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## THE RELATIONS BETWEEN CENTRAL AND LOCAL POWERS AS CONTEXT FOR ENDOGENOUS DEVELOPMENT

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**Abstract:**

*In this important paper Picchi, who is the main responsible for rural development planning in the Emilia Romagna area in Italy, discusses the delicate balance between regional and local powers. He argues that even when central powers are far from stimulating any endogenous development, a careful equilibration of the balances between regional and local powers can countervail the negative overall situation.*

**Keywords:**

ITALY, RURAL AREAS, RURAL DEVELOPMENT, AGRICULTURAL DEVELOPMENT, LOCAL GOVERNMENT, DEVELOPMENT POLICIES, REGIONAL DEVELOPMENT, CENTRAL GOVERNMENT, NATIONAL PLANNING, AGRICULTURAL POLICIES.

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Any discussion about endogenous development will have to face the complex and often quite contradictory relations between central and local powers. This applies especially to Italy, where the two themes sometimes coincide up to a considerable degree. On the one hand the debate on endogenous development echos and inspires in a certain way the autonomist boosts of the early 1990s<sup>2</sup>. On the other hand, one should avoid the assumption of any unilinear relationship between endogenous development and a balance between central and local powers swinging to the latter side. Notwithstanding the very high degree of centralization in Italy, we lived during the last decade, especially in Emilia Romagna as well as in central Italy (mainly Tuscany) an intensive, widespread and selfpropelling process of endogenous growth. This resulted, amongst others, in a type of diffuse industrialization (Bagnasco 1988) mainly grounded in the emergence of small and medium enterprises (SME). This pattern contrasts highly with the pattern typical for the industrial triangle in the North-Western part of Italy (Mailand, Genoa, Torino); this pattern is mainly grounded in large to very large industrial enterprises. Actually we are witnessing a particular phenomenon, that is the general recession is taking heavy tolls in the indicated industrial triangle, whilst the relatively more

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<sup>2</sup> (note of the editors) Picchi's paper was written in 1992, shortly before the sudden collapse of the central political power structure in 1993. It is interesting that the decentralization of the ministry of agriculture, as proposed further on in this paper, was actually realized in 1993 after the corresponding general consultation of the voters on this issue.

endogenous type of development as characteristic for Emilia Romagna is maintaining its dynamics.

In this paper, I will first discuss some of the phenomena typical for endogenous development in Emilia Romagna. Secondly, I will discuss some of the most bothering aspects of central policy, i.e. those aspects functioning increasingly as hindrance to the further development of the regional economy. Finally, I will discuss how at regional and local level, more often than not through concerted actions, the rigidities of central regulation have been corrected and/or neutralized. I will finish this paper by proposing some of the most required changes in the arena composed by central, regional and local powers.

### **Local instances as expressions of endogenous development**

Endogenous development is to be understood amongst others as local development mainly produced by local impulses and being grounded mainly on local resources. In Emilia-Romagna it has been quite clear that a variety of endogenous development processes critically depended on 1) the importance of the agricultural sector for the provision of the capital and manpower needed to create non-agricultural enterprises, 2) the capability of rural workers to extend their skills, networks and management capacities towards new fields and arenas and 3) the wish for self-employment, deeply rooted in our history and culture, that was projected by local farmers and their children on other sectors in order to create a variety of new jobs. From these elements a regional economic framework arose, consisting of 1) an extensive network of small and medium enterprises<sup>3</sup>, often deeply rooted in the concerned localities; 2) a wide-spread and highly flexible combination of pluri-activity at household level and part-time work in the concerned enterprises<sup>4</sup>; 3) an economic role of farming that remains strategic from several points of view and 4) a dense system of interdependencies between the different economic sectors and subsectors contained in the regional economy. This particular economic framework has been supported strongly by regional and local power centra, whilst national policy did not have a major positive influence.

Knowledge on the dynamics and expressions of this particular type of development (and of the resulting framework) has been crucial for regional and local policy-makers to be able to play a positive role in the process. Currently we organize this knowledge around the concept of 'local instance'. With this concept we refer to extra urban areas with well developed economic activities (not being necessarily the main economic activity), whose products and/or services do trigger new local economic activity and which produce considerable and positive multiplier effects through the rest of the regional economy. The region entails 26 of these local instances<sup>5</sup> (CENSIS, 1991),

<sup>3</sup> In Emilia Romagna we count 81,1 enterprises per 1000 inhabitants; for Italy as a whole this is 65,7 per 1000 inhabitants.

