances.

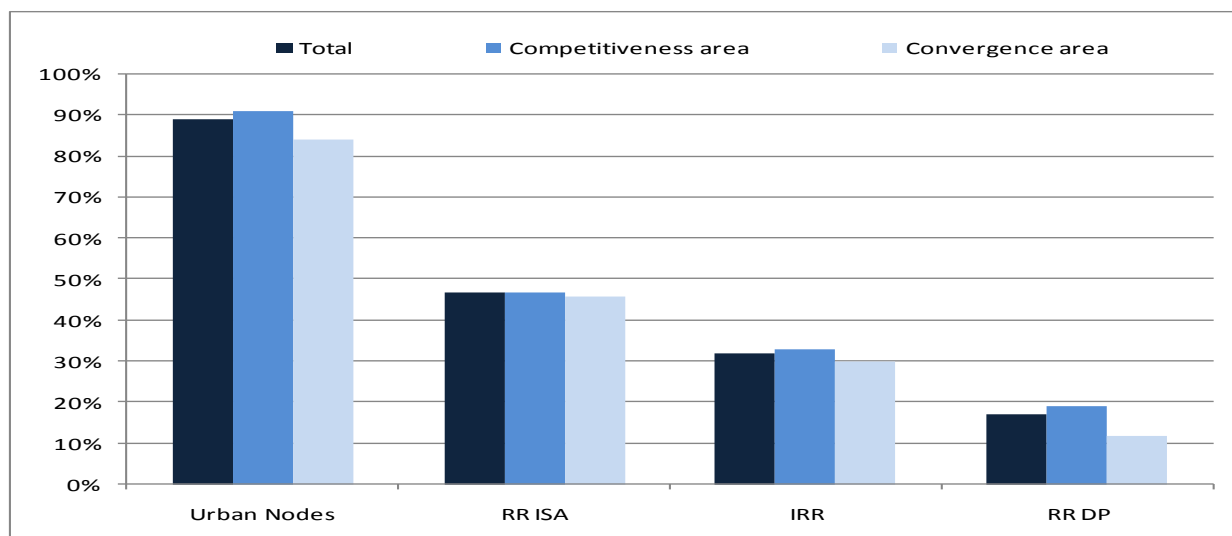
Source: Ministry of Health of Italy

*...and reduces rural regions' attractiveness for some specific services such as broadband internet*

26. Broadband access to the Internet (ADSL 2 and 2+<sup>10</sup>) is another service where negative demographic trends and density differentials create a gap between urban and rural areas. While broadband is available in 89% of urban poles, only 17% of RR DPs has access to such a service, and the situation is worse in the "convergence" part of the country (Figure 1.25). To date, Italian Telecoms companies provide broadband only to those municipalities where they can have 1 000 customers at least. Such a commercial policy affects some 5 600 municipalities with less than 5 000 inhabitants, whose population level renders them unable to reach the 1 000-customer quota. The limited access to broadband internet may also affect the use of ICT in rural regions, where the use of such a technology is quite limited.

**Figure 1.25 Broadband internet (ADSL 2+) coverage in Italy in 2007**

As a percentage of the territory



Source : Ministry of Agriculture of Italy

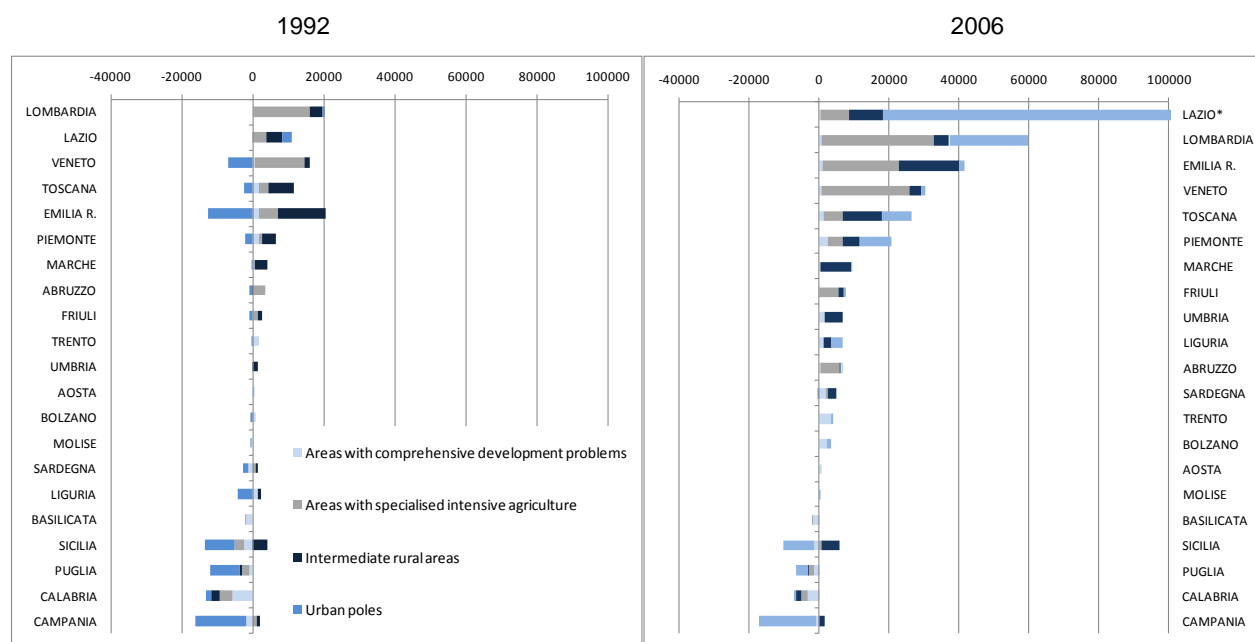
*Ageing and depopulation are partially offset by foreign immigrants, but their integration poses challenges*

27. While immigration is generally considered as an urban phenomenon, an increasing part of foreign workers has been concentrating in rural regions over the last decade. For instance, taking into account demographic data between 1992 (when Italy was attracting a relatively low number of immigrants) and 2006 (when the influx of immigrants is larger), and considering that fertility rate has been decreasing along this period, the increase of population can be ascribed to the influx of foreign workers (Figure 1.26). Although the bulk of them were absorbed by urban nodes, IRRs also increased their population, as well as, RR DPs, even if at a lower intensity. The average concentration of immigrants in IRRs in 2003 was 30 per 1000 inhabitants, and some regions such as Mantua, Macerata, and Piacenza were above or close to 60 per 1000 inhabitants. Over the same period, in RR DPs there was an average of 23.5 immigrants per 1000 inhabitants. The highest concentrations, ranging from 55 to 50, were registered in the provinces of Perugia, Arezzo, and Siena.

28. Foreign workers concentrate in rural regions for different reasons. First of all, immigrants working in urban poles may decide to live in intermediate rural regions because they cannot afford to live in the city. Second, foreign workers are absorbed by labour-intensive activities in the primary and secondary sectors within rural regions. Last, due to ageing and depopulation, rural areas attract immigrant care-workers (*badanti* in Italian) who supply personal services to senior citizens. Immigrants represent an opportunity to repopulate rural regions and to enrich them with different cultures. However, concentration of non-native population, if not well managed, could also create tensions within traditional and usually very homogenous rural communities. Cases of this “integration challenge” are already visible in some intermediate region, where immigrants have not developed a sense of place/community attachment because they live physically and socially isolated in their enclaves.



Figure 1.26 Data on demographic trends in urban and rural regions



\*The migratory balance in Lazio was 166 376 people more in 2006

Source : Ministry of Agriculture of Italy and ISTAT

29. So far, foreign care-workers (*badanti*) are the most effective response to the need of the elders, also in rural regions. As in many other countries, also in Italy care of the elderly has traditionally been regarded as women's work but, as more women now work outside the home, they have far less time for care-giving at home. At the end of the 1990s, women from the Eastern European countries such as Romania, Poland, Hungary and Slovenia started to come to Italy, without legal permission, to provide care for older people. It is thought that there were between 500 thousand and one million *badanti* in Italy at the end of the 1990s, and that only 250 thousand had regular authorisation to stay in the country (Lamura et al, 2002). Nowadays, a large number of *badanti* are working in Italy illegally and, although no one knows how many there are, it is thought that their numbers has been increasing because the national health care system is unable to meet demands for care. Their invisibility means that there are no formal data about them and consequently no one knows what they do, who they provide care for, the nature of their workloads, or how they are coping with the emotional demands of providing care (Lamura et al, 2002).

#### *Urban sprawl transfers congestion to rural regions and increase GHG emissions*

30. Due to uncoordinated planning, intense urban sprawl is giving rise to negative externalities in the rural *milieu*. Italy's metropolitan regions have been expanding without proper control over the last thirty years. Mass motorisation has allowed people to live relatively far from their place of work. For instance, peri-urban (mostly RR IA, using the classification of the MoA) and intermediate rural regions are those in which working the age population has been increasing the most over the last decade. Nonetheless, intense commuting can be registered also in the RR DPs, especially in the northern part of the country (Figure 1.27 – Table 1.4) These rural regions have also attracted manufacturing activities and services, which has reduced the land available for primary sector as well as the overall quality of the landscape and biodiversity. The increasing concentration of commuters and the localisation of businesses gives rise to negative externalities, such as traffic congestion, pollution, increasing cost of living, and social problems

related to a concentration of foreign workers (for instance, some “enclaves” of immigrants are localised outside the urban poles to which foreign workers supply labour). These developments also cause problems related to waste management. In particular the south and the centre of Italy are falling far short of targets for waste recycling, and the country remains heavily dependent upon landfill, which should be phased out, under the terms of EU legislation, within the near future.

**Figure 1.27 Communing rates in northern Italy at the municipal level**

RR DPs' borders are highlighted in blue



Source: ISTAT, Census data 2001

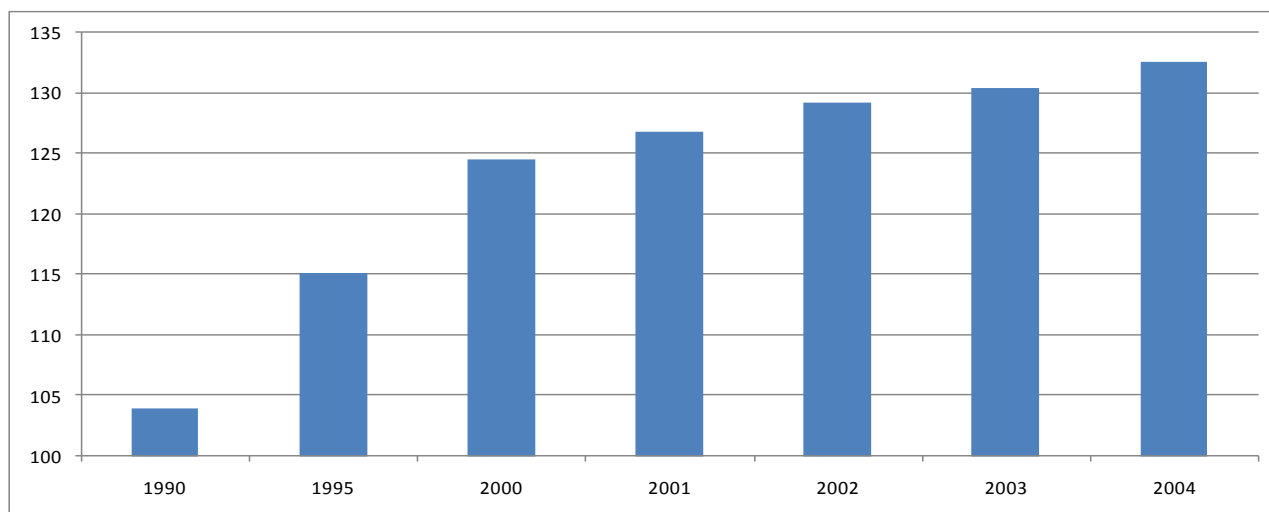
**Table 1.4 Workers' commuting between rural and urban areas**

(Employees at their place of work/regional labour force)

	Urban poles		Rural areas with specialised agriculture		Intermediate rural areas		Rural areas with development problems	
	1991	2001	1991	2001	1991	2001	1991	2001
Piedmont	100	103	84	87	78	82	79	76
Valle d'Aosta	.	.	.	.	.	.	97	96
Lombardy	105	108	82	83	81	79	77	77
Bolzano	124	147	.	.	.	.	87	84
Trento	121	131	.	.	.	.	88	86
Veneto	117	128	88	91	83	82	89	86
Friuli-Venezia Giulia	112	112	89	92	83	79	80	75
Liguria	97	100	.	.	61	61	76	72
Emilia-Romagna	117	125	94	99	87	90	76	76
Tuscany	108	112	94	93	83	83	81	76
Umbria	.	.	.	.	91	93	85	89
Marche	113	118	.	.	87	89	95	101
Lazio	98	106	72	71	72	68	57	46
Abruzzo	114	118	88	90	75	76	86	81
Molise	113	117	.	.	.	.	68	71
Sardinia	124	150	89	67	79	78	78	73
Basilicata	.	.	76	69	.	.	82	84
Competitiveness	112	120	87	86	80	80	81	79
Campania	94	91	71	70	76	74	67	65
Puglia	114	128	79	69	65	67	63	63
Calabria	103	112	71	73	65	59	64	60
Sicily	106	100	84	80	72	66	71	67
Convergence	104	108	76	72	70	67	69	68
Italy	110	117	83	81	77	77	78	76

Source : ISTAT Census population, Census Industry

31. Increasing commuting also impacts GHG emissions, which in Italy are on a steady upwards trend (Figure 1.28). Commuting in private cars makes a negative contribution to GHG emissions (i.e. transportation generates around 20% of overall GHG emissions) and also increases dependence upon fossil fuels. Because of urban sprawl and a lack of public transport (used by 16% of population) in rural regions, the country is overly dependent upon road transport. In 2005 Italy was home to some 35 million cars. This is 60 cars for every 100 inhabitants, a proportion that makes Italy the European country with the highest concentration of private cars. Furthermore, 8 million commercial vehicles handled 188 billion tons of goods in 2005, which accounts for 75% of overall commercial deliveries (*Ambiente Italia*, 2007; *Rapporto ISSI*, 2007). This compares to 15% of shipping, and 10% of commercial rail traffic. Again, these statistics indicate a significant issue for future sustainability.

**Figure 1.28 Emission of tons of greenhouse gases (GHGs) in Italy between 1990 and 2004**

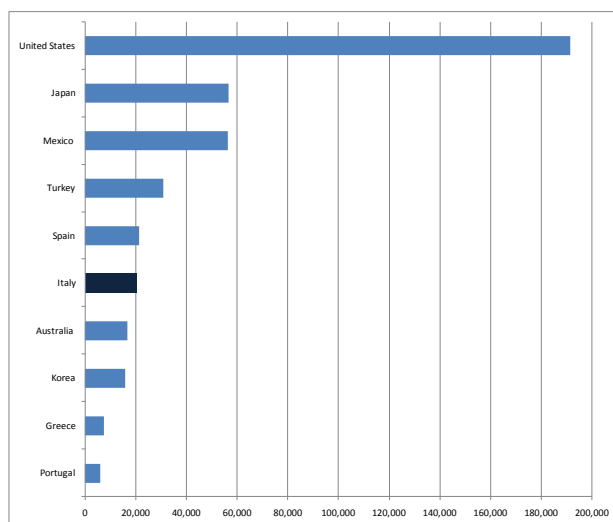
Source: Ministry of the Environment of Italy

### *Quality of water and soil decreases overtime*

32. In rural regions the environment is largely undervalued, underused, and under threat. Intensive agriculture dominates the landscape in place of traditional farming, thus reducing the sustainability of primary activities. Italy has seen a decreasing its area of permanent meadows and pasture land since 1990 by 15%, and increasing irrigated area for agriculture by around 1%, despite increasing water stress. For instance, agriculture's share in total water use is about 60%, reflecting the prominent role of irrigation, with two-thirds of water drawn from surface water. Italy ranks 6<sup>th</sup> out of 30 OECD countries in terms of cubic metres of water used in primary activities (Figure 1.29). Farming also heavily pollutes surface water in Italy. For instance, primary sector is the source of more than 60% nitrates and more than 30% phosphorous contained in surface water (Figure 1.30).<sup>11</sup> In this context, the use of chemical fertilisers and PPPs in farming has increased by around 11 and 5% between 2001 and 2006. High risks of soil loss in highly mechanised cultivated areas are noted. Soil degradation is a major and widespread environmental problem, but there are no data to assess trends. About 70% of all land is subject to risk of accelerated soil erosion (over 5 t/ha/year) and about 12% is prone to high risk (over 10 t/ha/year) (Figure1.31).<sup>12</sup> The total forest area is steadily increasing, yet a large proportion of Italy's mountain areas are vulnerable to landslip. Italy had relatively few protected areas before 1970. Since then, the protected area has grown steadily and now covers nearly 10% of the territory. In spite of this expansion, many internationally important wetland areas are still threatened and competing with farming encroachment as well as urbanisation. The pressure on rural areas also threatens Italy's biodiversity; i.e. around half of its vertebrate species, nearly 90% of fish species, and a significant share of plant species are currently under threat.

**Figure 1.29 Agriculture water use, 2003**

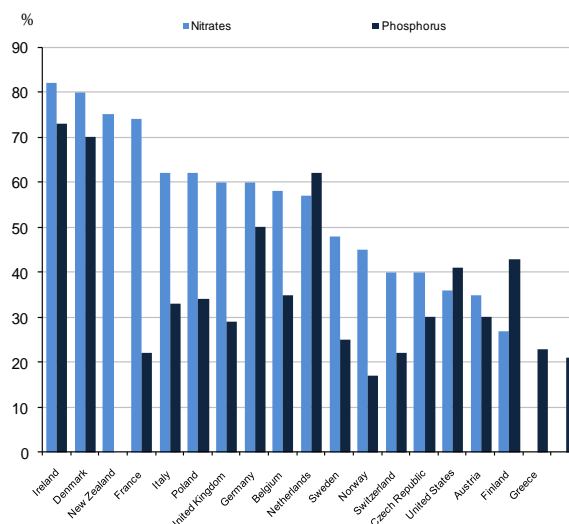
m<sup>3</sup>



Source: OECD, "Environmental Performance of Agriculture in OECD Countries Since 1990", 2008.

**Figure 1.30 Share of agriculture in total emission of nitrates and phosphorous in surface water**

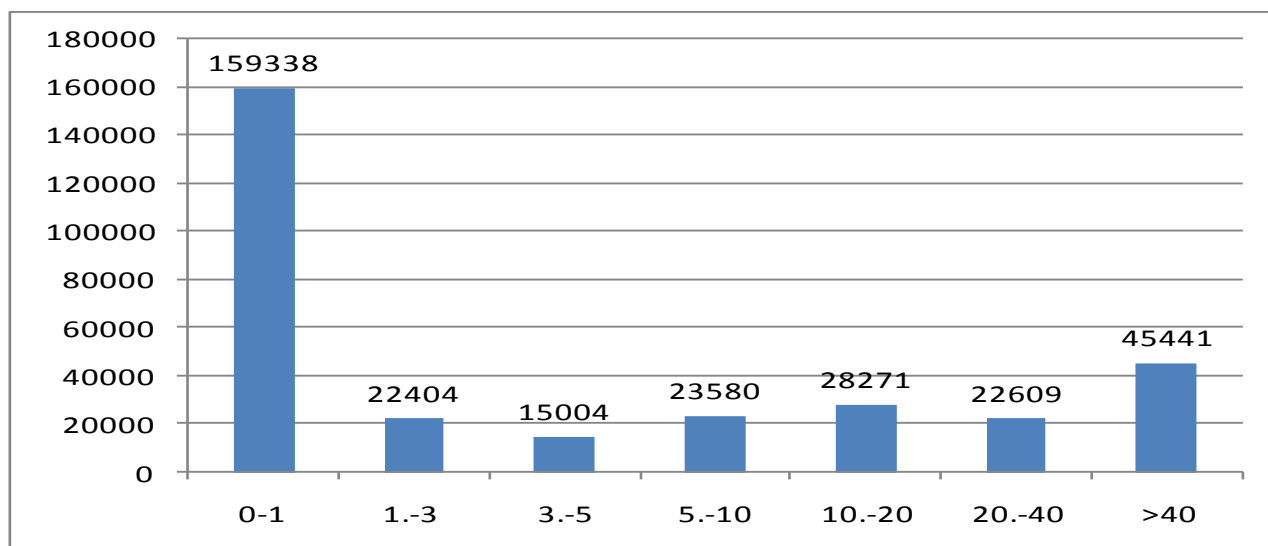
Mid-2000s



Source : OECD, "Environmental Performance of Agriculture in OECD Countries Since 1990", 2008.

**Figure 1.31 Actual soil water erosion risk**

Km<sup>2</sup> of the Italian land by soil erosion classes, 1999

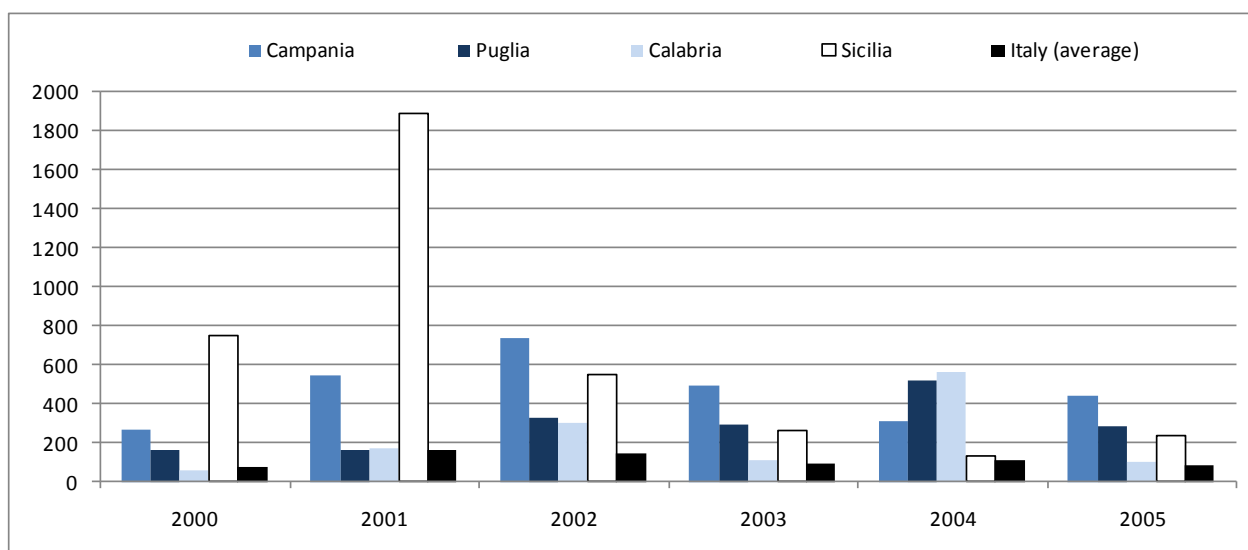


Source: OECD (2008) "Environmental Performance of Agriculture in OECD Countries Since 1990".

*Organised crime undermines development in the most insulated rural regions in the south*

33. Some insulated rural regions in the south display crime rates that are comparable to that of urban nodes. Although data are available only at TL2, some regions in the south, home to extended rural areas, suffer from a very high number of homicides (Figure 1.32). This is mainly due to the presence of organised crime. Although an analysis of the historical reasons that originated this condition goes beyond the scope of the present report, it is worth noting that high crime rates in rural regions represent quite an exception, since rural is generally considered much safer vis-à-vis urban. It is important to note, however, that the situation is currently improving. The (police and intelligence) action of the government and the involvement of NGOs, religious institutions, and the private sector in the design and implementation of interventions to reduce or eradicate crime activities in rural regions have achieved important results. Organised crime, however, is still a large bias for policy interventions. Therefore, there is a need to enhance those local experiences that have successfully reduced such a bias. For instance, there are some interventions that have reconverted assets formerly owned by criminals in “collective goods” servicing the local community or in competitive businesses (Box 1.7). These interventions have also provided young citizens with profitable job opportunities with a high symbolic value. Multiplying these experiences would both enhance entrepreneurship at the local level and improve place and community attachment, which are fiercely reduced by the presence of organised crime.

**Figure 1.32 Number of homicides in "convergence" regions compared with the national average, 2000-2005**



Source: ISTAT

**Box 1.7 NGOs contrasting organised crime: the case of Libera**

Libera was founded in 1995, in a moment where organised crime activity was peaking, with the purpose of involving and supporting all those who are interested in the fight against mafias and organized crime. Libera is presently a network of more than 1 200 associations, groups and schools, committed to build up organizational synergies between the political and cultural local realities capable of promoting a culture of lawfulness. Libera runs a large number of programmes with at the territorial level. The most important are those dealing with formative educational projects (“Libera School”) and with the use of properties and other kinds of goods confiscated to organised crime (“Libera Confiscated Real Estate” and “Libera Land”).

- Libera School. Libera's formative/educational project engages thousands of students and teachers every year in activities that simulate the various practical experiences of social life, helping students to develop the awareness that living in a environment in which legality pervades every aspect of their lives is worthwhile and by far the best choice. Through this programme Libera also run a series of researches and surveys to assess organised crime.
- Libera Confiscated Real Estate. It deals with the social use of the real estate confiscated from organized crime as established by Law 109/96, of which Libera was the promoter. The law provides for the allocation of illegal properties to social workers, volunteers, cooperatives, municipal governments, and anyone capable to return them to the community through their own work, turning the properties in tangible symbols of the restoration of lawfulness. In nine years the law has allowed more than 2 200 real estate (worth EUR 250 million) to be assigned to social activities.
- Libera Land. Land confiscated from organized crime has been used for the production of cereals (pasta) olive oil, wine, and other organic products by cooperatives in Sicily, Calabria and Puglia. These initiative has been involving a large number of young people, putting them in direct relationship with local assets, amenities and savoir faire. Commodities and products are commercialised with the brand "Libera Terra", which has become a symbol of quality and lawfulness. The Libera Land national office is in charge of designing and planning the re-use of the lands confiscated from organized crime.

Source: Libera – Associazioni, nomi e numeri contro le mafie ([www.libera.it](http://www.libera.it))

## To sum up

34. In Italy, the competitiveness of rural regions is derived from their diversified economic base. Rural regions occupy a relatively small portion of the national territory and are usually well connected with urban areas. In this context, manufacturing and service firms produce the largest part of local GDP and absorb the bulk of the regional workforce. Some rural regions are home to a diffused small-scale industrialisation, based on an intense and localised division of labour, which spurred *Marshallian Industrial Districts*. In other regions, the presence of natural and cultural amenities supports a flourishing tourism industry. Despite the large financial support coming from the CAP (Pillar I), farming activities have been constantly reducing their output volume, the UAA (Utilised Agricultural Area), and total factor productivity. Agriculture is multi-functional and produces inputs and services for the landscape, the agro-food industry, and tourist activities.

35. Nonetheless, a series of structural challenges may compromise the sustainability of the rural *milieu* across Italy. First, there are the demographic concerns. Rural regions have a large concentration of elderly people. Setting aside the potential impact on labour productivity; this situation could undermine the sustainability of education services (i.e. the reduced number of students), as well as health care services, whose consumption is proportionally increased. Second, although ageing and depopulation could be balanced by the increasing in-migration of foreign workers, their integration presents a challenge because rural regions are not presently equipped to facilitate this process. Immigrants are considered as an abundant and inexpensive workforce for agriculture and other sectors, rather than the opportunity to repopulate and culturally differentiate rural regions. Third, although proximity to urban regions represents an advantage for some rural regions, it also means that these regions have to face issues typical to urban areas such as congestion, pollution, waste management, etc. Fourth, the environment is undervalued and misused. Agriculture has become intensive and specialised and put pressure on land (erosion and pollution) and water (large use for irrigation and pollution). Finally, the development of insulated rural regions in the south of Italy is undermined by the presence of organised crime, impacting business, investment and tourism creation.

# ANNEX 1.1: METHODOLOGY FOR THE DECOMPOSITION OF GDP GROWTH

The GDP share of region  $i$  in country  $j$  can be written as:

$$1. \frac{GDP_i}{GDP_j} = \frac{GDP_i / E_i}{GDP_j / E_j} * \frac{E_i / LF_i}{E_j / LF_j} * \frac{LF_i / WA_i}{LF_j / WA_j} * \frac{WA_i / P_i}{WA_j / P_j} * \frac{P_i}{P_j}$$

where  $P$ ,  $E$ ,  $LF$  and  $WA$  stand, respectively, for population, employment, labour force and working age (15-64) population. Therefore, the GDP share of region  $i$  in country  $j$  is a function of its GDP per worker ( $GDP_i/E_i$ ), employment rate ( $E_i/LF_i$ ), participation rate ( $LF_i/WA_i$ ), age-activity rate ( $WA_i/P_i$ ) and population ( $P_i$ ), relative to, respectively, the GDP per worker ( $GDP_j/E_j$ ), employment rate ( $E_j/LF_j$ ), participation rate ( $LF_j/WA_j$ ), age-activity rate ( $WA_j/P_j$ ) and population ( $P_j$ ) of its country.

However, GDP figures for small regions, such as TL3 regions used in the analysis could be over or underestimated due to commuting since a significant share of the population might live in one region but work in other. In order to take this into account a factor of commuting is added by multiplying equation 1 by the coefficient of Employment measured at the place of work (EW) and Employment measured at the place of residence (EW) (and its inverse, so as to multiply the equation by 1). Rearranging, the resulting equation is:

$$2. \frac{GDP_i}{GDP_j} = \frac{GDP_i / E_i}{GDP_j / E_j} * \frac{E_i / LF_i}{E_j / LF_j} * \frac{LF_i / WA_i}{LF_j / WA_j} * \frac{WA_i / P_i}{WA_j / P_j} * \frac{P_i}{P_j}$$

Taking the logarithm and differentiating it, one obtains:

$$3. (g_i - g_j) = (g_{p,i} - g_{p,j}) + (g_{e,i} - g_{e,j}) + (g_{lf,i} - g_{lf,j}) + (g_{wa,i} - g_{wa,j}) + (g_{p,i} - g_{p,j})$$

or, in ordinary words:

Difference in GDP growth between region $i$ and the country $j$	=	Growth difference in GDP per worker between region $i$ and country $j$	+	Growth difference in the employment rate between region $i$ and country $j$	+	Growth difference in the participation rate between region $i$ and country $j$	+	Growth difference in the activity rate between region $i$ and country $j$	+	Growth difference in population between region $i$ and country $j$
---	---	--	---	---	---	--	---	---	---	--



## ANNEX 1.2: METHODOLOGY OF IDENTIFYING AND MAPPING INDUSTRIAL DISTRICTS IN ITALY

36. One of the factors contributing to the diffusion of the *Marshallian Industrial Districts* theory has been the possibility to delimit and quantify the phenomenon applying quantitative methodologies for the identification. The most accepted methodology was elaborated in Italy by Sforzi and the Italian Institute of Statistics (ISTAT) and is currently implemented in four countries (Italy, Spain, Portugal and United Kingdom). This methodology is twofolds (ISTAT, *Distretti industriali e sistemi locali del lavoro* 2001, Collana Censimenti, Roma, 2006):

1. The local labour market area (LLMA) is the territorial basis for the industrial district. The delimitation of LLMA is carried out using an algorithm which departs from the municipalities or counties and uses data on jobs, resident employees and travel-to-work flows collected as part of the national Censuses. The LLMA is assimilated to a local production system.
2. To identify those local LLMA of small and medium enterprises (SMEs) specialized in manufacturing, and with a dominant manufacturing specialization mainly composed of SMEs. It consists of four steps: identification of LLMA specialized in manufacturing; identification of manufacturing LLMA characterized by SMEs; identification of the dominant industry; and verification that the dominant industry is mainly composed of SMEs.

37. As discussed above, following such a methodology, there were 156 industrial districts in Italy (22% of population and 25% of employment) in 2001. Regions with industrial districts were more dynamic than the others. The average growth rate of industrial districts in Italy (10.2%) is larger than the average of the rest of LLMA (7.2%). The median of the growth rate of industrial districts (7.5%) is 2.5 times higher than in the rest of LLMA (3%). The growth rate of the employment in industrial districts in *predominantly rural areas* (7.1%) is lower than in *intermediate rural areas* (8.5%) and *predominantly urban areas* (11.1%)

**Number of areas and growth rates of employment by typology**

	Number of areas			Growth rate of employment 1991 - 2001		
	With IDs	Without IDs	Total	With IDs	Without IDs	Total
Predominantly urban	23	11	34	9%	8%	9%
Intermediate rural	30	19	49	8%	6%	7%
Predominantly rural	9	11	20	7%	3%	6%
TOTAL	62	41	103	8%	7%	8%

Source: Census 2001 (Italian Institute of Statistics).

38. There are also industrial districts with rural characteristics that are located in urban areas. The OECD rural typology could merge in the same region rural areas with intermediate or urban areas. This argument extends to intermediate rural and urban regions, which could contain rural areas. Hence, there is

the possibility to IDs to be associated with more urban communities in rural regions changing the scope of the explanation. On the other hand, it could be possible to find IDs with rural characteristics in areas not classified as rural. To enhance the explanation, the local labour markets in Italy, base for the local labour markets, have been classified using the same OECD typology for regions:

- A local labour market (LLM) is classified as predominantly rural if more than 50% of its population lives in rural municipalities, predominantly urban if less than 15% of the population live in rural municipalities, and intermediate if the share of population living in rural municipalities is between 15% and 50%. Following this criterion, 52% of LLMs (357 of 687) have been classified as rural.
- A LLM classified as rural under the basis of the previous criterion is classified as intermediate rural if there is any urban centre of more than 200 000 inhabitants representing no less than 25% of the population. An intermediate rural local labour market is classified as urban if there is any urban centre of more than 500 000 inhabitants representing no less than 25% of the population. However, in the application to Italy in 2001, no city in rural or intermediate areas has met these criteria.

39. The map below illustrates LLMS by typology of rurality. It shows that there are rural industrial districts also in non-predominantly rural regions. The number of IDs with rural characteristics in non rural areas (38 in intermediate rural areas and 7 in predominantly rural areas) is larger than in predominantly rural areas (22). They are concentrated in the centre and north of Italy. In these areas the correlation coefficient between the degree of rurality of an industrial district (percentage of population in rural communities) and the growth rate of employment between 1991 and 2001 is -0.27. This indicates a negative relationship between rurality and growth in IDs even if the coefficient is not high. Finally, industrial districts with rural characteristics score higher growth of employment rates between 1991 and 2001 than rural LLMs without industrial districts.

