



MONITORING THE MEDITERRANEAN STRATEGY FOR SUSTAINABLE DEVELOPMENT(MSSD)

AGRICULTURAL AND RURAL DEVELOPMENT National Study Italy

M. Francesco MANTINO, Research Director at INEA and Head of Rural development Service
Istituto Nazionale di Economia Agraria - Roma"

In partnership with:

Financed with support of the Ministry of
Agriculture and Fisheries



Plan Bleu
Centre d'Activités Régionales

Sophia Antipolis
May 2008

I. SOMMAIRE

I. SOMMAIRE	1
II. PART. I: CONTEXT AND TRENDS	3
1. ENDOGENOUS POTENTIALS AND IMPEDIMENTS	3
2. SOCIO-ECONOMIC ROLES OF RURAL AREAS	5
2.1. PERI-URBAN AREAS	6
2.2. RURAL AREAS WITH INTENSIVE AND SPECIALISED INTENSIVE AGRICULTURE.	6
2.3. INTERMEDIATE RURAL AREAS.	7
2.4. RURAL AREAS WITH LOW RATE OF ECONOMIC DEVELOPMENT.	7
3. INSTITUTIONAL AND POLITICAL SPECIFICITIES	10
III. PART. II: RISKS OF THE TRENDS OBSERVED	12
1. STRUCTURAL CHANGE IN AGRICULTURE AND AGRO-INDUSTRIAL SYSTEM	12
2. MAIN TRENDS IN FOOD CONSUMPTION AND IN QUALITY OF PRODUCTION	13
3. MAIN CHANGES OCCURRED IN RURAL ENVIRONMENT AND NATURAL RESOURCES	15
3.1. BIODIVERSITY.	15
3.2. WATER RESOURCES.	16
3.3. CLIMATE CHANGE.	16
3.4. SOIL.	17
3.5. FORESTS AND FORESTRY ACTIVITIES.	17
3.6. AIR QUALITY (AMMONIA).	19
3.7. LANDSCAPE.	19
4. DYNAMICS OF POPULATION, BASIC INFRASTRUCTURES AND NON-FARM ACTIVITIES IN RURAL AREAS	20
4.1. PERI-URBAN AREAS.	20
4.2. RURAL AREAS WITH INTENSIVE AND SPECIALISED INTENSIVE AGRICULTURE.	20
4.3. INTERMEDIATE RURAL AREAS.	21
4.4. RURAL AREAS WITH LOW RATE OF ECONOMIC DEVELOPMENT.	21
5. IMPLEMENTATION OF POLICIES	23
6. WHICH ECONOMIC ALTERNATIVES?	1
6.1. NEW STRATEGIES FOR RURAL DEVELOPMENT IN ITALY	1
6.2. EXPERIENCES AND LESSONS FROM TERRITORIAL AND INTEGRATED APPROACH IN ITALIAN RURAL AREAS	2

IV. PART III: IMPLEMENTATION OF THE MEDITERRANEAN STRATEGY FOR SUSTAINABLE DEVELOPMENT (MSSD)	6
1. USEFUL LESSONS FOR THE MSSD	6
1.1. PROMOTING MEDITERRANEAN PRODUCTS OF HIGH QUALITY	6
1.2. PROMOTING THE ADAPTATION AND RENOVATION OF FARM STRUCTURES	7
1.3. SUSTAINABLE MANAGEMENT OF RURAL AREAS AND MEDITERRANEAN NATURAL CONTEXT	8
1.4. ECONOMIC DIVERSIFICATION, QUALITY OF LIFE AND LOCAL GOVERNANCE IN RURAL AREAS	8
2. CONDITIONS FOR REPRODUCING BEST PRACTICES IN THE MSSD	12
2.1. THE CHARACTERISTICS OF THE TERRITORY AND THE SOCIAL AND ECONOMIC CONTEXT.	12
2.2. THE DESIGN OF THE STRATEGY.	13
2.3. THE QUALITY OF THE PROJECT LEADERSHIP.	13
2.4. THE VERTICAL GOVERNANCE (EU, STATE AND REGION).	13
V. PART IV: RECCOMANDATIONS	15
1. RELATIONSHIPS BETWEEN EU RURAL DEVELOPMENT POLICY AND MSSD.	15
2. SUSTAINABLE RURAL DEVELOPMENT AND SPECIFICITIES OF MEDITERRANEAN COUNTRIES.	15
3. USEFUL LESSONS FROM THE EU EXPERIENCES IN THE FIELD OF SUSTAINABLE RURAL DEVELOPMENT.	15
4. RELEVANT INDICATORS ON WHICH THE NATIONAL POLICY NEEDS TO BE BASED.	16

II. PART. I: CONTEXT AND TRENDS

1. ENDOGENOUS POTENTIALS AND IMPEDIMENTS

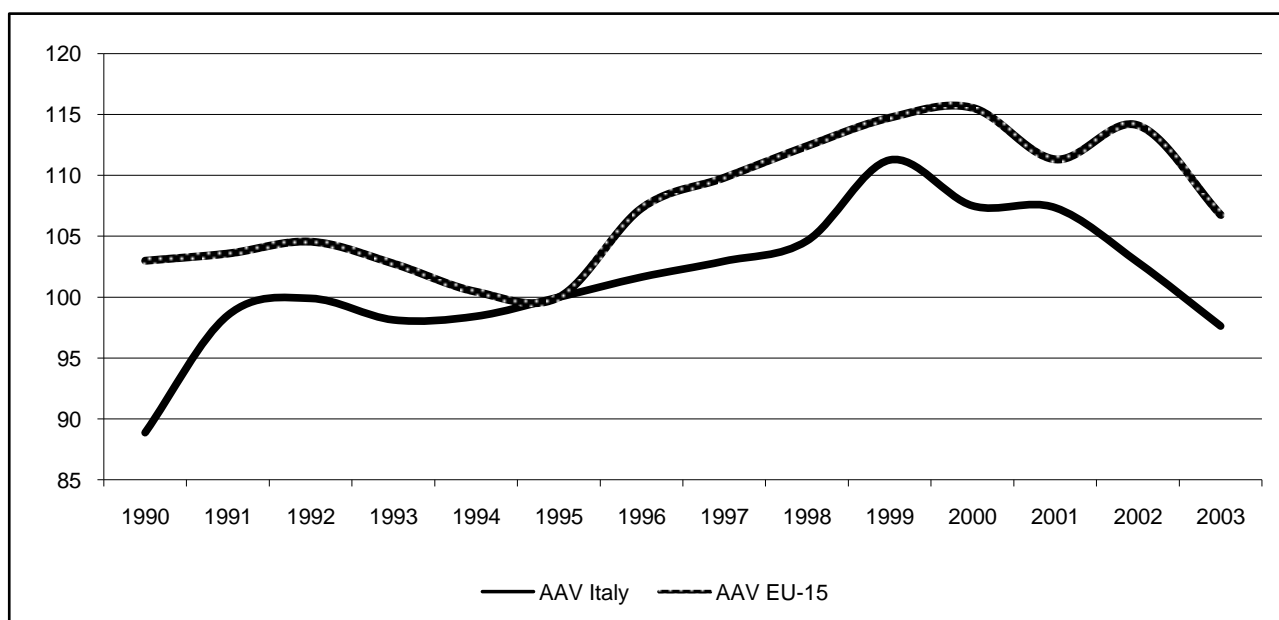
When considered on the whole, endogenous potentials of rural areas seems considerably high. The agricultural production in Italy is characterised by a mix of favourable natural assets (quality of soil and level of fertility, climate conditions, availability of water resources, etc.) and cultural and identity-related assets (quality products, local knowledge and traditions, attractiveness of agricultural and forestry landscape, richness of cultural, historical and artistic patrimony, etc.).

This favourable mix of natural and cultural endowments is widespread across the country and various regions. However, it must be noticed that there is an uneven distribution of such resources.

This process have strongly increased the internal disparities between rural areas within the country and within the same regions.

Even taking into due account the disparities between Regions and administrative districts, the national primary sector is characterised by the slight dynamism of value added, above all concerning the 1990s and early 2000s, differing from what occurred in the rest of the economy, where this indicator shows a trend to growth in the last 25 years. However, compared to the Community average (UE-15), the average annual growth rate of value added of agriculture in the 1990-2003 period is slightly higher (+0.7 versus +0.3).

Figure 1 – Evolution of Agricultural Added Value in Italy and European Union (1995=100)



Following the widespread abandonment of agricultural activity due to the attraction exercised by other productive sectors and the slight productivity of land, which distinguishes numerous rural areas in Italy, and technical progress, in the 1981-2002 period the value added per labour unit increased at an average annual rate (+4.3%) above that of the economy as a whole (+1.6%), while land profitability (AAV/UAA) shows a lower rate of increase (+1.5%) (table 1). Here, too, the “delay” of the southern

Regions is evident, with AAV/AWU growing by 3.8% and AAV/UAA by 1.3%. Among the southern Regions¹, Basilicata stands out for its high percentage increase, similar to and sometimes higher than in Centre-Northern Regions, as does Molise, evidence of the current economic convergence.

All this contributes to labour productivity in agriculture above the Community average; nevertheless, the value added per employed worker still amounts to just 63% of the national average (2002) and lies below 50% in the southern Regions. This is an evident sign of the structural weakness of the primary sector, caused by the small average size of farms; the advancing age of farmers (percentage of farmers under 35 years of age/over 55 years of age, equal to 6% compared to the Community average of 18%) and its members' level of education and preparation, which often is inadequate in terms of market dynamics and the development of suitable marketing and commercial strategies (percentage of farmers with "training" of 8% compared to a Community average of 17%); the marked individualism of farmers and their incapacity to organise themselves and integrate both horizontally and vertically.

Value added per employee in the food industry is instead in line with labour profitability in other economic sectors. In absolute terms, in 2003 the value added per employee was approximately 52 thousand euro; however, this value was substantially lower in the southern Regions belonging to the Convergence Objective (about 40 thousand euro). In the same period, the incidence of the agro-industrial system on the overall economy in terms of value added reached the 5% (table 2) and underwent a contraction attributable to both the primary sector and the food industry, with the former contributing in the amount of 60%. The weight of agriculture was instead greater in the case of the southern Regions (+4,5%). In absolute terms, the value added of the agricultural sector in 2002 amounted to about 25 billions of euro, while that of the food industry in 2003 was about 26 billions of euro.

Moreover, the value-added trend of the agricultural sector at the national level varies considerably in single Regions, with both annual average growth rates of over 2% and Regions with negative variations. In particular, among southern Regions, only Calabria and Basilicata show a fairly good growth rate, while certain Regions, where agriculture has historically played a significant role in the regional economy, actually show an opposite trend, such as Sicily, Campania and Puglia. Among Centre-North Regions, those in the Northeast confirm positive dynamics, while part of the "strong" agricultural Regions seem to be experiencing difficulty, as in the case of Emilia Romagna, Tuscany, Lombardy and Piedmont.

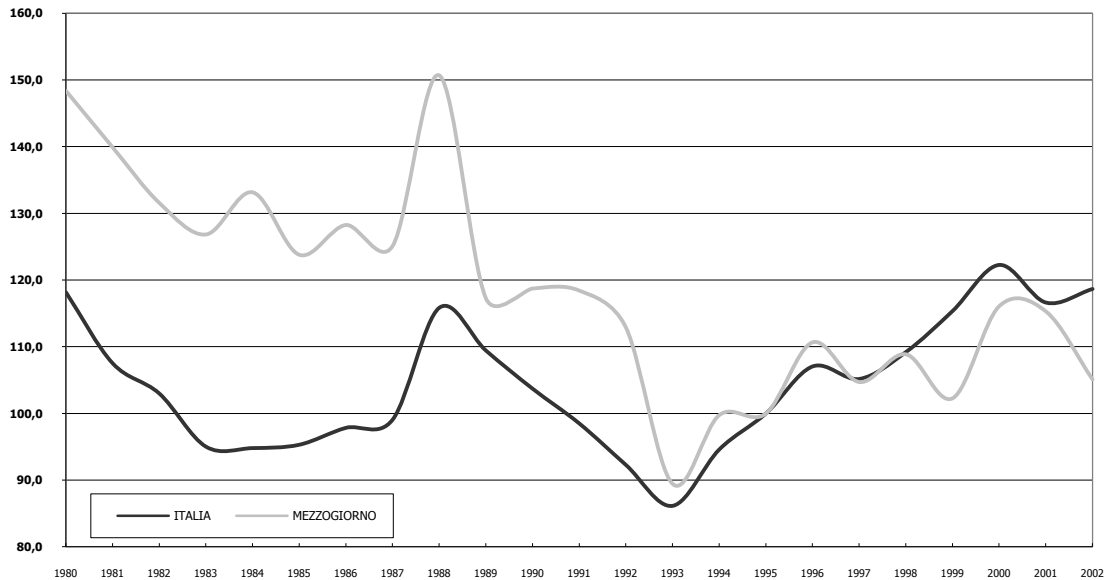
As regards foreign trade (table 4), the national agro-food industry trade balance is negative, especially concerning primary production. Consistent with the incidence of the value added of the primary sector and food industry at the administrative district level, Centre-North Regions mainly place processed products on the foreign markets, while the southern Regions mostly place agricultural products, although certain southern Regions show timid signs of growth of exports of processed products. Nevertheless, in general the Italian food industry shows low and ever increasingly lower competitiveness on the foreign markets, where exports amounting to 16 billions of euro represent just 14% of the turnover. Also, appreciable slowdowns are registered in the growth rates of the trade balance pertaining to key products. In addition, it must be considered that 60% of Italian exports regards just 10 products, above all wine, fresh fruit, pasta, olive oil and cheeses.

In contrast to the overall economy, which in the last decade recorded an increase in the rate of employment of over 4%, the primary sector, as previously mentioned, lost 214,000 units from 1995 to 2002, dropping to approximately 1 million persons employed, while the food industry gained about 12,000 workers, reaching 504 thousand persons so employed (table 5).

¹ In the tables the comparison is between the lagging behind regions (belonging to the Convergence Objective of the EU cohesion policy, for this reason called Convergence regions: Basilicata, Calabria, Campania, Puglia, Sicily, Sardinia) and all the other Italian regions (belonging to the Competitiveness Objective of the cohesion policy: Abruzzi, Molise, Lazio, Umbria, Marche, Tuscany, Emilia-Romagna, Liguria, Lombardy, Piedmont, Val d'Aosta, Trento, Bolzano, Veneto, Friuli-Venezia Giulia).

The growth of the profitability of land and especially of labour, which particularly characterised the decade running from the early 1990s to the early 2000s, was certainly influenced by an increase in fixed investments, both in agriculture (about 10.037 billions of euro) and the food industry (about 6.2 billions of euro), more evident starting from the second half of the 1990s, in connection with the second period of Structural Funds programming, both at the national and southern Regions level (figure 2 and table 6). This evolution was also accompanied by changes in the credit sector, where easy credits for agriculture were reduced and greater resort was made to credit at ordinary interest rates.

