

ASSESSMENT AND RECOMMENDATIONS

Siena's experience contrasts general trends of predominantly rural areas...

Siena, a predominantly rural province in central Italy, has enjoyed robust performance in the principal indicators of income and employment growth and in-migration. Even against the backdrop of impressive national gains in the post-war period, Siena has been able to improve its position relative to other Italian provinces in terms of per capita income. During this same period predominantly rural Italian provinces as a whole fell in rank. Employment creation has also been impressive with the province demonstrating high rates of labour force participation for men and women. Labour shortages have emerged recently, replacing the more typical rural problem of persistent unemployment. A strong indicator of the opportunities available in a territory is the rate of in-migration and here too Siena has bucked rural trends registering positive net migration since the 1970s. Most importantly, the composition of gross migration flows has stemmed the 'brain drain' evidenced by a higher share of college graduates than the national or regional Tuscany average. Empirically, Siena is representative of the upper-tail for most of the principal indicators of performance in predominantly rural areas. The conceptual task is to determine whether this experience points to emergent possibilities of rural areas or is merely an outlier reliant on irreproducible factors.

...providing insight into the advantages of specific rural characteristics...

The commonality Siena shares with many other rural areas is its limited engagement with industrialisation. Between 1953 and 1971 the population fell by more than 7% following the crisis in sharecropping that afflicted the province. The migration story is typical of many predominantly rural areas in OECD member countries that had also failed to generate sufficient employment in industry to compensate for the labour shedding in agriculture. What differentiates the experience in Siena is the relatively early shared realisation that this limited engagement would add value to a substantial endowment of amenities—a range of natural,

man-made and cultural features recognised as having specific societal or economic value. This realisation resulted from a combination of civic obligation, the number and quality of these amenities and early success in the symbolic attachment of the territory to goods sold in the market. Siena is thus illustrative of a largely unappreciated potential in many rural areas and the social and collective orientation required for tapping them.

...and the necessity for co-ordination and a long-term vision.

However, the success that Siena has enjoyed has sensitised its residents to the need of sustaining these advantages into the future. Indeed, a part of this initial success was dependent on the significant endowment in place rather than their purposive co-ordination and valorisation. It is this current stage in Siena's development that is most informative for rural development policy more generally. Instead of relying on the attractive pull of a small number of renowned sites, the province must further its efforts to make the totality of cultural, natural and built amenities visible and accessible. The dual challenge is to control congestion in the most popular sites and direct more visitors to under-utilised areas in the province. Sustainable development will thus require greater co-ordination both within and between interdependent activities in sectors such as tourism, agriculture and public services with the integration of economic, social and environmental goals. In turn, this raises new needs of governance and long-term strategic planning. These sectoral challenges and policy alternatives are outlined before turning to an assessment of governance instruments required for addressing them.

The tourism strategy should appeal to more sustainable visitor profiles...

A significant share of the more than five million visitors annually match a mass tourism profile where the tourist views a limited number of sites included on the must-see list. This contributes to the territorial concentration of flows in a few areas of the province: three UNESCO World Heritage sites in the province—the city centres of Siena and Pienza and of San Gimignano—risk erosion due to over congestion, exceeding their maximum carrying capacity during peak periods. This in turn generates resentment among the local population, and ends up transforming the identity of historical centres, which gradually lose their traditional

functions and inhabitants. Additionally, visitor congestion usually affects the quality of the tourism offer and creates high infrastructure and management costs, which exceed the financial resources of municipalities. At the same time, Siena possesses an exceptional wealth of less renowned attractions that are currently under-utilised—heritage, landscape, farm tourism, gastronomy, spas—that are found throughout the province. Beautiful landscapes already attract numerous foreign tourists to stay in renovated farm houses that at one time sheltered the large contingent of labour required of modest holdings. The experience of rural tourism is aided by high quality wine and olive oil along with many typical products, all contributing to a rich culinary tradition. This element should allow the province to build a strategy harnessing its multiple tourism resources. The opportunity for tourists to create their own customised itinerary combining countryside, cultural visits, gastronomy and other interests would enhance the tourism experience leading to longer stays. Appealing to this tourism profile would generate more sustainable tourism.

....that will require addressing weaknesses in quality and regulatory compliance of farm tourism...

