

LOCAL DEVELOPMENT CHALLENGES AND THE ROLE OF "WIDE AREAS" IN STRATEGIC PLANNING

The Case of Inter-Municipal Territorial Unions
of Friuli Venezia Giulia (Italy)

January 2018



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Foreword

The OECD LEED Trento Centre is currently undertaking a project to support capacity building of local governments on wide area development, strategic planning and programming in the Friuli Venezia Giulia Region, Italy. The project is carried out by the OECD in collaboration with the Directorate of Local Autonomies and Co-ordination of Reforms of Friuli Venezia Giulia Autonomous Region and with ComPA FVG, Public Administration Competence Centre of the Regional Association of Municipalities.

The OECD's approach towards the project assumes that in general terms integrated, locally-tailored approaches proved to be more effective in stimulating growth and tackling exclusion issues than one-size-fits-all, top-down and uncoordinated programmes. Effective local policy design and implementation can stimulate investments, build resilient labour markets, and improve entrepreneurial and business ecosystems. It requires a deep understanding of how policies interact and how different levers can be combined for maximum impact.

Friuli Venezia Giulia Region in north east Italy has re-organised its local government system according to Regional Law 12 December 2014, no. 26 – “Reorganising the Regional-Local Government System in Friuli Venezia Giulia. Guidance to the Inter-Municipal Territorial Unions and to the Reallocation of Administrative Functions”.

In this context, Inter-Municipal Territorial Unions (so-called UTIs, as they will be referred to in the text as per the Italian acronym) are in charge of an articulated set of functions concerning the provision of local public services. These services were previously under the individual responsibility of municipalities. In addition, UTIs are taking over some of the services formerly of the provinces, which are being decommissioned according to Regional Law no. 20/2016, and others passed by the region itself. This regional regulation gives UTIs a primary role in socio-economic development policies for their territories.

New and more demanding functions are therefore becoming fundamental in local authorities' missions in the FVG Region; such a perspective calls for building new capacity to enable them to play a proactive role in the development of policy formulation processes.

Like the rest of Italy, Friuli Venezia Giulia is characterised by many small municipalities. This phenomenon is similar to other European and international regional areas, and all municipalities need to build new development capacities.

The capacity building project has been organised in two main phases:

- Capacity building action for young municipal administrators (<40 yrs old) to attain better know-how towards policy innovation at local level on issues of integrated development and programming
- A short report, in the form of the present Working Paper (WP), addressing the main challenges faced by local agglomerations of municipalities, such as the UTIs

in the Friuli Venezia Giulia Region, when dealing with their local development strategy, according to a wide area approach.

The WP is conceived as a discussion document, offering a contribution to the open debate on inter-municipal associative processes for wide area local development policies.

Acknowledgements

This Working Paper was prepared by the OECD LEED Centre for Local Development (Organisation for Economic Co-operation and Development) in close collaboration with the Friuli Venezia Giulia Autonomous Region – Directorate of Local Autonomies and Coordination of Reforms and ComPA FVG, Regional Public Administration Competence Centre. The project was supervised by Mr. Stefano Barbieri, Senior Policy Analyst (OECD). The work was co-ordinated by Mr. Paolo Rosso, Policy Analyst (OECD). The Report was written by Prof. Alberto Bramanti (Bocconi University, Milan – Italy), and Mr. Paolo Rosso.

The OECD LEED Centre for Local Development would like to extend its sincere gratitude to Mr. Paolo Panontin (Regional Minister for Local Authorities of Friuli Venezia Giulia Region), Ms. Antonella Manca (Director of the Directorate of Local Autonomies and Coordination of Reforms, Friuli Venezia Giulia Region), Mr. Mario Pezzetta (President of ANCI FVG), Mr. Franco Brussa (President of AICCRE FVG), for the invaluable support provided to the project. Sincere gratitude is also extended to Mr. Daniele Gortan and Mr. Gianni Ghiani from ComPA FVG for their highly valuable inputs and for all the information and data disclosed in this report. The extended availability and collaboration of Mr Andrea Carli (Mayor of Maniago), Mr Luciano Gallo (Director of UTI Valli e Dolomiti Friulane), Mr Mario Pezzetta (President of ANCI FVG), Mr Riccardo Riccardi (Councillor of Friuli Venezia Giulia Region) interviewed during contextual analysis and data collection were of crucial importance.

Finally, we would like to acknowledge the contribution of various colleagues to each of the phases of the project, particularly Ms. Elisa Campestrin from the OECD Trento Centre who was of invaluable assistance in editing and preparing the working paper and Ms. Kay Olbison for her very accurate language final proofreading.

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Acronyms and abbreviations

AICCRE FVG	Italian Association of the Council of Municipalities and Regions of Europe - Friuli Venezia Giulia Regional Federation
FVG	Friuli Venezia Giulia Autonomous Region
UTI	Inter-Municipal Territorial Union
WP	Working Paper
SMST	Small and medium-sized town(s)
CAL	Council of local autonomies of Friuli Venezia Giulia Region
NUTS	Nomenclature of units for territorial statistics
ANCI FVG	Regional Association of Municipalities of Friuli Venezia Giulia Region
PA	Public Administration
PPP	Public-Private Partnership
SUAP	One-stop Help Desk for Productive Activities (In Italian language “Sportello Unico Attività Produttive”)

1. Introduction

Territorial competitiveness and local “wellbeing” are all the more challenging in times which are dramatically changing. Due to the global crisis, a new trend of spatial inequalities (between countries and regions) has arisen pleading in favour of a differentiated development and of a specialisation of spaces, including intra-regional development processes.

From the global world to the smallest municipality – passing through the European Union, national states, regions, as well as functional “wide areas” – complex, overlapped, interlinked, and multi-layered networks of actors and institutions are emerging, each of them exerting a specific role, bearing different responsibilities, and working to the benefit of their specific territories and inhabitants.

These phenomena raise many different questions on management, strategic planning and sustainable development for territories at the local level. While technologies have diminished distances and accelerated the time span of changes, proximity still matters. Proximity has grown rich of different meanings: geographical, cultural, technological, institutional, etc., allowing different territories to be considered as the *milieu* in which development takes place.

Among the many different typologies in which space is organised on a global scale, cities exert a specific and significant role in shaping present and future development (even if not always sustainable) and competitiveness. When we think of cities as magnets for growth, innovativeness and creativity, we immediately turn our mind to large metropolitan areas, the mega-cities scattered around the world acting as global players and attractors of positive energies, investments, talents, innovative firms, and all the positive ingredients that could help our society to be projected into a better future.

However, small and medium-sized towns (SMSTs) play a decisive role in the present “division of labour” within a world in which territorial dimension and proximities matter.

They form the backbone of numerous advanced economies, and this is specifically true in Europe, where a huge number of small towns – frequently networking into more encompassing functional areas – exert a central role in promoting territorial development and a high quality of life. In this post-crisis world the attractiveness of places is indeed more topical than ever, and in this frame small towns can play a central role:

À l’homo economicus simple se substituer l’homo qualitus, qui cherche à maximiser son bien-vivre et celui de sa famille. (Bailly and Bourdeau-Lepage, 2010)

The present WP offers a contribution to the open debate on local development challenges regarding “wide areas” where urban fabric is mostly based on SMSTs. The document is structured along the following lines: firstly, it will briefly discuss the competitiveness issue in a post-industrial society, specifying the differences and complementarities between the two “false friends” concepts of competitiveness and attractiveness of places

(section 3); secondly it devotes some space to a “demand-side & supply-side” approach of place development (section 4); and finally it looks at the ongoing experiment of the Italian wide area approach to local development at a sub-regional level, with specific attention to the Friuli Venezia Giulia Region and its UTI “experiment” (section 5), taken as a case study.

The conclusion of the WP in section 6 is by no way an evaluation of this specific experience (not even a preliminary one) but rather it presents a set of recommendations and some methodological suggestions and policy recommendations to properly promote this new territorial layer (“wide area”) within a multi-governance framework which can be quite difficult to interpret. These recommendations stem directly from the Friuli Venezia Giulia specific case but can be considered of general scope.

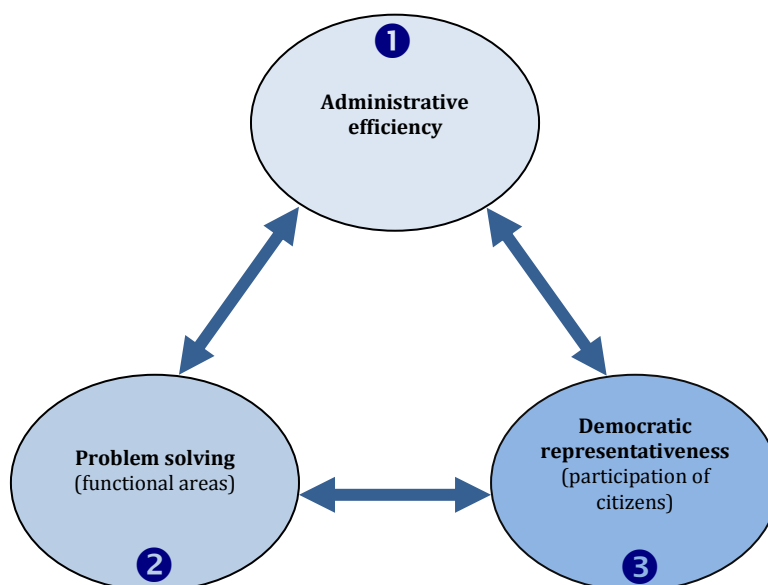
2. From small towns to functional wide areas

The present WP is not concerned with large metropolitan areas – which still remain, however, an engine of contemporary growth – rather it focuses on SMSTs, and on their networking attitude, to interpret new perspectives of sustainable development in advanced economies. Specifically, the present WP aims at discussing the new territorial dimension of “wide area” as the most appropriate to tackle the complex problems of sub-regional development.

Regarding local development, one major issue – which scholars have been dealing with for a long time – is the appropriate geographical dimension, properly synthesised by the question: “*how ‘local’ should ‘local development’ be?*” There is no one definitive answer to this question and a large part of the contemporary debate on “place-based policy” tries to give a pragmatic and “problem-solving” oriented contribution to this issue. This WP asks if, and possibly under which conditions, SMSTs may be “*large enough to cope and small enough to care*”, and discusses some key issues concerning their proactive contribution to local development. Specific attention is given to possible factors that can improve their capacity to become local development policy makers, in particular considering their possible territorial agglomeration processes.

