



*Multilevel Governance and Rural Development:  
The role of the Italian provinces – Province of Belluno*

## **CASE STUDY REPORT: PROVINCE OF BELLUNO**

## **TABLE OF CONTENTS**

1. SHORT OVERVIEW OF THE TERRITORY	3
2. FUNCTIONS	8
2.1 Own functions and functions delegated by the Region	8
2.2. Functions performed within co-financed projects	10
3. RESOURCES	11
3.1 Financial resources	11
3.2 Additional Resources	15
4. RELATIONS BETWEEN THE PROVINCE AND THE LOCAL STAKEHOLDERS	17
5. CONCLUSIONS	19

*The Focus Group with the Province of Belluno included the Director of the Economic, Social and Cultural Development Sector and the Managers of the Economy and Community Policies, Budget and Programming, Culture, Employment Policies, Hunting and Fisheries Departments.*

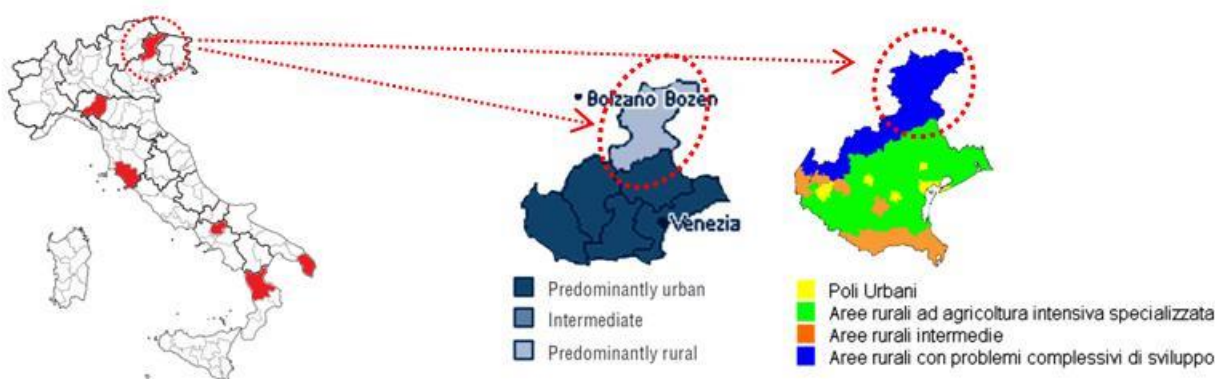
*The Focus Group with the local stakeholders included the representatives of the Italian General Confederation of Manufacturing and Services Companies - Confindustria, the Italian General Confederation of Enterprises, Professions and Self-Employment - Confcommercio, the Italian General Confederation of Craft Businesses - Confartigianato, the Italian General Confederation of Agriculture Businesses- Confagricoltura, the Organisation of Farmers - Coldiretti, Local Action Group Alto Bellunese and Local Action Group Prealpi and Dolomiti.*

*The Focus Group on active employment policies and tourist promotion included the representatives of the Training Department of the “Ente nazionale canossiano (ENAC)”, the “ Servizio integrazione lavorativa (SIL) (Job Inclusion Service) of the local sanitary authority USSL 1 of Belluno, the Cultural Heritage Department, the Diocese of Belluno-Feltre, the Dolomiti Pathway “Cammino delle Dolomiti, the Local Action Group Alto Bellunese.*

## 1. SHORT OVERVIEW OF THE TERRITORY

Belluno occupies 3,678 km<sup>2</sup>, which makes it the largest province in the Veneto region. It is inserted in an area which is largely mountainous and scarcely marked by human presence and its upper part is dominated by the Dolomites (classified by UNESCO as World Heritage since May 2010). It is classified as predominantly rural by the OECD and a territory with general problems of development by the 2007-2013 National Strategic Plan (NSP) for rural development..

**Figure1 – OECD (centre) and NSP (right) classification of the Belluno province's territory**



*Source: Our elaborations on OECD maps and NSP*

The Province has 69 municipalities (68 of which are totally mountainous) and 210,000 inhabitants. Even though the Province of Belluno covers 20% of the region, only 4% of the Veneto population lives in it, with a population density far below the regional and national average: 57 inhabitants per km<sup>2</sup>, a little more than one fifth of the regional density, i.e. 264 inhab./km<sup>2</sup> and almost one third of the national density, i.e. 197 inhab./km<sup>2</sup>. The population is increasingly ageing as shown by the ageing indexes (185.71) and the structural dependency index<sup>1</sup> (56.65) is worse than the regional (144.50 and 53.47) and national indexes (148.75 and 53.49), which indicates a higher generational imbalance.

On the side of employment the situation is different. The population aged between 15 and 64 years is only 1% less than the regional and national population, however the labour force participation (70) and employment rate (67) in the same age groups are 2% higher than the regional (68 and 65) rates, and 8% and 10% higher than the national rates respectively (62 and 57). The unemployment rate, instead, is in line with the regional rate but it is 3% higher than the national rate.

The working population accounts for 44% of the province's population, versus 39% nationwide. Employment in agriculture accounts for only 1.15% (over a third less than the regional and national rates), whereas it is almost equally distributed between the industrial sector (49.11%)

<sup>1</sup>The structural dependency index measures the demographic load on the working-age population; the Italian National Institute of Statistics -Istat calculates this index by comparing the resident population not in working age (0-14 years and over 65 years) with the working-age population (15-64 years).

and other business sectors (49.74%). Historically, the economy of the Belluno province has relied upon timber products, mountain farming (mountain pastures, sheep farming, and milk by-products production) and handicraft. However, in the 70s, a new stimulus towards industrialisation was given to the province's economy especially by the eyewear (today one of the most important industrial districts of North-Eastern Italy) and metalworking sectors<sup>2</sup>.

**Table 1 – Territorial and Socio-Economic Features**

	<b>Province of Belluno</b>	<b>Veneto Region</b>	<b>Italy</b>
Surface (km <sup>2</sup> , as of 2011)	3,678.02	18,398.85	301,336.00
Number of municipalities (as of 2011/12/31)	69	581	8,094
Population (on 2011/10/09)	210,001	4,857,210	59,433,744
Population density (inhab/km <sup>2</sup> , on 2011/10/09)	57.10	264.00	197.23
Elderliness index (on 2009/12/31)	185.71	144.50	148.75
Dependency index (on 2011/10/09)	55	52	52
Population 15-64 years (% as of 2011)*	63.84	65.16	65.15
Persons employed (as of 2011), of which in:	93,394	2,134,108	22,967,243
– agriculture (% 2011)	1.15	3.27	3.70
– industry (% 2011)	49.11	37.00	28.47
– other activities (% 2011)	49.74	59.73	67.83
Activity rate (Istat, as of 2011)	70.12	68.36	62.25
Employment rate (Istat, as of 2011)	66.87	64.90	56.94
Unemployment rate (Istat, as of 2011)	4.56	4.98	8.41

*Elderliness index: Ratio of the population aged over 65 years to the population aged under 15 years (%).*

*Dependency index: Population aged 0-14 years plus the population aged 65 and over, as a percentage of the population aged 15-64.*

*Activity rate: Labour force as a percentage of the population of working age (15-64 years).*

*Employment rate: Persons in employment as a percentage of the population of working age (15-64 years)*

*Unemployment rate: Unemployed persons as a percentage of the active population (15-64 years)*

*\* Our elaborations*

*Source: Atlas of competitiveness of the provinces and regions, Istituto Tagliacarne – Unioncamere.*

Agriculture accounts for only 0.83% of added value, less than half with the respect to the regional (1.75%) and national levels (1.91%). In 2010, the total agricultural production at base prices amounted to 100 million Euros, of which more than half consisted of livestock products, one fourth of services and a little more than one fifth of herbaceous crops.

