



**COMMUNITY STAKEHOLDING**  
FOR MANAGING LOCAL SERVICES

**IDEASS** ITALY

Innovation for Development and South-South Cooperation

# Introduction

by Renzo Macelloni

**In Italy**, the Municipality of Peccioli's refuse disposal plant is considered to be an excellent example of a public company and of advanced environmental management.

**The company** Belvedere S.p.A., established by the Municipality of Peccioli to run the plant, uses a resource management model based on community stakeholding. As well as generating proven economic benefits, this model (termed Azionariato diffuso in Italy) represents a fresh way of thinking about the agency role of public authorities. Applied in the case of Peccioli for the management of a refuse dump, community stakeholding can be adopted by local authorities for the management of many resources that generate economic value.

**An inefficient** refuse disposal plant creates a range of problems anywhere: water, land and air pollution; public protests to close down the site; and a loss of trust in the local authorities. It was the same in Peccioli before the site came under proper management. The area was having to deal with the problems typical of a poorly managed refuse dump, which could barely cope with the refuse from six local municipalities. The management of the public company Belvedere has enabled the environmental reclamation of the site, recycling and converting the main pollutants into the production of biogases/percolates, electric energy, and hot water distributed by a teleheating system.

**Community stakeholding**, adopted by the municipal authorities as the management model for the Belvedere company, has allowed the full potential of the refuse dump to be exploited, so transforming it into a resource for the whole local community. This management approach has enabled the local community to play an active role in the operations of the public company, and in the quality control of the refuse disposal plant, using the revenues therefrom to make significant investments in local services.



**In 2004**, the community stakeholding in Belvedere S.p.A. was 38% (generally small savers), with the municipal authorities owning the remaining 62%. The total number of shareholders in Belvedere S.p.A. is 750, for a total investment of Euro 4 200 000. Today, Belvedere S.p.A. is a successful public company that is firmly rooted in and supported by the community.

**Twelve years** of operations have generated about Euro 100 million. These revenues have enabled the municipality and Belvedere to make a significant local impact through initiatives agreed with the local citizens/shareholders to extend and improve the services provided and to foster an enterprise culture. Belvedere S.p.A. has had a significant impact in terms of creating new employment opportunities. The company employs 30 people itself and serves as an enterprise incubator, indirectly helping to establish other enterprises and co-operatives linked to its activities. With its refuse dump, Peccioli has become an example of “good governance”, a model of bottom-up development guided by a public authority.

**Belvedere S.p.A.** has received the prestigious EMAS (Eco Management and Audit Scheme) certification of the European Union, and European ISO 14001 certification for the quality of its environmental management system. For two years in a row, Peccioli has been awarded a Bandiera Arancione (Orange Flag) by the Touring Club, a leading promoter of tourism. In the tourism sector, the Bandiera Arancione indicates high environmental standards. It is a prized award for small inland communities in Italy that endeavour to combine local tourist attractions with accessible services and high environmental standards.



**Today**, most of the Tuscany region can make use of Peccioli’s refuse disposal plant, which has rapidly become one of the most efficient in Italy. Thanks to its innovative approach, the Municipality of Peccioli has been transformed into a rich and flourishing town that can face the future with confidence.



# What problem does it solve?

**Waste management** and disposal is a difficult issue for any community. The public often wants the disposal plants closed down, considering them harmful to health and the environment.

**In most** cases, it is the type and quality of management (generally entrusted to private companies) that causes such problems. This is because privately run disposal plants focus more on profit than on other aspects such as environmental sustainability and impact on the local economy. In doing so, they often cause high levels of pollution of the air, water and soil. Private enterprises rarely attach much importance to issues such as employment and the quality of life of the local community. Furthermore, the closure of such plants often means the area is left with unregulated rubbish dumps, with all their associated problems.

**For all these** reasons, local populations generally see refuse disposal plants as being harmful to their area and to the local economy. In places where such plants are operating, there are often public campaigns calling for their closure. These tend to result either in the closing down of the sites or in the imposition of top-down decisions, which undermine support for local bodies.



