

EDORA

European Development Opportunities for Rural Areas

Applied Research 2013/1/2

Final Report

Annex 1
(Part C: Scientific Working Papers)
Version 2
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This report presents the final results of an Applied Research Project conducted within the framework of the ESPON 2013 Programme, partly financed by the European Regional Development Fund.

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1. INTRODUCTION

This annex contains 26 working papers produced by the EDORA TPG as outputs from the activities (2.11-2.26) of the first two (conceptual and empirical) phases of the research. Due to the size of some of the documents each working paper is available in the form of a separate PDF file.

The first nine working papers represent the output of Activity 2.11, which was a review of the recent literature, the current situation and recent trends. These reports deal with demography, employment, rural business development, rural-urban relationships, cultural heritage, access to services of general interest, institutional capacity, climate change, and farm structural change. They follow a common structure and format with the objective of building up a comprehensive coverage of the recent policy and academic literature, and of providing systematic consideration of the drivers, opportunities and constraints, perspectives for the future, and policy implications, across the range of themes. Each of them also incorporates a proposal for appropriate indicators, relating to the theme in question.¹

Working paper 10 is a synthesis of the findings of WP1-9. It advances the concept of “meta-narratives” of rural change, which draw together the “little stories” of different aspects of socio-economic development in different geographical contexts into a small number of coherent “evolutionary tendencies” which are observable across the range of rural European environments. These meta-narratives focus upon rurality/accessibility, the changing role and characteristics of agriculture, and the increasing impact of global capital on the economies of even the most rural and remote localities.

Working papers 11-22 shift the focus from generalisation to specific examples, through description of recent change in twelve “exemplar regions” from seven Member States. Again these reports follow a standard structure and format, and are intended to elucidate and illustrate the conceptual issues highlighted by the first ten working papers. In particular they attempt to demonstrate the validity of the meta-narratives proposed in working paper 10.

Working Paper 23 provides a detailed and comprehensive description of the database compiled by the project.

Working paper 24 returns to the issue of valid generalisations, this time in the context of macro-scale (NUTS 3) patterns of differentiation across the EU. Three typologies, together forming an “analysis framework” are presented. The first dimension of this framework relates to rurality and accessibility, and is implemented through the Dijkstra-Poelman modified OECD typology. The second dimension reflects the evolution of

¹ However the ability to propose appropriate and practicable indicators, harmonised at NUTS 3 region level, inevitably varies considerably between themes.

economic (sectoral) structure associated with both the agri-centric and the globalisation meta-narratives. This is captured by a four-fold structural classification of regions. The third dimension is regional performance, represented by a synthetic indicator which places regions on a continuum between “Accumulation” and “Depletion”. The working paper explores the relationships between these dimensions, and the geographical patterns revealed.

Working Paper 25 presents socio-economic profiles for the rural regions of the EU27 member states, based upon the EDORA database, and the typologies described in WP24.

All the preceding activities, and the findings presented in the working papers, provide a rich resource for Working Paper 26, which deals with Future Perspectives for rural Europe. In a sense these extend the meta-narratives of WP10 by constructing a series of alternative qualitative accounts of possible future rural trends, which represent a starting point for the analysis of policy implications (phase 3 of the project).

Working Paper 27 returns to the theme of Working Paper 4, (rural-urban relationships), but this time from a proactive policy perspective.

The final working paper (28) draws together the implications of all the preceding papers in terms of the future of cohesion policy for rural areas of Europe. It also provides an overview of the development of European policy relating to territorial cohesion in a rural context.

APPENDIX 1: KEY TO PARTNERS

No.	Partner	Short Name	MS
1	UHI Millennium Institute	UHI	UK
2	Nordregio - Nordic Centre for Spatial Development	NORD	SE
3	Newcastle University	NEWCL	UK
4	University of Valencia	UVAL	ES
5	Research Committee - University of Patras	PATRAS	GR
6	The Irish Agriculture and Food Development Authority	TEAGASC	IE
7	University of Gloucestershire	GLOUCS	UK
8	University of Ljubljana	LJUB	SI
9	Johann Heinrich von Thünen-Institut, Federal Research Institute for Rural Areas, Forestry and Fisheries, Institute of Rural Studies	vTI	DE
10	Federal Institute for Less-Favoured and Mountainous Areas	BABF	AT
11	Dortmund University of Technology	DORT	DE
12	Institute of Geography and Spatial Organization, Polish Academy of Sciences	PAS	PL
13	Institute of Economics Hungarian Academy of Sciences	HAS	HU
14	Higher Institut of Agronomy	HIA	PT
15	Scottish Agricultural College	SAC	UK
16	IOM International Organization for Migration/Central European Forum for Migration and Population Research	IOM	PL



The ESPON 2013 Programme

Applied Research Project 2013/1/2

EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 1

Scientific Working Paper No. 1

Demography

Mats Johansson (Nordregio)
Marek Kupiszewski (IOM)

2009



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LIST OF ABBREVIATIONS

CBR: Crude Birth Rate
CDR: Crude Death Rate
D.O.C.: Drivers, Opportunities, Constraints
ESPON: European Spatial Planning Observation Network
IR: Intermediate Rural
IRC: Intermediate Rural, Close to a City
IRR: Intermediate Rural, Remote Regions
NMS: The New Member States
NSI: National Statistical Institutes
NUTS: The Nomenclature of Territorial Units for Statistics
OECD: The Organisation for Economic Co-operation and Development
PR: Predominantly Rural
PRC: Predominantly Rural, Close to a City
PRR: Predominantly Rural, Remote Regions
PU: Predominantly Urban
SERA: Study on Employment in Rural Areas
TFR: Total Fertility Rate

SUMMARY

This working paper is focused on demographic development in rural areas. As population development in rural areas cannot be analyzed without taking the urban population development on board in the analyses even urban areas and their relations to differing types of rural areas are discussed. This is of course especially important with regard to the migratory movements where the in-migration to urban areas is in many cases dependent of out-migration from rural areas. It has, however, been shown that rural areas have different migration patterns where many rural areas in the surroundings of big cities have experienced a positive population development as an effect of both natural population increase and net in-migration. The contrary is, however, the case in remote rural areas where population decrease often goes hand in hand with natural population decrease and net out-migration.

The first part after the introductory chapter is primarily concentrated on a state-of-the-art review with focus on conceptual and theoretical writings on rural and urban population development. The chapter starts with a discussion of the role of population in the development process and the differing functions population has and then not at least as a reproduction factor. This results in a discussion of the role of fertility in the demographic development and even how its impact has changed over time and the factors behind this transformation process. This is based on reviews of scientific literature and empirical analyses are almost lacking. From this part it seems obvious that the natural population change has lost its primary place as the dominant factor behind regional population development both in a positive and negative sense as the European regions have been transformed from high fertility societies to low fertility ones. Instead it is migration that is the prime driver with regard to population development. This has resulted that the polarization between urban and rural – and then especially remote rural regions – has been accentuated. The “rural exodus” is in many cases still the rule.

There are, however, other development trends that have been observed during the past decades and these are connected to the “new rurality” or the “new rural economy”. Many rural areas have “out-performed” urban areas and been transformed in a more urban way with regard to their social-economic structure. The new rurality seems to be an effect of both the structural transformation and in-migration of people with an urban life-style both in private and economic sense. Especially the rural areas in the neighbourhood to big cities have experienced this transformation process. In the remote rural areas any signs of the “new rurality” are still lacking.

In order to investigate the differing development paths and preconditions for transformation a typology used in other demographic projects are used but here in combination with the new extended OECD urban-rural dimensions. The result is in line with the results that are obtained from other studies. Not surprisingly, the city-closed rural areas are expanding while the contrary is the case concerning the remote rural areas.

The working paper contains also a description of different kinds of demographic indicators that shall be used in the forthcoming work. The paper ends up with a discussion of future perspectives for the rural areas – including some hypotheses – and policy implications based on the earlier parts of the paper.

1 INTRODUCTION

1.1 Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- o The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- o The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- o The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

1.2 The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach that fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “drivers” of change, from regional or local structures and characteristics which either allow development “opportunities” to be exploited, or act as “constraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment
- (c) Rural business development

- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3 Introduction to the theme

In the SERA-report it was shown that the relations between urban and rural areas during the period 1990-2000 was more or less constant within EU25. (Copus et.al., 2006). This is still valid even for the population shares between different parts of urban and rural areas from 2000 to 2005 (see Table 1.1 and Table 1.2). The tables below tell us, however, nothing about the development within the different countries. In the SERA-project some indications could be seen that the rural areas were retarding in the NMS while especially the intermediate rural areas showed an increasing population among the “old” EU-members (EU15).

Table 1.1. Patterns of population shares (%) in urban and rural regions in EU25 1990-2000.

PU	1990	2000
IR	43.4	43.6
PR	35.9	36.2
Total	20.7	20.2
Total	100.0	100.0

Source: Copus et.al. 2006

Table 1.2 Patterns of population shares (%) in urban and rural regions in the ESPON space 2000-2005.