Figure 2 – Evolution of fixed capital investments in agriculture – index (1995=100)



Source: ISTAT, Regional Economic Accounts

Finally, the composition of the Gross Domestic Agricultural Production (GDAP) has not undergone sharp variations during the last twenty years. The incidence of the livestock division (raising and breeding of livestock) in terms of GDAP actually is still around 35%, while wood growing increased and herbaceous crops decreased.

In this field, single Regions differ widely, with Regions that have a strong vocation for farming (Piedmont, Val d'Aosta, Lombardy, Veneto and Emilia-Romagna, as well as Sardinia, where this sector counts for more than 40% of the total). The same is true for forestry (in particular, Trentino Alto Adige and Calabria).

2. SOCIO-ECONOMIC ROLES OF RURAL AREAS

As a product of the above mentioned processes and of dynamics of economic development, Italian rural areas cannot be seen as an undifferentiated and homogenous territory.

Rural development policy applies to all rural territories of the European Union. Nonetheless, along with a policy conceived for rural areas in a general sense, a non-homogeneous notion of “rural” has also caught on that is characterised within by differentiated agricultural and agro-food systems, as well as by different forms of integration with the urban and industrial context. The territorialisation of Italian rural areas therefore takes into account the relations of the same with the more general processes of economic and social development that characterise our country. There are at least four typologies of rural areas whose economic and social changes are quite different. Such typologies can be defined as follows:

- Peri-urban areas;

- Rural areas with intensive and specialised agriculture;
- Intermediate rural areas;
- Rural areas with low rate of economic development.

The importance of these typologies is also given by the fact that the National Strategic Plan for Rural Development 2007-2013 has assumed them as a common grid (adopted by the 21 Regions and Autonomous Provinces) for designing the regional Rural Development Plans.

These areas show very different dynamics in terms of production, investment capacity, internal disparities, characteristics of ecosystems, etc. Consequently they need also different policies both in qualitative and in quantitative terms. They also have a different degree of vulnerability in terms of policy chances and more or less liberalisation scenarios.

The rural areas are described below in terms of the main socio-economic variables characterising them (tables 9-10-11-12).

2.1. Peri-urban areas

Municipalities (communes) falling under this typology number 1,035 with a very high average population density (about 1,035 inhabitants per square kilometre). Regional capital cities, most provincial capitals and the major metropolitan areas are included here, as are high population density agricultural areas of limited size. They represent 43% of Italy's population and are characterised by the great importance of the service industry and a fair level of manufacturing activity; agriculture plays a limited role in production (12% of national value added) and covers outlying areas of large urban centres, which in turn form nearby markets for consumption able to absorb high-quality production, even though actual quality standards are not always up to the demand. The number of farm workers employed in these areas is about 200 thousand, while those employed in other sectors number more than 6.8 million. In some areas, industrial activities are also concentrated in the immediate proximity of the urban fabric, among them agro-food activities, which represent 31% of the country's agro-industrial workers. In these areas, processing and marketing structures often constitute a capital investment that is also important as an outlet for production coming from other areas. Self-employment in these areas represents 22% of total employment.

Finally, it must be pointed out that in some cases the administrative unit of reference for official statistical sources (the municipality) does not allow particularly interesting situations to emerge involving agriculture closely tied to markets. In this respect, emblematic cases must be mentioned, such as that of the municipality of Rome. The urban poles are characterised among other things by the high profitability of land (over 5,000 euro of Added Value per hectare of UAA) and powerful competition in soil use, witnessed by the significant reduction of total agricultural area (-19%) and of UAA (-15%) in favour of urban expansion and a series of indirect repercussions on farms (splitting up of crop units, restrictions on agricultural practices tied to the proximity of inhabited centres and roads, and instances of pollution caused by non-agricultural sources despite the not inconsiderable presence of protected areas).

From this standpoint, the areas vulnerable to nitrates represent about 19% of those identified at the national level, representing about 6% of total area. Nevertheless, high nature value territories are also present there, which are included in the Natura 2000 system (SCI and SPA); such areas represent just 4.9%, but cover about 9% of total area.

2.2. Rural areas with intensive and specialised intensive agriculture.

Falling within this group are all those plains areas that are characterised as rural, significantly rural or urbanised rural and certain immediately adjacent and particularly intensive hill areas, essentially located

in the north and centre of the country. Overall, these areas cover 1,632 municipalities, which represent slightly less than a quarter of the total population of Italy (22%) and the “core” portion of the agro-industrial system: while these areas have about 24% of the UAA, 29% of agricultural workers and 30% of agro-industrial workers, they produce 38% of the country’s agricultural value added. In these areas, employed farm workers number about 340 thousand and employed agro-industrial workers number more than 130 thousand, while workers employed in non-agricultural sectors number more than 5.4 million. Farmers with alternative gainful activities represent 25.4% of the total. Finally, self-employment in these areas represents 24% of total employment.

Densely populated areas are involved (253 inhabitants/sq. km), where the population is relatively younger than elsewhere and shows a sharp increase (approximately 10% in the last decade). The indicators for the sector in these areas have the highest values for the incidence of agricultural and forest area (62%) and UAA/TAA (87%), as well as for specialisation in agriculture and agro-industry. Agricultural production specialisation is pronounced, with true and proper specialised territorial agro-industrial filières and, in some cases, a typically district organisation. However, in many cases this organisation is still in an embryonic stage and in any case does not go to the advantage of basic production as it ought to.

2.3. Intermediate rural areas.

Included in this group are mainly hill and mountain territories that are predominantly or significantly rural, which have a certain level of diversification of economic activities and are places of widespread development. Also included is a portion of significantly rural mountain country in central and northern Italy, particularly the part that is more involved in non-agricultural development processes. Overall, the 2,676 municipalities in this category represent 24% of Italy’s population and about 32% of the territorial area. Under the demographic profile, even though not presenting phenomena of abandonment (the population has grown 5,7% in the last decade), a high ageing index (135) is recorded. Agriculture plays a significant role in terms of area and employment, even if production intensity is more modest (about 2,200 euro/ha) compared to the previous areas. Nevertheless, in the last decade agriculture has registered strong signs of crisis, losing a considerable amount of area (-12% UAA and -14% TAA, which is even more pronounced in southern Regions (-18% UAA and -20% TAA). Above all, employment suffered (-27%). The causes of this crisis situation can be traced to high production costs, lower land profitability, and processes in connection with the ageing of the population and abandonment of the more marginal territories. The relatively low profitability of agriculture is not always caused by the geomorphologic characteristics of the territory, but sometimes also by problems of a commercial nature.

Employed farm workers in these areas number about 385 thousand and employed agro-industrial workers number about 118 thousand, while workers employed in non-agricultural sectors number about 5 million. Farmers with alternative gainful activities represent 27.8% of the total. Finally, self-employment in these areas represents 25% of total employment.

2.4. Rural areas with low rate of economic development.

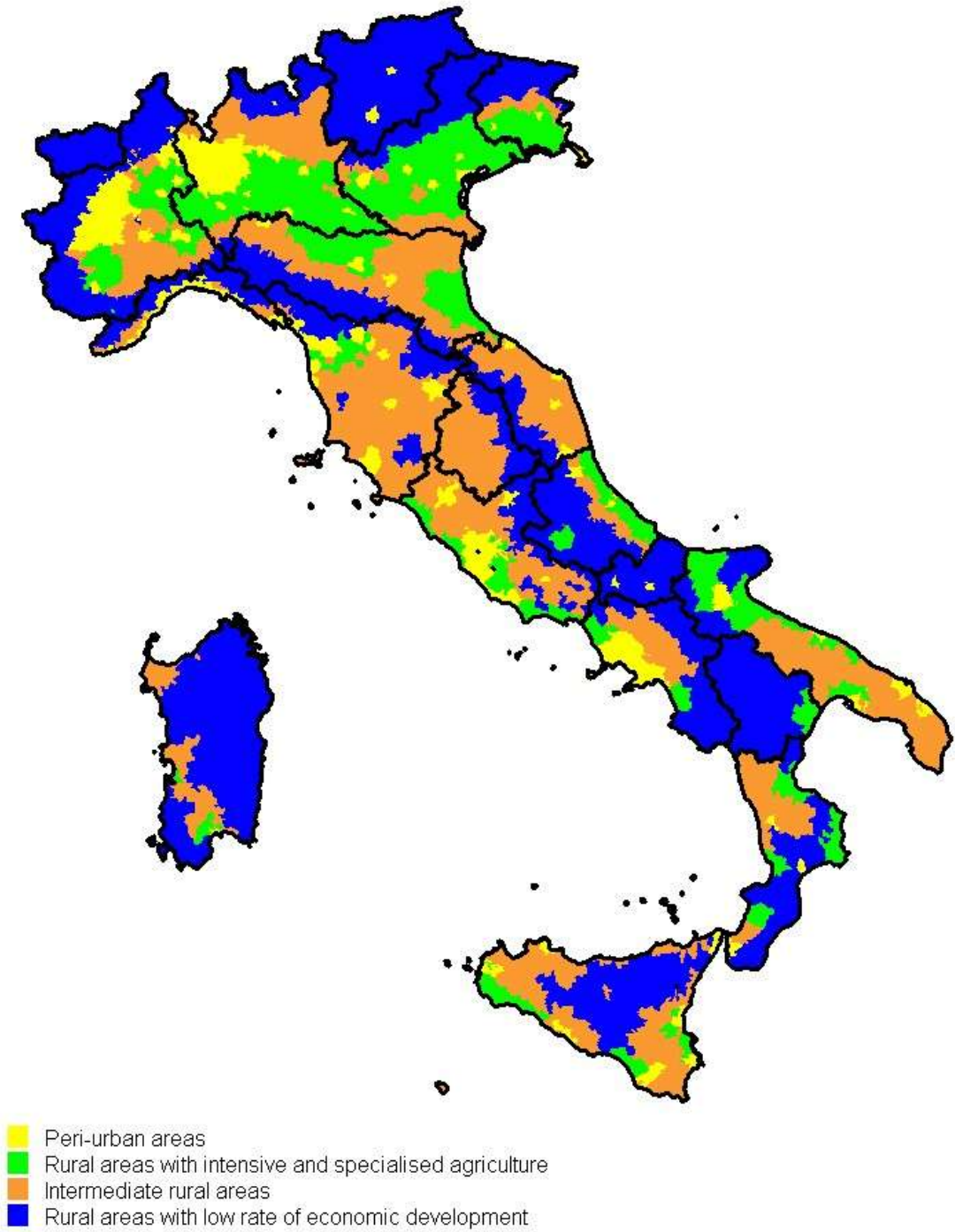
In this group we find 2759 municipalities, primarily mountain or hill country, especially in southern rural areas, central and northern mountain areas of a markedly rural nature, and certain plains areas of the South and the islands (Sardinia and Sicily). These are the least densely populated areas of the country (54 inhabitants/sq. km), characterised by the scarce presence of local development processes in all sectors and consequent phenomena of abandonment on the part of the population (-0.76% over the decade), above all in southern regions, where due to migration the demographic loss amounted to 6%.

The ageing index is therefore far higher than the national average. In any case, from the standpoint of policy these areas deserve much consideration, since they represent 12% of the population, 43% of the territorial area, 42% of the TAA and 35% of UAA. In terms of sector, these areas represent 20% of employed agricultural workers and 18% of national AAV (which percentage rises to 21% in southern areas). The number of agricultural workers employed in these areas is about 225 thousand and employed agro-industrial workers number only 53 thousand, while workers employed in non-agricultural sectors total about 2.6 million. Farmers with alternative gainful activities represent 27% of the total. Finally, self-employment in these areas represents 24% of total employment.

The widespread presence of extensive agriculture and the great variety of natural habitats signify the existence of high nature value areas. These areas are of particular importance from the environmental standpoint, inasmuch as 68% of Italy's protected areas are concentrated here.

It should be considered that more than 62% of Natura 2000 (SCI and SPA) areas are concentrated there, with a total area of over 2.5 million hectares and more than 21% of total area. Conversely, only 16% of the areas vulnerable to nitrates are located there, representing 1% of total area.

Figure 3 – The different typologies of rural areas in Italy as they are represented in the National Strategic Plan for Rural Development



3. INSTITUTIONAL AND POLITICAL SPECIFICITIES

This section of the report will focus on the rural development institutional framework currently operating in the country. The institutional framework in which rural development policies operate largely depends on the EU rules and financial resources.

EU rural development policies are based on these fundamental rules and principles:

- 1) national or regional programmes, prepared by Member States/Regions on a multi-annual base (usually seven years);
- 2) all programmes are co-financed by EU, Member States and Regions;
- 3) there are common rules of programming, implementing, monitoring, evaluating and financial control, rules established by EU regulations;
- 4) a set of interventions (the so-called measures) are pre-defined by EU regulations. This implies a sort of “menu approach”, where Member States/Regions choose main dishes and adapt them to their needs;
- 5) the programming process is constrained by financial resources (EU allocates among Member States and these, on turn, allocate funds among Regions) and mainly by rules of implementation (sectoral restrictions, detailed financial plans, common criteria for selecting beneficiaries, rates of public support on eligible investments, maximum amount of public support by types of measure, etc.);
- 6) rural development plans are separated from EU cohesion programmes co-funded by the so-called Structural Funds (European Social Fund and European Regional Development Fund);
- 7) finally, rural policy includes another programme called LEADER (liason entre actions de developement rural). It is a very small (financially speaking) initiative that includes pilot and innovative interventions, based on local partnerships, implemented in limited territories (not greater than 100.000 inhabitants).
- 8) most of global resources devoted to rural development in Europe go to lagged behind regions (the so-called Convergence regions).

Which are the main problems which can constitute an obstacle to sustainable rural development?

There are, in our opinion, two main critical issues:

- the territorial dimension of policies and
- the policy management.

The lack of a territorial dimension is perhaps one of the principal deficiencies of the Rural Development Plans (RDPs), which could have provided an organic approach and positive solution to the problems created by the extreme fragmentation of the financial plans into numerous measures. This deficiency is verifiable, as a general matter, in the way the RDPs are set up, as well as in the definition of the individual measures, for which a precise identification of the territories would have been vital to the effectiveness of the measures themselves. This deficiency is particularly felt in the case of agro-environmental measures, regarding which territorial concentration and the proximity of the farms benefiting from the aid is exceedingly necessary in order to guarantee the effectiveness on environmental resources. On the contrary, territorial dimension is one of the distinctive characteristics of the LEADER. Even more, it is an integral part of LEADER, given that the initiative is based on a series of projects for local development in areas having a certain size and characteristics. Certainly, the third edition of the programme (LEADER+) has a more solid, clear-cut territorial dimension than second one (LEADER II), which in many regions was given an “extensive” application, to the extent of covering the entire regional territory. The territorial concentration of LEADER+ has been strengthened by two factors: one, by the reduction of the number of GAL; and two, by the predetermination of the admissible areas.