**By promoting** a form of public management of refuse disposal plants, the local authorities can turn public opinion around. In fact, if these plants are operated in a way that is transparent, sustainable and profitable and which involves the direct participation of the community, they can become a significant resource for local social and economic development. A company like Belvedere S.p.A., which is technically a public/private enterprise (62% owned by the Municipality of Peccioli and with the rest in the hands of the community) that is run like a business, represents an innovative solution that enables refuse disposal operations to be managed in a participatory and transparent way. Belvedere has managed to keep pollution levels low, create employment opportunities, redistribute the revenues from the refuse disposal operation, and re-invest the profits in jointly agreed sectors.



**Before implementing** a direct public management of the site, the Municipality of Peccioli was having to cope with the problems typical of a badly run rubbish dump, which was struggling to handle the refuse from the six local municipalities. These communities and the provincial authorities were pressing for a total closure of the plant. However, the Municipality of Peccioli was in an economic crisis and lacked the funds needed to restore the local environment, which was experiencing an alarming level of pollution caused by the refuse being treated at the plant. Moreover, at the same time, the whole region was facing a refuse disposal crisis, caused by the shutting down of the incinerator in Florence, the largest in the Tuscany Region.

**Thus,** closure of the plant would have removed an important problem but it would have left all the others unresolved. It was against this backdrop, that the municipal authorities of Peccioli decided to seize the initiative. They submitted to the regional authorities a project to clean up the old site and to expand its capacity to process refuse, making this capacity available to the whole region. Benefiting in this way from outside funding as well as its own very limited resources, the Municipality of Peccioli took over the ownership and management of the plant.

**Its management** of the operations and its constant focus on local growth and development led the Municipality of Peccioli to decide, in 1997, to convert a stake in the enterprise into shares and to call upon all the citizens of Peccioli and the surrounding communities to purchase them.

**Therefore,** the Municipality set up the enterprise called Belvedere and allowed the citizens to become owners of it, so triggering strong growth through a widespread enterprise culture.

**The decision** to go for public management of the rubbish dump and to take a long-term approach has enabled the public operator to regain its role as a planning agency and created an example of “governance” of local collective resources. With its refuse disposal plant, Peccioli is a fine example of bottom-up management headed by a collective body, the local authorities, and with the local population taking a direct and active role in policy-making and business operations.



# Community stakeholding in practice

**Belvedere S.p.A.** of Peccioli is an example of the efficient management of a refuse dump that does not have significant impacts on the environment and whose profits are re-invested in the public interest. The company is owned by the municipal authorities and local shareholders, the citizens of Peccioli and Valdera, who make good use of the benefits and revenues that flow from the refuse dump.

## MAIN DEVELOPMENTAL PHASES

- Re-organisation and upgrading of the plant in terms of environmental impacts through the increasing of biogas production and the installation of a co-generating plant; production of electricity for sale to Italy's national electricity provider ENEL; exploitation of the hot water resulting from the production of electricity through a teleheating distribution system in the district of Legoli. Investment in public works to improve the local infrastructure.
- New enterprise start-ups, for which the refuse plant guaranteed the initial demand, necessary for ensuring an economic return on the capital invested.
- Conversion from a mixed public/private company into joint-stock company, using the community stakeholding approach. The shareholders are directly involved in decision-making through general meetings. In 6 years (1997-2003), the new management approach generated a fivefold increase in the initial value of the shareholders' investment.
- Promotional initiatives for shareholders by Belvedere Spa, such as the Peccioli Card that gives them discounts in some shops and special offers on some purchases. In this phase, the citizen shareholders safeguard the interests of the community, becoming actors for local development.

## RESOURCE OPTIMISATION THROUGH A "PUBLIC COMPANY"

**Identifying the** specific resource to manage is the first step towards the creation of a public enterprise. It could be an economic activity that is already ongoing, or it could be one with as yet unrealised potential. In the Peccioli case, the starting point was a poorly run rubbish dump, but the method of governance adopted can be applied to other potential resources.

**Efficient public** management of a refuse disposal plant requires a long-term approach that aims to make a major impact on local development but which needs to develop in gradual steps, the first being optimisation of the specific chosen resource. Decisions on how to make the most of the potential available are made by a joint-stock company with a broad-based shareholder structure, a "public company" in part owned by the local authorities and in part by citizens who have bought shares through a public offering. The share offering is reserved for residents in communities that are near the resource.