2000	2005
43,7	43,8
35,4	35,4
1,2	1,2
14,1	13,9
5,6	5,7
100	100

Source: Estimations based on data from Eurostat.

It is a well-known fact that population is a central factor behind regional development in urban as well as rural areas and that it has differing dimensions that are of importance for development. Population is a necessary precondition for development at all geographical levels. It is a production factor, income-creating factor and then

also a market factor, a location factor and, last but not least, a reproduction factor. Without women in fertile ages – no reproduction. The population development will then be a function of natural population change and migratory movements. All these factors have also implications on the mental maps of differing regions and areas. Expanding or retarding, dynamic or static regions give a hint about the development potentials both in positive and negative ways.

It must be kept in mind that the components in the demographic equation – natural population change and migration – vary between differing regions and countries, even if the form and content of the analytical model is the same. In regions with large income disparities – e.g. in some of the NMS – the migratory movements are much more oriented towards the big cities compared to the more well-being Western European countries (Johansson 2009). This in combination with the sharp drop in total fertility rates (TFRs) – also in rural areas – accentuates the population decrease even if the components and the mechanisms are similar. The relations between the natural change and net-migration differ, thus, a lot between countries with large gaps in the living standard but the model still is the same.

It is also a well-known fact that young people leave the rural areas and that families move out from the city cores to settle down in the rural neighbourhoods. In the SERA project it was shown that the significantly rural areas had the most positive population development and the predominantly rural the most negative with regard to the old OECD delimitations (Copus et. al. 2006). These delimitations are, however, too broad in order to draw any “real” conclusions about the factors behind the population development in differing types of areas – urban as well as rural. Instead of the old OECD delimitations, the new extended version according to the Dijkstra-Poelman definitions will be used in this study in order to get a more nuanced picture of the population development in the rural areas.

It is also a well-known fact the age structure differs between different types of areas. Especially remote rural areas – often sparsely populated – show a quite different age structure than urban ones, especially the metropolitan areas and big cities. The lopsided age structure in many rural areas is a hampering factor for transformation and development and in many cases also a factor that reinforces the population decrease and depopulation. This is not only an effect of low TFRs – that can be higher than in big cities – but also an effect of the skewed age and gender structures in out-migration rural areas. This results in a natural population decrease that has not so much to do with low fertility rates as skewed age and gender structures. This is of importance when analyzing the factors behind population development in general and natural population change in special.

Another important thing that often is relevant to discuss together with the ageing process is the evolution of the dependency rate. This rate is often defined as the relation between total population and the population in active ages. This has consequences for the analyses of different kinds of regions as some regions have a high share of elderly people but a low share of children while the contrary can be seen in other regions even if the dependency rates still are the same. The development potentials are, however, quite different as a high share of elderly people is often associated with retardation and depopulation while a high share of children more is linked to expansive and growing areas.

It must, also, be kept in mind that the dependency rate also is a function of the life expectancy. In some European regions, urban as well as rural, the life expectancy is still relatively low and this means that the ageing process is not so pronounced as in more well-being regions. This is valid especially for regions in the NMS. This will

surely be changed in the future and the low fertility rates in combination with out-migration of people in active ages in these countries and regions will also result in an accentuated ageing process. This means also that especially rural areas will be affected from two sides with regard to the development of ageing and then also with regard to the structure of the dependency rate.

1.4 Methodology and data sources

This study is primarily based on desk research. The main sources of information are reviews of book publications, scholarly journals, research projects and reports. Social Science Citation Index and other databases indexing papers on demography and geography, such as Online Geographical Bibliography, Current Geographical Publications and internet sources (Google's Scholar specialised search engine). JSTORE served as a main depository of full text articles. Libraries of institutions employing researchers as well as their own libraries offered an indispensable source of information. Past empirical research of the authors was used as illustration for theoretical consideration. Previous round of ESPON studies provided a very useful empirical insight into demographic development of regions.

As the research was of theoretical nature, few empirical data was collected. The data that has been used emanates primarily from Eurostat but even data from national statistical agencies and institutes have been gathered. The sources and even the shortage of data with regard to the relevant demographic indicators are presented in chapter 4.

From an analytical point of view the new extended urban-rural delimitations constructed by Dijkstra and Poelman seems to be more relevant than the old OECD version consisting of three types. The differences between the two versions are as follows:

Urban-rural typology (applying revised OECD definition 2007)

1 = predominantly urban (PU)

2 = intermediate rural (IR)

3 = predominantly rural (PR)

Combination of OECD categories and remoteness (the extended OECD version)

1 = predominantly urban (PU)

21 = intermediate rural, close to a city (IRC)

22 = intermediate rural, remote regions (IRR)

31 = predominantly rural, close to a city (PRC)

32 = predominantly rural, remote regions (PRR)

Sources: OECD, Eurostat, EuroGeographics, EEA, JRC, REGIO-GIS

Close to a city means that at least 50 percent of the population of the regions lives at less than 45 minutes travel by road to a city of at least 50000 inhabitants.

Remote regions means that more than 50 percent of the population lives at more than 45 minutes travel by road to a city of at least 50000 inhabitants.

1.5 The structure of this report

The aim of this working paper is to describe and analyse the demographic development at NUTS3-level within the ESPON space. Focus is on the development

in rural areas and in the empirical parts the extended OECD-delimitations done by Dijkstra-Poelman will be used. This means that after the introductory chapter a state-of-art review concerning the scientific writings with respect to demographic development with focus on rural-urban relations is presented (chapter 2). Chapter 3 discusses the EDORA conceptual framework where drivers of change, opportunities and constraints (D.O.C) are highlighted. Chapter 4 is focused on the indicators that are relevant for this part of the project and identify also the sources and where they are to be found. Chapter 5 discusses the potential dynamics of rural diversity and future rural perspectives. Some hypotheses are also formulated. In the last chapter the policy implications of the demographic development in rural areas and the changing relations between urban and rural areas with regard to differing population development paths in various parts of the ESPON space are discussed.

2 THE STATE-OF-ART

2.1 Conceptual and theoretical approaches

2.1.1 Population – necessary for development

The fact that population development affects economic development is well confirmed in many studies and theories (see e.g. Hansen, 1939; Myrdal, 1940; Kuznets, 1958; Easterlin, 1968, 1980). Large cohorts have stronger effects on development than smaller ones and this phenomenon has a tendency to follow the cohorts over their life cycle. Large cohorts give rise to spin-off effects on the economy from birth to death – from child care to elderly care and other things in between, e.g. the building and construction cycle (see e.g. Easterlin, 1968, 1980). Large cohorts in the age group of 20-30 years act as a reinforcing factor with regard to mobility and migration and then also as fuel and lubricant in the economic machinery. This approach has, by the way, also similarities with the long wave theories that put demography in focus with regard to long-term economic development. Large or small cohorts have, however, had no impact on the age-specific migration intensities in general – instead it is the cohort sizes that are most important concerning the different migration flows over time. This is valid both concerning the “rural exodus” – that especially is a youngster phenomenon – as well as the counterurbanization process, that is connected with migration among families and oldies (see e.g. ESPON 1.1.4, 2005).

Some studies for the USA also show a positive correlation between immigration and economic growth. A study undertaken by Julian Simon argues that immigration has a significantly positive impact on economic growth (Simon 1999). Other studies on how immigration affects the American economy show that the economic impact of immigration depends upon the human capital of the immigrants, and particularly on their geographic and social mobility (Friedberg & Hunt, 1995).

2.1.2. Fertility, mortality and population development

Births, deaths and migration are analysed in demography by differing theories and models. This implies that a unified and general theory of these demographic processes does not exist. Although the theoretical approaches to births, deaths and migration are quite different in terms of explanatory power, all of them are important in the selection of indicators and in arguing for certain analyses. In pre-industrial society, with small migratory movements the population increase was predominantly a function of the natural population increase. Thomas Robert Malthus' ideas about

population development as a consequence of the food supply – especially for the “lower classes” and then especially in rural areas – have had a huge impact on the theories of fertility development for a long time (Malthus, 1798). Today, with higher mobility, low fertility rates, and in many cases natural population decreases, population development with regard to size and structure have increasingly become dependent upon external migratory movements. This means also that migratory movements have become the most important factor behind regional population change in urban as well as rural areas – both city-close rural areas and peripheral ones (see e.g. ESPON 1.1.4, 2005; Copus et.al., 2006; Johansson, 2008).