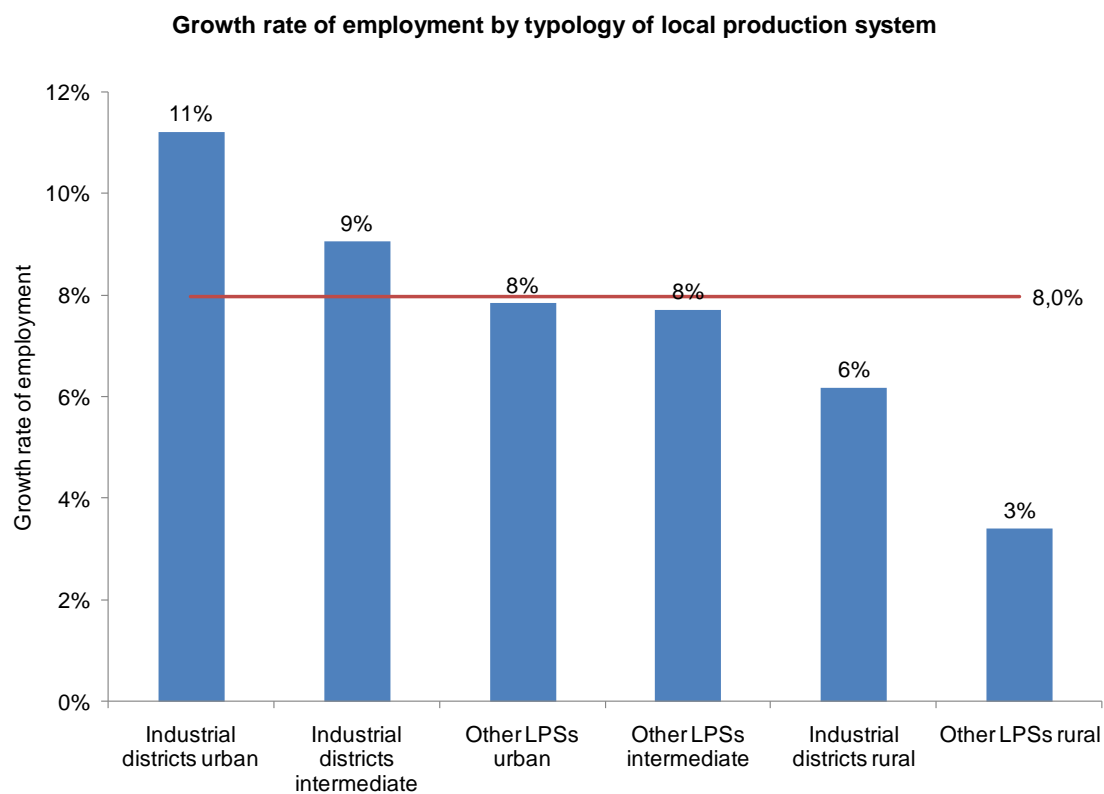
**Rural Industrial Districts located in non-predominantly rural regions**



Source : Elaboration of the OECD Regional Database and on ISTAT 2001



Source: Elaboration on OECD Database and ISTAT



Source: Elaboration on OECD Database and ISTAT

## Industrial districts in rural areas in Italy, 2001

Rural area/ Industrial district	Dominant industry	Employment 1991	Employment 2001	Growth of employment 1991-2001	Growth rate of Employment 1991-2001
<b>ITE18 AREZZO</b>		<b>87,087</b>	<b>91,725</b>	<b>4,638</b>	<b>5.3%</b>
1. Bibbiena	Housing goods	10,593	10,791	198	1.9%
2. Cortona	Jewellery, musical instruments, toys	10,665	10,951	286	2.7%
3. Arezzo	Jewellery, musical instruments, toys	55,238	59,676	4,438	8.0%
4. Pieve Sto. Stefano	Textile and clothing	1,869	1,855	-14	-0.7%
5. Sansepolcro	Textile and clothing	8,722	8,452	-270	-3.1%
<b>ITD33 BELLUNO</b>		<b>33,215</b>	<b>32,318</b>	<b>-897</b>	<b>-2.7%</b>
6. Auronzo di Cadore	Machinery, electrical and optical eq.	4,756	4,274	-482	-10.1%
7. Pieve di Cadore	Machinery, electrical and optical eq	8,585	7,447	-1,138	-13.3%
8. Feltre	Machinery, electrical and optical eq	19,874	20,597	723	3.6%
<b>ITF22 CAMPOBASSO</b>		<b>4,290</b>	<b>4,307</b>	<b>17</b>	<b>0.4%</b>
9. Trivento	Textile and clothing	2,018	2,061	43	2.1%
10. Montenero Bisaccia	Textile and clothing	2,272	2,246	-26	-1.1%
<b>ITF52 MATERA</b>		<b>10,842</b>	<b>9,927</b>	<b>-915</b>	<b>-8.4%</b>
11. Pisticci	Chemistry and plastics	10,842	9,927	-915	-8.4%
<b>ITE21 PERUGIA</b>		<b>54,608</b>	<b>61,823</b>	<b>7,215</b>	<b>13.2%</b>
12. Marsciano	Housing goods	7,484	6,821	-663	-8.9%
13. Todi	Machinery, electrical and optical eq	5,764	6,403	639	11.1%
14. Città di Castello	Paper, publishing and printing	17,936	20,524	2,588	14.4%
15. Umbertide	Textile and clothing	5,465	6,941	1,476	27.0%
16. Assisi	Textile and clothing	17,959	21,134	3,175	17.7%
<b>ITG21 SASSARI</b>		<b>1,819</b>	<b>2,085</b>	<b>266</b>	<b>14.6%</b>
17. Calangianus	Housing goods	1,819	2,085	266	14.6%
<b>ITE19 SIENA</b>		<b>39,292</b>	<b>42,766</b>	<b>3,474</b>	<b>8.8%</b>
18. Sinalunga	Housing goods	10,925	11,784	859	7.9%
19. Poggibonsi	Housing goods	24,324	26,793	2,469	10.2%
20. Piancastagnaio	Leather and footwear	4,043	4,189	146	3.6%
<b>ITC44 SONDRIO</b>		<b>16,022</b>	<b>18,871</b>	<b>2,849</b>	<b>17.8%</b>
21. Morbegno	Food and beverages	16,022	18,871	2,849	17.8%
<b>ITE41 VITERBO</b>		<b>13,148</b>	<b>15,092</b>	<b>1,944</b>	<b>14.8%</b>
22. Civita Castellana	Housing goods	13,148	15,092	1,944	14.8%
<b>ITC20 VALLE D'AOSTA</b>	<b>No industrial districts</b>	-	-	-	-
<b>ITF62 CROTONE</b>	<b>No industrial districts</b>	-	-	-	-
<b>ITG16 ENNA</b>	<b>No industrial districts</b>	-	-	-	-
<b>ITF41 FOGGIA</b>	<b>No industrial districts</b>	-	-	-	-

ITE1A GROSSETO	No industrial districts	-	-	-	-
ITF21 ISERNIA	No industrial districts	-	-	-	-
ITF11 L'AQUILA	No industrial districts	-	-	-	-
ITG22 NUORO	No industrial districts	-	-	-	-
ITG23 ORISTANO	No industrial districts	-	-	-	-
ITF51 POTENZA	No industrial districts	-	-	-	-
ITE42 RIETI	No industrial districts	-	-	-	-
<b>TOTAL</b>		<b>260,323</b>	<b>278,914</b>	<b>18,591</b>	<b>7.1%</b>

### ANNEX 1.3: A CLASSIFICATION OF RURAL ITALY BASED ON REGIONAL ACCESSIBILITY/REMOTENESS

40. The reform of the *Structural Funds* has defined specific intervention for the development of declining rural areas. Within this framework, to better assess trends in rural regions and urban-rural linkages, the public investment evaluation unit (PIEU or *UVAL* in Italian) of the department for development policies (DDP – which operates under the aegis of the Ministry of Economic Development) has elaborated a statistical/empirical methodology to classify rural. The methodology revises the OECD classification and takes into account both demographic factors and regional accessibility/remoteness, which are calculated at the municipal level (TL4) taking into account distance between rural regions and urban areas (see the Box below). The aim – following a main trend in OECD – is to give importance to the accessibility factor as the element characterising the different typologies of the country's rural areas. Within this classification the primary sector is considered as equal to all the other sectors. As a result rural regions are divided in three categories; peri-urban, intermediate and outlying rural areas.<sup>13</sup> The classification highlights the characteristic of Italy of being a country in a large number of dense networks of small and medium sized cities are interlinked with rural regions.

41. To date, the methodology developed by the PIEU has been implemented in two pilot cases in Umbria and in Calabria. Based on these two cases, this classification displays some important differences with the one implemented by the Ministry of Agriculture. For instance in Umbria – which is completely rural according to the MoA classification – urban areas cover 13% of the territory and are home to 42% of the population. Similarly, in Calabria 17% of the territory and 52% of the population are classified as urban. The DDP is currently working on the elaboration of an accessibility indicator so as to be able to extend this methodology to the entire country.

#### Box - Appendix 1.3. Measures of remoteness in the model implemented by the Ministry of Economic Development

The accessibility indicator is calculated as the average time needed to reach the closest major town by train and by car. The indicator is therefore the sum of two components: the time distance by car (IAC) plus the time distance by train (IAT).

$$LA_i = \frac{1}{2}(LAC_i + IAT_i)$$

The first is the weighted average time needed to reach the major town by car.

$$IAC = \sum_{i=1}^n a_i [(X_i * 90 \text{ km/h}) + (Y_i * 70 \text{ km/h})]$$

where:

IAC is the accessibility indicator by car

$X_i$  is the number of kilometres on state highways needed to reach the major town

$Y_i$  is the number of kilometres on normal roads needed to reach the major town

$i$  is the index of municipalities

The second component is the time needed to reach the closest major town by train. Provided that not all municipalities have a train station, we have computed the IAT as the sum of two separate measures. For each municipality, IAT is equal to the time needed to reach a major town, if the municipality has a train station, plus the time by car needed to reach the closest train station, if the municipality does not have one.

$$IAT = \sum_{i=1}^n a_i [TR + TT]$$

$$\text{where: } TR = \sum_{i=1}^n a_i [(X_i * 90 \text{ km/h}) + (Y_i * 70 \text{ km/h})] \text{ and } TT = \frac{\sum_{i=1}^n t}{f}$$

TR is the time needed to reach the closest municipality with a train station by car

TT is the time needed to reach the major town from the train station of a municipality.

$t$  is the time needed to travel by train from the train station in municipality  $i$  to the major town.

$f$  is the frequency of trains from the main train station to the major town on a business day

$i$  is the index of municipalities (from 1 to 92)

Source : PIEU - UVAL - Ministry of Economic Development



## NOTES

- 1 . The volume of agriculture production is calculated through an index based on FAO's indices of agricultural production that show the relative level of the aggregate volume of agricultural production for each year in comparison with the base period 1999-2001. They are based on the sum of price weighted quantities of different agricultural commodities produced after deductions of quantities used as seed and feed weighted in a similar manner. The resulting aggregate represents, therefore, disposable production for any use except as seed and feed. All the indices at the country, regional and world levels are calculated by the Laspeyres formula. Production quantities of each commodity are weighted by 1999-2001 average international commodity prices and summed for each year. To obtain the index, the aggregate for a given year is divided by the average aggregate for the base period 1999-2001..
- 2 . *Protected Designation of Origin* (PDO), and *Protected Geographical Indication* (PGI) are geographical indications, or *regimes*, operating within the *Protected Geographical Status* (PGS) framework defined in European Union law to protect the names of regional foods. The law (enforced within the EU and being gradually expanded internationally via bilateral agreements of the EU with non-EU countries) ensures that only products genuinely originating in that region are allowed in commerce as such. The legislation came into force in 1992. The purpose of the law is to protect the reputation of the regional foods and eliminate the unfair competition and misleading of consumers by non-genuine products, which may be of inferior quality or of different flavour. These laws protect the names of wines, cheeses, hams, sausages, olives, beers, and even regional breads, fruits, and vegetables (*Council Regulation (EEC) No 2081/92 of 14 July 1992*).
- 3 . It is estimated that the advent of flexibility in the Italian labour market explains between 40 and 80% of the decade long employment rise. OECD, "Economic Surveys, Italy", 2007)
- 4 . "Third Italy" is an idiomatic term applied to the proliferation of small-scale skilled production units associated particularly with recent developments in parts of the country, chiefly in the regions of the North East (Veneto, Friuli), Emilia and Central Italy (Tuscany, Marches). The economic development of the "Third Italy", based mainly on industrial districts, has been contrasted both with that of the north-west, where economic development was based on large and vertical integrated plants, and with the backwardness of the South (Bagnasco, 1977).
- 5 . The EU in the programming period 2006-2013 has created two new categories to classify regions. The first one is that of "competitiveness" regions. These regions are aligned to the average EU's economic performance. A specific policy framework has been set out to support and improve their economic performance. The second category is "convergence" regions. These regions (formerly defined as *Objective 1*) display a GDP per capita that is 25% (or more) lower than EU's average. These regions are supported by a development strategy.
- 6 . Students' commuting is calculated by measuring the percentage of individuals enrolled in secondary schools compared to the resident population with the overall population in the same age bracket (between 14-18 years).
- 7 . It is worth noting that in the Council of Europe held in Lisbon (March 2000), the dropout rate to be attained by 2010, on the part of all EU Member States, was fixed at a maximum of 10%.
- 8 . The relatively scarcity of general practitioners (GPs) and pharmacists in rural areas is another important issue, since they play a key role in providing rural population with basic health care services. For instance, there are about 5 GPs per 1 500 inhabitants in the urban areas. This number is far less in rural areas, where often there is only 1 GP per 1 500 inhabitants, which is the lowest legally acceptable level.
- 9 . In Italy a reform of the governance of the nation health system has devolved powers and responsibilities to regional governments. The central government set a minimum level for the quantity and quality of the services and allocates funds to regional governments. These manage their regional health care system

through local health enterprises (ASLs), which are in charge of delivering the service. This reform has gone hand in hand with the attempt of rationalising the supply of health care through a territorialisation of the service. The aim was to create local networks of health care facilities, i.e. health districts, which should self-contain the entire range of health services. Broadly speaking, according to this model, a general hospital located in a core (urban) area is connected to a series of smaller facilities located within the health district. In particular, in sparsely populated areas, local health facilities provide emergency first aid and medical care.

- 10 . ADSL 2 and 2+ are currently the fastest available broadband speeds through current ADSL connections. ADSL 2 is a second generation broadband service that uses new technology to offer faster connections for more users. ADSL 2 provides download speeds of up to 12Mbps, while ADSL 2+ can double this.
- 11 . The principal sources of nitrates inputs into OECD farming systems derive from nitrogen fertilisers and the nitrogen content of livestock manure, which together comprise around two-thirds of N inputs for the OECD on average. In some countries, however, other inputs of N, especially from atmospheric deposition (Australia, Belgium, and United Kingdom) and biological nitrogen fixation can be important (Ireland, Japan, New Zealand). For certain countries increasing quantities of sewage sludge are being recycled on agricultural land as a fertiliser. Use of sewage sludge in the EU15 rose by 7% (1995-2000), with larger increases reported for Ireland, Italy and Spain (EEA, 2005). While the use of sewage sludge as a source of farm nutrients can bring agronomic benefits, its use raises a number of environmental and health concerns (e.g. risks of pollution from heavy metals and pathogens) which require careful monitoring. This was the reason why Switzerland has decided to forbid the sewage sludge recycling on farmland from 2006. Furthermore, spatial variations in nutrient balances are usually explained by regional differences in farming systems. In Italy, for example, the Northern regions have a N surplus twelve times higher than Southern regions, due to the concentration of livestock production and maize cultivation (requiring high fertiliser inputs) in the North compared to the South. OECD, "Environmental Performance of Agriculture in OECD Countries Since 1990", 2008.
- 12 . While soil erosion risks are exacerbated by a combination of climate and steep topography, erosion has also been aggravated by: poor adoption of soil conservation practices, notably, limited soil cover over the whole year, and less than 10% of arable land under conservation tillage; monoculture cropping systems; and uncultivated land, notably conversion of cultivated mountain terraces to other uses. Soil compaction risks have grown, mainly in Northern areas, such as the Po Valley, due to greater use of heavy farm machinery in wet conditions. In the South and in the major islands about 5% of land is affected by desertification, including soil salinisation, associated with expanding olive cultivation on fragile land; excessive use of groundwater for their irrigation with the consequent intrusion of saline waters; and poor grove tillage practices. Linked to these soil degradation problems, there has been a loss of soil organic matter (SOM), but efforts are being made to raise SOM levels so as to improve soil fertility and enhance soil carbon stocks, so helping to reduce greenhouse gas emissions. OECD, "Environmental Performance of Agriculture in OECD Countries Since 1990", 2008.
- 13 . For more methodological details, see S. Lucatelli, S. Savastano and M. Coccia (2006), "Servizi Socio-Sanitari nell'Umbria Rurale" in Materiali UVAL, no. 12, available on the Department of Development Policies Website.

## CHAPTER 2: POLICY ASSESSMENT

### Key points

- The Italian approach to rural policy is relatively complex and reflects a differentiated notion of “rural”, which is influenced strongly by EU agricultural and regional development policy frameworks, as well as a longstanding tradition of support to the southern regions. As such, it lacks a distinct, integrated strategic vision that embraces other aspects of rurality including health, education and rural quality of life.
- The current rural development policy approach in Italy features 2 coordinated national strategies (Pillar 2 and Regional development), with streamlined implementation and financial planning frameworks, and regional design and implementation of programmes. The strongly differentiated strategies of Italy’s regions should enable rural policies to be well-adapted to the great diversity of economic, social and environmental situations across the territory.
- In respect of resource allocation, rural development policies maintain a strong primary sector focus and tend to favour longstanding and more conventional rural development models (e.g. agricultural modernisation and infrastructure) as opposed to multi-sectoral and territorially-embedded ones. A strong political focus upon allocating and spending money efficiently: seeing RD resources as a “push” factor, rather than examining more “pull” factors in respect of rural change, strategic challenges and opportunities, is evident. By contrast, there are many good examples of innovation in RD projects and strategies at the sub-regional level.
- An over-emphasis upon available EU funding and spending efficiency in programme planning, holds two main dangers. Firstly, it may undervalue the importance of learning from monitoring and evaluation about the impacts of policy investment, as policy-makers always look forward, rather than back. Secondly, it risks continuing a culture that was seen in past decades, of public investment into projects with high spend capacity but limited, or negative, long-term impact. In addition, the dependency of Italy’s rural policy framework upon the wider EU frameworks renders it vulnerable to uncertainties about future EU funding.
- The markedly different economic positions and demographic challenges of Italy’s rural areas, as discussed in Chapter 1, support the view of national Ministries that a more differentiated rural typology is needed than the OECD standard approach. While the four-category typology now adopted for the NSP represents a valuable first step in this process, further development is needed in order to fully capture the significant economic divergence between regions and to reflect strong processes of counter-urbanisation occurring in significant parts of the north and centre, alongside continuing outmigration and decline in more remote areas. .
- At the regional level three rural governance models exist: *Traditional (or mixed)*, *Centralised and Decentralised*, to deal with rural development interventions. Each model offers scope for an effective design and delivery of rural policy, but all three suffer from a separation of rural roles

and responsibilities between different Ministries (between rural-agricultural, regional, and broader ‘normal’ policy). This in turn leads to a need to recombine these roles at local level, in order to achieve joined-up RD policy delivery. Thus meso-institutions, which may be provinces, groups of municipalities or other sub-regional delivery partnerships (including LEADER LAGs), are often critical to successful rural development.

## **2.1 Rural development policy in Italy closely follows the EU framework drawing from Regional and Agricultural policy**

42. The Italian approach to rural development is relatively complex and does not depend on a unique rural policy approach at the national or regional level. Instead, rural development (RD) policy in Italy, draws heavily from the current EU framework – i.e. (i) the Rural Development Policy that is a part of the Common Agricultural Policy (CAP)<sup>1</sup>, supported by the European Agricultural Fund for Rural Development (EAFRD); and (ii) the Regional Policy supported by the Structural and Cohesion Funds<sup>2</sup> – ERDF and ESF. RD policy in Italy evolved in tandem with the European Union’s framework. This evolution is illustrated by Italy’s experience with the different EU Structural Fund programmes from 1989-1993, 1994-1999, 2000-2006 and 2007-13, and RD programmes under the CAP from 2000-06 to the present programme, 2007-2013. Today, Italian public authorities have a differentiated notion of “rural policy” which is reflected in the current RD programmes.

### ***The evolution of rural development policy***

43. The Italian approach to rural development policy dates back to the regional measures introduced for the south of Italy. While the Centre-North regions flourished in the early half of the century, the largely rural macro-region of southern Italy lagged well behind in key performance sectors. The primary sector in the South stagnated because it depended on a labour intensive “feudalistic” model that failed to yield results (Villari, 1857; Gramsci, 1930).<sup>3</sup> In contrast, primary sector activities in the Centre-North regions were capital intensive and fuelled the transition to a manufacturing-based economy (Box 2.1). Seeking to stimulate similar economic transformations in the South, the *Cassa per opere straordinarie di pubblico interesse nell’Italia meridionale (Casmez)* or “Fund for extraordinary projects of public interest in Southern Italy” (1950s) was created to guide policy interventions.<sup>4</sup> As a national priority programme, the *Cassa* allowed the State, with the involvement of Italian financial institutions and businesses, to intervene in the economy. It utilised a two pronged approach that relied heavily on public investments and private sector incentives. The first phase focused on developing basic infrastructure to facilitate industrialisation, while the second stage went further and promoted industrialisation through public industrial investments like the *Alfasud* (automotive) plant in *Pomigliano d’Arco*, as well as *Montefibre*, and *Cementir*.

44. Besides the *Cassa*, other policy measures influenced rural development policy in Italy. At the EU level, the CAP (from the 1970s) offered explicit support to restructure the farm sector (via investment in holdings, infrastructure and processing and marketing), through policies delivered by the Ministry of Agriculture, Food and Forestry. A special programme of aid for mountainous rural areas was formalised in 1975 by Directive 75/268/EEC for farming in certain ‘less-favoured areas’, also under the CAP. In the sphere of EU regional policies, the Integrated Mediterranean Programme was introduced (from 1985) to address the lagging state of development across the Mediterranean regions through “relevant and practicable integrated programmes”.<sup>5</sup> Under this initiative, financial, political and technical resources were transferred to the regional level, to help cultivate diversified and creative responses to economic challenges (Smyrl 1995). More profound changes came with the emergence of regional and rural development programming in the EU during the 1990s, leading to the significant reforms of Agenda 2000.<sup>6</sup> The analysis

below follows Italy's adoption of these reforms and the impact on RD policy over the four main programming periods.

### **Box 2.1. The South and the Centre-North economic development policies**

#### ***Southern Italy***

After the first attempts to promote socioeconomic development in the south at the beginning of the 20<sup>th</sup> Century, the state intervened in a more institutionalised way through the *Cassa* (from the 1950s) and extraordinary financial resources to promote widespread programmes of public works. *Cassa* was part of an effort to balance conditions in the North with the South, promote a good environment for industrialisation and improve local living standards. Considered a national priority programme it enabled Italian banks and business to execute large public investment plans in Southern Italy along with monies received from the government. The economic and social policies sought to develop rural areas and address persistent underdevelopment problems like disease, malnutrition, and illiteracy. The large scale investment programmes consisted of building roads, aqueducts, electrical and irrigation plants, tourism and agricultural projects on drained and reclaimed land. The bulk of the financial resources were allocated to basic infrastructure and agriculture. Thus the *Cassa* sustained both the creation of infrastructure (for agriculture and transportation and for social purposes) and the process of industrialisation.

Nonetheless, the *Cassa's* economic, spatial and social policies floundered; the goal was to industrialise the South but the interventions failed to generate the local context and spin-offs. Reasons for the short-fall included: weaker than expected ability to attract large companies, the local network of SMEs producing consumer goods failed to capture the increased demand caused by new investments plus the large industrial investments in the South accelerated the decline of traditional southern sectors. As the weakness of the Italian bureaucracy facilitated inefficient inter-government relations, the *Cassa* became increasingly linked to political corruption.

The 1990s brought an end to extraordinary interventions. The political upheavals of that period, particularly privatisation and public administration reform, ushered in new, more territorial governance policies. During this period, the traditional centralised planning procedures for public investment gave way to partnership with co-financial relations between the Regions and the Central government. This shift was represented in the 2000-2006 programming phase by the *Mezzogiorno Development Plan*, a 48 Billion Euro (European funding + Co financing) plan for Southern Italy.

#### ***Centre-North***

While a progressive worsening was visible in the Southern regions, the ordinary regions created in the 1970s ushered in new territorial policies for the Centre-North. After a long debate about the sustainability of an industrial framework based on small firms (Brusco and Righi, 1982), national and local governments started implementing territorial policies which (partly unconsciously) strengthened small firm development and industrial districts. The policy approaches aimed to increase regional competitiveness, with support for clusters of SMEs at the forefront. In many cases there were more efforts to stimulate innovation and entrepreneurial activity, and less direct financial support. Some of the key policy shaping tools used to cultivate a favourable growth environment in the Centre-North included:

1. **Supply of real services:** Regional authorities introduced measures that ensured small companies access to a wide range of services that would have been too costly for them to produce internally or purchase individually.
2. **Support for technical innovation and technology transfer:** Regional authorities introduced policies to encourage research and development and locally-based new technology, through the creation of technology parks.
3. **Easier access to credit for small companies:** Regional Authorities facilitated joint funds so that small companies could provide more secure guarantees to banks, thereby reducing the cost of loan capital.
4. **Labour market policies:** Regional authorities worked to match supply and demand through employment services and the development of human capital. This was pursued through measures that provided

information, career guidance and job training.

5. **Polices for equipped areas:** measures aimed to spread production and service activities over wider areas and to encourage their location in less crowded areas.

Source : 2001 OECD Territorial Reviews: Italy

### *First period 1989-1993*

45. In the first period of EU Structural Funds planning, performance in rural areas fell short in two key areas: effective programming; and the capacity to spend the resources provided. However, the period induced sweeping institutional changes that laid the ground for the more targeted rural development planning that came later.<sup>7</sup> The Italian government responded to the lack of positive results from, and waning political support for, the extraordinary intervention in the South by abruptly terminating these programmes in 1992. Instead of creating a new Italian strategy for its lagging regions, all the national development programmes were then merged with the EU Structural Fund programmes. As such, national intervention for rural development became the co-financing of structural fund expenditures. However, the EU multi-fund programming schemes pre-supposed a level of financial dexterity and institutional coordination, planning and implementation that was not already present. The measures under the *Cassa* had been centralised, top-down and non-participatory in form, one-off interventions rather than comprehensive strategic efforts (Leonardi, 2005).<sup>8</sup> Thus Italy was technically and institutionally unprepared to adopt the new EU “intervention philosophy”; but sweeping institutional changes were undertaken and most of the administrative responsibility for the rural policy shifted from the national level to the regional level. The introduction of regional governments brought about new cleavages between the Centre-North and the South. Southern governments were more politically unstable and more hands-off in policy implementation and planning than their northern counterparts. While the ability to spend resources was a challenge across Italy as a whole, fundamental experience was lacking particularly in the South which proved less able to use the EU resources. Nonetheless, new ways to plan manage and implement rural development policies emerged, even in the South, as a result of these changes. For instance, despite its limited form, the EU LEADER I initiative that emphasised bottom-top participatory planning was able to generate new jobs and additional business in regions in the South, like *Alto Casertano*, Campania.<sup>9</sup> See **Box 2.2** for more on the LEADER initiative in Italy.

#### **Box 1. LEADER, Local Action Groups (LAGs) in Italy**

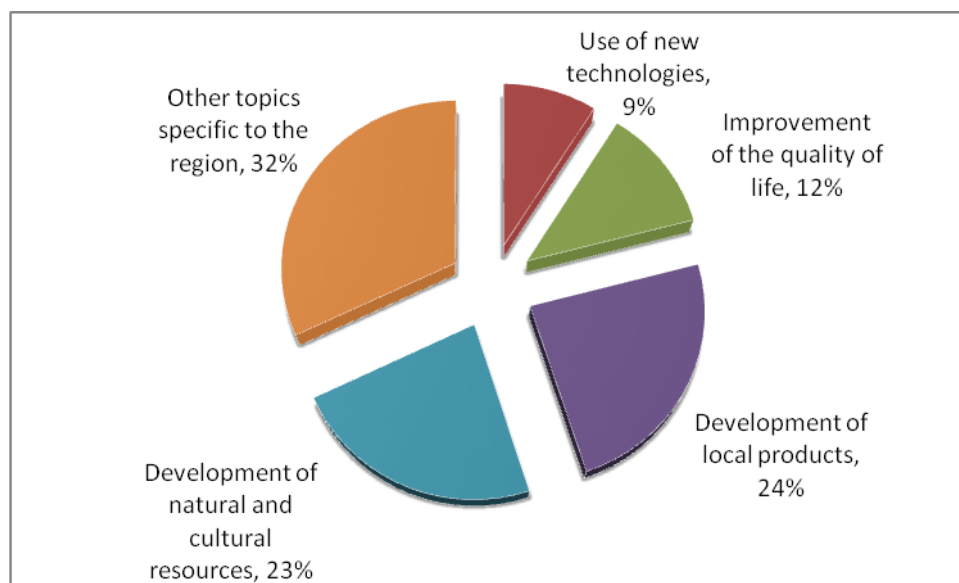
LEADER (*Liaison Entre Actions de Développement Economique Rurale* or links between activities developing the rural economy) is a Community Initiative that was launched in 1991 to encourage a new approach to rural development policy, one based on territory and emphasising participatory and integrated development. In Italy, the LEADER experience began with LEADER I (1991-3) directed mainly at the mountainous communities, but by the end of the 1990s, there were more than 175 Local Action Groups (LAG) across the national territory.

LEADER's impact was important in both north and south, in the former because it required more co-ordination and in the latter because it built capacity for more effective local delivery and governance. In the north, LEADER initially introduced a new administrative structure into an already crowded network of Mountain Communities, Provinces, and Regional Development Agencies and increased the importance of coordination. Typically LEADER receives a relatively low level of resources which limits its scale of impact. In the LEADER community the policy network is mixed, with public authorities taking different roles. While Regions take on a ‘quasi-coordinator’ role and facilitate the resource flow, municipalities attracted by LEADER's flexibility (in leadership and management) can use it as a vehicle to contract out service provision, as well as to stimulate new kinds of entrepreneurial activity.

For the most part artisans, shopkeepers and tourist operations have been the core of the Italian LEADER development model. LAGs give priority to small businesses and to tourism in general and the associations belonging to LAGs tend to be either cultural or environmental. In the 2000-06 programming period there were 132 active LAGs in

Italy working across over half of the Italian territory each with a Local Development Plan (*Piano di Sviluppo Locale - PSL*) addressing a central theme related to the identity and/or the natural and cultural heritage and specific qualities of the area. LEADER + was implemented through 21 Regional Programmes, and LAGs' selection was under the responsibility of the Regions but the projects were chosen by the LAGs. This institutional arrangement continues today under the 2007-13 RDPs.

**Figure 1. LEADER + LAGS (2000-06) according to major programme themes**



Other specific themes included:

- Strengthening of services supporting local production system through facilitating its setting up and access (i.e. Friulia Venezia Giulia)
- Improvement of employment and self employment opportunities, giving priority to young people and women, Toscana
- Establishing new production businesses in marginal areas, Campania
- Recovering the identity of rural areas, enhancing of local crafts, recovering and enhancing of dying crafts, creating new opportunities for production and services, creating local networks in the sectors of production, human resources management and public administrations, Puglia
- Recovering the identity of rural areas, Basilicata
- Enhancing archaeological, historical and cultural sites, Enhancing rural tourist sites, Calabria.

Source : Osti, Giorgio (2000), *LEADER and Partnerships: The Case of Italy*, Sociologia Ruralis Vol. 40, No. 2; Community Initiative Leader\_ in Italy available at ????

*Second programming period, 1994-1999*

46. In the second period, the rural institutional and administrative structure for the delivery of regional programmes strengthened. However, the institutional separation of EU funding through different ministries (ERDF, ESF and EAGGF), coupled with continued spending pressures cultivated a sector focus, a lack of capacity elsewhere led to diversification mainly in the primary sector, and limited resources were allocated to truly integrated rural development schemes. New institutional bodies and policy instruments based on negotiated planning were created to address organisational and management shortfalls at the national and regional level. One such institution, the Department for Development Policies (DPS) sought to improve the planning capacity of the regions in respect of regional development and community cohesion policies (ERDF and ESF). DPS acted in particular as a bridge between various national and sub-national actors and a coordinator for any measures aimed at the South. Through DPS, synergies with EU cohesion policy improved along with the capacity to attract and spend funds (Brunazzo *et al*, 2007). Important rural development tools—Integrated Territorial Programmes (ITP)—reinforced the importance of the integrated bottom-up approach by increasing public and private agreements and decreasing the role of the central government. For instance, ITPs were instrumental in shaping the Local Action Groups (LAGs) that formed under the more widespread application of LEADER II, during this phase. With local and private actors as the “animators”, a stronger participatory framework and closer attention to rural areas was assured, as these actors brokered agreements by forging the necessary relationships, identifying economic problems and designing intervention plans.

47. Overall, the concept of integrated participatory development started to take hold (but particularly within the primary sector). The North and Centre regions under the EU programming solidified the territorial focus of their programmes through *filieres*. Devised at the sub regional and sub provincial territorial levels they strengthened the links between primary production and the territory.<sup>10</sup> Competitiveness improved in the South, due to the linking of agro-industrial structures to increase productivity levels. However other aspects proved much more challenging such as the: (1) continuing difficulties with financial planning capacity and low capacity to spend resources, especially in the South<sup>11</sup>; (2) a lack of physical and human capital necessary for developing innovative diversification planning schemes *beyond* the primary sector; and, (3) a relative lack of evaluation mechanisms with clear methodologies in place to measure outcomes (OECD Background Report<sup>12</sup>, 2008).

*Third period 2000-2006*

48. In the third period, the Agenda 2000 reforms launched a new multifunctional approach to rural development in Europe under the CAP. At the same time, reforms to EU Structural Fund policies increased the influence of regional governments through greater financial control (70%) of programmes. The new frameworks necessitated 51 different Rural Development Programs. The Centre-North Regions had one Rural Development Plan (RDP) for rural development measures funded wholly through Pillar 2 of the CAP as well as smaller, targeted regional development programmes (ERDF and ESF) for their most disadvantaged rural areas; while the South had integrated Regional Operational Programmes (under the Community Support Framework (CSF)), as well as some specific additional agricultural ‘accompanying measures’ funded through separate Rural Development Plans.<sup>13</sup> Throughout Italy, a particular concern over small farm sizes and diminishing intergenerational transfers in agriculture heavily influenced spending decisions, and the competitiveness of the agro-food sector was seen as the primary goal. Although still grappling with varying levels of under-performance, the South applied a new supply-side economic development strategy of collective service provision, aiming to improve the returns on private investment, attract mobile capital and boost productivity, growth and territorial competitiveness beyond the primary sector (Barca, 2005). The southern regions also dedicated more resources to building-up the territory and rural infrastructure than was apparent in northern and central regions’ RDPs. Overall, there were



significant advances: LEADER and ITPs produced stronger social capital across rural areas; while the governance mechanisms at central and local levels and spending capacity continued to improve.<sup>14</sup> More importantly, monitoring and evaluation capacity increased because of new methods introduced to ensure policy “verifiability” and the ability to “modify” policy objectives as programmes developed. Nevertheless, RD policy continued to: (1) target agricultural competitiveness as the main priority for spending; (2) result in low quality interventions because regions were targeting some measures based on speed of spend; (3) be insufficiently innovative in the area of rural economic diversification; (4) limit the potential for scaling-up development capacity and shared learning by dedicating relatively few resources to integrated rural development planning tools (like LEADER and ITPs); (5) lack coordination at the regional and central levels; and thus (6) lack a discernable rural vision ((OECD Background Report, 2008).

#### *Fourth period 2007-2013*

49. Currently, two documents (mandated by the new EU legislative frameworks<sup>15</sup> guide rural policy development, the *National Strategy Plan (NSP)* which covers the operation of new RDPs under the second pillar of CAP (the so-called EAFRD – European Agricultural Fund for Rural Development), and the *National Strategic Reference Framework (NSRF)* which governs the operational programmes of EU Structural Funds (ERDF and ESF), throughout Italy. The strategies represent a more integrated institutional dynamic with new horizontal relationships at the central level, as evidenced by the co-ordinated planning and multi-stakeholder engagement process undertaken to create the NSP and NSRF. Of the two, the NSP constitutes a “*de facto*” rural policy document as it defines the national strategy for the CAP-related but explicitly rural, development programmes. The *NSP* sets out the following rural development strategy, which closely matches the objectives for the policy at EU level: (1) To improve the competitiveness of the agriculture and forestry sector; (2) to valorise the environment and countryside through the management of the territory; (3) To improve the quality of life in rural areas and promote the diversification of economic activities. The *NSRF*, which governs Regional Development policy, both urban and rural, sets out two main objectives to be achieved through maximum coordination between regional policy and rural development policy: (1) to improve context conditions to facilitate the development of agri-business activities and other economic activities able to guarantee alternative incomes; and (2) to improve the attractiveness of rural areas through the diversification of the economy and improvement of quality of life conditions (OECD Background Report, 2008).

50. Thus, the current policy framework in Italy (i.e. NSP and NSFR) builds upon the past and features a more coordinated national rural development strategy and regional development strategy, with streamlined implementation and financial planning. Nonetheless, it remains (in the case of the NSP) predominantly “*primary sector*” in focus; it tends to favour “*capacity to spend*” over “*programming effectiveness*”; and it lacks a “*distinct, strategic integrated rural vision*” embracing all aspects of rural policy beyond the EU-funded programmes. The following section analyses each of these characteristics, in turn.