**This type** of corporate structure ensures collective decision-making as no single shareholder can increase its financial control of the enterprise. In addition, this corporate structure has the objective of redistributing the profits from its operations in the form of higher incomes, investment in local services, and public works to improve the infrastructure. In the Peccioli case, the initial phase was managed by the municipal authorities, which found the funds to commence work on optimising the plant. In the first 6 years, the running of the plant was contracted out by tender to various private companies. In 1997, the mixed public/private company was set up to run the plant directly.

**In 1990**, the Municipality of Peccioli implemented the project to clean up the plant, and to offer waste disposal services to the rest of the region, which was facing a crisis. The first measures to optimise the Peccioli plant were:

- the upgrading of the plant in terms of its environmental impact;
- the quantification of the volume of refuse that the site could handle;
- the planning of measures to expand the plant, on the basis of the potential user catchment.

**The project** envisaged expanding the site by 45 000 m<sup>2</sup>, so enabling it to handle 650 000 tonnes of refuse. The positive response from the regional authorities combined with the state funding for municipalities that accept waste disposal plants in their area made it possible to go ahead with the work to improve the environmental conditions and expand the plant.

**The operating** revenues were used to fund Belvedere's activities and to create local jobs and development. The subsequent conversion of the company, through community stakeholding, has meant that most of the profits are now re-invested in local services, with a set amount being allocated to fund the municipal authorities' expenditure.

### THE CREATION OF THE BELVEDERE COMPANY

**The public** company is a company with a fragmented shareholding, that is where the ownership is split into small units spread among a large number of shareholders, none of which has a stake of sufficient size to enjoy sole control. Among the shareholders, the public authority holds the majority stake.

**The company** is run by a board of directors and its policies are agreed upon by the shareholders. The general meeting of the shareholders appoints the company president. Belvedere S.p.A. employs about 30 people directly, and indirectly provides employment for related co-operatives and enterprises.



Company stake	1997	2000	2001	2003
Community stake	-	15,86%	21,56%	37,84%
Municipality of Peccioli	78,44%	84,14%	78,44%	62,16%

**Belvedere S.p.A.** brings together the Municipality and the citizen shareholders, who acquired their stake through two public offerings. The current president, Renzo Macelloni, a former mayor of Peccioli, was appointed by the shareholders. Since 1997, Belvedere has been in charge of all the plant's operations and related activities. The main operations of Belvedere S.p.A. are:

- running the municipal rubbish dump at Peccioli;
- maintenance and control of the co-generating plant for electricity production;
- the management of some infrastructure;
- cultural activities and activities to promote the development of the economy and services of the Municipality of Peccioli.



### COMMUNITY STAKEHOLDING

**Stakeholding is** an easy form to implement as a way of involving the civil society in corporate management. In the transition phase of the Belvedere company, the municipal authorities, as the majority shareholder, acquired all the shares and scheduled the timing and number of shares to be sold through a number of public offerings. These public offerings of shares were open to all the citizens resident in the municipalities in the catchment area of the refuse disposal plant.

**From the** outset, the new company Belvedere Spa has enjoyed significant participation by the local citizens in its management, with an initial community stakeholding of 6%. In three years, this involvement resulted in a profit share among the citizen shareholders equivalent to 10% of the annual capital invested. With two public offerings, in 2000 and 2003, the sale of shares in Belvedere S.p.A. was completed. Today, the community stakeholding is in the hands of 740 shareholders, who hold 38% of the share, with the Municipality of Peccioli retaining a majority stake of 62%. The overall investment by the shareholders has been Euro 4 200 000. Of the citizen shareholders, 435 live in the Municipality of Peccioli (almost 10% of the population), while the others live elsewhere in the surrounding province.