<sup>4</sup> Decentralisation of SME in rural areas improved demand for extra-agricultural work and it stimulated the strong expansion of part-time work in farming.

<sup>5</sup> In the newest analyses the number of local instances is raised (see also table 1 included in this paper). This is partly due to the dynamics of the development processes in the region, partly due to better

from which 5 are situated in agriculture, 16 in manufacturing industry and 5 in tourism). These 26 local instances for Emilia Romagna compare favourably to the 118 for the whole of Northern Italy. These local instances represent time and again the main income source within the local economy; sometimes they have acquired a true corporate image in national and international markets. It is to be indicated that the same process also met several drawbacks, as an initially widespread pollution, specific disarticulations between subsectors as well as spatial expressions being especially in the beginning quite chaotic if not counterproductive. However, through regional policies these problems and drawbacks have been superseded up to a considerable degree.

In Table 1 a general overview of local instances born out of endogenous development processes is presented. Some of these local instances will be commented so as to highlight some of the involved mechanisms that played a role in their emergence and/or reproduction over time.

For food industry it is important to indicate that it is very strongly linked to localized basins of primary production. A considerable part of food industry is organized in cooperatives, most of which are having clear domestic roots (Picchi 1990). Quality, origin and specificity of the products produced are strategic, both at the level of primary production and at the transformation level. It is through this combination that the value added to the local economies is considerable and quite different from the one that results from the more 'industrialized chains' that link production and transformation (De Roest 1990)<sup>6</sup>. The Region strongly supported the establishment of new transformation plants as well as the modernization of existing ones, especially when the strategic importance of quality, origin and specificity could be strengthened through these interventions<sup>7</sup>. Equally the development of cooperatives was supported. And finally the Region tried to strengthen the organic links between agricultural production and transformation industry through the promotion of interprofessional agreements (during the last years 14 of such agreements have been institutionalized). Within these agreements special attention was given to the issue of new uses of residuals.

The *ceramic* industry is a typical example of a new industry started by farmers. The great availability of clays coming from neighbouring hills allowed the production of floor-tiles and linings. The industry first started at a very small scale, being mainly oriented towards local needs. Farmers and farmers' sons became the first entrepreneurs in this realm. The then following boom provoked initially quite a number of ravages, but through a better planning and a simultaneous reorganization of farming (from wine-production towards breeding) these initial problems have been corrected and resolved. The ceramic industry of Emilia Romagna is now having a stronghold in international markets.

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statistical methods based on more abundant material and especially due to the more correct interpretation of interprovincial instances.

<sup>6</sup> Another important aspect is that most seasonal work in the transformation plants is supported by rural families.

<sup>7</sup> EC Reg. n 355/77 and 866/90 could be used for these purposes.

Table 1.

PROVINCE	AGRICULTURE	MANUFACTURE	TOURISM
PIACENZA	Pomodoro Aglio	Limentare	
PARMA	Pomodoro Zootecnia latte (Parmigiano-Reggiano) Cipolla	Limentare (Collecchio) Prosciuttifici (Langhirano)	Termale (Salsomaggiore) (Monticelli)
REGGIO EMILIA	Zootecnia latte (Parmigiano-Reggiano) Suinicoltura	Ceramica (Scandiano) Macchine agricole Maglieria (Correggio)	
MODENA	Zootecnia latte (Parmigiano-Reggiano) Suinicoltura Ciliegie (Vignola)	Meccanica Automobilistica (Maranello) Alimentare- Macellazione Ceramica (Sassuolo) Maglieria (Carpi)	Montano (Sestola) -invernale -estivo
BOLOGNA	Frutticoltura Orticultura	Calzature Abbigliamento Meccanica	Termale (Porretta) (Castel S. Pietro)
FERRARA	Acquacoltura (Valli di Comacchio) Vivaismo Frutticoltura		Balneare Naturalistico (Comacchio) (Delta del Po)
RAVENNA	Frutticoltura	Ceramica (Faenza) Alimentare	Balneare Termale (Cervia) (Riolo T.)
FORLI	Avicoltura Frutticoltura	Calzature Alimentare	Balneare Termale (Castrocaro) Naturalistico (Appennino)
RIMINI	Orticultura	Mobili	Balneare Congressuale

The *mechanical industry* is a good example of the interlinkages between regional and local sectors. The typical 'local instances' in the agricultural area (such as the production of Parmezan cheese, hams, etc) require a specific supply of innovations.