The weaknesses in farm tourism should be addressed to ensure referral and return business and that incentives accrue only to accommodations that provide a substantive connection to farming. Standards of quality in accommodation and catering are highly variable that unsurprisingly reflects the lack of professional hospitality experience of most Sieneese farmers. A general plan for establishing and implementing a more consistent level of quality within these constraints should be developed. The degree of compliance with the current regulatory framework of farm accommodation is a growing concern with some agroturismo failing to satisfy the legal requirements of commercial accommodation, and an increasing number of unauthorised farms operating as accommodation units. This situation demands stricter enforcement by public authorities. In terms of promoting the sector, co-ordination of an integrated regional promotion networks with enhanced Internet information and online reservation capability would substantially augment competitiveness.

...the spa sector...

The spa sector, once an extremely prosperous one, is today adapting unevenly to changing conditions. Public subsidies to thermal therapies were reduced in the national health plan that halved occupancy rates in many of the spas. Concurrent to this crisis a new opportunity appeared in the increased interest of consumers to health and well being, manifest in the health tourist willing to finance their own treatments. This type of visitor demands curative or preventive therapies along with relaxation, fitness and beauty treatments, accompanied by quality accommodation. Notwithstanding some smaller spas, the spa sector should re-orient its product to meet new demands for therapies, fitness and well being as well as complementary tourism activities. The bigger spas of Chianciano could exploit their higher reception capacity in order to develop a complementary offer of conference and seminar tourism, and develop new types of attractions. Smaller spas could envisage a strategy of combining its own offer of high quality services with the other tourism resources of the province

*...and improving synergies
with other sectors.*

A tourism strategy should envisage more integrated efforts aiming to increase linkages between tourism and the craft and traditional food sector. There is in Siena a wealth of “minor”, high quality agro-food products, which can both find additional markets through tourism and also be used in the promotion of the province, as these products are strongly linked to the history and traditions of Siena. There are opportunities to improve and expand local production of craft items for sale to tourists, and reinforce its links with tourism, increasing thus the local benefits of tourism.

Siena agriculture presents a mix of market-driven and subsidised activity...

...with the majority of cultivated land area dependent on CAP support.

Consortia, farmer associations and co-operatives can support an entrepreneurially dynamic sector.

Despite the considerable economic success of many agricultural producers in the province, the majority of cultivated land area is dependent on Common Agricultural Policy (CAP) subsidies to remain economically viable. The combination of market-driven and subsidised agriculture highlights the policy dilemma regarding the relative value of commodity and non-commodity outputs of the sector. The integral rural landscape that is a considerable asset to the province would be different in the absence of agricultural subsidies. But, the logic of mono-cropping supported by the CAP has no claims to authenticity. This fact challenges the value of preserving the current cropping patterns over all others if landscape amenities are deemed an important non-commodity output of agriculture. More contentious is the environmental services in the form of reduced erosion risk that allegedly provide another valuable non-commodity output supported by the subsidy scheme. This argument does not consider agriculture's negative contribution in the form of increased nutrient or pesticide leaching or lower-cost land use alternatives that would provide the same protection against erosion. What is clear is that the link between the level of agricultural production and the various positive non-commodity outputs associated with this production is quite weak. Maintaining production subsidies at their current level to ensure adequate non-commodity provision fails to envision the entrepreneurial capacity of farmers or the possibility of better-targeted policy instruments.

The various associative institutions for farmers and agricultural producers in the province have demonstrated their value and will become increasingly important in a shift to market-oriented agriculture. Through the co-ordination of marketing and distribution activities, supporting research that would be beyond the means of individual producers, providing a menu of real services, and increasing the buying and selling power of collections of co-ordinated smallholders, the various organisations increase the viability of farming at a human scale. The possible diversification of individual holdings will make greater demands on the organisations' ability to co-ordinate, market and provide real services to an increasingly heterogeneous membership. One likely impact

of CAP reform will be to extend the qualification of typical products such as wine and olive oil to qualify cereals and animal husbandry based on a quality or organic certification. However, the organisations also have a potentially important role to play in fostering the entrepreneurial activities of farmers. Increasingly, it will be the ability to follow emerging market trends that will allow farmers to realise viable opportunities.