Shareholding in Belvedere S.p.A	N°	Euro	%
Community stakeholding	122.860	633.957,60	37.84%
Municipal stake	201.820	1.041.391,20	62.16%
Total number of share/share capital	324.680	1.675.348,80	100.00%





### **SOCIAL ROOTS, GROWTH QUALITY AND SERVICE IMPROVEMENT**

**The creation** of a community-owned public company of this type was not undertaken with the aim of attracting financial resources from the market. The idea was to involve as many citizens as possible in its actual management. The local population's confidence and interest in the

company's expanding operations stem from the support that the municipal authorities have provided to many enterprise initiatives. The results achieved are mainly due to the public nature of the corporate management, which has re-invested the revenues obtained (exceptional given the size of the communities involved) in projects agreed upon with the local citizens and businesses.



**Although it** is only a small-scale example, the rubbish dump at Peccioli shows how a public operator can retain its role as a promoter of development even in the modern market economy. Public management of a local resource such as a rubbish dump has fostered the creation of new enterprises, whose organisation has often copied the community stakeholding model. In sum, Belvedere S.p.A. can be called a community "public company".



# Results

## IMPACT ON LOCAL DEVELOPMENT

**In 12** years of business, the management of the Peccioli plant has generated about Euro 100 million, which has been invested by the municipal authorities and the Belvedere company in significant local activities.

**Overall,** the trend in the accounts of the Municipality of Peccioli has been impressive. The additional resources provided by the rubbish dump have enabled public investment to be multiplied and the level of spending to be held at its current level. The investments have focused on improving services and developing public works and infrastructure: roads, schools, sports facilities, a media centre, a multi-storey car park, a museum of Russian icons that has appeared at various international exhibitions, an infancy service centre, a network of support services for the elderly, and a multifunctional theatre and congress centre.

**The continuing** flow of refuse has provided the basis for proper management of the environment. The operating results have provided the basis for local development in terms of:

- employment creation: new jobs have been created at Belvedere S.p.A., which now employs 30 people;
- enterprise culture: in the last 14 years, co-operatives and companies have developed, for which Belvedere has acted an enterprise incubator;
- containing charges and taxes;
- improving the range of services provided, especially to the elderly, needy and children.

**Through Belvedere S.p.A.,** the local authorities have been able to provide innovative services such as the teleheating plant built for the citizens of Legoli, a district near Peccioli. The inhabitants enjoy a 40% discount in terms of their heating compared with the cost of natural gas.

**Since 1995**, the Municipality of Peccioli has been experimenting with new instruments for the provision and organisation of services to the local community. The most significant result has been the creation of a network of services for social animation, monitoring, prevention and home-help for those citizens who are not self-sufficient. The local assistance system is based on two structures: a services centre for social animation and home-

help co-ordination, and an experimental residence that provided accommodation to the elderly at critical moments on a short-stay basis. The services centre is run by a co-operative of young people trained and assisted during the start-up by the group that designed the “network” of services.



### **ECOLOGICAL–ENVIRONMENTAL IMPACT**

**Today**, the refuse from a large part of the territory of the Tuscany Region is handled by the Peccioli plant, which has in a short time become one of the most efficient refuse disposal centres in Italy. The Municipality of Peccioli has not only resolved the waste problem, it has also made the dump environmentally compatible, and in so doing achieved recognition from some of Europe’s most important environmental certification bodies.

**The Peccioli** plant has been certified as innovative because of the following features:

- There are no negative impacts on the habitat, as all possible causes of pollution and contamination are under control.
- The recycling of the residual waste is undertaken on a provincial-level basis, so reducing travel times and distances to a minimum.
- Some of the residual waste produces energy, in the form of biogases, and this energy is distributed locally.
- The proceeds from the rubbish dump are shared between the citizens (on the basis of community stakeholding) and the public authority, which can utilise them to make medium- to long-term investments, also in collaboration with the aforementioned private shareholders.
- The financial structure, consolidated in Belvedere S.p.A., has enabled significant collaboration in the field of advanced research, thereby increasing the level of specific expertise and triggering a virtuous process of investment, also involving other sectors.

# International interest

**Belvedere S.p.A** has been awarded the prestigious EMAS (Eco Management and Audit Scheme) certification of the Eco Management and Audit Scheme of the European Union.

**For the** rubbish dump at Peccioli, Belvedere S.p.A. has also been awarded ISO14001, one of the leading European certifications in the field of environment and management quality.

**The Research** and Innovation Village, promoted by the Municipality of Peccioli, is part of the European networks of incubators and initiatives for the planning of enterprise acceleration services, networks funded by the European Union and by Italy's Ministry of Education, Universities and Research.