The theme of policy management is considered one of the most critical for the rural development policies. Already in the 1994-99 programming cycle all the evaluations made in Italy indicated that considerable better efficiency could have been reached through a more rational management system. This consideration applied to all the public administrations, whether national or regional. Moreover, in its reports the Commission pointed out that the description of the management and control systems often turned out to be the weakest part of the programming documents. The most critical areas in terms of the efficiency of the management systems are to be found in the following factors:

- technical/administrative structures understaffed and/or staffed by personnel under-qualified to follow the procedures required by Community programmes;
- delays in the procedures regarding the selection of projects;
- the presence of a high number of applications submitted for funding, a rather typical situation in certain fields of intervention (such as training, agriculture and rural development, small handicrafts businesses, etc.), which considerably burden the selection conducted by the public administrations, above all in all those situations where computerised modalities for the gathering and evaluation of the projects have difficulty to be implemented;
- the quality of the individual projecting, which in some cases does not meet the requirements for selection procedures.

To these factors must also be added the sub-regional decentralisation process which, while positive in itself, will require a certain intermediate period to allow local agency structures to efficiently operate.

III. PART. II: RISKS OF THE TRENDS OBSERVED

1. STRUCTURAL CHANGE IN AGRICULTURE AND AGRO-INDUSTRIAL SYSTEM

Farms in Italy number about 2.6 million, with a UAA of 13.2 million ha (ISTAT, 2000). The agricultural sector in Italy is characterised by a high degree of dualism, since professional farms, which is to say those with a Standard Gross Margin (SGM) over 12 Economic Size Unit (ESU)², which constitute 12% of total farms, cover 80% of the UAA and produce 73% of the SGM. They are mainly concentrated in the Centre-North Regions and in certain production divisions (rice, vegetable/floriculture and dairy cattle), while those with an economic dimension under 4 ESU represent 72% of total farms, covering 24% of the UAA and accounting for 12% of the SGM.

As previously mentioned, the factors that hinder a re-equilibrium of the sector depend most of all on the low average UAA of the farms (5 ha), among the lowest in Europe, a situation which is even more pronounced in the southern Regions (3.1 ha), caused by a substantial immobility of the land market and by an insufficient generational renewal, which translates into a low percentage of agricultural entrepreneurs under 40 years of age (10%) and a large share of those over 55 years of age (60%). By now, it is a recognised fact that the economic dimension of farms tends to decrease as the age of the farmer increases. In addition, despite improvement the share of heads of farms holding at least a middle school certificate (19%) is among the lowest in Europe.

In 90% of the cases, family farms run by the owner are involved. Individual enterprises predominate in Italy, with partnerships or companies (2% of the total) being concentrated in Centre-North Regions.

From the standpoint of type of production, farms specialised in arable crops and olive growing predominate. In the decade between the last two censuses, livestock farms instead have suffered a sharp decrease following the introduction of stricter hygiene/health standards to be observed, which have caused a considerable rise in costs for farms. Other factors include changes that took place affecting Common Agricultural Policy (CAP) targeted to markets, above all as regards bovine Common Market Organisation (CMO) (both meat and dairy), as well as the abandonment of the activity due to a lack of generational renewal.

Despite the small size of most farms, many have developed diversification processes, undertaking business activities relating to the processing and marketing of products, third-party work, tourist activities and, in general, activities tied to the territory, culture and socio-economic context. In particular, the agro-tourism supply is highly dynamic in terms of quantity and services offered; however the number of guests has declined, including because of foreign competition in terms of prices and services offered. The most innovative activities, such as renewable energy sources, fish farming, forestry products, etc. are less developed than in the rest of Europe.

Those marketing their production on their own amount to 61%, for the most part involving values of less than 5,000 euro. In addition, only a few farms are included in food-chain circuits that would facilitate directing the production process on the basis of market demand, while even fewer (a total of 1,700 units) use more innovative marketing channels, for example “e-commerce.”

² 1 European Size Unit (ESU) corresponds to a Standard Gross margin of 1.200 €

As instead regards the food industry, the period between the last two censuses witnessed an increase in local units (+7%), in the face of a decrease in the average number of workers, above all in the southern Regions, giving rise to a growing diffusion of small non-industrial businesses, which often favour production choices tied to quality and tradition.

The agro-food co-operative system deserves special mention, being represented by over 5 thousand co-operatives with more than 69 thousand employed; through it, numerous small farms have developed forms of aggregation of supply, which has made it possible to reach important critical masses. About 7% of the co-operatives are of medium-large dimensions (with turnover exceeding 10 million euro).

Production orientation is also characterised by certain changes, inasmuch as the incidence of enterprises in divisions involved in the processing of fruit and vegetables, fish products and “other food products” has increased at the expense of more traditional activities, such as the dairy division and grain processing. Except for divisions involved in the processing of fruits, vegetables and vegetable oils, agro-industrial enterprises are mainly concentrated in the north central Regions.

The major problems that the national food industry must deal with consist of the high degree of business fragmentation, which enormously hinders its capacity to position itself on foreign markets, insufficient competition in services, a scarce propensity to innovation, financing that is inadequate for supporting the businesses’ internationalisation processes, fierce competition on the part of UE and non-EU countries, difficulties in collecting products in the national market because the insufficient organisation of farms makes it impossible to reach a certain critical mass and certain quality standards, and the poor financial situation which big businesses in particular find themselves in.

2. MAIN TRENDS IN FOOD CONSUMPTION AND IN QUALITY OF PRODUCTION

Recent years have witnessed a contraction of the volume of food consumption, especially regarding fruit and vegetables, as well as an increase in terms of value, which has translated into a decreased incidence of expenditure for the purchase of meat and an increased incidence of that for “potatoes, fruit and vegetables.” The economic recession and the effect of the introduction of the euro have in fact caused an enormous reduction in purchasing power, leading to an increase in the number of poor families and changed consumption of different items on the shopping list.

Profound transformations have also affected behavioural patterns and styles of consumption. Prominent examples of changed behaviour, attributable above all to socio-demographic phenomena, including an increase in the number of meals consumed away from home, de-structuring of the meal, identification of the main meal with dinner, the spreading of single-dose packages and the search for products having greater value added (fourth and fifth range).

Regarding styles of consumption, in the past 10-15 years new trends have emerged in terms of both the demand and supply of agro-industrial products. Numerous consumers have in fact directed their choices toward the purchase of products:

- with strong ties to the territory, meaning Protected Designation of Origin (PDO), Protected Geographical Indication (PGI), Controlled Designation of Origin (CDO), Controlled and Guaranteed Designation of Origin (CGDO), Quality Wines Produced by Particular Regions (QWPPR), local products without Community or national recognition, as well as ethnic products;
- with distinct characteristics of healthiness and safety or obtained using production processes with low environmental impact (products that are biological, as a result of integrated agriculture and OGM-free);
- with high ethic content, for which it is ensured that workers employed in the production or transformation process are not exploited and do not work in unsafe conditions, and that animals are respected.

Nevertheless, the demand for food products is rather segmented, depending not only on price, but also on the occasions and contexts of consumption. Consequently, the enterprises' marketing strategies, especially those engaged in processing, are oriented toward satisfying certain segments of the demand or toward highly differentiating production.

On the other hand, the enterprises have but little choice in the matter of production differentiation: since they operate in a globalised market, they are unable to compete with countries where labour has a lower impact on production costs, unless by producing food products with specific qualitative characteristics. Thanks to the development of new production technologies, a capacity for differentiation, the increased importance of promotion in the strategies of enterprises and ever increasingly more refined communication techniques, agro-industrial firms have thus contributed to changing the food habits of consumers.

In recent years, there has been a sharp increase in the number of Italian PDO and PGI products, which now number 155, representing 21% of all EU products with designation of origin and gaining Italy first place in the EU (March 2006). About 30% of such products come from the southern Regions. As for the consumption of products with designation of origin, 2004 showed signs of recovery following two years of appreciable contraction, above all in the cheeses division, despite a decline in processed meats and salami (-4.1%) and olive oil (-11.2%).

The consumption of such products, with a total value of 8.7 billions of euro, is extremely concentrated in terms of product (with 65% pertaining to Prosciutto di Parma, Grana Padano, Parmigiano Reggiano and Prosciutto di San Daniele) and geographical area (76% of the areas are included in just the Regions of Emilia-Romagna, Lombardy and Friuli Venezia Giulia, which produce the products of highest consumption). Analogously, 60% of the exports, amounting to 1.5 billions of euro, regards three products, namely Prosciutto di Parma, Parmigiano Reggiano and Prosciutto di San Daniele.

In addition, Italian Quality Wines are many, numbering 23 CGDO and 310 CDO, representing 33% of total vineyard area (ISTAT, 2000) and 31% of national production in terms of volume. Approximately 23% of Italian Quality Wines are produced in southern Regions. Wine consumption by Italian families has suffered a sharp decline starting from the second half of the 1970s. However, 2003 and 2004 marked a turnabout, with the consumption of CDO and CGDO wines standing out in terms of both volume and value. Different factors contributed to this, such as a trend to steadily improve the quality of the supply, the discovery of wine's many beneficial properties from the health standpoint, the perception of cultural and landscape/territorial values tied to wine's image, the diffusion of QWPPR with Large Scale Retail (LSR) and growing attention to the origin of wines. However, negative factors worked to impede a greater growth of consumption, including the excessive price increases of Italian wines in the early 2000s, which led to a contraction of QWPPR exports (-18% in the 2000-2004 period) and the lack of a widespread wine culture. Overall, 2004 registered a recovery, including wine exports, with the acquisition of new market shares in the emerging countries, in addition to a consolidation of market shares in the EU and USA.

As for organic agriculture, Italy is first in Europe and fourth in the world in terms of area so cultivated (over 1 million hectares in 2005, although more than 50% consisted of meadows, pastures and forage cropland, in part for purposes of biological livestock). From 2001 to 2004 a decline was witnessed in organic farm area and the number of organic farms, preparers and importers. The causes of this trend include reduced financial resources allocated for agro-environmental sub-measures of the Rural Development Plans pertaining to the adoption of organic cultivation and breeding techniques. In addition, often a lack of recognition of greater value added compared to conventional products contributes in a significant way to the reduction of organic farm area, in turn caused by the difficulties of horizontal and vertical integration on the part of farmers, which diminishes their bargaining power vis-à-vis processing firms and distributors.

Although integrated agriculture has not yet been recognised as a national quality system and lacks a single regulation, its high level of production placed on the market is to be underlined, due to the broad participation of farmers in the relevant agro-environmental measure, as well as the conditions the farms

must satisfy for access to LSR (proliferation of regulation, control and standardisation of rules) and the regulations provided for access to certain regional marks.

Analogous to supply, the national demand for organic products is beginning to show the first signs of recession, above all due to high retail prices. Specialised shops account for 30% of the purchases of organic products, which in 2005 numbered 1,117 units, undergoing a reduction despite the positive trend that has characterised this indicator for several years. Most purchases (64%) are instead made from LSR, which the consumer has more faith in concerning the checks performed. In addition, “e-commerce” is steadily gaining ground and the number of organic farms with on-site sales points is increasing, which allows even consumers with less spending power to purchase biological products. Moreover, the sale of “bio” products accounts for over 40% of the turnover of equitable trade shops. Finally, the number of school and hospital refectories/canteens that use organic products is increasing. Of total national production, 33% is exported, mainly citrus fruit, olive oil, dairy products and eggs. Imports are steadily increasing, mainly concerning the vegetable (vegetables and sugar) and livestock divisions. In addition, the demand for organic products is increasing in various European countries, which makes their market prospects good.

As regards the quality of business processes and especially the implementation of quality and environmental management systems, the number of certifications is sharply increasing in terms of both farms and businesses in the food industry, in accordance with ISO 9001 and ISO 14001 standards.

In recent years in Italy, forestry certification has also begun to expand, assuming an ever increasingly more strategic role for the management of sustainable models and proving of interest to both public and private partners (Regional Administrations, owners of woodland, entrepreneurs involved in first, second and third processing of wood, co-operatives, independent professionals, firms and trade associations). For the forestry sector, the most frequently adopted certification schemes at the international level are certainly the “Forest Stewardship Council (FSC)” and the “Programme for Endorsement of Forest Certification” (PEFC) schemes, whose distinctive feature is regional certification. Of all national forestry resources, about 623,190 hectares are registered with one of these forest certification systems: 15,845 hectares of woods with FSC and 607,345 hectares with PEFC.

3. MAIN CHANGES OCCURRED IN RURAL ENVIRONMENT AND NATURAL RESOURCES

3.1. Biodiversity.

The Italian peninsula is characterised by a substantial patrimony of biodiversity due to the great variety of habitats, many of which are tied to agriculture. The High Nature Value agricultural areas cover about 2.8 million hectares of UAA, approximately 21% of all farmland, together with High Nature Value forest areas, and are concentrated mostly in protected areas (including the Natura 2000 network) which, overall, cover about 20% of the territorial area. Of it, 20%-25% involves agriculture, especially meadows and pastures. Agriculture, above all when tied to high nature value agro-forest areas and particularly Natura 2000 areas, therefore plays a very important role in the preservation of natural biodiversity, the structure of *the traditional Italian landscape, traditional productions and diversification in the tourist/recreation sector.*

However, basic analysis reveals a general trend to the decline of biodiversity in all its components (genetic diversity, diversity of species and diversity of ecosystems). The worrying state of biodiversity in agricultural areas, indicated by the fact that about 47% of threatened or declining bird species (or 63% if rice fields and alpine pastures are also considered) are tied to the same, with an agricultural avifauna index, updated to 2003, of 67.3, is attributable to different factors: the intensification of agricultural activity or the persistence of overly intensive agricultural activity, production specialisation, and the

abandonment of marginal agricultural areas. In forest areas the problems of the preservation of biodiversity are instead mainly attributed to a lack of adequate strategic forestry planning, the difficulty of activating and maintaining active and ecologically compatible forest management, fires, fragmentation of property and, in some cases, of woodland ecosystems, as well as the abandonment of woods and woods-related and pastoral activities due to the depopulation of mountain areas.

3.2. Water resources.

The northern regions principally suffer from problems tied to water quality, although in recent years there have also been problems of shortages. Water shortage instead predominates in the central and southern regions, where over 53% of the water comes from subsurface water tables, without counting private supply structures. The most critical situation at the national level regards the quantity and quality of subsurface water resources, while the quality of surface water resources, measured by the pollution level, turns out to be sufficient on the whole, with the exception of critical localised situations (89.5% of the sampling points are rated as at least sufficient).