#### **Despite significant changes under the new 2007-2013 framework, the Italian approach to rural development in the case of the Ministry of Agriculture, maintains a predominantly sectoral focus...**

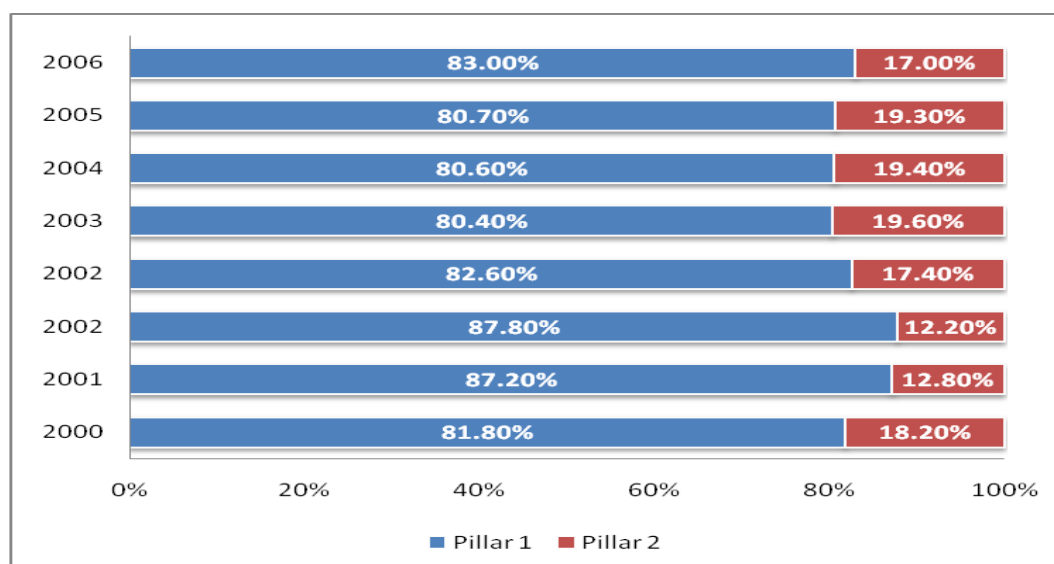
51. Italian rural programmes under the MoA still tend towards a primary sector, rather than a territorial, focus (see Figure 2.2). It seems that political concerns about structural weaknesses in the primary sector, relative to the rest of the EU-15, namely: small farms, an ageing agricultural population, low inter-generational turnover and lower than average levels of education and training; have resulted in a narrow rather than broad RD policy focus. Under the NSP, regional RDPs collectively prioritise expenditure on promoting competitiveness in agriculture and forestry (Axis 1) and supporting

environmental land management by farmers and foresters (Axis 2), over investment in diversifying the rural economy and improving the quality of life in rural areas. The strong focus on using EAFRD axis 1 is evident even among the wealthiest regions of Italy where the agricultural sector already performs well, by comparison with other regions in Europe (see Box 2.3). RDPs are designed in Regional Agricultural Ministries, so the financial balance between axes largely reflect each Region's choices.

52. In addition, the high priority assigned to primary sector objectives depends partly on the fact that rural development policy is planned and actuated mainly through sectoral administrations (regional agricultural departments). Not only that, but the socio-economic partnership that participates in the definition of the regional rural development programmes is characterised by a strong presence of the agricultural trade associations, the lobbying activity of which is aimed at maintaining the status quo, resisting economic diversification and other intervention measures directed towards the territory as a whole. This fairly overt political involvement in rural development policy is visible even within relatively non-political policy delivery structures like LEADER Local Action Groups (LAGs), relations with local politicians are evidently important for achieving successful outcomes (see Box 2.3). As a consequence, there are some notable political tensions in respect of the effective articulation of RD with wider policies – e.g. taxation, health and services – such as the special fiscal treatment for particular areas, the influence of organised crime, and the pursuit of big “flagship” RD projects to bring prestige to otherwise relatively weak local authorities or local politicians.

53. Therefore, regional allocations appear to be influenced by politics as well as relative needs. To some extent this is an inevitable and legitimate consequence of the structure of governance in Italy, where elected politicians play a key role in determining resource use at regional level, as well as agreeing the appropriate division of nationally-gathered public resources, between the regions. Thus the policy may reflect tensions in respect of the movement for greater autonomy among some of the regions, as well as the influence of organised crime in some southern regions.

**Figure 2.2. Comparison of Expenditures by Pillar 1 and Pillar II in Italy**



Source: Background Report, Ministry of Agriculture

### Box 2.3. Rural Development Financial Framework

## CAP + Co-Financing

Pillar I		Pillar II	National Co-Financing	Regional Co-Financing
	COM for Wine 998 million	8.292 Billion	6.908 Billion	1.487 Billion
	COM for Sugar 87,9 million	<i>Tobacco COM<sup>1</sup> 1,014 million</i>		
	COM for Fruit and vegetables 1,190 million			

Source : The Ministry of Agriculture

1. Tobacco COM (1,014 million) is part of 8.292 billion (Pillar 2). Same for LDA Fund (875 million) which are included in 64 billion.

## Rural Development Resources by Axes and Regions

	Axis I	Axis II	Axis III	Axis IV (LEADER)	Technical assistance	Total (Millions Euro)
<b>COMPETITIVENESS REGIONS</b>						
Piedmont	342,364	399,409	66,091	58,409	30,318	896,592
Valle d'Aosta	12,065	82,386	12,324	8,875	3,034	118,685
Lombardy	291,656	464,716	80,517	35,995	26,871	899,756
Bolzano	74,772	193,982	28,282	15,634		312,671
Trento	87,224	121,060	29,583	17,143	1,144	256,155
Veneto	403,053	337,780	45,787	100,614	27,440	914,675
Friuli	106,301	91,468	24,721	16,069	8,652	247,212
Liguria	143,567	55,892	15,284	54,383	7,436	276,563
Emilia-Romagna	382,954	397,133	97,500	47,727	9,347	934,662
Tuscany	323,059	335,645	88,107	83,911	8,391	839,114
Umbria	304,027	326,829	68,406	38,003	22,802	760,068
Marches	194,098	178,350	41,391	27,589	18,390	459,819
Lazio	308,047	209,472	73,931	39,325	24,644	655,420
Abruzzo	165,072	142,039	42,228	19,194	15,356	383,890
Molise	85,940	65,942	27,502	9,744	5,849	194,978
Sardinia	350,795	701,591	18,000	169,926	12,528	1,252,841
<b>Competitiveness Total</b>	<b>3,574,994</b>	<b>4,103,694</b>	<b>759,654</b>	<b>742,541</b>	<b>222,202</b>	
<b>CONVERGENCE REGIONS</b>						
Campania	752,938	677,645	282,352	94,117	75,294	1,882,347
Puglia	598,000	519,171	40,000	279,000	44,398	1,480,570
Basilicata	171,743	349,967	64,809	38,885	22,683	648,088
Calabria	456,469	444,469	108,407	65,044	21,681	1,096,071
Sicily	892,368	886,504	158,915	126,382	42,142	2,106,312

<b>Convergence</b>	<b>2,871,518</b>	<b>2,877,756</b>	<b>654,483</b>	<b>603,428</b>	<b>206,198</b>	
<b>Total</b>						
<b>Total per Axis</b>	<b>6,446,512</b>	<b>6,981,450</b>	<b>1,414,137</b>	<b>1,345,969</b>	<b>428,400</b>	<b>16,616,489</b>
<i>Source : Ministry of Agriculture</i>						

54. Whilst the general case for investing in a more resilient, productive and sustainable agriculture, as a legitimate part of a broader rural development strategy, is clear, there is a risk that a strategy which is focused narrowly upon short-term economic competitiveness in one sector could prove unsustainable. In the national context, where farming activities are in decline in terms of output volumes, employment, and the use of land (Chapter I), the precise choice of investment strategy becomes critical to ensuring effective RD. For example, targeting significant policy support towards achieving economies of scale, lower costs and more competitive pricing in the farm sector could easily lead to a further depletion of the rural workforce, as well as a loss of rural environmental and cultural assets and traditions. This would result in a depletion of the basic resources for rural development. Particularly when considered against a background of increasing access to EU agricultural markets by producers from countries with much less developed economies and much lower production costs, this kind of approach also appears short-sighted, in that its competitive edge could swiftly be eroded through that process. By contrast, strategies which seek to promote an agriculture which is well embedded within the rural economy - so that farm products and activities stimulate other kinds of local business activity such as leisure, hospitality or tourism, and serve to strengthen the unique environmental and cultural assets of an area - appear much more positive for rural development outcomes. At present, there is evidence of both strategies being pursued, within the RDPs of the Italian regions.

55. Italy's approach to Pillar 2 rural development seems to put relatively little focus on broad economic or social policies for rural areas.<sup>16</sup> This is indicated by the relatively low fund allocations devoted to support the diversification of the rural economy and enhancement of quality of life in rural areas (or "Axis 3"), within the regional RDPs. The allocations are mostly derived from the obligation imposed by the EU EAFRD framework regulation, to devote a minimum of 10 % of allocated RDP funds towards "Axis 3" rather than a specific strategy to diversify the rural economy.

56. It is not clear that the total RDP resource available to each region in Italy reflects its relative need for rural development expenditure, as compared to other regions. The reasons for this probably lie in the political nature of the budgetary allocation process. One of the risks of an explicitly political treatment of the allocation of RD resources is that the range of variation in RDP budgets between regions can be lower than their range of variation in inherent rural characteristics. In other words, targeting is weakened by the political process by which funding decisions are made. This may mean that relatively wealthy Italian regions benefit from the allocation more than relatively poor ones, if considered by comparison to the scale of needs that they seek to address. This is notwithstanding the fact that the EAFRD framework requires Member States to allocate proportionately more RD funding to "convergence" (lagging) regions, in recognition of their greater needs. To illustrate this point, consider the resources devoted to rural development programmes in the regions of Italy's Centre-North, by comparison to those available to the South. If measured as the "intensity of spend" per capita employed in the primary sector, Emilia-Romagna (northern) will receive 1,738 Euro per year from the EU RDP budget, while Calabria (southern) will receive 1,821 Euro per year, over the period 2007-13. These figures are very close, yet the level of general wealth in these regions is very different. The range of spending intensity per capita in the primary sector is between 1.8 and 3.9 thousand Euro per year for all the southern regions of Italy and 1.4 to 10 thousand Euro per year for northern and central regions. If we consider the resources expressed as intensity per farm

holding, the respective ranges are 0.9 to 2.1 thousand Euro per year for the south, and 0.9 to 5.0 in the north and centre. So, given the fact that the majority of RDP funding is targeted to the farm sector, farms in the north will frequently benefit from higher levels of RDP funding than that which is available to farms in the south (Dwyer et al, 2008). This implies that in some senses, Italy's RDPs are favouring investment where it may bring the highest return to public investment, rather than where it contributes most to overcoming rural disadvantage.

*... Regional Development policy does have a much more territorial focus but its impact on rural areas is constrained by its wider mandate...*

57. Italian Regional development policy adopts a 'cohesion principle' approach. However, the programmes' impacts on rural areas are not uniform across the regions. The main objective of Italian Regional Policy, supported by ERDF and ESF funding as well as Italian national and regional public funds, is to reduce existing disparities between and within Regions, and improve the country's competitiveness and productivity. In Italy, Regional Policy funds amount to approximately 100 billion Euros (64 billion from the Italian government's 'Fund for Underutilised Areas' and 28.8 billion from the European Structural Funds with national and regional co-funding). Of the 28.8 billion an estimated 12 billion is earmarked for rural areas (see Box 2.4). The NSRF is a supply-side policy structure that is based on evaluation, monitoring and rewards (Bank of Italy 2006). ESF, ERDF and FAS funds are allocated between regions based on a *dimension* and *disadvantage index* (Brezzi, 2006), and within the north-centre regions, only certain parts of the regional territory are covered by the ROPs, again reflecting an explicit targeting of funds towards situations of greatest economic disadvantage. Within the sphere of regional development policy, the rural component is highly varied, both between regions and also within them, at the sub-regional level. In fact, Southern Italy will receive 80% of the total 2007-2013 funds. See [Annex II Table 2.1](#) for a breakdown of the 2007-2013 ERDF and ESF planned expenditures for Southern Italy.

#### Box 2. Regional Development Policy funding

##### 2007-2013 Financial framework for development policies in Italy<sup>1</sup>

ERDF + ESF + Co-Financing ERDF +ESF	National Co- Financing	Regional Co- Financing	Total	Italian Government FAS <sup>3</sup>
28.8 Billion	25 Billion	4 Billion	57.8 Billion (of which 12 Billion estimated as potentially devoted to rural areas) <sup>2</sup>	64 billion (of which 875 Million - National programme for agriculture and rural system competitiveness)

<sup>1</sup> Total amount as estimated at the time of the approval of the NSRF.

<sup>2</sup> Public Investment Evaluation Unit (UVAL) of the Italian Ministry for Economic Development reclassification of 2007-2013 Structural Funds categories of expenditure, estimating potential rural resources, on the basis of territorial criteria.

3 At present (nov-dic 2008) Italian funds for regional policy (FAS) are going through a re-planning process.

58. In order to assist the OECD in producing this report, the Ministry of Economic Development made an analysis of the measures and resources within regional programmes for the period 2007-13, including the programmes co-funded by the European Regional Development Fund and European Social Fund, as well as inter-regional programmes under the flanking ‘community initiative’ supported by EU regional policy (see Box 2.3). The analysis found that overall, only 6.1 % of expenditure was explicitly targeted to rural interventions, while 53.7% was for non-place-based measures, 36.4% for interventions potentially located in either urban or rural areas, and 3.8% for explicitly urban interventions. However, these “overall” shares mask important differences between regions.

### Box 2.5. Financial analysis of ERDF and ESF

#### EU Structural Funds 2007-2013 (National, Regional and Inter-regional Programmes)

Total Resources (ESF + ERDF + National co-funding)

	Total Amount	Total %	Only FESR	FESR %
Explicit Rural Interventions	3,628.3	6.1	3,628.3	8.3
Horizontal interventions (non-place-based)	31,978.1	53.7	18,607.9	42.5
Explicit Urban interventions	2,258.4	3.8	2,258.4	5.2
Interventions potentially devoted to both urban and rural areas	21,648.1	36.4	19,326.6	44.1
<b>Total</b>	<b>59,512.9</b>	<b>100.0</b>	<b>43,821.2</b>	<b>100.0</b>

#### EU Structural Funds (Regional + Inter-regional Programmes)

Total resources (ERDF + National co-financing)

	Centre /North		South	
	Total Amount	Total %	Total Amount	Total %
Explicit Rural Interventions	859.3	15.2	2,781.4	10.2
Horizontal interventions (non-place-based)	2,828.0	49.9	8,235.3	30.2
Explicit Urban interventions	481.3	8.5	754.3	2.8
Interventions potentially devoted to both urban and rural areas	1,495.0	26.4	15,514.5	56.8
<b>Total</b>	<b>5,663.6</b>	<b>100.0</b>	<b>27,285.6</b>	<b>100.0</b>

Source : INEA

59. At the level of individual regions (see Box 2.2), northern and central regions have tended to allocate slightly more ERDF programme funding to explicitly rural interventions (15.2%, on average, compared to only 10.2% in the south). This may reflect the fact that in these more wealthy regions, the poorest sub-regional areas will tend often to be those that are most remote and rural i.e. those suffering “comprehensive development problems”, as defined under the Ministry’s national rural typology. Thus it is possible that there may be some rural areas in northern Italy that receive higher relative levels of ROP funding per capita or per rural business than the rural areas in the south. However, it has not been possible to test this possibility using the available data.

60. What is already clear from this examination, however, is that in the northern regions where strong pressures of counter-urbanisation affect a significant proportion of rural territory, these are largely territories that will be excluded from ROP funding because they are less remote and less economically disadvantaged. They are also territories which receive little or no funding under axes 3 and 4 of the pillar 2 RDPs, as a result of the targeting decisions arising from the development of the four-category rural typology for Italy. Therefore, almost all the rural development funding in these highly pressurised areas will be focused upon the agricultural sector alone. Given the analysis already presented in chapter 1 of this report, this is unlikely to reflect a balanced appreciation of the rural development needs of these territories.

### *...favours “capacity to spend” over “effective” programming*

61. The ability to spend funds during the programming period may have inadvertently become an important determinant for investment choices, within both rural development and regional operational programmes. This may be partially responsible for fostering an institutionalised culture of public investment in projects with high spend capacity but more limited long-term impact. In particular, this can negatively affect the quality of interventions and the likelihood of innovative interventions that are capable of addressing new challenges for rural areas.

62. An overarching concern with the need to spend funding allocations was most evident during the previous 2 programming periods, as discussed earlier, but it apparently remains a factor shaping the present rural development programmes. In the past, some regions have clearly been more capable of spending money efficiently and/or achieving higher multiplier effects from funds, giving policy-makers an incentive to support them more readily than other regions which proved unable to spend their full financial allocations. Indeed, this approach was adopted at EU level to some extent, in that ‘efficiency of spending’ was one criterion used for determining programme allocations for both rural and regional policies, in past periods. It is therefore perhaps unsurprising if Regions then decide to favour measures which are likely to spend money more rapidly or simply. In an analysis of how the regions have apportioned their pillar 2 RDP budgets among individual measures, the Italian Ministry of Agriculture notes a relative emphasis upon those measures with which the regional administrations are already most familiar, and much less use of novel measures.

63. Despite the higher number of measures that can be used, an analysis by category of intervention within the single Axes reveals a high incidence of more traditional sector measures under Axis I, such as those for the modernisation of agricultural enterprises or the increase in added value of agricultural and forestry products and, in some cases (Abruzzo, Emilia and Lazio), the installation of young farmers. Under Axis II there is a concentration on agri-environmental payments and compensatory allowances to farmers. Some new features are introduced in Axis III: in fact, the regulations orient the entire Axis towards a participatory approach; the possibility of funding training and information measures intended for economic operators active in the territories is introduced, while the funding of actions for the acquisition of skills in support of local development strategies is also provided for. Despite this, the resources earmarked for the new measures on the part of the Regions are meagre. Instead, the relatively more important intervention

measures are diversification towards non-agricultural activities, essential services for the rural economy and population, and the development and renewal of villages.

64. In order to strengthen the focus of programmes upon those measures and approaches which can have the greatest positive effects upon rural areas, there needs to be a strong emphasis upon measuring the ultimate impact of policies and programmes through appropriate and thorough monitoring and evaluation. This includes tracking both hard and soft outcomes, together with a strategic and honest approach to learning the lessons from past experience.

***...lacks a distinct rural strategy rendering it vulnerable to external changes...***

65. The dependency of Italy's national Rural Development policy frameworks (RD-agricultural, and regional) upon the wider EU frameworks and funding renders them vulnerable to external changes, such as the forthcoming EU budget review of 2009-10. It is not certain that beyond 2013, Italy will continue to receive a significant level of rural development support from the EU, particularly in the context of the pressing needs of the newest Member States and candidate countries. More importantly, the form of EU policy beyond 2013 remains uncertain, and will only be decided after the EU budget review. At present, Italy's regions have secured a similar level of RD funding from Europe for the 2007-13 period as they collectively received in 2000-06. Whilst it seems likely that this funding will increase in the period between 2009 and 2013, as a result of the current "health check" proposals for the CAP<sup>17</sup>, it is also quite probable that the overall amount of funding to EU-15 countries will decline, beyond 2013.

66. To illustrate how enlargement has already affected Italy's rural areas, we can consider Sardinia, a rural region with comprehensive development problems under the Italian rural typology. This region is officially in transition in the 2007-2013 phase from 'convergence' status (where, under regional development policy the priorities should be research and development, business innovation and new business creation) to competitiveness status, where funding priorities will be much more dominated by primary sector concerns. The region's change in status resulted from EU enlargement, which lowered the comparative economic threshold against which convergence status is determined, rather than being based upon evidence of a "narrowed" gap between Sardinia and Italy's other "competitiveness" regions. It may therefore be wholly inappropriate to change the overarching policy framework governing Sardinian rural policy, in this way. These considerations highlight the risks to effective rural development within Italy of policies and programmes which are so strongly dependent upon the EU framework.

***...and pays too little attention to other aspects of rural.***

67. The Italian rural development typology is clearly agri-environment-focused, rather than centred more broadly around a balance of rural economic, social and environmental characteristics. As discussed in Chapter 1, the MoA's classification has at least two positive aspects. First, it stems from a coordinated effort between central and regional government, to define rural territories. Second it serves as a basic tool to implement rural policy in Italy. However, it still has some problems. In particular, the typology does not reflect an appreciation of character and trends in the *non-agricultural* component of rural economies, despite the fact that numerically, these dominate rural employment and quality of life, in most regions. It captures some broader issues (for example, giving a good reflection of topographic/ environmental/ cultural variation, and including basic cohesion characteristics), but it lacks an ability to reflect important phenomena such as relative non-agricultural dynamism and the extent of counter-urbanisation in rural populations. Both of these phenomena have important economic implications for future rural services and relative opportunities/needs for sustainable growth. There is thus a lack of appreciation of how non-agricultural change is likely to affect rural demand and rural prospects, in the future. As shown in chapter



1, demographic and broader economic developments are already affecting Italy's regions in different ways and these are likely to be more important factors for rural development than changes within the primary sector, in future. Thus it follows that they should ideally be incorporated within the typology that is used for RD planning. The fact that they are not, may compound the relative weaknesses of the Italian policy approach to rural.

68. To date, other government Ministries beyond Agriculture, Economic Development and Environment have hardly been included in discussions about rural development planning and programmes, at the national and regional levels. In Italy regional; and rural development policies cover only the “*additional*” policies operating within Italy's rural areas (using the term ‘additional’ as it is defined by EU legislation – to mean policies which attempt to offer something additional to the day-to-day public sector functions). Thus they do not embrace the range of more general, ‘normal’ policies that apply in rural areas – e.g. social services, healthcare, waste treatment and disposal, water supply, housing provision, fiscal and other policies affecting rural homes and businesses. The EAFRD-funded rural development policy in Italy does not generally consider issues of social welfare and basic service provision as a valid component of programmes and priorities. The view appears to be that these are normal policies for which other government Ministries already aim to provide equitable access to all Italian citizens, and in situations and territories where provision is weaker, this is largely dealt with via regional policy.

69. A consideration of wider social welfare and standards of rural service provision is found within Italian *regional* development policy, because it is relevant to discussions about where EU and national support to lagging regions can best provide additionality. Indeed, services, education and social inclusion are key strategic objectives of the new unified NSF for *regional* development (governing ERDF, ESF and national co-funded programmes). Nevertheless, at national level these considerations do not generally distinguish explicit rural needs, separately from non-rural. By not sufficiently distinguishing rural social welfare issues and the standard of basic rural services within the consideration of RD needs and programme targeting, governments may undermine their own rural development objectives.

70. There is mounting evidence that social welfare and quality of life issues can have a critical impact upon rural economic viability. For example, it is difficult to retain population, and viable business activity, in rural areas if the level of social welfare provision is significantly lower than it is in towns and cities, because it affects the quality of life and the ease with which firms can trade. A recent study by the MoED on rural Umbria found a negative correlation between the structural trends—ageing and low female participation rate in the rural labour force—and low accessibility of health services and child services reinforcing, the value of wider consideration of social issues in RD (2006 Lucatelli, Savastano, et al). Correspondingly, the more remote an area the wider the gap between male and female employment: the female employment rate at approximately 40 per cent in Perugia falls to 28 per cent in lagging rural areas. For the authors, the rural areas in the middle income Umbria region provided a sense of the situation across rural Italy and they used “healthcare” access and “child care” availability - two important factors impacting the elderly and women - as the field of analysis. Despite Umbria's strong economic position, population ageing and low female participation rates are “chronic” problems in rural Umbria (see **Box 2.3**). At present, monies earmarked for rural development in Umbria are non specific in respect of health care and social services (e.g. childcare etc).

#### **Box 2.4. Healthcare Service in Rural Umbria**

According to the OECD classification, rural areas account for about 80 per cent of the total surface area of the region, which means 91 per cent of Umbria's municipalities and 57 per cent of its total population, 64.4 per cent of health centres and 78 per cent of service delivery facilities are in rural areas. The analysis centred on the fact that women are more likely not to join the work force due either to childcare concerns or their need to act as carers for elderly relatives. In Italy about 70 per cent of the regional budget is allocated for the health system and delivery of health services, but the share for social policy (including child care, migrants, youth work and social services) is low

(0.66 per ????) ). Municipalities play a more important role in social services delivery and they typically allocate more of their budget to social services (5.4 per cent to rural and 8. 4 per cent to Urban areas). The study noted the following points: hospitals in rural areas are weaker than in Urban areas; in Umbria there is one hospital per 275 km<sup>2</sup> in urban areas compared with half that density in intermediate and lagging rural areas. So approximately 38 per cent of municipalities in urban areas have a hospital.

Health policy in Italy is one of the most important 'ordinary' policies. Governance and the distribution of responsibilities, although changing, are well structured and total investment is substantial, including at the regional level. Italy's Health care is delivered as follows: the central level (the Ministry of Health) sets minimum health service standards and total financial allocations, and then each region devises a health governance and organization system. The Regions-State Conference manages the relationship between the central government and regional governments. Regions manage health policy through the Regional Health Plan. Within the plan, they allocate resources to different local health authorities who are responsible for the actual organization and management of the delivery of health services at the local level. In Umbria the RHP is supplemented by Local Application Plans (LAP) at local health authority level. LAP set specific and measureable objectives for each local health authority (LHA). Each LHA has a territorial catchment basin and operates through districts and health centres. LAP is the tool used to implement national and regional health priorities at the local level, and allocate responsibilities to different local organisations. LHA and hospitals are the actual organisers and managers of the supply of health services at local level. Umbria has 7 specialized hospitals dedicated to treating serious health problems. Each district has a programme of territorial activities and is composed of different health centres.

Based on the study, while Umbria has a strong health system, the elderly need more specialised support, and will find it difficult to access hospitals regularly. Furthermore, of the total service delivery points in rural areas only 33 per cent offer a full set of basic services:

- Rural areas have a minimum of 1 doctor for every 1, 500 citizens
- Rural area doctors tend to have the maximum number of patients allowed by the regulations
- General practitioners in rural areas are the main source of ordinary health assistance
- Although rural areas account for a large percentage of the total regional population over 65 (approx. 60 per cent), there are 30 doctors for each 10 000 older resident compared to 42 doctors in urban areas.
- Most nursing homes are in urban areas.

The results on child services showed even more of a lack of provision, in general the entire region offers a low level of childcare services: only 11 per cent provision for all children aged 0-3 years (15 per cent in urban areas; compared to 7 per cent in rural). Within this, there is a visible territorial divide: rural areas have only 35 per cent of the total nurseries in the region but they account for 54 per cent of Umbria's children 0-3 years of age. Even more telling, it was found that 60 % of the municipalities in peri-urban rural areas lack a nursery and, based on the demand data for public nurseries, the level of unmet demand is much higher in rural areas than in urban ones.

Source : 2006 Lucatelli, Savastano, et al

71. The fact that Italy is a densely populated country with a few remote regions could actually encourage the perception that no specific intervention to support rural communities is really needed. As the figures in chapter 1 indicate, this would be a mistake, since there are clear indications of two particular kinds of rural need stemming from rural remoteness and decline on the one hand, and the increasing pressures of peri-urban population growth on the other. There could therefore be many benefits in broadening the rural development agenda to take into account a wider range of 'normal' policies, because they will affect the sustainability of rural areas and the prospects and potential for their future development. Considering the range of possible measures and objectives which are built into the current EAFRD policy framework, Italy's regions cannot make relevant and informed decisions about how best to use all of these unless they also consider the provisions and the gaps within broader 'normal' policies affecting rural areas. These include welfare provision, health, housing, and education (which also play a role in reducing the power of organised crime), public infrastructure and basic services, and spatial

planning. Public service delivery and its ability to ensure well-being and stimulate economic development in rural areas has been a focus of OECD work, in recent years.

72. As part of this broadening of policy outlook, the rural development typology of rural areas should be further developed in order to capture key characteristics of non-agricultural economic and demographic change more fully. In this vein, it seems that the work currently underway within the Ministry of Economic Development to understand rural-urban linkages and the influence of these upon territorial potential, could be valuable. The ultimate goal of refining and adding to the rural typology should be to achieve a more forward-looking classification of rural Italy which helps to identify the potential for rural growth and the nature and scale of environmental and social challenges, in a more balanced way.

73. Another aspect of broadening the policy agenda could be to consider the potential value of “rural proofing” as a concept to be applied in Italy. Zoning is applied to some aspects of “normal” health and welfare policy, which may incorporate some explicit reference to spatial disadvantage, but explicitly rural issues are not generally differentiated, in many mainstream areas of public policy. At present, it could indeed be difficult to review the rural component of these kinds of policy, since the territorial units by which they are organised – provinces, for education and basic services, and health districts, for health and welfare provision – do not divide readily into distinct rural and urban types: most local territorial units include a mix of urban and rural areas, within their boundaries. For the purpose of rural proofing, the existence of multiple governance models operating in the same territories may present some challenges, therefore. The capacity to maximise rural opportunities by co-ordinating or even pooling resources from other ministries (i.e. Health, Education etc) to achieve wider impacts, may rely heavily upon effective sub-regional agents who act to bring together these different strands of policy and funding at local level. But there may also be an important role for governance at regional level, to discuss strategic interactions and to be more aware of situations where inter-Ministerial co-ordination could enhance policy effectiveness.

### **The Italian rural development institutional framework is marked by a decentralised system with influential regional governments...**

74. Italy has a decentralised institutional framework with strong collaborations and influential regional governments (see Annex II for more on the institutional framework in Italy). There is a clear-cut system of multi-tiered planning and decision-making in place with dynamic local political entities that incorporate multi-tiered planning and embrace a wide participatory framework. Different institutional bodies reinforce the participatory structure, for example the preparation of programme documents for CSF and general allocation criteria for regional development funds are defined at the *State-Regions Conference*. This conference allows regional governments to participate in the process of institutional development, especially relating to the transfer of functions from the centre to the regions and local authorities. The *Conference of State-Regions* coordinates relations between the state and local authorities and deliberates on local authority issues. The *Unified Conference of State-Regions-Municipalities and other local authorities* is the institution consulted on any actions in the field of common responsibilities such as on decrees concerning the allocation of personnel and financial resources to regions and local authorities.

75. The separation of rural roles and responsibilities at national and regional levels (between rural-agricultural, regional, and broader “normal” policy) frequently leads to a need to recombine them at local level, in order to achieve joined-up RD policy delivery. Thus, the role of local *intermediary agents / institutions* becomes critical. These may take a variety of institutional forms – e.g. LAGs in Veneto, provinces in Emilia-Romagna, the Mountain Communities in most regions, and unique bottom-up legal structures such as the Conference of Mayors that the OECD delegation met in the Province of Veneto Orientale. For any initiatives that require a broader approach embracing rural health and service delivery, local agents would also need to work with health districts, whose boundaries are not coincident with

provinces. Different Governance models incorporate different pros and cons; the **Fortore** Case an example of good decentralisation which required few relationships with local actors; The PIT *Alto Basento* case appears to be a better local partnership, but it suffers from a lack of decisional power.

76. It appears that there is no ‘one size fits all’ model for effective local agents or institutions, but there is a clear value in ensuring that these agents or institutions are identified, available and active, across the majority of Italy’s rural territory. This joining-up role is essential, and these bodies need to be cross-sectoral; to include/embrace the public sector as key facilitators and the private sector as close collaborators or full partners; and to have a capacity for innovation. Furthermore, debates about fiscal policy and the relationships between national and local taxation may influence rural policy decisions, and there are some issues of competitive tension and special treatment, between different regions and within other territorially ‘zoned’ approaches in policy. In all these debates, there is value in having a strong centre that co-ordinates the regional actors, and has the appropriate authority to do this.

77. However, the highly heterogeneous nature of sub-national governance in RD policy delivery, combined with the heterogeneous context of rural Italy, makes it difficult to be sure whether the policies are delivering real impacts, and offering additionality, wherever they are implemented. This is a critical issue for the evaluation of policy performance, at both national and regional levels. It is important that policy evaluation systems are able to measure and assess impacts and additionality in a consistent way, irrespective of the variety of delivery approaches adopted. Evaluation should enhance the link between responsibilities and power as well as overcome the current vertical and horizontal divide in governance to improve federalism (Meldoles, 2006).

### ***...and some innovative rural development approaches***

78. There are several instruments in place to encourage coordination under the negotiated planning partnership-based precepts. While each has different objectives they play an important role in coordinating territorial interventions and impacts upon rural areas. Within the sphere of regional policy, the Institutional Agreement (*Intesa istituzionale di programma*) facilitates negotiations between the regional and the national level on major public investments. Through this instrument, regions can direct national resources for public investment towards priority projects. This arrangement is codified at the national level by framework programme agreements (*Accordo di programma quadro*) wherein the central administration and regions set out, with local authorities and the private sector, the intervention plan. Public and private partnerships were facilitated by Territorial Projects, which are now more commonly replaced by Integrated Territorial Programmes (ITPs). These direct significant financial resources to measures in rural areas because to be eligible for public financing, the ITPs must target depressed areas. This typically results in diverse, multisectoral investments such as public and sectoral infrastructure, vocational training, and environmental protection.<sup>18</sup> Another instrument which has an impact in rural areas is the Area contract, which directs money to areas within depressed areas with “serious economic emergencies”. Unlike the ITP, the government is the initiator and plays a major role.

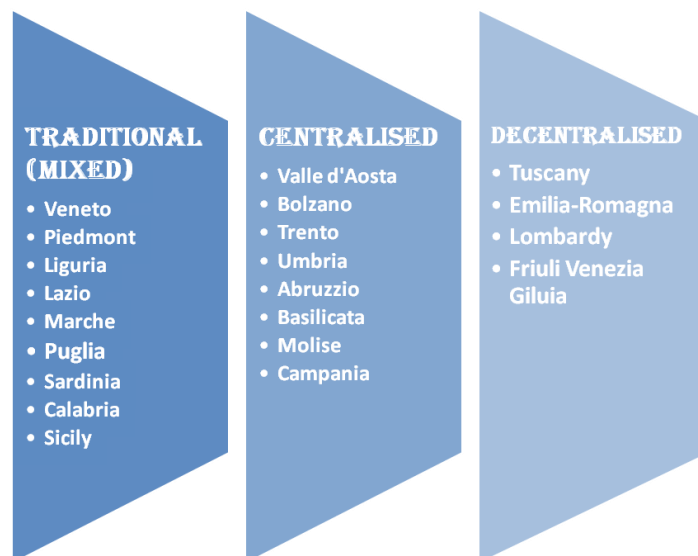
79. If, on the one hand, rural development policy in Italy is still characterised above all by a system of intervention measures directed towards a specific productive sector, on the other hand, the national strategy for rural development delineated in the NSP puts particular emphasis on the integrated approach for increasing the effectiveness of the intervention measures, by promoting the more complete integration of the Axes, objectives and measures, and including integrated planning at the company level, but above all at the sector/thematic and territorial level, among the modalities for access to investments. Integrated planning of the measures presupposes the co-ordination of the different socio-economic actors present in the territory through modalities and forms of partnership different from those that up to now have characterised the Local Action Groups of the Leader programmes. The RDPs contain different types of

integrated actions; of particular importance among them are the *territorial integrated projects* or *filière projects*, which meet the need to encourage local development strategies.

### **The regional rural development governance models are innovative**

80. At the regional level three general rural governance models can be identified, *Traditional (or mixed)*, *Centralised*, and *Decentralised*, in respect of how they implement rural development policy (see Figure 2.2). In the Traditional form, responsibilities are almost evenly split between the Regional Authority and outside bodies, requiring a strong coordination effort.<sup>19</sup> In the centralised model all the responsibility lies with the Regional Offices.<sup>20</sup> In the decentralised model, the Regional authority maintains a coordinating role but the Provincial level is tasked with the bulk of the responsibility.<sup>21</sup> Thus in some regions, policy design is relatively centralised within the regional administration, and delivery involves a range of partners operating at sub-regional level (eg LAGs, mountain communities, other associations of municipalities, as in Veneto). In other regions, the provinces have a major role in both sub-regional design and delivery of rural development policies (as in Emilia-Romagna, where this pattern applies to both RD policies of the Ministry of Agriculture and the rural elements of regional policy). This variation reflects not only natural/physical variations in the character of Italy's regions, but also cultural choices and political traditions. In both systems, however, sub-regional partnerships or provinces usually have the ability to affect policy outcomes by their choice of detailed selection criteria for the various measures, and their role in promoting the policy among beneficiary groups.

81. Policy delivery is also highly varied between the regions, and this variation is relatively independent of biophysical context – the territories of highly centralised regions appear just as varied as those of regions that devolve much more delivery to the provinces. There are clearly some political issues regarding the devolution of power – some commentators met by the OECD delegation suggest that only where there is a consistent political perspective between regional and provincial levels, are regions fully able to devolve. By contrast, representatives from currently decentralised regions (such as those from Emilia-Romagna) refute this suggestion and believe that decentralisation works well even where political affiliations differ, between levels. The debate reflects the enduring strength of political elements in RD programme delivery – the programmes offer significant resources for those areas that take responsibility for it, thus these can be sensitive issues.

**Figure 2.2. Rural Governance Models by Region**

82. Italy is a hugely varied and thus very complex country, both in respect of its territorial characteristics and its modes and institutions of governance. This reflects both its history and enduring culture, stemming from the strength and independence of its regions and the strong contrast in natural and topographic features that can be found throughout the territory: almost every region has a rich mixture of coast, plain and mountains. This complexity provides some particular strengths for rural development, in that a high level of variety offers a great range of prospects for 'unique selling points', in respect of marketing Italian products and services to its own citizens and abroad. It can also provide benefits for governance, by offering much scope for subsidiarity and decentralisation in policy design and delivery, so that support and services can be tailored to local needs and opportunities. Nevertheless, this complexity also brings challenges for RD policy. It can make the task of identifying strategic priorities particularly difficult, for example. At present, no single institution in Rome can fully understand the nature of differentiated needs and opportunities in Italy's rural areas. This is partly due to a lack of appropriate identification and capture of information and data from the regions which could enable such an appreciation to be developed. This weakens the ability of the central level of government to enhance the efficiency and effectiveness of the national and EU resources available for RD through appropriate targeting. The 'added value' of the centre is less than it could be, therefore.