From a natural population development point of view the “demographic transition” has been a central ingredient in analysing population development from the agricultural society through the industrial society and up to the post-industrial society of today. The relation between crude birth and death rates here are of the utmost importance in explaining the various stages in the development and transformation of the population in differing countries and regions. In the earlier stages both birth and death rates were high and the population increase/decrease was greatly dependent on variations in the death rates. The development of birth is the central explanatory factor in the model of fertility decline and this is thus essential in the model of the demographic transition (See e.g. Leibenstein, 1954, 1957, 1974; Becker, 1960, 1965, 1993; Schultz, 1974; Woods, 1982; Schmid, 1984; Berry et al., 1993, Birg, 1996, ESPON 1.1.4, 2005). It argues that with the change of the economic structure from an agrarian to an industrial and post-industrial society, the value of having many children has fundamentally changed. In the pre-industrial period children were useful and welcome additions to the work force and they were also a substitute for the pensions of today (Becker 1960, 1965, 1993). The “population explosion” occurred when the death rates started to decrease but the birth rates remained high. In the next phase even the birth rates began to drop and the population increase slowed down and thus both birth and death rates were stabilised at a lower level (see e.g. Berry et al., 1993, Bengtsson and Ohlsson, 1993).

Death rates are thus relatively stable today, though birth rates fluctuate in many parts of Europe and are now so low that the result will inevitably be natural population decline. The strategic variable in the post-industrial society is thus fluctuations in birth rates and not in the death rates in analyses of natural population variations. Around one fifth of the population in EU27 were living in predominantly rural areas 2003 and many of them in smaller cities and build-up areas that served as regional and local service centres. The net-migration was also higher in both significantly rural areas and predominantly ones during the second half of the 1990s compared to the net-migration in predominantly urban areas (Copus et.al., 2006). This implies that migratory movements occurred to rural areas beyond the metropolitan influence even if the effect was not so large as the out-migration to the migratory movements out from the metropolitan cores to the surrounding rural areas. The new phenomenon was, however, that the total fertility rates have dropped sharply even in peripheral rural areas and this will accentuate the “population crisis” in these regions combined with the “rural exodus” among the youngsters and especially then in the NMS. Even if there are build-up areas and smaller cities in these regions they are not attractive enough to compensate for the population decrease in the surrounding deeper rural areas among young people. Instead there are signs that the youngsters “jump over” the small cities and the built-up areas in their “migration careers” and move more direct to bigger cities and university towns (for the Swedish case, see Johansson, 2001). This seems also to be valid for the NMS where the reproduction potential in small and peripheral cities is eroded (for the Baltic States, see Groth et.al., 2005, Johansson, 2005).

At the regional level the age structure has of course a considerable influence on these variations and it is therefore of the utmost importance to differentiate between the crude birth rate and the total fertility rate (TFR) and consequently also between the crude death rates and the age-specific death rates. Population increase/decrease is thus not only dependent on the TFR but also on the age structure of women – a precondition for natural population growth - which is, in itself, dependent on the number of women of childbearing age. This is an important factor behind the reproduction potential in both urban and differing rural areas as well as expanding and retarding areas (ESPON 1.1.4, 2005). Especially in the peripheral rural areas the reproduction potential seems to be very low both as a consequence of the low TFRs and the lopsided age structures. It is not ageing in itself that is the big problem – instead it is the shortage of women in fertile ages that are the strategic factor in the peripheral rural areas.

The ongoing process does not lead to the reduction of fertility alone, but also to the postponement of the first birth. In the agricultural society children was much more a production and income-creating factor compared to the situation in e.g. the post-industrial society. The average age of women having their first baby has thus increased in recent decades. Women consciously avoid childbearing and thus ‘child-dependency’ in young ages in order to improve their career possibilities, investment in higher education and a more independent life-style. The rise in female labour force participation rates and general investments in higher education have resulted in higher family incomes with two contradictory effects with regard to childbearing – income effects and price or substitution effects. According to Becker, the income effect should result in higher fertility as households with higher incomes have more money to spend on children than households with lower incomes. The price or substitution effect, however, implies that higher incomes also result in an increase in the relative price of children. This, in its turn, reduces the demand for children and increases the demand for other commodities (Becker, 1960, 1965, 1993).

A central ingredient of Becker’s theory is thus that the demand for children is treated in the same way as the demand for consumer durables. Becker also discusses, in line with the income and substitution effects, the difference between quality and quantity elasticity. Higher incomes result in an increased demand for children but also in an increased demand for children of ‘better quality’. This also entails higher expenditures in respect of raising children, which has a negative effect on fertility development and hampers the quantity effect (see e.g. Overbeck, 1974). This could explain the variations between different types of households and across various types of societies. According to this reasoning, the impact of the quality and quantity elasticity is different in regions characterised by different economic structures, with the quantity elasticity being higher in agricultural regions than in urban and more post-industrial ones with higher income levels. This is also in line with the theory of demographic transition sketched out above.

In reality, the substitution effect seems to have had a greater impact on childbirth than the income effect, at least in the recent past. Investment in higher education has also had a decreasing effect of its own: having invested in a higher education, one is more oriented towards capitalising on ones investment in human capital, even if the return is not as high, *ex post*, as it was supposed to be, *ex ante*. Education and working life should consequently also be included in the utility functions that differ between various categories on the labour market. This also means that the same income increase/decrease or the same income levels have different effects on TFR depending on the level of satisfaction with the working life. From an urban-rural point of view this implies that the TFRs would be higher in the rural areas – and then especially the deeper rural areas – as the educational level is lower in these areas

and the investment in human capital consequently lower. The structural transformation of the economy seems however to close the gap between peripheral rural areas and urban ones as the labour market conditions on deeply rural areas are becoming more uncertain.

Another trend factor here is the increase in single people or one-person households. The rise in the share of 'singles' is, however, not only an effect of changed values, urbanisation and higher female labour force participation. Rather, much of this rise can be seen as a function of the ageing process with its implications for the household structure. Moreover, there has also been a long-term rise in the share of widows. This has, however, no consequences for migration and fertility.

The proportion of 'singles' or one-person households is thus significantly higher in the post-industrial than in the industrial and agrarian eras – the share of one-person households has increased in recent decades across most parts of Europe, while the social institution of life-long marriage has declined as a consequence of the rise in the number of divorces. On the other hand, there has been a sharp rise in non-marital cohabitation. This looser type of relationship results in a rise in the share of 'singles', as many of these relationships are not as long-lived as those of traditional marital cohabitation. For this category the substitution effect seems to be higher than for married or cohabiting people. The obvious significant negative correlation between the share of singles and childbirth, for this reason alone, is not surprising. In metropolitan areas and university regions, the share of "singles" is higher than in industrial or rural areas especially in the childbearing ages. The 'single' gap has, however, also diminished in recent decades between urban and rural regions as a consequence of the societal transformation occurring in all regions. The fact that rural families have always been larger than urban ones is partly a consequence of a higher share of "singles" in urban areas, particularly in the metropolitan ones. In at least Sweden the natural population increase is higher in metropolitan areas as a consequence of the age structure with a large share of women in fertile ages (see e.g. Johansson, 1999).

Following these observations it is essential to include several indicators in the analyses in order to measure the number of births in a valid manner and to explain it in a theoretically satisfying way. It is necessary to use age-standardised indicators – e.g. TFR – for the level of birth. Other indicators like a CBR (Crude Birth Rate) are sensitive concerning the age structure of mothers. For the number of births it is essential if the potential mothers are relatively young or old. Therefore, CBR could potentially be more affected by the age structure than by fertility. From a theoretical point of view this hampers the CBRs especially in the peripheral and deeper rural areas as a consequence of the ageing process that is more accentuated in these kinds of regions. It is a well-known fact that ageing hampers the natural population development as a consequence of shortage of fertile women a fact that is more accentuated in out-migration areas than in in-migration ones. The theoretical construct of a total fertility rate (TFR) expressing how many children a female will bear in her life is therefore a more useful indicator in analyses of natural population development.

As with births, it is also important to define a death rate that eliminates the effect of the age structure. If this is not done, age structure will be measured rather than differential mortality in the regions. A crude death rate is therefore not the proper measurement, but the given life expectancy at birth or at a specific age can be used for regional disparities in mortality. Natural population change is thus dependent on both age specific fertility and mortality rates as well as the age structure where the ageing process is of utmost importance to explain natural population change. The

third demographic event with regard to regional and national natural population development is thus migration as it has consequences for age and gender structure in various regions. It is of utmost importance to be aware of the implications it has on natural population development as migration has an impact both on TFR and the age and gender structures. Migration is also today the prime driver behind regional population development in most parts of the ESPON Space and this is valid for both urban and rural areas as well as central and peripheral parts (Johansson, 2008).

2.1.3. Migration – the prime driver behind population development

If Thomas Robert Malthus (1766-1834) was the first demographer with focus on natural population development Ernest George Ravenstein (1834-1913) can be seen as the first demographer that focused on migratory movements as a central ingredient in regional population development with his “laws of migration” (Ravenstein, 1885, 1889). Among his “laws” distance was one of the most important explanatory factors. Another was that he stated that most migrants had rural origin and the flows went from rural to urban areas and in much was a consequence of the urban industrialisation process and the retarding agricultural sector at least with regard to employment and incomes.

