Abstract. The agrifood sector is characterised by the presence of small companies organized into agri-food districts, recognised by the Italian law n. 228/01 as “virtuous models of territorial development”. Agri-food districts show considerable ability to capture and create value, with a positive impact on rural areas. This ability is sustained through the rural development policies of the EU, which aim at improving the competitiveness of farms and diversification of economic activity in rural areas. These opportunities, however, are not always well exploited by potential beneficiaries: the purpose of this article is to check the existence of a “district effect” in the implementation of rural development policies in Italy. To this end, the authors analyse demand for and funds obtained by farms, by comparing in-district and off-district farms.

Keywords: rural development policies, district effect, policy utilisation funds, farms.

1. Introduction

The debate about the persistence of local systems of production (LSP) is currently relevant, as these systems show a high ability to compete in an increasingly global scenario. This can be observed also in the agri-food sector and in rural areas, where the main characteristic is the presence of small companies organized in agri-food districts (Terluin and Vanema, 2003; Iacoponi, 2002; Brunori, 2003; Fourcade, 2006). As a matter of fact, LSP highlight a remarkable capacity for persistence and sustainability, even in an increasingly globalized and competitive scenario, due to a strong association between the productive and the socio-institutional components. The persistence of local production systems has been widely explained: researchers underline the local systems’ competitiveness through the action of “atmospheric”, Marshallian-like phenomena, the flexible organisation of production (Pyke and Sengenberger, 1992), the presence of untraded interdependencies (Storper, 1997) and, consequently, the significant reduction in transaction costs (Becker, 1981; Pollack, 1985; Ben-Porath, 1982).
The literature highlights the role of the performance of agricultural districts (Brasili and Fanfani, 2010; Becattini, 1990), the dynamics of local consumption (Crevoisier and Jeannerait, 2009), the current reproducibility of the model not only in agriculture, but also in consumption (see for example the gastronomic districts evaluated by Bonnard, 2013). A general item of research concerns the persistence of agricultural and rural districts through time. On this topic, a relatively neglected field of research is the ability to gain access to rural development policies as a factor contributing to the endurance of territorial systems of production. Recent policies for rural areas have therefore stressed territorial dimensions: the neo-institutional perspective of local development (Amin and Thrift, 1994) proposes ascendant policy approaches, or bottom-up, in which the responsibility for territorial development is totally assigned to local subjects, according to EU guidelines. Community-led local development approaches, recently introduced within the framework of the future plans for rural development in the period 2014-2020, confirm these perspectives, by encouraging the involvement of local stakeholders as drivers for rural development.

As a consequence, rural development policies propose ascending and bottom-up approaches, where the responsibility for territorial development is taken by local actors, in a framework aiming to promote endogenous development models. This policy ensures resource availability that, if well exploited, can generate considerable opportunities for farms and for local development.

EU’s rural development policy is a revealing example of this type of approach: available resources operate on two essential dimensions of rural development: the sectorial dimension, through measures for the competitiveness of farms, and the territorial one, in the promotion of an endogenous and integrated model of development (De Castro et al., 2011; Berriet-Solliec et al., 2009; Hodge and Midmore, 2008).

The access (and its relative cost) to economic policies for local development is a particularly interesting theme of analysis; more precisely, a relevant topic for territorial production systems concerns higher propensity for gaining access to funds provided by rural development policies for businesses in a district context as compared with that for off-district ones. The underlying hypothesis is that what is called socialization space in district contexts engenders higher levels of access to rural development policy. This is due to the classic marshallian district ingredients: reduced costs of access to policies, for example the costs of bureaucracy or cognitive limitations, that cut down transaction costs. Have these elements the same relevance in district areas as in off-district territories? This paper attempts to analyze this issue by placing it in a territorial perspective, linked to the attitude towards adopting policies for rural development. The aim is to verify if the district atmosphere also produces regional differences in the economic and market policies. We argue that the location in district areas fosters higher access to policies.

After a brief survey of the Italian legislation about rural and agri-food districts, and after a brief methodological note, the paper continues by demonstrating the differences in the market access policies, with particular reference to inclusion or exclusion from districts (district/off-district). Some interpretative hypotheses and conclusions will end the paper.