**Last**, for two years in a row, Peccioli has been awarded the Bandiera Arancione (Orange Flag) of the Touring Club, one of the major organisations in the tourism sector. It is a prized award for tourism environmental quality for small inland communities in Italy that combine local tourist attractions with accessible services and environmental quality.





# Adopting community stakeholding in other countries

**The creation** and operation of the company Belvedere S.p.A. represents a new way of thinking about the role of public administrations as agencies. A corporate organisation with citizens holding a direct stake can be applied in any context to make full use of local resources through investment. The political solidity of the public administration and the support of the local community are the vital elements for creating an enterprise structure of this type.

**It is** the public administration's role to promote the public company and to manage it in the initial phases of the process. The progressive increase in the citizens' shareholding must be carefully handled by the public administration. This is because the widespread shareholder base will only be feasible if the company has a solid structure and is operating on a sound business footing.

**For success** in this kind of resource management, it is necessary for the public administration to:

- identify a local resource that is of potential interest and that can be managed by the public administration through a public company. The evaluation of the potential resources must be undertaken by the local authorities with the participation of the community in order to create consensus and engender collaboration between the institutions and the social actors;
- show confidence in the capacity for local development, by investing in improving services and infrastructure and by supporting the forming of new enterprises that are willing to try community management approaches, such as co-operatives and public companies. Subsequently, these initiatives may attract fresh outside investment from private operators, so multiplying local development opportunities, creating new markets and enabling local enterprises to take an important position in an expanding market;

- maintain the public ownership of the company managing the local resource. Public ownership of the majority stake will enable decisions to be made about the timing and forms of public share offerings. The revenues generated and invested in the system must meet equitable distribution criteria that are not normally guaranteed under private ownership;
- develop a policy of public investment that will enable the material infrastructure to be increased, so raising the profit expectations of private investment and the scope for long-term growth;
- retain the primary objective of creating a company with a community stakeholding in order to strengthen the trust of private citizens in the policies adopted by the public operator and to consolidate the social infrastructure that is vital for local development.

**Belvedere S.p.A.** and the municipal authorities of Peccioli are available to provide technical assistance to countries wishing to adopt forms of corporate management based on community stakeholding.



## To learn more

For further information, please consult the Web site of Belvedere S.p.A.: [www.belvederespa.it](http://www.belvederespa.it)

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## Who to contact

**Belvedere S.p.A.** is available to provide technical assistance to countries wishing to adopt forms of corporate management based on community stakeholding. Those interested in possible collaboration are invited to contact:

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**The IDEASS Programme** – Innovation for Development and South-South Cooperation – is part of the international cooperation Initiative ART. IDEASS grew out of the major world summits in the 1990s and the Millennium General Assembly and it gives priority to cooperation between protagonists in the South, with the support of the industrialised countries.

**The aim** of IDEASS is to strengthen the effectiveness of local development processes through the increased use of innovations for human development. By means of south-south cooperation projects, it acts as a catalyst for the spread of social, economic and technological innovations that favour economic and social development at the local level. The innovations promoted may be products, technologies, or social, economic or cultural practices. For more information about the IDEASS Programme, please consult the website: [www.ideassonline.org](http://www.ideassonline.org).



# IDEASS

Innovation for Development and South-South Cooperation



ART - Support for territorial and thematic networks of co-operation for human development - is an international co-operation initiative that brings together programmes and activities of several United Nations Agencies. ART promotes a new type of multilateralism in which the United Nations system works with governments to promote the active participation of local communities and social actors from the South and the North. ART shares the objectives of the Millennium Development Goals.

In the interested countries, ART promotes and supports national co-operation framework programmes for Governance and Local Development - ART GOLD. These Programs create an organized institutional context that allows the various national and international actors to contribute to a country's human development in co-ordinated and complementary ways. Participants include donor countries, United Nations agencies, regional governments, city and local governments, associations, universities, private sector organizations and non-governmental organizations.

It is in the framework of ART GOLD Programmes where IDEASS innovations are promoted and where cooperation projects are implemented for their transfer, whenever required by local actors.