On the other side, although the industrial sector (40%) contributes 9% less than the service sector, this percentage is much higher than the regional (33%) and national levels (25%).

In 2010, the per-capita disposable income was almost the same as in the rest of the region but higher than the national average. Although it remained stable vis-à-vis the previous year (18,563 and 18,600 respectively), it dropped by 12% vis-à-vis 2009 (21,168).

<sup>2</sup>Belluno is member of the *Club dei 15 (Club of the 15)*, a network established in 2003 which includes 15 territorial associations of Confindustria representing the Italian provinces with the highest rate of industrialisation. The following criteria apply: high income (20,000 Euros per inhabitant), over 35% of industrial added value (including the building sector), industrial employment over 40%. The following criteria apply: high income (20,000 Euros per inhabitant), over 35% of industrial added value (including the building sector), industrial employment over 40%.

**Table 2 – Structural features of the economy**

	Province of Belluno		Veneto Region		Italy	
Registered enterprises, number (Infocamere, on 2011/12/31), of which in:	16,612		505,467		6,110,074	
– Agriculture, forestry and fisheries	2,001	12.05%	77,817	15.40%	837,624	13.71%
– Manufacturing	2,170	13.06%	64,575	12.78%	617,768	10.11%
– Constructions	2,885	17.37%	78,194	15.47%	906,496	14.84%
– Wholesale and retail trading	3,820	23.00%	112,306	22.22%	1,550,863	25.38%
– Accommodation and catering	2,041	12.29%	32,413	6.41%	392,337	6.42%
Total added value, million Euros, as of 2010, of which in:	5,849		131,814		1,395,219	
– Agriculture	48	0.83%	2,312	1.75%	26,698	1.91%
– Industry	2,351	40.20%	43,615	33.09%	347,094	24.88%
– Services	3,449	58.97%	85,887	65.16%	1,021,426	73.21%
Total disposable income, million Euros (elab. Ist. Tagliacarne, as of 2010)	3,966		92,164		1,029,943	
Per capita disposable income, Euros (elab. Ist. Tagliacarne, as of 2010)	18,562.61		18,712.90		17,028.53	
Total agricultural production at base prices, thousand Euros (2010), of which:	100,364		4,726,437		45,942,616	
– Herbaceous crops	16,483	16.42%	1,522,153	32.21%	14,687,486	31.97%
– Ligneous crops	1,199	1.19%	759,937	16.08%	10,439,470	22.72%
– Livestock products	54,030	53.83%	1,902,295	40.25%	14,889,559	32.41%
– Forestry products	7,927	7.90%	15,479	0.33%	476,690	1.04%
– Related services	20,725	20.65%	526,572	11.14%	5,449,412	11.86%

Source: Our elaborations of data from the Atlas of competitiveness of the provinces and regions, Istituto Guglielmo Tagliacarne –Unioncamere

In the period 2000-2011, the province's added value goes up less than it does in Veneto and in Italy (+22% versus +32%). The service sector improves over time more in Veneto (37%) and in Italy (39%) than in the province of Belluno (15%), where instead agriculture, forestry and fisheries show a countertrend (+37% versus -13% in Veneto and -6% in Italy) and the industrial sector is characterised by higher figures than those of Veneto and Italy (respectively, 35%, -25%, 18%).

Moreover, in the years of the economic downturn, the provincial total value added shows a rate (0.3%) lower than the regional one (1%), but greater than the national one (-0.2%). And, while the service sector appears almost steady in Belluno, Veneto (+4%) and in Italy (+3%), despite the crisis added value in agriculture (6%) appears much more resilient than regional (2%) and national (-2%) and in the industrial sector drops less than the regional and national one (-4%, -6%, -7% respectively).

**Table 3 – Total added value at base prices by category (current prices, million Euros)**

		Agriculture, forestry and fisheries (a)	(a/d)	Industry (b)	(b/d)	Services (c)	(c/d)	Total (d)
<b>Province of Belluno</b>	2000	52	1.09%	1,745	36.65%	2,965	62.26%	4,762
	2008	67	1.16%	2,465	42.42%	3,278	56.42%	5,810
	2011	71	1.22%	2,355	40.42%	3,400	58.36%	5,826
	Δ 2008/2000	29%		41%		11%		22%
	Δ 2011/2000	37%		35%		15%		22%
	Δ 2011/2008	6%		-4%		4%		0.3%
<b>Veneto Region</b>	2000	2,863	2.82%	34,979	34.43%	63,755	62.75%	101,597
	2008	2,437	1.83%	46,674	35.04%	84,102	63.13%	133,213
	2011	2,478	1.85%	43,823	32.73%	87,596	65.42%	133,897
	Δ 2008/2000	-15%		33%		32%		31%
	Δ 2011/2000	-13%		25%		37%		32%
	Δ 2011/2008	2%		-6%		4%		1%
<b>Italy</b>	2000	30,036	2.80%	297,109	27.74%	743,745	69.45%	1,070,891
	2008	28,851	2.04%	378,722	26.72%	1,009,927	71.25%	1,417,500
	2011	28,150	1.99%	351,495	24.84%	1,035,563	73.17%	1,415,207
	Δ 2008/2000	-4%		27%		36%		32%
	Δ 2011/2000	-6%		18%		39%		32%
	Δ 2011/2008	-2%		-7%		3%		-0.2%

Source: Our elaborations on Istat data.

In the Province of Belluno, the primary sector mainly consists in typical mountain farming: only 13% of 368,000 hectares of provincial land is used for agriculture whereas family farms (about 95%) and pasture and grazing lands (90%) prevail.

Over the decade 2000-2010, the province's agriculture went through a greater restructuring process than the regional and national agriculture that resulted in a considerable reduction of farms (-63%, twice as much as in Veneto and in Italy), total agricultural area(-40% versus -14% in Veneto and -9% in Italy) and usable agricultural area(-11% versus -5% in Veneto and -4.5% in Italy).