83. A fully effective decentralised regime nevertheless requires good co-ordination and strategic insight at the national level. Ideally, the centre should act as a facilitator for building consensus between regions about RD priorities and resource allocations, which need to be agreed using objective and balanced criteria, as far as possible, independent of the particular political perspectives of different levels of governance. Thus, the gathering and analysis of appropriate data and information at the centre, as well as the co-ordination of discussions and debates concerning needs and opportunities, can be very valuable tasks. Because of the political framework in Italy, the centre has to take a strong lead from its regions, in trying to identify and achieve coherent results from policy investment. It must work with hugely variable external conditions and internal managerial traditions, in respect of the institutional arrangements and relationships at regional and sub-regional levels.

### **FOCUS on 3 Rural Regions in Italy: Calabria, Veneto and Emilia-Romagna**

84. Three regions were chosen by the MoA as representative of the diversity of rural realities in Italy, and for the diversity of governance methods in their design and implementation of rural policies: Calabria, Emilia Romagna and Veneto. Veneto and Emilia-Romagna are among the richest Regions in Italy and represent the so-called “third Italy”, whose economic development was based on the interlinking of small agricultural and industrial enterprises organised in specialised districts, in the 1970s. The two regions differ, however, in their rural policy governance system: Veneto has a traditional ‘mixed’ system of governance in which most decisions are made at regional level and only some aspects of delivery are devolved, while Emilia Romagna has set up a fully decentralised system of governance in which the Provinces have a more significant role in all the different stages of policy design and implementation. Veneto and Emilia Romagna share a quite similar settlement model. Their territory is characterised by the prevalence of a rich central plain, where population and activities are concentrated, and a mountainous part, where agriculture has lost any important productive role in favour, especially in Veneto, of tourism and industrial activities. A hybrid model of rurality prevails in the plain, characterised as ‘peri-urban’, ‘diffused metropolis’, or ‘urbanised countryside’. Rather than considering this as a buffer, or transitional zone between urban and rural areas, its diffusion and consolidation in different parts of Europe makes this type of territory a new polycentric model of spatial organization, in need of new forms of governance and policies, where multifunctional agriculture takes on important environmental, but also social and symbolic relevance (in terms of the supply of services and specific social relations).

85. Calabria, in Southern Italy, is the least developed Region of Italy, in terms of per capita GDP but demonstrates “an excellent perception of the rural dimension” in its programming instruments and especially in the ERDF Regional Operational Programme.

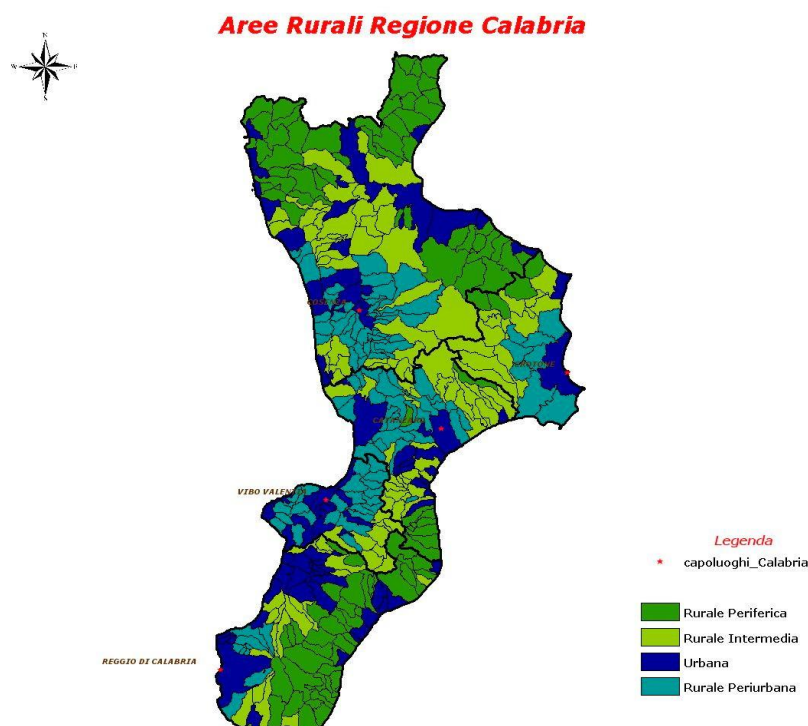
Table 2.2. Rural Calabria, Veneto and Emilia-Romagna at a Glance

	<b>Calabria</b>	<b>Veneto</b>	<b>Emilia-Romagna</b>
<b>Total Population</b>	2.009.268 inhabitants	5.300.000 inhabitants	4.1 million inhabitants
<b>Negative Trend</b>	1996-2006= -3% (Italy: +3,3%; South: +0,5%)		
<b>Density of population</b>	133 inhabitants/km <sup>2</sup> (Italy: 195 ab./km <sup>2</sup> )	288 habitants/km <sup>2</sup> .	187.6 inhabitants/ km <sup>2</sup>
<b>GDP/Inhabitant</b>	70% of average EU-25	127% of the EU-25 average	139% of the average EU-25 level
<b>Rural Areas:</b>	80% of population and 97% of territory Density of population: 110 inhabitants/km <sup>2</sup> <b>5 types</b> of rural areas according to the NSP classification	79.5% of the population and 95% of the territory. 193 habitants/km <sup>2</sup> <b>3 types</b> of rural areas according to the NSP classification	84% of the population and 98% of the territory 161.3 Inhabitants/ km <sup>2</sup> <b>3 types</b> of rural areas according to the NSP classification.
<b>Agricultural, forest and agro-food sectors:</b>			
<i>Land Use</i>	- UAA covered	- UAA covers 52% of the territory and forests 23% - UAA 832.000 ha : arable land 65% ; permanent crops 14% ; permanent pastures 19%	- UAA covers 60% of the territory and the wooded or semi-natural areas for 28% - UAA 1,074,552 ha: Crops 77.6%; Tree crops 13.6%; Grassland 8,7%
<i>Farm average size</i>	2.8 ha	5.7 ha (IT 6.7ha; EU 16ha)	12.3 ha (IT: 6.7ha; EU: 16 ha)
<i>Value added</i>	Primary sectors 7%	Primary Sector: 2.8% Agro-food sector: 2%	Primary Sector – 3.2% Agro-food sector – 3.9%
<i>Employment</i>	Primary sector: 16%	Primary Sector: 4% Agro-food sector: 2.5%	



## Calabria

Figure 2.3. Map of Calabria



Source : Background Report

86. Calabria is a “convergence” Region (i.e. per capita income in the region is lower than 75% of the European Union average) with about two million inhabitants across 409 municipalities (see Table XX). There are no large metropolitan centres instead Calabria’s urban settlements still mirrors the *agrotowns*—towns with economies linked to the countryside – which used to characterise this region.<sup>22</sup> However as agriculture is no longer the primary source of income (only 9% of the territory remains predominantly agriculture-based and productive), today, they specialise in services and trade (Sibari, Lamezia).<sup>23</sup> Table 2.4 provides an overview of the employment structure and diversity of non agricultural specialisations in Calabria. Plains cover only 9% of the Region’s territory but this is where population, services and infrastructure are concentrated. Demographic trends are negative across the Region especially in the most remote areas where essential services are lacking. Overall the quality of services in Calabria is lower than in North and Central Italy: water and electricity provision are subject to frequent interruptions, there is limited environmental protection services, and subpar focus on health and social services, especially for children, women and the elderly (Banca d’Italia Eurosystem, 2007; Lucatelli et al. 2008). For instance, based on the quality of life indicators in (see table 2.6), a large percentage of the population migrates to access health care (Chapter I), while, concerning education on average there are 2.8 classrooms per 1000 inhabitants in rural regions compared to 4.4 in urban areas. In the case of hospital beds, compared to 8 beds per 1000 inhabitants, in Calabria the average is 5 per 1000 inhabitants and the number falls to 3.2 in rural areas with lagging behind development.

**Table 2.3. Employment Structure for Non Agriculture specialisations**

Sectors	Urban Areas	Urbanised rural areas with intensive and specialized agriculture	Rural Areas with intensive and specialised agriculture	Intermediate diversified rural areas	Intermediate rural areas with extensive agriculture	Rural areas whose development is lagging behind	Total
High Technology	0.9	1.1	1.8	0.6	0.8	0.9	1
Wood	0.8	0.1	0.6	1	1.1	1.3	1
Agro-Alimentary	0.8	1.2	1.3	0.8	1.1	1.1	1
Textile	0.2	.03	0.7	3.9	1.9	0.4	1
Construction	1.2	1	1	1.1	1	0.9	1
Hotel	1.2	0.8	1.1	1.1	0.8	1	1

Source: Background Report, Economy, Agriculture, Rurality and Development Policies in Calabria, Report prepared for OCSE Mission, INEA Regional Office Calabria.

**Table 2.4. Indicators of life quality in Calabria Rural Areas**

Life Quality	Urban Areas	Urbanised rural areas with intensive and specialized agriculture	Rural Areas with intensive and specialised agriculture	Intermediate diversified rural areas	Intermediate rural areas with extensive agriculture	Rural areas whose development is lagging behind	Total
Credit institutions	0.3	0.3	0.2	0.2	0.2	0.2	0.3
Hotels	2.7	3.1	3.4	4.5	3.2	4.1	3.6
Transports	1.4	1.7	2.4	1.3	1.2	1.4	1.5
Wholesale trade	6.8	3.4	3.2	2.6	2.8	2.2	3.5
Hospital Beds	8	4	7	5	2.9	3.2	5
Nursing and rest homes	0.06	0.03	0.04	0.08	0.03	0.04	0.05
High school classrooms	4.4	2.7	2.8	2.5	2.4	2.0	2.8
Consumptions / income	0.89	0.94	1.00	0.83	0.83	0.89	0.89
Cultural association	1.5	1.1	1.2	1.9	2.0	1.6	1.6
Economic association	0.4	0.2	0.3	0.2	0.1	0.1	0.2
Gender equality	8.4	11.6	8.6	8.8	12.2	12.4	11.4
Ration Museums and libraries	0.1	0.1	0.1	0.2	0.3	0.2	0.2
Post Office	0.1	0.1	0.1	0.3	0.2	0.4	0.2
% Communes with Nursery Schools	nd	nd	nd	nd	nd	nd	5.6

Source: Background Report, Economy, Agriculture, Rurality and Development Policies in Calabria, Report prepared for OCSE Mission, INEA Regional Office Calabria

87. At 70 per cent Calabria presents with the lowest per capita GDP<sup>24</sup> in Italy, the rate of unemployment—14.8 per cent—is higher than in Italy (7.7 per cent 2006) and Europe, especially for women (18.3 per cent) and young people. As a result, out-migration of the young is on the rise after a decade of contraction.<sup>25</sup> In the remote areas, de-population is progressing at such high speeds that many historic rural villages have been completely abandoned, some of them being re-built along the coast. These rebuilding choices have negative consequences as it impacts natural resource management, loss of local culture and knowledge in the interior, as well as the effects from the ‘concretisation’ of the coast; the intensive and unregulated construction of buildings in locations that were previously scenic with sensitive coastal environments. The underground or ‘black’ economy is very diffuse and affects about one third of the labour force (Banca d’Italia Eurosystem, 2007). Also, the manufacturing industry is under-developed in the Region and is based essentially in micro-enterprises and specialised in the agro-food and other traditional sectors.

88. Another key element of importance in Calabria is the criminal organization called ‘*ndrangheta*’ a principal economic actor in the international illegal drug trade. In Calabria, its interests extend from extortion, usury, and public contract work to waste management and illegal immigration. Its control of the territory, especially in (the province of Reggio Calabria and the richer areas of other provinces) is pervasive (ROP – Calabria 2007). As such, there is a sense that without committed efforts by local, regional and national institutions long-term sustainable development efforts will continue to yield below minimum results.

#### Box 2.4. The role of Agriculture in CALABRIA

##### Calabrian Rural Areas Features

NDP Classification RDP	Calabria Classification	Communes	Residents	Surface
Urban areas	Urban areas	1.47	20.21	3.06
Rural areas with intensive and specialised agriculture	Urbanised rural areas with intensive and specialized agriculture	10.27	17.37	12.01
	Rural areas with intensive and specialized agriculture	3.67	6.69	6.62
Intermediate Rural Areas	Diversificated intermediate rural areas	15.65	11.86	11.86
	Intermediate rural areas with extensive agriculture	13.94	11.76	20.48
Rural areas whose development is lagging behind	Rural areas whose development is lagging behind	55.01	32.1	46.15
	<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source : Background Report

Agriculture in Calabria is still important as an economic sector (in some local areas, employment in agriculture accounts for 40% of total employment), but also as a base of social knowledge, local traditions and the organization of lifestyles. Especially in the plains along the coast, an agro-industrial model of production prevails, based on specialisation and the intensive use of industrial inputs. An example is Sibari, where the organisation of small firms in cooperatives, which acting as “interlinking” agents, allowed the creation of a flourishing local industry linked to the production of citrus (Capano, 1996). However, the hills and mountains (the marginal areas) have maintained a diversified agriculture, based on extensive cultivation (cereals, legumes), permanent crops (especially olive trees and vineyards) and small-scale horticulture. Here, economic and social organization still retains the features of the traditional communities, albeit now at different stages of marginalisation and de-population.

These specific characteristics of the economic and social context make it difficult to analyse well-being only in terms of GDP and other official economic indicators. For example, while per-capita income is quite low, local food production, i.e. local production of food that is sold and/or consumed locally, is very important in some parts of the Region. According to a survey conducted for the Aspromonte National Park Socio-economic Plan, 85% of people who own or use land in the Park territory reserve part of their production for auto-consumption. About 74% of the families interviewed in the survey produced goods for auto-consumption, with an average of three types of product per family. Auto-consumption was connected to the “search for authenticity” (42%); “economic necessity” (18,6) and to “maintaining food traditions” (17%). The survey estimates that on average, auto-consumption contributes to an increase of per-capita income of 15-20% above the formally-recorded figures (Parco Nazionale dell’Aspromonte, 2004).

#### Calabria Employment Structure

##### Employment Structure - Employees distribution per area (weight %) - 2004

Areas	Agriculture	Industry	Services
Urban Areas	2.8	16.4	80.8
Urbanised rural areas with intensive and specialised agriculture	20.8	21.6	57.5
Rural areas with intensive and specialised agriculture	11.4	23.5	65.1
Intermediate diversified rural areas	12.7	23.1	64.2
Intermediate rural areas with extensive agriculture	15.9	24.8	59.2
Rural areas whose development is lagging behind	17	22.6	60.5
Total	13.6	21.5	65

Local food is also a cultural heritage, with strong links to the territory and the local community. It offers a wide range of typical products and is often produced through extensive, low-input traditional production systems. Connected in social networks to the local heritage of culture, architecture, music, language and lifestyle, local food can be a basis for strengthening of the local economy, able to achieve the well-being of communities and to be marketed externally as a regional brand. While a number of products are valorised through quality certification schemes (Organic agriculture, Protected Designation of Origin – PDO – or Protected Geographical Indication – PGI), their contribution to the regional economy is still far less than its potential. Calabria has more than 200 entries in the *National register of traditional products*, but only eleven products have an official PDO or PGI certification. Organic agriculture covers about 10% of the utilised agricultural area (over 50,000 ha), but organic products are often marketed as conventional products, missing the quality premium price. In the case of olive oil, it is estimated that while the total area devoted to organic agriculture is equal to 7.7 % of the total in the region, only 1% of production is traded as such (L'olivicoltura in Calabria, 2007). Support to organic agriculture is conceived more as support to farmers' income, rather than as a strategy of product valorisation through environmental protection.

Rural areas in Calabria have a diversity of opportunities and assets. Agriculture and the agro-food sector's contribution to the economy is in need of further valorisation, especially through quality-based strategies; in the most remote areas, the diffused cultural heritage, natural patrimony, artisan abilities and agricultural traditions are an opportunity on which to base an integrated, territorial strategy for rural development.

### *Calabria Rural Governance structure*

89. The organization of governance in Southern Italy has changed dramatically, since the end of the *Cassa per il Mezzogiorno* special interventions and the adoption of the EU rural development framework. Institutional innovations helped the Provinces and Municipalities increase their competence and secure financial autonomy. The political class accepted the challenges of the new programming methods and were open to the innovations of collective action and integrated approach to territorial development, through the new instruments.<sup>26</sup> Projects were negotiated at territorial level, through a process of “social concertation”, involving the co-operation of local institutional, social and economic actors.

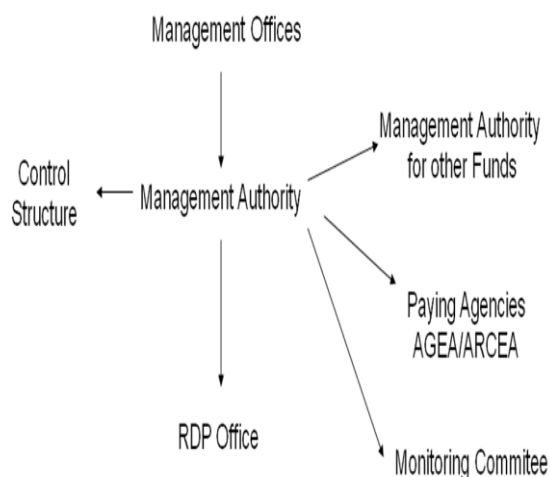
90. Presently Calabria subscribes to the “mixed” approach to rural development governance; the management and control structure features a rural development office and management authority along with a paying agency as the processing unit (see Figure 2.4 Panel A). However, Calabria distinguishes itself by being the most advanced in adapting an integrated bottom-up development model that embraces the broader aspects of rurality. To begin with Calabria embraces the communitarian rural development policy, the key precepts of which include: *territorial* concentration, *integration* of different measures and *concertation* (with partnerships at local level and at vertical level between government and institutions). In line with this the implementation methodology requires integrated plans for local and sectoral planning (see Figure 2.4 Panel B). Coupled with local development Plans (LDP), Integrated Plans for Rural Areas (IPRA) a, Production Chain Integrated Plans (PCIP) and Thematic Development Plans (TDP). In this the LEADER initiative has emerged as one of the programmes that best represents the new ‘course’ of development policies with a new way of looking at the development of the territory.

91. The 2000-2006 programming period reinforced the movement towards social concertation, through the building of institutional and socio-economic partnerships. These institutional partnerships were based on the co-operation between the different levels of local government (municipalities, mountain communities, provinces, parks, regions); the socio-economic partnerships led to a practice of co-operation among local public institutions and private associations or actors.<sup>27</sup> Of the 337 communes present in Calabria, 320 participated in the formulation of the integrated planning structure and 42 selected of 106 PCIPs. However interventions were slow and concentrated on few measures, mainly farm investments; constrained by low planning capacity at local level and difficulties in the management at administrative

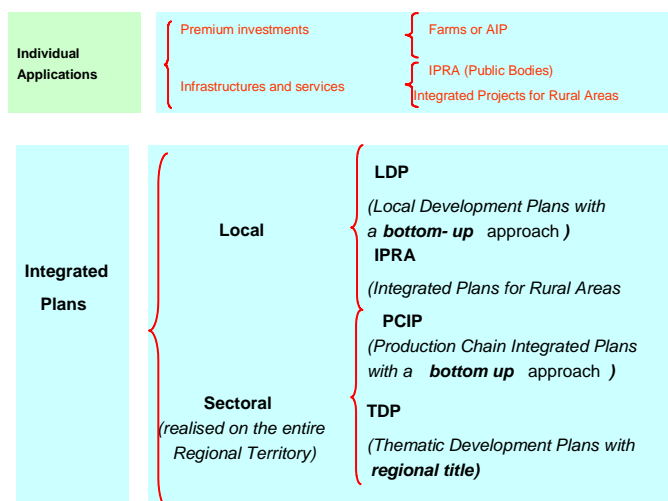
level. Finally, it is not clear how much of the PIF investments were dedicated to strengthening collective good likewise to finance ordinary investments in the farms.

**Figure 2.4. Rural Governance structure in Calabria**

**Panel A: Traditional Management Structure**



**Panel B: Integrated Approach**



Source : Background Report

92. In Calabria ITPs<sup>28</sup> are territorial development plans for large areas that work to sustain growth and local development systems based on the needs of the territory. To implement, ITPs, the territory was divided into 23 ITP areas through an adhoc joining of municipalities to ITPs areas and concertation process. The local partnerships identify the “priorities, strategies and specific interventions” for each territorial field. Plans are implemented through a local operation programme that is based on the direct participation of trade unions, inter institutional cooperation among regions, provinces, local government and mountain consortiums and with other interested stakeholders such LAGs. In this more institution oriented process; a central role is assigned to local government and Mayors. For example, Mayors choose the investment options, identify and negotiate with the partners. IPRA on the other hand aim to guarantee a certain quality of projects according to ROP objectives. While it is similar to LEADER in its demand for partnership it differs in the manner of negotiation and financial targeting which, in this context, is closer to the Region and European Commission approach. In contrast, PCIP is largely a *primary sector* integrated rural development tool and focuses centrally on improving the competitiveness of regional agricultural and agro-industrial systems in a product chain. Thus it organises resources and products around a shared plan for valorisation and strengthening of forestry and agricultural production.

#### *Integrated Rural Development and LEADER initiative*

93. In Calabria a territorial diversification of the economy is visible and examples of dynamic micro-territorial systems have emerged, especially in agrofood, tourism and trade. The agro-industrial district of Sibari (Crotonese) specialises in the production of citrus, Lamezia plain specialises in horticulture, fruit-culture, olive production and plant nurseries; and there are some tourist poles in the Tyrrhenian (Tropea-Capo-Vaticano) and Ionian coasts (Soverato; Isola Capo Rizzuto), while Gioia Tauro is now a leading harbour for container ships, in the Mediterranean basin, even though is still poorly related to the regional economy.<sup>29</sup>

94. The social and cultural impact of the social integrated planning is a positive because it represents a change from the historical dirigisme of development and rural policies. The decision to introduce the integrated planning instruments for intervention (RAIP; FIP; ETC) responds not only to economic objectives (to favour the efficient utilisation of financial resources or to encourage strategic choices in the most important productive sectors), but it signals an awareness that change in the direction of more participation and more horizontal and vertical co-operation among local public and private actors was necessary (Gaudio and Zumpano 2005). Incentivising collective action for territorial policies is one way to strengthen the social capital and trust relations, among local public and private actors. Nonetheless, there are some downsides, for one the proliferation of partnerships has to a certain extent depreciated the value of the planning instruments. In many cases, for the same period impacting the same area numerous financial instruments are required to reach a partnership (between TIP, FIP, RAIP, EQUAL, INTERREG, LEADER). Instead of integrating the various interventions in a single program with a single partnership for each territory, different partnerships were established for each single fund. In such instances, co-operation as a simple 'coalition of interests', finalised to gain access to financial resources is devalued

95. The LEADER Initiative also provides a glimpse of the challenges of consolidation under the Calabria governance model. Detracted by its experimental nature and low budget, LEADER was largely ignored by certain groups in the beginning. It was embraced after they realised that LAGs allowed for the involvement of new actors with new visions of rural development and a new bottom-up territorial approach. Many LAGs worked both as promoters of new initiatives and co-ordinators of initiatives already diffused in the territory, managing to amplify their positive effects and consequences (see LAG Valle del Crati). LEADER partnerships are the most inclusive of civil society actors in Calabria rural areas, and the most innovative in its territorial approach to rural development. But even though the LAGs are technically proficient in the planning and management of territorial local development they are handicapped by the lack of political legitimacy, limiting their role. The innovative push of the LEADER II initiative weakened with the introduction of LEADER +. With a reduced budget, an aggregation of larger and more heterogeneous areas (while LAGs work better when they represent well defined community), a more complex internal organization, and an especially difficult relationship between local public institutions and private associations it caused various problems. Moreover, small municipalities having realised the importance of LEADER sought more decision-making power with respect to fund allocations. Add to this growing ill feeling among local institutions, like municipalities and Mountain communities who had come to regard the LAGs as competitors, even when they are represented (but less visible) in the LEADER partnerships (Castellotti, Gaudio, 2006).

96. Whether the new rural development programming 2007-2013 will lead to a strengthened territorial approach in rural policies or a narrower sectoral approach, is still unclear. According to the EU the inclusion of LEADER in the CAP second pillar mainstreamed the territorial approach. Despite this more pronounced acknowledgement of LEADER at the EU level the tendency to confine LAGs intervention space is still evident in the 2007-2013 Calabria Regional RDP (see Table XX). In allocating resources, the agricultural sector (with its farms and *filières*) remains highly favoured (at close to 450 million to Axis I) while the LAGs responsibilities and possibilities are even more limited. The decreased financial focus is accompanied by significant structural changes that restrict the flexibility of LAGS. For instance, only public entities (Provinces, Municipalities, groups of Municipalities or Mountain Communities) can be beneficiaries of Rural Area Integrated Projects and the LAGs can operate only through the Local Development Plan (LDP). Moreover, some of the Axis III measures (measure 321: essential services for rural population and economy) are not admissible in the LDP and others (313: incentive to tourism activities) can only have public entities as beneficiaries.

Table 2.5. 2007-2013 Calabria Rural Funding Structure

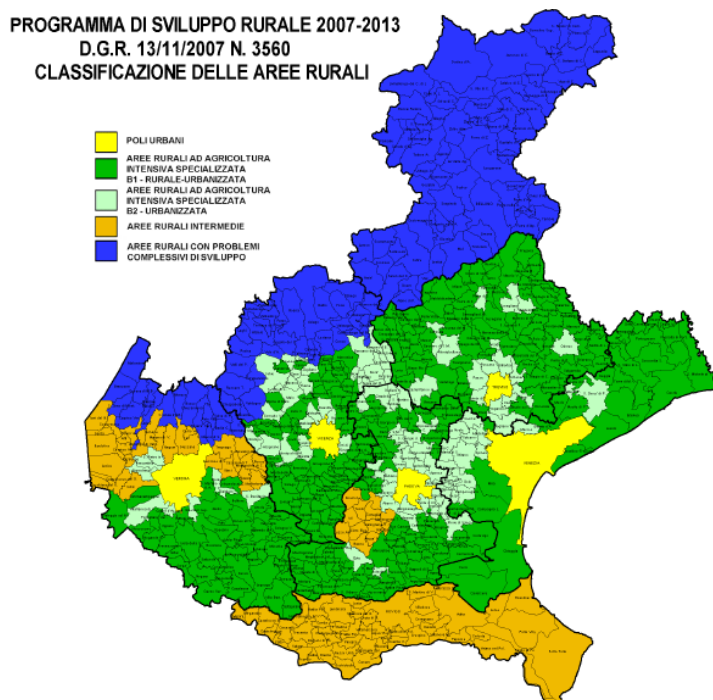
ROP ERDF Calabria			Public Expenditures	EAFRD
Explicitly rural Interventions	483,343,278.00	Axis I Competitiveness	444,469,235.00	255,569,810.00
Horizontal interventions (non place based)	2,128,906,724.00	Axis II Environment and territory	444,469,235.00	255,569,810.00
Explicitly Urban interventions	40,000,000.00	Axis III Life quality and diversification	108,407,130.00	62,334,100.00
Interventions potentially devoted to both urban and rural areas	836,397,222.65	Axis IV Leader	65,044,278.00	37,400,460.00
		Axis V. Technical Assistance	21,681,426.00	12,466,820.00
<b>Total</b>	<b>3,488,647,224.65</b>	<b>Total</b>	<b>1,084,071,304.00</b>	<b>623,341,000.00</b>

Source : Background Report

97. These restrictions could be interpreted negatively: (1) as lack of trust in LAGs or (2) that the relations between public and private actors in the territory is a not moving towards a greater “co-operative” framework *per se* in finding solutions to collective problems but as a competitor for funds.

## Veneto

Figure 2.5. Map of Veneto



Source : Background Report

98. The Veneto Region<sup>30</sup> is located in the North-East of Italy and is considered a “diffused city”, with more than 4.8 million inhabitants (Bialasiewicz, 2006). The average population density in the Region is 266 inhabitants per square kilometre, ranging from 1,385 in the urban poles to 70 in the mountain areas.<sup>31</sup> Demographic dynamics vary, underscoring the influence of peri-urbanization processes (population is increasing in the peri-urban areas, and decreasing both in the urban poles and in the mountain areas) on the whole demographic trends is positive. In fact in 2006, 320,000 foreign immigrants were registered in Veneto, representing 12% of all foreigner immigrants living in Italy (Regione Veneto 2008). These positive demographic trends are due not just to the high immigration flux but to the positive economic and employment performance.

99. Up until the 1960s Veneto’s economy was tied to intensive agriculture but the industrialisation process of the seventies which linked the agricultural activities to the growing industrial sector, changed the structure. According to ISTAT in 2001, there were 22 industrial districts in Veneto, specialising in the traditional production of the “Made in Italy”: furniture, textiles, eyeglasses, shoes, jewellery, mechanic, etc. (Banca d’Italia 2006). According to the OECD classification, 3 out of these 22 industrial districts are localised in predominantly rural regions (Chapter 1). Nonetheless, Veneto’s contribution to national agricultural production remains very important but agriculture is diversified and based on the diffusion of small farms (farm average size is 5.7 ha). The diversification of activities and the small dimension of the farms allows for greater flexibility and resilience to the economic structure of this area (Montresor, 2007).<sup>32</sup> Tourism activities are equally well developed with multiple attractions, ranging from art cities (Venezia), to mountain and seaside tourism.

#### Box 2.5. Urban rural linkages in VENETO

The settlement patterns observed in Veneto resulted from the Veneto law 24/1985 (and its amendments) which favoured the wide construction of buildings and the diffusion of industrial areas not only in peri-urban, but widely in the rural territory. The patterns of settlement and the characterization of the economic structure in the vast central ‘metropolitan areas’ (representing more than 50% of the territory and 60% of population) challenge the classical use of the ‘urban’ / ‘rural’ dichotomy. The model of urban expansion (often referred to as ‘sprawling’) have assumed the post-industrial, hybrid form of the ‘spreaded’ or ‘diffused’ town, based on non-hierarchical polycentric networks, where social relations, although still recalling a rural culture, have nonetheless assumed urban dimensions as for work opportunities, services availability and life-style. Urban spaces remain, then, associated to the permanence of high added value agriculture and agro-industry filières, which on their turn are subject to strong competitive urban pressure and conflicts over resources utilization.

Rather than an ‘intermediate’ area between the ‘rural’ and the ‘urban’, peri-urban areas are best conceptualised as having specific and original characteristics and, as such, expressing specific demands in terms of public policies and forms of governance. The European Economic and Social Committee on ‘Agriculture and peri-urban areas’ stresses the opportunity to consider them as ‘rural areas that face specific and characteristic constraints that set them apart from other rural areas, and whose survival is seriously threatened’ (EESC 2003: 63). Accordingly it analyses the role and function of agriculture in such areas as producer of ‘public goods’, the menaces to the its conservation and development deriving from urban pressures, the forms of governance best suited to their needs (based on co-operation among urban and rural actors) and the objectives that public policies need to consider.

With such a variation of morphology, settlement models and economic structure, the idea of the ‘rural’ as a unique identity horizon, defining the cognitive frame on which to base local development both, in the metropolitan central areas and the Alpine mountains, is quite problematic. The concept of ‘rural’ in the peri-urban areas may assumes a sectorial connotation, as the main objective of policies is to recognise the value and role of agriculture and prevent them becoming part of the urban process. In the most remote areas, the rural problem is rather targeted to diversify the economy and provide people essential services for a good quality of life.



In peri-urban areas, pressures from the urban environment and industrial activities raise serious problems for the continuity and stability of agriculture and its economic viability. That may be the rationale, in Veneto, for the concentration of intervention efforts in the *competitiveness* objectives, intended as modernization of the farm, integration of the farm to agro-industry, attention to human capital, especially young farmers, and innovation. In most Axis I measures, professional farmers are accorded priority, respect to other part-time or diversified farms. Rural policy is intended in this case as a structural intervention directed to guarantee professional farmers an income comparable to extra-agricultural activities.

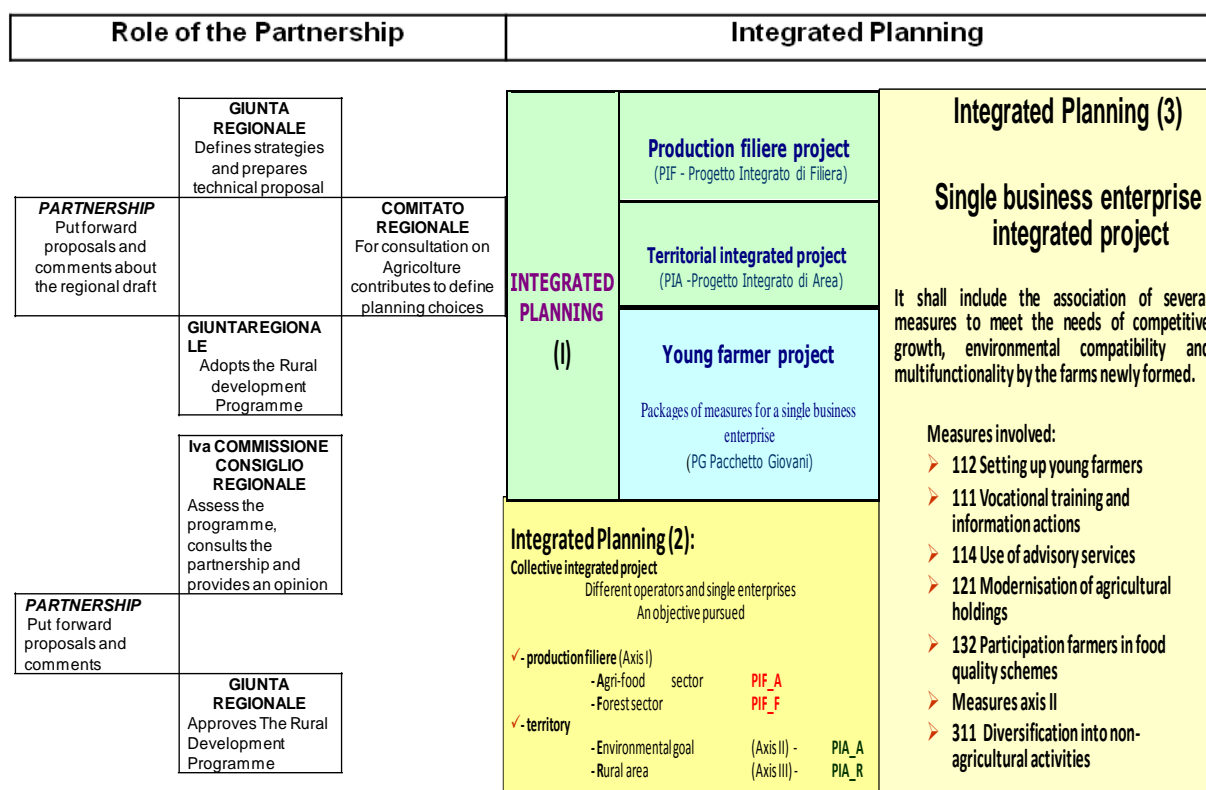
To limit or emphasise the competitive intervention in agriculture as support to the industrial, competitive farms may be in contradiction to the multiple and multifunctional role that agriculture should have in peri-urban rural areas. Agriculture should first of all provide environmental public goods, improving the urban eco-system in relation to natural resource (water, air, biodiversity, and climate) and waste management. Other functions may be encouraged: the provision of fresh and quality agricultural products to urban consumers through the organization of short filières and the encouragement of farmers markets; a naturalistic and didactical function in connection to schools; a recreational, care and welfare function through social, health and hobby farming. In encouraging and sustaining a multifunctional and sustainable model of farm, agriculture in peri-urban areas may reinforce its functionality in a context of urbanised countryside and absolve an additional function, offering to urban citizens a symbolic and relational dimension on which to base a feeling of belonging and local identity.

100. The mountain areas<sup>33</sup> boast a high concentration of forests and protected parks but face different challenges. Politically, mountains are very sensitive areas in Veneto because the borders the autonomous Regions and Provinces (Trentino, Alto Adige, Friuli Venezia Giulia), which enjoy important fiscal privileges<sup>34</sup>. While the income levels and employment rates are stable, depopulation and population ageing vulnerabilities are evident. Furthermore, the diffusion of industrial and tourism activities, ski tourism, threatens agricultural activities and the integrity of natural resources. Moreover, the declining importance of agriculture<sup>35</sup> affects local knowledge and the homogenization of the landscape, and contributes to the out migration of young people. Thus, the mountain areas need de-centralization with simplification of rural policies.