The design is to be fitted neatly to the precise conditions of local styles of farming<sup>8</sup>. On the other hand, the same local instances imply an interesting market for SME within the mechanical sector. As a matter of fact; the interlinkage between a dynamic farming sector on the one hand and the local mechanical industry on the other is considered to be one of the principal driving forces in the general dynamics of the regional economy.

As regards other local instances as indicated in table 1, similar expositions could be developed. *Textile industry* for instance was initially deeply interwoven with domestic activities within the rural families. A lot of the now existing SME in this sector were born from local initiatives stemming from farming families. The same goes for tourism. In this case however the interlinkages are not only of a historical nature. Linkages with agriculture indeed become more important again as is especially the case with agrotourism<sup>9</sup>. Vegetable growing for tourist consumption (and lately: the production of medical herbs) complete the panorama.

If we know how to change the attention towards the primary production itself. Again some typical local instances will be discussed in order to highlight some strategic aspects. *Tomato-growing* as such is wide-spread all over the Po-valley. However, in Emilia Romagna a specific advantage has been reached since at the level of transformation there has been a solid development from the orientation on just one end-product (tomato-sauce) towards differentiation (peeled tomatoes, concentrates, purees, juices, etc). This same tendency stimulated again the SME for food transformation technologies. The most well-known example of an agricultural 'instance' is, of course, the production of the Formaggio Parmigiano-Reggiano or Parmezan Cheese. This local instance is characterized by a dense and well organized network of farms, small cooperative cheese factories, an 'umbrella type' consortium and a strong set of interlinkages with regional banks and research institutes. The area it covers consists of nearly 1 million hectare, including 25.000 farms, 720 cheese factories and 157 storing facilities. It remains a strong sector especially for its high quality produce, the specificity and the origin of the product. Public supervision (especially the regional one) is oriented at guaranteeing the high product quality.

*Pig breeding* was originally born in the share-cropping farms that once formed an important phenomenon in Emilia Romagna. It was mainly oriented towards home consumption. As far as there emerged some commercialization, it was still based on a strict unity between primary production and transformation. Simultaneously there

<sup>8</sup> It is exactly at this point where large industries for farm mechanization and implements are unable to compete: their designs are far too standardized to fit into the specific conditions of farming in the concerned styles of farming.

<sup>9</sup> This goes back to the 1950's when local banks gave touristic grants at low interest rates. Regional laws and PIM measures supported a range of organic interventions afterwards. The integration with agriculture concerns also the selling of local products. PIM supports local product promotion agencies which cover a range of local products from farming and SME and other services.

emerged larger production units directly associated with the cheese factories (in order to use some of the by-products of cheese-making for the fattening process). The core of the local instance as it manifests itself nowadays consists of factories oriented at the production of pork and especially hams. Craft and specific skills, as well as the use of specific local resources (as the winds from the Apennine mountains) remain crucial in this local instance. The region is actually trying to reduce the pollution problems associated with the concentration of pig breeding in specific areas.

*Fruit growing* actually covers 93,000 has (for apples, pears and peaches). Cooperative activities in storing, transformation and commercialization reach 95 percent of total volume. The region stimulated the introduction of a trade mark policy and introduced integrated pest management in large areas. There remain still considerable problems regarding the quantitative planning of production.

### **The rigidity of national policies**

So far some aspects of at least some of the typical 'local instances' that are both result as well as mechanism of endogenous development in the Emilia Romagna area. It is to be stressed that the involved patterns of local development have been realized mainly without any help or stimulation from central levels. As a matter of fact, in Italy the central powers do not recognize the phenomenon of decentralized growth initiatives (beit at regional level, beit at local level). Just two forms of regional policies have been implanted during the last decade. These are the policy for the Mezzogiorno which has been extremely wasteful, inefficient and anyway controlled by central powers, and the one designed for the mountain areas which indeed became decentralized but remained without any substantial funding. Some of the Regions and some of the Mountain Communities tried to become the protagonists of their own development, others however never escaped from the subaltern position they take vis a vis the central ministries. However, in both cases the global situation remained characterized by the following features:

- Rome defines norms and functions that are incompatible with local development;
- The variety and complex distribution of local interests is perceived as a main obstacle for any central programm
- It is thought that the most interesting opportunity as contained in the existing relation between central power and local settings, consists in the competition between the concerned localities in order to obtain the biggest part of financial contributions and in the competition to establish more favourable 'clientele'-relations with 'Rome'.
- Between central powers and local powers there is an ongoing and never-ending debate on the competence-areas that correspond to each part, and consequently there is a continuous fight over the redistribution of resources.