One of his “laws” stated also that the main causes to migration were of economic character. This was also in line with the new labour division of the industrial revolution and productivity development that motivated people to move from low-productive sectors to high-productive ones with rise in incomes and welfare as consequences and this would hurt the low-productive peripheral rural areas more than the more city-close ones. Even if Ravenstein’s laws are based on empirical facts of his time most of his observations are still valid even in the post-industrial society and migration is even more seen as the prime driver behind regional population development concerning urban as well as rural areas in at least Europe today (Johansson, 2008).

Ravenstein’s “laws of migration” is thus in line with the traditional push and pull theories that have been a central ingredient in explanation of migratory movements and where income differences and employment opportunities are in focus but even living conditions and amenities are central ingredients. The demographic characteristics as age and gender structures were observed but they were not especially accentuated in his “theory” even if they were mentioned among his “laws”. The same is valid concerning education that is a very important argument for migration today. Instead, with reference to Newton’s gravity model, distance in combination with the sizes of the destination and origin places became a central ingredient within the migration theory (for a more thorough discussion, see White and Woods 1980). The gravity model in combination with Ravenstein’s laws concerning economic and structural factors has still a good explanatory power especially with regard to long term migratory movements.

The focus on economic variables and then especially on labour markets and wage differentials both in origin and destination places, the process of economic development has usually been explained by the development of labour migration according to the *neoclassical push and pull theories*.¹ Right or wrong - this has also been a very frequent point of departure to explain migratory movements between differing countries, regions and places. Wage differentials induce persons, employed

¹ Some parts of the theory discussion here are extended but based on the corresponding parts in ESPON 1.1.4 Final Report 2005.

or unemployed, to move from low wage countries to high wage countries with better labour market conditions, resulting in a decreased wage differential between the origin and the destination (e.g. Lewis, 1954, Ranis & Fei, 1961, Todaro, 1976, Massey et al., 1993). Even if the theories of Lewis and Todaro are based on migration within developing countries they have relevance for rural-urban migration in the developed countries and then especially with regard to renewal and transformation of both rural and urban areas. Its relevance concerning rural-urban migration in the well-developed parts of the world has, however, been put in question as the segmentation between regions with differing kinds of production factors have been accentuated (see e.g. Massey, 1995, Johansson, 1997, Edvardson et. al., 2006).

This kind of reasoning has been developed in *neoclassical human capital based economic theory* individuals are assumed to undertake long term calculations where migration can be seen analogical with an investment in future wellbeing. The idea that labour force migration is perfectly rational from the point of view of the individual migrant is also a central ingredient in human capital-based migration theory. The decision on both when and where to move includes then variables such as wage differentials, unemployment rates, travel costs, the ability to move, barriers and the psychological aspects of leaving friends and family etc. (Sjaastad, 1962, Liu, 1975, Todaro, 1969, 1976, 1989, Burda 1993, School, 1995). Individual characteristics (education, experience, training, language skills etc) produce different outcomes regarding both the decision to migrate, and where to migrate and the time dimension is also a central ingredient as the outcome may differ between short and long term. One central assumption is that the migrant is rational – at least *ex ante* (Todaro, 1969, 1976, 1989, Harris & Todaro, 1970) As indicated above even if the migration is not an effect of good employment opportunities in the cities the mental maps are that they are better in the urban areas than in the rural with unemployment and bad living conditions and that the chances to get it better is larger in the cities compared to the countryside. Even this theory can be applied to rural-urban migration in Europe. In at least Sweden this has, however, created a counter stream from metropolitan areas to old industrial or rural ones with regard to people that did not get a foothold in the metropolitan knowledge-based labour market. Even in this case it seems obvious that the regional segmentation process also creates a negative selection process and an accentuated regional segmentation and erodes the explanatory power of the traditional neoclassical migration theory (see e.g. Johansson and Persson, 1999, 2000).

Falsification of neoclassical theories of migration is thus not difficult. They do not explain return migration neither the reasons why some people stay put. More persuasive seems to be *new labour migration theory* proposed by Oded Stark (1991). This theory, first of all, assumes that families or households take the migration decisions together. It also proposes that the families and households aim at diversification rather than maximisation of their incomes, therefore the migration serves as some kind of insurance policy, protecting families against rapid loss of income.

The Marxist inspired *dual or segmented labour market theory* stresses the intrinsic demand for labour in modern industrial societies that create a constant need for workers at the bottom of the social hierarchy (e.g. Piore, 1979). The labour market is divided into two sectors, one with formal and secure high-skilled jobs, and a second with informal low-status, insecure and low-skilled jobs as well as wages, work conditions etc. (Doeringer & Piore, 1971). The segmented labour market therefore consists of a number of sub-markets more or less separated from each other by various kinds of barriers resulting in a heterogeneous and un-substitutable labour

force. It is a well-known fact that it is in the lower segments in particular that the new immigrants are likely to find employment and not in-migrants from rural areas (Johansson and Persson, 1999).

When natives leave the bottom of social hierarchy, and thereby leave the low paid, low status jobs without social mobility perspectives, somebody must fill the vacancies. This theory is not applicable to rural-urban migration in the well-developed countries today. Instead it is more relevant to use these theories with regard to international migration. The migration pattern also seems to have changed over time. The existence of dual labour markets in combination with irregular migratory movements stimulate results in a situation where the migrants fill the “3-D jobs” – jobs that are dirty, dangerous and degrading. These are jobs that native inhabitants are not willing to take and despite unemployment in the destination country – at least in developed countries – it seems to be relatively easy for migrants to find jobs in the “3-D” labour segments (Taran, 2005). On the other hand, foreigners in these sectors are more vulnerable to economic fluctuations and unemployment than nationals. This seems, however, to be not merely a business cycle phenomenon – rather there has been a long-term rise in the share of unemployed foreigners compared to nationals in recent decades. It also seems that it is more difficult for foreigners to find a new job when better times come. Low-skilled, manual workers – often men – in declining sectors and branches seem to have little chance of being re-employed (OECD 1997, 2004). This development is also in line with the theories of segmented labour markets in the way that the structural changes accentuate the mismatch on the labour market and increase the discrepancy between shortages and surpluses with regard to the production factor of labour between differing labour segments. Even if the migratory movements increase as a consequence of the increased numbers of immigrants from abroad the “traditional” rural-urban labour migration will be hampered as a consequence of the increased competition among the jobs in the lower labour market segments. Jobs that were available for people from almost everywhere in most of the European countries – rural as well as of urban origin, women as well as men – are not available today at wages and labour conditions that are acceptable today.

The result will be that the labour market segmentation more and more also will be a segmentation based on ethnicity and reinforce the segregation problems in especially the metropolitan areas. This is, thus, quite another type of migration than the traditional “rural exodus” in the well-developed European countries even if observations in countries with large urban-rural differentials also experience these kinds of migratory patterns even if this phenomenon still seems to be valid in peripheral countries within the ESPON Space (Johansson 2008).

The traditional neoclassical push-pull theories concerning labour market conditions seem, thus, to be of low relevance in explanation of the migrants’ settlement patterns and the factors behind. Instead, in the post-industrial society a synthesis of the human capital theory and the segmented labour market theory appears to be able to explain the settlement pattern among the migrants. The migrant is rational but considers the supply side in a long-term perspective (human capital theory) concurrently as the labour market (demand side) consists of several different segments. This has resulted in several distinct segments with little mobility and substitution between the segments, but high mobility and substitution within them. In the post-industrial society, labour and capital are complementary compared to the industrial society where they substitute each other more frequently and frictionless. The production factors have also been more heterogeneous in the post-industrial society than they were in the industrial society that restricts the substitutability both between the production factors and different vintages within them. New technology

and highly skilled labour complement each other, which increases the segmentation process.

This process is also regional in its character since different regions are distinguished by different economic structures. As a result, there can be a regional labour shortage although unemployment is high, which, in turn, creates an inter-regional as well as intra-regional mismatch on the labour market. From a rural-urban point of view this will more result in an increased amount of stayers in rural areas than migration to jobs in the lower segment of the labour market in the metropolitan areas (Johansson and Persson, 1999, 2000). Instead – at least in European countries where the regional discrepancies are relatively small – the rural-urban migration is more an effect of education opportunities or the urban life-styles than 3D-jobs (with regard to the Nordic countries see e.g. Edvardson et.al, 2006, and for Sweden Johansson and Persson, 1999, 2001, Johansson and Rauhut 2007, Rauhut and Johansson, 2008).

2.2 Review of the empirical evidence/analyses relating to the theme

Rural-urban migration has been the common migration pattern in Europe since the beginning of the industrialisation process started and is now being spread to all parts of the world, not at least in the developing countries. The general view of the countryside was stagnating and something that was left over, while development took place in urbanised areas with industrial production and an expanding service sector. This pattern followed the business cycles – good times stimulated migration and bad times hampered it. The trend was however urbanisation and a diminishing population in rural areas.