#### *Veneto Rural Governance structure and LEADER*

101. Veneto's mixed governance framework features the Regional administration responsible for planning, program implementation, monitoring and evaluation; the paying agency (AVEPA) responsible for financial implementation; and the LAGs responsible for planning the LDPs. The key characteristics of the Veneto framework is a clear separation between management bodies, timeliness in implementation and transparency achieved through the partnership structure. RD policies in Veneto are guided by the consultative process. Indeed in preparing the 2007-2013 RDP the Regional government consulted several times with the Partnership body comprised of 120 subjects representing different skills and interests in rural development (see Figure XX).

Figure 2.6. Rural Governance Structure in Veneto



Source : Background Report

102. In contrast to Calabria, Veneto's local institutions are very active in the constitutions of the LEADER groups. Mayors promoted the constitutions of local partnerships with private associations in order to create instances of horizontal co-operation of territorial programming and governance. For instance in *Alto Bellunese*, in the Dolomite mountain of Veneto, local municipalities mayors, in partnerships with other public bodies, trade associations and bank foundations, concerned about prolonged dependency on the eye wear district, promoted a LAG and the implementation of a LDP, based on the diversification of the economy in tourist activities, the recovery of historical, cultural, artistic and archaeological natural heritage, the protection of nature and landscape, the increasing and the enhancement of quality and added value of the wood industry.

103. The functional co-operation of the LEADER groups and local institution is quite evident in Eastern Veneto. In 1993, a group of mayors in Eastern Veneto pressed to pass the Regional law 16/93 which recognises *Veneto Orientale* as a 'supra-municipalities' area of twenty municipalities and a unit of administrative decentralization of regional offices and services. For purposes of vertical institutional coordination and local development initiatives promotion, the permanent "Mayors Conference" was established. Consultation with the Mayor's conference was necessary for any infrastructural and socio-economic regional initiatives concerning the area. The Eastern Veneto Mayors Conference work in co-ordination with the local LAG, VeGAI, and provides technical and secretariat assistance (see box XX). In Veneto LAGs respond to the demand of administrative and programming de-centralisation coming from below. Furthermore, through the LEADER initiative, the fragmentation of rural policy between different instruments and funds is re-composed at local level, especially in cases where LAGs act as development agencies, able to mobilise different resources and instruments. Thus, the instances of local governance that

enables LAGs to act as a development agency usually lead to the re-appropriation of the territorial dimension of rural development from below.

### *Incorporating the rural dimension*

104. Veneto is a well-developed Region, where the rural areas have great importance. This is so because the socio-economic context of the region –the strong peri-urban dimension (see box XX) plus the multitude of small businesses, demands consideration of rural aspects. It is a competitiveness and employment region that considers the rural aspects even more so than Emilia Romagna. However while rural areas are considered in the strategy of the ROP, the limited competitiveness and employment objectives prevent rural elements from being seen in axis priorities. On the other hand, the LEADER experience in Veneto resulted in an increase in local participation, growing from one LAG during LEADER I to twelve LAGs with a collective organisation during LEADER II. The LEADER + led to the aggregation of territories and the operation of eight LAGs. The allocation of 11% in the 2007-2013 Veneto RDP to the LEADER Axis 5 per cent over the required minimum, signals the intention to strengthen the LAGs role in the region. Under the present period there are 14 LAGs<sup>36</sup> in operation 6 more than the previous period. Plus the new programming features greater integration of the LEADER approach in RDP in Axis III and increase in resources for LDPs.

**Table 2.6. 2007-2013 Veneto Rural Funding Structure**

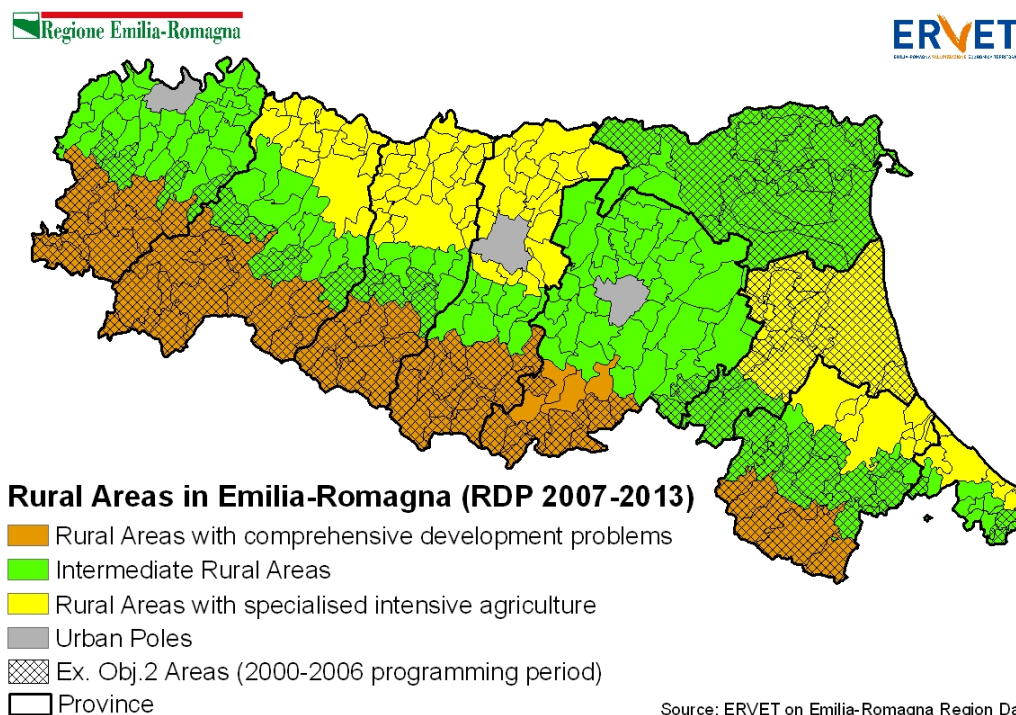
ROP ERDF Veneto			Public Expenditures	EAFRD	Private Expenditure
Explicitly rural Interventions	197,229,335.77	Axis I Competitiveness	403,053,239.00	177,343,425.00	439,989,438.00
Horizontal interventions (non place based)	426,010,611.52	Axis II Environment and territory	337,780,261.00	148,623,315.00	10,863,063.00
Explicitly Urban interventions	0	Axis III Life quality and diversification	45,787,000.00	20,146,280.00	50,946,581.00
Interventions potentially devoted to both urban and rural areas	391,914,410.78	Axis IV Leader	100,614,250.00	44,270,270.00	88,573,894.00
		Axis V. Technical Assistance	27,440,250.00	12, 073,710.00	0
Total	1,015,154,358.08	Total	914,675,000.00	402,457,000.00	590,372,977.00

Source : Background Report

105. Finally, Veneto is challenged by serious environmental problems in particular, water quality and land pollution. In fact, the evaluation of the 2000-2006 programming period stressed the lack of significant results in relation to the improvement in these areas. To this end, Veneto submitted to an infraction procedure under the nitrate directive 91/676. However under the 2007-2013 programme the resources dedicated to environment protection (Axis II) are relatively less, compared Axis I and to the attribution to Axis II of other Italian regions. In short, two needs emerge in the analysis of Veneto rural policy: the need to integrate more widely the environment into agricultural competitiveness and the need to seriously consider the strong demand of decentralization of governance in rural policy coming from below.

*Emilia-Romagna*

Figure 2.7. Map of Emilia- Romagna



Source : Background Report

106. With a GDP per capita equal to 139% of the EU-25 average, Emilia Romagna (ER) is one of the richest regions in Italy -25 level, and attracts national and foreign workers. It is nationally and internationally recognised as an “excellence region-system”, pursuing in its policies both objectives of development and social cohesion. ER is the largest region in Italy (22 124 km<sup>2</sup>), after only Sicily, and it is located in the north-east of the country. ER’s topology is characterised by plains that cover 48% of the territory; the remaining part is occupied by hills for the 27%, and mountains for the 25%. In 2007, regional population totalled 4.2 million inhabitants, distributed in 41 municipalities, with a population density of about 192.3 inhabitants per square kilometre. Eight cities have more than 100,000 inhabitants, only one, Bologna (371,217), more than 200,000. ER displays positive demographic trends. Between 1988 and 2005 regional population has increased by 5.8%. This is due to national and international immigration flows. In particular, foreign-born doubled between 1988 and 2005 achieving 280 thousand individuals, i.e. 6.5% of overall ER’s population. Although they concentrate in large cities, the relative percentage of foreign born is higher in small sized cities.

107. ER is home to a diversified economic base in which agro-food, manufacturing, and tourism activities are strongly developed. The region is the place of SMEs. While the average dimension of firms and farms is quite small, fragmentation of the productive system is only apparent, since economic activities are strongly integrated along supply-chains. For instance, ER’s agro-food industry is considered to be the most complete in Italy, since all activities are carried out within the region. ER is home to some of the most important agro-food district in Italy, as the *Langhirano* one where Parma ham is produced. In this

context agriculture is strongly mechanised and represented 5.4% of regional employment in 2005. In ER farms have a larger in size than the average in Italy (12.3 ha in ER, against 6.7 in Italy) and specialised in cereal crops, fruit-culture, vine cultivation, cattle and pig rearing. Manufacturing is organised in a similar way, and a number of RR SIA are home to *Marshallian Industrial Districts* (Chapter I). Some examples are the clothing district of Carpi, and the ceramics district of Sassuolo. Tourism is also important, especially along the Adriatic coastline in the province of Rimini and Ravenna. Thanks to economic diversification the labour market performs very well. Regional employment rate has increased by 2.5 % between 2000 and 2005. The regional economy is export-oriented. Its share of the national export is 12.2%. Medium-high technological products represent 57% of regional export (Regione Emilia-Romagna 2007b).

108. ER is home to universities and other public research centres (National Research Council –CNR– and ENEA National Agency for Alternative Energies). The innovation system is promoted by the Region, through the High Technology Network for industrial research and technological diffusion, constituted by 27 laboratories for industrial research and 24 demand-oriented innovation centres. In the period 1997 - 2003 private expenditure in R&D has doubled and the demand for research by private enterprises was also increasing, leading to a share of private expenditure in R&D of 58%. Between 1999 and 2002 patents for industrial innovations presented to the EPO (European patent office) have increased by 19.4% in the Region, and 11.6% in Italy.

109. Counter-urbanisation is intense in ER and while repopulates rural areas, it also poses problems of sustainability. The region's urban settlements evolve towards a model which is similar to that of Veneto's "diffused city". For instance, the cities of Parma, Reggio Emilia, Modena, and Bologna are evolving towards a *linear metropolitan region*, along the "via Emilia" (a road that links them all). In this case, urbanization put pressure on the RR SIAs located in the central plain and the low hills. Counter-urbanisation also interests some RR DPs located along the Apennines mountain chain in the provinces of Modena, Bologna, and Reggio Emilia. After years of depopulation, these regions displayed positive demographic trends between 2000 and 2005. As discussed in Chapter I, this is due to the in-migration of foreign workers that, while working in the city, decide to live in the inland small cities because of the low cost of housing. Although the process of counter-urbanisation represents a positive issue for these communities, it also poses problems related to congestion and pollution due to the intense commuting and puts pressure on natural resources (land and water), without taking into account the challenge of integrating immigrants in rather socially homogenous rural communities.

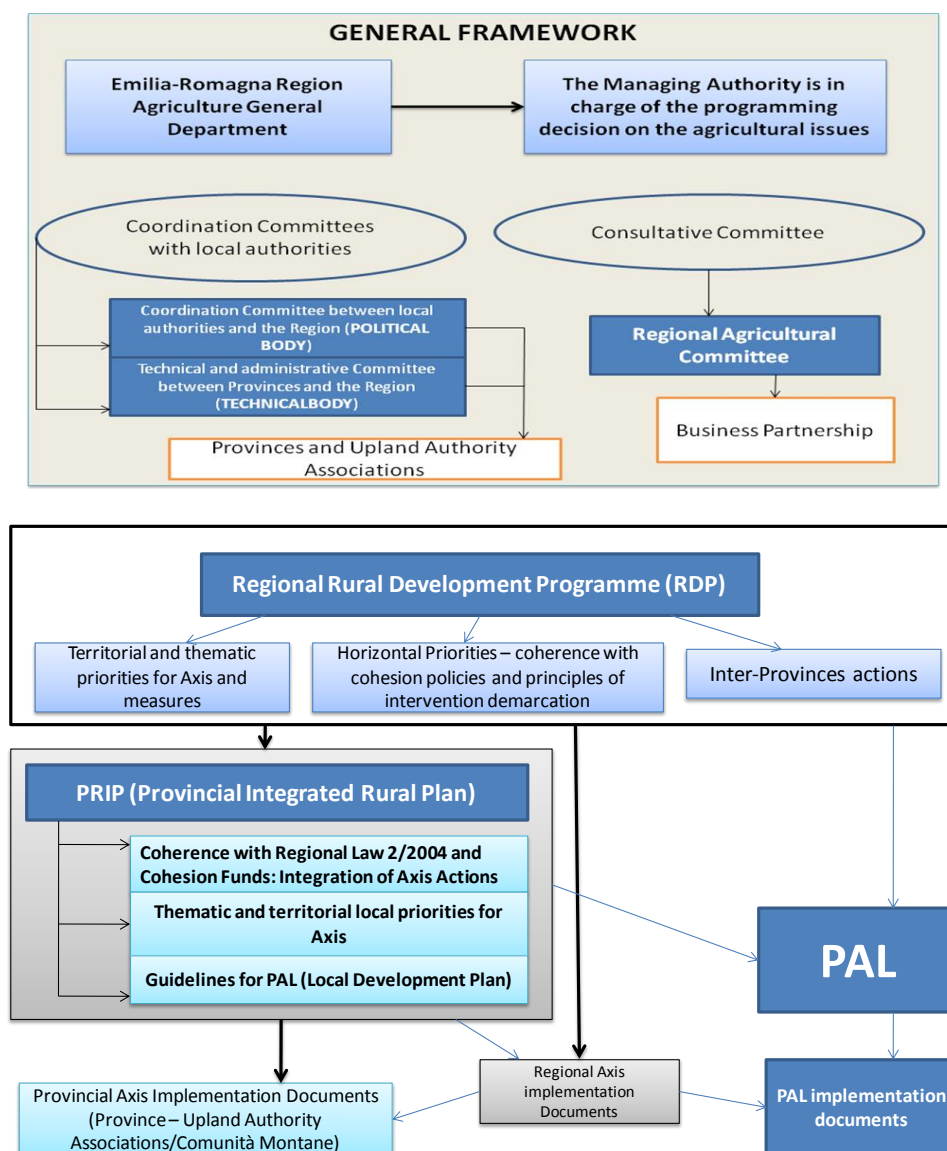
#### *Emilia-Romagna Governance Structure*

110. The region has a history of co-operative movements and cultural homogeneity which are at the base of the so-called "Modello Emilia". Such a model is also reflected in the ER's rural policy, which is reflects a strong multi-level system of governance, with strong integration and devolution of responsibilities. The democratisation process is visible in the devolved responsibilities to and within the local institutions (provinces, mountains communities, municipalities) which has strengthened the trust relationship between citizens and institutions. The regional government assigned itself the task of "making a system", i.e. building a unitary policy network out of the local policy communities, putting together strategic perspectives, common objectives and operatives capacities able to govern complex problems.

111. In keeping with its decentralised model, ER has an Agriculture general department and a Managing Authority responsible for programming decisions on agricultural issues. There are two permanent committees: one is a political unit—the Coordination Committee between local Authorities and the Region and the other is a more technical entity –the Technical and administrative Committee between Provinces and the Region. There is also a consultative committee, the regional Agriculture Committee.

The coordination committees are represented by the Provinces and Upland Authority Associations while the consultative committee is the Business Partnership (see Box XX). In this scheme the role of the provincial governments is particularly important. The regional law 15/97 (devolution of agricultural responsibilities to Provinces e Mountain Communities) devolves to provinces the responsibility for the planning and implementation activities at sub-regional level. In co-operation with Mountains Communities (a supra-municipality local institution), provinces are in charge of preparing the *Provincial Rural Integrated Programme* (PRIP).<sup>37</sup> The role of PRIPs is to adapt the strategic lines defined in the regional RDP at local level through the selection of measures and interventions more coherent to the territorial socio-economic needs and contexts.

**Box 2.6. Rural Development Governance framework in Emilia-Romagna**



Source : Background Report.

112. ER follows a unitary strategic vision which promotes the coordination of the regional and the rural policies, in a broader approach toward territorial development. This strategic vision is discussed and presented in the *Programming Unitary Document* (PUD, approved in June 2008), which sets the priorities for all the planning activities and interventions to local public and private actors. The PUD integrates policies funded by the EU (except the RDP), national, and regional funds within the framework of the Regional Territorial Plan (RTP), which, in turn, deals with traditional problems of land planning and land use (utilization of the territory, infrastructure and mobility network, technological networks, environmental and landscape protection). In particular the PUD aims to (i) strengthen innovation in a “knowledge-based economy”; (ii) build a “Regional-System” based on strong networks; (iii) renew the model of sustainable development, (iv) increase territorial cohesion as strategic resource for development and innovation; and, finally, (v) set up a system based on solidarity, finalised to the improvement of welfare and qualification. In this framework, provincial government co-manage and are co-responsible of the PUD.

113. The PUD sets a unitary territorial classification of the regions, which is seen as an interconnected unity, to be valorised in its integrity. In coherence with such an approach, RR DPs are considered a resource for the all region, to be valorised for their specific landscape, natural and cultural resources, with strategies that are different from the one implemented in the plain areas. In continuity with 2000 – 2006 structural programme, in the PUD, rural areas are identified as the ex-objective 2 areas, which lie on the Apennines and the north-east coastal areas in the province of Ferrara and Ravenna. The strategy concerning the Apennine area is articulated in three macro typologies of intervention: (i) mountain hospitals (social service, transport infrastructure, digital divide); (ii) safe mountains (environmental infrastructure, sustainable development, hydro-geological safety). (iii) excellence in mountains (natural, cultural and agro-food potentialities). These policy interventions aim at reducing de-population, improving income and quality life (social well-being), and promoting tourism activities (through the ‘tourism integrated project’). A central importance is attributed to the evaluation of “pilot” projects. These projects work as attention catalyst and promote imitation processes. An example of this type is the CISA project for the diffusion of alternative energies (BOX 2.X).

114. Despite its integration in the PUD, the Rural Development Plan (RDP) of ER is an independent policy instrument. In the context of RDP, different tools foster the public and private partnership. For instance, the *Regional Conference for the Local Autonomies*, which is the principal instrument of coordination between the regional government and the other local authorities; the *Regional Agricultural Committee* and the *Regional Agro-food Table*, which represent private – public partnerships involving the agricultural associations and the agro-food industry. The RDP is organised along three axes. The first axis promotes an integrated territorial approach, through collective action and development projects based on industrial districts or clusters (filières). It supports farming and foresting activities, which are able to contribute to competitiveness through technical and marketing innovation. The policy aim at integrating firms and farms in locally based value-chains to increase the competitiveness of the system as a whole. The second axes aims at “agro-environmental agreements”, while the third one promotes “development agreements”. In particular, it promotes the protection of the environment with a focus on biodiversity, and agricultural and forest activities, especially in the “vulnerable areas” according to the *nitrate Directive* (91/676 CEE) or Nature 2000 networks. Finally, the third axis intends to promote integrated development and quality of life (social well being) in the most rural areas. Resources allocated to the this axis are relatively low (10% of the whole RDP resources, the minimum required by the EU), but this is motivated in the RDP by a strong ordinary policies interventions facing problems of marginal and lagging areas, especially concerning services availability.

**Table 2.7. 2007-2013 Emilia-Romagna Rural Funding Structure**

ROP ERDF		Public Expenditures		EAFRD
Explicitly rural Interventions	7,864,950	Axis I Competitiveness	168,500,000	382,954,000.00
Horizontal interventions (non place based)	416,297,545.01	Axis II Environment and territory	174,700,000	397,133,000.00
Explicitly Urban interventions	0	Axis III Life quality and diversification	42,900,000	97,500,000
Interventions potentially devoted to both urban and rural areas	90.833,082.19	Axis IV Leader	21,000,000	47,727,000
		Axis V. Technical Assistance	4,100,000	9,347,000
<b>Total</b>	<b>514,995,577.20</b>	<b>Total</b>	<b>411,300,000</b>	<b>934,661,000</b>

Source : Background Report

115. In ER, LAGs, with the cooperation of small, insulated, municipalities and citizen associations, have implemented innovative initiatives for the supply of social services to the marginal that represent good practices. For instance, the Antico Frignano and Appennino Reggiano LAG has involved a local voluntary association in a project to deliver medicinal drugs to senior citizens directly at their home. Another project implemented aims at providing on-demand transportation to people living in sparsely populated areas during specific periods in which they may want to commute to urban areas because of a fair or another event.



## NOTES

- 1 . The Common Agricultural Policy (CAP) is a system of European Union agricultural subsidies and programmes. It represents 62% of the EU's budget, EUR 49.8 billion in 2006 (up from 49% or EUR 48.5 billion in 2005). The CAP combines a direct subsidy payment for crops and land which may be cultivated with price support mechanisms, including guaranteed minimum prices, import tariffs and quotas on certain goods from outside the EU. Reforms of the system are currently underway reducing import controls and transferring subsidy to land stewardship rather than specific crop production (phased from 2004 to 2012). Detailed implementation of the scheme varies in different member countries of the EU. Until 1992 the agriculture expenditure of the European Union represented nearly 49% of the EU's budget. By 2013, the share of traditional CAP spending will have almost halved (32%), following a decrease in real terms in the current financing period. In contrast, the amounts for the EU's Regional Policy represented 17% of the EU budget in 1988. They will more than double to reach almost 36% in 2013. The aim of the common agricultural policy (CAP) is to provide farmers with a reasonable standard of living, consumers with quality food at fair prices and to preserve rural heritage. However, there has been considerable criticism of CAP.
- 2 . Structural Funds and Cohesion Funds are funds allocated by the European Union for two related purposes: support for the poorer regions of Europe and support for integrating European infrastructure especially in the transport sector. Current programmes run from 1 January 2007 to 31 December 2013, with EUR 277 billion budget for Structural Funds, and EUR70 billion for the Cohesion Fund. Together with the Common Agricultural Policy, the structural and cohesion funds make up the great bulk of EU funding, and the majority of total EU spending. For 2007-2013, new objectives have been defined, with a total budget amounting to EUR 347.41 billion in current prices.
- 3 . The “Questione Meridionale” (or Southern Issue) was already evident at the end of the 19<sup>th</sup> Century. While the primary sector in the northern part of the country had been evolving toward a capital intensive model of production, in the south agriculture still displayed the feature of feudalism and was labour intensive (Villari, 1875).
- 4 . and its later replacement the Agency for the South (*Agensud*)
- 5 . The Integrated mediterranean Program was a seven-year budgetary commitment for the years 1986 through 1993 by the European Community of region economic development in Greece, Italy and Southern France.
- 6 . The comprehensive changes to the EU Structural funds that began in 1988 drew extensively from the lessons learned through the IMP and made explicit the move from a sectoral approach to one based on territorial interventions as the methodology to correct socio-economic disadvantages.
- 7 . Despite doubling the structural funds spending achieved at the national level with interventions exceeding 11% as compared to 1988, -EAGGF-O spend was only 8.2% with varied success among the Local Action Groups.
- 8 . In addition, the operation of the Cassa per il Mezzogiorno and of state-owned enterprises, effectively until early 1990s, did not favour a more active role of regional governments in territorial policies for economic development.
- 9 . LEADER I was selectively introduced in Italy (more to add)
- 10 . The concept of the *filiere* is similar to that of industrial district, but it is commonly used in respect of primary sectors (agriculture, forestry, and fishing).
- 11 . Despite increasing to 19% of the resources allocated by EAGGF-O and LEADER II recorded its lowest spending capacity 90.7% in this phase. The lacklustre LEADER performance was linked to its more

innovative edge in this phase by funding pilot and integrated projects with a higher degree of difficulty in terms of implementation.

<sup>12</sup> For the Review, the Ministry of Agriculture and Ministry of Economic Development prepared a background report on rural policy in Italy for the OECD.

13 . Regions had to draw up a Rural Development Plan, co-funded by the EAGGF Guarantee, for the former accompanying measures<sup>13</sup> and the indemnity compensation. These programmes are joined by the EU Leader+ initiative, carried out in all of Italy's Regions and Autonomous Provinces through the Regional Leader Programmes. The 2000-2006 CSF for Ob. 1 Regions of Italy includes 7 ROPs (Regional Operational Programmes) e 7 SOPs (Sectoral Operational Programmes). Under Objective 1 are the lagging behind Regions, where the GDP per head is at or below 75% of the Community average. The Italian regions eligible under Objective 1 are Basilicata, Calabria, Campania, Puglia, Sardinia and Sicilia. The region Molise shall continue to receive support from the Funds under Objective 1 on a transitional basis (phasing out area).

14 . Enabling the European Commission to take back funds which were unspent and reallocate them to other areas and programmes

15 . At the European level, the new programming period has seen a separation of the CAP second pillar programmes from those supported by European Regional Development and European Social funds. Henceforth, all second pillar measures will be delivered together in Rural Development Programmes funded by a new single European Agricultural Fund for Rural Development (EAFRD), with one unified programme for each region, irrespective of whether these are lagging or leading territories (in the new EU terminology, Objective 1 areas are now called 'convergence' regions). For Structural Funds, ERDF and ESF are now to be delivered in separate programmes, within the territories to which they apply. ERDF funding, in particular, is now more strongly confined to convergence regions only (although former Objective 1 areas receive some 'phasing out' funding for transitional programmes, 2007-13).

<sup>16</sup> Conceptually, any RD policy may adopt contrasting strategies for prioritising funding, as follows:

- it may choose to target those territories and sectors which offer the greatest *opportunities* for high RD 'returns' to public investment (ie generating large absolute outputs in economic, environmental or social terms); or
- it may choose to target the areas and features that face the greatest *problems or needs* in respect of economy, environment or society, in order to help them to 'catch up' with conditions in other areas. This is broadly the EU 'cohesion principle'.

In some situations, it may be that these two approaches coincide, for instance where a given amount of money may create more rural jobs in a poor region than in a rich region, since local wage rates may be lower. But in other situations, for example where funds are invested in private firms in order to enable them to grow and increase their productivity, the two approaches may be conflicting (because investing in firms in wealthy areas could produce greater overall growth than investing in firms operating in otherwise relatively depressed economic conditions). Thus it can be interesting to examine the evidence to suggest which of these two strategies appears most influential, in shaping approaches to rural development among Italy's regions.

17 . Whereby the Commission has proposed increasing the rate of compulsory modulation of CAP pillar 1 support in order to generate more funds for pillar 2 policies, in each Member State

<sup>18</sup> Also through TPs approximately 120 stable inter- municipal associations were established in lagging areas; and the learning process within municipalities that engaged in the definition of a common development strategy and that, for the first time, divided and mutually delegated operational and administrative tasks.

- 19 Regions under the Traditional Model include: Veneto, Piemonte, Liguria, Lazio, Marche, Puglia, Sardegna, Calabria and Sicilia.
- 20 The Centralised Model is typical of smaller areas (i.e. Valle d'Aosta, Bolzano, Trento, Umbria, Abruzzo) and in the Objective 1 Regions (Basilicata, Molise, Campania).
- 21 This model can be found in Toscana Emilia Romagna, Lombardia and Friuli Venezia Giulia, where the local authorities are directly involved for implementing RDP, through delegation's laws.
- 22 . Historically there was no strong functional separation between towns and rural areas.
- 23 . Reggio Calabria, the most populated city, has 180,000 inhabitants; only 4 cities are in the range 50,000-100,000 inhabitants; 80% of municipalities have fewer than 5,000 inhabitants.
- 24 . Notwithstanding an improvement in 2006 with respect to the previous year
- 25 . Economic problems are strictly interlinked, in Calabria, with social and institutional problems. Since the establishment in the 1950s of the special intervention funding for the South of Italy, Calabria has long been dependent on national public resources. In a strong centralised State, local politicians have played a role of 'mediators' between national and local interests, generating a clientelist system of governance, in which the boundaries between the political and the endogenous mafia system were not always clear-cut.
- 26 . Instruments like the Integrated Territorial Projects (ITP), the Rural Areas Integrated Projects (RAIP), the Filière Integrated Project (FIP), etc. In particular, Calabria was one of the two regions (the other being Umbria) to introduce the Integrated Filière Project in the 2000-2006 ROP.
- 27 . The assumption beyond that practice was that neither public institutions, nor private actors alone could find solution to territorial development problems, while the construction of a territorial policy network could constitute the arena for communicative common action providing solution to collective problems.
- 28 Territorial Integrated Programmes (TIPs or *PIT* in Italian) belong to the "family" of Integrated Projects (IPs). In Italy the 2000-2006 Community Support Framework (CSF) defined IPs as a pool of actions covering different sectors and sharing the same objective of territorial development. In particular, IPs focused on the two following issues: (i) the **integration** among projects co-financed by the Structural Funds (ii) the **territory** as the beneficiary of actions and context for the development of untapped potentials. IPs were supposed to define homogenous territories and provide local actors with a shared and transparent guidelines to implement in an integrated, and optimised, fashion the actions and measures listed in the ROPs and Programme Complements (PC). TIPs represented a specific tool to improve the quality, and optimise the outcome, of the actions and measures listed in the ROPs. The ROP outlined the general data on the whole TIPs (typology, projects features, measures for programme implementation, total amount of resources, time-scheduled distribution of resources by priority), and more specific details on major projects. The PC detailed the context, objectives, action strategy, procedures and amount of resources, selecting criteria for projects and beneficiaries, measures, responsible parties, co-ordination of responsibilities.
- 29 . Since the 1990s, Calabria has also seen a significant socio-cultural transformation. An increase in income and level of formal education, and a crisis in traditional institutions like the church and the Christian Democratic Party, has brought an unexpected flourishing of social activism, which is in contrast to the 'amoral familism' concept used by Banfield (1958) to characterise social behaviour in the South of Italy in the 1950s. A study by Trigilia (1995) highlights how in the South of Italy numerous civil society associations became active (in line with the rest of Italy), and how they were the result of a dynamic evolution in civil society, quite independent from the political system. The same results were confirmed by

other research in Calabria (Marini 2001). In this context, civil society and voluntary associations have often become the promoters of initiatives for the valorisation of local cultural, economic and social assets.

- 30 . its territory is morphologically variegated, going from the Alps to the Venice lagoon through smooth hills and a large alluvial plain, rich of water, which occupies 56% of the territory
- 31 . There are only four cities with more than 200,000 inhabitants. Vicenza hosts about 100,000 inhabitants; Venice, the most populated town, about 271,000.
- 32 . In 2005, regional agricultural represented 9,7% of the national production; especially important the share of chickens (29% of national production), beef (15%) , milk, cereal and wine (Banca d'Italia 2006).<sup>32</sup> Of special interest in Veneto is the weight of agriculture in the vast 'metropolitan area', diffused from Venice to Verona along the motorway: here we find both specialised agriculture and small farms (under 2 ha), with a productive and residential function. Agro-industry is also concentrated in this area, with 53% of firms and 57% of employees.
- 33 . in the mountainous Alpine area, to the North of the Region
- 34 . The permanence of these areas in the Region depends also on the attention given to them in rural policy. Some municipalities in the mountainous areas have recently promoted a referendum in order to leave the Veneto Region and join the autonomous province of Trentino.
- 35 . In the mountains income support to farmers is lower than in the plains and many are abandoning their agricultural activities.
- 36 . The LAGs in the Veneto region are: Alto Bellunese, Prealpi e Dolomiti, Patavino, Bassa Padovana, Polesine Delta de Po, Polesine Adige, Alta Marca Trevigiana, Terre di marca, Veneqia Orientale, Terre Basse già Antico Dogado, Montagna Vicentina, Terra Berica, Baldo Lessinia and Pianura Veronese.
- 37 . Emilia Romagna Region has, in fact, a specific instrument for the co-ordination of the ordinary intervention in the mountain areas, the Regional Law no. 2/2004 for the Mountain. Even in this case there is a strong institutional design that has brought to rationalise the organization of Mountain Communities (reduced from 18 to 9) and to incentive the constitution of supra-municipalities associations in order to solve specific problems. The Law 2/2004 establishes different instruments (the Institutional Programme Agreement - Intesa Istituzionale di Programma in Italian - and the Framework Agreement - Accordo Quadro -), which establish a new form of co-operation among Mountain mountain Communitiescommunities, mountain Municipalitiesmunicipalities, Provincesprovinces, Regionthe regional government, social and economic actors, and professional associations for the definition of intervention programmes in such areas. These Agreements have the objective of unifying the single sectoral intervention in a co-ordinated policy implemented by the Mountain Community, but to which all the different levels of local institutions have to contribute with their resources. Financed by ordinary fund is also the "Telematic Plan", which among its objectives aims at extending the broad band electronic advanced infrastructure to marginal and mountain areas, and fill any 'digital divide'.

## CHAPTER 2: ANNEX

116. Funding and policy support for the development of rural areas in Italy has been subsumed within 2 quite different policy structures, led by different Ministries at both regional and national levels. In Rome, regional policy has been the domain of the MoED, while CAP-related policy was the domain of the MoA. Today, these 2 policies are mutually informed, but they remain institutionally separate. The development of the EU's EAFRD in 2006, to govern rural development programmes from 2007-13, has meant a broadening of the policies designed and led by the Ministry of Agriculture, to embrace a range of RD purposes and potential beneficiaries beyond the primary sector. This is a relatively recent change in focus for the Agricultural Ministry, and it has stimulated new efforts to work in a co-ordinated and complementary way with the Ministry of Economic Development, in attempting to promote rural development throughout the Italian territory. The country began taking a federalist direction when it decentralized spending, regulatory and tax powers in the late 1990s which was codified by the 2001 constitutional reform. After which, while the national government retained strong control over the local electoral mechanism, taxing powers, ordinary grants, local functions and organisation the regional level inherited vast new functions and responsibilities such as legislative and administrative powers, particularly in the fields of agriculture, commerce, public health, tourism, public works and long-distance public transport

117. The accompanying fiscal reforms also accorded the regions greater control over resources and a greater role in expenditure decisions translating into a progressive reduction of the dependency on public financing and more on financing corresponding to the fiscal capabilities of the region (Bank of Italy, 2006). In contrast, Province responsibilities oscillated from unremarkable in metropolitan areas with large Municipalities to critical in rural and mountain areas. At the core of the Italian decentralized system is the Municipal government. In fact, to avoid the proliferation of new provinces, the government offered incentives for small cities to aggregate; hoping to reduce bureaucratic strangleholds and fragmentation in local public service supply. They oversee such policies as town planning and zoning, transport traffic control, water provision, street lighting and cleaning, garbage collection and disposal and a growing number of social, cultural and leisure services.