Before going into detail on the new role of SMSTs in promoting wide area development, we have to discuss this fundamental statement (“*large enough to cope and small enough to care*”) tackling a (possible) new “impossibility dilemma” rising from the discussion on local development. Whatever “local development” could mean in policy making, we mainly agree on the necessity to safeguard three major dimensions: i) a democratic environment with the direct participation of citizens; ii) the efficiency in the administrative action; and iii) a problem-solving effectiveness structured in functional areas. Figure 2.1 helps to represent the different trade-offs emerging.

Figure 2.1. Towards a new “impossibility dilemma”?



Source: Authors' own design.

Apparently without solution, the new “impossibility dilemma” can be treated by “downgrading” the problem-solving area to a set of different issues that can be managed at a local (sub-regional) level. Some examples can illustrate the strong relations existing between the three vertices of the triangle. At the higher level of the territorial scale (i.e., Northern Italy) we can deal with issues such as “research and development” or “large transport infrastructures” with a problem-solving orientation (apex ②) and we can also reach a good level of administrative efficiency (apex ①) but, most likely, we will lack democratic representation and participation (apex ③). When we move towards the lower level of the territorial scale (the municipality¹) we can deal with issues such as “quality of life” or “provision of small infrastructure”. We can experience good participation of citizens and democratic representativeness (apex ③) and we can probably also benefit from administrative efficiency (apex ①), but we will be surely constrained on the problem-solving apex due to the small dimension and the inadequate scale to deal with a large part of the functional area range of competencies.

The main problem arising is that a proper mix of the three dimensions is difficult to achieve. Territorial constituency “large enough to cope” may be too large with respect to the second dimension “small enough to care”. Taking the Italian case as an illuminating example, the Northern macro-region at large (see Figure 2.2) represents the “right size” to be competitive on a global scale.

There is widespread literature discussing how this extended area (the second most crowded in Europe after the Northern Randstad²) represents a suitable dimension to

¹ When dealing with municipalities which are “metropolitan areas” or “large cities” things are different, as large cities are obviously the right size to withstand competition. But in this WP the reasoning is focused on SMSTs.

² Randstad is the metropolitan region encompassing Amsterdam, Rotterdam, The Hague and Utrecht, i.e. the four largest cities in the Netherlands.

compete on a global scale. But this “large enough to cope” area is not necessarily “small enough to care”, and in this increasing gap lies the aforementioned “impossibility theorem”.

How to solve this major problem? How to close the gap around the appropriateness of the territorial constituency? How to identify a proper “wide area” useful for promoting and strengthening sustainable development jointly with social wellbeing?

Figure 2.2. European satellite night photograph



Source: NASA (2017).

Figure 2.3. Northern Italy satellite night photograph



Source: NASA (2017).

3. Attractiveness and competitiveness of places

Within the (old) manufacturing productive paradigm, innovation produces competitiveness which, in turn, results in development (Moulaert and Sekia, 2003). This is partly true, as innovation is at the very origin of several “virtuous circles” of accumulation, but the geographical implications of these processes are not unambiguously predetermined. A city (region) with high productivity in terms of productions but a low intensity of consumption should have lower growth and lower employment compared to others.

The new wave of urbanisation based on cognitive-cultural capitalism (Scott and Storper, 2015) opens the door to a renewal of “residential economics” (Davezies, 2009; Davezies and Pech, 2014). This approach to urban development focuses on the variations of territorial incomes influenced by residency (Crevoisier and Guex, 2017). Few people work where they live and a major consequence is that it is no longer assured that place of residence and place of income expenditure are located in the same area as production. Spatial implications are all the more relevant and even urban policies may be driven by residential economics.

The main repercussion is that (productive) competitiveness is no longer a necessary and sufficient condition for development (particularly for SMSTs), while the attractiveness of places is becoming all the more important. Places are, in fact, competing also as *living environments* and they have to offer a certain quality of life. Tourists, students, secondary residents, annuity recipients (e.g. pensioners), are all people spending incomes in a certain location which may have been generated elsewhere and a territorial area may count on this type of income.

Within this frame, many things may be considered from a different perspective. Take the case of older people: the ageing of the population may be seen as a “ticking time bomb” (Kresl and Ietri, 2010) especially in small towns and particularly when combined with the twin phenomenon of depopulation of young people. In Italy, the problem may be even more serious than in other OECD countries as Italy has one of the largest projected senior populations (as a share of the total population) among developed countries (resulting from the effect of the combined trends of low fertility and increased average life expectancy).

But the target “senior people” – within the “residential approach” – should be addressed by local policies (as well as by national ones) in order to transform them from a problem into an opportunity.

The lever of quality of life may become a powerful magnet to attract and retain people into places. It is a major objective to sustain development in the long term and perceived quality of life is equally as important as actual quality of life.

Drivers of attraction are psycho-sociological and based on individual and collective decisions depending on representations, tastes and interests of various ‘actors’ (inhabitants, tourists, local stakeholders). Towns and places can be

attractive because of obvious and real resources and opportunities, but also because of images, atmospheres and some seductive capacity. (Mainet and Edouard, 2017: 2)

When focusing on the attraction of people, the target group is not necessarily (only) talented, highly skilled workers, and the “creative class”; equally important are young workers and households with young children. People that require to be accompanied by an appropriate set of policies enforcing a context of quality of life, with some good job opportunities, with sound housing, and social housing as well, with a high quality of every day services. This is a challenge, but even though it is a complex process, it seems to be within reach of SMSTs.

Sometimes, small cities try to mimic the creative strategies of larger places even if they cannot compete with these big cities and metropolises. They should instead develop strategies based on specific assets, as they may be very vulnerable from a quantitative point of view (scarcity of financing resources, not meeting appropriate critical mass thresholds for being sustainable, etc.).

Affordability (housing) and liveability stand out as the primary drivers of attraction for SMSTs, supported by specific qualities of community and place, including non-economic dimensions of everyday-life. Policy should be context-sensitive. (Mainet and Edouard, 2017: 10)

As one of the most challenging aspects in governing cities is that of managing their impact on the ecosystem to promote an “environmentally friendly” urban economy, the role of SMSTs may be well suited in reconfiguring the behaviours of businesses and people to deliver better returns:

[Sustainable cities are those that] design and manage their form of governance, economies, built environment, transportation systems, energy and water use, food production, and waste in a manner that imposes the smallest possible footprint upon the environment. (Slavin, 2011: 2)

From this point of view, once again, small towns are normally better positioned than larger ones in terms of congestion costs, availability of green areas, good performance in waste disposal (with the highest share of recycling), etc. Quality of life and amenities are more frequently taken into account in the locational decisions of households. The idea that natural and rural amenities allow people to enjoy a relaxed lifestyle is widely shared. Local amenities are always a mix of three main dimensions: the natural and built environment, the social and cultural capital (genius loci, intangible heritage, identity, etc.), and economic activities associated with the business climate. Building up a network of small towns seems to be a winning decision from various points of view.

Firstly, all municipalities involved can reach a minimum threshold effect in terms of diversification, enrichment of the public good and service supply, economies of scale in avoiding duplications of functions and offices, and provision of common services.

Secondly, within the network they overcome the shortage of professional management. Due to a lack of available resources (staff time and skills, local revenue), SMSTs individually often have limited capacity when it comes to local government service delivery and planning. It should be recognised that, in the large majority of small places, the limiting factor, in terms of any policy making, is capacity.

Finally, a net of agglomerated SMSTs may engage in organising accessibility, proximity and connectivity, which are together considered the other side of the coin and should be

provided to citizens allowing them to commute or connect to a larger job market, very frequently linked to the urban centres of higher ranking.

A further advantage of small towns is the easier relational dimension within a community in which people know each other. This relational proximity is resulting in direct and active contributions from both local leaders and citizens enriching the local community. Proactive local leaders (maybe policy makers or entrepreneurs, as well as outstanding figures in culture and the arts) can be promoters or facilitators of creative ecosystems. At the same time, the role of citizens can also be important in small towns, with a genuine participation in collective choices and a higher level of trust in local institutions.

The best approach is to reverse the “usual way” of conducting policies in which policymakers tend to inform and involve citizens once the decisions have already been made, without really aiming to create acceptance and legitimisation of the process being decided elsewhere. A more transparent, democratic, bottom-up approach is one of the best ways to help construct an inclusive environment, involving the participation of each citizen and enabling policy makers to pursue a more effective decision-making system.

Moreover, in order to be effective, such a new perspective requires building a renewed local capacity to act as “policy making and taking” actors as well as active players in the development policy formulation processes. This requires building new capacities, which are traditionally undeveloped in the SMSTs, as well as a cultural change in the mindset and attitude of most local stakeholders to become partners in the policy-making process.

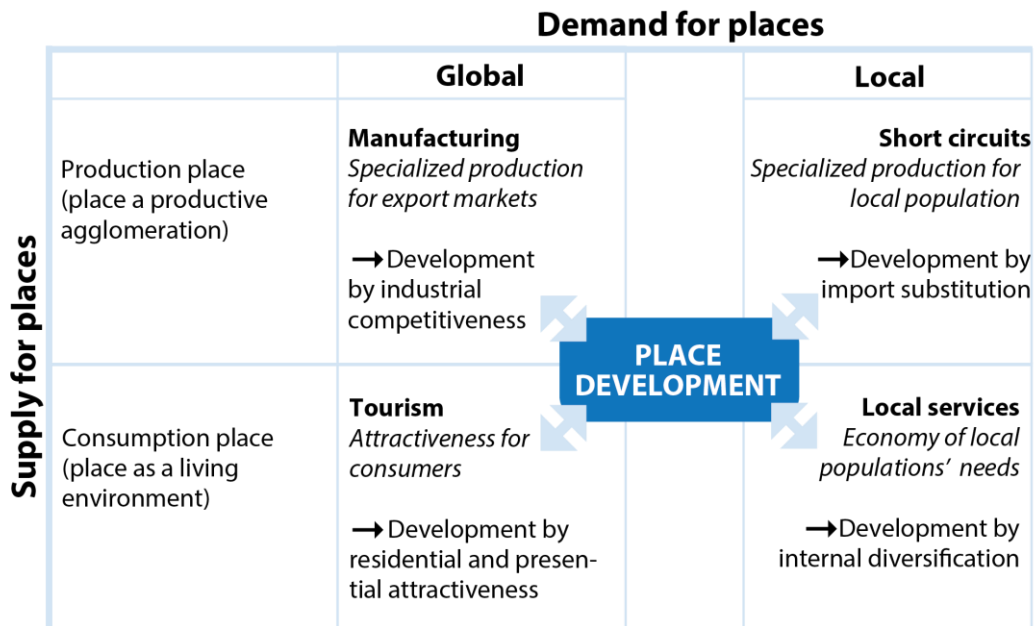
4. “Demand-side” and “supply-side” for the development of places

When we shift from the “productive paradigm” to “residential economics” we are moving attention from the supply-side to the demand-side of the economy. Demand depends on available income, and the new thing we are experiencing in the present world of hyper-mobility is a dissociation between the places in which the income is generated and the places in which it is spent.