Beyond all this, the centralization blocked the effective participation of the Regions (and of local powers) in the unification and integration at European level. The 'partnership' formula (EC-State-regional entities-local entities) as proposed by the EC (implying that decisions are delegated to the lowest possible level) has not yet been accepted by the Italian central administration, although such a principle should already have been extended towards all current EC programmes. Secondly, most current EC programmes suffer from the uncertainty of national cofinancing.

The foregoing explains why the Regions have supported the proposal for a referendum aiming at an elimination of several central ministries (especially those that most expressed the drive towards further centralization)<sup>10</sup>.

### **Strengthening endogenous development in Emilia Romagna**

The foregoing illustrates well the extremely negative setting at central level as far as endogenous and/or local development is concerned. At first sight this setting is at odds with the dynamics of endogenous development as described earlier. At least one of the intermediary factors which help to explain this rather paradoxical situation, is composed by the practice of regional policy. In Emilia Romagna, endogenous development has been strengthened by several mechanisms, that, taken together have compensated and neutralized the negative central forces up to a considerable degree. Amongst these the following can be indicated:

- 1) A persevering trend towards self-improvement of local public administration;
- 2) the traditional engagement of public bodies in helping economic industries and enterprises; particularly through a good network of effective services (divulcation of technological and organizational innovations, setting correct agendas for research, professional training, etc);
- 3) the elaboration and institutionalization of intermunicipal planning mechanisms aiming at the strengthening of local initiatives<sup>11</sup>;
- 4) a constant updating of planning instruments in order to reach the maximum levels of security needed for private entrepreneurs and other local initiatives; in this

<sup>10</sup> The specific arguments sustaining the proposal for a referendum are that 1) central legislation increasingly penetrates the domain and autonomy of local instances, 2) the ineffective application of the principle of subsidiarity (that is that decisions are taking on the adequate level) and 3) that government policy, including the financial one, makes to often impossible whatever continuity at regional level.

<sup>11</sup> From these first experiences arose several municipal associations (even at interprovincial level). The region empowered these new-born associations through the creation of Districts which realized a good planning experience.

context it is to be stressed that the agricultural sector never has been considered as a sector on its own; it has been included time and again within the total matrix of activities (at whatever level), above all to be able to strengthen the interlinkages and/or to create new synergies;

- 5) the IVth regional programme (1992-1995) foresees specific subprogrammes to increase the effectiveness and reach different specific mechanisms concerning endogenous development in different regional areas;
- 6) the Region Emilia Romagna delegated several of its functions to provinces and mountain communities in order to strengthen local bodies as well as their autonomous capacity to intervene in the local economy. This shift of functions concerns a.o. the planning and implementation of several agricultural programmes, the design of professional training programmes and currently we are considering an extension into the domains of soil defence and tourism. Moreover some regional services will be removed to the provinces;
- 7) an application of general EC programmes (as PIM) to local and regional conditions and perspectives, orienting them simultaneously as much as possible to the strengthening of existing and promising trends initiated within the different local instances.

### **Changing the arena: towards new relations between central and local powers**

Although rigid forms of centralization have been countervailed by several regional and local responses, the overall setting still, is not very favourable for a more full liberation of the forces as potentially entailed in the local instances and regional defence-mechanisms as described earlier. Strategic items that remain on the agenda are, in the first place, the full application of the subsidiarity-principles (that is whatever decision can be taken at a 'lower' level is not to be taken at a 'higher' level). Policy formulation, planning, implementation and monitoring involving more partners (EC, national state, local powers) have to be structured according to this principle. This is especially important for agrarian policy and rural development policies. Secondly, the already proposed reform of regional and local institutions is to be realized as soon as possible. This regards especially the recognition of local autonomy to dispose of own resources (a.o. local and regional taxes). Actually, the funding of regions, mountain communities and municipalities depend basically on the national state and since the latter is involved in a more or less permanent crisis, the problems at central level are mostly resolved by cutting down the resources destined to regional and local levels. In the third place regional and local competences regarding the development of local economies and so on, are to be recognized and institutionalized.

All this does not imply that there is - at regional level - a 'blindness' for the need of coordination and articulation of the different (and sometimes contradictory)

development projects as elaborated on local and/or regional level. However, the correct response is to be found in the revitalization of mechanisms already foreseen. These are, amongst others, a 'permanent conference for the relations between state, regions and provinces', the "interparliamentary commission for European issues", the CINSEDO (a body linking directly the different regions), the interadministrative committee for the coordination of structural interventions financed by EC, and so on. Through such structures for coordination, local initiatives might be better articulated than through the still very rigid central power structures that exist till the moment.