In the 1970s there was a break in the development concerning the urban-rural relations (see e.g. Beale, 1975). The populations of metropolises declined in favour of smaller places and purely rural areas. Berry (1976) denominated the phenomenon counterurbanization and defined it as “a process of population deconcentration; it implies a movement from a state of more concentration to a state of less concentration”. Counterurbanization has been studied by many researchers and has ample literature. In Europe one of the first studies was offered by Vinning and Kontuly (1978), however their very broad delimitation of regions makes the conclusions questionable. Fielding (1982, 1986, 1989) and Champion (1989) provided a much better picture of population deconcentration in a variety of countries in Europe. Rees and Kupiszewski (1999) examined migration patterns by stage of migrant’s life cycle and the size of settlement unit as well as their class, whenever such classification was available. The observed migration patterns were very diverse as the countries were on various stages of urbanization-suburbanization-counterurbanization-(re-urbanization) cycle, but it is possible to draw certain general conclusions: First, young people migrate upwards settlement hierarchy. For the settlement units that were the lowest in the hierarchy, that is rural ones, this was a universal rule. This is a factor, which contribute to the rural depopulation, wherever it occurs. Migration down the hierarchy, from cities to suburban, and peri-urban, where applicable, communes was visible almost everywhere, especially among adult population. However, the pattern of migration to rural communes with predominant agricultural function was very diverse. Counterurbanization can e.g. be a trend break consisting of redistribution to localities beyond the sphere of metropolitan influence – quite different to the suburbanization trend that has dominated the development during the post-war period (Lewis, 2000).

2.2.1 Counterurbanization

Kontuly (1998), Kontuly and Dearden (1998) and Mitchell (2004) have provided overviews of counterurbanization research. The former stressed the considerable degree of variability of these processes. These studies did not, however, attempt at linking migration and broadly understood rural development. The views on the impact of immigration to rural areas on the rural development very much depend on the theoretical framework of rural development. Those who consciously or not believe in endogenous or mixed exogenous-endogenous development theory, often see immigrants as important actors facilitating the development of rural communities from inside. Philips (1998), writing of “colonisation” of rural space by urban middle class, notes also that the migrants bring in a valuable developmental potential. More specifically, they bring in new skills (Dean et. al., 1984) and can be a source of human capital (Stockdale, Findlay, Short, 2000). Immigrants increase local employment (Findlay, Short, Stockdale, 2000) and a number of new businesses (Keeble and Tyler, 1995). Cross could, however, not find any significant correlations between counterurbanization and new jobs far in remote rural areas in Wales (Cross, 1990).

Findlay et al (2000, also reported in Stockdale, 2005a,b) studied in-migration to five English rural areas that had experienced a positive net migration. Among the results they found that in-migrants had higher incomes than the local, non-migrant population and that most of them had their work within 20 km from their home and thus were not long distance commuters that simply used the countryside as a place of residence. 20 percent of the in-migrants were self-employed and of these 81 percent were one-person businesses without employees. However, a small number of the in-migrants had started larger businesses, with the result that on average 2.4 full-time jobs were created per every self-employed in-migrant. It must, however, be kept in mind that out-migrants and in-migrants are of quite different ages and this is also valid concerning in-migrants and the locals.

2.2.2 The new rurality or the new rural economy

In many countries, it was, however, not out-migration from the urban areas that increased especially much – instead it was the in-migration to those areas that fell even more with net out-migration as a result. At least in Sweden this was the case and many things seem to confirm these observations even in other countries. The result was anyway that population in big cities and especially then the cores dropped and concepts of urban sprawl, counter- and peri-urbanization were the topics on the agenda and today. The 1980s seemed to suggest a return to the “normal” pattern in most countries but the 1990s once again showed signs of counter-urbanisation in a number of countries in the Western World and the “new rurality” is highlighted more and more especially where the functional local labour markets are both larger and more diversified (Fuguitt and Beale, 1996, Long and Nucci, 1997, Vandermotten et. al., 2002, 2004, Westlund, 2002, ESPON 1.1.4 Final Report, 2005, Eliasson, Johansson and Westlund, 2008).

This “rural revival” has, thus, today more and more been described as the “new rurality” (Eliasson, Johansson and Westlund, 2008). The definitions of rural areas are, thus, manifold and this also results in differing development paths concerning their location and economic structure. Many rural areas have been shown to “out-perform” urban areas, many rural areas have been transforming in profound ways regarding socio-economic structure and economic base as well as regarding their regional contexts and

roles, and in many cases the very notion and concept of rurality as a territorial quality is challenged. The “new rurality areas” have, thus, more in common with urban and densely populated areas and have taken advantage of the possibilities connected to the development towards the “new rurality” and are often well-being regions characterised by accessibility, commuting and growth. The “new rurality” is thus both an effect of the structural transformation of the rural areas and a renewal of people by in-migration – people that often are urbanised in a behavioural or mental sense. Even if the rural areas still is rural areas, ideas, jobs, and habits are more urban than the traditional rural values and the prime driver behind this transformation is in-migration.

Another concept describing migration to city-close rural areas is that of urban sprawl. In contrast to the gentrification literature, researchers of urban sprawl tend to focus on the negative aspects of the phenomenon from an urban point of view: lack of environmental-friendly transportation options and pedestrian-friendly neighbourhoods, increased costs for infrastructure, negative impacts on health and environment, etc. Yet, a common feature in the literature on both concepts is that they mainly view the in-migrants as belonging to social groups with higher status than the original inhabitants.

Today, it is obvious that the concept of functional regions is becoming more frequent with respect to the discussion of regional development and that the dualism regarding urban and rural is becoming increasingly insignificant. Instead this is more a reminiscence from the industrial society but of course still valid between differing regions where distance is of great importance. As the functional regions is expanding the rural parts within a local labour market will be gradually more dependent of and interconnected with the development and transformation of the urban areas. This has also been accentuated during the past decades as a consequence of deindustrialisation and renewal in some old factory towns. The losers seem to be old factory towns in the European periphery. Less attractive old industrial districts have little to offer in the new situation and location shifts – even with respect to manufacturing industry – have been one of the results. This changed urban hierarchy has also had effects on the rural areas in Europe where rural areas in the neighbourhood of expansive metropolitan areas have grown. These counterurbanization tendencies have been obvious even in many other parts of Europe.

As suggested above, much of the literature on out-migration from cities to the city-close countryside has treated the social and environmental problems that have emerged. Also, a substantial literature dealing with the issues of counterurbanization has strived to analyze the determinants of in-migration to rural areas on various spatial levels (see Kontuly, 1998 and Westlund, 2002 for overviews). In Sweden, Westlund (2002) and Westlund and Pichler (2006) have studied factors behind rural population development in all non-metropolitan Swedish municipalities for the periods 1990-1997 and 1998-2004 respectively. They found that rural population development was most positive in the metropolitan-adjacent municipalities. Socioeconomic variables, like the size of the local labour market, average real estate assessments and average incomes were among the strongest explanatory variables, beside previous period's population change. It can be shown that the result has been a redistribution of people between rural and urban areas. Out-migration of youngsters from rural areas is a general phenomenon but the contrary is in many cases valid concerning families and elderly people especially then to rural areas in the neighbourhood of (big) cities (Johansson, 2001, Westlund, 2002, Westlund and Pichler, 2006). The precondition for the new rurality seems however to be limited in the peripheral and deeper rural areas still dominated by traditional activities and localised far away from big cities and with bad infrastructure and low accessibility.

The educational level is also below both the urban and significantly rural levels and this is a fact that repels highly educated people and knowledge based firms. The combination of low accessibility, few highly educated people and ageing is thus not a good precondition to take part of the new development trends that the “new rurality” implies (Eliasson, Johansson and Westlund, 2008).

The above described development trends seem, thus, to be most relevant at densely populated rural areas close to big cities. The general tendency seems to be that rural areas in the vicinities of metropolitan cities and regional centres increase in population while rural areas of the peripheries decrease. The densely populated rural regions are in a more favourable position with regard to population change and than other rural regions. This is not especially surprising as densely populated rural regions have experienced a relatively positive population development during the past decades (Copus et.al., 2006). For Sweden it has been shown in a lot of studies that youngsters leave every type of rural areas while families moved the countryside in the neighbourhood of the big cities (Westlund, 2002, Westlund and Pichler, 2006).

More commuting and over longer distances have, thus, resulted in larger functional labour markets and regional enlargement and the “new rurality” is a concept that is not associated with agriculture and the primary sector. Instead it has more in common with the urban way of life both in an economic structural and cultural sense. Instead of a convergent development process between different the rural areas a divergent or polarisation process seems, however, to be more relevant. In particular in the UK and the USA the development surrounding big cities has been described in terms of rural gentrification and rurbanisation, symbolizing a transformation of rural communities to (upper) middle-class communities with urban values and lifestyles (see e.g. Hall, 1991, Cross, 1990, Phillips, 2005). This seems also be valid for the EU and where significantly urban areas increased in population during the 1990s while the predominantly rural ones still loosed population (Copus et. al., 2006).