Broadly speaking, we can use the word “tourists”, in its wider meaning, to encapsulate all the people that consume in places in which they are not (permanent) residents, and people that, while being resident in the place in which they consume, derive their income from elsewhere.

Attention to this has been raised by the fact that the proportion of commuters is increasing in all developed countries. One example is the case of Switzerland where commuters between municipalities grew from 59.1% of employed persons in 1990 to 68.5% in 2010 and are still growing (Sagessemann and Crevoisier, 2016).

Not only have we experienced a dramatic increase in the number of commuters – which may also produce “dormitory towns” – but the number of people spending their income in places different from where it has been earned, is equally increasing. The main and direct consequence is that a place should be attractive in order to capture consumer income. It is therefore interesting, and useful, to classify the typologies of income flows following the work by Crevoisier and Guex (2017). In Figure 4.1, four different typologies are reported, each of them illustrating the income flows according to the double classification related to the “demand for place” – which may be local or extra-local (i.e. regional, national, or international) – and to the “supply of place” – which may be divided into production place or consumption place.

Figure 4.1. Typology of income flows and urban and regional economic activities

Source: authors' elaboration from Crevoisier and Guex (2017).

In the four quadrants are manufacturing, short circuits, local services and tourism activities, each of them producing an income flow. The development of the place will depend on the wealth and the right mix of the four different forms. We can easily detect ‘specialized places’, where just one of the four typologies is present, as well as ‘diversified places’, very frequently cities or regions of a higher rank, where perhaps all the four typologies are combined in different mixes. The four quadrants are quite easily understandable and self-explanatory.

The first one, manufacturing, represents the most common outcome of the “productive age”: enterprises demand a location for production (locational request) and the town makes available a specific area devoted to the production function (locational supply). The demand is always considered extra-local due to the fact that enterprises can come from anywhere, even from abroad (FDI) and, in addition, that their production exceeds local demand. The reference market for a goods produced in a locality is almost always larger, therefore it is export oriented (export in this context meaning outside the specific local place; national destinations for the products are also considered “export”). This is the local-for-global production.

The second one is short circuits, in the same productive space but with a demand which is now local: this is the case where local firms are producing (products, not services) for the local market. While this was truly diffuse in the past, especially for remote areas with long distances and high transportation costs, local-for-local production almost disappeared during the roaring age of manufacturing development, although it seems to have made a comeback in recent times due mainly to qualitative issues: the “zero miles” production-consumption is rapidly increasing even if it is still centred on niche markets.

The third one relates to local services, the very basic activities of the original model of “base theory”. We move here from the location of the production to the location of the consumption, in its meaning of place as a living environment, and local services include all the short-distance services people need in their everyday lives. This is the local-for-local consumption.

The fourth and final one is tourism, intended, as already stressed, in the very broadest sense. “Tourists” are both people coming from outside the local system and people spending money which they have earned elsewhere (including the older/retired people): this is the local-for-global consumption. It is a very interesting income flow for every place, as these incomes enter the region via mobile consumers and here attractiveness plays its role.

The main challenge of SMSTs is therefore to co-ordinate the two dimensions of a place as a productive agglomeration and as a living environment:

The main avenues of territorial development over the next few years lie in the combination of the typologies identified above: how tourism in the broad sense combines with industry, how industry is renewed by supplying local circuits, how these circuits contribute to residential attractiveness, and finally how local populations and activities contribute to this set of relationships with elsewhere.»
(Crevoisier and Guex, 2017: 14)

The challenges and opportunities for “wide area” bodies are different and numerous. They may follow an investment policy to raise attractiveness of the place without compromising the living environment. They can also try to develop synergies between two or more quadrants (see Figure 4.1), for example strengthening local services to attract more “tourists”, or enhancing short circuits for the benefit of both internal and external consumers.

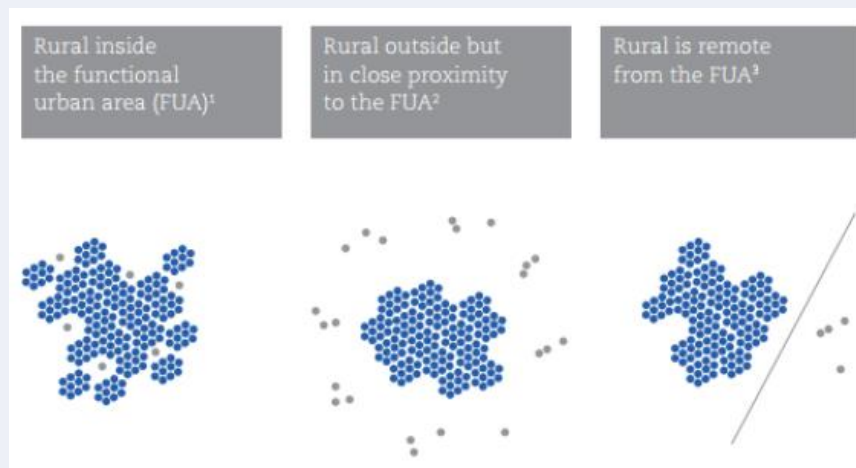
The Rural Policy 3.0, recently conceptualised within the OECD³ (OECD, 2016), provides an interesting case that can be taken as a concrete example of the evolution of the local development approaches. It is a reflection on the new development paradigm, stemming from a more differentiated approach to the rural development concept, depending on the interconnections between the “rural” and the “urban”.

³ The Rural Policy 3.0 was endorsed by delegates of the 10th OECD Rural Conference, “National Prosperity through Modern Rural Policy”, in Memphis, Tennessee (19-21 May 2015).

Box 4.1. Rural Policy 3.0

A key objective of rural policy should be to increase rural competitiveness and productivity in order to enhance the social, economic and environmental wellbeing of rural areas. Within this approach, policies should focus on enhancing competitive advantages in rural communities and should draw on integrated investments and the delivery of services that are adapted to the needs of different types of rural areas. The Rural Policy 3.0 describes a partnership-driven approach that builds capacity at the local level to encourage participation and bottom-up development.

The Rural Policy 3.0 is an extension and a refinement of the New Rural Paradigm, endorsed in 2006 by OECD member countries, proposed as a conceptual framework that positioned rural policy as an investment strategy to promote competitiveness in rural territories. This approach represented a radical departure from the typical subsidy programmes of the past aimed at specific sectors.



	Old Paradigm	New Rural Paradigm (2006)	Rural Policy 3.0 –Implementing the New Rural Paradigm
Objectives	Equalisation	Competitiveness	Well-being considering multiple dimensions of: i) the economy, ii) society and iii) the environment
Policy focus	Support for a single dominant resource sector	Support for multiple sectors based on their competitiveness	Low-density economies differentiated by type of rural area
Tools	Subsidies for firms	Investments in qualified firms and communities	Integrated rural development approach – spectrum of support to public sector, firms and third sector
Key actors & stakeholders	Farm organisations and national governments	All levels of government and all relevant departments plus local stakeholders	Involvement of: i) public sector – multi-level governance, ii) private sector – for-profit firms and social enterprise, and iii) third sector – non-governmental organisations and civil society
Policy approach	Uniformly applied top down policy	Bottom-up policy, local strategies	Integrated approach with multiple policy domains
Rural definition	Not urban	Rural as a variety of distinct types of place	Three types of rural: i) within a functional urban area, ii) close to a functional urban area, and iii) far from a functional urban area

Source: OECD, 2016.

5. The experience of UTIs in the Friuli Venezia Giulia Region

The Friuli Venezia Giulia (FVG) Region is one of the 20 Italian regions, in the north east of the country, bordering with Austria and Slovenia. Covering a territory of 7 862 km², the population of FVG is around 1.2 million. The territory is divided into 216 municipalities (ranging from 1.6 km² of Vajont to 208.4 km² of Tarvisio). 42.6% of the territory is mountainous (compared to a national average of 35.2%). The regional GDP is EUR 34 billion (2015 data), with a GDP per capita of EUR 26.5 thousand (tenth region in Italy).



Considering the FVG Region's experience, the case study of this WP, we have firstly to set the context in which the radical innovation of UTIs (Inter-Municipal Territorial Unions) took place. The real starting point was the regional decision (allowed by its special statute of regional autonomy⁴) to abolish the previously existing provinces (the NUTS 3 layer between regions and municipalities of the Italian administrative set-up).

While at the national level provinces have been “downgraded” to non-elective bodies⁵ with a restructuring of their competences and tasks (partly re-centralised to the regional administration and partly decentralised to the single municipalities), the FVG Region has autonomously chosen to abolish its four provinces, and not to substitute them with any other territorial layers.

⁴ In Italy, the jurisdiction of the autonomous regions in the field of law on local governments is not subject to the intervention of the state in the three segments (elections - bodies - fundamental functions) in which exclusive competence is recognised. On the abolishment of provinces see Constitutional Law 28 July 2016, n. 1 “Amendments to the Special Statute of the Friuli Venezia Giulia Region and Regional Law 9 December 2016, n. 20 “Abolishment of the Provinces of Friuli Venezia Giulia”.

⁵ In 2011, the Italian Government, with Mario Monti, President of the Council of Ministers, passed a decree, the D.L. 201/11, “Decreto Salva Italia” – also known as “Decreto Monti” – disposing that the provinces were no longer a popular direct elective body and that the province council members were to be elected by the municipalities within the territory of the province.

Box 5.1. Main elements concerning the Legislative Framework of Inter-Municipal Unions in Italy and in Friuli Venezia Giulia

At **national level**, the Inter-Municipal Unions are regulated by the so-called “Delrio Law”.

The law sets out provisions on metropolitan cities, provinces, unions and mergers of municipalities updating and co-ordinating the pre-existing regulatory framework. In particular, the law refers to the unions of municipalities as responsible for the associated exercise of functions or services under their competence.

Moreover, the national law makes explicit reference to the Special Statute Regions (Sardinia, Sicily and Friuli Venezia Giulia), inviting them to apply - in compliance with their statutes - the principles of reform for the regulation of metropolitan areas and cities expressed therein.

Friuli Venezia Giulia Autonomous Region, on the basis of the autonomy statute recognised by the Italian Constitution law and through the Regional Law 26/2014⁶, enforced its legislative power on the local governments by establishing 18 UTIs (see Appendix 2) and stating that: “The Inter-Municipal Territorial Unions are local bodies with legal personality, having the nature of unions of municipalities, established by the regional law for the co-ordinated exercise of municipal, supra-municipal and wide area functions and services, as well as for territorial, economic and social development.”⁷

The latter point is particularly relevant to our case, since – innovating the national legislation and unique case in Italy – it recognises and attributes the UTIs the mandate and responsibility on wide area local development.