Livestock productions are very important for the local economy (they account for over half of the province's agricultural production) and the dairy product sector is particularly important.

Between the last two censuses of agriculture the number of cattle farms (bovines) dropped (-37%), as did the number of bovine animals reared (the total number decreased by 11%, while the number of dairy cows dropped by 15%).

Over half of the farms that produce milk are located in the South of the province, mainly in the Feltre area (where half of dairy cattle is found) and in the Val Belluna. Most of the milk produced in the province of Belluno is used for DOP (Protected Designation of Origin) cheese production (the "Piave" obtained the certification in 2010 and has a good rating both on domestic and international markets).

**Table 4 – Structural Features of the primary sector**

	Province of Belluno			Veneto Region			Italia		
	2000	2010	Δ 2010/00	2000	2010	Δ 2010/00	2000	2010	Δ 2010/00
Number of farms	6,472	2,356	-63.60%	176,540	118,898	-32.65%	2,393,892	1,616,046	-32.49%
– With cattle, of which	1,137	717	-36.94%	21,575	12,896	-40.23%	171,994	124,210	-27.78%
With dairy cows	807	444	-44.98%	10,605	5,155	-51.39%	79,893	50,337	-36.99%
Number of bovine animals	20,606	18,293	-11.22%	931,337	756,198	-18.81%	6,049,252	5,592,700	-7.55%
– Of which, dairy cows	9,034	7,686	-14.92%	195,417	151,863	-22.29%	1,771,889	1,599,442	-9.73%
Total agricultural area (hectars)	175,994	105,253	-40.20%	1,167,525	1,007,485	-13.71%	18,766,584	17,078,307	-9.00%
Utilised agricultural area (hectars), of which	52,777	46,942	-11.06%	850,979	811,440	-4.65%	13,181,859	12,856,048	-2.47%
– Permanent pasture and meadows	47,350	42,173	-10.93%	160,950	130,537	-18.90%	3,414,592	3,434,073	0.57%

Source: Our elaborations on Istat data, Censuses of agriculture 2000 and 2010.

In 2010, the province of Belluno showed an export capacity almost twice as much as Italy and 7% higher than Veneto. However, even if local market openness is much higher than the national average, it is lower than the regional rate.

**Table 5 – Market Openness (Million Euros, %)**

	Province of Belluno			Veneto Region			Italia		
	2010	2011	Δ	2010	2011	Δ	2010	2011	Δ
Import	879	938	7%	38.32	40.60	6%	343.22	400.18	17%
Export	2.47	2.69	9%	45.61	50.28	10%	333.33	371.15	11%
Propensity to export (2010)	42,17			34,60			23,89		
Openness rate (2010)	57,19			63,68			48,49		

Source: Atlas of competitiveness of the provinces and regions, Istituto Tagliacarne – Unioncamere

Belluno has a difficult topography. Even though mountains prevail, the inner areas vary greatly: the lower part (Val Belluna and Feltre area) is more developed, whereas the upper lands are made up by valleys with totally different backgrounds.

All areas, however, lag behind in terms of economic and social infrastructures' development.

**Table 6 – Infrastructural Development Indexes (Italy=100)**

	Province of Belluno		Veneto Region	
	2001	2011	2001	2011
Economic infrastructures*	54.55	36.60	112.49	123.78
Social infrastructures**	63.27	48.42	111.39	102.37
General index of infrastructures (economic and social)	57.17	40.15	112.16	117.36

\*Economic infrastructures: road network, railway network, ports, airports, plants and energy-environmental networks, telephone and data transmission facilities and networks, banking networks and miscellaneous services.

\*\*Social Infrastructures: cultural and leisure facilities, schools and health care centres.

Source: Atlas of competitiveness of the provinces and regions, Istituto Tagliacarne – Unioncamere.

## **2. FUNCTIONS**

### **2.1 Own functions and functions delegated by the Region**

In the Veneto Region, the most significant reorganisation of delegated functions was the result of the legislative decree n.112 of 1998, implemented through the regional law n. 11 of April 2001 and subsequent amendments and additions. The law transferred a set of functions to the provinces to cover four macro-areas:

1. Economic development and production activities (handicraft, industry, tourism, energy, mines and geothermal resources);
2. Territory, environment and infrastructures (town planning, environmental assets, protection of natural and environmental resources, water resources and soil defence, public works, road network, transports, civil protection);
3. Services to the individuals and the communities (social services, social inclusion and participation in health care service, vocational training, school education);
4. Administrative Police.

In addition to programming functions over own competences and matters, the Province of Belluno was granted additional administrative functions over community conventions on cross-border areas by the law n. 11 because of the border location.

Previously, between 1998 and 2001, the Region had already reorganised the primary sector (agriculture and fisheries, forestry, agri-tourism, hunting, rural development and food), the sector of local public passenger transport, the job market sector (active employment policies, training and employment services) and the trade sector. As from 2002 it transferred functions over tourist hospitality and information and strengthened the function over active employment policies (by granting the provinces the management of the provincial employment centres formerly known as job placement offices) and soil protection<sup>3</sup>. Finally, over time other functions were transferred to the provinces in the sector of education (in particular, transport of people with disabilities).

The Region has transferred to provinces numerous functions. We have grouped them in five major fields of activity: planning/project-making, regulatory powers, granting of financial support to operators, implementation of services, general monitoring, evaluation and control.

The programming and planning activities are mainly focused on the “territory, environment and infrastructures” macro-area, where urban planning (through the Territorial Plan of Provincial Coordination- PTCP) is by far the most important activity. As for the rest, planning is less relevant and limited to a few sectors (fisheries, renewable energies and energy saving, school construction). Regulatory functions are widely implemented (laying down of specific regulations, authorisation schemes, eligibility criteria, etc.), because they spread over a number of matters regarding development, territory and environment. These regulatory functions are not only necessary to enforce regional laws but also to adapt them to the specific needs of the province. When financial support to public and private operators is not included in community programs

---

<sup>3</sup> Following up the approval of the regional law n. 11/01.



(European Social Fund and European Regional Development Fund Regional Operational Programmes and European Agricultural Fund for Rural Development Rural Development Programmes), as it is the case here, it is commonly earmarked for promoting development and providing services to the individuals and the communities, but it is financially limited as only residual resources are allocated out of the total regional expenditure.