Agricultural activity exercises a pressure on water resources that produces negative effects on both quality and quantity. With regard to the worsening of quality, the principal causes are to be attributed to the use of fertilisers, pesticides and growing water consumption. The risk of water pollution due to excess nitrogen, whose average value in 2000 was 40.06 kg/ha, was lower in the southern Regions (22.04 kg/ha). With regard to problems tied to quantity, the principal causes are to be attributed to the scarce efficiency of irrigation in its various technical aspects (irrigation systems, feeder networks, sources of supply) and managerial aspects (manner and schedule of administration, insufficient planning of the use of the resource and of the irrigation season) and crop choices unsuited to saving water. Nevertheless, in the face of an increase in UAA irrigated (above all in northern Italy), the general trend is to resort to more efficient irrigation systems, which favours water savings. Intervention is underway in this area within the framework of the National Irrigation Plan, the objective of which is to increase the water supply and to improve the efficiency of the irrigation systems, in addition to upgrading the quality of water resources.

3.3. Climate change.

In recent years, a sharp increase has been registered in the use of biomass as a renewable energy source, even though still limited by problems of a technical, economic and fiscal nature. For example, the fragmentation of land holdings and problems tied to logistics – especially transport – limit possibilities for market expansion. The activation of local markets and short filières could encourage the development of the great potentialities of the agricultural sector, particularly those of the forestry sector, in biomass use and valorisation. In 2004, the quantity of bio-energy produced by waste and biomass was 5,220 Ktep (of which 1,305 from waste and 3,300 from firewood). In 2003, total bio-energy from agricultural and forestry sources amounted to 434.3 Ktep and 1,153 Ktep, respectively.

The emissions of greenhouse gas coming from agriculture amounted to the equivalent of about 38.7 million tons of CO₂. In particular, agriculture is the sector most responsible for emissions of methane and nitrogen oxide, with the former mainly attributable to livestock activity, and the latter to fertilisation and the management of livestock manure and slurry. Increased mechanisation and the trend to placing production processes in air-conditioned environments are mainly responsible for the resort to fossil fuels by the agricultural sector. However, recent years have registered an overall reduction of agricultural emissions, mainly due to the reduction of emissions produced by waste of livestock.

3.4. Soil.

Soil plays a fundamental role in the regulation of water flows, in the protection of biodiversity, in the conformation of the landscape and in the absorption of greenhouse-effect gas. In addition, soil characteristics are a fundamental element for quality products tied to the territory, while conversely such products are important for soil protection.

Soil conditions and possible related environmental problems are closely tied to the evolution in soil use. Recent years have witnessed a progressive reduction of UAA (-16.5% from 1982 to 2003), mainly involving permanent meadowlands and pastures (-26%). In the proximity of urban areas (particularly in plains areas, along seacoasts and in inland valleys) agriculture is instead under strong pressure for land, which has led to the continuous cession of the most fertile areas for other uses, with negative and often irreversible effects on the soil.

In many agricultural areas, particularly plains and coastal areas dedicated to specialised agriculture, the risk of soil pollution and contamination is greater. For example, one source of agricultural pollution and alteration of biological and structural soil balance is tied to the excess of phosphorous released in the ground by organic fertilisers (manure, manure slurry) and mineral fertilisers (artificial fertilisers). Excessive phosphorous in the soil can reduce species diversity, altering competitive balance; moreover, it is the principal cause of the eutrophisation of waters. The Regions with the greatest surplus of phosphorous per hectare, especially more than 30 kg/ha, are mostly in the North (Lombardy, Veneto and Emilia-Romagna). However, the Regions of Northern Italy are also the ones that reported the greatest reductions in this sense in the past six years.

Water erosion and decreased organic substance instead constitute a risk in all hill and mountain areas, although in the mountain areas of some regions the phenomenon is scaled down by the increase in wooded areas, which have replaced abandoned meadows and pastures. Average soil loss in Italy is 3.11 tons per hectare per year; higher values have emerged in some central and Southern Italian Regions, pointing up a critical situation. Finally, the abandonment of forestry and pastoral activities plus unsustainable forest management have led to increased hydro-geological and fire risk.

Ecologically compatible agriculture, such as biological agriculture, generally involves not just less release of pollutants in the soil, but also less cultivation with less harmful effects in terms of erosion and reduction of organic substance, which for that matter gets replenished with green manure practices. Reversing a trend of recent years, in 2005 the area dedicated to organic agriculture increased to 1,067,102 hectares or 7% of UAA, over half of which formed by meadows, pastures and forage land, in part used for biological livestock.

3.5. Forests and forestry activities.

Preliminary results of the second National Forestry and Carbon Inventory (IFNC, www.ifni.it) estimate that our country has total forestry resources area amounting to 10.7 million hectares, over 50% of which concentrated in the northern Regions. The Italian forestry area amounts to 5% of the European total and covers 35% of Italy's territory (90.5% of which classified as "Forests" and 9.5% as "Other woodland," essentially shrub areas, maquis and arboriculture systems for wood). In the last twenty years, the forest area in Italy has grown by 7.2%, in line with a process that has seen total Italian forest area nearly triple from 1920 to date. The lack of growth in forest productivity (only 3 m³/year/ha produced - FRA2005) and limited wood use (about 10 million m³) place Italy low in the European classification; this situation is in part determined by the small average size of the forest farms, which does not promote their optimal management.

However, the productivity of national forests has not increased. Wood use amounts to approximately 10 million cubic meters (FRA2005), of which more than 65% used as a source of energy (firewood). In addition to forest area, arboriculture for wood (218 thousand hectares) must be considered for

purposes of wood production, particularly the commercial growing of poplar and high-grade broad-leaved species (cherry, walnut, ash, and oak).

For the most part, forest ownership at the regional level is private, especially in Regions where all where a tendency to valorise woodlands from an economic standpoint has developed over an extended period. An exception is found in the east central alpine Regions (Lombardy, Trentino, Veneto, Friuli Venezia Giulia) and those where particularly important National and Regional Parks are located (Abruzzi, Basilicata, Sicily and Valle d'Aosta). Slight active management of forestry resources is registered in rural and mountain areas. The average size of private agricultural/forestry enterprises is less than 7 hectares. That certainly does not encourage an optimal management of forestry resources; in addition, such management is hindered by an insufficient road system and the location of productive woodlands, 95% of which are situated in mountain and hill country, where accessibility is in any case at a disadvantage and more costly. Product quality of Italian wood production is quite low, with 65% of national production in fact being used to produce energy (firewood).

Thus, the role of forests and forestry production in the primary sector remains extremely marginal. In the last 20 years, the average value of primary forestry production (raw wood materials) amounted to little more than 1% of total primary sector production and 1.45% of value added. The businesses utilising woodland represent 3.7% of the total forest/wood filière and are characterised by an average of 3-4 workers per business. Labour productivity in the forestry sector is modest, amounting to 7 thousand euro.

The wood industry employs 420,400 workers and involves a total of almost 89,000 enterprises. Processing firms making use of woodlands represent 3.7% of the entire filière and are characterised by an average of 3-4 workers per firm. First-processing firms (sawmills) represent 3.2% of all forestry industry businesses; firms engaged in second-processing of wood (involving the production of furniture, paper and cardboard, cellulose pulp and energy) represent 93% of the total and procure supplies mainly abroad, although Italy is one of the world's leading furniture manufacturers. In north-east Italy, the forest/wood filière still constitutes an economic sector impossible to overlook in rural mountain areas, with interesting possibilities for growth tied to the development of environmental technologies, where there is plenty of room for wood.

Processing firms that are part of the wood/furnishings sub-filière account for 15% of the manufacturing sector and 8% of its workforce. The lack of linkage between the different links of the production filière, along with the low quality of Italy's wood materials make this sector of Italian industry highly dependent on foreign wood imports, with obvious effects on the trade balance, which remains positive only thanks to the high level of exports of finished products (furniture).

Noteworthy among activities originating in forestry is the production of a renewable source of energy in the form of biomasses of firewood and the like, which represents 20% of the renewable energy produced nationally (2004). In any case, the figure is underestimated, inasmuch as it does not include family consumption of firewood. However, compared with the rest of Europe, Italy is near the bottom of the list in terms of the share of overall energy requirements covered by the production of energy from biomasses, which amounts to 2.5% versus the European average of 3.5%.

In addition to its importance in economic/productive terms, forestry resources play a strategic role in the protection of the environment, the hydro-geological system and landscape, as well as in the mitigation of climate changes. While difficult to evaluate in economic terms, these functions performed by forests define the multifunctional nature of the forestry patrimony. The use of forestry resources areas, when knowledgeable and active, therefore involves multiple functions able to guarantee economic and occupational advantages, not only through the production of wood, but also through the appropriate valorisation of the environmental, historic/cultural and social role that forests play. The management of forests is thus ever increasingly more oriented toward the production of un-priced services, also directing wood production ever increasingly more toward sustainable forestry intervention measures and the adoption of sustainable management practices.

The most recent data of the CONECOFOR monitoring programme on the state of health of forests show a worrying situation concerning Italy's forests. In the 255 observation points monitored

(involving some 7,000 trees), defoliation was detected in 40% of the cases. Data for the last 10 years indicate an uncertain trend, ranging from 18% of trees severely defoliating in 1993 to 36% in 2004.

The historic series of forest fires beginning in 1980 shows how, despite sharp fluctuations tied to climate trends, there was a slow decline in the area affected. On the other hand, however, there was a steady increase in the number of the fires, which seems to have halted only in recent years. In 2005 alone, fires numbering just under 8,000 struck about 47,500 hectares (source: Corpo Forestale dello Stato, 2006)

3.6. Air quality (ammonia).

Among the principal atmospheric pollutants contributing to acidification and eutrophication, ammonia is the one deriving largely from the agricultural sector (94%), particularly from: a) livestock effluents (based on their composition, handling and use); b) mineral nitrogenous fertilisation (based on the quantity of fertiliser used, pedo/climatic features and the vegetative stage of the plant at the time of fertilisation). In Italy, agriculturally derived ammonia emissions (411,513 tons) register a flattening of the decreasing trend beginning from 2002; nevertheless, great variations are not to be found that are attributable to the agricultural sector. The greatest amounts of ammonia emissions are attributed to the Centre-North Regions, particularly Lombardy, Veneto, Emilia-Romagna and Piedmont, where livestock activity is most intensive and where over 50% of the livestock units in Italy are located. On livestock farms, ammonia emissions most frequently take place in connection with animal shelters, storage of manure and their agronomic spreading, in addition to climate, soil conditions and the overall management modalities of the farm.

3.7. Landscape.

Italy's rural landscape, the fruit of several thousand years of history, has always been recognised as one of the fundamental elements of the cultural identity of our country. It constitutes a fundamental resource, resulting in an added value for productions with designation of origin and forming a key element for the development of tourism and for biodiversity tied to the quality of the cultivated areas and species introduced by man, thus representing an aspect characterising the quality of life in rural areas. In recent decades, the Italian landscape has been affected by progressive deterioration, which is jeopardising its qualitative features. In areas most dedicated to agricultural activity due to favourable pedo-climatic characteristics suitable for crops and technical means proper to industrial agriculture, and therefore lending themselves to an intensification and simplification of production processes, agro-systems based on additional outside energy sources have spread, which are almost always efficient from an economic standpoint, but weak in terms of ecology and negative in terms of landscape, being unrepresentative of local cultural identity and lacking spatial diversity. In particular, the strong development of industrial single-crop cultivation, intensification (e.g. increased plant density in vineyards and olive orchards) and cancellation of mixed crop cultivation and arboreal components that once characterised much of the rural territory, albeit to a different extent from north to south, have negatively affected biodiversity, above all that of spaces tied to soil uses and species introduced by *man*.

In contrast, areas not suited to crop simplification and intensified production, such as mountain areas, have undergone a process of marginalisation, with the abandonment of previous activities and settlements, followed by a spontaneous return to nature and reforestation measures. Along with positive aspects, the increase in forests has further reduced spatial diversity, cancelling traditional soil uses and creating new parts of the landscape that are often alien to the local context, hindering wildlife management owing to growth of compact, homogeneous forests that have reduced open spaces. Moreover, the suspension of traditional productions and forms of management tied to a wide range of wood and non-wood products has also contributed to reducing the structural complexity of the woods. Finally, the accelerated deterioration process of recent decades is likewise connected with inappropriate

policies based on incentives and subsidies that have failed to take into consideration the conservation of the cultural landscape and the impact of the measures taken. To such processes must be added the characteristics of the new buildings in rural areas, which are often insufficiently respectful of the historical identity of the local landscape.

4. DYNAMICS OF POPULATION, BASIC INFRASTRUCTURES AND NON-FARM ACTIVITIES IN RURAL AREAS

The main trends concerning these can be discussed according to the typology of rural areas presented in paragraph 1.2.

4.1. Peri-urban areas.

Normally, their closeness to urban centres means that these areas have a fair supply of services for the population and economy. In these areas, the tourist infrastructure is well developed, having about 700 thousand hotel beds for a density of 31 beds/sq. km, needed to meet the high tourist demand. While figures are unavailable for the territorial breakdown, these rural areas are the ones best supplied with Internet services. However, it is pointed out that farm operators with alternative gainful activities represent just 22.7% of the total, a value far below the national average (26.5%).

It is opportune to underline that the emergence of this category of areas is functional not to its exclusion from RDP measures, but to the identification of the measures most appropriate for the particular characteristics of the same areas. In this respect, it is pointed out that in certain areas of the country the particular orographic and demographic situation leads to the concentration in those areas of residential, tourist and commercial districts, as well as highly specialised and intensive agricultural activities, which occupy relatively modest areas but represent both important economic resources and sources of employment.

In these areas, the resident population in municipalities involved in the Leader+ community initiative is about 4.4% of the total population; this value decreases to 2.2% in the Convergence Regions.

4.2. Rural areas with intensive and specialised intensive agriculture.

Next to the agricultural sector, the tourist sector and micro-/small business sector appear highly structured, with over a quarter of hotel and crafts enterprises concentrated in these areas. In some specific areas, pronounced agricultural specialisation and recent immigration have caused problems related to competition in the use of primary resources, environmental impact and the sustainability of agricultural activity, all of which will require the implementation of policies for prevention and restoration. From this standpoint, the areas at issue are vulnerable ones with a greater presence of nitrates, representing more than 35% of those pinpointed at the national level or about 5% of total area. However, these areas include high nature value territories included in the Natura 2000 system (SCI and SPA); these areas represent only 7.7%, covering 6% of total area.

Notwithstanding favourable geomorphologic characteristics, these areas feel the effects of certain problems typical of more marginal areas in terms of services to enterprises and the populace, as well as infrastructure resources, all of which are amplified, among other things, by the marked anthropic process underway in the territory and by commercial and tourist traffic. The index of material and immaterial infrastructure resources is below the national average, placing powerful limits on businesses

in terms of competitiveness. Deficiencies are also registered in terms of services, above all health services, with the number of hospital beds being equal to 70% of the national average, the number of pharmacies low and educational services inadequate for the resident population.

In these areas, there are good tourist facilities, with available beds numbering 1 million (baseline indicator 30) and sufficient density (21 beds/sq. km) to satisfy existing tourist demand.

In these areas, the population living in municipalities involved in the Leader+ community initiative is about 14.3% of total population (baseline indicator 36); this value in the Convergence Regions is a much higher 29%.