Non-commodity outputs of agriculture are best assured by increased market viability

The experience with farm tourism has demonstrated a successful means of diversifying farm income that also allows for the internalisation of some of the returns from the positive externalities of agricultural production. Indeed, farm tourism is the clearest way that consumers can express their demand for amenity attributes of farming through direct purchase of farm accommodations. The current incentive of taxing farm tourism as an agricultural activity should be maintained if the current legal requirement that not more than half of farm revenue comes from tourism is effectively enforced. Geographic indications of origin have been another strategy for internalising returns by connecting the product to the territory. Popular images of Tuscany and the large number of visitors each year to the region suggest that a winning strategy is one that links agricultural goods to the territory. The market success of Controlled Designation of Origin (DOC and DOCG) wines from the province is the clearest indication of this. However, various constraints suggest that any enlargement of the current DOC areas would proceed quite slowly, if at all, and certainly much too slowly to compensate for area that may be brought out of production in response to eventual CAP reform. In light of these constraints efforts to diversify the range of typical products should be actively promoted. Although the range of labelled products currently extends to olive oil, and includes some meats and cheeses, there are currently a number of other traditional products that could also benefit from the legal protection and consumer information embodied in a label. Any such initiative would be facilitated by better co-ordination in the sale of authentic Sieneese products so that the added value consumers derive from a product attached to the territory is represented in price premiums.

Internalising the returns from the positive externalities of agriculture has a long history in the province that should be encouraged further.

The European model of agriculture requires better consumer information and the reintegration of farming into the vitality of rural communities.

The Province's intention to build support for the creation of an International Centre on Labelling of Typical Products should be encouraged. The mission of enhancing consumer information regarding typical products and developing strategies for maximising the contribution of typical products to rural development objectives would be a pure public good that has lacked substantial provision at the national or subnational level given an understandable preoccupation with "promotion." Especially in light of the concerns regarding a high-quality food supply, information on the justifiable claims of typical products would provide a valuable service to European consumers, as well as insight into how agricultural production can be reintegrated into the cultural, natural and economic systems of rural communities.

Specifying a transition period for reform of agricultural policies would mobilise the greatest range of creative resources.

In the pursuit of market-driven agriculture, the parallel costs of traditional agricultural policies are both the resulting misallocation of resources along with the strong disincentives it creates for agricultural venturing. The objectives and solutions for an economically competitive agriculture sector are inherently complex in stark contrast to the much simpler problem of increasing agricultural yields to ensure food security. Finding policy solutions in a complex environment must recognise the importance of enabling experimentation at the local level to mobilise the rich information sources and creativity of a diverse set of actors. Unfortunately, "wait-and-see" is the rational economic response in the current environment that squanders immense human resources, many of which are well disposed to "explore-and-endeavour." The implicit penalty on innovative behaviour should be removed by defining a transition period that would allow farmers to revert back to pre-transition activities if they find these to be more remunerative after reform.

Experience with public-private consultation suggests an ideal test case for experimenting with new instruments to support provision of non-commodity outputs.

More amenable to direct local policy action is the potential for local instruments to underwrite the provision of non-commodity outputs currently provided by agricultural production. Substantial transfers have dulled the true interdependence of other sectors with agriculture. This interdependence needs to be explicitly examined. The fact that many of the beneficiaries of the non-commodity outputs of agriculture are physically present and experience these outputs directly suggests that the *beneficiary pays principle* may be an appropriate and highly efficient way of ensuring a desirable level of provision. A tourism tax or means for soliciting voluntary contributions should be investigated. However, as the relationship between the level of non-commodity outputs and agricultural production is weak these discussions should also investigate those non-commodity outputs that are valued and how they can be produced at lowest cost. In this respect, provincial experience with consultation and negotiation across public and private sectors would be a valuable resource in the constitution and specification of service contracts for the provision of non-commodity outputs.

Mutual interdependence of the farm and non-farm economy recommends territorial over sectoral approaches.

Sieneese farmers maintain a keen—but by no means unique—interest in proactively responding to the internal and external forces that are driving the need for reform. The need to reduce distortions from subsidies to meet trade liberalisation obligations as well as reductions required by Eastern enlargement to meet EU budgetary targets are generally understood. As the resources for sectoral support become more constrained, the policy synergies in an integrated approach to rural and agricultural development become more persuasive. This suggests that farmers may be an allied interest in pursuing a territorial approach to “a living countryside” rather than a blocking coalition bent on maintaining sectoral subsidies. Given that alignment of these interests will become increasingly difficult at larger territorial scales, Siena may provide a unique opportunity for a pragmatic test of the advisability of redirecting a larger share of agricultural funds to non-farm activities that recognises the importance of pluriactivity to farm household income, enhancing the quality of the rural milieu and ensuring adequate service provision in

sparsely populated areas.

Administrative decentralisation should have a positive effect on service provision, although Siena faces a challenging situation.