**Table 7–Functions transferred to the Provinces by Veneto Region**

Macro-area	Matters	Planning/project -making	Regulatory powers	Granting of financial support to operators	Implementation of services	General monitoring, evaluation and control
Economic development and productive activities	Agriculture, forestry, hunting, fisheries, rural development, agri-tourism, food	X	X	X		X
	Craft			X		
	Industry and aid to firms		X			X
	Tourism		X	X	X	X
	Energy (renewable energy and energy saving)	X	X	X		X
	Mines and geothermal resources					X
Territory, environment and infrastructure	Urban planning	X	X			X
	Environmental assets		X			X
	Protection and safeguard of nature and environment					X
	Water resources and soil protection	X	X		X	X
	Public works	X	X		X	
	Road network	X			X	X
	Transport	X	X		X	X
	Civil protection	X			X	X
Services to the individuals and the communities	Social services, social inclusion and healthcare					X
	Vocational training					X
	School education	X				X
	Labour market				X	X
	Culture and cultural heritage			X		X
	Performing arts*			X		
	Sport			X		
Administrative Police					X	X

*Source: Our elaborations.*

However, despite the scarcity of resources, some high added value actions are implemented all the same in some sectors, such as active policies in the employment sector and actions in the arts and cultural heritage sector. The implementation of works and the provision of services are mainly aimed at the territory, the environment and the infrastructures, with special focus on the province's traditional fields of action: roads, transports, public works and civil protection. A considerable share of the province's budget is allocated to these activities.

Finally, while there is no need to commit considerable financial resources for control, monitoring and evaluation, they require quite a good number of provincial human resources, especially those with the highest qualifications. These activities concern matters that fall within the province's own or transferred competences but also national and regional governments' competencies, to which the province provides operational support.

## **2.2. Functions performed within co-financed projects**

The need to fulfil more functions with less regional and national funds and a greater resort to credit instruments called for an effort to streamline expenditure and look for extra funds by participating in competitive tendering procedures at local, regional, national and European level.

As a matter of fact, faced with ever-decreasing resources, the Province tried to make use of projects financed through EU funds to implement the necessary activities to achieve its strategic planning goals successfully.

The projects are mainly based on regionally-managed Operational Programmes of EU funds – such as the ERDF, the ESF and the EAFRD – as well as some directly-managed EU Programmes (Interreg, Equal, Life-long Learning Programme, etc.). However, there are also projects based on national and regional funds, available through negotiated programming or sectoral laws.

Not only are these resources used to finance both the Province's own and delegated functions but also to put in place new functions, other than financial scouting, planning, project-making, partnership building and management, that are typically found in most development agencies.

The Province of Belluno has a special unit to deal with co-financed projects, the “*Ufficio Politiche comunitarie*” (EU Policies Office). This unit is directly responsible for some European projects (especially in the economic and tourist promotion sectors). It provides support to other provincial units in project-making activities and represents a point of reference for the whole territory. Furthermore, it is in charge of constantly monitoring tenders on behalf of all other units of the Province, promoting projects, pooling people-to-people contacts, following-up collaborations from previous projects and partnership requests.

On the rural development side, the Province of Belluno either manages nor is a beneficiary of the measures within the EAFRD Rural Development Plan (RDP) of the Veneto Region. However, it is partner of the two Local Action Groups (LAGs) working on its territory (LAG 1 Alto Bellunese and LAG 2 Prealpi and Dolomiti) and takes part in the shareholders' meetings of both. The ERDF activities, instead, have been less attractive for the Province for a number of reasons: in the most recent programming period the Region decided to manage the projects and to act as a supervisory body of the local bodies to which projects were assigned, in order to speed up their implementation; furthermore, the ERDF requires a rate of co-financing that has recently constituted an increasingly insurmountable obstacle.

It was not the case of the Interreg programme, an ERDF-funded scheme that the EU manages directly. Over the last two programming periods the Province of Belluno has greatly used this programme for promoting tourism and wine and food products, enhancing the cultural heritage and the environment, for actions in the sectors of sports, sustainable mobility and energy.

The ESF requires separate consideration. The Province is not among its beneficiaries but it took part in regional tendering procedures through partnership projects which allowed it to play a key role in active employment policies. Over the latest programming period four projects were launched to match demand and supply by using IT tools, to train job centre staff and foster social and work inclusion of the most vulnerable groups among the province's population. However, when the crisis hit, this source of funding became no longer available as the Region preferred to use the ESF for social protection measures<sup>4</sup>.

Training activities ESF tenders, on the contrary, are directly managed by the Region. However, the Province of Belluno succeeded anyway in playing a key role over training issues by promoting and becoming the guarantor of a complex partnership system whose core are private training centres that are ESF beneficiaries. In particular, the Province, as Job Centre Operator, has cooperated with them in planning of training, social inclusion, requalification and job integration initiatives, and took part in regional tenders as project partner.

Finally, although the provinces of the Veneto region have not specific competences on aid to SMEs, the Province of Belluno has supported the local businesses both as implementing body of the *Revolving Fund for border areas pursuant to regional law n. 18/1994* and by collaborating with the Consortium of the Municipalities of the Piave mountain catch basin (Consorzio BIM Piave of Belluno) and the Chamber of Commerce.

The Province is responsible for the collection and preliminary examination of the applications (for building and improving sheds and refurbishing hotel facilities above all), whereas Veneto Sviluppo spa (the regional company established specifically to manage aid schemes) is responsible for granting non-refundable money allocations, via the relevant bank.

The cooperation with the Consorzio BIM and the Chamber of Commerce allowed the Province of Belluno to support the economy of the area. In the two-year period 2008-2009, some hotels were refurbished through non-refundable loans in order to improve the quality of tourist hospitality.

### **3. RESOURCES**

#### **3.1 Financial resources**

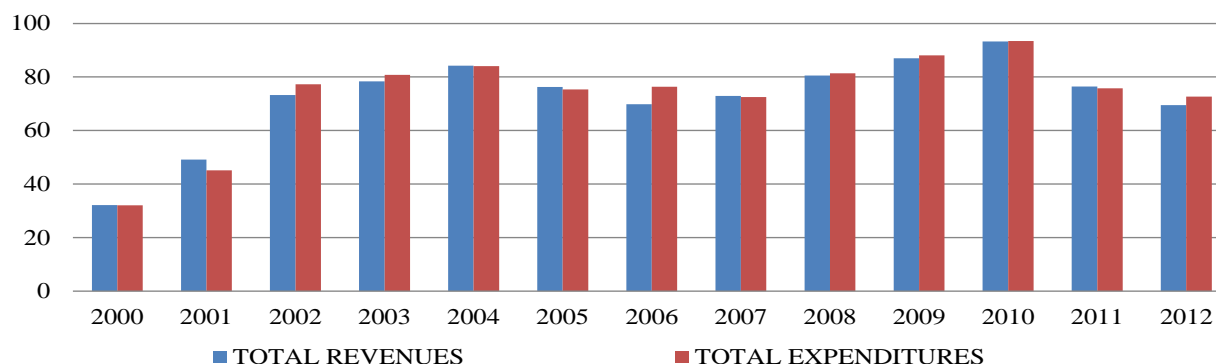
The financial resources transferred by the national and the regional government to the province pass through its budget in two ways: on an annual and on a one-off basis. While costs for permanent activities are covered by specifically planned and allocated resources, i.e. transfers of funds and contributions that are repeated year after year, resources for other specific actions resulting from *ad hoc* laws are transferred in given budget years and are bound to their implementation.