**Table A.1.1. Devolved Responsibilities**

State	Regions	Provinces	Municipalities
Public order and security	Health spending (60% of total expenditures)	Road network maintenance	Town Planning
Defense	Health centres and hospitals	Transport	Social Housing
Foreign policy	Vocational training	Secondary schools (construction of buildings)	Aid to the disabled
Monetary policy and savings	Culture	Environment including protection and improvement of the energy resources	Local public transport
Electoral rules and citizenship	Town planning	Cultural heritage	Road network maintenance

Immigration and relations with religious institutions	Road networks, civil engineering and regional railway transport	Household waste and sewage	Local police
General norms on education	Agriculture	Some health services	Pre-elementary, primary and vocations schools (building construction and maintenance and teachers' pay)
Social security	Country planning and economic development	Vocational teaching	Culture
Justice	Environment	Economic Development	Sport
Protection of the environment and cultural resources.	Social Services	Management of employment services and subsidies	Sewage and waste disposal
Education			Upkeep of pharmacies in rural areas

Table A.1.2. EU Structural Funds 2007-2013 Breakdown of Southern Italy Planned Expenditures

	Categories of expenditure	Sicilia Total amount	Puglia Total amount	Campania Total amount	Basilicata Total amount	Calabria Total amount
Explicit rural interventions	Renewable energy: biomass	40,055,081	18,000,000	32,500,000	2,800,000	16,190,496
	Renewable energy: wind	16,022,033	-	20,000,000	-	16,190,496
	Renewable energy: hydroelectric, geothermal and other	20,828,642	-	22,500,000	2,800,000	21,437,416
	Renewable energy: solar	88,121,179	38,000,000	25,000,000	6,400,000	26,684,337
	Promotion of biodiversity and nature protection (including Natura 2000)	14,714,111	9,000,000	-	1,000,000	15,440,936
	Promotion of natural assets	32,044,065	9,000,000	12,500,000	600,000	749,560
	Protection and development of natural heritage	58,529,466	9,000,000	45,000,000	6,000,000	749,560
	Regional/local roads	86,322,787	10,000,000	37,500,000	23,200,000	32,980,641
	<b>TOTAL</b>	<b>356,637,364</b>	<b>93,000,000</b>	<b>195,000,000</b>	<b>42,800,000</b>	<b>140,917,282</b>
Horizontal interventions (non place- based)	Mitigation and adaptation to climate change	32,044,065	2,000,000	60,000,000	-	449,736
	Other measures for improving access to and efficient use of ICT by SMEs	15,037,019	10,000,000	35,000,000	2,800,000	-
	Other measures to stimulate research and innovation and entrepreneurship in SMEs	132,077,290	40,000,000	250,000,000	9,800,000	85,749,665
	Other investment in firms	91,743,950	40,000,000	65,000,000	12,400,000	-
	R&TD activities in research centres	8,174,506	25,000,000	25,000,000	1,800,000	19,638,472
	Management of household and industrial waste	80,110,162	50,000,000	135,000,000	10,800,000	29,982,400
	R&TD infrastructure (...) and centres of competence in a specific technology	16,349,013	-	45,000,000	6,200,000	22,037,064
	Investment in firms directly linked to research and innovation (...)	14,491,799	25,000,000	25,000,000	4,200,000	56,666,737
	Mechanisms for improving good policy and programme design, monitoring and evaluation (...)	19,618,815	2,000,000	62,397,599	3,400,000	-
	Preparation, implementation, monitoring and inspection	17,656,934	20,260,989	32,500,000	1,800,000	23,985,921
	Integrated prevention and pollution control	32,044,065	29,000,000	25,000,000	-	11,843,048
	Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders	11,237,527	10,000,000	-	1,200,000	-
	Air quality	30,817,889	-	20,000,000	-	-
	Advanced support services for firms and groups of firms	94,108,462	115,000,000	87,500,000	6,600,000	44,987,093

	Categories of expenditure	Sicilia Total amount	Puglia Total amount	Campania Total amount	Basilicata Total amount	Calabria Total amount
	Services and applications for SMEs (e-commerce, education and training, networking, etc.)	19,618,815	15,000,000	35,000,000	1,600,000	9,744,280
	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	26,158,420	65,500,000	90,000,000	2,200,000	31,481,521
	Information and communication technologies (...)	52,071,606	50,000,000	137,500,000	13,800,000	2,248,680
	Technology transfer and improvement of cooperation networks between small businesses (SMEs) ..	49,268,603	20,000,000	55,000,000	2,200,000	33,269,972
	Evaluation and studies; information and communication	19,618,815	20,260,989	17,500,000	4,002,549	5,996,480
	<b>TOTAL</b>	<b>762,247,755</b>	<b>589,021,978</b>	<b>1,202,397,599</b>	<b>84,802,549</b>	<b>378,081,069</b>
Explicit urban interventions	Railways (TEN-T)	7,193,566	-	80,000,000	-	-
	Promotion of clean urban transport	46,758,176	-	-	1,000,000	-
	Multimodal transport (TEN-T)	7,193,566	-	-	-	-
	Urban transport	143,871,312	10,000,000	-	6,000,000	22,486,800
	<b>TOTAL</b>	<b>205,016,620</b>	<b>10,000,000</b>	<b>80,000,000</b>	<b>7,000,000</b>	<b>22,486,800</b>
Interventions potentially devoted to both urban and rural areas	Airports	43,161,394	-	35,000,000	-	22,486,800
	Other social infrastructure	33,654,518	105,250,000	85,000,000	13,600,000	56,966,561
	Other assistance to improve cultural services	68,420,618	29,000,000	-	2,000,000	26,984,160
	Other assistance to improve tourist services	229,540,139	35,000,000	45,000,000	1,200,000	74,956,001
	Other measures to preserve the environment and prevent risks	14,387,131	-	40,000,000	10,400,000	3,747,800
	Motorways	71,935,656	-	27,500,000	-	-
	Energy efficiency, co-generation, energy management	96,933,297	49,000,000	45,000,000	10,000,000	26,684,337
	Natural gas	32,044,065	-	-	-	-
	Management and distribution of water (drinking water)	72,099,146	150,000,000	60,000,000	13,600,000	47,971,841
	Housing infrastructure	111,207,424	-	-	-	-
	Health infrastructure	64,742,090	112,500,000	-	6,800,000	26,984,160
	Childcare infrastructure	21,580,697	25,000,000	35,000,000	4,400,000	13,492,080
	Education infrastructure	28,774,262	-	60,000,000	9,600,000	37,478,001
	Telephone infrastructures (including broadband networks)	4,904,704	50,000,000	37,500,000	9,600,000	6,746,040
	Cycle tracks	11,280,819	1,000,000	-	400,000	-



Categories of expenditure	Sicilia Total amount	Puglia Total amount	Campania Total amount	Basilicata Total amount	Calabria Total amount
Ports	169,784,497	105,000,000	75,000,000	-	22,486,800
Risk prevention ( ...)	120,165,244	50,000,000	65,000,000	7,000,000	45,723,161
Integrated projects for urban and rural regeneration	149,258,585	260,000,000	542,500,000	3,600,000	257,099,084
Protection and preservation of the cultural heritage	64,006,385	50,000,000	90,000,000	8,000,000	36,728,442
Rehabilitation of industrial sites and contaminated land	62,240,842	40,000,000	70,000,000	2,400,000	29,982,401
Services and applications for the citizen (e-health, e- government, e-learning, e-inclusion, etc.)	28,447,282	35,000,000	147,500,000	5,672,000	27,733,721
Intelligent transport systems	7,193,566	4,000,000	-	3,600,000	599,648
National roads	14,387,131	-	-	-	29,982,401
Assistance to SMEs for the promotion of environmentally-friendly products and production processes ( ...)	76,258,473	260,000,000	60,000,000	3,600,000	23,233,362
Development of cultural infrastructure	36,785,279	15,000,000	15,000,000	5,400,000	27,733,720
Information and communication technologies (TEN-ICT)	3,269,803	10,000,000	7,500,000	4,800,000	-
Railways	215,806,968	340,000,000	307,500,000	18,200,000	52,469,201
Multimodal transport	43,161,394	50,000,000	30,000,000	6,000,000	47,372,193
Water treatment (waste water)	50,469,402	74,000,000	75,000,000	16,400,000	11,992,960
<b>TOTAL</b>	<b>1,945,900,811</b>	<b>1,927,000,000</b>	<b>1,955,000,000</b>	<b>166,272,000</b>	<b>957,634,875</b>
TOTAL	3,269,802,550	2,619,021,978	3,432,397,599	300,874,549	1,499,120,026

Source : Italian Ministry of Development Economics, Department for Development Policies

### CHAPTER 3 POLICY RECOMMENDATIONS

- Italy's current rural policy approach is heavily focused around the EU frameworks of CAP rural development and Structural Fund/cohesion policies, there is a need to develop a broader strategic framework. A new framework could draw insights from the OECD New Rural Paradigm and from experience in other OECD member countries. EU policies and funding instruments should sit within this broader framework, but should not define the scope of rural policy thinking, in Italy. In particular, when compared to the current situation, this broader framework should reflect changing demands upon rural resources and should emphasise the great diversity of rural potential in Italy, linked more closely to a territorial and multi-sectoral perspective which is applied in all Italy's regions, and not only in the south.
- Italy's rural policy should also involve a greater mix of rural actors from different economic, social and environmental sectors, and should be designed and delivered through stronger, active partnerships between all relevant sectoral Ministries. This is important at the national and also the regional levels of governance to overcome the tight institutional borders. The vision embodied in this policy should embrace both 'additional' policy and the 'normal' policies of public services, including health, education, welfare and environmental protection, because all of these have a critical influence upon rural economic and social development, and quality of life.
- A new strategic framework for rural policy will need to be supported by appropriate policy institutions and governance. At the local (sub-regional) level, it will be important to ensure the presence and effective operation of 'linking' bodies which can identify local needs and opportunities and draw upon a mix of EU, national and regional funds and programmes to help to address these, in an integrated way. At the regional and national levels, more broad-based capture and analysis of a range of rural social, economic and environmental data and indicators – representing a more explicit territorial analysis of rural Italy – could help to increase common understanding of contemporary rural challenges, trends and opportunities.
- Compared to the balance of current policy priorities, a new rural framework in Italy is likely to benefit from an increased focus upon promoting and ensuring environmental sustainability. This should include the sustainable use of natural resources for new purposes, particularly including renewable energy generation, and the leisure economy.
- Also, an enhanced, nationwide focus on ensuring the quality and accessibility of rural services and enhancing quality of life for all rural residents will help Italy to prepare for the likely challenges of rural change in the next decade, and provide the bedrock upon which other rural development activities can build.
- More territorial sensitivity in the identification and promotion of appropriate economic diversification, particularly in respect of adding value to local rural resources: foods, customs, cultures, skills and heritage, is likely to strengthen the competitive position of rural Italy in future, and should thus be promoted.

### 3.1 Italy needs to embrace a broader rural development strategy

118. The rather fragmented and strongly EU-influenced approach to rural policy that characterises Italy is narrower than the “New Rural Paradigm” which OECD has identified as an important emerging framework for integrated rural development. It is also in strong contrast to the approach found in some other OECD member countries. In Finland, for instance, policy-makers distinguish a notion of “broad rural policy”, which encompasses the whole range of government policies affecting rural areas, and “narrow rural policy” which comprises only the rural elements of EU-co-funded programmes. In the UK and Canada, the approach of ‘rural proofing’ seeks to ensure that all the policies which have a direct impact upon rural areas should be sensitive to the specific needs and issues of rural areas, in their design and delivery. Both of these approaches provide policy frameworks which recognise that much broader policies are highly relevant to achieving sustainable rural development, above and beyond the actions of EU co-financed programmes. Without such a broader vision, important needs and potential could be overlooked.

*Italy needs to develop a independent rural vision that is coherent with, yet not limited to, the EU framework...*

119. There is a risk that by keeping its rural policy focus mainly on the two themes of regional convergence and agricultural competitiveness, Italy might fail to identify and tackle some of the key needs of its rural areas, in the years ahead. Rural regions are undergoing structural change that should be addressed by specific policies. As discussed in Chapter I, the importance of non-agricultural rural businesses and the non-farming population are evident, in shaping the potential and the challenges now faced in rural Italy. The structural change that is evident in the rural areas of Veneto, Emilia-Romagna, Calabria and other Italian regions is not unique. Other EU countries have carved out flexible rural policy strategies to suit the complex mix of rural demands at the local regional, national and international levels.

120. Rural development policy in Italy is a complex framework (Chapter II). It draws from three different historical and conceptual components: 1) the EU-agricultural framework; 2) the EU-Structural Funds framework for regional and social development; and 3) a national framework offering targeted support to lagging areas, with a wide sector approach. Taken together, these policies do not present a unified vision or approach and they contain some important ‘blind spots’ in respect of basic issues such as the quality of rural services, rural poverty and social exclusion across all of rural Italy, and transportation and access. In Italy, regional policy is generally applied to particular “problem regions” in the south, and the bulk of the development resources tend to follow suit. The rural areas in convergence regions benefit from a high concentration of EU and national resources and have long been subject to interventions to promote ‘catch-up’. For rural areas in the non-convergence regions, intervention is based more on the promotion of competitiveness. Yet southern areas have the potential to become competitive, just as many northern areas (both the remote and the peri-urban) face problems of economic development, quality of life, environmental degradation and/or accessibility that will not be resolved via policies which seek mainly to improve primary sector competitiveness.

121. Ideally, rural policy should enable each area to embrace a more mixed range of tactics for successful and sustainable development, drawing from its particular assets and resources and generating new approaches to economic, social and environmental challenges. The OECD *New Rural Paradigm* (2006) offers useful elements for shaping a rural vision in this way. The NRP calls for changes in the conception and implementation of rural policy from a traditional, sector-based approach to one that is place-based (see Table XX). Key ingredients in this change are:

- a development strategy that covers a wide range of direct and indirect factors that affect the performance of local firms;

- a greater focus on endogenous (local) assets and knowledge and less of a focus on exogenous investments and transfers;
- a collective/negotiated governance approach, involving national, regional and local government working with other stakeholders.

**Table 3.1. The New Rural Paradigm**

	Old approach	New approach
Objectives	Equalisation, farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (ex., rural tourism, manufacturing, ICT industry, etc.)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

Source: OECD (2006), The New Rural Paradigm: Policies and Governance, OECD Publishing, Paris, France.

122. There are a number of OECD countries that while working within the EU frameworks, have managed to develop broader and more autonomous agendas for rural development. Finland, for instance, while starkly different from Italy, presents an interesting rural policy model. By the time it became an EU Member State in 1995 it already had in place an institutional framework and it adopted specific policy tools for rural areas. Faced with the challenge of integrating its approach with that of the EU on regional and rural development, Finland adapted its framework to distinguish a “broad” and a “narrow” rural policy. The broad rural policy utilises a “cross-sectoral” approach to engender competitiveness and local development in all rural areas. In contrast, the “narrow” and explicitly rural policy programmes involve a particular set of policy tools: legislation, economic resources, special expertise etc; within rural development programmes (see Annex III Figure 3.1). The broad policy refers to the effort to influence all actions with impacts on rural areas within and by different administrative sectors. The narrow policy programme is a part of four special fixed-term programmes; the other three being Regional Programmes, mandated by government (OECD 2008, Rural Policy Reviews: Finland). Another experience is that of Québec, Canada, where a Rural Pact was introduced to address rural decline. Through a rural partnership agreement and with a budget of CAD 280 million a new rural vision was codified as one meant to: (1) maintain and improve the provision of services; (2) develop new products and new businesses; (3) encourage retention of young people as well as families; (4) increase entrepreneurship; (5) develop human capital; and (6) ensure a strong network of promoters and local stakeholders. To fulfil its task the Pact adopted a strategy that relied heavily on the know-how of local bodies and the importance of developing all of the territory’s human and natural resources; thus similar in many ways to the LEADER and LAG experience in Europe (Box 3.1).

#### **Box 3.1. The Rural Pact, Quebec, Canada**

Québec, the largest Province of Canada, hosts a population of approximately 7.6 million 4/5ths of which reside in Urban areas concentrated in the South. 46 per cent of the territory is forest, 92% of the territory is state managed and 3.7 per cent is zoned agriculture. There are 17 administrative regions divided into 86 Regional County Municipalities (RCMs). Quebec’s rural areas have over 1 011 villages, with approximately 1.9 million inhabitants taking up 78 per cent of the territory. There are 1 141 Municipalities 67 per cent of which have under 2 000 inhabitants and 8 per cent

with over 10 000 inhabitants. The Government responding to the decline in close to 400 rural municipalities due to: business closings, dominant sector activity decline and migration introduced the Rural Pact.

The Rural Pact enabled rural communities to take charge and make development decisions. It was designed to:

- Consolidate and develop the economy and employment in rural communities;
- Bolster residents' commitment to community development;
- Ensure and enhance the availability of community services.

Key components of the Rural Pact:

- **Contracts with the RCMs**, increased overall budget from \$86 million over five years to \$213 million over seven years; Duration: April 2007 to March 2014
- **Rural development Officers**: Wider use of rural development officers with new officers assigned according to the number of municipalities and the number of municipalities in need. Indexed \$25-million budget over seven years for a total of 136 officers (32 new officers in 2007). The officers are included in the rural pact.
- **Adaptation clause** mandating consideration of the specific characteristics of rural areas (low population density, dispersal and small size of communities); Adaptation of public services and territorial fairness.
- **Rural laboratories**: Provide funding for 25 broad rural development experiments in relatively unexplored sectors with the obligation to transfer information; total budget of \$15.5 million over seven years; maximum grant of \$100,000 per project per year for five or six years;
- **Rural Task Force**: The task force was mandated to study, probe and explore promising solutions and transfer them to rural areas by assembling human resources and knowledge of each theme. The establishment of a *Fonds d'initiative pour l'avenir rural* with an \$8.6-million budget over seven years supports task forces and the initiatives.

Based on this, rural communities were able to put forward initiatives based on their own priorities, focus on mobilisation and partnership and target innovation. Above all, the rural pact helped strengthen the management of rural development and contributed to jump-starting projects. Initiatives funded have broadened the knowledge and skills in communities and offered unique avenues for development and original solutions to rural problems. To date, some 3 430 projects are underway and over 5 705 jobs have been created. Some \$63.5 million from the pacts has generated investments of nearly \$422 million, equivalent to a leverage effect of 6.8. The average cost of a project was roughly \$123,016 and the average contribution per project from the pact was approximately \$18,500, the equivalent of 15% of the cost.

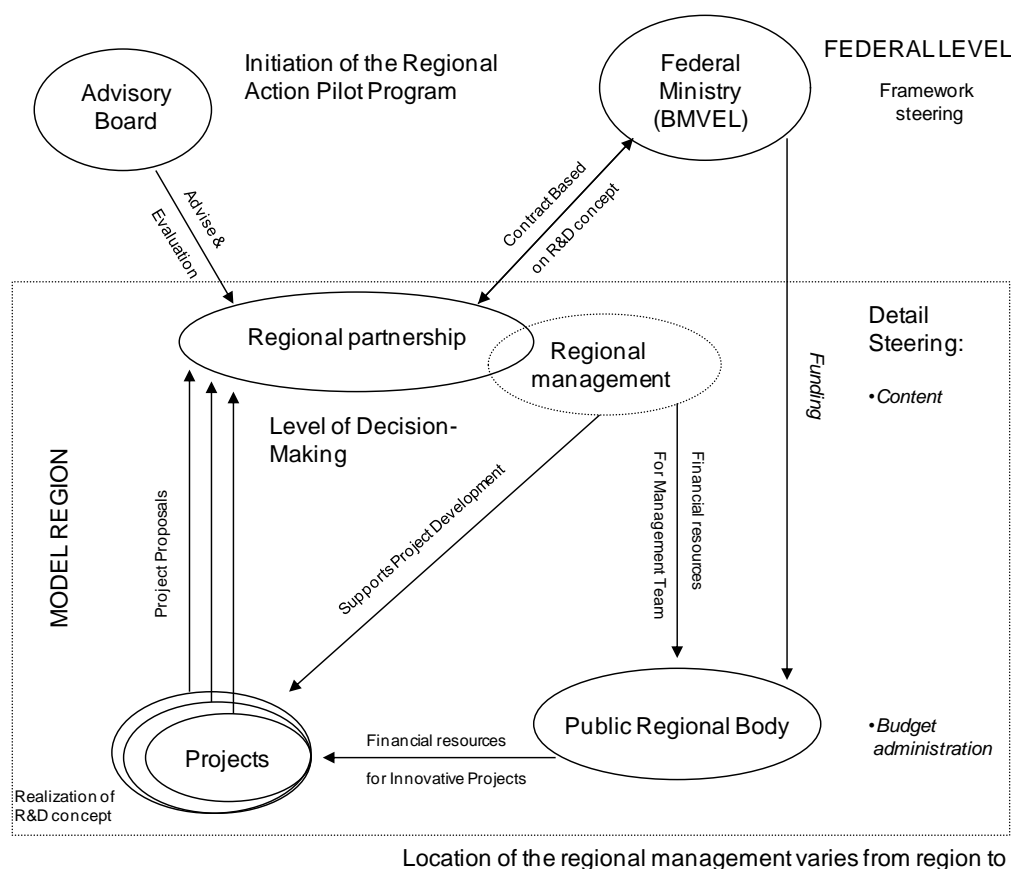
Source: OECD, 2007 Rural Development Conference: Innovative Rural Regions, The role of human capital and Technology, Robert Sauvé, Associate Deputy Minister for Rural and Regional Development, Quebec Ministry for Regional and Municipal Affairs, Canada.

### *...that promotes clarity and simplicity in rural development policies*

123. As discussed in Chapter 2, the composite framework leading rural intervention may reduce the capacity of the centre to identify systemic issues and policy priorities. The current mix of regional, rural-agricultural and targeted national development policies, each operating alongside a range of other “basic” policies affecting rural areas (healthcare, transport, energy, education, housing, communications), presents a very complex picture from which to attempt to analyse the needs and opportunities of Italy’s rural territory. In spite of a remarkable set of statistics and indicators that support the regional policy, there are

important challenges in attempting to answer some basic questions about rural economic development, poverty, environmental assets and quality of life and to see how they interlink, which itself illustrates a policy weakness. Different ministries at both national and regional levels deal with different combinations of rural responsibilities and challenges, and deliver programmes with different timescales, priorities and funding arrangements. Local linking agents have to make sense of these different programmes at the sub-regional level, in order to devise efficient and effective strategies for the territory. While at the national level there has been recent effort to co-ordinate regional development and rural-agricultural policy strategy development, there is significant untapped potential for this process to develop much further, at both national and regional levels.

124. For instance, Italy could learn from some experiences in other OECD countries such as Mexico and Germany, as well as capitalise on local experiences run in some Italian regions. When Mexico identified a need for a specific strategy for poverty alleviation in rural areas the process resulted in the introduction of *Ley de Desarrollo Rurales Sustentable* (LDRS) a law which adopted a territorial vision of rural development, and contained provisions to strengthen the participation of civil society. LDRS mandated the creation of an Inter-Ministerial commission for Sustainable Rural Development. The commission represented cross-sector horizontal coordination at the federal level by uniting different Ministries that influenced the rural context. It also encouraged the creation of Rural Development Councils to act as institutions allowing the rural population to participate in rural policy decisions. In the case of Germany, stimulated by sustained support for the different versions of LEADER, the Ministry of Consumer Protection Food and Agriculture (BMELV) introduced *Regionen Aktiv (RA)* as a national rural programme to work in parallel with LEADER, promoting micro-region development linked to the sustainable development of primary sector resources. RA has raised the profile of rural assets and needs as well as environmental goals using a strong participatory framework. Like Italy, Germany is a highly decentralised country and this approach allows the federal and state levels to collaborate on rural decision-making via coordination, planning and financing. Under RA, partnerships like the model in [Figure 3.1](#) were created in 18 regions across Germany. There are also good examples of joined-up planning and partnership-based action at the sub-regional level in Italy (see Chapter 2), which can serve to illustrate how improved co-ordination and understanding of each others' policies and targets can help to increase the cost-effectiveness of explicit rural interventions, at all levels of governance ([Boxes 3.2 and 3.3](#)).

**Figure 3.1. Regionen Aktiv: Organisational structure in a model region**

Source: Knickel, K. and G. Jahn (2006), "Promoting a sustainable development of rural areas: Some relevant experiences with the 'Active Regions' pilot programme in Germany", in G. Remmers (ed.) *Moving Worldviews*. Leusden (NL): Compas/ETC Foundation.

### Box 3.2. The Lag Venezia Orientale (Vegal) and Conference of Mayors

#### Project History

The LEADER area of Venezia Orientale is located at the eastern border of Veneto with Friuli – Venezia Giulia and comprises 22 municipalities and about 226,338 inhabitants (2001) in the province of Venezia. Its territory stretches from the Adriatic sea, where there are well known seaside resort towns, to the inner agricultural land, a typical Veneto agricultural plain crossed by numerous rivers (Tagliamento, Lemene, Livenza, Piave e Sile) and characterised by the production of cereals, fruit and vegetables and wine.

The LAG Venezia Orientale (VeGAL) was set up in 1995 under the LEADER II initiative. Today (2008), the LAG partnership includes 22 municipalities, eight private organizations, seven public bodies and private-public societies, and seven research and training institutions.

The key strength of VeGAL, through both LEADER II and LEADER + initiatives, has been to develop a territorial vision of the area at this supra-municipal scale. This vision links the tourist development of the rural inland territory and farm-based businesses to the seaside tourism of the well-known resorts on the Adriatic coast. The impetus to establish the LAG came from a widely-held view among local politicians and stakeholders that they were suffering from the uneven development of the region around them, including a significant growth in commuting. This meant that they had to cope with population growth without sufficient resources and infrastructure to help maintain and enhance the quality

of life in rural areas.

VeGAL provides technical and secretariat support for the Eastern Veneto Mayors' Conference, created by a regional law in 1993. 'Eastern Veneto' groups 20 municipalities who work together to provide integrated economic and social promotion of the area. In that context, it has an important role in the Eastern Veneto 'Intesa Programmatica d'Area', a regional programming instrument designed to engender strategic projects for the development of the area, including infrastructure works.

Among the numerous projects realised by VeGAL (142 under LEADER II, 42 under LEADER +), some notable strengths involve inter-territorial and transnational co-operation. A project called 'Waterways of Northern Italy' established co-operation among six LAGs in Northern Italy (in Veneto, Emilia Romagna and Lombardia), to develop pilot projects integrating navigational river routes with slow mobility routes (bicycle and pedestrian trails). This created a system for the valorisation of the historical, cultural and environmental heritage and its promotion for tourism. Among trans-national co-operation projects, 'Interwood' involved co-operation between VeGAL and the LAG Leader-Oeste in Portugal, to create a network of plains forest owner associations. VeGAL was also a partner in many INTERREG projects, to promote rural tourism along the Italian-Slovenian border.

### Impacts

VeGAL has successfully integrated seaside and inland tourism. Agri-tourism farms have increased in number and the number of tourists using them has grown; key historic town-centres and rural architectural buildings were restored; and cycling and pedestrian tracks have been developed in an integrated route following the main waterways in Northern Italy. VeGAL is now an important, recognised actor in the development of Eastern Veneto.

### Box 3.3. A participatory model of social welfare: The "Giardino Dei Semplici" Initiative (Tuscany)

#### Project history

The "Giardino dei Semplici" project is a pilot rehabilitation experiment for people with special needs in Valdera, Tuscany. It was launched in 2002-2004 by a local association (ORISS "Organizzazione Interdisciplinare Sviluppo e Salute" – Interdisciplinary organisation for development and health), operating since 1990. Many public and private actors were involved: local administrations, social and health agencies, local schools, volunteers and local farms.

In 2001 ORISS promoted *A pact for health, social integration and local development*, starting a debate on social care and rehabilitation linked to local development policies. The "Giardino dei Semplici" project was born out of this pact. In 2002 the 'conference of mayors' of the municipalities in the Valdera area approved financial support to the project (58,000 Euro), in the context of the local social plan. The objective was to test the integration of people with specific disabilities into occupational activities.

The pilot project targeted seven people, mainly with psychiatric problems. The initiative was carried out in two steps: during the first year beneficiaries participated in a rehabilitation course on gardening and horticulture and practised some assisted gardening activities; in the second year, they undertook training on "real" local farms.

In the opinion of educators and the participants, the first step of the project (the training course and assisted gardening practice) produced visible positive effects, both physical and psychological: enhanced self-esteem and autonomy; improved sense of well-being. The second step, labour integration on a "real", productive farm, represented a new challenge for participants. A young local organic farmer, Alessandro Colombini, welcomed the seven beneficiaries onto his farm for a training period of one year.

#### Results

The experiment was successful: at the end of the second year, two beneficiaries were employed on the farm, three continue to co-operate as paid trainees, and two left. In addition, the initiative has created and strengthened social networks in the territory, far beyond the two main actors (ORISS and Colombini). It has created families of social/care service users and voluntary supporters, along with administrators and service providers. Together they



have developed a new way to understand social action and the care of disabled people.

After some initial difficulties (i.e. identifying suitable jobs and tasks for each person), Mr Colombini identified many benefits of the project. He built up new social relations in the territory, reinforcing its identity and reputation. This 'social added value' led to improved marketing opportunities, via direct selling, the supply of organised groups of local buyers ('gruppi di acquisto solidale' or GAS) and schools' canteens, and participation in local voluntary group fairs. In 2006 he received a special award as an "ethical enterprise".

The initiative was acknowledged and promoted by local public authorities, the media, research and development agencies, including Pisa University and ARSIA.

Finally, in November 2004, the *Valdera Health Society* was formally constituted as a public consortium composed of 15 municipalities of the Valdera area<sup>1</sup> and the public socio-sanitary unity. The Society is an experimental organization, as conceived in the Tuscany Regional Health Plan, with the objective to integrate health policy within a participative, territorial approach.

### **Lessons**

This is an innovative, participatory model of local welfare management co-ordinating health and rural policies at territorial level.

### ***... and considers community and territorial scale***

125. The value of a more co-ordinated approach to strategic planning and programme operation should be that it enables each local area to be considered in a holistic way. This means recognising all its assets and challenges and focusing policy attention on those factors that currently constrain successful rural development and those that have the potential to stimulate it, in any sectors or situations where these occur. The EU rural development policy framework allows programme authorities to identify and apply a very wide range of measures in a flexible way, which is designed to enable local tailoring to specific needs and opportunities. But unless the analytical tools and institutional governance structures exist to enable the prior holistic consideration of development potential and needs, measures will tend to be selected and applied in a rather narrow way which relates to partial or sectoral understandings of rural challenges. In Chapter 2 we examined how this may result in some significant over-investment in agro-industrial and infrastructure developments at the expense of other sectors and functions, for example.

126. In this context, Italy could learn from the Netherlands where there is an explicit policy for rural areas and rural policy balances between economic environmental and social cultural interests. The '3P-model', as it is called, covers people, profit and planet and aims to produce coherent policy choices "unhindered by compartmentalised sector policies" within the margins of the EU framework. Also working within a decentralised institutional structure, a block grant — investment budget for rural areas — was created for each province which integrates the different budget streams and policy instruments that relate to rural areas (OECD 2008, Rural Policy Reviews: Netherlands). Spain offers another example. For the funding period 2007-13, Spain as a whole faced a significant reduction in available EU co-financing for its rural development programmes, by comparison with the funds available in 2000-06. This realisation stimulated a national and regional debate about the appropriate scale and focus of Spanish rural development policy, which has led to the development and confirmation of a new, national policy, which has been designed independently of the EU-funded programme planning process. This national RD policy has been enshrined in Spanish law and embraces a wider range of sectors and concerns than those covered by the EU-funded programmes, 2007-13. As a result, it represents a national policy commitment to rural development goals and processes that is independent of external funding imperatives. From now on, the

funding devoted to rural policy goals may be drawn from a range of EU, national and regional sources which might change over time, but the policy should remain consistent, regardless of these changes.

### **3.2 A more focused rural policy will involve adapting funding to the rural vision**

#### ***A shared diagnostic of rural needs and capacities across public and private sectors would inform policy formulation***

127. As discussed in Chapter II, the lack of a common understanding of how rural areas are changing, and where there are barriers and opportunities for rural development, is a major challenge to effective policy design and delivery. One way to help overcome this problem is to involve the private sector more fully in identifying rural needs and realising rural policy outcomes. The development of this common understanding should involve them, drawing upon their particular knowledge and insights as well as gaining their support for the priorities and targets pursued. Perhaps most importantly for Italy, the range of private sector actors involved in RD analysis and diagnosis of needs should be broad, and should represent all rural interests and organisations with particular social, environmental and economic expertise, rather than being mainly confined to agricultural interests. Entrepreneurs active in the areas of tourism, heritage and the leisure economy as well as environmental innovation, energy, health and education may all have important contributions to make, in identifying rural Italy's potential for sustainable development. For instance, Italy's experience with the LEADER initiative, whose aim is to stimulate local communities to pursue a self-designed development strategy, shows that private actors can be a primary source of information and ideas about how to exploit local assets.

128. The culture of trying to focus funding should be spread out to where it is most needed, for sustainable and integrated RD within Italy. In particular, Ministries of Agriculture (both nationally, and in the regions) should become skilled in appreciating wider rural development issues beyond the needs of the primary sector, in order to facilitate this process. The experience of the Ministries of Economic Development could be useful in this context – particularly in respect of examining rural services and quality of life. This suggests that they should be closely involved in discussions and decisions about RDP priorities and delivery, at national level and within the regions. Thus, there may be a need to ask some difficult questions, in respect of funding e.g. do the programmes really need to allocate most money for investment in the primary sector, in economically buoyant regions? What is the rationale, here, and where is the additionality of public funding? Competitiveness as a goal may need a more careful and longer-term definition and strategy, if it is to be sustainable (not just focused upon “keeping up with” competitors in agro-industry in other EU countries). In relatively prosperous areas, there could also be enhanced policy value in considering what private money could do to promote effective rural development, and how it could be encouraged to invest more readily in rural enterprise. For example, there could be an important case for private funding of environmental investments (based upon the notion of corporate social responsibility - CSR, as well as making investments “upstream” to save on “end of pipe” treatment of important resources such as drinking water). This is also relevant for the future, if EU RD funding for these regions should diminish.

#### ***...and expand horizontal and vertical coordination***

129. In governance, Italy should work towards a broader agenda and a clearer role for the centre, in defining the appropriate framework for rural policy. In future, it will be important for those leading on rural and regional development policies in Italy to ensure that they co-ordinate their activities with a wider range of other Ministries whose policies directly affect the quality of life in rural areas. The current tight institutional borders should be lowered in favour of effective policy implementation (Meldolesi, 2006).

This will help to ensure that the policy framework does not inadvertently leave significant “gaps” in coverage, in respect of the key needs of rural areas.

130. At present, the centre (national government) can give only general guidance, in respect of how best to achieve RD goals, in order to account for the widely varied regional approaches to policy design and delivery. There is a risk, therefore, that central guidance could be misinterpreted, i.e. giving a simplified portrayal of needs and recommended policy responses, which could in turn lead to inappropriate actions, in each region. This is a common issue faced by many national administrations who must oversee devolved policy processes. For example, in respect of Axis 1 funding within RDPs, the Ministry of Agriculture has encouraged regions to move away from demand-led schemes to those which are targeted in the context of a strategic understanding of the needs of whole supply chains, or whole micro-regions. The favouring of investment in these “*filières*” or integrated local programmes is made explicit in the Italian National Strategy Plan for Rural Development, 2007-13. The guidance is based upon increasing evidence from previous studies which suggests that this kind of strategic planning at the “*filiere*” or micro-regional level gives added value. However, if such a message were to be interpreted too simply, such that funding in future is *only* made available to applicants from already-constituted collective bodies whose membership embraces entire supply chains, it could fail to reach those most in need of support, in some regions and thus reduce the additionality of the policy. To ensure that the message is appropriately applied in each region, understanding of this particular issue needs to be more sophisticated. It requires a fuller understanding of the rationale for the message, and thus the need *not* to implement it using simplified criteria which actually defeat its ultimate objective. Because of the variety of approaches used by regions, sustained dialogue between the centre and the regions may be the only way in which these kinds of concern can be effectively addressed, in policy design.

131. There is some co-ordination between the national Ministries for Economic Development and for Agriculture and rural development, in drawing up strategic plans. In turn, EU-cofinanced Regional development plans are required to consider cross-sectoral needs and policies in determining their role in respect of service provision and quality of life. However, we suggest that the inter-Ministerial planning and sharing of strategies for rural areas should be strengthened at both national and regional levels, involving the 2 main ministries with EU funding responsibilities as well as other key ministries with a central role in rural areas – e.g. ministries for environment, public services, transport, education, housing and health and welfare. Because of the strength of the regions in this sphere of policy in Italy, such co-ordination, or even joint working, is also particularly important at the regional level. Stronger horizontal co-ordination of the range of policies affecting rural areas is essential, for effective regional planning and policy action. In addition, a stronger territorial planning framework, within which the interaction of different sectoral policies can be examined and regulated, could prove valuable in helping Italy’s regions to cope with rural change.

132. To support stronger inter-ministerial planning and a strategic approach to rural areas at regional level, there would be great value in an enhanced provision of cross-sectoral, territorial analysis and foresight planning at the national level. In particular, a fuller understanding and analysis of the non-agricultural trends and demands affecting rural space and rural populations is necessary, in order to enable effective forward planning. In this way, stronger horizontal co-ordination can then enable more productive vertical coordination (between regions and the centre), to promote greater cost-effectiveness in overall policy design and delivery, whilst still respecting the key role of the regions, in this process. We have identified good examples of this process within the sphere of Italy’s regional development policy (e.g. Box 3.4). Also the recently formed National Rural Network is well placed to take on some of these challenges (see Box 3.5).

### **Box 3.4. Centre-Periphery institution co-operation Supporting local development in Southern Italy**

*Pilot actions in ITP (Integrated Territorial Projects) areas* is a project launched in 2003 by *Studiare Sviluppo*, an agency of Italy's Department for the Development and Cohesion Policies (DDCP, part of the Productive Activities Ministry). The objective was to develop new forms of vertical co-operation between the centre and periphery, based on personal interaction and partnership in the implementation of ITPs, a complex policy instrument adopted in the 2000-2006 programming period.

#### **History of the project**

The project idea was born in 2003, after a conference in Agrigento which identified the opportunity to support Objective 1 regions in the implementation of integrated projects. It was implemented in nine areas, selected jointly by the DDCP and the Regions: two each in Molise, Basilicata, Sardinia and Sicily, and one in Campania. The areas shared common features: they were rural, marginal areas, with income sources concentrated in public administration, construction industry and transfers. They were all endowed with important natural resources (in some cases, protected by designated parks), and usually engaged in strategies to increase sustainable tourism.