4.3. Intermediate rural areas.

Agricultural activity in these areas is complementary to other activities, but constitutes a key factor for the growth of the local economic systems in an integrated form. In addition to the sometimes highly-qualified agricultural and/or agro-industrial sector, there are in fact landscape and nature resources present (21% of Italy's protected land is concentrated in these areas), as well as resources of a cultural, historical and wine/gastronomic nature that have been or are susceptible to valorisation in integrated form, creating a local integrated economic system characterised by a balanced development of service industry activities tied to tourism, commerce and specialised services. It is not by chance that these areas – above all those included in the convergence objective – have a propensity for self-employed work exceeding the national average. The preferred non-agricultural activities are tied to tourism (26% of beds for paying guests is concentrated in these areas and crafts).

As regards environmental facets in particular, about 23% of the Natura 2000 areas (SCI and SPA) are concentrated there, with a total area of over 1 million hectares or about 10% overall. Areas vulnerable to nitrates instead represent 29% of those identified at the national level, but only 2.3% of total area.

The characteristics of these areas are the source of numerous problems of a socio-economic type. The infrastructure resources are typically rural, essentially tied to roads and railways with connections and services that often meagre. The same is true of telecommunications infrastructures, with wide band serving a minority of the population. The situation of services for the population is likewise problematic: there is one hospital bed for every 332 inhabitants and numerous municipalities lack postal and banking services.

Tourist facilities in these areas are inadequate. With 900 thousand beds available in the territory, density is just 10 beds/sq. km. In these areas, the population living in municipalities involved in Leader+ represents about 37% of total population; this value drops to 27.2% in Convergence Regions.

4.4. Rural areas with low rate of economic development.

However, agriculture alone does not offer prospects of survival in the long run, in view of the fact that land profitability levels are too low (little more than 1,000 euro per hectare of UAA, which increases to about 1,500 euro/ha in Convergence areas) and the presence of rather unproductive territories (on the average, for every 100 hectares of TAA only 56 get used). Processes in connection with the abandonment of agriculture are therefore particularly intense, especially in the inland mountain country. In these areas, traditional Mediterranean cultivation (olives, grapevines, arboreal cultivation mixed with sown crops, the same forest crops) do not succeed in representing an adequate source of income owing to the age of the equipment/facilities, fragmentation of holdings, use of traditional techniques, market outlet that is predominantly local or in any case short-range, etc. The possibility of the survival and growth of such realities is tied to the specific nature of the local resources and ranges from the valorisation of typical and/or quality productions to development based on the diversification of local economic activities or the exploitation of the potentialities for tourism through the valorisation of

environmental, historical and cultural resources. In these areas, a number of problems are posed in any case, including the structural modernisation of agriculture, generational renewal in the agricultural production fabric, hydro-geological management of the territory, environmental protection and, more generally, the improvement of the quality of the life of the resident population. Areas characterised by extensive cereal growing and the raising of animals also fall under this typology, which are potentially subject to the CAP Reform. This reform will certainly bring about processes involving the reorganisation of current productions, which threaten to cut most deeply at the territorial level precisely in areas characterised by a weaker productive structure.

In addition to problems pertaining to sector, problems of a socio-economic nature must be pointed out, which especially in convergence areas translate into higher unemployment rates, slight capacity for accumulation, less disposable income, sluggish growth and development, and a gap in services resources compared to other areas of the country (including the Internet services equipment). Despite the low profitability of the agricultural sector, the population dependent on it in these areas is greater (8% versus 5% nationally), while the manufacturing and tourist sectors appear less dynamic compared to other areas. It must further be pointed out that there are major material infrastructure and educational deficiencies in these areas, with indices far below the national average, which have repercussions on the quality of life and socio-economic vitality.

Tourist infrastructures in these areas are inadequate. Beds available number just over 1 million, with a density of just 9 beds/sq. km.

At present, these areas are where the Leader+ community initiative is most concentrated. The population living in municipalities covered by Leader+ represents about 63% of total population. A similar value is found in Convergence Regions (about 60%).

5. IMPLEMENTATION OF POLICIES

It must be noticed that the concept of rural development, as it is concretely used in Italy and in the other EU countries, does not exactly correspond with that used in the SMDD (particularly the chapter 2.5 devoted to the promotion of sustainable rural and agricultural development). The most recent evolution of EU definition of rural development concept, as it is implemented in programmes funded by European Union, encompasses four fundamental objectives:

- the modernisation of agricultural and forestry sectors;
- the enhancement of agricultural and forestry sectors;
- the improvement of quality of life and diversification of economics activities in rural areas.
- the improvement of governance and mobilising the endogenous development potential of rural areas

Following this definition, rural development does not necessarily imply the development of agricultural sector, but include the relations with other sectors and also social and cultural needs and resources of population living in the rural areas. This implies a wider concept of rural development, which actually is convergent with several components of the MSSD as follows:

- promotion of productive and rational agriculture (totally convergent with objective a));
- rural development and governance (totally convergent with objective c) and d));
- sustainable management of rural areas and of the Mediterranean natural environment (partially convergent with objective b)).

This report will reconstruct the global framework of rural development policies in Italy according to the EU definition, which seems wider than the one adopted in MSSD and more consistent with the changes occurred in the Common Agricultural Policy (CAP) in the second half of '90s. The reconstruction of this framework of the national policies implies that not only EU programmes, but also national measures will be taken in to account.

Rural development policies are a sort of big box where old and new tools can be found. More traditional tools are those deriving from the classical structural policy, which was introduced in the early seventies by European Community. Main type of interventions that belong to the classical structural policy are the support of farm investments, the incentives to the agro-food industry, the income support to farmers operating in more disadvantaged areas. Later on, in the 1992, a reform of the agricultural policy promoted by the Commissioner McSharry, introduced other measures aimed at accompanying the reduction of farm support, modernising the agricultural sector and driving it towards more environmentally orientated practices. The McSharry reform introduced this important group of measures, called "accompanying measures" of the 1992 reform process: early retirement, agro-environment, afforestation of agricultural land. All these measures have the nature of a direct aid to farm income (without any investment project to be supported), and their specific objectives are different: in fact, they tend to offer an incentive to the retirement of the elder family members, to good farm practises (environmentally sustainable), to the reduction of the agricultural area. The more recent measures introduced in the EU "tools' box" are those devoted to the support of the rural territories and farm diversification. This group includes different types of measures, e.g.. support of irrigation investments, of services to farm and rural population, of craft and tourism activity in rural areas, etc. These measures corresponds more to the new vision of rural development that is taking place in the EU language and regulations.

All these intervention measures can be grouped into more general categories, that are useful here to recognise the different strategies which have been taking place in the 2000-2006 period in EU policies. The menu approach, as said earlier, is based on the choice among 24 different types of interventions in

the EU rural development programmes. These interventions can be grouped in six broader categories of policy objectives:

- structural modernisation;
- infrastructures targeted to farm structures;
- human capital;
- enhancement of environment;
- income support in less developed areas;
- economic diversification and quality of life of rural population;
- integrated approach through LEADER;
- others.

Figure 4 shows as total public resources (coming from EU budget and from national and regional co-financing) are distributed among these categories in the 2000-2006 period. Globally considered, support of environmental practices can be considered as the relatively most important type of interventions (more than one third of the total public resources); if these are added to the income support in less developed areas, more than 50% of public resources of RD programmes in EU-15 are absorbed. Structural modernisation in the most classical sense (aid to farm and agro-industrial investments under different forms) represent something more than one fifth of public resources. Structural modernisation in agriculture is conceived in most countries as coming from investment in farm and agro-industrial system rather than a result of improvement in local infrastructures and services or of the human capital within the farm structure: infrastructures and services only absorb only 7,5% and human capital 8,6%. This strategy focusing mainly on farm physical capital and neglecting human capital and external economies in rural areas is one of the most severe critical point in the rural development policies implemented in EU countries. Rural development is more supported in the classical sense of modernisation and compensation for the higher costs associated to the environmental practices.

Figure 4 – Percentage of public expenditures by category of investments in EU-15 2000-2006 Rural Development Plans

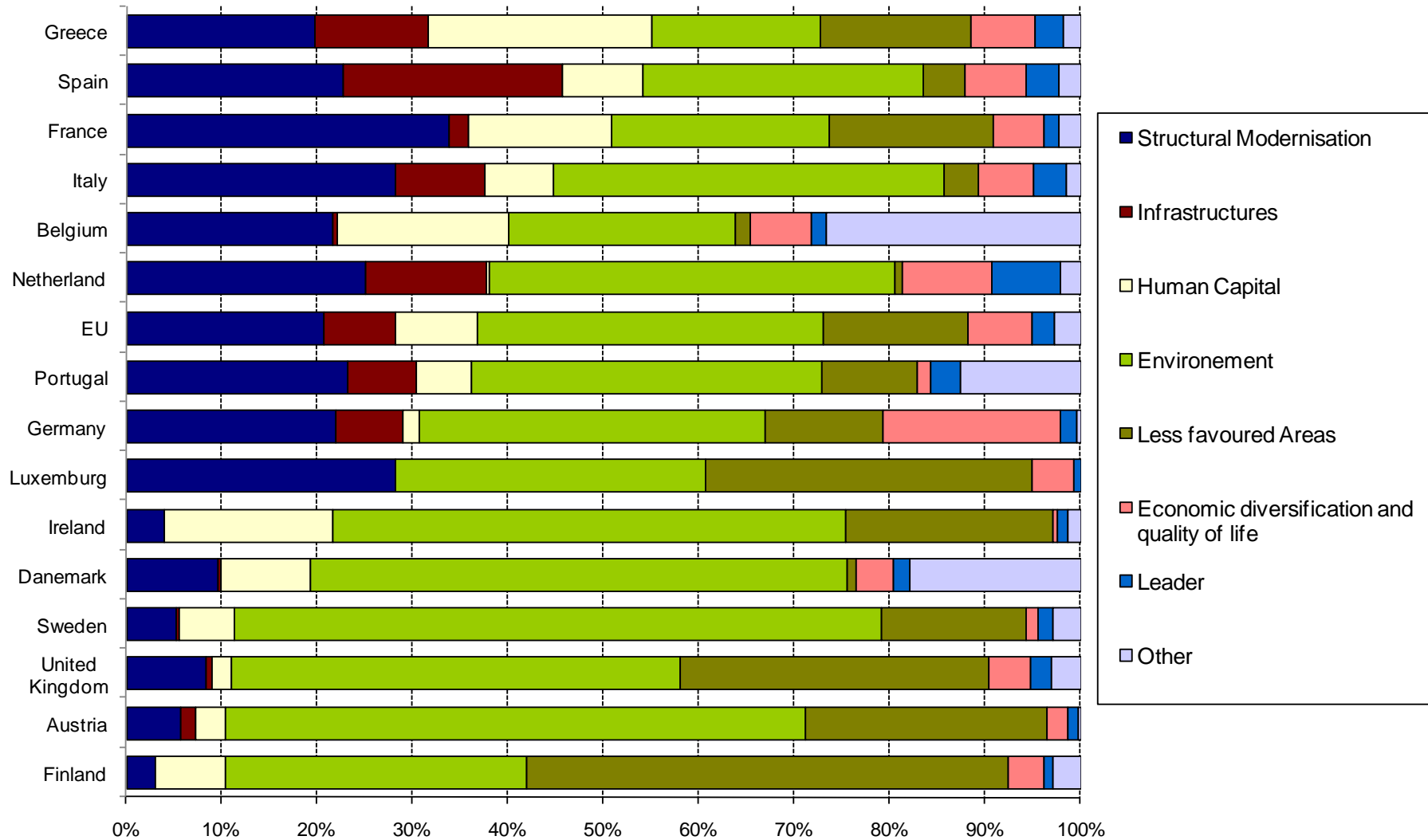
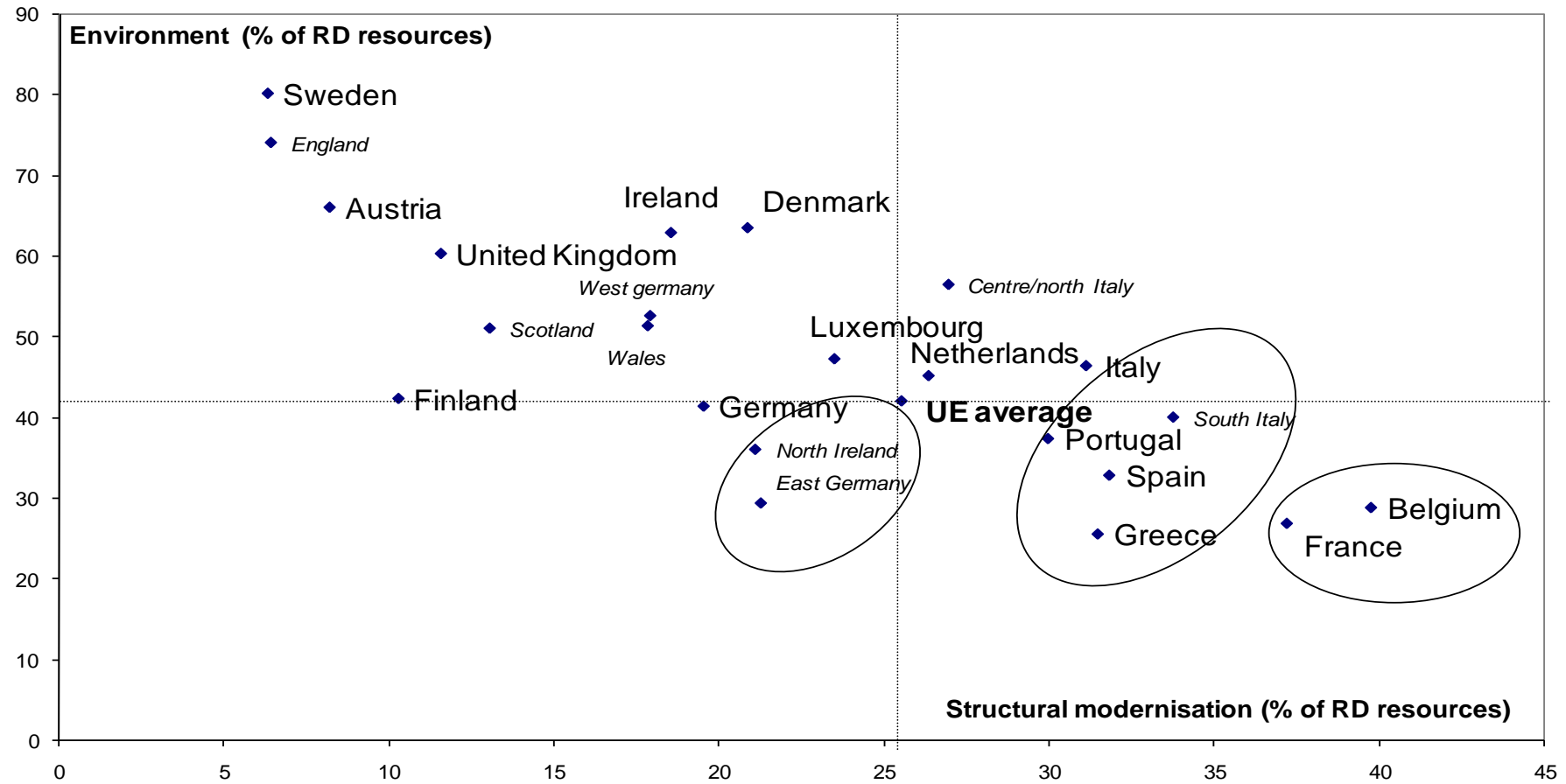


Figure 5 – Structural modernisation versus environment in the EU-15 2000-2006 rural development strategies



Economic diversification and quality of life of rural population, instead, has got a marginal role in the national and regional programmes. It has only absorbed 6,8% of the public resources; to this percentage the amount of LEADER resources should be added (2,3%). Summing up, the real effort for rural development in a broader sense was very marginal in EU-15 in 2000-2006 period and constitutes something more than 9% of the global resources.