The main issue at the core of the present WP is a discussion on how viable is for municipalities in associative form to become effective policy makers on their own local development thanks to regulated associative mechanisms and how to address the governance of such a process.

There is, at present, a wide debate in Italy on the proper dimension of “wide area” bodies as an intermediate co-ordinating layer between regions (NUTS 2 level) and municipalities (NUTS 4 level). It is probably right to think about different solutions for different regions as the dimensional heterogeneity among regions is surprisingly large. In any case – apart from a couple of very small regions, Valle d’Aosta and Molise – it is quite evident that some form of co-ordination among municipalities is mandatory and that regions cannot interact with each municipality on a direct one-to-one basis (in the Lombardy region there are 1 523 municipalities).

In the case of the FVG Region, the WP considers “wide area” to be a territory at sub-regional level which encompasses a variable number of municipalities (indicatively from 5 to 30), with a total population ranging between 20 000 and 250 000 inhabitants (apart

⁶ Regional Law 12 December 2014, n. 26 - Reorganisation of the Local Region-Autonomy system in Friuli Venezia Giulia. Ordinance of Inter-Municipal Territorial Unions and reallocation of administrative functions.

⁷ Ibid. Art. 5

from one UTI which is anomalous in terms of size with 11 000 inhabitants, the rough average is around 50 000 inhabitants).

The 18 UTIs identified by the regional law represent as many diverse forms of agglomerations of municipalities working for their territories. According to the previous discussion (see section 3) a “wide area” co-ordinating body should take care of three main “objects”: people, firms, and natural environment.

There are two main ways in which Inter-Municipal Unions can contribute to the “wellbeing” of their territories. The first is connected to the provision of public services delivered in an associative way (with all the benefits of reaching economies of scale, of scope, higher thresholds for investments, savings on duplication costs, etc.). The second is related to strategic planning and programming for “wide area” development.

This WP purposely focuses on the latter, avoiding the delivery and management of public services, although it should be recognised that this first task has absorbed almost all the energies of the large majority of the established UTIs. In fact, somehow misleadingly according to our understanding, the potential implications of becoming one’s own development policy makers have been often underestimated in most of the debate the reform has triggered in the region.

5.1. The development goals of Inter-Municipal Unions

In the FVG Region, almost all the UTIs undertook the exercise of drafting their plans. In most cases the first plan⁸ released was quite basic both in terms of the participatory process undertaken for its elaboration and in terms of content; next to the territorial analysis and the formulation of the development objectives only a list of projects was proposed as far as the local development part of the plan was concerned. Moreover, predominant projects are devoted to local physical infrastructures, with some general reference to soft measures (e.g. projects concerning common territorial marketing activities, improved coordination of the tourist infrastructure, coordinated natural commercial centres, etc.).

The FVG Region offered guidance during the first elaboration exercise, through an exhaustive set of territorial analytical data from the regional statistical service, a comprehensive capacity building programme implemented by the FVG Regional Association of Municipalities⁹ and an interactive web platform with a toolkit and collaborative virtual working spaces.

In spite of this, the current plans are still very general and weak in terms of strategic development vision due to a combination of lack of prior experience and know-how at local level, objective complexity entrenched in the process, delays in some operational decisions and availability of tools and compressed timetable. Some plans, however, seem already fairly well structured as far as services are concerned.

⁸ For the purpose of this analysis we considered six plans, possibly the most developed ones.

⁹ The Regional Association of Municipalities (ANCI FVG) and FVG regional administration signed a financing agreement for the capacity building programme accompanying the reform implementation.

Box 5.2. The Plan of the Union and the Development Agreement, according to the Friuli Venezia Giulia UTI legislation

In its Law on the Inter-Municipal Unions, The Friuli Venezia Giulia Region attributes to the UTIs a specific role and responsibility on wide area local development.

Such a mandate is enforced through two further regulatory provisions of the region:

- The UTI shall elaborate and approve a triannual plan “as a participatory planning and programming instrument of the Union [...] for the development of social capital, as a result between businesses, human capital and services in order to make an area active and attractive from both a social and economic perspective”¹⁰.
- Given the regional autonomy of the FVG Region, the municipalities mainly rely on regional financial provisions for their budget. As part of the overall reform of the regional local government system, the FVG regional government passed a new law reforming the Local Public Finance¹¹. It regulates the financing provisions for the municipalities and the UTIs, according to a tri-annual programming span and annual disbursement, through the following instruments:
 1. **Ordinary fund** for operating and service management costs
 2. **Ordinary investment fund** for routine local public asset maintenance operations
 3. **Investment special fund** exclusive for the UTIs’ wide area investments, negotiated to ensure territorial equalisation and the implementation of strategic interest inter-municipal interventions.

As far as the latter is concerned, for the allocation of funds and their disbursement the President of the FVG Region and the President of the FVG Council of Local Autonomies (CAL)¹² co-ordinate the territorial policies and sign the “**Agreement for regional and local development**”. The UTI plans are the key programming documents for the decision on the priority investments to be funded by the investment special fund.

Therefore, while still seeking for an empiric approximation to the optimal “wide area” design for local development, a closer reflection on the twofold challenge FVG reform will face is needed as well. Reaching a more solid consolidation stage is crucial as well as to figure out the core themes of this strategic planning. Their range is quite wide since they include citizens’ wellbeing, local manufacturing and production, neighbourhood retail-trade, tourism development, environment protection, etc.¹³ In fact, a sound

¹⁰ Ibid. Art. 17

¹¹ Regional Law 17 July 2015, n. 18 The local finance discipline of Friuli Venezia Giulia, including changes to the provisions of regional laws 19/2013, 9/2009 and 26/2014 concerning local authorities. See Art. 14 therein.

¹² The Council of local autonomies of Friuli Venezia Giulia (CAL) is the body of consultation and liaison between the Region and local authorities. It is the institutional and unitary representative body of the local authorities (i.e. municipalities and UTIs) of Friuli Venezia Giulia through which they participate in the planning, elaboration and implementation of regional public policies. Recently reformed its members are the elected representatives of the 18 UTIs (L.R. 12/2015).

¹³ A specific case should be open to a discussion of “wide area” spatial planning, since the regional law includes this among UTI’s specific competences. But this is a complex issue and there is no

demarcation of the area concerned is a key decision, enabling the fulfilment of the selected goals.

From a regulatory perspective, the best solution should always contain a certain degree of flexibility so it can be easily adapted to the different territories: the “one-size-fits-all” principle does not represent the appropriate answer to the question of local development.

Within a “wide area” perspective of local development strategy, in the case of the FVG Region’s UTIs, considering the size of the areas (according to the “big enough to cope, small enough to care” principle) and the scale on which the various public policies can be effectively handled, the themes which should be addressed as drivers of change and development may include:

- local labour market (including vocational training and co-ordination of the dual system, supporting training linked to work/jobs)
- local networks among institutions and companies (and the diffusion of PPP agreements)
- actions addressing neighbourhood retail commerce and the growth of “natural commercial centres”¹⁴
- co-ordination with the regional industrial parks and supporting policies towards the location of smaller artisanal areas
- small infrastructure (such as cycle paths, green areas and playgrounds, etc.)
- sectoral territorial planning (focusing on some relevant sectors: e.g. tourism, culture and leisure time, certain environmental issues, etc.).

It is also evident that a number of different themes must be disregarded, given the small territorial scale considered (e.g. innovation, tertiary education, finance services, main communication infrastructures, wide-band connections backbones, etc.), as they should be managed on a larger scale (either regional or national or even transnational in a border region). Not to be neglected however, even in these fields, is the opportunity for more policy active UTIs to be considered as relevant stakeholders when the sector planning is undertaken by the higher administrative level.

Policy co-ordination and governance are two issues which deserve equal attention. Integrated local development can be effectively addressed at infra-regional scale only if some key vertical inter-institutional preconditions are properly in place. We should mention at least some of them, as they are specifically pertinent considering the FVG case:

- The presence of an inter-sectoral planning co-ordination and integration scheme at a higher level of administration (in this case the regional level) that can address the necessary large-scale priorities for the local integrated development strategy setting.

room in this WP to address it properly. An entry level should be a “soft co-ordination” of the existing town planning documents for all the infrastructures having a “wide area” potential market. But the crucial point is a discussion around entitlements and enforcement mechanisms and this task probably requires a new WP.

¹⁴ A “natural commercial centre” or “natural shopping centre” refers here to the historical town centres as “commercially complex and not homogenous places, developed over time without programming unit, designed as a unique space, which fall within a certain urban perimeter, work together as a business, financial administration, facilities and service all co-ordinated by a common policy development” (A.Ghiretti, C.Vernizzi, 2009)

- A relevant regulatory structure that clearly highlights delegated responsibilities and tasks at the infra-regional level. According to this structure, the appropriate range for the “wide area” development strategies could be identified. The resulting roles scaling down to the local level should be also addressed.
- The allocation of funds for the public investments resulting from the integrated local development strategies and the corresponding decision-making process that should be transparent, adaptable to specific local needs, and reflecting a multi-annual perspective in order to ensure mid to long-term planning.
- Openness to experimentation: the “wide area” integrated local development process, particularly when included in a structural local government reform, should include operational mechanisms to facilitate the experimentation and further adjustments of the preferable governance organisation as stemming from the direct practice.

Finally, we have to mention the importance of capacity building. The direct experience, also from other local contexts and countries, tells us that the need for sound capacities – for individuals and administrative functions both at political and technical level – is essential. Such a need requires substantial, mid-term funding for undertaking and maintaining capacity building activities at all levels. In addition, evaluation processes should become integrated into the day-to-day management of development projects.

With regard to the challenge of building local capacities to manage wide area development strategies, it is worth mentioning a specific case of capacity building action co-organised and carried out jointly by ANCI FVG and the OECD LEED Trento Centre. This action, devoted to wide area planning and programming, addressed a group of about 20 young local administrators (mayors, members of the municipal board, councillors etc.) from FVG localities and proved to be effective in terms of generating new knowledge on local development, sharing experiences and team building.

Box 5.3. The 2017 ANCI FVG/OECD Summer School for local administrators in local development strategies and European programming

Purpose

The Summer School was developed as a training opportunity for young municipal administrators to acquire an open mindset towards innovation on issues of integrated local development and programming. It also acts as a method for designing coherent interventions funded by European funds or by other resources in international, national, and regional policy frameworks.