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2 See the European Network for Rural Development.
4 The reduction of transaction costs in district contexts has been well demonstrated in literature. See, among others, Dei Ottati, 1986, Serarols et al. (2008).
2. Agricultural districts in Italy

The debate about agri-food districts (ADs) in Italy raised in the early 90’s (Iacoponi, 1990, Cecchi, 1992), has been led by the success of the studies about industrial districts5 (IDs) and the introduction of the law for IDs6. It continued during the following decade (Pacciani, 1997, 2003; Becattini, 2000; Iacoponi, 2000, 2002; Angeli, 2000; De Benedictis, 2000; De Filippis 2000; Albisinni, 2002; Carbone, 2000; Masini, 2001), up to the introduction of the law for ADs7.

The Italian authorities introduced this tool pursuing a dual purpose8: a support for farm competitiveness and an incentive for integrated development in rural areas. In fact, in order to shape ADs, the Italian government has looked at IDs as well as at Leader methodology (EU Rural Development Policy) and even at the French Contrat de Pays experience (Albisinni, 2002; Toccaceli, 2012).

The effect of devolution from central to regional governments is that ADs are regulated and recognized by Regions in different ways. Nevertheless, a common (although implicit) methodological pattern can be read through the different regional laws and two basic components are highlighted. At a local level, the partnership among different local actors (farms, firms, municipalities, and civil society), stimulates higher participation in rural development programs. Rural governance also plays the lever role in this socio-economic mechanism in different European experiences (Torre and Rallet, 2005; Angeon and Lardon, 2008). The second component refers to the institutional level, and concerns the (formal or informal) insertion of district projects into planning, programming and implementing policies, particularly at a regional level9. In this territorial-institutional mechanism, governance again plays a lever role bringing better coordination in government actions (Jessop, 2006) and a change for more successful implementation of policies (Stoker, 1998).

The expected results are both higher levels of effectiveness and efficiency in public spending (or in policy application), a growth in rural economy, and often a better management of environment resources.

This means that when an AD is identified and recognized by a Region, this is only the beginning of its path for achieving those expected results. So, ADs which are not following their own path nor getting results can be called “not virtuous” or “paper” districts10.

Regarding the “district effect” (DE), there is a wide difference between IDs and ADs. Much literature has been generated on IDs,11 with the aim of understanding the real causes behind their higher efficiency in productivity and persistence. Different paths were tested, both in accordance with the “new economic geography” approach, which considers the location of economic activity

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5 An industrial district is “a social and territorial entity that is characterized by the active presence of both a community of people and a group of enterprises in a natural and historically determined area” (Becattini, 1990).
6 Law 317/1991 article n. 36.
7 Legislative Decree 228/0, article n. 13.
8 Both are defined as local production systems (such as IDs). Agri-food districts “are characterized by significant local economic presence and interrelationship and interdependence of farms, as well as one or more certified products and safeguarded in accordance with applicable Community or national regulations, or by traditional or typical products.” Rural Districts “are characterized by the homogenous historical setting and territorial identity derived from the integration between agricultural activities and other local activities, and the production of specific goods or services, in accordance with traditions and natural and territorial vocations.”
9 In Italy, European structural policies are planned and implemented by Regions.
10 Some reasons, but not exhaustive, for district failure are analysed in this paper.
over space, and a micro-economic approach, which focuses the firms’ production functions in an off- and in-district area.

A concept of district effect for ADs was introduced by Pacciani (2003), with regard to a macroeconomic effect resulting at a local level in the first Italian experience of rural district in Tuscan Maremma. In this case, particular attention was paid to the capacity for organising demand and supply of financial resources in order to implement a well organised block of entrepreneurial projects. On the other hand, this means that a significant effect was produced regarding policy implementation.

District effects for ADs have been less analysed in recent literature: it has been demonstrated with respect to the economic performance of farms and organizational models; however, little attention has been dedicated to the ability to obtain funds through rural development policies.

In this paper, we try to highlight the differences between in-district- and off-district areas located in the Region of Lazio and to evaluate the district effect in the access to rural development policies.