What about the differences among countries and regions? Do objectives and strategies differ by country and /or by region? Which common profiles can be recognised by comparing the composition of public expenditures?

Main components of the rural development strategies differ according to both country and regions. The analysis of RDPs in 2000-2006 period and in EU countries highlights different models of strategies. Similar analysis have been recently developed by other researchers, with particular emphasis to composition of the programmed expenditures (CNASEA, 2003; Dwyer et al 2002). Environmental strategies always absorb a great amount of resources. Nevertheless, there are countries and groups of regions where modernisation of farm and agro-industrial is the most significant objective. Two groups of countries seem to emerge (figure 4):

a) a group of “Mediterranean” countries where modernisation, infrastructures and human capital have still a important role in influencing RD strategies. This group is largely dominated by countries with a strong presence of lagging behind regions (Southern Italy, Greece and Spain); also France can be included in this Mediterranean group. Countries like France and Belgium seem to follow a “Mediterranean” strategy because of the financial importance given to measures supporting the entrance of young farmers into the farm management. Apart from France and Belgium, the modernisation strategy responds to basic needs of farm restructuring. In these countries the weight of small holdings is much more relevant than elsewhere (figure 5). Some Mediterranean countries also give a relevant role to development of infrastructures: this is due to the great support that irrigation and other collective infrastructures need in countries like Spain and Greece. Incentives to economic diversification confirm their marginal role almost everywhere, excepting for Eastern Germany;

b) a second group of North-European countries (Luxemburg, Finland, Denmark, Sweden, Netherland, Ireland, United Kingdom, Austria) where the protection of environment, the compatibility between environment and agricultural practices, the support of less favoured areas and initiatives taken to enhance the environmental context are the most important priorities. To be noticed that there are four countries where environment and less favoured areas absorb 80% of the RDPs resources (Austria, Finland, Sweden and United Kingdom). North-European countries have greatly stressed the importance of environment within their programmes, as if the structural problems of their agriculture were definitely solved. Their strategy is essentially based on the objective to compensate higher costs of farmers by directly supporting their incomes under the condition that they are adopting eco-compatible practices and/or they operate in special areas and continue to farm for a reasonable period of time. These resources can be considered as a mere support to farms, given just to maintain the viability of agricultural production and do not imply any structural change in farm capital in the long term.

6. WHICH ECONOMIC ALTERNATIVES?

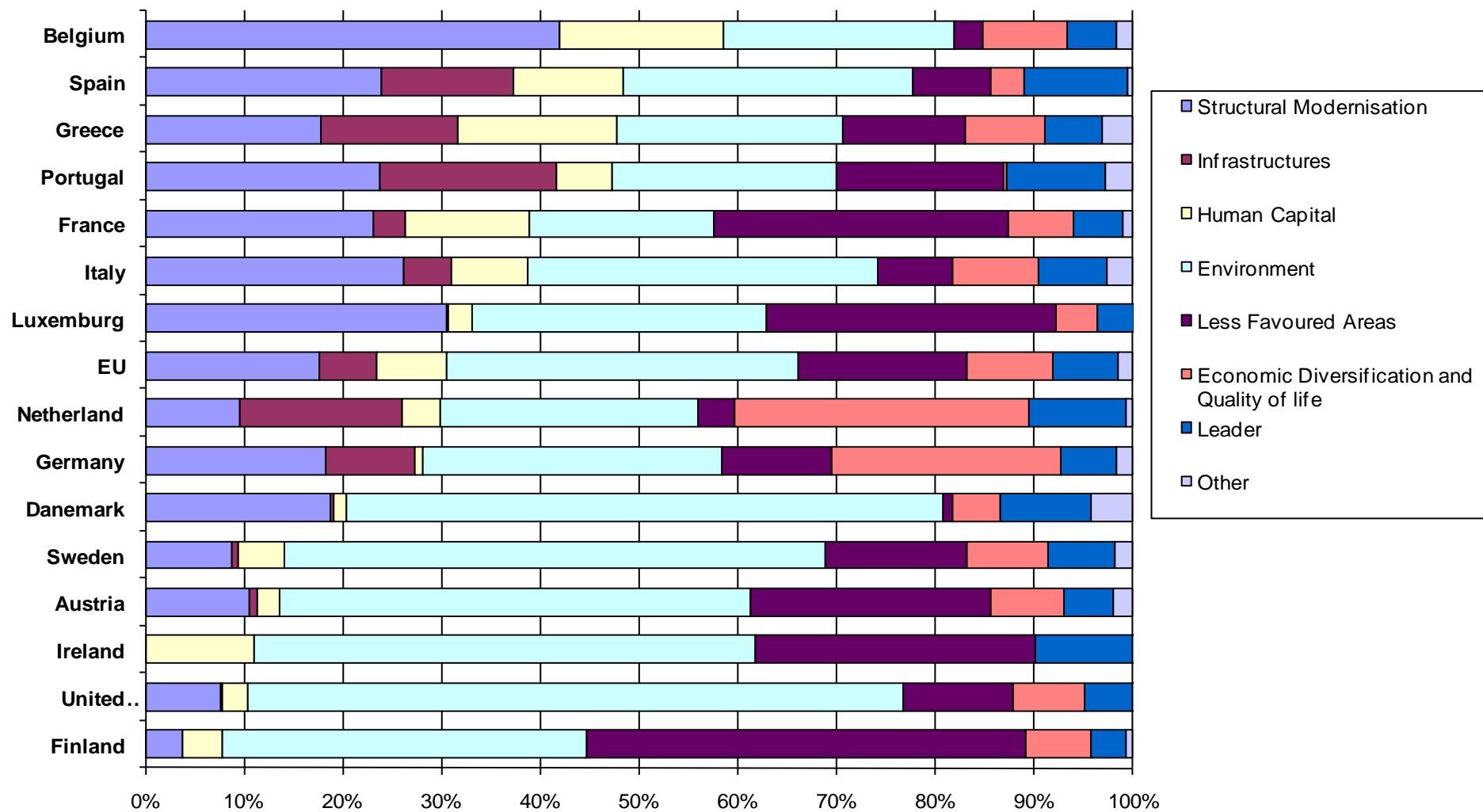
6.1. New strategies for rural development in Italy

What are the new strategies for rural development in EU and particularly in Italy? Some answers to this question can derive from the analysis of the priorities in the 2007-2013 period. Using the same classification of main types of intervention of 2000-2006, some comparison could be made also in terms of changes in the strategies.

At the Eu-15 level (figure 6), environment and direct aids to less-favoured areas remain still the main priorities of most countries: public expenses of the future RDPs are targeted for the 53% of global expenses to these two destinations. Some slight redistribution of public resources emerges between priorities, especially from structural modernisation (18%), infrastructures (6%) and human capital (7%) which globally assume less importance than in the 2000-2006 period in favour of the less developed areas aid (17%) and the integrated approach under the LEADER priority (7%). In this redistribution two main forces have exerted their influence: firstly, the strong priority given to direct aids less developed areas by a certain number of North-European countries like France (30%), Finland (44%), Austria (28%) and Ireland (24%); secondly, the minimum threshold fixed by EU regulation for the LEADER approach (5%) and the identification, in many countries, of the LEADER approach as the main instrument for promoting the diversification and a better quality of life in rural areas. In this respect this instrument is considered a sort of privileged channel for non-farm interventions, rather than a modality to promote innovative governance and mobilising endogenous development potential in rural areas.

Mediterranean countries (Spain, Portugal, Greece and Italy) still give strong priorities to interventions in favour of farm modernisation, infrastructures and human capital (more than the other countries), but with strong internal differences depending from the regional specific strategies. This is particularly true for the Italian case, as we will see later. France radically changed its priorities with regards to the previous programming period: environment and less developed areas now represents together 50% of the planned public resources; in the 2000-2006 the same amount of resources was devoted to farm modernisation, infrastructures and human capital. It is very likely that this change of priorities has been influenced by two main factors (not only in France, but also in other North European countries): on one hand, the reduction of the agricultural support which is taking place after the CAP reform, which has transferred financial resources from the first to the second pillar via obligatory modulation; secondly, and not less important, the preoccupation of spending the EU resources, much stronger in case of structural investment than direct aid such as agro-environmental measures and less developed area compensations.

Figure 6 – Percentage of public expenditures by category of investments in EU-15 2007-2013 Rural Development Plans



When we look at the Italian strategies for rural development, we notice that there are strong differences among regions. As in the previous period, RDPs are planned and managed at the regional level, due to the decentralised institutional framework which has been operating in Italy since the '70s.

In the 2007-2013 period RDPs in all countries are focused on four main priorities (in EU terminology these priorities are called Axis because they represent the fundamental frame of each Plan):

the enhancement of agricultural and forestry competitiveness;

the improvement of environment and countryside;

the diversification of rural economy and the quality of life in rural areas;

a better local governance.

In order to make the analysis of the emerging regional strategies, a typology of strategies and instruments currently used by Italian programmes will be described, corresponding to the great variety of regional institutions and typologies of rural areas in the Italian context.

This analysis is based on the comparative study of 21 regional Rural Development Plans (RDPs) which were prepared by Italian Regions for the 2007-2013 period. This study will take into consideration the financial allocation among the different priorities within the 21 RDPs. They represent a great part of financial resources planned in each regions in the 2007-2013 period. For this reason they could give a wide framework of rural policies implemented in rural areas for the years to come.

The strategy for rural development has changed in Italy, when it is compared with the previous period (2000-2006). The enhancement of agricultural and forestry competitiveness was the first priority in terms of amount of public resources planned (table 13). Now, in the current period (2007-2013), the first priority has become the improvement of environment and the countryside. The amount of resources devoted to RDPs has raised, moving from 14.290 billion € to 16.616 billion €. The positive difference (something more than 2,3 billions €) has been allocated to c) and d) priorities (diversification, quality of life and local governance) and to less extent to environment and countryside. This has caused a strong increase of c) and d) priorities, both in absolute and percentage terms. It must be noticed that this was essentially due to the minimum threshold for these priorities which was established by the EU rules, rather than to a autonomous choice of EU Member States and regions. EU guidelines for rural development has imposed a minimum threshold to safeguard a right balance among priorities across Europe. In Italy, diversification, quality of life and local governance has never been considered as strong priorities in 2000-2006 period (not more than 10% of financial resources has been allocated to them).

Table 13 - Allocation of public expenditures among main priorities in the 2007-2013 Italian Rural Development Plans

Programming period	Strategic priorities of Rural Development Plans				Total
	Sector Competitiveness	Environment and rural space	Economic diversification, quality of life and local governance	Other	
(millions €)					
2000-2006	6.620,06	6.369,63	1.300,67		14.290,36
2007-2013	6.446,51	6.981,45	2.760,11	428,40	16.616,47
(%)					
2000-2006	46,33	44,57	9,10		100,00
2007-2013	38,80	42,02	16,61	2,58	100,00

The national allocation among priorities is the result of regional allocation which has been decided by regional RDPs. At regional level three types of rural development strategies has emerged for 2007-2013 programming phase:

a strategy strongly oriented towards environment and countryside (environmentally-oriented);

a well-balanced strategy;

a strategy strongly oriented towards agricultural and forestry competitiveness (sector competitiveness-oriented).

6.1.1. Environmental-oriented strategy.

In this group of regions the environment and countryside priority has a dominant role, sometimes more than double in respect of other priorities. The weight of environment is generally above the 50% of public expenditures. This is a geographically homogeneous group of regions (northern regions, presence of wide mountain areas): Piedmont, Lombardy, Val d'Aosta, Trento and Bolzano). Two southern regions also belong to this group: Basilicata and Sardinia. Globally considered, this group represents about one fourth of the rural development resources in Italy.

6.1.2. Balanced strategy.

The second group does not adopt a strongly oriented strategy, neither on the environmental side nor on the competitiveness one. The strategy here is well balanced between the first two priorities which together represent almost the 80% of the public expenditures of the group. This group is made up of 8 regions, half in the Centre of Italy (Emilia, Tuscany, Umbria and Marche) and half in the South (Campania, Calabria, Sicily and Apulia).

6.1.3. Sector competitiveness-oriented strategy.

This third group adopt a strategy strongly oriented towards sector competitiveness and much less oriented to environmental objectives. Here the distance between the two priorities is relevant (more than 11% targeted to the competitiveness). Regions in this group are not typical of a specific

geographic area: they belong to North (Veneto, Friuli-Venezia Giulia, Liguria), Centre (Lazio) and South (Abruzzi and Molise).

Comparing these strategies in the two periods (2000-2006 and 2007-2013) (table 14), it is evident that in the first period groups of regions were polarised between two principal strategies (environmental-oriented on one hand and sector competitiveness-oriented on the other hand). That means two clearly different and well-defined sets of priorities. And also the most diffused strategy was the first one, due to the importance of Mezzogiorno regions. In the current period, instead, the balanced strategy group prevails, a trend which is opposite to the polarisation of the previous period: a more composite strategy which seek to combine environment and competitiveness in a well-balanced mix of priorities within the same programme.

Table 14 - Share of public expenditures for 2007-2013 Italian Rural Development Plans by group of strategy

Groups of regions	Share of total public expenditures (%)	
	2000-2006	2007-2013
Group I: Environmental-oriented strategy	36,57	26,39
Group II: Balanced strategy	14,22	57,53
Group III: Sector competitiveness-oriented strategy	49,21	16,08
ITALY	100,00	100,00

6.2. Experiences and lessons from territorial and integrated approach in Italian rural areas

The Mediterranean Strategy for the Sustainable Development (MSSD) is strongly based upon the local development and the participation of the civil society, the private sector, the NGOs, the multiple actors and partnerships. This is considered as one the basic principle (page 13 of the MSSD document). Moreover, this concept is embodied in one of the four main objectives, that concerning “the enhancement of governance at local, national and regional level”, implemented through the instruments of participation of various actors under the form of partnerships, an integrated and territorial local planning and the decentralisation of the responsibilities (page 17). These concepts have been actually implementing in the EU contexts and particularly in Italy since the second half of ‘90s through a set of programmes we are going to discuss here as case studies.