For what concerns both tourism and agriculture, efficient service delivery at the local level is crucial. The far-reaching process of administrative decentralisation in Italy changed the institutional framework for service delivery. It also produced a number of managerial reforms for local authorities. Taken together these changes should make local service provision more efficient and citizen-oriented. Mayors are now directly accountable to citizens for a wide range of public services provided at municipal level. This accountability is re-enforced by a new regime of local taxation that has given municipalities the right to collect local taxes and user fees. Reforms have also increased municipal oversight, prompting a more efficient use of human resources in the civil service, and renewing attention in the implementation of management control at the local level. The main challenge for service provision lies in Siena's settlement pattern of small, scattered municipalities. Moreover, institutionalised forms of co-operation between the municipalities have been hindered by the pride attached to locally maintaining a wide range of public services. Nonetheless, this costly municipal autarky will no longer be possible in the future. Due to demographic changes costs of public services will increase as demand for some withers and demand for others increase. At the same time local authorities will find it still harder to compete with private companies in a tight labour market.

Options to increase the efficiency of service delivery include joint provision with other municipalities...

In order to increase the efficiency of service delivery, the province should consider the different approaches followed in OECD member countries, where several possibilities seem particularly appropriate. Small size combined with considerable variation in demand suggests many municipalities in Siena could benefit from joining up service production in local consortia. Municipal partnerships are formal agreements in which at least two local authorities pool resources to deliver services. Flexibility is required of participants, as well as the ability to relinquish their former level of control over operations. Small municipalities in rural areas seem especially suitable for this

intergovernmental arrangement, which is designed to enable joint service delivery and to maximise benefits in terms of potential cost savings and a wider range of high quality services than would be available to each local authority, acting alone. An appropriate "corporate governance" of municipal partnerships is essential in order to ensure transparency and accountability and thus guarantee an efficient service delivery. For instance, service partnerships with municipalities lacking major tourist attractions may help to deal with shortage of staff in the congested municipalities at peak times. Medical or policing staff from surrounding municipalities could be seconded to the tourist locations for a fixed period of time. But central government policies need to provide financial incentives for joint service delivery between small-sized local authorities to outweigh their reluctance to co-operate.

...one stop shops and multifunctional service shops.

The strong municipal culture is also an obstacle for the realisation of one-stop shops (front offices for all the services of one public agency with different geographically dispersed departments, or for several public agencies). Given the small size of municipalities throughout the province, the best option would be to share one-stop-shops between municipalities. Nonetheless, parochialism does not encourage local authorities to share their data. This resistance to co-operate could be overcome by bringing in external actors. This makes the relatively new approach of *Multifunctional service shops* an interesting alternative for the province; it goes one step further than one stop shops, integrating public and private services delivered at the "front" office (service shop), which should be co-ordinated with service providers from the "back" office. Integrating private actors has the advantage of not only diluting rivalry between municipalities but also bringing in know-how and specific skills which are often lacking in small communities.

Siena should speed up managerial reforms and induce a cultural change within the administration

The above mentioned policy tools can have a strong impact on the province if applied in a co-ordinated manner. Still, they require at the same time a crucial effort by the province: Siena needs to reinforce managerial reforms that were started only in 1999. In particular, the implementation of the Strategic Development Plan discussed below will require operational information and management control systems, which at present are at an embryonic stage. More worrying is the limited capacity of small municipalities to respond to the management reforms brought about by the Bassanini reforms in a positive way. However, the most urgent need across all levels of government in the province is for cultural change „to train,, public managers and elected officials to talk to their citizens. Public authorities should set the example for increased customer satisfaction by ascertaining the needs, preferences and perceptions of citizens through surveys and other forms of market research. .

The poor infrastructure endowment of the province today results from deliberate choice. ICTs may offer opportunities to enhance competitiveness and combat social exclusion...

Compared to other Italian provinces, Siena has rather poor infrastructure. This is particularly true with respect to airports and the railway network. The Province also has large deficits regarding electric plants and services for enterprises. This situation has not emerged due to the lack of capital but rather the conscious choice of the provincial administration to prioritise the protection of landscape over new infrastructure projects. The picture is different regarding telecommunications infrastructure with the Province of Siena doing almost as well as the Region of Tuscany as a whole. And the province shows the will to put a stronger emphasis on ICT infrastructure: an ambitious project was recently initiated with the declared aim of bringing broadband infrastructure to all areas of the Province. This project would add to the existing best practices in e-government (the *SienaCard*) and in the promotion of local products on the Net. .

...but investments require a more comprehensive strategy.