3. Materials and methods

In this paper, we define application of policies as the ability to obtain funds from 2007-2013 Rural Development Plans (Rdp). The reference to rural development policies leads us to compare intra-regional areas, ruled by Rdp’s regional context. Therefore, the text presents the results of empirical analysis conducted in the Lazio Region, in Italy. This study looks into the adoption of policies by farms operating in districts compared with off-district farms. More precisely, the research analyses all the agricultural farms located in the recognized districts of the provinces of Rome, Latina and Frosinone.

The following officially recognized districts have been considered:

- **agri-food quality districts:**
  - in the Province of Rome, the Agri-food District of Excellence of the Roman Castles and Prenestini Mountains (it includes 24 municipalities);
  - in the Province of Latina, Agri-food Quality District of Fruit and Vegetable (it includes 15 municipalities);

- **rural district:**
  - in the Province of Frosinone, Rural District and Agro-energy Valley of the Latins (it includes 20 municipalities).

All farms located in the remaining communes in the provinces and outside the district areas, have been included in the analysis as off-district areas, and more precisely:

- the comparison with the fruit and vegetable district of Latina has been carried out with fruit and vegetables farms located in the areas classified as A and B by the regional plans for rural development
- agricultural farms located in the district of the Roman Castles and Prenestini Mountains have been compared with other agricultural farms of central and southern Latium, located in A and B areas of the regional rural development plan;

\[12 \text{ The municipalities of the agri-food district of Latina are prevailingly located in similar areas (A+B), as well as the municipalities of the Roman Castles district.}\]
to compare farms of the agro-energy district, we have taken into account all farms located in rural areas, that is area C and D of the rural development plan.

Before moving on to empirical analysis, it is appropriate to highlight the peculiarities that emerged due to the amendments of the Lazio Region. The scenario has 3 different developmental stages of the district:

1) the Agri-food District of Excellence of the Roman Castles and Preneستini Mountains (in the Province of Rome), is operating at a local level, which corresponds to a local community identity. It is a clear example of a multi-specialized district, which started its activity with the launch of Rdp 2007-2013. In addition, the district has been successfully carrying out integrated rural development projects, thanks to the good organization and relational capacity between farms, institutions and territory;

2) the Agri-food Quality District of Fruit and Vegetable (in Latina) is an active and evolving district;

3) the Rural District and Agro-energy Valley of the Latins (in Frosinone) is a district which has not yet been started, but has only been recognized by the regional law.

To verify the **district effect** with reference to the exploitation of rural development policies, we will analyse the number of funded farms, distributed according to the measures of the Rdp for the period 2007-2013; we have considered the measures according to the I	extsuperscript{st} and III	extsuperscript{rd} axes, which are measures of investment. All the available measures for single farms have been taken into account, as provided by the single axes of the Rdp in the programming period 2007-2013. Our data refers to the end of October 2013. Specifically, the I	extsuperscript{st} axis of the Rdp focuses on improving the competitiveness of the agricultural and forestry sector, with the purpose of supporting each measure to increase sector competitiveness. The III	extsuperscript{rd} axis addresses the issue of quality of life in rural areas and diversification of the rural economy with particular attention to areas risking marginalization or abandonment.

An index of association is calculated, in order to bring out the associations between the variables discussed, aiming to verify the degree of attraction between the political and territorial context. The assumption is that the in-district area is more attractive than the off-district areas, in terms of obtaining funds from Rdp. In this case, the degree of association may be estimated by an index which compares the incidence of the specific class with respect to a particular response, with the overall incidence on the sample. The index is the ratio between the two incidence rates:

\[
A_{i,j} = \frac{n_{i,j}}{n_j} \times \frac{n_i}{n}
\]

Where:
- \(A_{i,j}\) is an indicator of the degree of association between the dimensional class \(i\) and answer \(j\),
- \(n_{i,j}\) is the number of farms that fall in the size class \(i\) that have responded positively to the question \(j\),
- \(n_i\) is the number of farms that fall in the size class \(i\) and \(n\) is the total number of farms.