For this reason, the macro-analysis has to be complemented by a presentation of the most interesting experiences and lessons from the territorial and integrated approach in Italian rural areas. The examples of territorial and integrated approach that we present here are drawn from the main programmes implemented in rural areas over the most recent years, both from EU funds and from national funds.

It must be recognised that many of the most innovative forms of public intervention in the economy and in social areas are the result of EU policies, including the impulse that these have produced in the regards of national and regional policies. A good example comes from the programmes deriving from European Commission initiatives (INTERREG, LEADER, URBAN, EQUAL, etc.), which have

introduced completely new tools, objectives, intervention methods and procedures previously unknown within the framework of policies for national or regional development. The innovative impact that these forms of EU intervention, which originated from specific initiatives of the Commission, have had on the traditional framework of national and regional policies has been considerable, and in many cases even devastating, in that it brought to light the deficiencies, the difficulties and the true and proper incapacity of the internal administrative structure to keep pace with the new and more modern conceptions of public intervention. In those places where the terrain were more fertile and ready to incorporate these new models, they have taken root and been embodied within national and regional policies. Sometimes these new approaches have been financed by regions with their own resources.

In the field of rural development policies we find certain crucial elements of EU added value. We certainly again find the importance of the financial resources, which appears to have grown over the years, especially when compared to the amount of national and regional resources that were contemporaneously made available.

Among the Italian modalities of implementation of integrated rural development, it is worth to mention the following ones:

- a) the LEADER programme;
- b) the Integrated Territorial Projects (ITPs);
- c) the Territorial Pacts (TPs);
- d) the Rural Districts (RDs).

The first three types derive essentially from the EU policy framework. The greatest diffusion of these instruments was in 90s, so it is relatively recent within the Italian experience. LEADER programmes have been introduced at the end of 80's (LEADER I) with the second reform of Structural Funds: this programmes was re-proposed in the period 1994-99 (LEADER II) and also within the current period (2000-2006, with the LEADER+ name). Territorial Pacts have also a strong national specificity within the European panorama, both in terms of financial resources and in terms of methodology. Integrated Territorial Project have been introduced in the most recent times, within the current programming phase (2000-2006) of the European Structural Funds, both in the less developed Regions and in the regions with restructuring processes. Rural Districts are a very recent creation within the Italian policy framework, their importance is negligible in terms of resources and there is no concrete implementation (some exception is just a experimental case, as in Tuscany).

These different modalities of conceiving and implementing integrated rural policies at the local level have several common features, and they can be summarized as follows:

- a) while the mainstream rural policies serve to support very ordinary structural investments in farms and rural contexts, they focus upon innovation/laboratory approach;
- b) this approaches are strongly placed-based, in that they are implemented in well defined territorial boundaries, usually neither too large nor too small to guarantee an adequate public financial endowment to collective needs;
- c) they integrate different policy instruments and cover the need of different sectors, but taking agriculture as one of the most crucial and however focusing upon rural area rather than farm households;
- d) they involve local actors through formal (more frequent) or informal partnerships;
- e) they manage funds in a decentralised system, in that the decisions concerning the implementation phase are taken by the local partnerships rather than by the central (national or regional) administrations.

These five features identify the core of integrated approaches in Italy. Nevertheless, the intensity with which these features are actually embodied into policies can explain the differences between LEADER, IPTs, TPs and RDs. The table 15 summarize the main features of three types of approaches: LEADER, IPTs and TPs; the Rural Districts are too recent and very differently conceived in Italian Regions to be compared with the other approaches.

Table 15 – Main features of integrated rural development programmes in Italy

Main components of the integrated approach	LEADER	Integrated Territorial Projects	Territorial Pacts
Innovation/Laboratory	True for all programming phases (1989-93, 1994-99, 2000-2006)	Approach used to implement Regional and Cohesion policies	Approach within the «Negotiated Programming» Policy
Area-based	Small sizes (between 10.000 and 100.000 inhabitants); territories defined at local level	Intermediate size (between 100.000 and 300.000 inhabitants); territories defined both at regional level and at local level; in some cases the concept of filiere prevails on the project design	Large size (up to 800.000 inhabitants and 30 municipalities); territories defined at local level
Different policy instruments/sectors	Particularly "soft" measures (small investments in agriculture, tourism, traditional craft industries, services population, etc.)	Measures of support to private investments and to public infrastructures and social services. Usually the former prevails upon the latter.	Measures of public investments in infrastructures strongly related (functional) to incentives to private firms (tourism, manufactory industries, agro-industry, services, etc.)
Partnership	Public and private; formally consituted; strong orientation; technical and administrative support by internal structure	Public and mixed sector (public/private); technical and administrative support by the Management Unit and the Project Manager	Public and private; formally consituted; technical and administrative support by the Pact Agency
Decentralised implementation	Funds managed by local partnerships; in itinere and ex-post controls by regional administrations	Only collection of applications and technical support is decentralised. Approval and financing is in charge of regional administrations.	Funds managed the local level, but projects selected by banks; controls by national administrations
Financial resources	Small scale: 4-5 million €	Intermediate/Large scale.	Large scale: 50 million €

Main differences can be summarized as follows:

a. ***Innovation/laboratory concept.*** This concept is especially true for the LEADER programme and for the initial phase of Territorial Pacts. This is less true for the other approaches and for the most recent experiences of integrated projects. These are increasingly seen as an “ordinary” procedure to implement rural policies, although not the only one and the most relevant under the financial profile. In any case, and especially for the future policies, the integrated approaches have to be considered not like an interesting room for laboratory, but a consolidated way to conceive and provide support to rural areas. This new vision can be confirmed when we look at the most recent programming documents of rural development and cohesion policy in Italy.

b. ***Placed-based definition.*** This concept is applied in the three approaches, although the scale of territorial definition is really different. The territorial dimension is one of the distinctive characteristics of the LEADER. Even more, it can be stated without a shadow of doubt that it is made an integral part of LEADER, given that the initiative is based on a series of projects for local

development in areas having a certain size and characteristics. Certainly, the new LEADER+ initiative has a more solid, clear-cut territorial dimension than LEADER II, which in many regions was given an “extensive” application, to the extent of covering the entire regional territory. The territorial concentration of LEADER+ has been strengthened by two factors: one, by the reduction of the number of GAL; and two, by the predetermination of the admissible areas. This latter represents a choice that allows a more rational employment of scarce resources, even more scarce than in the previous cycle of programming for 1994-99. LEADER concerns small rural areas, while ITPs and TPs are designed for bigger areas, where the criteria of definition do not only involve sector or rural considerations, but more general and inter-sector needs. Consequently, also the amount of public investments committed to each project changes, and rises up to an average of 50 million €. Another important aspect concerns the way areas are defined: here there are two different approaches, a top-down definition at the level of regional programme and a bottom-up definition according to the spontaneous aggregation of local actors and institutional stakeholders (municipalities and provinces, mountain communities). These two different approaches have several implications on the consistency between strategies, objectives and concrete implementation of the projects.

c. ***Multi-instruments and multi-sector vision.*** All approaches assume this overall vision of the rural economy and society. LEADER particularly focuses on “soft” actions, while ITPs and TPs also include more relevant type of interventions in infrastructures, social services and sector investments. The integration principle is stronger within the Territorial Pacts, being the link between infrastructures and sector investments a pre-requisite to approve and finance the single Pact.

d. ***Partnerships.*** All types of programmes are based upon the constitution of a partnership, made up of public and private local actors. This partnership has the role of defining the long-term territorial strategy, objectives and types of actions. Usually the implementation is in charge of a technical and administrative unit (whose costs are paid by the project’s budget), under the supervision of a director/project manager. Excepting for LEADER, whose partnerships usually are driven by stronger sector representatives, the other programmes follow strategies more driven by non-agricultural interests.

e. ***Decentralised system.*** Here we can find a crucial difference between the three programmes: all the most relevant functions in implementing the project are substantially devolved to the partnership in the LEADER programme, while in the other two programmes the approval of individual projects and their financing are attributed to an external subject (the bank) in the Territorial Pacts or are kept centrally on the hands of regional administrations. In these cases it is hard to say how devolving the decision-taking process to local institutions is improving effectiveness and efficiency of rural policies.

IV. PART III: IMPLEMENTATION OF THE MEDITERRANEAN STRATEGY FOR SUSTAINABLE DEVELOPMENT (MSSD)

In order to propose pathways of reflection for a sustainable scenario in which place-based, integrated and participative approach can be design and implemented, it is crucial to try answering to the following questions:

which are the lessons of the EU rural development policy which can be embodied in the Mediterranean Strategy for Sustainable Development?

what are the circumstances and the conditions for producing the best results and being a model for future policies?

In answering to these questions it must be taken into account of the specificities of EU rural development policy, on one hand, and of the MSSD, on the other hand. The two strategies originate from different frameworks and institutional contexts. Still, EU rural development policies have been implementing since late '80s and have provided instruments, experiences, results and expertise which can be very helpful for the MSSD.

1. USEFUL LESSONS FOR THE MSSD

1.1. Promoting Mediterranean products of high quality

In this case the European experience has demonstrated that it is crucial the role of a consistent and efficient legal framework. This latter should aim to identify and promote high quality products in the regional or national context. Then, a crucial issue after the identification and the promotion of the products, is the presence of consistent instruments for taking all market opportunities and possibly entering into wider markets. This aim is generally pursued through the producers' association support, which are often incapable to promote high quality products in larger markets. The key issue in this case is how to improve the efficiency and effectiveness of support. Here a proper advisory service to farm practices and the setting up of efficient structures targeted to market assistance are more crucial than a mere farmers' financial support.

1.2. Promoting the adaptation and renovation of farm structures

Investment aids enable farmers to restructure and develop their holdings, which can lead to efficiency and productive gains, mainly for labour and land productivity. Thus their results include increased output per hectare and per worker, and increased business turnover. The intermediate evaluations of RDPs in Italian regions have shown that investment aids on average did play a role in improving the competitiveness of farms by increasing added value and factor productivity in supported holdings. The extent of this contribution is however very uneven among regions, depending on factors such as regional policy choices, farm structural characteristics and typology of investment. In Italy some evaluation studies on 1994-99 programming period have shown that public support to farm investments has had significant effect on labour productivity and farm incomes (Mantino), this emerged from a comparison between supported farms with business plan and not-supported farms with their own investments. These findings can be confirmed by other studies (Agra CEAS Consulting, 2005a and 2005b). In some studies (Ilbery et al, Dwyer et al.) it is suggested that the application and assessment procedures for awarding the aid tend to favour those who would also be most likely to succeed in raising funding for investment from private sector sources. Complex or competitive procedures can discourage applications from beneficiaries who do not have these advantages, and assessments which evaluate the likelihood of projects achieving predetermined targets or outcomes can discriminate against those which involve a greater degree of risk or innovative action. Thus most studies recommend improved targeting of such measures towards the situations where additionality is likely to be greatest. Nevertheless, it should be noted that these evaluations largely deal with situations where private lending markets are relatively well-developed, and thus farmers have a variety of options when seeking investment support. This situation may not apply in some of the new Member States and thus it might be anticipated that deadweight might be less apparent in these countries and contexts.

Displacement has been cited as a problem in respect of processing and marketing aids, in a number of studies in Europe. The rationale appears to be that because these aids generally have involved quite large capital sums being made available to only a proportion of those operating in a given market, any business success that results from such investment can too easily come simply at the expense of other similar businesses who are not in receipt of this aid. As in the case of farm investment evaluations, the studies therefore tend to recommend better targeting of aid towards market innovators, because it is argued that they have greater likelihood of developing new markets and thus less of a tendency to simply displace other operators.

In respect of training aids, a variety of studies report relatively good performance in supporting the delivery of training (for instance in Italy intermediate evaluations reveal that on average, 88% of participants successfully ended training activities), and high levels of participant satisfaction, as well as some evidence that the training is likely to lead to increases in business turnover or the operational efficiency of the business. In those cases where the measure was unsuccessful, the main causes have been identified as insufficient information and/or low quality of the initiative (e.g. Tuscany).

There may be important benefits in terms of cost-effectiveness if farm investment, processing and marketing support, and training aid are delivered in an explicitly co-ordinated way, either through focused packages targeting specific areas or 'filieres' in agriculture or forestry, or through close partnership working at the local level to join up delivery processes and effectively offer a 'development package' to potential beneficiaries. While these approaches will probably involve a greater degree of administrative cost in planning and delivering aids than more single-measure and open application processes, they offer potential for targeting aid more clearly at situations which offer greater additionality because of the scope for identifying and maximising synergies between the different potential of these instruments, and because the process of planning such integrated delivery generally requires a prior consideration of how best to achieve additionality and promote innovation.

1.3. Sustainable management of rural areas and Mediterranean natural context

Most of EU interventions in this field are implemented through two instruments well-known in the EU rural development programmes: agro-environmental measures (AEM) and compensation aid for less developed areas (LFA).

A number of reports set out the positive impact the AEM has had on soil, water, biodiversity and landscape, while some studies question the suitability of targeting and the potential for over and under compensation to occur. In some contexts the scheme generally finances 'existing farming practices' and thus generates overcompensation. Some study reported the likelihood that both overcompensation and under-compensation had occurred across the EU because payments are calculated as averages. This implies that specific, targeted agro-environment measures are more effective than basic agro-environment measures, which are considered to have little impact. According to some evaluation, most of the successful examples recorded in reports were related to the maintenance of existing practices, with rather less requiring 'major changes' such as habitat creation. In terms of the penetration of the measure across the EU, Shucksmith et al state that 'the richer EU Member States tend to prioritise agro-environmental objectives more than poorer regions.'

There are some examples of deadweight. In this respect, the European Commission notes that 'Agro-environmental measures are not meant to solve pollution problems that are normally subject to mandatory standards'. The European Commission suggests in its 2005 report that the cost effectiveness of the AEM could be improved. Many of the issues affecting cost-effectiveness were first highlighted by a Commission Working Document on the application of Regulation 2078/92 in 1998. This report notes the lack of impact on intensive farming areas, the difficulty of monitoring impacts on biodiversity, the need to obtain good baseline data in order to be able to monitor improvements and the importance of supporting low intensity systems as opposed to particular results.

The evaluation studies and reports on the LFA measure judge this to have provided some benefit in the form of continued agricultural land use in marginal areas. All the evaluations agree however, that the measure has been poorly targeted at need, payment levels are characterised by both under and over compensation, and in some cases deadweight is noticeable.

1.4. Economic diversification, quality of life and local governance in rural areas

The EC's cohesion reports are generally positive in their judgement of the value of investment in rural tourism and craft activities, rural training and micro-business support. These kinds of action have also been investigated in respect of the performance of LEADER, where some very positive results of programmes have been reported (see below).