Objectives

- provide conceptual tools to conceive and elaborate on a strategic approach to territorial development policies
- provide a body of knowledge as guidance for an integrated approach to local development policies
- outline the European Union's regional policies and programming approach as inspiration for the local development of a territory
- introduce the architecture of EU programmes and the respective call for proposal mechanisms for local development operations
- understand the importance of local, national and international partnerships and networks as drivers for territorial development.

Methodology

The approach proposed in the Summer School is a mix of presentations, working group exercises, case study analysis, and good practice presentations, aiming to foster interaction among participants and develop new and shared knowledge. After the seminar the participants outlined the main lessons they had learned and collected them together in a short document (main elements excerpted and adapted by the authors):

- The development of a territory must build its own original vision with a realistic perception of the development prospects.
- It is necessary to understand the policies of the higher levels in order to embed local political choices in the wider policy context.
- For a strategic planning process, from a functional perspective it is essential that the size of the area is adequate in order to achieve significant development results.
- Territorial complexity requires a non-superficial analysis exercise: it is therefore important to consider participatory processes to create awareness among citizens on effectively integrated strategic planning.
- Environmental sustainability must be considered as a public good, calling for a change in individual and collective lifestyles to be carefully considered in the local development strategy.
- Evaluation is often underestimated; instead well-conducted evaluation should be seen as a valuable tool, indispensable for the improvement of local policies.

At the end of the one-week residential seminar the participants requested to organise follow up activities and strongly recommended to organise a 2018 event for another group of local administrators.

Finally, concerning the factors for wide area development, in the introduction we referred to two main domains to be considered: territorial competitiveness and local “wellbeing”. Hereinafter, we reflect on some elements that a wide area strategy, based on a network of SMSTs, should take into consideration when approaching them.

On territorial competitiveness. Local firms – SMEs in most cases within the FVG UTIs – rely not only on public goods, human capital and social overhead capital, but increasingly on selected external assets and “specific resources” that cannot be easily obtained via spontaneous market developments. Therefore, firms are increasingly engaged in co-operative processes with other local firms, (collective) actors and the public administration for the production and exchange of these resources.

Particular territorial conditions, determined by the specific richness of inter-firm interactions or “untraded interdependencies”, may facilitate co-operation among firms and social actors and generate cumulative learning processes enhancing the innovativeness and competitiveness of the local territorial system.

For instance, in the case of FVG, UTIs assumed from the municipalities the responsibility for managing the one-stop help-desk for businesses (so-called SUAP¹⁵). Currently, most of the SUAP deploy a basic range of business support services aimed at easing the fulfilment of the bureaucratic processes Italian public administration (PA) imposes on businesses in all stages of their operations. Such a unit has therefore been active in PA simplification processes within the municipalities. The fact that this now passes to the UTI brings a number of opportunities to enlarge, diversify and strengthen its function, with the potential to become a local business development agent, since it operates in a wider area context.

Local territories compete and co-operate with each other, building their own comparative or competitive advantages. This is good for the entire economy if we hold the view of a “generative” development process taking place from the bottom up.

Hopefully, the way towards territorial competitiveness, engaging public administrations and local communities in the creation of a widening spectrum of “preconditions” does not constitute at all a wasteful zero-sum game:

- competitiveness reached through territorial quality and public service efficiency brings benefits to all local economic activities, originating both from inside and from outside
- competitiveness reached through spatial specialisation means widening roles for complementary specialisations, developed in complementary territorial contexts
- competitiveness reached creating local synergies among actors, or integrating and embedding external firms into the local relational web, exploits technological and organisational spill-overs and generates increasing returns that are at the very base of economic development in its “generative” sense.

On local wellbeing. According to the considerations proposed in previous sections on functional wide areas and “demand-side” and “supply-side” for the development of places (see sections 3 and 4), a wide area development strategy should consider, particularly in SMST-based local systems, other determining factors. These include local attractiveness

¹⁵ SUAP – Sportello Unico Attività Produttive (One-stop Help Desk for Productive Activities). See <https://suap.regione.fvg.it/portale/cms/it/hp/index.html> (site in Italian)

and wellbeing as conditions which are becoming increasingly important for the development of a locality.

As mentioned previously, places are in fact competing also as *living environments* and they have to offer a certain quality of life. Tourists, students, secondary residents and pensioners are all people spending, in a certain location, incomes generated elsewhere, and a territorial area may count on income resulting from this demand.

In the case of FVG, a relatively small and wealthy region in the north of Italy, where quality of life is known for being quite high¹⁶, the development perspectives should equally consider territorial competitiveness and productivity as well as quality of life and wellbeing.

It is interesting that quality of life has most often been recognised as the main development driver in most of the cases in the envisioning exercises undertaken to formulate the strategies.

Box 5.4. The overarching objectives of the UTI (selected cases)

Unione Collinare

- Well-living: harmonious and vital territory, opportunities for self-realisation, richness of human relations, access to quality services.

Unione del Sile Meduna

- Attaining the capacity and possibility to govern our own territories, for all: the small municipalities administrators, the local representatives of other public bodies, the various stakeholders of the economic, labour, social sphere,
- Confering new vitality to innumerable local resources,
- Increasing the quality of life of resident populations.

Unione delle Valli e Dolomiti Friulane

- The sustainable enterprise of the beautiful, the good and the well done
- The landscape of the Valli e Dolomiti Friulane: nature, history and culture
- The land of opportunities for everyone. For an UTI distributed, connected, collaborative and cooperative

Source: own authors' adaptation from the Plans of the Union.

The design of a sound wide area development strategy should therefore consider and balance the two perspectives, leveraging the network of SMSTs, through a complementary effort where every local entity can share its territorial and socio-economic assets and gain altogether through complementary specialisation, and better overall conditions in terms of local wellbeing and competitiveness. This requires a mix of hard

¹⁶ According to the most recent survey of "Il Sole 24 Ore" newspaper, the 4 provinces of FVG ranked among the first 15 (out of 110) Italian provinces: Trieste (6th), Udine (9th), Gorizia (10th), Pordenone (13th). See http://www.ilsole24ore.com/speciali/qvita_2017_dati/home.shtml (accessed 11 December 2017).

and soft measures in the strategy. Infrastructure investments and organisational and service improvements should be considered within an integrated perspective.

6. Conclusions and looking ahead

“Wide area” territorial development is at the core of policy makers’ attention and efforts in all developed countries. The focus is most frequently on cities – and in the case of metropolitan areas the core city and its environment – and less frequently on networks of SMSTs.

Friuli Venezia Giulia Region, that undertook the latest reform of local authorities in 2014 leading to the constitution of 18 UTIs, was the reference case studied in the present WP. Moreover, the present work has focused on exploring the wide area local development policy issues the reform entails, since an explicit emphasis was placed on this by the regional legislation. In fact, the role the local municipalities, and most if not all SMSTs through their UTIs, are called to play on their own economic development is for most of them an unprecedented challenge, which came with the dissolution of the provinces (i.e. the previous intermediate territorial administrative layer beneath the region).

Such a challenge, according to our understanding, is yet to be tackled by most of the UTIs, since the attention, so far, has been mainly on the re-organisation of public local services on an associated basis, i.e. the other important part of the local reform.

Most of the debate on the UTIs, which is quite intense and sometimes even conflictual within the region, concerns the re-organisation of local services and the way the law has been enforced by the regional government, whereas a consensus was seemingly shared by almost everybody on the UTIs’ role in development policy. However, despite a few exceptions, no corresponding action was undertaken by most of the UTIs.

The present final section, in the form of a set of concluding reflections and recommendations, by no way should be considered as an evaluation of this specific experience (not even a preliminary one) but rather it presents a list of warnings and some methodological suggestions and policy recommendations to properly promote this new territorial layer (“wide area”) within a multi-governance framework which is quite difficult to interpret. The suggestions raised offer a contribution to further discussions on the implications of wide area development policy, focusing on the Friuli Venezia Giulia case, but with the potential to cover other contexts in Italy and on an international scale.

As an introduction to this section, we outlined the main findings stemming from the FVG experience vis-a-vis the Italian and OECD experience considering the wide area development approach as that undertaken by inter-municipal associations, such as the UTIs.

The five points presented in the table are further discussed in the following text (the numbering refers to the next sections).

Table 6.1. Pitfalls and actions

Problematic elements detected (Possible pitfalls)	Strength elements (Actions undertaken or potentially viable)
6.1 Governing development strategic planning and implementation	
The predominance of a “local services” dimension against the wide area strategic development perspective.	Stressing and enforcing the local development dimension of the UTIs, as an opportunity to increase acceptance of the reform at local level.
6.2 Organisational challenge	
The top-down delineation of the “wide areas” often raises local divisions and conflicts with the regional government.	A free, bottom-up approach to aggregation would be a possible alternative, but the experience elsewhere in Italy – where this approach was preferred – generated smaller unions, often too small to deal with wide area development issues.
The compulsory nature adopted in defining the UTIs and their size as an evolution of previous social-healthcare districts.	A voluntary membership.
The organization of the local government mainly by sectors limits the ability to design and manage integrated development strategies	Establish a unit of staff in charge of strategic planning, programming and project design empowered with a clear mandate and appropriate skills and capacities.
6.3 Local Leadership	
Difficulties in the emergence of an accepted leadership at local level.	Work on champions, identifying success histories, where inclusive local leadership could mark a change in the pace towards local development. Possibility to reward better performing UTIs.
Competencies of the municipalities’ staff. Most often the local officers’ lack of know-how on how to deal with local development policy – apart from the limited cases where there is some previous experience of wide area development.	Vocational training for staff and inclusion of new, fresh resources. Structured capacity building, hands-on training and coaching for all levels of UTI staff (technical staff, managers, councillors, administrators).
The challenge of the UTI management and organisation: the bureaucratic structure of the new body resembling the old municipality organisation chart. A missing opportunity to break the bureaucracy.	Integrated and result-oriented organisations are possible, adopting the “new public management”, re-engineering the way the local authority acts towards citizens and businesses.
6.4 Administrative burdens vs. adaptive thematic approach and scale	
Problems arising from relevant heterogeneity in size of the agglomeration, in spite of the top-down approach.	There is still an issue concerning UTI internal consistency in the cases of agglomerated municipalities with a great internal heterogeneity. The FVG Region does not include “metropolitan areas” in its reform, but what about keeping larger towns separate?
Difficulties in communication: i) among different administrations, ii) between the single municipality and its citizens, iii) between the UTIs and the region.	A clearer and better-structured communication strategy from both the FVG Region and the UTIs. Substantial resources available for enhancing such a strategy at all levels. Animation of citizens’ participation.
Municipalities are changing in their organisation, mission and perspectives. And what about the regional administration?	A change is ongoing within the municipalities. The UTIs have the potential to become a lever for change in all multi-level governances, from the small municipality to the regional administration.
6.5 Funding mechanisms	
The financial dimension of the effort. The Plans of the Union, lack of a precise predefined and unified financial structure.	Promoting stronger co-ordination between different funds (e.g. integrating the Plan of the Union with the Single Programming Document and the Performance Plan).

