

Committee on territorial policy for rural areas: rural development strategy – The case of Italy

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During the presentation of the Italian case of study, several issues highlighted in the final Report have been pointed out by OECD analysis:

Rural Italy produces a higher GDP per capita than the average OECD rural region

Italy's *predominantly rural regions* (PRs) have, on average, some of the highest GDP per capita among 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 could be linked to the country's dense population and the fact that many rural regions are well connected to urban poles and networks of small and medium-sized cities. Italy is, in fact, one of the least rural countries in the OECD.

Based on the data, there is a positive and robust correlation between the number of workers in manufacturing and tertiary activities, used as a proxy of economic diversification, and the level of GDP per capita in 2003.

Economic diversification multiplies employment opportunities in rural regions. PRs have, on average, low unemployment rates, in some cases lower than urban areas. Belluno and Aosta are both below 5%, while in Siena the unemployment rate is below 3%.

Italy : a diversified economic base

PRs and intermediate rural regions (IRs) include some areas where development has strong links with local culture, traditions and natural assets. While the volume of output has been in decline since 1990 along with the surface of land used by primary activities, agriculture continues to provide a number of services, in the field of environment (land management, biodiversity, etc.) and amenities (landscape, countryside for leisure, etc.). It also represents a *cultural background* that supports a number of successful economic activities, as the food industry.

Traditional foods in Italy encompass more than 160 products (ISTAT, 2007) listed in the two EU's categories, or regimes, *Protected Geographical Indication* (PGI), and *Denomination of Protected Origin* (DPO). 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).

Another flourishing industry based on regional assets is tourism. The rich endowment of coast, plain and mountains provides regions with numerous tourism opportunities. In fact, rural Italy was home to some 15 thousand farm guesthouses in 2005, 14% more than in 2004.

Finally, manufacturing represents an important part of the rural economy in Italy. In 2003, 12% of Italian manufacturing firms (541 thousand) were in PRs. In cases where the rural region was connected to a dense network of small and medium sized cities, the concentration of firms took the form of *Marshallian Industrial Districts*; a *diffused small-scale industrialisation* with a productive framework strongly interlinked with the local community and an intense division of labour among firms.

The importance of establishing an evaluating system of interventions in rural areas (rural proofing)

Fiscal reforms undertaken in the Country allowed greater autonomy for Regions decision spending. This trend towards a bigger spending power at sub-national level arises also two questions: first, considering the bigger importance of local authorities, it is necessary to evaluate if every Region has appropriate tools and skills for facing the new challenge. At this purpose it is important to further promote structures (at local/regional level) able to coordinate territorial needs and to address the use of EU funds with an integrated approach.

Secondly this devolution process seems to limit the ability of central institutions to coordinate the intervention of Regional governments in rural policy so as to verify this policy. Moreover the presence at regional level of different governance models (traditional, mixed and centralized model) is surely an element of innovation but it also represents a complexity factor for assessing the intervention in rural areas. At this purpose OECD proposes the implementation of a “rural proofing” system, aimed at encouraging a collaborative evaluation process among different government levels and able to target a unique approach for rural policy.

A focused approach for facing social and environmental challenges in rural areas

Nowadays Italian rural areas have to tackle structural challenges. In fact population ageing and depopulation could harm basic public services. The increasing of elderly population (in 2006 Italy had the third highest index among OECD Countries regarding “above 65 / under 15” ratio population) is a phenomenon that directly risk to impoverish, to threaten the actual sustainability of education system and to increase the demand for health assistance services.

All these trends in rural areas are partially counterbalanced by immigration. The number of foreign workers in rural areas increased in the last decades and this represents a challenge for mutual integration in rural communities.

Other threats are the urban expansion, the lack of proper public transportation services that in some areas trigger the growth of outliers movement through own private cars, damaging the environment. Moreover especially agriculture could harm the soil and water resources through intensive practises.

However the Italian approach to rural development seems to be very focused on primary sector competitiveness and productivity rather than taking in higher consideration some environmental and social issues. This OECD experts remark is based on the analysis of budget allocation.

Budget allocation highlighted, that less than 20% of resources is earmarked for Axis III measures targeting quality of life in rural areas or diversification of the rural economy. Even concerning LEADER approach and similar territorial intervention (PIT Integrated Territorial Intervention) according to the OECD analysis the resources are not large.

Wider rural development strategy and more focused on territorial needs through an inter-ministerial coordination

According to OECD it could be risky to focus, in the future short run, a rural development strategy on economic competitiveness, because it could be not a sustainable choice in the long run. In the case of addressing the support only to the achievement of economies of scale and competitive prices, that could decrease the rural labour force and the rural/environmental traditions, endangering a sustainable rural development.

The actual national framework of rural development policies is strongly influenced by EU funding but it is not yet clear if this level of support will continue after 2013. To some extent, a new approach to rural development policy, aimed at a deeper territorial analysis, could improve public investments efficacy reducing for the future the need for high investments. At this purpose Italy could promote in the future a very broad rural development strategy, better targeting national interests and involving rural partners coming from different economical sector as well as an active cooperation among Ministries. For instance the experience of the Italian Rural Network is helping the implementation of an even more integrated approach.

More detailed knowledge of rural areas, collection of more indicators not only agricultural ones.

The OECD report also underlines the importance of improving the quality of “local public and collective goods” in order to favour the competitiveness of all subjects in a specific area. For this reason it is useful to widen the set of social, economic and environmental indicators concerning the rural context (even including not “properly agricultural” indicators such as demographic ones,

climate change monitoring and other socio-economic trends assessment). The National Rural Network devoted a specific action to that.

Need to further favour the tourist and industrial potential, exploring even other sector like the “*New Environmental Economy*”

Basing on the structural change in the “real economy”, the OECD study highlights the importance to favour the diversification, targeting public investments towards further agro-food industry specialization (high added value products and small / medium enterprises networks), development of new sectors (e.g. renewable energy production) and finally supporting tourism following a more integrated approach (increasing international visibility of some areas and related services). The OECD report underlines the presence of these kind of activities in rich areas of the Country while areas with high heritage resources but not enough financial investments are not thriving.

Strengthening of central coordination through stronger inter-institutional strategy

Towards the complexity of actual trends, the rural development strategy can give a contribution to the achievement of important goals. A stronger institutional coordination is needed on rural policy issues. This could allow a more efficient use of funds in RDP, emphasizing local resources and improving their knowledge even through tools currently in place like the National Rural Network, able to give voice to rural and local requirements.