\textsuperscript{13} RDP 2007-2013, Lazio Region
• $n_i$ is the number of farms that fall in the size class $i$ and $n$ is the total number of farms.
• $n_..$ is the total number of farms.

The indicator takes on a value greater than 1 in cases of positive association. Finally, in order to emphasise possible district effects, we will put forward a comparison between the motivation in applying policy referring to farms located inside the district area and farms outside it. To this end, a questionnaire was proposed to a sample of farms. The sample was extracted through a self-weighting sampling plan: a total of 264 farms (146 farms outside the district and 118 farms within the district) answered the questionnaire; 83% are considered to be valid answers.

4. Results

Table 1 highlights the main results\textsuperscript{14}, by comparing district and off-district areas: off-district farms show a greater tendency to utilise policy measures, the only exception being that of the fruit and vegetable district in the province of Latina. On the other hand, 8.9% of farms in the agri-food districts of Rome gained access to RdP funds, against the 14.3% of farms in off-district areas. In the rural district of Frosinone, the share of access was 4.1% against 7.1% of other farms located in rural areas.

Therefore, a district effect limited to the case of agri-food district of Latina has been found\textsuperscript{15}. On the other hand, the two districts in the provinces of Rome and Frosinone get lower levels of funding with respect to off-district areas.

The association index confirms what has been previously stated. A positive index of association in the agri-food district of the province of Latina emerges, while a substantial indifference in the district of Rome is evident.

\textsuperscript{14} The authors thank Prof. Luca Bartoli for suggestions about data.
\textsuperscript{15} This result confirms previous empirical analysis (Bartoli et al., 2010).
From the first empirical analysis, a sort of “territorial indifference” emerges, due to the lack of a systematic district effect. More detailed information can be gathered from the average amount obtained by farms (tables 2 and 3): 1,344 farms obtained funds from the first axis (total expenditure equal to € 118,421,355.00), while only 112 obtained funds from the IIIrd axis\(^\text{16}\) (€ 11,924,878.00). Our data on average sums countervail previous information. A considerable sum of money has been granted to district contexts of Latina and Rome, thus providing partial evidence for a stronger district-effect as compared with the access of farms.

As far as the I\(^\text{st}\) axis is concerned, the highest average amount obtained by farms is located in the agri-food district of Latina, followed by the district of Rome. That means these two districts have proved attractive to funds from rural development policies; on the contrary, off-district attract higher average sums as compared with district contexts. This appears to show that there is a lack of specific financial assistance for implementing the programme in the district, even with programming from “the top” of the mesh of the districts on this portion of territory.

\(^{16}\) As well-known, the total available funds are higher for the first axis.
Figure 1 synthesises the results and confirms the relevance of district contexts in just one district and only for measures of the first axis. On the contrary, as far as the third axis is concerned, higher average sums have been gained by off-district farms. This is coherent with the sectorial characteristics of the district considered. With the exception of the rural district of “Valle del Sacco”, the other districts are agri-food districts: as a consequence, higher inclination to support farm competitiveness (measure of the 1st axis) is revealed.
Two considerations stem from the foregoing analysis: the first is related to the low percentage of farms which have gained access to Rdp funds: it is necessary further to investigate the reasons for which policy has not been applied (see next paragraph). The second concerns the unclear influence of the district context in the access to Rdp funds. Only in one district a full district effect is evident (percentage of farms and average funds obtained higher than off-district contexts), while in another district a partial district effect is evident; finally in the district of Frosinone, no district effect has been detected. In the next paragraph we will call this a non-virtuous district.

To obtain more information about the access to policy, the next paragraph investigates the causes impeding full access to policies for farms.

4.1 Reasons for not applying policies

The reasons why farms fail in applying for funding can be classified into three areas:

• the high level of transaction costs: the use of transaction costs (TC) to explain the access to rural development policy is strictly linked to informational markets and to the costs of bureaucracy. To this end, we put forward Dahlman’s scheme (Dahlman, 1979) by dividing up TC into two categories: ex ante and ex post transaction costs. In our framework, the application for funds is like a transaction whose ex ante costs are linked to search for essential information to gain the funds. The costs of bureaucracy come to light after the application and are classifiable as ex post TC. The long delay in actually obtaining the funds completes this scenario; it also increases the total amount of costs of access to policy;

• low interest in access to Rdp (or no interest at all), due to negative past experience or other unspecified factors;

• lack of requirements such as, for example, age, farm location etc.