Each pilot activity was under the responsibility of two people, - a part-time senior, supported by a junior collaborator, the latter living in the intervention area or nearby, and carried out in three steps:

1. Analysis of the territorial context, through documents and data, but especially through an extensive campaign of interviews with local administrators, non-profit organizations, entrepreneurs, etc.
2. Identification, discussion and sharing of policy opportunities with local institutions, developing a plan for pilot action
3. Implementation, monitoring and evaluation of changes in the local context, knowledge and learning

The first stage lasted between 3 and 5 months; the second 1 month; the third up to 18 months.

#### **Results / lessons**

The pilot project had important positive effects. In many cases it strengthened horizontal partnerships, renewing the interest of local actors in the project's objectives. This stimulated positive interaction among local and supra-local (especially Regional) institutional levels. In some cases, the local level was able to inspire regional policy. It stimulated the opening-up of the 'local' towards external networks, whenever local skills or confidence were insufficient, on their own. Local administrations improved their knowledge of the local context; at the same time their awareness of the value of collecting information and establishing relationships with actors in the local economy, has increased.

The relative success of this vertical institutional co-operation needs to be understood in the special context in which it was carried out: it was based on long-term personal interaction (and this may be costly) and it was strongly legitimated by authoritative central and regional institutions.

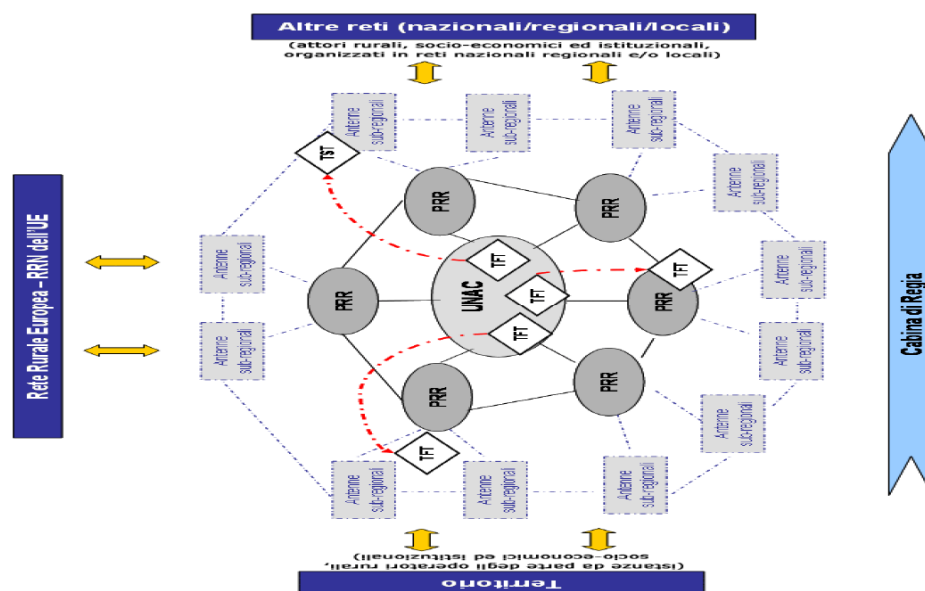
Source: [www.studioresviluppo.it](http://www.studioresviluppo.it)

### **Box 3.5. The National Rural Network**

The National Rural Network (NRN) was created to improve rural governance, operation and planning. It was established to overcome the "sectoral isolation" of the rural development policy by ensuring integration with other policies and encouraging a participatory approach. As a centralised coordinating and supporting body, the NRN is well positioned to consolidate institutional partnerships and introduce overarching management. In fact, some central objectives include connecting different actors, promoting rural development policies in Italy, strengthening the performance of measures, identifying and analysing good transferable practices, preparing training programmes for LAGs and providing technical assistance.

The NRN is managed by the Ministry of Agricultural, Food and Forestry Policies (MAFFP) but all organisations and administrations active in rural development at the international, national, regional and local level can become members. The organisational structure features a National Unit in charge of Animation and Coordination (UNAC) - an internal unit of the MAFFP, with several network regional Sites (PRR) that represent the local "interface" of the UNAC and ensure a connection between the UNAC and the institutional actors involved in managing the RDPs. UNAC has a

task force on LEADER, Monitoring and evaluation and a Thematic group (TFT) to support the programme measures in the RDPs (see below). There is also a Steering Committee that coordinates and guides all the activities in the Network. The NRN was implemented with a budget 82.9 M Euro divided equally between EARFD and the Italian government through the General Inspectorate for Relations with the European Union (*Ispettorato Generale per Rapporti con l'Unione Europea*, IGRUE).



Source : Background Report: National Rural Network 2007-20013 – *il FUTURO nella RETE*

### 3.3 A well rounded, targeted policy approach should contain a stronger focus on sustainability

133. Italy's varied and beautiful landscape is undoubtedly one of its greatest rural assets, with much potential for further sensitive application in pursuit of RD goals (Chapter 1). However the environment is threatened by the intensification of land use, urban sprawl (in some areas), and increasing decline and neglect (in others). This is a direct result of undervaluing the environment as compared to the economy, and exploiting natural resources in an insensitive and unsustainable way, in many parts of the country. The twin threats of the neglect and abandonment of high-nature value landscapes, including meadows and forests in the mountains and low-intensity traditional agricultural landscapes in the *Mezzogiorno*; and of pollution and encroachment upon vital water resources and ecosystems such as river deltas and the remaining undeveloped coastline, are very evident. In future, it is clear that climate change and demography are likely to increase some of these pressures, while offering no immediate prospect of reversing current decline in marginal areas. Yet environmental assets will be increasingly important in underpinning the viability of economic and community development in rural Italy, as globalising markets necessitate a refocusing of competitive strategies upon the unique qualities and assets of particular territories. The development of key sectors including agriculture and forestry, tourism and leisure, should increasingly be attuned to this need. At the local level, in Italy, two good practice examples illustrate how environmental quality can be a central element within successful economic development, in rural areas (Box 3.6 and 3.7).

### **Box 3.6. Creating a Rural Quality District Colliesini - S. Vicino LAG (Marche Region)**

#### **The area**

The case-study area is located in the centre-west hinterland of Marche region (central Italy), at the slopes of the Appennini mountains. The development process is here strongly linked to the institution of the LAG (Local Action Group) *Colli Esini S. Vicino*.

#### **The LAG project**

Colli Esini S. Vicino LAG was instituted in 1991, during the Leader I programme. It was confirmed and extended in the following Leader II and Leader+ initiatives. Today it covers 24 municipalities and its capital (€95,636) is participated by 94 members: 27 public (mainly municipalities, but also 2 Mountain Communities, a Trade Chamber [Camera di Commercio] and a Province) and 67 private entities (firms, associations and a bank).

During the Leader I and the Leader II, projects were directed at the valorisation of local products, economic diversification, preservation and qualification of landscapes, but also for service delivery and increase of agricultural productivity (reconverting crops, introducing technological innovation).

During Leader+ programme the LAG focused on the creation of a "Rural Quality District" (as defined according to a national law, No. 228/2001) allocating to the project € 5,5 million. The objective was to integrate into a system all local resources, products and facilities, to reinforce and promote the territory's identity. The RQD is a territorial quality label (Fig. 1) marking the area with its own image, that involves local firms and local products.

Besides creating and communicating a specific territorial image, the label aims at sharing objectives and strengthening the network of local actors. With these purposes the LAG introduced a code for the management of the label, indicating guide-lines and technical specifications required to the operators entering the district (i.e. qualifying the restaurant menu with the use of local products, regulating the production of the farm, reinforcing the integration between the networks of producers and sellers, etc.). The LAG has also realized actions to accompany the realization of the RQD, such as the valorisation of the landscape, the definition of the label communication strategy and a project for the RQD marketing which involves the organization of events, direct promotion initiatives, a web site, the equipment of a press office, etc.

#### **Results**

The RQD project increased tourist presence in the area by 11,5% in 2005; a growth took place also in 2006. Operators joining the RQD moved from 36 to 104 members (tourist resorts, farms, craftsmen, shops) during the period June 2005-March 2006. The RQD project was also presented at the Salzburg Conference on rural development as one of Italy's five "Rural Development Best Practices".

#### **Lessons learned**

Two main lessons can be learned from this case:

1. the "system approach" of the quality district informed the whole development process, from the planning, to the realization and promotion of the label (the entire Local Development Plan is focused on the constitution of the quality district);
2. the strong functional integration between the public and private components of the partnership and among the different local economic operators was the guarantee of co-operation among local actors in the project.

Source : <http://www.colliesini.it/>

### **Box 3.7. Varese Ligure, the eco-village in the Apennines**

Varese Ligure is in the North of the La Spezia province (Liguria), on the border with the provinces of Genova and Parma. It is part of the Alta Val di Vara Mountain Community, in the Apennines and hosts about 2,200 inhabitants (ISTAT, 2001). Its population has been in decline since the end of the XIX century, when it reached about 8,000 inhabitants.

In this area there was a long tradition of animal breeding. In order to combat de-population, in the 1990s, the municipality conceived a strategy to valorise economic activities linked to animal rearing, by encouraging conversion to organic agriculture. The initiative was very successful and within a short time, 95% of local agriculture was certified as organic. Two local co-operatives, for dairy products and meat processing, bought all the local products.

This success pushed the municipality to apply for the environmental certification ISO 14001 and EMAS, obtained in 1999. These certification schemes, especially EMAS, constituted an incentive to improve constantly, year on year, the environmental performance of the village. The first choice was to invest in renewable energy. Today, in Varese Ligure there is a wind plant, a thermal, photovoltaic solar installation and a small hydro-electric plant, which takes advantage of local topography and hydrology.

The most important development is the wind plant, which was originally started by the municipality in cooperation with a private entrepreneur. The plant is today managed by a multi-utility firm, ACAM, in which municipality of Varese Ligure participates. It has four turbines, with a power of 3,200 Kw and a yearly production of 6,5 GWh, enough for 10,000 users. In exchange for the energy produced, ACAM pays the municipality a yearly compensation of about €30,000 and supplies it with various services for free, such as sorted waste and landfill site management. Citizens living in Varese Ligure have indirect benefits in that they pay lower municipal taxes. The village has also become a destination for eco-tourism.

This case shows how small municipalities in marginal mountain areas may have an important role in sustainable development, reversing dependency and becoming not only self-sufficient, but net sellers of energy. Through a long-term ecological programme it is possible to prevent the take-over of rural areas' energy supplies by multinational groups.

Source: Giovanni Carrosio (ed.), I distretti rurali delle energie rinnovabili e la produzione locale di energia. Equal Energia Solidale, Research Report, 2008.

Source : xxx

### ***Decreasing the impact of organised crime in rural regions should become a priority***

134. It is evident that organised crime can be a significant obstacle to effective rural development in some parts of Italy (Chapter 1). For instance, it undermines public confidence in participation in public-funded initiatives and leads to the abuse of external finance. This problem is discussed in the case-study region of Calabria. There are also examples of both positive and negative rural policy approaches to working effectively in this kind of environment. In essence, strategies are required which can build local social capital and the capacity to operate effectively and independently from criminal activity. This generally means working at a very local level and being willing to embrace a much wider agenda than might conventionally be regarded as legitimate rural development activity (see Box 3.8).

### **Box 3.8. An Integrated Filière Project: horticulture in greenhouses: The 'Valle del Bonamico' co-operative in San Luca**

In Calabria where the influence of the local mafia (called 'ndrangheta) is very strong, rural policy may combine social and economic objectives. The organizations designing and delivering rural policy initiatives seek to counter the

dominance of 'ndrangheta within the local society and economy via a two-edged strategy. Some projects work directly and explicitly against organized crime, while others apply a strategy of 'cultural contamination', trying to involve members of the 'ndrangheta families who have been in jail and want to convert to a new life, in project activities. Mothers play a crucial role in this strategy, by persuading their children to change their way of life.

The Bonamico Valley social cooperative near San Luca, sadly famous as one of the centres of 'ndrangheta dominance, has adopted this second strategy. 35 farms managing about 40 ha are members of a co-operative which produces different kinds of berries for the chilled food chain. About 500 people, mainly young people and women, many of them wives, widows or relatives of 'ndrangheta families, are employed as seasonal workers, working for either 51 or 100 days a year. 2,000 quintals of fruit are produced annually. The co-operative has an agreement with a producers' co-operative in Trentino, in the North of Italy, that buys the berries grown in greenhouses out of season, for processing and marketing. Technically innovative methods and new varieties are used to produce fruits that are not typical of the hot climate of Calabria. The initiative was financed as an integrated filière project (for the whole sector, within the region) under the 2000-2006 Calabria Regional Operational Programme with EAGGF funding of EUR 20 million.

The project has been so successful that the co-operative is expanding its range of activities to include wine and livestock production, and other farms in the area are now trying to copy this model.

A local Bishop played a key role in securing the viability of the project. He provided contacts with the Northern co-operative and the public administration. This initiative highlights the key role of the Bishop in the creation of new opportunities for development for marginal and unemployed people, in a land plagued by organised crime. The same bishop inspired the creation of many other social co-operatives in the area, associated into a consortium called GOEL ([www.consorziosociale.coop/](http://www.consorziosociale.coop/)). The Bishop was very important as a mediator between local people, institutions, the market and the banks. Sadly, in 2007 he was moved away from Calabria, because his life was in danger.

*Source:* Background report.

### 3.4 Key priorities for Italy's Rural Policy include:

#### *1. Promoting a culture of efficient programming and territoriality*

135. In future, the key to Italy's rural competitiveness will lie in its enduring diversity and diversification – the wide variety of its environmental and human assets, and cultural and social traditions, across the country, as well as the linkages between urban and rural areas. In recognising this, there is a need for RD policies to go beyond a focus on the primary sector in isolation. Strategies for future success may be as much territorial as sectoral, highlighting innovation, sustainability and joined-up, territorially appropriate strategies.

136. What is required for effective rural policy in a country as diverse and dynamic as Italy, is an open and inclusive conceptual framework that is able to identify, on the one hand, different economic drivers other than agriculture, and on the other hand, the full range of "framework" conditions that are needed to enhance opportunity across the spatial and social landscape of Italy. These conditions should represent those public or collective goods that apply throughout rural territories, such as a high quality environment, high levels of human and social capital, and ready access to resources for investment. The challenge then lies in identifying the specific interventions necessary to strengthen a range of key economic drivers, and those particular framework conditions that underpin these drivers, in each territorial context. In order to develop this analysis, it would be important to broaden the characteristics used in the definition of Italy's typology of rural areas, to embrace more non-agricultural indicators and to consider future challenges in respect of demography, climate change and other major trends.



137. This can be a means to unlocking future development potential through recognition and enhancement of key social and territorial characteristics. A development strategy which takes into account such a multi-nodal pattern of existing assets and relationships has the potential to develop new economies, and to increase the interactions between multiple sectors. This will have beneficial effects upon economic competitiveness, as well as tapping latent economic potential, through a combination of three factors:

- a) international competitiveness, which depends on a mix of cost-based and quality-based advantage, drawing particularly on skills, motivation, know-how, and social participation;
- b) social inclusion, which reduces the cost of welfare as well as the risks, uncertainties, and hazards associated with crime and corruption; and
- c) building social capacity, through improvements in the quality of public goods and services and increasing opportunities for collective learning and exchange. This can unlock future economic potential by encouraging small-scale entrepreneurship, self-help, and a stronger focus on the environmental and social economy in rural areas.

138. In this way, RD policies can invest in developing a broader portfolio of goods that benefit the community as a whole, rather than favouring existing, established sectors which are perceived, often incorrectly, to be the central dynamic governing rural areas.

## ***2. Encouraging the diversity of governance but with key components in place at each level***

139. In this context, there are some promising options for improving national and local governance. Italy is home to a complex economic structure, which transcends the concept of sectors. Economic activities such as agriculture, manufacturing, and specific services (e.g. tourism, research and development, communications, etc.) are often intertwined within individual villages and even households, generating a multi-nodal pattern based on local value-chains. Further complexity is generated by strong urban-rural linkages, and by the significant differences in character between the north and the south of the country. It is likely that, in this context, existing theories of local economic development – especially those that do not grasp some of the key issues of interdependent “industrial districts” - will be challenged by the complexities of the Italian production framework.

140. In order to respond adequately to this complex rural development context, it is clear that effective policy delivery requires the existence at local level of key ‘linking’ agents – organisations which are capable of taking a holistic view of development potential and needs and which can draw upon funding from a range of higher-level regional, national or EU sources in order to support integrated action. From the 3 regions that we visited, we saw effective examples of such agents which included the Provincial administrations in Emilia-Romagna, Local Action Groups (LAGs), Mountain Communities and the Conference of Mayors in Veneto, and LAGs and ITPs in Calabria. Such organisations need not have the same organisational identity, in different parts of Italy. What is important is that they each have the power and resources to act effectively in identifying and pursuing local (i.e. at a level below the region) RD actions. The existence of linking agents such as these is critical to achieving effective results from rural development funding.

## ***3. Social challenges***

141. As discussed in Chapter 2, outside the *Mezzogiorno*, the NSP pays relatively little attention to issues of rural disadvantage and access to basic services. Social needs and healthcare are not discussed, and there appears to be a general presumption that they are not significant for RD in many areas of rural Italy.

Chapter 1 presented some clear evidence of wider socio-economic pressures and challenges across rural areas which go beyond the specific needs of the primary sector. Education, healthcare, access to rural transport and services such as post offices, and the ability of women in rural areas to participate in entrepreneurial activities, are social issues that appear to affect many territories and are not confined only to the most marginal RR DP areas, yet the RDPs generally afford these a much lower priority than primary sector investments. The situation is somewhat different in the south, where social issues are integral to a range of RD actions and service provision is a key priority within the regional development policies supported by EU structural funds. Here also, organised crime and the persistence of non-monetary economies appear particularly resistant to purely economic policy initiatives: money is used, but results persistently fail to accrue. As a result, those projects which work very much with a social as well as an economic focus appear to have much higher chances of success, in these environments. But there remains much more to be done, in this sphere. This is important because of the nature and extent of socio-economic change in rural areas across the country, which will increase local demand for effective services, and because as the global economy faces a downward turn, quality of life issues and social exclusion are likely to become more of a central concern of policymakers in Italy, as elsewhere.

142. For these reasons, it appears that social issues may deserve greater attention as a critical ingredient of successful and sustained rural development, across rural Italy as a whole. Policy-makers should actively seek more information on the quality of life experienced by rural women, and other potentially disadvantaged groups living in rural areas, including the young, the disabled, the elderly and infirm, and immigrant workers. Foresight exercises, examining how rural populations appear to be changing and what they might look like in 20 years, and considering lifestyle expectations and implications, could be especially valuable in helping to identify and plan for emerging social needs, within rural policy planning, at national and regional levels. Undertaking such analysis and considering its implications for policy could be a good focus for joint working between Ministries of Agriculture and Economic Development, at national and regional levels.

143. Like Italy, rural regions across OECD countries are being reshaped; globalisation, migration trends and the emergence of new products and services pose new challenges and opportunities. Some member countries have reacted to these developments by repositioning service delivery in rural areas as an economic engine of growth. One way to unlock the competitive advantage of rural regions is to introduce integrated rural service delivery methodologies that link human capital development, social well-being and economic growth stimulation. For example in Japan a country that faces an ageing challenge comparable to Italy, the government adopted a “no national growth without rural growth” plan, with inter-ministerial programmes related to social capital featuring “bonding type” and “bridging type” aspects based on: respect and the use of regional ideas; developing regional human resources; utilising tangible and intangible indigenous resources; stimulating international and inter-regional exchange; and fostering the conditions necessary for sustainable and autonomous development (OECD 2007 conference). This approach was followed by a package of different policy measures, including regional employment initiatives and programmes to foster rural innovation.

144. The study on rural Umbria by the MoED, noted that solving the problem of cost in providing services in rural areas means focusing on innovative service delivery solutions (Lucatelli *et al.*, 2006). This has been recognised in other OECD countries as well; innovative service delivery can have a positive impact on rural areas and Member countries have taken valuable steps in this regard. Finland and Japan turned the high number of rural elderly into a resource while Germany capitalised on local expertise and used it to build an innovative education scheme. Canada and Portugal devised different mechanisms to bring skills and training to rural areas. The United States repackaged rural health service delivery as a job creation tool and Ireland adopted an entrepreneurial approach to funding, focusing on projects that yield social dividends like employment creation, childcare and elderly care. In England, policy has facilitated the

multiple use of rural service infrastructure (e.g. village shops, bars and schools) in order to increase their benefits to resident populations (see [table 3.2](#) for some examples).

**Table 3.2. Innovative Rural Service Delivery**

Examples from OECD Countries

Country	Initiative
<b>Australia</b>	<b>In Australia, Rural Transaction Centres</b> (RTC) part of the Australian Governments Regional Partnership programme help establish locally run units that introduce new services or bring back services to rural towns. Since the programme began in 1999 over 200 RTC have been approved for assistance. Services include: financial, postal and telecommunication access, federal, state and local government services, insurance and taxation.
<b>Canada</b>	In Canada, the <b>Western Economic Diversification</b> support skills in a manner that combines strengthening and growing the economy with industry involvement and provides training that fills specific gaps in the rural economy and encourages the involvement of underrepresented rural residents. It also supports an Entrepreneurship Learning Centre in Alberta, a video conferencing network that provides business information and interactive training opportunities. Since it was introduced in 2004, over 14 000 small business owners and entrepreneurs have been served.
<b>Denmark</b>	To improve the targeting of education provision, Aalborg University in northern Jutland <b>Project Organised Problem Based Learning</b> study programmes are organised around interdisciplinary project work to solve problem areas defined in cooperation with local firms organisation and public institutions.

Country	Initiative
<b>Finland</b>	<p><b>In Finland</b>, one remote region Kainuus turned its image of Senior Citizens village into a resource and created <b>Senior Polis</b> to promote itself as unique place for senior citizens to live. SeniorPolis has become a network that collects and promotes cooperation, on projects activities involving the elderly and a small enterprise culture active in everything from healthcare, real estate, transport, nutrition, entertainment, recreation and travel services.</p> <p>The <b>Citizen Services Offices</b> system in Finland allows for the provision of services to rural areas in a single outlet and is managed jointly by the municipal district court, tax and work administration, national pension institute and other regional and local authorities.</p>
<b>France</b>	The innovative governance platforms of the <b>Rural Competitiveness Pole's</b> in France allow for strong public-private partnerships to develop and identify local competitive advantages in more than 300 French rural communities.
<b>Germany</b>	<p>The <b>Wendland-Elbetal</b> region in Germany engaged in a diversified and specialised biomass energy production and became the leader in the field. The region capitalised on its local expertise and developed and innovative education services, like the Energy Agency and the Energy Academy.</p> <p>The <b>AGnES</b> program in Germany works to improve healthcare deliver in rural ares by encouraging the decreasing number of general physicians to delegate home visits, where appropriate, to qualified community medicine-nurses in rural areas.</p>
<b>Japan</b>	The <b>Tokushima</b> business in Japan revitalised the local industry based on its local resources, its elderly population. The business based on leaf collection yielded a turnover of 2.5 million dollars in 2006.
<b>Netherlands</b>	To retain high potential graduates in the region, the <b>Fast Forward</b> trainees receive tailored management training and undergo three month work assignment in different local or region companies and organisation. High potential graduates are matched with organisation with need innovative staff.
<b>Portugal</b>	The <b>"Net on Wheels"</b> project uses vans equipped with notebook computers to provide access to the internet and profession training to marginal groups. Since inception, the project has reached over 26 000 users and provided over 250 courses with 860 basic ICT skills diplomas.
<b>Spain</b>	<p><b>In Spain</b>, the <b>BANESPYME</b> delivers tailor-made assistance to small and medium sized rural enterprises enhancing their capacity to innovate.</p> <p>The strategic project on the <b>Information Society of Extremadura</b> which is based on the fundamental principles of connectivity and technological literacy have lead to the development of a powerful communications network capable of interconnecting and to provide broadband access to the 383 municipalities of Extremadura.</p>

Source : OECD 2007 and 2008 Rural Development Conferences.

145. In Italy, the Friuli Venezia Giulia LAG, which brought together all the education institutions in the area plus 26 communes to form a single network of education systems, has provided a foundation from which to build a more co-ordinated approach. As discussed in Chapter 1, this region is home to arguably one of the most effective education services in Italy. This depends partly on the good performance of the labour market so there is no shortage of jobs for those leaving education, but also upon a more complex dimension, which is the integration of the local schools within a shared system of values and priorities. The LAG capitalised on its regional assets and used a budget of 120 000 (divided between the EAGGF 45 000, Public 45 000 and Private funds 30 000) to promote the exchange of ideas and experiences and develop new pedagogical programmes that focused on knowledge and understanding of the territory. Considered a success by the EU, the LAG involved all school children in a new approach to help them discover their roots and promote a sense of belonging and interest in the territory. As another example, some experiments are promoting the use of ICT to improve the accessibility of rural health services in Italy (Box 3.8). What is perhaps important about this approach is that the success of the project is not simply a result

of the adoption of new technology to overcome rural isolation, but also the result of a concerted effort by a partnership of different national and regional Ministries, to jointly address this particular need.

### **Box 3.9. E-Health in Isolated Rural Areas: EOLIENET Project (Sicily)**

#### **The area**

EolieNet is an e-health project proposed by AUSL 5 (the public health unit of Messina province, in the North-East of Sicily). AUSL 5 offers its service in an area constituted by 108 municipalities (about 650.000 inh.). The project is dedicated to the most isolated of them, particularly to Eolie archipelago, constituted by 7 small islands of volcanic origin, with a strong tourism vocation (Alicudi, Filicudi, Salina, Lipari, Vulcano, Panarea and Stromboli): the population, 14.331 inhabitants during winter, reaches 80.000 units in the summer time.

#### **The project history and structure**

EolieNet aims to improve and strengthen the health system of Eolie islands through ICT, overcoming the typical difficulties suffered by small islands (long distance between health operators, lacking specialist competences, longer time for first aid operations). The project was launched on April 2006 by a partnership among public entities: Messina AUSL 5, Italy's Health Ministry, Italy's Technological Innovation Ministry, Sicily Region, ANSPI (Small Island Health National Association). It's founded by the two Ministries (2 million euro) and is managed and operated by AUSL 5 staff, under the advice and monitoring role of ANSPI.

Each health operator receives a password from the Technological Innovation Ministry to use a dedicated web site ([www.sanitapiccoleisole.it/](http://www.sanitapiccoleisole.it/)) offering services as e-health consultation, e-diagnostics, patient case history management, transmission and acquisition of medical reports, e-learning, web chat, consultation of data banks.

The project consists of various modular items:

- E-cardiology; it is the first service launched. In case of heart disease it connects on line local health operators with Milazzo hospital. By a pc and GSM network or just home telephone line the local operator transmits the electrocardiogram to the hospital, which gives on line the medical report, therapeutic indications and eventually decides the transfer of the patient to the hospital in Messina, by a 118 air ambulance.
- Diagnostics of clinic pathologies through POCT (Point of Care Testing, also called Near Patient Testing) equipments, without any transfer of the patient to health centres.
- Diagnostics through images, which are transmitted on line from Lipari health district to Milazzo hospital (x-ray images can also be transmitted directly from user's house by a radiology technician using the OCR system).
- E-consultation service is offered by the web site, allowing doctors to discuss about patient cases and exchange on line images and data (ECG, POCT results and any useful document).

#### **Results**

The project is not completed. The expected results are a reduction of the diagnostic and treatment time and of people movements for health reasons; a better management of the emergency, uninterrupted assistance, permanent training for the health staff and contacts with doctors and experts operating in other areas.

Since 2006 EolieNet has produced important outcomes. Milan Polytechnic School of Management<sup>2</sup> has quantified some of them: through e-cardiology services many chronic heart diseases and arrhythmias have been treated reducing mortality in hospital from 30% to 7%; 4256 ECG transmissions have been done (4215 patients),

64,7% with positive results; 62% of the patients with heart disease symptoms treated with e-consultation services, have avoided hospital transfer and admission; there have been lower health costs for the National Health Service and for patients' families (for instance, a transfer on air ambulance costs €1,200).

In 2006, the EolieNet project received a prize at Italy's Public Administration Forum, Health section.

#### **Lessons**

Logistic and organizational difficulties in the health system of isolated territories (mountain and island areas) can be reduced or overcome through ICT, good governance and horizontal and vertical institutional co-operation.

Source : xxx

#### ***4. Environmental resources - Recognising, protecting and promoting the environment***

146. Italy has tremendous potential to develop more rural economic activity based upon the sustainable use and development of its natural and cultural resources, in the form of biodiversity, landscapes and water protection and management. The value of well-maintained landscapes and nature for tourism and the increasing leisure and health economies of industrialised society should be recognised, and built into future development strategies. At the same time, it will be important to rise to the challenge of more sustainable energy generation using natural and renewable resources, many of which are found in rural areas. Sensitive and imaginative use of water, wind, solar and geothermal energy sources, as well as the production of energy from agricultural and forestry waste, should all be important aspects of future rural development in many of Italy's regions. Taken together, these developments could make a vital contribution to enabling Italy to withstand the challenges of climate change and increasing global competition for food and fuel resources, in the future. At the local level, for instance, there are already some good examples that could be replicated elsewhere. For instance, the OECD delegation had the opportunity to see a clear positive example: the CISA project in the Apennines of Emilia-Romagna.

### Box 3.10. Pilot Actions in the Bologna Apennine Towards the Renewable Energy Rural District

In 2005 CISA (*Innovation Centre for Environmental Sustainability*) is constituted, under the initiative of Bologna Province, in co-operation with the Carisbo Foundation (a bank Foundation) and the ISSI-Onlus (*Italian Sustainable Development Institute*). Cisa's objective was to implement a local development project based on energy saving and the utilization of renewable energy sources in the Bologna Apennine. The project was co-financed by the EU structural funds (Objective 2, Axis 2 measure 2.2 "Valorisation of the mountain resource") and the bank Carisbo Foundation.

Through the realization of this project a further objective was pursued: to diffuse in the mountain communities the knowledge on renewable resources and promote the utilization of energy systems which allow the recuperation and valorisation of wood and other agro-forest residues, available in the territory.

A first project involved ten small municipalities, where advanced energy systems have been realised for use in public buildings (municipal centre for elderly people, schools, Park centres, etc...). A second project aims to build a co-generation plant system (also *combined heat and power*, or CHP) fed on wood in the municipality of Castel d'Aiano.

The diffusion of power systems based on the utilization of wood could lead to the re-organization of agricultural and forest *filières*, with positive effects on employment and valorisation of local resources in the Apennine. Biomass is in fact largely available in the mountain areas and is a renewable and environmentally friendly local resource. The balance in terms of greenhouse gas emission is zero, because the carbon dioxide (CO<sub>2</sub>) produced in the energy production process is re-absorbed in the reconstitution of the initial stock of biomass.

The co-generation of energy and heat from biomass is seen as an integrated system linked to local development, since it would permit the utilization of local underutilized resources, while respecting the obligations and requirements of the Kyoto Protocol. To this purpose, CISA has also started a research aiming to develop a method for the calculation of the CO<sub>2</sub> emissions and the availability of biomass in the Apennine forests.

CISA promotes its activities with innovative communication strategies, based on artistic forms of expressions, like the theatre, directed to involve school children and the local population.

An important contribution to the diffusion of knowledge on renewable resources and energy savings comes also from the EcoAppennino Expo, a yearly fair organised in one of the Apennine municipality, Porretta Terme. In 2007 *EcoAppennino Expo* registered about twenty thousand visitors.

Source: Regional Government of Emilia Romagna.

## 5. Economic challenges - diversification and valorisation of the rural economy

### *The multifunctional role of farming and forestry*

147. As discussed in Chapter 1, the primary sector clearly plays a "multi-functional" role in rural areas, but its relationship to broader rural development differs, based on location. Some farming is very close to rural development and well integrated with local environmental characteristics and local social and cultural values, while some is much less integral to the wider rural economy and society – for example, where industrial and intensive agriculture produces low value outputs for export, and employs relatively few people. In the forestry sector, it seems that the current woodland resource is under-utilised and many forests are not actively managed, suggesting a specific need for policy attention. Clearly, significant RD resources are spent on primary sector beneficiaries. However, it is not clear that this investment always promotes rural development, particularly if it is used to fund greater capitalisation of farming and food businesses, or to promote the development of industrialised supply chains which are insensitive to local communities and cultural or environmental assets. Investment in agriculture or forestry should be clearly focused upon land management and supply chain systems that will bring broad and lasting benefits to rural

territories and their populations. This may mean looking beyond the ‘principal farmer’ to assess the benefits for farm households and other local residents, when assessing these projects. The current emphasis within RDP expenditure plans is clearly upon investment in farm structures and the food chain, whereas forestry and diversification beyond agriculture receive fewer resources.

148. Part of the hesitancy surrounding public investment in more pronounced non-farm rural diversification schemes in Italy seems to be linked to a perception that these options have limitations, in respect of their ability to spend funds efficiently. Many such projects require innovative thinking, time to develop appropriate partnerships and strategies and therefore do not represent ‘quick wins’ for public investment. Policy makers and delivery agents may therefore be unwilling to support them because of the risk that they will not deliver clear outputs or guaranteed outcomes, within a few years. The analysis of RDP choices for 2007-13 suggests a relative lack of innovation in the kinds of measure that will be supported, with most funding earmarked for the same kinds of measures that already have a long history of RD policy support, in Italy (e.g. modernisation of farms, adding value). Nevertheless, where agriculture supports a territorially-sensitive and culturally important element within the rural economy, it offers important potential for sustainable rural development (as illustrated in boxes 6 and 12) .

149. Forestry potential appears to be appreciated in some areas but significantly under-emphasised in others. Although generally seen as a low-value product, the wood from mountain forests could be a very important renewable resource for small-scale, locally generated heat and power, reducing rural dependence upon imported energy sources and encouraging closer integration between different sectors, in rural areas, promoting innovation and self-reliance. Renewable energy is not yet a big focus of interest or policy activity, but there is clearly significant potential for the future, particularly if developed in a dispersed and small-scale fashion which is in keeping with the nature of rural resources. The stimulation of more active management of Italy’s forests would also bring benefits for biodiversity and water management. The opportunities for the so-called ‘New Environmental Economy’ are not clearly conceptualised at regional or national levels, although some very positive examples already exist at the local level (e.g. the CISA initiative in Emilia-Romagna region – see box 10). Urban research on the potential for the ‘green economy’ in Italy suggests that there is important potential to develop this sector in future: and we suggest that this conclusion could be equally relevant for rural areas.

#### *The importance of working with financial and business institutions*

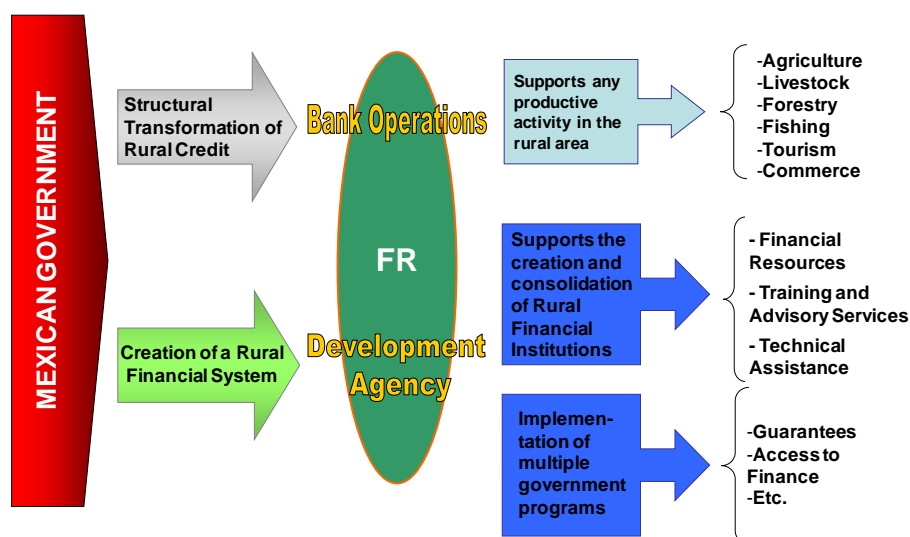
150. Financial institutions can be important in supporting successful rural development. The role of banks can be a critical factor in local development e.g. for LAGs. Collective, non-profit partnerships seeking to stimulate local development require understanding and supportive financial backing from the private sector, to enable them to operate effectively, because they are not a standard or secure investment prospect. It appears that the stimulus of available EU co-funding during the 1990s stimulated, or worked alongside, a Corporate Social Responsibility ethic in Italy, encouraging banks to create charitable foundations to enable the co-financing of worthwhile RD projects. National and Regional rural policy should consider the scope to strengthen this role, in future. Taxation policies could merit some strategic consideration, in this context – for example, considering how fiscal regimes could encourage more private finance for RD activity (such as a tax that could be levied on certain environmentally-damaging forms of waste disposal, whose revenue would be ‘hypothecated’ in order to support new rural environmental investment).