In 2000-2012, the budget of the Province of Belluno amounted to an average of 73 million Euros, with upward trends for revenue in 2004 (especially due to loans and capital expenditure increase) and in 2010 (mainly due to non-tax revenue, revenue from assets and current expenditure).

---

<sup>4</sup>The two social measures are the temporary redundancy fund and the mobility allowance on an exceptional basis, 40% of which is covered by the Region also using ESF resources.

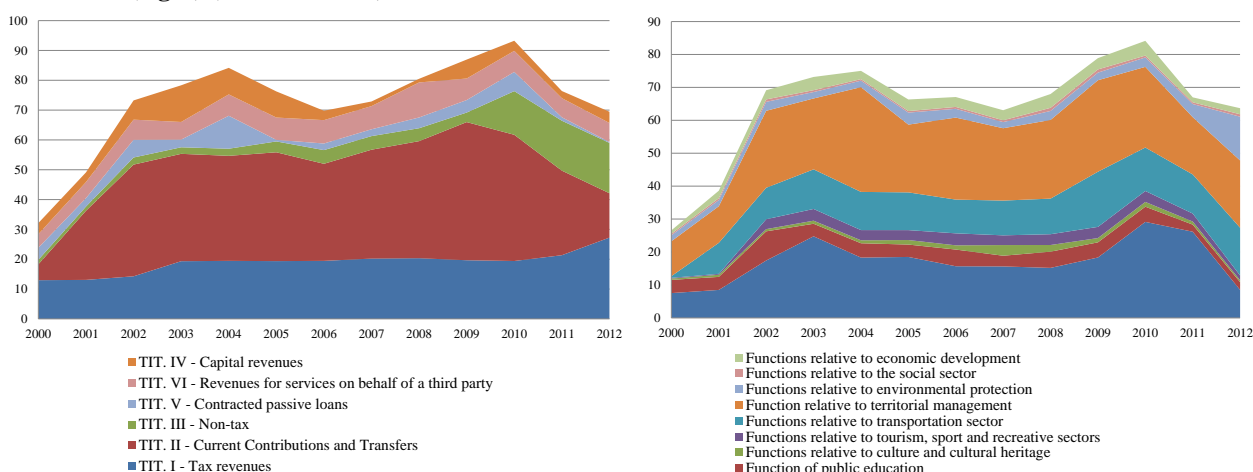
**Figure 2 – Trends in revenues (assessments) and budget expenditures (commitments), 2000-2012 (Million Euros)**



Source: Our elaborations on data by the Ministry of Internal Affairs.

On the expenditure side, generally speaking the largest volume regarded land management practises (road network, urban planning and territorial programming), followed by expenditure for administration, management and control and by the costs for the local transportation system. All the other expenditure follows up. If we look at each function over time we notice a ten-fold increase of expenditure for tourism and sports activities (from 228,000 Euros in the year 2000 to 3.3 million Euros in 2010) and a four-fold increase for administration and for economic activities. In addition, expenditure for public transports, culture and heritage promotion tripled, whereas land management (from 10 million Euros in the year 2000 to 24 million Euros in 2010) and environment protection expenditure (from 1.8 million Euros in the year 2000 to 2.9 million Euros in 2010) doubled.

**Figure 3 – Revenues (commitments) by title (left) and current and capital expenditures (assessments) by type of function (right) (Million Euros)**



Source: Our elaborations on data by the Ministry of Internal Affairs

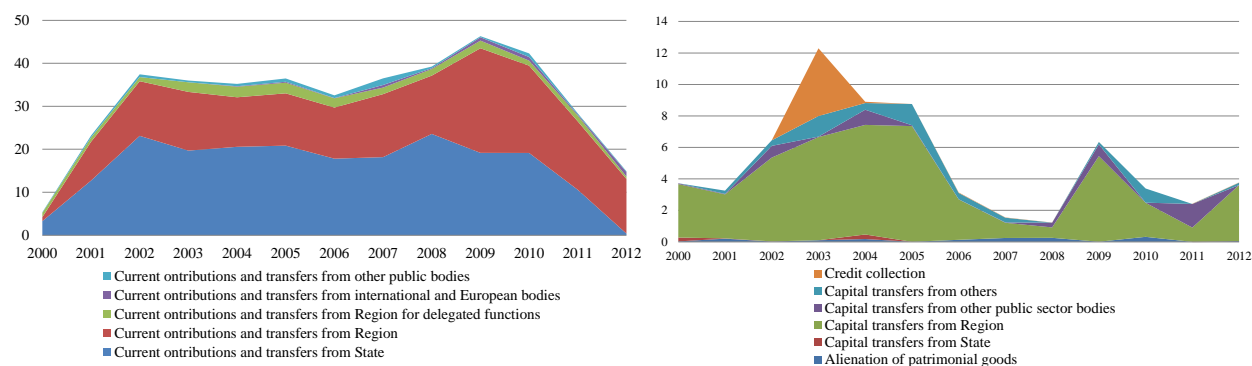
However, as the scope of competences (and the resources required) became wider, capital transfers and contributions from the Region and the national government dropped, followed by a

reduction in current transfers as of 2008-2009. All transfers were drastically cut from 2011-2012 onward, depriving the Province of about 17 million Euros (12 in 2011 and 5 in 2012) which forced it to cut its budget accordingly.

In the period 2000-2010 the average current transfers and contributions from the national government and the Region amounted to 18 million Euros and 7.4 million Euros respectively, i.e. 32.5% and 13.3% of the average current revenue (55.8 million Euros). These resources were sufficient to cover current expenditure and to earmark a residual amount for additional spending needs such improving safety and security standards in schools and provincial buildings and maintaining the road network through the regional limited company “Veneto Strade Spa”.

From 2011 onward, the financial situation became increasingly difficult. Between 2010 and 2011, except for the province’s own revenue (+12%), all other revenue dropped: revenue from current transfers and contributions have fallen by -33% (from 46.3 to 29.4 million Euros), capital account revenue dropped by 29% (from 3.4 to 2.4 million Euros), revenue from services on behalf of third parties went down by 10% (from 7 to 6.4 million Euros) and revenue from loans collapsed by 82% (from 6.4 to 1.2 million Euros). In particular, established current transfers and contributions decreased by 14 million Euros, of which at least 8.6 million Euros were national government transfers alone<sup>5</sup> and 4.4 were regional transfers. On the contrary, capital revenue from national government transfers were already reduced to zero in 2004, whereas regional contributions plummeted (-58%) between 2010 and 2011 (from 2.2 million Euros to 907,000 Euros).