6.1. Governing development, strategic planning and implementation

The approach to the preparation, subsequent adoption and implementation of the Plan of the Union, (i.e. the participatory planning and programming instrument for the development of the Union) entails a number of logical steps that must be carefully considered. The point is particularly relevant, since the traditional and consolidated administrative culture in Italy (not the only case among OECD members) is quite reluctant to undertake a convinced strategic planning process; even more difficult appears

acting accordingly in the implementation phase. Here, we address some points which should be taken carefully into consideration in order to prevent pitfalls.

Focus on the process. The plan should not be approached as a mere administrative obligation to be fulfilled, approved and then basically neglected until the next update of the Development Agreement¹⁷ negotiation. Instead, it should be the framework on which policy decisions are assumed and then implemented. This requires a corresponding organisation of the UTI's technical structure and the adoption of solid management provisions to steer the progress of the implementation to achieve the expected results. Such organisation should include: empowered management – inlaid at sufficiently high level in the UTI hierarchy and endowed with a qualified staff, a monitoring and evaluation system, a communication and visibility plan, and a steering committee to ensure sound multi-actor governance of the plan.

Involvement of the partners. The partners and stakeholders must be engaged in the planning process from a very early stage. Their role must be clearly defined and possibly formalised to ensure committed involvement. Often, the stakeholders – public, private, civil society – are not informed or prepared as to what is actually expected of them. An effective preparatory action is advisable to ensure their smooth participation and contribution to the process at every stage. The call for participation must be open and rules should be transparent.

Clarification of the twofold nature of the plan. The planning exercise – both for public services provision and for wide area development, i.e. the guidelines of the UTI mission – comprises two main broad functions: i) distributive rebalancing and territorial equalisation, and ii) competitive associational nature, by sharing the common assets pursuing a higher level of critical mass and efficiency in delivering services, as well as in undertaking strategic investments. These functions imply some potential competition within the same UTI, since not all municipalities and other local stakeholders can benefit from all actions at the same time and with the same intensity. The plan's logic of intervention must be clarified at a very early stage and should also define a policy for mitigating latent conflicts.

Such twofold nature also persists at the stage when the UTIs are negotiating among themselves within the CAL¹⁸, to reach agreement on the overall CAL proposal to be negotiated with the region for the Development Agreement.

Transparency in all stages of the process. This is an obvious concept from a general point of view, but is difficult to put into practice. Clear rules, agreed in advance among the stakeholders and enacted with effective information and communication tools, are needed at all levels; within the UTI (among the associated municipalities and local stakeholders), among the UTIs (18 UTIs within the CAL), and between the UTIs and the region.

6.2. Organisational challenge

The reform introduced in Friuli Venezia Giulia, constituting a brand new administrative body, offers an unparalleled opportunity to conceive and design the organisation of the UTI according to actual and effective results-oriented and strategic planning principles.

¹⁷ See Box 5.2.

¹⁸ See footnote 14 for further details concerning the Council of local autonomies of Friuli Venezia Giulia (CAL).

This would help to overcome a well-grounded tradition in the Italian public administration, which has been very difficult to shake off: predominantly sector-oriented and focused on compliance with administrative requirements it resists persistently against cross-cutting integration and against the pursuing of functional synergy among sectors.

This is a crucial challenge to actually achieve an inter-sectoral planning co-ordination and integration scheme that can address the necessary wider scale priorities for the local integrated development strategy setting.

The opportunity to seek such a paramount change should be stimulated by the region, who will be equally challenged by it. In order to pursue and induce such a shift of organisational paradigm in the local authorities, the regional offices should also find a different and more effective setting in their strategic planning and programming.

The European projects can be considered a specific and particularly interesting case as a stimulus to overcome the consolidated “silos culture”, seeking new and more effective organisational settings. According to the reform, all UTIs are requested to undertake actions to harness EU funds, either ESI funds or from other EU programmes. This requires the UTIs to organise a specific competent unit able to develop projects for such funds. Most often this is perceived by the UTIs as a mere additional function to add to the others resulting from the reform.

On the contrary, “project thinking” should be an attitude to be acquired and structurally incorporated into the normal daily work of the UTI staff as a whole.

Therefore, we suggest considering this not just as an “EU projects” issue, but as a challenge concerning UTI orientation towards projects in general, regardless of the possible funding source (regional, national or European), and hence part of the paradigmatic change they called for. From the organisational perspective, this function should be part of an integrated and empowered strategic planning-programming-projecting unit. This implies a robust and experienced staff endowment and a sufficiently solid anchoring in the organisation (e.g. a unit reporting directly to either the UTI’s general manager or to the President Cabinet).

6.3. Local Leadership

Over the previous decades, a number of efforts have been made in Italy on wide area local development policy (e.g. Mountain Communities, Territorial Pacts, EU LEADER Local Action Groupings, Integrated Territorial Projects, etc.). Some of these succeeded and others did not.

In all cases, local leadership has been the driver of good practices.

This implies wide recognition of fairness, an inclusive attitude, transparency in decision making, and involvement of all partners and stakeholders. Such leadership also requires strategic vision, patient negotiation, a collaborative attitude, and social soft skills.

Capacity building actions alone are unable to generate such leadership at local level, but may be helpful to support local leaders – in particular addressing and taking care of the younger ones – to acquire methods and instruments to deal with a new mission and learn about how to govern complex development processes. The experience of the Capacity Building seminar (see Box 5.3), undertaken in September 2017 as part of the present project, reveals a lot on this potential.

6.4. Administrative burdens vs. adaptive thematic approach and scale

The local reform in Friuli Venezia Giulia offers a number of opportunities and challenges in terms of generating a new administrative culture at local level, which might serve as a pivotal case, if actually seized and attained.

In fact, a precondition for this is the development of a “local culture”, in the officers, the local administrators, and the local stakeholders - of municipalities and UTIs - to create a local eco-system conducive to designing, developing and implementing sound local development strategies.

Some promising local cases, though still embryonic, are already in place (looking at the few already advanced UTIs, e.g. Valli e Dolomiti Friulane) where local development has been approached in a systemic way, but in general most of the challenges are still open.

We refer to:

Public management dimension. Recalling recent OECD research (OECD, 2017), the international experiences highlighted: “reforms that aim at re-organising subnational governments’ administrative and executive processes [...] focus on enhancing effectiveness, efficiency, quality, openness and transparency, accountability, participation of citizens and co-ordination.”

These principles are well emphasised in the architecture of FVG reform, but a good deal of the work to consolidate them is yet to be undertaken. An interesting option to be considered could be to lever the reformed CAL to establish a “trilateral” municipality-UTI-region steering group to discuss and agree the progress of the reform, as well as to exchange practices and guidance on improvements to its enforcement.

Pursuing a flexible and adaptive approach. One of the main issues of public administration refers to its “rigidity” and culture strictly tied to the accomplishment of administrative procedures. This is the case in Italy as well as in a number of OECD countries. Such a rigid attitude is one of the critical issues when dealing with a new multi-level governance setting. In most cases, this may regard the so-called “silos thinking and acting”, whereas the new paradigm of change pursues breaking down the sectoral approach and boundaries.

The collaborative approach, which is underlying the reform process, must be stimulated for such a change to happen. Undertaking pilot cases to experiment with an integrated approach, setting-up multi-disciplinary working groups on selected cross-cutting themes, breaking down the hierarchic approach to decision-making and replacing it with a more consensual approach, and stimulating the engagement of new technical staff and political administrators, are all possible ways to foster such a new approach. A further dimension of such flexibility regards the need to open the administrative local action to multiple territorial dimensions as resulting from the focus on specific themes (e.g. local infrastructures, environmental issues, commuting, social services, tourism development, etc.). These all call for a renewed capacity and attitude towards the local sub-units inside each UTI (e.g. flexible local sub-aggregations on specific themes) as well as an orientation open to establishing inter-UTI alliances on other questions relevant for broader areas (a typical instance of this in FVG being the case of industrial park consortia that often encompass more UTIs).

Openness to experimentation. We already highlighted in the previous section that the “wide area” integrated local development process, in particular when included in a

structural local government reform, should include operational mechanisms to facilitate the experimentation and further adjustments of the preferable governance organisation as stemming from the direct practice. For this, the development of pilot cases as well as the acceptance that not all UTIs will progress at the same pace in all constitutional matters, should be considered positively (in fact, the experience so far in FVG is already demonstrating this). This adaptive attitude should be complemented by a continuous improvement and mutual learning approach. Key tools to properly support this experimental attitude are the common communication platform¹⁹ and the capacity building programme supporting the UTIs²⁰.

Moreover, to enhance the UTI's collaborative attitude as well as their openness to experimentation, the suggested funding scheme for high quality strategic projects – see the previous paragraph on funding mechanisms – may define specific selective rewarding criteria.

Inter-institutional – multi level governance. Recent research stresses “there is a strong mutual dependence across levels of government. Decentralisation outcomes will depend to a large extent on how the complex relationships between levels of government are managed, and on how different challenges (vertical or horizontal “gaps”) between levels of government are bridged. In this perspective, co-ordination across and within levels of government is key. OECD experience illustrates the crucial need to set up formal and informal mechanisms to reinforce multi-level dialogue and foster effective and efficient co-ordination, such as dedicated structures or contractual arrangements.” (OECD, 2017)

In the specific case of FVG, the reform directly impacted the previous multi-level governance. Main issues and challenges concern:

- The CAL. The new role of the reformed CAL, as an example of public governance among the UTIs and between the UTIs and regional government, offers substantial room for improvement at both levels, since it is a completely reformed body. In particular, we highlight the so-called “agreement for regional and local development”. This is the milestone of the wide area development part of the UTI reform, and is a brand new instrument for the negotiated approach to local socio-economic development. Furthermore, the CAL is the space where the advocacy of territorial interests and needs can be exerted by the UTIs, provided that they attain a full capacity to act as a common representative and strategic entity.
- The governance between the municipalities and their UTIs. The Assembly of the UTI is the collective body where mayors – directly elected by their citizens – represent their specific municipal interests. The municipal councils (i.e. the directly elected body which embeds the democratic aspect of representativeness) have neither a direct role nor a voice within the UTI, a fact that may hinder the democratic process when most of the decisions are taken at that level. A possible solution to such an issue may consist in setting up, in viable forms yet to be determined, some collective entities (e.g. consultative committees, executive/regulatory commissions, etc.) where the representatives of the municipal councils can exert their role at UTI level.