The impact of in-migrants on new businesses and job creation in depopulating rural areas seems, however, to be less positive. In a study of two peripheral Scottish areas, Stockdale (2006) found that relatively few in-migrants were self-employed and that their businesses generally had no employees. The same results have been shown about the development in rural Sweden. In this case much of the deviating results between in-migrants and locals seems to be explained by tradition, social contacts and age structure (Eliasson, Johansson and Westlund, 2008).

In Sweden a newly written study shows that the out-migrants are younger than the in-migrants that in turn in general are younger than the traditional inhabitants. This is a phenomenon that is also obvious in Sweden where the out-migrants from the rural areas are younger than the in-migrants that are younger than the local inhabitants. It can also be mentioned that the stayers were more frequently working as self-employed entrepreneurs than the in-migrants, a fact that probably can be explained by the age structure and differing working traditions among in-migrants and locals (Eliasson, Johansson and Westlund, 2008).

Available data and research during the 1990s did not, however, show any general tendency of rural gentrification at least in Sweden (Amcoff, 2000). Compared with the total rural population, the in-migrants had a slightly higher education level. Amcoff's conclusion was that the in-migration to rural areas in Sweden deviated completely from the British pattern regarding the social composition of the in-migrants and that the middle class only was marginally represented on the Swedish countryside. To talk about a polycentric development in these cases seems perhaps a little paradoxical as the development in the surrounding cities in much are dependent on

the development in the centre. Despite this, there are obviously centrifugal feedbacks – with renewal as one ingredient – as a consequence of the development in the centre. Alonso called this phenomenon “borrowed size” and its effects were in the long term a more polycentric development more or less rural areas outside but close to metropolitan or big city areas (Alonso, 1973).

2.2.3 Differing preconditions – differing outcomes

The sparsely populated rural regions are in a worse situation with regard to population development and depopulation in the EU (Johansson, 2002, 2005, Copus et. al., 2006). These regions are often peripheral and have for a long time been out-migration areas with a lopsided age structure as one consequence. Many of the Nordic regions are, thus, in this category but also many regions in Central and Southern Europe are ranked here (ESPON 1.1.4, 2005). It seems like the sparsely populated rural regions are in the most disadvantaged situation with regard to development and transformation and this is especially pronounced in the Eastern parts of Europe such as the Baltic states, Hungary, Bulgaria and Romania. In some of these countries it is not only the peripheral rural areas that lose people – the effect of the rural exodus from almost all rural areas is a decreasing population totally for the countries (Johansson, 2009). It must be kept in mind that these countries are characterized by a monocentric urban structure dominated by a few big cities that seems to be important as destinations in the large redistribution process of people. As mentioned in the introduction the model is the same – based on the demographic equation – but the outcome differs a lot compared to the development within e.g. Pentagon or Central Europe. The combination of low fertility rates and out-migration is more pronounced in the NMS than they are in the Western or Nordic parts of Europe.

Champion and Vandermotten (1997) have investigated net migration change for three periods, 1960-70, 1970-80 and 1980-89 for 557 regions in the European Economic Area (without NMS) and using Vandermotten's (1997) regional classification. They found that three categories of regions experienced net out-migration in all three periods. These were the poor periphery (147 regions), mostly in Ireland, Spain, Portugal, Greece and southern Italy, the Scandinavian periphery (21 regions) and early heavy manufacturing regions (25 regions). In the first two groups of regions the rate of loss has declined over time. Champion and Vandermotten explained the migration processes in poor peripheral regions as a consequence of economic transformation occurring on various spatial levels. A shift from farming fishing, forestry and mining towards high technology and service based industries undercut the economic base of these regions. Simultaneously demand for labour in quickly modernising successful regions resulted in sucking for labour from peripheral areas.

However, the research on regional scales that was based on a mixture of NUTS 2 and NUTS 3 regions (Champion and Vandermotten, 1997) does not reveal the actual processes in the rural peripheral regions, as they amalgamate genuinely rural areas with local, subregional and regional towns, which often have an entirely different demographic structure. Kupiszewski et. al. 1997 have shown that in Poland rural population decrease in highly depopulating rural areas was combined with substantial urban population increase in these areas, decennial changes could reach 10% decrease in rural communes and simultaneous 20% or in isolated cases even 30% increase in towns serving these areas. In 18 national studies of migration and population dynamics of countries in Europe conducted between 1996 and 2003 on commune (predominantly local) level by Rees, Kupiszewski and national experts from studied countries using a uniform methodology show that in almost all

investigated countries there was a clear decrease of population in region bands, which could be termed either rural or peripheral or both. For example between 1980s and 1990 in 12 out of 16 studied countries population declined in the lowest population density band (Rees and Kupiszewski, 1999, Rees, 2000). For most countries net out-migration from those communes was persistent over time.

The mechanism of depopulation identified was in most cases quite simple: there was an impulse for out-migration from rural areas. In affluent EU countries mostly the impulse came from shift on labour markets. In a study by Kemper (2004) this explains the difference between migration gains and losses between differing regions, including rural ones, by the difference in unemployment level. In Central Europe this was mostly obvious in the rural poverty regions, often generated by hidden unemployment – i.e. there were too many economically active adults to provide full time employment for all of them in one farm (Turnock, 2002). The migration process was selective with the predominance of young adult migrants where female migrants outnumbered the male ones. Protracted out-migration resulted in changes of the age and sex structures that affecting the marital ages (Kupiszewski et. al., 1997) and leading to problems with forming families and division of work on farms, especially in those rural societies, which remain conservative. Ageing and migration-related decline in fertility is another problem. Its vocal effect is the closure of schools in some regions, due to the insufficient number of pupils, but obviously the consequences are much more widespread.

Such mechanism has been very well documented for example in Poland, where systematic monitoring and analysing of depopulating rural areas on commune level goes back to 1946, allowing for the assessment of a process spanning over a half of century, and producing a very clear picture of depopulating poor or remote rural areas (Eberhardt, 1989, Kupiszewski, 1992, Węclawowicz et. al., 2006).

One of the important findings concerning migration drivers is wage differences that determine the long term migration propensity, whereas unemployment level controls oscillations in annual flows (Hatton and Williamson, 1992) Quite likely their finding may also apply to internal migration, however the differences in wages and unemployment level should be lesser within a country than between countries. If this finding is considered from policy point of view, clearly income differentiation reduction is a viable policy aim.

An open question is how to achieve it when the depopulation process is so deep that usual policy measures will not prevent continuous economic and social damage to the region.

Two main processes shaping population change in rural areas are thus decline or even depopulation, mostly but not exclusively due to out-migration, and counterurbanization. In some countries, however, with over-simplified classification of spatial units also suburbanization, when suburban units are classified as rural. Other processes, like in-migration or immigration due to other reasons than already mentioned, or natural change play minor role. As mentioned above, Rees and Kupiszewski (1999) in the synthesis of detailed (on commune level) studies of internal migration and regional population dynamics observed that in Europe the population dynamics system on commune level are mostly dependent on migration, as natural change is fairly stable, relatively uniform spatially and generally low (and has further decreased since then).

That does not have to remain so in future when the increase in absolute numbers of deaths, as post war baby boomers will enter at that time into the high mortality phase

of their life cycle. The expected low fertility may result, especially in depopulated communes with a lop-sided age structure dominated by elderly people, in increased significance of natural change component but in a negative way. This is an outlook into a more distant future, which should not be overlooked, but in the recent years and the immediate future it is migration that will have a decisive impact on population dynamics positive as well as negative. Migration has many faces; the two most important migration-related phenomena mentioned here are counterurbanization on one hand and depopulation on the other.

2.2.4 A typology based on the demographic equation and applied to the extended urban-rural delimitations

Even if this chapter has the character of a state-of art review some empirical results are shown as they are in line with earlier studies with regard to typologies and population development in urban and rural areas. The point of departure for describing and analyzing population development and its central ingredients is the demographic equation (see more about this in chapter 4.)

The natural population change is then estimated as the relation between natural population change and total population change expressed in relative terms (percent). Migration will then be the difference between total and natural population change. The differences in the population structure are, however, not only a function of the differences in fertility rates, neither of the crude birth rates or the total fertility rates (TFR). It is today rather the migratory movements that cause the regional differences in regional age structures and then also in natural population changes (see e.g. ESPON 1.1.4, 2005, Johansson, 2009).

Changes in the number of births are thus a consequence of the development of the birth rates and of the size of the cohorts in childbearing ages. Standardised for changes in age-specific fertility rates, large cohorts of childbearing age result in large new cohorts and vice versa. From a regional perspective, gender and age structures and the size of the cohorts are of great importance for natural population development since the age and gender structures vary between different regions. Depopulation areas have e.g. much larger proportions of elderly compared to metropolitan areas or university towns, where the proportion of persons in the ages 20-30 is much larger. This is also valid for the urban-rural dimension where rural areas in general have undergone an ageing process more than urban ones as a consequence of out-migration of young people. The contrary is then valid for urban areas and especially then the metropolitan cities and university towns.