However, optimising the social returns of investments in broadband, along with other interesting initiatives in Siena, require a clear and widely shared strategy for the development of the ‘Information Society’ integrated with the global strategic plan for the province . This should cover objectives of both competitiveness and social cohesion. ICTs offer new delivery channels for public services of particular interest in isolated rural areas. In addition to e-government initiatives tele-medicine and tele-education should be developed in order to fight social exclusion. More generally, the development of such a strategy should include conducting a territorial analysis in order to identify precisely the areas that are likely to make better use of technologies, as well as providing appropriate training to increase computer literacy and language skills.

Participatory planning instruments support Siena’s drive towards sustainable development

Governance reforms appear to be conducive to meeting the needs of sustainable development as administrative decentralisation in Italy has mixed the cards anew. In particular, local authorities gained new administrative functions and new political accountability. In this process the province obtained an unprecedented planning authority, demonstrated by recent initiatives in participatory planning. At the same time, a new dimension of co-ordination between different levels of government is required by this decentralisation or “administrative federalism”,,. The dual learning process requires the central government level “to let loose” while local levels integrate municipal and provincial actions vertically. In other words, the hard test of local autonomy is integrated action. As a result, Siena provides a fertile ground for examining participatory planning along the lines of strategic management practices in the public sector elsewhere in OECD member countries. In particular, Siena is predisposed to apply the new legislation in participatory planning given its high level of social capital. This helps a proactive provincial administration to mobilise private and social actors within short periods of time and to agree on large-scale projects. Many relevant stakeholders in the province are taking an active interest in different sustainable initiatives.

...addressing land use...

The process used in developing the Provincial Territorial Co-ordination Plan or PTCP is indicative of the comprehensiveness and inclusiveness required of sustainable development. Drafting of the document eschewed the traditional reliance on a single source of technical expertise in favour of the input and expertise from a wide range of actors and stakeholders in a consultation process that spanned three years. Developing a sense of ownership was critically important for a planning tool that makes the permanence and reproducibility of territorial capital—that may be exploited or enhanced but never dissipated for personal gain—the overarching principle. Going beyond the various formal and informal initiatives for valorisation of amenities to a systematic discipline of programming and policy will be necessary to ensure the sustainable utilisation of these territorial assets.

...and strategic planning.

While the PTCP co-ordinates programming and policy with respect to *land use*, it does not directly address the co-ordination of economic activities and social objectives on the territory that are often critical means for achieving development objectives. The provisional Strategic Plan being developed at the time of writing should address this deficiency, providing a long-term strategic vision to guide initiatives and defining performance targets for the concrete monitoring of progress. If the process for developing the Strategic Plan is successful it will secure the commitment of an inclusive collection of stakeholders and frame efforts for the productive reorganisation and redesign required for better programme and organisational performance. As a “work in progress” there is a significant opportunity for comment and appraisal of the process.

All planning processes reveal weaknesses with respect to transparency and public consultation.

The “Siena success story” shows that a high stock of social capital supports “good government”. But the reverse is also true: “good governance” increases social capital. The fact that the Province of Siena has the historical advantage of a high-level of social capital makes Siena a unique case. Nevertheless, sustainable development will only be a realistic goal if real efforts are made to ensure that individuals and organisations co-operate in an effective, associative way. Accountability and increased

public participation are key elements of any sustainable development policy framework. Nonetheless, the design processes of the PTC and the Strategic plan show deficiencies in the consultation processes; in the PTC the consultation was not yet a genuine dialogue between all stakeholders, and the consultation in the strategic plan largely ignores the importance of engaging civil society. . Moreover, the *Monte dei Paschi Bank*, the fifth Italian bank, headquartered in Siena, has created an autonomous Foundation with a directive to fund projects solely within the territory of the province, constituting a unique development tool. In order to commit all the stakeholders in the Province of Siena to the strategic plan, the decision-making process concerning the grants of the Foundation should be related, through an inclusive consultation, to the objectives of the Strategic plan

Public actors should improve their strategic capacities.

Nonetheless, the definition of the Strategic plan should not end with its drafting, nor should the involvement of local actors end after initial consultation. Strategic management should be seen as a continually evolving process of mutual learning, where public and private stakeholders are committed to advancing the development of the community. Reporting systems and related sanction/premium mechanisms are a way of both engaging stakeholders and ensuring better performance. Finally, such planning requires a substantive cultural change, as the different stakeholders need to act *strategically*. This requires individual and organisational learning and monitoring.