¹⁹ See <http://www.riformaautonomie.regione.fvg.it/> (Website in Italian)

²⁰ See <https://compa.fvg.it/I-nostri-progetti/NEXTPA-cambiamenti-in-corso/Piani-formativi-NextPA> (Website in Italian)

- The local public-private governance. The wide area development calls for a more structured and permanent governance system engaging the local stakeholders. This was not previously the case, at least for the individual SMSTs. Therefore, the new administrative culture stimulated by the reform, offers the UTI the opportunity to act as the local socio-economic ecosystem catalyser and engine. Such a role requires finding viable modalities – largely relying on the local culture and consolidated behaviours in the different components of the local communities – suitable to establish and maintain effective multi-actor and public-private governance. According to the international experiences, it is important that such a system – formalised through light but well-defined procedures – succeeds in attaining concrete commitments from the parties.

In general, as a concluding remark to this point, considering the appropriate range and scope for the “wide area” development strategies, a regulatory structure that clearly highlights delegated responsibilities and tasks at the infra-regional level should be defined.

Complementarily, it should clarify and detail the respective role of the regional administration and the co-ordination arrangements in the multi-scalar policy-making processes in the various public policy domains where the region and the UTI directly interact. The resulting roles should also be addressed scaling down to the local level.

6.5. Funding mechanisms

The allocation of funds for the public investments resulting from the integrated local development strategies and the corresponding decision-making process should be transparent, adaptable to specific local needs, and reflecting a multi-annual perspective in order to ensure mid to long-term planning.

These are the preconditions for better quality programming and effective planning. Appropriate funding mechanisms are equally important.

The negotiated approach adopted for the regional **Investment special fund for wide area investments** (see Box 5.2) looks promising, since it is inducing the UTI to strive for a better quality strategic planning exercise in order to present convincing and well-motivated priority projects to the Region–CAL Development Agreement.

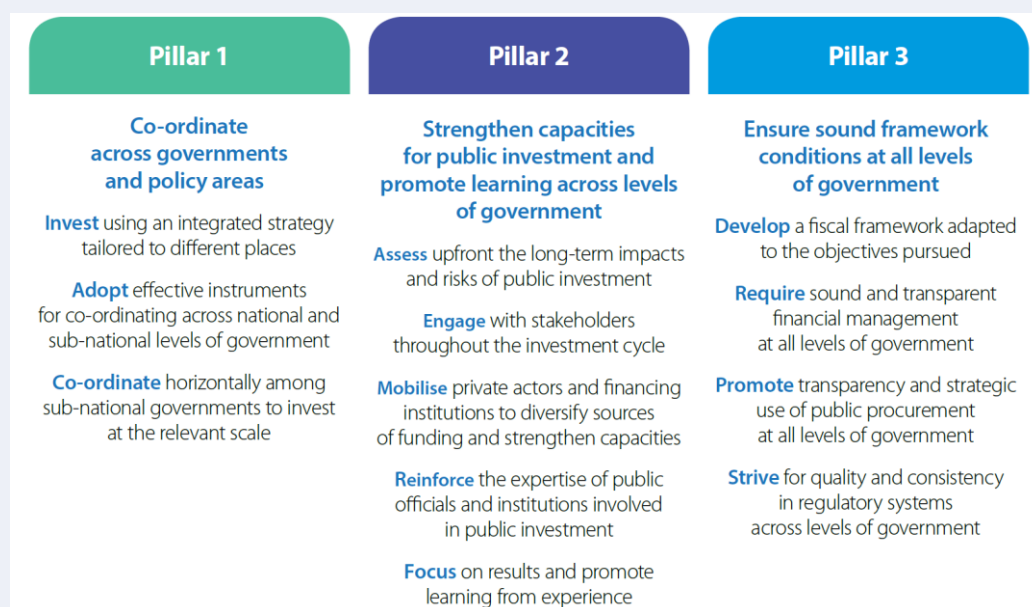
However good these projects may be, a certain level of “distributive” attitude still remains in the allocation of the fund’s resources, as can result from the negotiated approach and territorial equalisation.

Box 6.1. Effective Public Investment Across Levels of Government

As a general reference framework of recommendations on how to improve the quality of public investment across the different levels of government, the OECD delivered a document defining 12 principles under 3 pillars representing systemic challenges to public investment: co-ordination among levels of government, sub-national capacity strengthening for public investments, and sound framework conditions for all levels of government.

This is relevant considering that in 2013 the sub-national public investment for infrastructure in the European Union counted for more than two thirds of total public investments.

OECD Recommendation on Effective Public Investment Across Levels of Government. Principles for Action



Source: OECD Brochure Effective Public Investment Across Levels of Government: Principles for Action

For further information see <http://www.oecd.org/effective-public-investment-toolkit/>

One option to consider, within the framework of the special investment fund, might be to reserve a limited percentage of the total resources (e.g. 15-20% or more) for open calls for funding a limited number of high quality strategic projects, submitted by UTIs – individually or associated – complying with strict selection criteria. The call's terms of reference could be inspired by a (simplified) model of Interreg²¹ funds. It must be ensured that these fund allocations are additional to other funding for municipalities and UTIs and

²¹ Interreg funds are part of the European Structural and Investment funds within the European cohesion and regional development policy. Therein Interreg refers to the funds that are addressing the European Territorial Co-operation, i.e. the co-operation between regions and communities along European country borders.

intended to reward the pure quality of a few strategic projects. (see Box 6.2 for a tentative list of criteria for quality projects).

Box 6.2. Funding quality projects

Based on experience, **successful projects** that produce a strategic impact tend to have the following common characteristics:

- Addressing a **specific challenge or problem with a concrete focus**. Projects that are too general or in an early stage of problem definition tend to struggle with analysis instead of focusing on solutions and inputs to improved policy making. It is also important that the topic links to current political action plans and recently adopted agendas.
- A **certain critical mass of participants** that have the capacity to continue work and further disseminate the project results after project completion.
- A **diverse yet balanced partnership** covering all relevant stakeholders that are necessary to promote change in a given policy area. Usually this involves public policy representatives, research and knowledge-oriented actors, private sector stakeholders (in particular business associations or business intermediaries such as chambers of commerce), representatives of final consumers or users, and other intermediaries that could help to implement the project outcomes and recommendations.
- A **wide area view** on the initial problem and its solution.
- A **knowledge generation and transfer** component, as well as a “practical implementation” or “testing” component, producing useful outcomes and transferable lessons regarding the development of new products, services or policies.
- **Leadership** and experience in **project management** and in the management of large and diverse teams.
- Experience and a **good strategy for communication** and dissemination.
- Sufficient dedicated **human resources** (e.g. at least one full-time staff member) to co-ordinate the project.
- A **sound intervention logic** that relates the initial challenge to the overall strategic objective, as well as to the specific project outputs and results.
- **Credible indicators** to monitor project progress and results that help to estimate the final contribution to socioeconomic impact and to the overall strategic objective.
- A **realistic approach to timing and budgeting** with sufficient buffer time and budget for critical milestones.

Source: Adapted from Interreg IVC 2013, Study on Exchange of Experience Processes. Interreg IVC, 2015, Thematic Capitalisation Evaluation Survey. BBSR, 2017, Good Practice Guidelines for an Effective Implementation of Interreg B Projects.

6.6. Concluding remarks

At the end of this open reflection on wide area socio-economic planning, we can provide some remarks which can help in stimulating a further debate on the subject.

We have defined the “wide area” as a sub-regional permanent aggregation of single municipalities with the constraint of contiguity. It is important to have a fixed aggregation (the UTIs of FVG in this case) – opposite to functional areas with variable borders – because wide areas are also in charge of administrative tasks. However, it is equally important to allow a certain degree of freedom in the participation of single municipalities to development projects promoted by different UTIs if the functional aggregation is to be conducive of higher results and better performance (tourism projects may be a strong exemplification).

The “wide area” is an appropriate public actor to deal with local development issues. It should promote a vision, define a development plan, and implement it for the benefit of its territory and citizens. In doing so, it needs a governance dimension, with strong participation of the different territorial stakeholders and an inclusive approach towards the needs of citizens.

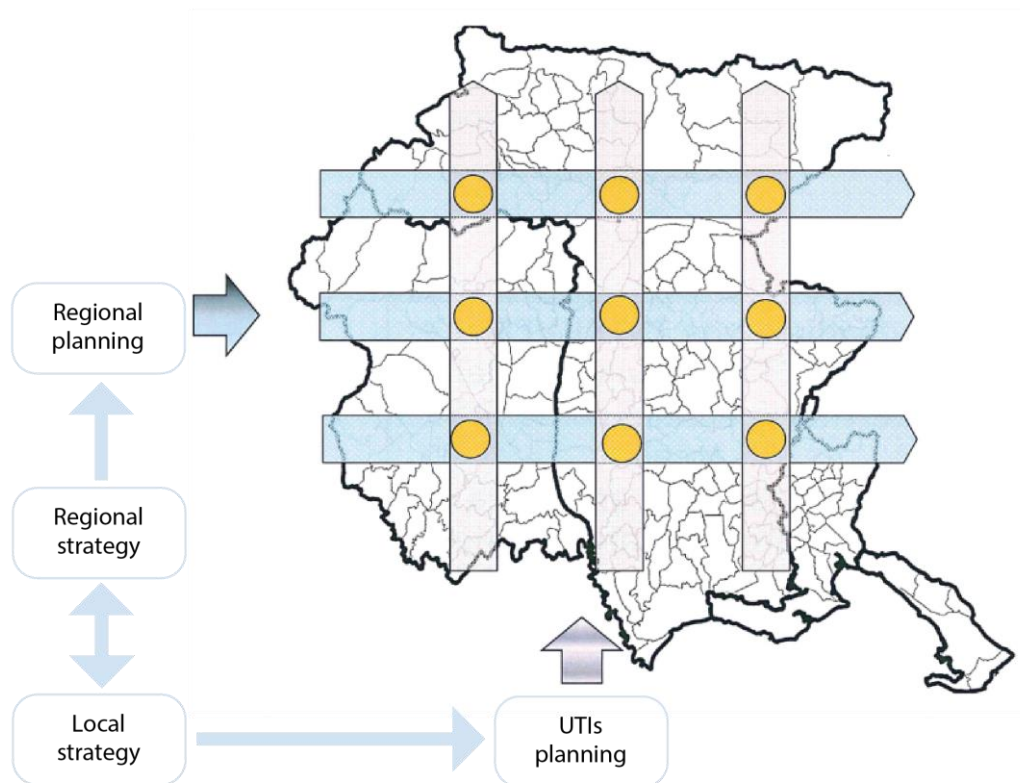
The value added of the wide area body is mainly found in exploiting synergies, enforcing connections, and closing the missing links between the numerous networks of municipalities within it. In terms of the reflections captured by Figure 4.1, wide area bodies can promote an appropriate supply of places and strengthen and direct an appropriate demand for places in the areas concerned.