The typology used in ESPON 1.1.4 and extended in Copus et. al. 2006 and Johansson 2009 will be used for descriptive as well as analytical purposes. In order to classify regions with respect to total population change, natural population change and net-migration, six different combinations can be defined. In the right hand column, a short description of each of these 6 types is presented. This typology will be applied to NUTS3-regions for the period 2000-2005 in order to examine the distribution of different regions with respect to the 6 types within the ESPON space as well as between the differing urban-rural types according to the Dijkstra-Poelman definitions. The result of these estimations is shown and discussed below.

Table 3.1. A schematic typology with regard to sustainable demographic development

Type	PT	PM	PN	Regional characteristics
1	PT>0	PM>0	PN>0	Double positive regions - In-migration and young population/"high" TFR. High sustainability both in short and long term. The most favourable case
2	PT>0	PM>0	PN<0	Growth regions with natural decrease - In-migration of people with low TFR. Natural population decrease because of lopsided age structure and/or low TFR. Dependent on in-migration. No sustainability in long term – weak reproduction potential
3	PT>0	PM<0	PN>0	Growth regions with out-migration - Out-migration and young population/"high" TFR and natural population increase. Short term – sustainability. Long term – eroding sustainability because of lopsided age structure (out-migration).
4	PT<0	PM<0	PN>0	Declining regions with natural increase - Out-migration but still young population/"high" TFR. Traditionally high fertility regions. Falling TFR -> low sustainability
5	PT<0	PM>0	PN<0	Declining regions with in-migration - In-migration and lop-sided age structure (old population)/low TFR. In-migration of elderly people and/or singles, low reproduction potential. Dependent on in-migration. Low sustainability both in short and long run.
6	PT<0	PM<0	PN<0	Double negative regions - Out-migration and lop-sided age structure with old population/low TFR. No sustainability in short as well as long term. Depopulation. The worst case.
PT= Total population change PM= Migratory balance, net-migration PN= Natural population change				

Source: This typology is based on and used in e.g. ESPON 1.1.4, Copus et.al. 2006 and Johansson 2009.

In the SERA project it was shown that the predominantly urban and significantly or intermediate rural areas had the most positive population development between 1995 and 2000 (see Copus et. al., 2006). This was valid both with regard to the numbers of regions and – even more – the concentration of population. Large regions had a better population development than small and vice versa. In order to check if these development paths are still valid but in a more nuanced way, the new extended OECD-version has been used. For the definitions of the urban and rural types, see chapter 1.4.

Table 3.2 A typology of urban and rural regions with regard to sustainable demographic development 2000-2005 (% of regions).

Codes	1	2	3	4	5	6		N
Total	29,3	30,8	4,7	4,5	10,9	19,7	100	1329
1. PU	37,2	30,8	6,1	3,5	9,6	12,7	100	425
21. IRC	30,9	33,7	3,5	2,8	7,7	21,4	100	457
22. IRR	17,4	34,8	0,0	13,0	8,7	26,1	100	23
31. PRC	22,8	27,0	7,1	6,4	12,0	24,7	100	267
32. PRR	14,6	29,3	1,3	7,6	22,3	24,8	100	157

Source: Estimations based on data from Eurostat and National Statistical Institutes.

Table 3.3 A typology of urban and rural regions with regard to sustainable demographic development 1995-2000 (% of population).

Codes	1	2	3	4	5	6		Size 2000
Total	39,2	24,0	9,0	4,8	7,4	15,6	100	487943,3
1. PU	48,8	22,3	11,8	3,0	6,1	8,0	100	213141,9
21. IRC	37,4	26,6	6,5	3,8	5,8	19,9	100	172875,0
22. IRR	24,1	29,5	0,0	15,4	3,6	27,4	100	6087,5
31. PRC	24,4	21,0	10,9	11,4	11,1	21,4	100	68648,4
32. PRR	14,2	28,2	1,5	5,9	19,3	30,9	100	27190,5

Source: Estimations based on data from Eurostat and National Statistical Institutes.

One way to analyse if and in what sense large regions are overrepresented or not in the different types and urban-rural categories can be done by constructing an index relating to the size of population and then numbers of regions in respectively category. In short, the index is created by calculating the share of population in region x divided with the share of regions in category x, and then multiply it with 100. If the result is over 100 the large population aggregates are overrepresented and vice versa. In Table 3.4 the calculations are shown.

Table 3.4. Over- and underrepresentation of large or small regions in different categories. Index over 100, large regions are overrepresented and vice versa.

Codes	1	2	3	4	5	6	Index 2000	Index 2005
Total	134,1	77,6	189,9	105,9	67,8	79,0		
1. PU	131,2	72,3	193,1	84,8	63,2	63,3	136,6	137,1
21. IRC	121,3	79,0	185,1	134,5	75,4	92,8	103,0	102,9
22. IRR	138,5	84,8	NA	118,1	41,4	105,1	72,1	70,9
31. PRC	106,6	77,8	152,8	178,3	92,5	86,4	70,0	69,1
32. PRR	97,0	96,3	114,0	77,3	86,7	124,4	47,2	48,1

Source: Estimations based on Table 3.2 and Table 3.3.

From Table 3.4 it is obvious that large regions in general have a better population development than small. This can be seen from the fact that types 1 and 3 that both experience positive population development in combination with natural population increase is overrepresented in these types. In type 1 it is only predominantly remote rural regions where the small regions are overrepresented. Even in type 4 where population decrease is combined with a positive natural population development are the large regions overrepresented. Consequently, small regions are overrepresented in type 2 – with population increase and in-migration – and the retarding types 5 and 6. These observations are also in line with the results from ESPON 1.1.4, the Sera-project and the new estimations of the typology from 2008/2009 (see ESPON 1.1.4 and Copus et.al. 2006 and Johansson 2009, Eliasson, et.al. 2008).

It can also be observed that large regions are overrepresented in category 1 – predominantly urban regions – and category 2 - intermediate rural regions but in the neighbourhood of a city with at least 50000 inhabitants. This is also in line with earlier research as the SERA report. One explanation to this phenomenon can be the fact that many small rural regions in the surroundings of big cities have positive population development as a consequence of in-migration of families and somewhat older persons. At least in the Nordic countries this seems to be a reality – how it is in other parts of the ESPON space will be investigated more in-depth in forthcoming studies.

As has been shown in Johansson 2009, natural population development has a more active role in countries with sharp population decrease, and then predominantly in Eastern Europe. The Baltic States, Bulgaria and Romania are countries where natural population decrease accentuates an already problematic situation as a consequence of emigration and asymmetrical migratory movements within the countries. The combination of low fertility rates and emigration of people in the active ages is not a good precondition for future population increase. Many of the regions in these countries are also to be found in type 6.

3 IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

Rural areas are not any isolated islands. The population development – as well as the economic development – is often dependent of what is happening in other parts of the world or the country where they belong – rural areas are not changed, developed or transformed in isolation even if internal factors are of utmost importance. A lot of trends in Europe concerning the urban-rural relationships can also be identified – trends that have implications for the development of the rural system in Europe where a closer connection between the development in urban and rural areas is a central trend. Even if this is a general trend there are large differences concerning development possibilities and constrains. Some regions experience virtuous cycles while other experience vicious ones depending on both external and internal factors or a combination of them both.

3.1 Drivers of population change in rural areas

As mentioned above the prime driver in the pre-industrial society was natural population development. The pre-industrial society was – compared to the society of today – a static society with a very low mobility both between classes and occupations as well as migratory movements and especially then with regard to long distance migration

Today, at least six types of rural-urban relations can be identified where the preconditions concerning differing drivers of change differ in the European territory where distance, accessibility to and dependency of urban areas are central ingredients but in different ways and then also with different implications on development and change – both positive and negative. It must also be kept in mind that these types interact with each other and negative development in one region can be dependent on a positive development in another and vice versa (Pumain et.al. 2000, BBR 2001, Johansson 2002, 2005, see also ESPON 1.1.2 2004, for a more thorough discussion of this kind of urban-rural divide). Six different urban and rural types can be mentioned as a point of departure to understand the problems and potentials that related to the urban-rural development from a demographic point of view. These are:

- Monocentric regions dominated by a few large metropolitan areas
- Polycentric regions with high urban and rural densities
- Polycentric regions with high urban densities
- Rural areas under metropolitan influence
- Rural areas with networks of medium-sized and small towns
- Remote rural areas

Behind the transformation of these areas it is obvious that the concept of functional regions is becoming more and more frequent with respect to the discussion of regional development and that the traditional dualism regarding urban and rural is becoming increasingly insignificant. Rather this is more a reminiscence of the industrial society though of course still valid between differing regions where distance is of great importance. As the functional regions are expanding, the rural parts within a local labour market will be gradually more dependent of and interconnected with the development and transformation in the urban areas. This has also been accentuated during the past decades as a consequence of deindustrialisation and renewal in some old factory towns. This means also that rural areas in old stagnant industrial districts are not on the positive side of development. Instead a lot of hampering factors can be seen – long distances, marginalised self-employment, hidden unemployment, decreasing market and last but not least out-migration of especially youngsters. This creates mental maps that are not good for location of new and creative activities and the viscous circles are a fact. Depopulation and dying-out rural areas are not any pull-factor in order to recruit highly educated people or new knowledge-based companies. This transformation is a central ingredient in the transformation process and there are also similarities with the spatial product life-cycle models that emanates from the product life cycle theory (see e.g. Vernon 1966, Utterback and Abernathy 1975, Norton and Rees 1979, Malecki 1981). Instead, these areas are localised in the end of the spatial product life-cycle – rural or urban doesn't matter – that is connected with out-phasing of old activities that are not replaced by new and dynamic ones.