Geographical differences may be found in figure 2.
The absence of interest in applying policies is certainly the most important reason for about half of the farms in all areas, without any difference between district and off-district contexts. Transaction costs are the second reason for non-application in district areas (34%), followed by the absence of requirements for application; on the other hand, in the off-district territories, the second reason is the absence of requirements, while the transaction costs become the third leading cause of non-application. This data is significant when the transaction cost is expected to be significantly lower in ‘real’ districts.

A more detailed analysis suggests, however, that results should be examined distinguishing non-virtuous districts (or ‘paper districts’) from the “pure district” and, secondly, within the transaction costs, those relating to bureaucracy (which explain the inefficiencies of Local Public Administration) and those due to information asymmetry (highlighting the costs of information). Table 4 details our results.

![Fig. 2 - Reasons for not applying policies (% farms)](source: own calculations)

By distinguishing between costs of bureaucracy and cost-related asymmetric information, some differences emerge. As a matter of fact, in the “pure district”, the costs of access to market information are practically zero, while those of the bureaucracy are relevant and even higher than

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**Tab. 4 - Reasons for not applying policies**

<table>
<thead>
<tr>
<th>Reasons</th>
<th>No district</th>
<th>Virtuous district</th>
<th>“Paper” district</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction costs</td>
<td>Costs of bureaucracy 11.1</td>
<td>21.4</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>Information asymmetry 4.8</td>
<td>0</td>
<td>16.7</td>
</tr>
<tr>
<td>Absence of requirements</td>
<td>32.4</td>
<td>21.5</td>
<td>11.6</td>
</tr>
<tr>
<td>No interest</td>
<td>51.7</td>
<td>57.1</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: own calculations.*
The relevance of district contexts in the utilisation of rural development policies: experience from Italy

in off-district areas. As evident from the table, the absence of Marshallian atmosphere characterises the difference between the paper district and the pure district (16.7% of informational asymmetry). Therefore, transaction costs are greatly accentuated by the lack of availability of information that penalizes local farms, with higher costs than those in the areas outside the district.

5. Conclusions

The paper has analysed the relevance of district contexts in the access to rural development policies; however, this is not observed to be uniform in the recognized districts: in fact, some gaps in the applications for RdP were evident, with high transaction costs or bureaucracy. On the other hand, in pure districts, a genuine Marshallian atmosphere favours attraction of funds and avoidance of the aforementioned problems. This aspect detracts from the idea that territories exist as such, and it supports the hypothesis expressed by Colletis and Salle (2009), referring to the dynamic combination of three dimensions of proximity: spatial, organizational and institutional. The “district effect” becomes evident through the action of these three types of proximity, which allow a better use of the opportunities provided by the policy and determine the paths of sustainable development that do not neglect the history of the district.

On the other hand, a common element that links the district and off-district contexts is related to the high percentage of farms that are reluctant to apply: the motivations of those who do not apply are lack of interest, high costs, absence of necessary requirements, elements that should be drawn to the attention of policymakers.

Our results may have normative consequences: the presence of “district effects” suggests empowering, consolidation of the intangible ingredients of district especially through the political processes of relational planning. It suggests, moreover, some caution in identifying territorial district in order to avoid “district-mania”, because, in many cases they are recognized according to policy logic, rather than a real presence of the classical attributes. That could give rise to situations of failure of rural governance. The call for a major prudence in identification of a district should be strongly considered by regional policy makers: in the future programming period 2014-2020, the relevance of district elements is evident. The importance of clustering of enterprises, together with the relevance of networks both of firms and of community-led local development, is strongly emphasised in the recently published regulation n. 1305/2013. As a consequence, a careful evaluation of the effective ingredients shaping organizational models of rural territories could be of help in addressing methods of district recognition, in order to avoid further cases of failure of rural governance.

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