From Italian evidence, positive judgement can be given to investments on water infrastructure, because they generally enable interventions hardly affordable for individuals due to their size, but impacting positively on water saving and on overall sustainability. In general, small but strongly innovative interventions have had significant effects on the structure of local agricultural systems. Focused in many cases on marginal areas, these interventions can have a significant social meaning and actually reduce isolation and improve both quality of life and production conditions. Concerning impacts on rural income, the evidence is too scarce to draw any conclusions. The frequently-observed delays in financial and physical implementation of this measure can hamper its effectiveness. The integration of EU rural funds with national instruments can allow quicker implementation, however.

The evaluation of measures in support of basic services for the rural economy and population resulted in improvements in living conditions and welfare for rural populations in some European countries (Finland and Portugal). In Italy the only case where these measures proved to be successful is Tuscany, increasing social inclusion and improving quality of life. Critical success factors can be traced back to implementation through an integrated approach including various types of services (services to farmers, kindergartens, services to disadvantaged people, etc.), encompassing the participation of various local institutions and the population (Agriconsulting, 2005). Some evaluators note that although rural service delivery often generates positive impacts on the quality of life of rural inhabitants in the short term, the prolongation of these impacts in the long term is linked to persistence of the services, which is however likely to generate high administrative costs. There appears to be an underlying assumption that all projects can and should become self-funding after the grant period ends (usually 3 to 5 years), whereas in many cases, this assumption is not well founded. In the case of rural transport grants in England (Moseley et al), for example, this did not prove possible, and many projects simply ceased when the funding ran out.

Creation of employment. Employment is always mentioned as one of the most important target of these programmes, although it is not the only one. Leader is the programme that allowed to support the smallest initiatives, especially when compared with the mainstream rural development programmes. And there are diffused evidences that these initiatives can be considered sustainable over the time. Measures supporting diversification have resulted in increases of on-farm and off-farm employment. In Italy diversification was very effective in fostering women's entrepreneurship: in Objective 1 regions, women were very attracted by the possibilities offered by diversification and often took advantage of them, although on average with a lower capital intensity than for projects undertaken by men.

As for the Territorial Pacts, a recent analysis of the different typologies of Pacts (industrial, mixed and agro-tourist, table 16) shows that those Pacts more specialized in agriculture and tourism (there are usually strong interdependencies in the Pacts strategies) have a not negligible employment effects, and that the highest effect derives from the industrial Pacts. When we take into account the initial level of employment, instead, agro-tourist Pacts are among those with favourable effects.

Table 16 – Employment effects of Territorial Pacts in Italy

Typology of Pacts	Index of employment creation¹	New labour units per 100 initial labour units²
Industrial Pacts	2,4	58,4
Mixed Pacts	1,4	219,4
Agro-tourist Pacts	1,9	166,3
Total	2,1	78,8

¹Number of new labour units per 100.000 € of public expenditures

² Calculated on a sample of 15 Territorial Pacts

Source: Magnatti P., Ramella F., Trigilia C., Viesti G., Patti Territoriali, Il Mulino, Bologna, 2005

Effects on private investments. The effects on private investments are extremely important, under different profiles. Firstly, for the amount of investment generated within each territory; secondly, for the external economies which public investments contribute to create to private sectors; finally, for the effects on the quality of private investments that public expenditures contribute to produce. The ratio between private investments and public expenditures of Agro-tourist Pacts is the most favourable

(table 17), also in terms of new plants. This means that these types of Pacts have stronger relations within each territory with private sectors and are able to stimulate positive externalities for the private sector.

Table 17 – Effects on private investments of Territorial Pacts in Italy

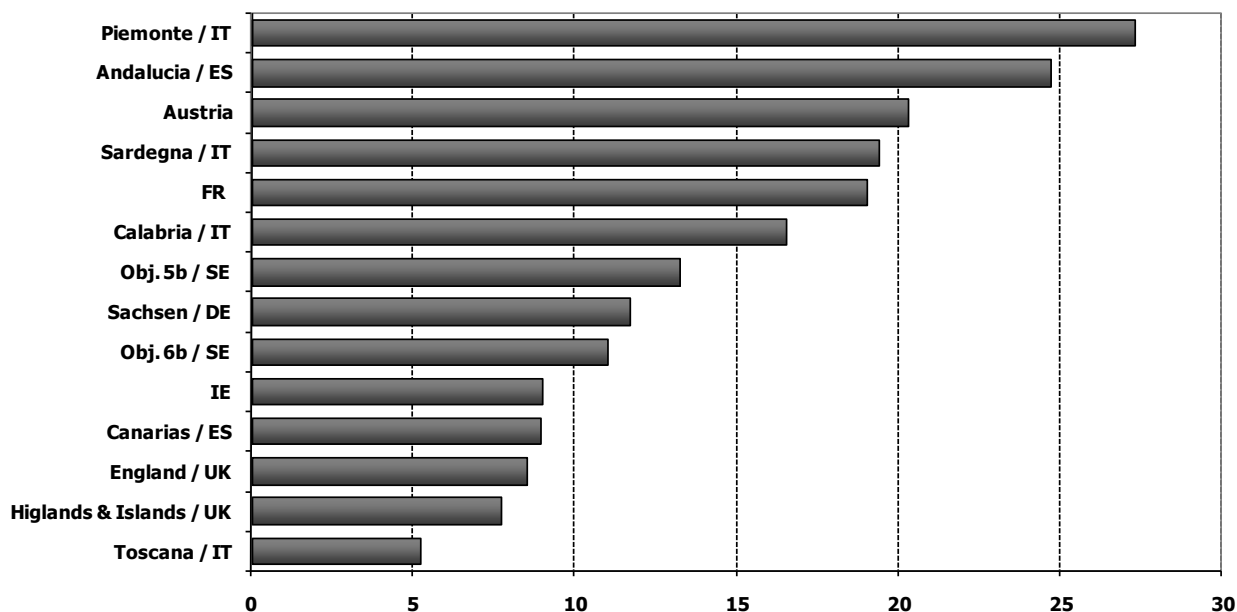
Typology of Pacts	Index of creation of private investments¹	% new plants of the total private financed investments
Industrial Pacts	1,4	38,6
Mixed Pacts	0,4	44,4
Agro-tourist Pacts	2,4	59,1
Total	1,4	44,7

1 Ratio between private investments and public expenditures.

Source: Magnatti P., Ramella F., Trigilia C., Viesti G., Patti Territoriali, Il Mulino, Bologna, 2005

Public expenditures provided by LEADER helped to address high quality investments in a higher proportion than the mainstream rural development programmes. If we look at the investment for the quality of local products, we can affirm that their importance is much more relevant than in other programmes (up to 25-30% of the global resources for rural development against 1-2% of the Rural Development Programmes, see figure 7). The LEADER programme aimed at fulfil these needs, covering a role that should have been played by the other programmes (EU and national) or by Cohesion and Regional policy. This strategy was particularly developed in Italy: among the first six European regions who spend more on supporting of local quality products, three come from the Italian context (Piedmont, Sardinia and Calabria).

Leader II - Expenditures for the quality of local products
(% of total expenditures)



Effects on the local governance and the effectiveness of policies. Integrated approaches are frequently mentioned as having positive effects on the local governance and the effectiveness of policies. LEADER and Territorial Pacts are considered the most interesting laboratories to study these kind of effects. Studies on Italian Territorial Pacts have introduced a series of performance indexes: a) the first one (economic performance), based on the impact on the local economy, the enhancement of the productive structure and the labour market, the endowment of infrastructures; b) the second one is concerning the local governance, and it is based on the efficiency of administrative procedures, the cooperation between public and private actors, the capability of strategy and project designing; c) finally the third one is a global index that included the previous ones, the efficiency of public spending and the capability of using other sources to finance rural development (i.e. other EU/national programmes). For all the types of indexes examined, Agro-tourist Pacts show the best performance, both in relative and absolute terms (table 18).

Table 18 – The performance of Territorial Pacts in Italy

<i>Typology of Pacts</i>	Performance index		
	<i>Economic</i>	<i>Governance</i>	<i>Total</i>
Industrial Pacts	6,7	7,9	6,0
Mixed Pacts	7,3	6,7	6,2
Agro-tourist Pacts	7,8	8,5	6,7
Total	7,1	7,7	6,2

Source: Magnatti P., Ramella F., Trigilia C., Viesti G., Patti Territoriali, Il Mulino, Bologna, 2005

Other effects. Some other effects is mentioned as far as future expectations are concerned. In some area the intensity of investments (in terms of added value of the area), the employment effects and the creation of external economies have positive effects on the future expectations and therefore on the future investments.

2. CONDITIONS FOR REPRODUCING BEST PRACTICES IN THE MSSD

The conditions for reproducing the best results coming from the EU lessons should be found among the main factors explaining the success or the failure of integrated placed-based rural development policies. Among the most relevant factors of success can be mentioned the following ones:

- a. The characteristics of the territory and the social and economic context
- b. The design of the strategy
- c. The quality of the project leadership
- d. The vertical governance (EU, State and Region)

2.1. The characteristics of the territory and the social and economic context.

The level of economic development of the territory does not seem to be a crucial variable explaining the rate of success of integrated approaches. This means that all types of integrated programmes we have mentioned does not work better where areas are already relatively well developed. Other factors of social and economic context, like the endowments of social capital (the presence of networks of associations, previous experiences of partnerships) or the relatively political homogeneity of local governments are not really crucial as expected in order to explain the performance of integrated projects. These conclusions do not only come from the analysis of the TPs' experience, but also from the different editions of the LEADER programme.

The territorial size can play a more significant role, and under this profile a intermediate scale (I would say 200.000-250.000 inhabitants, below the province's size) can be considered as a good solution for designing an effective strategy. Obviously, this size is valid in case of EU Mediterranean countries, where the population density is higher than in non EU Mediterranean ones. The process of definition of the area is in my view much more important than the optimum scale: what it is important is that the partnership and main actors perceive this area as the most appropriate for implementing development policies.

2.2. The design of the strategy.

In order to assure good performances, the baseline analysis of the context, its potentialities and needs have to be well described and defined, because from this analysis come out the strategy and realistic objectives and priorities. Very often rural development projects appears like a list of many interventions, without establishing very few and crucial priorities.

2.3. The quality of the project leadership.

The quality of the project leadership has to be considered one of the most important performance factor. This factor is identified both with the presence of local institutions which play the role of promoting and coordinating the project and with the presence of strong leaders, no matters what kind of institutions they belong to. These leaders act as "social entrepreneurs", and are capable:

- to establish a local networking activity,
- to aggregate institutions and relevant actors in the project,
- to legitimate the project strategy and get the necessary agreement,
- to steer and control the implementation phase with the support of the technical and administrative structure. Under this profile the distinction and the separation between political leadership and management control has to be considered not really efficient in terms of performances. And, last but not least,
- to use the technical assistance provided by the State (Ministry of Economy) or more frequently by Regions and combine it with internal and local human resources. The role of technical assistance can be very relevant in the initial phase of the project (analysis of the area, definition of the priorities and realistic targets, the choice of the most appropriate interventions and measures), and in some part of the implementation phase (the financial procedures, the request of payments to the responsible authorities, etc.).

2.4. The vertical governance (EU, State and Region).

Finally, the vertical governance is crucial to assure the condition of external efficiency to the integrated programme. Inefficiencies or lack of coordination at regional/national levels can have negative consequences on the capacity of implementation and spending at the local level. Bad performances at the programme level immediately imply a worst performance at the level of integrated project management. LEADER programme and Territorial Pacts have been delayed in their initial phase for the inefficiency of some Regions and Ministry of Economic Programming in establishing the right

procedures. This has caused severe problems at the local level in presenting applications for financing integrated projects.

Moreover, vertical governance plays a crucial role in establishing complementarities between different sector administrations which are responsible for the different types of integrated programmes. Very often in the same territory we can find several programmes operating on the same time and overlapping on the same areas.

V. PART IV: RECCOMANDATIONS

1. RELATIONSHIPS BETWEEN EU RURAL DEVELOPMENT POLICY AND MSSD.

There are strong similarities between the MSSD and the EU strategy for sustainable rural development as it was designed in the last reform which is providing the 2007-2013 framework for rural development programmes in the different EU Member States and Regions. For this reason more attention should be given to the legal framework and instruments designed in the EU rural policy, their results and the opportunities to be transferred in the developing countries. In making this reflection, institutional specificities of Mediterranean developing countries should be taken into account.

2. SUSTAINABLE RURAL DEVELOPMENT AND SPECIFICITIES OF MEDITERRANEAN COUNTRIES.

Institutional specificities are much more important than productive and structural ones. The success or the failure of a sustainable rural development policy strongly depends on institutions and their capability to implement a sustainable strategy. The Italian experience has provided lots of evidence on this issue. Territorial, integrated and bottom up approach in Italy has produced several effects (creation of employment, effects on private investments, effects on local governance and effectiveness of policies, other effects). But at the same time these effects were not uniformly distributed across regional territories and largely depend on the regional and local governance. Italy has a strong tradition in the decentralized government, but the capabilities of regional and local institutions is greatly variable across the country. This implies that the orientation towards a more decentralized model in the developing Mediterranean countries requires relevant, continuous and well targeted investments in strengthening governance models and capability of project design at the level of local communities. This also implies focusing much more on human capital and expertise than in those countries where these are already existent.

3. USEFUL LESSONS FROM THE EU EXPERIENCES IN THE FIELD OF SUSTAINABLE RURAL DEVELOPMENT.

Very useful lessons come from the EU experience in the field of rural development instruments. The last two decades of EU policies can say a lot about success and failure of public support to farm investments, training, environmental practices, diversification of rural economies, etc. The tool box of the EU policy counts currently more than thirty different instruments. A deep reflection of the results and the transferability of this experience should be extremely useful for the developing Mediterranean countries.

4. RELEVANT INDICATORS ON WHICH THE NATIONAL POLICY NEEDS TO BE BASED.

The emphasis that MSSD poses on the grid of indicators in the Specifications for National Studies is a good step towards the construction of a common frame of indicators. But indicators, when applied to a set of very heterogeneous contexts like South Mediterranean and North Mediterranean countries or EU/non-EU countries, risk to produce meaningfulness comparisons and results. This is true, for example, for some indicator like the ratio of agricultural population vs rural population, child mortality which seems to be conceived for developing countries, or % of population below the poverty line which is really difficult to estimate for rural areas with current available statistical information. A possible line of developing indicators could be defining two set of indicators: a) *baseline indicators* which concern the definition and quantification of rural areas, the level of income of rural areas, the employment levels in rural areas, etc. All these indicators should be functional to monitoring of the general conditions of rural areas; b) indicators linked to wide *categories of policy instruments* (e.g. indicators of structural modernization of agriculture and agro-food sector; indicators of improvement of environmental management of rural areas; etc.). This latter category should give more emphasis to the evolution of specific component of rural areas.