**Figure 4 – Revenues (commitments) from current transfers and contributions (left) and disposals, capital transfers and debt collection (right) (Million Euros).**



*Source: Our elaborations on data by the Ministry of Internal Affairs*

If we consider the volumes of the years 2000 and 2011, we notice a 64% increase in tax revenue (with a 73% tax increase<sup>6</sup>) and a tenfold increase in non-tax revenue. Non-tax revenue goes from 1.5 to 16.7 million Euros as a result of higher income generated by the Province’s assets<sup>7</sup> (+46%) and interest accrued on advances and credits (+23%). In the two-year period 2010-2011,

<sup>5</sup> Of which more than 5 from national government transfers and almost 3 from the surtax on power supply.

<sup>6</sup> The provinces earn income from two taxes: a provincial tax for car registration to the Public Vehicle Register (PRA) and a tax on insurance for civil liability deriving from the circulation of motor vehicles.

<sup>7</sup> Income is mainly sourced from assets’ rental fees, interest revenue from cash deposits, profit from shareholdings and income from property.

however, this increase failed to offset the effects of plunging current transfers and contributions (-33%) causing current expenditure to diminish from 62 million Euros in 2010 to 45 million Euros in 2011 (-27%).

Hence, if we look at the budget indicators referred to the average values in the three-year periods 2003-2005 and 2007-2010 (table 8), we notice a reduced capacity to raise taxes (-11%), and a higher, though modest, capacity to self-finance expenditure (+3%). However, while dependency upon transfers and contributions lowers (financial dependency), especially upon national government current transfers (dependency on state finances), regional current transfers still have a major, ever increasing influence (+13%) on the total revenue. The same is true, in general terms, for current expenditure on total expenditure (+9%).

Budget indicators for the periods 2003-2005 and 2007-2010 show a considerable reduction of the capital expenditure's share both on total expenditure (-27%) and, above all, on current expenditure (-34%). In particular, only capital expenditure in the social sector increased. On the contrary, capital expenditure plummeted by over 90% for arts and cultural heritage and by over 80% for transports and local development, dropped by 29% for administration, management and control and by 11% for environmental protection.

Then, if we consider the total expenditure incurred by the Province of Belluno for general administration and economic development, we notice that, proportionally to the total general expenditure, the share of general administration expenditure diminished by 10% while the share of expenditure for economic development increased by 7%.

**Table 8 – Budget Indicators**

	Average 2000-2006	Average 2007-2012	Δ%
Financial autonomy ( <i>Own revenues/Current revenues</i> )	0.44	0.48	9%
Tax autonomy( <i>Tax revenues/Current revenues</i> )	0.37	0.33	-12%
Financial dependence( <i>Revenues from contributions and transfers/Current revenues</i> )	0.57	0.52	-9%
Dependence on State( <i>Revenues from contributions and transfers from State/Current revenues</i> )	0.33	0.23	-31%
Share of current transfers from Region on total current revenues	0.23	0.27	18%
Share of current expenditures on total expenditures	0.62	0.65	6%
Share of capital expenditures on total expenditures	0.26	0.22	-14%
Share of capital expenditures on current expenditures	0.43	0.35	-19%
Share of expenditures for general function of administration, management and control on current expenditures( <i>Expenditures Title. I, function 1 / Current expenditures</i> )	0.24	0.22	-9%
Share of expenditures for functions relative to economic development on current expenditures ( <i>Expenditures TitleI, function 9 / Current expenses</i> )	0.06	0.06	-5%
Share of expenditures for general function of administration, management and control on total expenditures( <i>Expenditures Title I and Title II, function 1 / Total expenditures</i> )	0.23	0.23	-1%
Share of expenditures for functions relative to economic development on total expenditures( <i>Expenditures Title I e Title II, function 9 / Total expenditures</i> )	0.04	0.04	-8%
Share of current expenditures covered by own-source revenues*( <i>Own-source revenues / Current expenditures</i> )	0.50	0.62	23%

*Source: Our elaborations on data from the Ministry of Internal Affairs*

In sum, the management of the Province's budget relies upon a strategy of:

- Rationalisation of administration and management expenditure, that decreases over time;

- A considerable reduction of current/capital expenditure ratio, especially for economic development, arts and cultural heritage, as well as a reduction of management and administration expenditure;
- A better capacity to finance current expenditure through own revenue, mainly using non-tax income (and, in particular, income from provincial assets).

### **3.2 Additional Resources**

Despite the difficult financial situation that we have just illustrated, the Province of Belluno managed to perform its tasks efficiently without major consequences on the budget's balance. It harnessed its long experience in attracting external resources and managing them in partnership with the local and external stakeholders, as shown in table 5 for the periods 2000-2006 and 2007-2013.

In the rural sector, although it was not the RDP beneficiary, the Province participated in the tenders launched by the two local LAGs and obtained funds both in the present and past programming periods for over one million Euros. It used the Leader resources available for promoting tourism and setting up inter-territorial cooperation projects (the project *Art treasures in the churches of the Alto Bellunese area* aimed at enhancing the architectural, artistic and religious heritage of the churches and the project *Piave Live* aimed at revamping the water catchment area of the Piave and Livenza rivers). Furthermore, as regards the RDP 2007-2013, the Province received funds for non-productive actions in the forestry sector (measure 227) with a project aimed at improving a wild animals rescue centre.

Regarding the ESF, the Province received the regional funds aimed at the job centres (namely at the implementation of active employment policies) and participated in tenders for improving employment services. The transfer of resources for the job centres is regulated by the national legislation and goes especially to cover staff costs. However, at the beginning, these funds (a little more than 900,000 Euros in October 2004) could only cover one fourth of the necessary expenditure, staff costs excluded. Over a period of time the Province could use the ESF resources for projects, but in 2008 the regional government decided to use most of the ESF resources for the redundancy fund and the mobility fund on an exceptional basis<sup>8</sup>. Therefore, most funds originally allocated to implement active employment policies (which were supposed to be transferred to the provinces) were used for implementing social support measures.

The Province of Belluno managed public funds totalling 6 million Euros on Interreg projects. Between 2007 and now six projects have already been completed, one on the Interreg IV B Alpine Space programme (*CO<sub>2</sub>-NeuTrAlp*, to develop pilot projects on sustainable mobility) and five on the Interreg IV A programme between Italy and Austria (two of which were active until August 2012). Recently, another six projects have been approved within the Italy-Austria programme and the Province is lead partner in two of them.

---

<sup>8</sup>While the extraordinary redundancy fund is intended for a certain type of companies; the region's redundancy fund on an exceptional basis is intended to help smaller enterprises' workers (mainly craftsmen and tradesmen) who are not included in the extraordinary redundancy fund.

Considering all the resources obtained by competitive tendering, from 2000 onwards, the Province of Belluno succeeded in attracting nearly 12 million Euros on its territory, of which 70% in the period 2007-2013.