151. To increase the availability of private funding in rural areas, two policy options have been discussed in OECD countries. The first of these is the role of support to establish business networks, that can help build scale and reduce costs, develop information flows and trust mechanisms. Second, business development programmes can be funded, that focus on building the entrepreneurs’ skills-set and boost the



number of viable rural start-ups. Examples from Mexico and Ireland are relevant to this point. Agriculture, forestry, fishing and agribusiness sectors contribute approximately 3.5% to Mexico's GDP while 24 percent of the population lives in rural areas. Faced with decreasing access to finance from commercial banks (due to high default rates, difficulties in recovering credit, and the small size of available loans in rural areas), Mexico created *Financiera Rural*, a development bank specifically for rural businesses. Established in 2003, FR replaced *Banrural* an agricultural-activities-only development bank. Since it began operations, FR has granted nearly 350 000 credits accounting for 15% of the total rural financing in Mexico. It has also disbursed close to 1,247 million dollars in loans, 42 per cent of which originated through other financial institutions. FR thus has a dual role; it is both development agency and bank: the former is focused on creating a rural finance system while the latter seeks to support any activity in rural areas (see Figure 3.2). In Ireland, the public regional development agency introduced an investment fund to support the entrepreneurial activity in rural areas. The aim was to encourage greater private sector involvement and increase the number of social enterprises in the region (see box 3.11).

Figure 3.2. *Financiera Rural* - Mexican Development Bank



Source: Enrique De la Madrid Cordero General Director, Presentation Cáceres, Extremadura (Spain) 2007.

#### Box 1. Enterprise development in rural Ireland

The Western Region of Ireland is one of the poorest areas and suffered steep population decline over a number of years (population fell from 2 million or 30% of the national population in 1841, to 700,000 or 18% by 2002). It is a predominantly rural area with a population density of 23.8 people per km<sup>2</sup> 80% of which live outside population centres of 10,000 and the largest population centre is Galway City with 72,000 inhabitants. Recently, the region benefitting from the economic turnaround in Ireland has been experiencing substantial in-migration, both from overseas and from other parts of the island. Despite the influx, economically the area performs poorly relative to other parts of Ireland, and continues to lag behind in productivity terms. For example, in 2004, the region had a Gross Value Added of less than 74% of the national average.

Traditionally, business in the Western Region had difficulty accessing investment capital to establish or develop their business ideas. The Western Development Commission (WDC) a public regional development agency charged with fostering and promoting the social and economic development for the Western Region of Ireland established the Western Investment Fund (WIF) to fill this equity gap by providing seed and venture capital. From the outset, this was new approach and the agency needed EU State aid approval to operate the fund. The approval was received under the Regional Aid Guidelines. In fact, the experience of approving the WIF was the first of its kind at the time and helped the Commission to draft the State Aid and Risk Capital Guidelines (SARC) which was published in 2001.

As a rule, WDC provides the money for working capital needs only so funding is not tied to a particular spend or an

asset, but is instead meant to help the business develop in accordance with its business plan. The agency works with the business to market products and often becomes a Non Executive Director on the board of the company. Since 2001 the fund has invested over €27 million in 75 SMEs and social enterprises. Of the group, 72% are enterprises based outside major urban centres and the projects have created or sustained over 1,500 jobs, many of them at a graduate level. Notably, several of the companies supported have managed to secure strategic alliances with key global companies such as Boston Scientific, Johnson & Johnson, Bombardier and HP.

As a high risk fund, WDC mitigates the risk by operating in line with international best practice. They engage an investment staff from the private sector and have a Fund Advisory Panel which boast mostly entrepreneurs and business practitioners. The fund applies the investment and valuation guidelines of the European Venture Capital Association (of which the Agency is also a member). The investments cover a range of sectors, from aquaculture to tourism. However, there is a particular focus on the knowledge economy and 80% of the funds invested target this sector with ICT (information and communication technologies) and life sciences being the most prominent.

The agency also seeks to attract more private sector involvement in the regions and increase the number of enterprises that impact quality of life. Thus far, the WDC through the fund has achieved a leverage effect of 1:3, for every €1 invested by the WDC another €3 is leveraged into the region from angel investors, private venture capitalists, banks and other public sector bodies. This has translated into an additional €100 million into the area.. Usually, social enterprise's can only access public sector grant aid funding as no grant programme offers 100% funding and communities usually have problems raising the matching funds and commercial banks were very often hesitant due to little or no security on offer, a lack of commercial track record, the voluntary nature of the organisations and the banks' lack of insight into how these organisations operate. The WDC takes a very different approach. They look closely at the project's viability and consider the voluntary nature of the organisations as strength not a weakness; volunteers bring a range of expertise and experience to bear on the project. The agency works closely with the organisations to devise a deal structure that suits the needs of the project while ensuring repayment. Thus far not only have the number of social enterprises increased but due to the involvement of the WDC, social enterprises have managed to increase their ability to procure private loans.

Source : OECD, 2007 Rural Development Conference: Innovative Service Delivery, Meeting the Challenges of Rural Regions, Gillian Buckley, Chief Executive, Western Development Commission

#### *Further potential for tourism*

152. This sector presents varied issues, potential and RD solutions; in most of Italy's regions. The diversity and richness of Italian landscapes and heritage across the territory represent a significant resource for different kinds of tourism and leisure activity. Most regions have the benefit of a coastline, mountains, a wealth of historic and architectural heritage and strong local cultural artefacts and productive traditions, all of which are central to effective development of sustainable tourism. There is a need for leisure and tourism strategies that adopt an integrated communication strategy to facilitate the access to amenities. Furthermore, a policy to improve tourism should ensure constant adaptation to changing market demands, and recognise and valorise local heritage, making links between the visitor and the character and culture of locality. These can offer a deeper and more satisfying experience of 'place' which has the potential to stimulate repeat visits and the development of a sustainable client base. The Scottish Government grappled with similar constraints to the more remote areas of rural Italy, with respect to its relatively small farm sizes, declining soil conditions and distance from markets that challenged notions of successful commercial agriculture. Scotland has, however, developed a strong tourism industry that successfully incorporates agro-tourism, hiking, bird and wildlife watching and other recreational activities linked to the landscape (OECD Scotland Review 2008).

#### **Box 3.11. Kuusamo, Finland**

Kuusamo is a small town largely wilderness: lakes, hills and forests in Finland located in Lapland close to the Arctic Circle. A large very remote town with approximately 17 000 people 200 km from the nearest city, an hour by plane from the Capital Helsinki; Kuusamo has become one of the most popular travel destinations in Finland attracting millions of national and international visitors every year. In fact Ruka, a well known ski and holiday resort in Kuusamo

hosts several international skiing events each year. In addition, Kuusamo has the most holiday homes in Finland and the town offers all public and private services equivalent to an urban area, including a hospital and large supermarkets.

Due to its size and limited development resources a meticulously designed and targeted plan was important. Kuusamo credits its success to four key areas: strategies, specialisation, expertise and networking. From the outset, a strategy was formulated based on the strengths of the region. The cornerstone of Kuusamo is nature; it is the source of food, housing, living and recreation. Therefore the choice was tourism based on the beauty of the natural environment, traditional wood and forestry. This was coupled with a focus on information technology to deal with the challenges that flow from being a remote location with long distances and sparsely connectivity. Development work and co-operation between the private and public sector helped develop the travel industry. All the development and investments in the region were undertaken with care to preserve and protect the natural resources and the wildlife, as well as the culture, local know-how and traditional local knowledge. The regional development programme works closely with the regional development agency Naturpolis Ltd and they guide local business strategies and regional development. Naturpolis, the business centre with its centre of expertise on the ecological use of natural resources, is part of a Northern Multipolis – network, a network of several different centres of expertise (eg. Aviapolis, Technopolis, Snowpolis).

Widely regarded as a success, Kuusamo has received numerous awards ranging from:

- Town with the Best Image 1995, 1996 and 2005;
- Finnish Town of the Year 2001;
- the Award for the best economical skills in 2003 (granted by Taxpayers Association of Finland);
- one from the European Commission in 2001 and 2004 for best practices in the Information Society.

153. A number of efforts are underway to enhance the tourism potential of rural regions in Italy. For example, the “Integrated tourist packages” promoted development of tourist areas by supporting the use of territories and resources in the South of Italy, during the 2000-2006 programming period. This has translated into extensive local development interventions that enhance tourism potential while adopting a “beyond sectors” approach: merging local cultural and environmental heritage, food, wine and customs into one package (see Table 3.2).

**Table 3.3. Tourism Potential in Rural Areas**

<b>Integrated tourist packages</b>		
<b>Region</b>	<b>2000-2006</b>	<b>Description</b>
Basilicata	ROP 3.4 million Euro from ESF	Resources were invested to enhance Maratea, and make the area one of the most important and fully integrated tourist attractions complete with adequate hospitality facilities and high quality wine and food offerings based on local heritage all promoted under the slogan of “Seas, hills and spas”. The efforts included upgrading the port of Maratea and the historic centre of Maratea-“the City of the 44 Churches”.
Calabria	ROP+ national expenditure totalling 251 million from Euro	Resources were invested to improve the transportation and access infrastructure, upgrade tourist centres, restore architectural resources and promote the wine and food local customs. Referred to as the “Tourism Optimisation Project”, this effort involved the collaboration of 14 different Municipalities.
Puglia	ROP 62 million Euro from ESF	Resources were invested to revive the tourist attraction of Brindisi related to the environmental and historical cultural treasures of the territory. For example the tourist port of the Brindisi marina, Architectural restoration and reclamation of the Castle the Bastion of San Giacomo and Roman columns)
Sicily	ROP15 million Euro from ESF	Resources were invested to enhance the “the lands of the leopard”—the territory of the Sicane lands, and municipalities in the Province of Agrigento. The local tourist offerings include history and culture, nature and wine and food and traditional seaside activities.

154. There is clearly a critical role for local municipalities within this process, as those public bodies with the best appreciation of local needs and culture. However, they clearly need help from intermediary institutions acting at a larger scale, and an ability to draw down other (public and private) funds, to support the necessary valorisation process. At present, the combination of relative wealth/opportunity and fiscal issues can lead to the paradox that rich rural areas spend lots of public money effectively developing this form of rural economic activity, while other areas with equal natural assets but diminished financial resources cannot do so.

#### *Fostering effective manufacturing and services*

155. In respect of rural manufacturing, Italy clearly has good experience in some regions, to demonstrate how a buoyant and innovative manufacturing sector, dispersed across the territory, can provide employment and a good quality of life in intermediate and even some relatively marginal rural areas (e.g. Belluno, in Veneto region). The growing focus on working with supply chains and strategic planning in respect of the primary sector reflects increased understanding that demand-led RD investment can all too easily fail to deliver added value, in respect of the primary sector (see the previous section on policy design). However, it is not clear if the same understanding applies beyond agriculture. For instance, there is mixed evidence from Veneto in respect of the opportunity and the need to link local private sector business interests, in order to raise awareness of the value of investing in collective local assets (e.g. heritage and landscape). It may be that small-scale, thriving family manufacturing businesses have particularly low levels of awareness of environmental issues and the value of conserving local culture and heritage. Yet the quality of life and range of economic opportunities available to them in future could suffer, if these assets are neglected.

156. Service clusters have not really been considered within rural development policy, due to the view that they are not really part of RD activity, as discussed above. Nevertheless, local need for collective service provision is clearly there, in some rural areas (e.g. Veneto Orientale LAG and Conference of Mayors, where their particular situation as a “transit zone” between Venice and Trieste leads to a lack of adequate provision for local services and infrastructure). Economic development in Italy’s rural areas is very diverse, with great contrasts in the relative roles of the primary sector, manufacturing and service provision, between regions and sub-regions. Within this range of situations, there are clearly somewhere rural economies are over-dependent upon just a few sectors and outputs. This in turn exposes them to the risk of significant problems if these sectors and outputs should decline as a result of external factors, in future.

157. Rural areas with a strong dependence on agriculture will face economic and social problems as employment in the sector continues to decline in response to increased competition in markets and the decoupling of support. At the same time, rural areas which are currently heavily dependent upon particular specialist kinds of manufacturing are vulnerable to trends and changes in these markets. And areas which survive largely from tourism are exposed to the fluctuation in demand and visitor expectations that arise from wider economic and lifestyle trends. Thus in order to develop resilience within rural areas and communities, their economic base should ideally be spread across a number of different sectors. This highlights the potential value of policies which seek actively to diversify the rural economy and stimulate new kinds of economic activity.

### **Box 3.12. The Valle Del Crati Lag, Calabria**

#### **The Area**

The territory of the Valle del Crati LAG comprises 30 municipalities in the internal northern area of Calabria. It is a typical Calabrian marginal area, characterised by high unemployment, especially youth unemployment, de-population and internal migration toward the coastal areas. Production systems are marginal, the structure of productive firms is fragmented, and there is low use of quality brands, low diffusion of co-operative action, poor information on development and rural programmes, no activism among local institutions and no awareness of local identity.

#### **The LAGs history**

The LAG “Valle del Crati” was constituted in 1996 under the Leader II community initiative. During the implementation of the LEADER II Local Action Plan, the Valle del Crati LAG supported 120 initiatives centred around the valorisation and promotion of the area through tourism and agro-tourism, agro-food and artisan activities and cultural activities.

In 2003, the LAG’s Local Development Plan (LDP) was financed by LEADER +. The LAG membership increased and the area of intervention was extended to 30 municipalities. The LDP was still focused on the valorisation of local resources and the promotion of the territory, but special emphasis was placed on the co-operation and networking of local actors. During both LEADER II and LEADER +, the LAG participated in trans-national co-operation projects.

In 2000, a pilot project for the promotion of the ‘Cosenza Fig’ filière was started and was carried out by the LAG, using different funding instruments, either managed directly by the LAG (e.g. funding from LEADER +, CIMPA, MIDA) or in co-operation with other partners (e.g. for RAIP and FIP). The project achieved important goals, especially the networking of small farmers and agro-food industries, the establishment of a Slow Food Presidium and the application for a PDO (Protection of Designation of Origin) for the area.

In 2003-2004 it was partner in two INTERREG III B projects: Medocc - CIMPA (Cibi Meridiani Monumenti Paralleli), and Archimed MIDA. Medocc-CIMPA was concluded with an important international event in the area, which gave visibility to the LAG and its methods and was a driver for other territorial initiatives, like the “Gran festa del pane” in the municipality of Altomonte.

The LAG was also the promoter of a Rural Area Integrated Project (RAIP) for six small municipalities, based on support to agricultural micro-filières, the diversification of agricultural activities, the restructuring of the rural patrimony and improving agricultural infrastructure. It provides the area with important services and manages a website for the promotion of the area.

#### **Results / Lessons Learned**

The LAG has contributed to create new employment opportunities, to stabilise existent jobs, to consolidate many firms and farms operating in the territory. It has created and consolidated a local identity. The application of the Leader method to a more extensive development activity supported by different programmes, the wide co-operation with local public and private actors, the opening of the area to international events has allowed the LAG to operate beyond the Leader initiative and to become a recognized development agency in the territory.

Source : XXX

### **Box 3.13. The production of renewable energy in rural areas: Fortore-Energia**

#### **The area**

Fortore Energia SpA operates in the territory of two Mountain Communities, which comprehend 28 municipalities in two bordering regions of the Centre-South of Italy: Fortore Mountain Community (Benevento province, Campania region) and Northern Dauni Mountain Community (Foggia province, Puglia region). The two Communities share the same economic and social problems: unemployment, depopulation, ageing population, a weak economic system based on agricultural activities. They share also the same morphological features, in particular windy mountains and hills.

#### **The case-study history and its initiatives**

Fortore Energia was instituted in 2001 by the two Mountain Communities. Today it's a public company whose capital is owned almost totally by private operators (especially energy producers and extra-local agro-food firms, such as Amadori, Conserve Italia, Orogel).

Fortore Energia SPA started its mission in opposition to the strategy of multinational enterprises, which are investing in the production of wind energy without benefiting the territory. Its objective was instead to produce small energy plants from renewable sources (wind, biomass, solar and water) as a driver for the sustainable development of the area. Development focuses on training and hiring local professionals and valorising endogenous resources and traditional production sectors (agriculture, handicrafts and tourism).

The society was created for the installation of wind turbines; today it is realising many projects:

- *Le Fattorie del vento* ("Wind farms") aim to link local agricultural vocation with the increasing renewable energy production in the area. Wind and solar energy equipments are installed in the farms and the energy produced is both, used in the farms and sold.
- *Le strade del vento* ("Wind roads"), through which tourists can visit the wind farms, but also archaeological and historical sites, while enjoying the landscape and the traditional cuisine.
- *Eco-distretto* ("Eco-district") aims to create and certificate a territorial integrated supply system with distinctive features to be promoted externally.
- *Qual buon vento* (*What good wind..*), a local animation and social responsibility initiative financed by Banca Popolare Etica and managed in cooperation with a social rehabilitative community, where a wind tower has been built.
- *CLAY* ("Cooperative Learning by Environmental Activity"), an inter-territorial cooperation event aiming to raise awareness and knowledge on environmental sustainability

**Results / Lessons**

The area is gradually turning in an energy rural district: a small firm producing components for the installation of wind turbines has been created; through a consumer consortia a small energy chain is arising. The occupational results are relevant if we consider the economic context and the short time elapsed since the beginning of the initiative: 80 young graduate work in Fortore Energia SpA and about 200 people work in activities related to the wind production.

The experience show how an integrated, territorial approach to renewable energy can benefit rural areas and small communities.

Source: [www.fortoreenergia.it](http://www.fortoreenergia.it).

**In sum**

158. Italy needs to devote continued effort to developing a more comprehensive and integrated rural policy vision which brings together different sectoral Ministries, at both national and regional levels. Stronger horizontal co-ordination on rural policy issues will facilitate more effective vertical co-ordination and more cost-effective use of resources in rural and regional development programmes. Regional governments need to ensure that sub-regional delivery of policies is tailored to local needs via the fostering and support of effective 'linking agents' at this level: organizations within which public and private interests can work together to plan and implement a shared development programme for the locality. Strong partnerships will be essential to overcome some of the remaining significant barriers to successful rural development at the local level, which include threats to environmental resources, demographic challenges, and the influence of organized crime.

159. Key priorities for future rural policy should include a focus upon stronger territorial analysis, and more emphasis upon rural quality of life and enhanced access to services, particularly for women, young people and the elderly. More investment in the environment and the 'new environmental economy', particularly to exploit sustainable forest management and to promote renewable energy generation in rural areas, is warranted. In respect of economic development, multi-sectoral and territorially-embedded strategies appear to offer more scope for the future than single-sector models. Therefore, new effort to provide underpinning, cross-sectoral support frameworks would seem worthwhile, including the effective involvement of financial institutions, the fostering of collective action by municipalities (eg for tourism and service planning), and the provision of advice and training in entrepreneurship and innovation, for all areas of rural business activity.

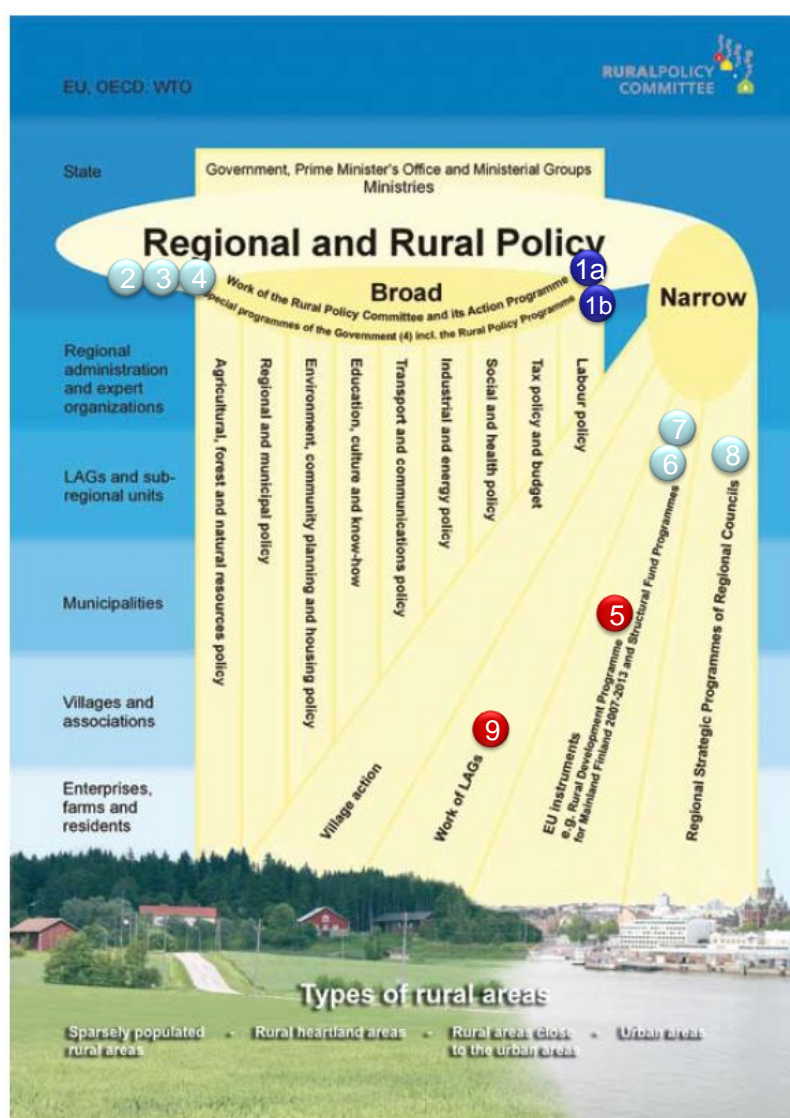
## NOTES

- 1 . Bientina, Buti, Calcinaia, Capannoli, Casciana Terme, Chianni, Crespina, Lajatico, Lari, Palaia, Peccioli, Ponsacco, Pontedera, Santa Maria a Monte e Terricciola.
- 2 . Osservatorio ICT & CIO in Sanità, *ICT e Innovazione in Sanità: nuove sfide e opportunità per i CIO*, Politecnico of Milan, May 2008.



## CHAPTER 3: ANNEX

Figure 2. Finland Rural Development Policy Framework



Source : RPC (2007a), A Viable Countryside - Ministries' Responsibilities and Regional Development, Special Rural Policy Programme 2007 - 2010, September 2007

## BIBLIOGRAPHY

Agency for Environmental Protection and Technical Services (APAT) (2006), *Environmental Data Year Book*, APAT, Rome

Bagnasco A., (1977), *Tre Italie: La Problematica Territoriale dello Sviluppo Italiano*, Il Mulino, Bologna.

Bagnasco, A. and Pini, R. (1981), *Sviluppo Economico e Trasformazioni Socio Politiche dei Sistemi Territoriali a Economia Diffusa*, Quaderni Fondazione Giangiacomo Feltrinelli, Feltrinelli, Milano

Banca d'Italia (2007), "Economic Developments in the Italian Regions in 2006", Economic and Financial Issues (Occasional Papers)

Becattini, G. (1975), "Lo Sviluppo Economico della Toscana, con Particolare Riguardo all'Industrializzazione Leggera" IRPET, Firenze.

Becattini G. (1979), "Dal "Settore" Industriale al "Distretto" Industriale. Alcune Considerazioni sull'Unità di Indagine dell'Economia Industriale", *Rivista di Economia e Politica Industriale*, n.1.

Brusco, S. (1989), "Distretti Industriali e Piccole Imprese" Rosenberg and Sellier, Torino.

Bratti, M., Checchi, D. and A. Filippin (2007), "Territorial Differences in Italian Students' Mathematical Competencies: Evidence from PISA 2003", Institute for the Study of Labor (IZA), Discussion Paper No. 2603

Capano, G. (1996), "Imprenditoria Endogena e Sviluppo Rurale nel Mezzogiorno: un Caso di Successo", *La Questione Agraria*, n. 62, pp. 127-157.

De Benedictis, L. (2005), "Three Decades of Italian Comparative Advantages", *The World Economy*, v. 28, n. 11, pp. 1679-1709

De Blasio, G. (2008), "Urban–Rural Differences in Internet Usage, e-Commerce, and e-Banking: Evidence from Italy", *Growth and Change*, v. 39, n. 2, pp. 341-367.

Dijkstra, L., and Poelman H. (2008), "Remote Rural Regions: How Proximity to a City Influences the Performance of Rural Regions". Directorate General for Regional Policy, European Commission, Regional Focus, n. 1/2008.

ESPON (2004), *The Territorial Impact of CAP and Rural Development Policy*, [http://www.espon.eu/mmp/online/website/content/projects/243/277/file\\_1322/fr-2.1.3\\_revised\\_31-03-05.pdf](http://www.espon.eu/mmp/online/website/content/projects/243/277/file_1322/fr-2.1.3_revised_31-03-05.pdf) .

Federalimentare - Ismea (2006), "Quarto Rapporto, 2006", ISMEA, Rome

ISTAT (2001), Population Census

Lamura G., Melchiorre M.G., Quattrini S. (2002), "The Supply of Care Workers for Dependent Elderly in Italy: Current Trends and Future Perspectives". Paper presented at the 10<sup>th</sup> European Social Services Conference, Barcelona, 5-7 June 2002.

Lucatelli, S., Savastano. S., and M. Coccia (2006), "Servizi Socio-Sanitari nell'Umbria Rurale" in Materiali UVAL, no. 12  
([http://www.dps.mef.gov.it/documentazione/uval/materiali\\_uval/Muval12\\_Sviluppo\\_rurale\\_inglese.pdf](http://www.dps.mef.gov.it/documentazione/uval/materiali_uval/Muval12_Sviluppo_rurale_inglese.pdf))

Marshall, A. (1890), Principles of Economics, Macmillan, London

Mapelli V. (ed.) (2007), "I Sistemi di Governance dei Servizi Sanitari Regionali", Formez, Roma, 2007, Quaderni, n. 57, pp. 317.

Meldolesi, L. (2004), *Emersione. Dialogo con Marco Biagi*, Cacucci, Roma

Micelli, S. (2007), "Le Nuove Medie Imprese dei Distretti Industriali Italiani", Mercati e Competitività, fascicolo 2

OECD (2008), "Environmental Performance of Agriculture in OECD Countries Since 1990", OECD Publications, Paris

OECD (2007a), "Economic Surveys, Italy", OECD Publications, Paris

OECD (2007b), "Regions at a Glance", OECD Publications, Paris

OECD (2007c), "Education at a Glance", OECD Publications, Paris

OECD (2006) "PISA 2006 Science Competencies for Tomorrow's World", OECD Publications, Paris

OECD (2005), "Regions at a Glance", OECD Publications, Paris

OECD (2004), "Ageing and Employment Policies/Vieillissement et politiques de l'emploi, Italy", OECD Publications, Paris

OECD (2002), "Territorial Reviews Siena, Italy", OECD Publications, Paris

Pellegrini G. (2004), "Modelli di diffusione spaziale territoriale dell'industria manifatturiera in Italia", in Signorini F. (ed.), *Economie locali, modelli di agglomerazione e apertura internazionale*, Banca d'Italia, Roma

Regione Toscana (2006), "Scheda, l'Agricoltura Toscana in Numeri", [www.regione.toscana.it](http://www.regione.toscana.it)

Sforzi, F. (1991), "I distretti industriali nell'economia italiana" in Pyke F., G. Becattini G. e W. Sengenberger (eds.), Quaderni di Studi e Informazioni.

## Calabria

Banca d'Italia, Eurosystem (2007) L'economia della Calabria nell'anno 2006, Catanzaro. (available on the web: [http://www.bancaditalia.it/pubblicazioni/econo/ecore/note/2007/calabria/Calabria\\_2006.pdf](http://www.bancaditalia.it/pubblicazioni/econo/ecore/note/2007/calabria/Calabria_2006.pdf), accessed on July 24, 2008.

Banfield, Edward C. (1958) *Moral Basis of a Backward Society* Free Press

Castellotti Tatiana, Franco Gaudio, (2006) I GAL in Calabria tra tradizione e innovazione: learning by doing, in Cavazzani, Ada, Giuseppe Gaudio, Silvia Sivini (eds.), *Politiche, Governance e innovazione per le aree rurali*, Edizioni Scientifiche italiane, Roma: 617-635

Marini, Matteo (2001) Valori culturali e crescita economica: un'analisi esplorativa dei dati regionali italiani, in Anania Giovanni, (ed.) *Scelte pubbliche, strategie private e sviluppo economico in Calabria*, Rubettino Editore Soneria Mannelli

Gaudio, Giuseppe, Catia Zumpano (2007), L'innovazione e le criticità nella progettazione integrata in Calabria. Le prime riflessioni di un'indagine in corso, *Politiche Strutturali per l'Agricoltura*, Bollettino dell'Osservatorio Politiche Strutturali, n. 25: pp.31-35.

Lucatelli, Sabrina (2008) Supply of essential services to citizens: comparing rural and urban areas in Calabria, Public Investment Evaluation Unit Department for Development and Cohesion Policies

Ministry of Economic Development, University of Calabria, Cologne, presentation at the OECD conference, *Innovative service delivery for rural regions*, 3 April 2008

Parco Nazionale dell'Aspromonte (2004), *Tra Vitalità e Abbandono. Indagine sulle realtà socio-economiche del Parco*, in Parco Nazionale dell'Aspromonte. Piano Pluriennale Economico e Sociale, Reggio Calabria.

Regione Calabria, (2007) Programma Operativo Regione Calabria 2007-2013, [www.regione.calabria.it/calabriaeuropa/](http://www.regione.calabria.it/calabriaeuropa/). Accessed 27 July 2008.

Regione Calabria, (2007) Programma di sviluppo rural 2007 – 2013. [www.regione.calabria.it/calabriaeuropa/](http://www.regione.calabria.it/calabriaeuropa/). Accessed 27 July 2008.

Triglia, Carlo ed. (1995) *Cultura e sviluppo. L'associazionismo nel Mezzogiorno*. Meridiana libri, Catanzaro

## Veneto

Bagnasco, Arnaldo (1977), *Tre Italie: La problematica territoriale dello sviluppo italiano*, Il Mulino, Bologna.

Banca d'Italia (2006) "Note sull'andamento dell'economia del Veneto"  
<http://www.bancaditalia.it/pubblicazioni/econo/ecore/note/ecore05/veneto/vene05int.pdf>

Beccattini, Giacomo (2007) *Il calabrone Italia. Ricerche e ragionamenti sulla peculiarità economica italiana*, Il Mulino, Bologna

Beccattini Giacomo (1998) *Distretti industriali e made in Italy. Le basi reali del rinnovamento italiano*, Bollati Boringhieri.

Official Journal of the European Union (2005), Opinion of the European Economic and Social Committee on 'Agriculture in peri-urban areas',

Montresor, Elisa (2006), *Verso il Piano di sviluppo rurale del Veneto*, AgriRegioniEuropa, n. 7, [www.agriregionieuropa.univpm.it](http://www.agriregionieuropa.univpm.it) Accessed 29 July 2008

Regione Veneto (2008). Rapporto Statistico 2008 *Il Veneto si racconta / Il Veneto si confronta*, <http://statistica.regione.veneto.it/Pubblicazioni/RapportoStatistico2008/index.jsp>, Accessed 27 July 2008

Regione del Veneto (2007) Programma Operativo Regionale (POR) – FESR Programmazione 2007-2013

Regione del Veneto (2007) Programma di Sviluppo Rurale – FEASR, Programmazione 2007-2013

### ***Emilia-Romagna***

Regione Emilia-Romagna (2002), *Progetto per l'Appennino, verso una nuova politica di sviluppo a favore dei territori collinari e montani*, Documento approvato alla Conferenza regione – Autonomie Locali nella seduta del 4 novembre 2002

Regione Emilia-Romagna (2008) Legge regionale 30 giugno 2008, n. 10 misure per il riordino territoriale, l'autoriforma dell'amministrazione e la razionalizzazione delle funzioni, *Bollettino Ufficiale* n. 108 del 30 giugno 2008

Regione Emilia-Romagna (2007a) *Programma di sviluppo rurale 2007-2013*, Reg (CE) n. 1698/2005

Regione Emilia-Romagna (2007b) Programma Operativo Regionale FESR 2007-2013 Regione Emilia-Romagna

### **Calabria**

Banca d'Italia, Eurosistema (2007) *L'economia della Calabria nell'anno 2006*, Catanzaro. (available on the web: [http://www.bancaditalia.it/pubblicazioni/econo/ecore/note/2007/calabria/Calabria\\_2006.pdf](http://www.bancaditalia.it/pubblicazioni/econo/ecore/note/2007/calabria/Calabria_2006.pdf), accessed on July 24, 2008.

Banfield, Edward C. (1958) *Moral Basis of a Backward Society* Free Press

Castellotti Tatiana, Franco Gaudio, (2006) I GAL in Calabria tra tradizione e innovazione: learning by doing, in Cavazzani, Ada, Giuseppe Gaudio, Silvia Sivini (eds.), *Politiche, Governance e innovazione per le aree rurali*, Edizioni Scientifiche italiane, Roma: 617-635

Marini, Matteo (2001) Valori culturali e crescita economica: un'analisi esplorativa dei dati regionali italiani, in Anania Giovanni, (ed.) *Scelte pubbliche, strategie private e sviluppo economico in Calabria*, Rubettino Editore Soneria Mannelli

Gaudio, Giuseppe, Catia Zumpano (2007), L'innovazione e le criticità nella progettazione integrata in Calabria. Le prime riflessioni di un'indagine in corso, *Politiche Strutturali per l'Agricoltura*, Bollettino dell'Osservatorio Politiche Strutturali, n. 25: pp.31-35.

Lucatelli, Sabrina (2008) Supply of essential services to citizens: comparing rural and urban areas in Calabria, Public Investment Evaluation Unit Department for Development and Cohesion Policies

Ministry of Economic Development, University of Calabria, Cologne, presentation at the OECD conference, *Innovative service delivery for rural regions*, 3 April 2008

Parco Nazionale dell'Aspromonte (2004), *Tra Vitalità e Abbandono. Indagine sulle realtà socio-economiche del Parco*, in Parco Nazionale dell'Aspromonte. Piano Pluriennale Economico e Sociale, Reggio Calabria.

Regione Calabria, (2007) Programma Operativo Regione Calabria 2007-2013, [www.regione.calabria.it/calabriaeuropa/](http://www.regione.calabria.it/calabriaeuropa/). Accessed 27 July 2008.

Regione Calabria, (2007) Programma di sviluppo rural 2007 – 2013. [www.regione.calabria.it/calabriaeuropa/](http://www.regione.calabria.it/calabriaeuropa/). Accessed 27 July 2008.

Triglia, Carlo ed. (1995) *Cultura e sviluppo. L'associazionismo nel Mezzogiorno*. Meridiana libri, Catanzaro

## **Veneto**

Bagnasco, Arnaldo (1977), *Tre Italie: La problematica territoriale dello sviluppo italiano*, Il Mulino, Bologna.

Banca d'Italia (2006) "Note sull'andamento dell'economia del Veneto"  
<http://www.bancaditalia.it/pubblicazioni/econo/ecore/note/ecore05/veneto/vene05int.pdf>

Beccattini, Giacomo (2007) *Il calabrone Italia. Ricerche e ragionamenti sulla peculiarità economica italiana*, Il Mulino, Bologna

Beccattini Giacomo (1998) *Distretti industriali e made in Italy. Le basi reali del rinnovamento italiano*, Bollati Boringhieri.

Official Journal of the European Union (2005), Opinion of the European Economic and Social Committee on 'Agriculture in peri-urban areas',

Montresor, Elisa (2006), Verso il Piano di sviluppo rurale del Veneto, *AgriRegioniEuropa*, n. 7, [www.agriregionieuropa.univpm.it](http://www.agriregionieuropa.univpm.it) Accessed 29 July 2008

Regione Veneto (2008). Rapporto Statistico 2008 *Il Veneto si racconta / Il Veneto si confronta*, <http://statistica.regione.veneto.it/Pubblicazioni/RapportoStatistico2008/index.jsp>, Accessed 27 July 2008

Regione del Veneto (2007) Programma Operativo Regionale (POR) – FESR Programmazione 2007-2013

Regione del Veneto (2007) Programma di Sviluppo Rurale – FEASR, Programmazione 2007-2013

***Emilia-Romagna***

Regione Emilia-Romagna (2002), *Progetto per l'Appennino, verso una nuova politica di sviluppo a favore dei territori collinari e montani*, Documento approvato alla Conferenza regione – Autonomie Locali nella seduta del 4 novembre 2002

Regione Emilia-Romagna (2008) Legge regionale 30 giugno 2008, n. 10 misure per il riordino territoriale, l'autoriforma dell'amministrazione e la razionalizzazione delle funzioni, *Bollettino Ufficiale* n. 108 del 30 giugno 2008

Regione Emilia-Romagna (2007a) *Programma di sviluppo rurale 2007-2013*, Reg (CE) n. 1698/2005

Regione Emilia-Romagna (2007b) Programma Operativo Regionale FESR 2007-2013 Regione Emilia-Romagna