It should be noted that this is a complex and “risky” task. Any time we shift the territorial equilibrium we have to take into consideration that the change will produce new winners and (maybe) losers. To transform a re-distributive game into a win-win situation is not so easy.

Multi-level governance reforms entail risks that should not be underestimated. Reform processes often stall, fail and may be cancelled, postponed or even reversed. They may not go according to plan, and may be only partly implemented, adjusted, or even circumvented during the implementation phase, without producing instant results or the expected outcomes. Therefore, reshaping the multi-level system of government takes a long time and may need adaptation. To generate expected benefits, additional and complementary reforms are often needed to correct for potential deviations and improve multi-level governance mechanisms. Moreover, this is a never-ending process: the challenge of multi-level governance reforms is not merely to adapt to a new, stable and definitive situation but to enable public administration at all levels of government to adapt continually to a permanently evolving environment. (OECD, 2017)

It is also necessary to have the right people in the right places and it is exactly for this reason that we need a strong capacity building action and the enduring construction of communities of practice.

Figure 6.1. A new interaction between two layers: region and wide areas



Source: authors' own elaboration based on official FVG Region figures.

Figure 6.1 shows the final matrix structure of the multi-level planning (regional and sub-regional levels) representing the objective of a positive, collaborative, integrated dialogue between the two levels to reach sustainable development goals.

A bottom-up consideration of the needs expressed by the places together with a top-down framing of the major priorities (also taking into consideration the European 2020 goals) should be fostered.

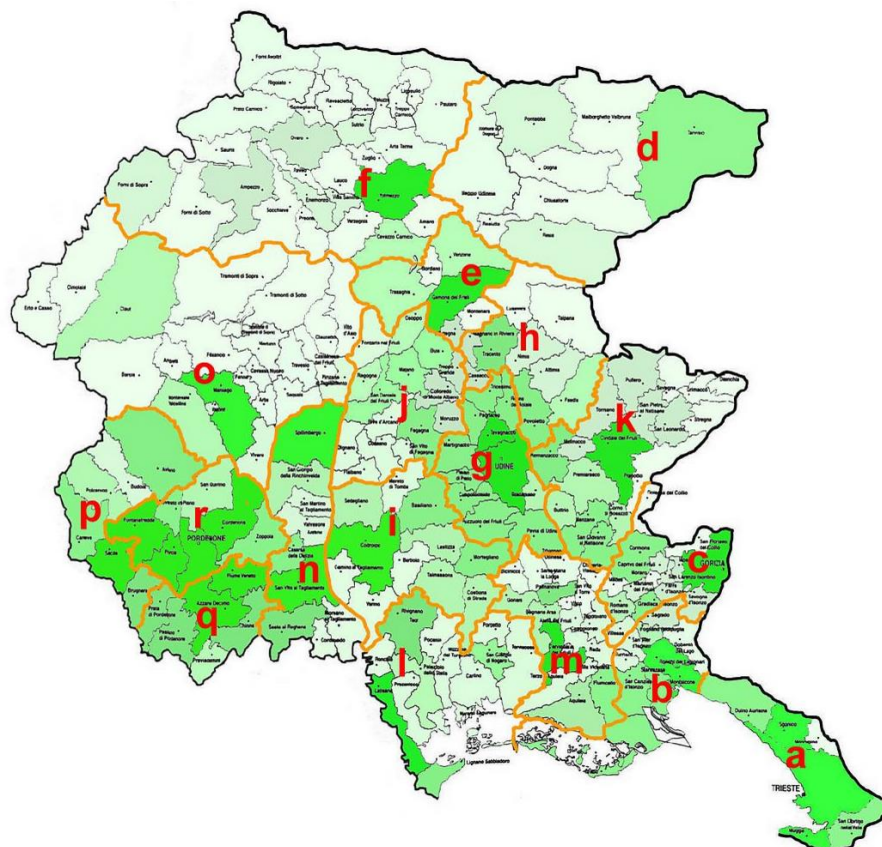
The final result may be a win-win situation, strengthening the role, the wellbeing and the performances of wide area bodies and producing a reinforcing mechanism of regional competition on a wider scale.

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Annex A. Administrative boundaries of UTIs in the FVG Region



Annex B. List of UTIs in the Friuli Venezia Giulia Region

UTI	Location	Current Municipalities (nr.)	Nr. Municipalities	Area (km ²)	Inhabitants	
a	UTI Giuliana	Trieste	Duino-Aurisina , Monrupino , Muggia , San Dorligo della Valle , Sgonico , Trieste	6	212.5	232 601
b	UTI Carso Isonzo Adriatico	Monfalcone	Doberdò del Lago , Grado , Fogliano Redipuglia , Monfalcone , Ronchi dei Legionari , Sagrado , San Canzian d'Isonzo , San Pier d'Isonzo , Staranzano , Turriaco	10	264.8	72 499
c	UTI Collio - Alto Isonzo	Gorizia	Capriva del Friuli , Cormons , Dolegna del Collio , Farra d'Isonzo , Gorizia , Gradisca d'Isonzo , Mariano del Friuli , Medea , Moraro , Mossa , Romans d'Isonzo , San Floriano del Collio , San Lorenzo Isontino , Savogna d'Isonzo , Villesse	15	202.3	67 644
d	UTI del Canal del Ferro - Val Canale	Tarvisio	Chiusaforte , Dogna , Malborghetto-Valbruna , Moggio Udinese , Pontebba , Resia , Resiutta , Tarvisio	8	885.0	11 164
e	UTI del Gemonese	Gemona del Friuli	Artegna , Bordano , Gemona del Friuli , Montenars , Trasaghis , Venzone	6	235.3	19 893
f	UTI della Carnia	Tolmezzo	Amaro , Ampezzo , Arta Terme , Cavazzo Carnico , Cercivento , Comeglians , Enemonzo , Forni Avoltri , Forni di Sopra , Forni di Sotto , Lauro , Ligosullo , Ovaro , Paluzza , Paularo , Prato Carnico , Preone , Ravaschetto , Raveo , Rigolato , Sappada , Sauris , Socchieve , Sutrio , Tolmezzo , Treppo Carnico , Verzegnis , Villa Santina , Zuglio	29	1 286.0	39 882
g	UTI del Friuli Centrale	Udine	Campoformido , Martignacco , Pagnacco , Pasian di Prato , Pavia di Udine , Pozzuolo del Friuli , Pradamano , Reana del Rojale , Tavagnacco , Udine	10	256.4	162 523
h	UTI del Torre	Tarcento	Attimis , Cassacco , Faedis , Lusevera , Magnano in Riviera , Nimis , Povoletto , Taipana , Tarcento , Tricesimo	10	344.1	44 251
i	UTI Mediofriuli	Codroipo	Basiliano , Bertiolo , Camino al Tagliamento , Castions di Strada , Codroipo , Lestizza , Mereto di Tomba , Mortegliano , Sedegliano , Talmassons , Varmo	11	419.6	51 812
j	UTI Collinare	San Daniele del Friuli	Buja , Colloredo di Monte Albano , Coseano , Dignano , Fagagna , Flaibano , Forgaria nel Friuli , Maiano , Moruzzo , Osoppo , Ragogna , Rive d'Arcano , San Daniele del Friuli , San Vito di Fagagna , Treppo Grande	15	349.8	51 241
k	UTI del Natisone	Cividale del Friuli	Buttrio , Cividale del Friuli , Como di Rosazzo , Drenchia , Grimacco , Manzano , Moimacco , Premariacco , Prepotto , Pulfero , Remanzacco , San Giovanni al Natisone , San Leonardo , San Pietro al Natisone , Savogna , Stregna , Torreano	17	456.5	52 112
l	UTI Riviera - Bassa Friulana	Latisana	Carlino , Latisana , Lignano Sabbiadoro , Marano Lagunare , Muzzana del Turgnano , Palazzolo dello Stella , Pocenia , Porpetto , Precenicco , Rivignano Teor , Ronchis , San Giorgio di Nogaro , Torviscosa	12	438.4	56 332
m	UTI Agro Aquileiese	Cervignano del Friuli	Aiello del Friuli , Aquileia , Bagnaria Arsa , Bicinicco , Campolongo Tapogliano , Cervignano del Friuli , Chiopris-Viscone , Fiumicello , Gonars , Palmanova , Ruda , San Vito al Torre , Santa Maria la Longa , Terzo di Aquileia , Trivignano Udinese , Villa Vicentina , Visco	18	298.7	55 148

	UTI	Location	Current Municipalities (nr.)	Nr. Municipalities	Area (km ²)	Inhabitants
n	UTI del Tagliamento	San Vito al Tagliamento	Casarsa della Delizia , Cordovado , Morsano al Tagliamento , San Giorgio della Richinvelda , San Martino al Tagliamento , San Vito al Tagliamento , Sesto al Reghena , Spilimbergo , Valvasone Arzene	9	334.3	57 278
o	UTI delle Valli e delle Dolomiti Friulane	Maniago	Andreis , Arba , Barcis , Castelnovo del Friuli , Cavasso Nuovo , Cimolais , Claut , Clauzetto , Erto e Casso , Fanna , Frisanco , Maniago , Meduno , Montereale Valcellina , Pinzano al Tagliamento , Seguals , Tramonti di Sopra , Tramonti di Sotto , Travesio , Vajont , Vito d'Asio , Vivaro	22	1 148.1	37 086
p	UTI Livenza - Cansiglio - Cavallo	Sacile	Aviano , Brugnera , Budoia , Caneva , Polcenigo , Fontanafredda , Sacile	7	350.4	62 892
q	UTI Sile e Meduna	Azzano Decimo	Azzano Decimo , Chions , Fiume Veneto , Pasiano di Pordenone , Prata di Pordenone , Pravisdomini	6	205.3	51 993
r	UTI del Noncello	Pordenone	Cordenons , Porcia , Pordenone , Roveredo in Piano , San Quirino , Zoppola	6	237.2	101 562

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LOCAL DEVELOPMENT CHALLENGES AND THE ROLE OF "WIDE AREAS" IN STRATEGIC PLANNING

The Case of Inter-Municipal Territorial Unions
of Friuli Venezia Giulia (Italy)

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