**Table 9–Financial resources managed directly by the Province of Belluno**

<b>Programmes</b>	<b>Regional delegation (RD) or competitive bidding procedures (CBP)</b>	<b>Public financial resources 2000-2006 (thousand Euros)</b>	<b>Public financial resources 2007-2013 (thousand Euros)</b>
1. Rural Development Programmes Measures	CBP	350	770
2. European Social Fund O.P. Measures	CBP	–	850
3. European Regional Development Fund O.P. Measures	CBP	–	1,800
4. European Fisheries Fund Measures		–	–
5. General-purpose territorial pacts		–	–
6. Agriculture territorial pacts		–	–
7. Contract programme		–	–
8. Other local development integrated programmes (regional)		–	–
9. National Fund for Underutilized Areas		–	–
10. INTERREG projects	CBP	3,282.84	2,705.07
11. LIFE projects		–	–
12. URBAN projects		–	–
13. Other programmes:			
- Equal	CBP	71.00	–
- Interact	CBP	66.67	–
- South-East Europe (SEE)	CBP	–	200.00
14. Other financing:			
- Cariverona Foundation	–	–	1,587.70
<b>TOTAL</b>		<b>3,770.51</b>	<b>7,912.77</b>
<i>% on total revenues/expenditures</i>		0.8%	1.6%
<i>% on total capital expenditures</i>		0.8%	1.6%
<i>% on total capital expenditures for local development***</i>		3.0%	6.9%

\*\*\* capital expenditure for arts and cultural heritage, tourism, environmental protection, social policies and economic development actions.

*Source: Our elaboration on data provided by the Province of Belluno and the Ministry of Internal Affairs*

Given the difficulties to finance current expenditure and investments with budget resources, it is worth highlighting that the funds acquired through tenders account for only an overall 1.2% of budget revenue/expenditure and 5% of capital expenditure for the whole period 2000-2012. Nonetheless these funds account for 44% of capital expenditure for local development actions (arts and cultural heritage, tourism, environmental protection, social policies and economic development). In addition, if we look at the two periods separately, we notice that from 2007 onwards resources doubled compared with the programming period 2000-2006 and their share on the general, total expenditure/revenue and on capital expenditure doubled as well. Resources acquired «on the market» account for 40 to 50% of capital expenditure for local development.



#### **4. RELATIONS BETWEEN THE PROVINCE AND THE LOCAL STAKEHOLDERS**

The Province of Belluno has always had dialectical, open and collaborative relationships with the local stakeholders even though the newly-elected administrators<sup>9</sup> have not shown the necessary sensitivity and ability to listen to the needs of the territory and failed to fulfil the expectations.

However, although the relationships between the political leaders and the territorial actors have lost strength over time, the confidence towards the province's technical and administrative leaders was not undermined and the local stakeholders have continued to collaborate and exchange views and ideas with them. This is the result of the Province's capacity, over the last decade, to bring together private and public local stakeholders with a view to promoting a long-term development policy, coordinating and pooling together the different demands. The past experience was very positive. Important projects were launched, such as the initiatives for border areas, the rural district and the area-based planning agreements up to the approval of the provincial strategic plan in 2007<sup>10</sup> and the Territorial Plan of Provincial Coordination in 2010 (PTCP)<sup>11</sup>.

The preparation of the PTCP is among the proper tasks of the province, as laid down by the Consolidated Text for Local Authorities (TUEL) in the year 2000. Nonetheless, only in 2010 was the Province of Belluno granted urban planning functions as a result of the Regional government's approval of its PTCP. And, while the PTCP is supported by a regional regulation as to the unvarying geological features of the territory and therefore it is binding on the municipalities' urban planning activities; for the rest the Plan gives only indications and it is up to the municipality to accept to consult the province or not when planning<sup>12</sup>. The key principle of the PTCP is to use as little land as possible, whereas the municipal urban plans consider, in most cases, a larger population than the actual one and tend to widen urbanised areas with a view to increasing potential revenues from property taxation.

Regarding the mountain communities, there are nine of them in the Belluno area, one in each valley. The Province and the mountain communities have mainly worked together on soil protection, for which some of the province's resources from water additional fees are transferred to the mountain communities to implement land protection actions.

---

<sup>9</sup> The 2009 government was brought down through a vote of no-confidence in 2011 because of disagreements within the coalition and the province went into external administration.

<sup>10</sup> The Provincial Strategic Plan is the PTCP preliminary document. It is the result of a drafting process and a reflection on the future that lasted one and a half year and involved the institutions, the social partners and the associations. This planning document broken down into axes, sub-axes, actions and specific priority strategic projects and aims at rebalancing the mountain areas by setting goals and strategies.

<sup>11</sup> The regional law requiring the drafting of the PTCP dates back to 1985 (RL n. 61/1985), however it was approved very late, the same happened in all other provinces.

<sup>12</sup> Municipal planning can be adapted to the requirements of the PTCP in two ways: by a planning agreement with the Province laying down the rules for cooperating and exchanging views and opinions or by submitting the municipal plan to the Province for approval without prior dialogue. Until June 2000, in the province of Belluno, the second method was chosen for one single municipal plan out of approximately forty plans (the plan for the town of Cortina).

It is emblematic that the Veneto Region has never adopted any regulation on the reform of the mountain communities as required by the 2008 Finance Act and that, when the 2010 Finance Act reduced to zero the transfers for the mountain communities, it approved funding to cover their operating costs other than the costs for transferred functions. Unfortunately, the lack of resources is increasingly weakening the mountain communities that were recently affected by a regional law requiring them to stop the associated services by 2012/12/31 (ecological services, trade, tax collection, etc.) and to become unions of municipalities. However, no indication was provided on how to manage the staff and the resources allocated by the municipalities for the services that the mountain communities must continue to supply.

The relationships with the other provinces of the region (mainly Venice, Treviso and Vicenza) are limited to specific projects. Also within the Union of the Veneto provinces, debates and round tables between provincial councillors are held to discuss common problems and potential cooperation opportunities between provinces on specific projects.

On the other hand, cooperation with the park authorities (the National Park of the Belluno Dolomites and the natural park of the Dolomites d'Ampezzo) and with the authorities responsible for the protected areas of the neighbouring regions (Friuli-Venezia Giulia and Trentino-Alto Adige) focuses on environmental and animal species protection.

Some forms of cooperation exist with universities and research centres, they are rather focused on traineeships opportunities than on matching job demand and supply. Actually, indeed, Job Centres' services are mainly aimed at individuals rather than universities since they do not go through the Province's intermediation but have direct contacts with the companies. However, in the past the Province had relations with the University of Padua and Turin on environmental and animal protection research projects.

The Province has always had an opened and interested attitude towards category associations and trade unions. They were invited to take part in committees and discussion tables (such as the provincial employment committee and the provincial committee for agri-tourism, the discussion table on tourism, on agriculture etc.) aimed at discussing important issues for the promotion of the local economy. The organisations, in turn, have always been ready to cooperate with the Province; they have positively and actively supported its initiatives by setting up commonly-shared individual sector proposals and submitting single papers on specific issues linked to the mountainous specificities of the territory, the proximity to autonomous regions and provinces and to other countries whose contributive capacity is much higher than that of the Veneto region. The mountainous and cross-border dimension of the Province of Belluno, after years of repeated requests, was ratified in the new Statute of the Veneto region that was finally promulgated on April 2012. The new Statute grants *“special forms, terms and conditions of administrative, regulatory and financial autonomy, in particular over cross-border policies, language minorities, territorial governance, energy and water resources, roads and transports, support and promotion of economy, agriculture and tourism”* (article 15, paragraph 5). Nonetheless, the actual implementation aspects of the self-government have to be defined yet.

Finally, the Local Action Groups (LAGs) have always had privileged relationships with the Province: the Province participates in the Shareholders' meeting of both LAGs – i.e. LAG 2 “Prealpi e Dolomiti” (the Province was also member of the Board until 2010), and LAG 1 “Alto

Bellunese” – and took part in important decisions on rural development, as for example on the occasion of the Local development plan (PSL) of LAG 2 that included ideas and suggestions coming from the rural district established by the previous administration.

A large cross-party group of local stakeholders widely agree that a gap exists between the Belluno Province and other neighbouring areas in terms of development and service provision. The issue is not so much about attracting external investments but rather about ensuring the permanence of local businesses throughout the territory, in the manufacturing, service and tourism sector<sup>13</sup>. In full awareness of this, many actors felt as indispensable and urgent to call for the Region to adopt a specific policy aimed at the mountain territory of Veneto, which represents a homogeneous land that accounts for 30% of the regional area and includes 119 municipalities in three provinces.

The problem is that each valley has its own “individuality” and without the Province’s mediation capacity it would be much harder to control the self-centredness and dominance of the stronger towns (Belluno, Cortina and Feltre) to the detriment of the weaker ones.

For example, the Province’s political and financial support made it possible to draw maximum benefits from networking actions and sharing of the nature trails created by the single valleys or municipalities with the LAGs funds. Without the Province’s strategic vision and coordination each municipality or valley would have promoted its own area and sold its own tourist packages, as did Cortina after all. The Province liaises to overcome local conflicts and manage external (municipalities, other provinces and neighbouring countries) and internal relations systematically (integration of the valleys) or deal with issues that go beyond the interest of the single municipalities, such as water resources.

The crisis led the provincial government to organise thematic platforms aimed at bringing together all the local stakeholders and look into ways to use the few resources available to mitigate the problems of the sectors most affected by the crisis (starting from the eyewear production whose decline began in 2006). The aim was to go beyond support through social measures and initiatives and increase the potential for workers’ inclusion and reintegration and the creation of a provincial economy driven by typical, local products and natural beauties.

The Province’s relations go beyond its borders: in the tourist sector, for example, the Alta Pusteria and Osttirol are among its historical partners, whereas Friuli and Carinthia are partners in cultural and agricultural projects and Friuli, Carinthia and Slovenia in naturalistic projects.

## **5. CONCLUSIONS**

Over the last decade, not only has the Province of Belluno performed its traditional tasks (in the road network and school buildings sector), but it added new functions (environment, employment, tourism, soil protection, civil protection and water fees) and was also granted regional funds to implement actions in the sector of culture and sports.

---

<sup>13</sup>The higher production costs of the mountain areas are *per se* a disincentive, but the Province of Belluno is also affected by the proximity of Trento and Bolzano (autonomous provinces) that have much more resources to invest and can grant significantly high incentives and contributions.

Yet the process has taken a peculiar and contradictory configuration. On one side, more functions were progressively transferred, on the other side, the resources to fulfil them were cut. This caused budget disruptions as to current (it has been more and more difficult to cover mandatory expenditure) and capital expenditure (there are no more residual resources to make investments) and reduced the Province's room for manoeuvre regardless of the functions that were transferred.

Besides the cuts to financial resources, the Province of Belluno is subject to a highly centralistic regional government that has ignored the nationwide reform process and its last appointed political management abruptly stopped the dialogue and coordination activity at local level.

This situation has confined the Province in a sort of straightjacket: political decisions (at regional level first and at local level then) have cornered it, further budget cuts have disarmed it. And although working without political leaders is difficult but not impossible, making projects and programmes without financial resources is quite unlikely.

At present, the Province can only run ordinary operations and its investment capacity on the territory has decreased, but seemingly there is no other institution that could fill this gap. Second-level bodies (such as the unions of municipalities) can manage associated services but they cannot coordinate activities, create synergies and envisage long-term development schemes.

In such a weak area the Province has played a role of paramount importance. It brought together many small and fragmented municipalities, it fostered dialogue between the various "mountains", it listened to their specific needs and, above all, it promoted the mountain areas negotiating power vis-à-vis the local and regional wealthier areas.

The Province of Belluno was a very important player in the territory:

- It put together the local needs and helped overcome conflicts caused by the inner dynamics of the various areas;
- It met the need to share, despite the great diversities, ideas on issues that go beyond the interest of the municipalities in order to find the best way to integrate them;
- It worked out, with the local stakeholders, strong ideas to bring all areas together and launch initiatives and actions, intensively collecting and using regional and EU funds over time, as the "regular" resources (state and regional) started to dwindle;
- It managed to overcome the individualism of the local administrators by "smoothing edges",
- It was able to interpret and co-plan with all the local stakeholders.

The role of the Province is only partially due to the transfer of functions. It depends, above all, on the capacity to fulfil those functions: a climate of confidence is essential, all the more so when limited resources make decisions and choices more difficult.

Knowing each other helps, but mutual trust between people helps more. In Belluno, relations with the local stakeholders have developed over time in a bidirectional manner and were often linked to people who played a key role at a given moment in time.

Perhaps, the situation is different in more developed areas, however, it is hard to imagine how a different body with different features and competences could possibly replace the province in

such mountain areas characterised by inherent weaknesses and a scarce population. Making the province a second-level institution would affect its status as third party and jeopardise its decision-making independence against the individualistic tendencies of the single municipalities. Should some sub-regional functions be lost, such as territorial planning, active employment policies, tourist promotion, soil protection, the protection of unvarying geological features, the unity of the Belluno territory would no longer exist since the body that all have entitled to set common strategies, priorities of action and resource allocation would disappear.

The Province was able to bring all the main local stakeholders around a table and manage the multilevel governance. Despite the many differences, the Belluno area is a homogenous mountain territory sharing the same problems and needs. The Province has succeeded in coordinating the various activities through a system-based approach.