Globalisation has instead favoured regions and cities in the core of Europe that have comparative and competitive advantages in this transformation process (Taylor 2004). The losers are old factory towns in the European periphery. Less attractive old industrial districts have little to offer in the new situation and location shifts – even with respect to manufacturing industry – have been one of the results. This changed urban hierarchy has also had effects on the rural areas within the ESPON space where rural areas in the neighbourhood of expansive metropolitan areas have grown. These counter- and peri-urbanisation tendencies have also been obvious in many other parts of Europe (Champion 1989, Cross 1990, Kontulay 1998, Westlund & Pichler 2006, Westlund 2002, ESPON 1.1.2 2004, Johansson 2005, ESPON 1.1.4 2005, Johansson 2009).

If natural population change was the prime driver in the agricultural society, migration has now taken the dominant position in population development with respect to positive as well as negative population development in most regions – rural as well as urban. This has, however, not been the case in a lot of the Eastern European countries at international level as a consequence of differing kinds of transition rules – rules that now more and less are going to disappear both in a formal and practical way. At national level it is instead the negative natural population development that is the prime factor behind the population loss in many of these countries and especially then in the rural areas (Johansson 2009).

One element of this transformation process today is the increasing segmentation of the labour market. As noted previously, in the industrial economy labour and real capital used to be interchangeable to a large extent. Today the picture is rather different. The introduction of new technology requires labour with certain qualifications and thus also a certain degree of training - labour as a factor of production has become increasingly heterogeneous. Applying a production-theory conceptual apparatus, we can say that there are 'vintages' of both capital and labour. Today, increased labour market segmentation hampers the transfer of unemployed industrial and agricultural workers from traditional "blue-collar" jobs to new jobs in knowledge-intensive. This phenomenon

has also resulted in higher structural unemployment as compared to the situation when the industrial society was at its peak and hampers the migration from rural to urban areas or old "traditional" industrial areas to new dynamic ones. Migration is, however, the prime driver behind population change but the effects on the rural areas and old industrial areas are quite different from that of the expanding and dynamic ones. Some people move while others stay. Migration will in this case result in a selection process where the dynamic areas are the winners and the stagnating the losers (Massey 1995, Johansson 1997).

Another key factor impacting rural development is depopulation. As most emigrants are young (Rees, Kupiszewski 1999), often the brightest (Stockdale 2006), their departure has two effects: it results in changes in age and sex structures and hampers endogenous development. The former has been investigated in detail for Poland by Kupiszewski, Durham and Rees (1998). They noted that apart well known ageing effect, the emigration stream from rural areas is dominated by young females, what results in masculinization of young adult age group of rural population and males having difficulties in finding a candidate for a wife (or a partner). Two problems arise from this: first, as there are strict male and female roles in traditional farming, small farms are affected by lack of labour to do the female jobs. Second, there is a decline in fertility as marital problems directly affect fertility rates. Obviously this reasoning will not apply equally to every European country.

There is a general agreement that the rural depopulation can be attributed to the structural change in agricultural production, which reduced demand for labour force (i.e. Drgona, Turnock, 2000). Urban employment offers higher income and living standards (Drgona, Turnock, 2000; Kupiszewski 1992). Another important driver for emigration from rural areas is access to tertiary and sometimes even secondary education. The youth from rural areas who are willing to expand their education beyond the level available locally often have to move to urban centres (Stockdale, 2004; Bański, 2008). Access to services deteriorates with depopulation as declining and ageing populations cannot sustain full range of services. An improvement of central places system by promoting large villages to town status, would place more jobs within commuting distance from rural settlements and might be a solution reducing out-migration (Turnock 1991) and give a better access to education as well as help retain or even developing services (Hajnal 1989). Jończy (2003) noted that the main reason of emigration of young people is relative deprivation, but the comparison is not made to local conditions, but to conditions in affluent countries of destination.

The result of the population development is, thus, from a symmetrical point of view, not positive. As the population increase is concentrated to western and central parts of Europe and the population decrease to the peripheral parts there are tendencies to an unbalanced population development within the ESPON space and thus also an eroding territorial cohesion. This is also a phenomenon that has an urban-rural dimension. Especially in the regions and countries in Eastern Europe the urban-rural polarisation seems to have been accentuated as a consequence of the huge redistribution of people within these countries. The development may not have gone in a polycentric direction. Instead the monocentric tendencies seem to have been even more pronounced compared to the situation during the 1990s with consequences for the development in rural areas with depopulation and "dying-out" regions seem to be a fact during the first decade of the new century or in the near future.

As mentioned above, in some countries of Central and Eastern Europe (especially Poland, Baltic States, Romania and Bulgaria) the traditional rural-urban pattern of

(internal) migration has been substantially modified in the recent years when international migration became the prime component of population change and, in many instances, of rural depopulation. For example Główny Urząd Statystyczny (2008) estimates that at the end of 2007 the stock of Poles staying abroad equalled to 2270 thousand, that is around 6% of total population. Even if we keep in mind that the situation is very fluid and the estimate difficult to make, such numbers must not go unnoticed. Interestingly many of international migrants from Central Europe migrate to rural areas of countries of destination, providing cheap and unskilled labour for farming and food processing. Such rural to rural migration has not attracted yet enough attention of researchers.

The combination of low fertility rates and out-migration of people in the active ages is not a good precondition for future population increase. Instead the risk for a worsen situation is apparent as the reproduction potentials are undermined and this in combination with low fertility rates results in depopulation and dying-out regions and eroded territorial cohesion. It is thus of utmost importance that the asymmetrical migratory flows that exist within the Eastern European countries as well as between the Eastern European countries and regions and other parts of Europe will be replaced with more symmetrical flows in order to hamper the negative population spiral that exist in many parts within the ESPON space. This is valid even with regard to rural-urban flows that leave some areas in apathy and dying-out situations that will be very difficult to change. The combination of low fertility rates, emigration and lopsided age structure shall not be neglected or underestimated if the aim is sustainable population development at macro as well as meso and micro level and urban-rural level. The preconditions for a positive population development and an expanding economy differ thus a lot between various rural areas in Europe.

However, comparisons between rural regions in Europe must be made with a lot of reservations and the results must be interpreted with utmost care. The results are rather indications of processes in different countries where there can be some general development patterns despite the fact that the countries are in different developmental stages and the localisation of the different rural areas. It is quite significant that despite of a plethora of publications on international migration in general, the impact of international emigration on rural development still is one of areas where more research is needed (Mendola, 2006). In narrow demographic sense, we lack research on local (commune) level on demographic impact of international migration, however the impact of internal migration is quite well understood.

3.2 Constrains of population change in rural areas

Probably one of the most influential papers looking at the constrains of the population growth is Thomas Malthus' "An Essay on the Principle of Population" (1798) in which the author defines the relationship between population growth and affluence of the society. He saw the economic resources, in particular the productivity of earth, as a factor constraining the population development. Galor and Weil (2000) develop a theory that links "Malthusian Regime" through "Post-Malthusian Regime" to "Modern Growth Regime". They interpreted the "Malthusian Regime" as a regime under which population growth is constrained by low technological progress, which in turn restricts productivity. Development of technology through demographic transition leads to the "Modern Growth Regime". Galor and Weil (2000) characterize it as a regime under which both the technology and per capita income grows steadily, but unlike in the "Malthusian Regime" they are negatively related to the population growth.

Galor and Weil (2000) see the economic and technological development as the main factor controlling the population change. Their considerations concern population

development in general, but may be used for consideration of regional development, in which we may assume that the general development of a country and the regional or even local development will all have an impact on regional and local population change. Adopting such premises, we may focus on the factors that will constrain population growth in rural areas. Obviously, demographic dynamics has its specificity and one must not overlook the purely demographic constraints: a locality with no female population in procreative age will have no new births, whatever the technological developments. One may therefore divide the constraints into two categories: structural demographic constraints and development constraints (Galor and Weil would perhaps label them technological). Finally, not mentioned yet, there are also sociological constraints, related to functioning of people in rural regions and their social and intellectual assets.

The key demographic constraint of population development will be the age structure of rural population and below replacement fertility rate. Very few European regions, mostly in France and Northern Europe enjoyed the fertility above or close to replacement level. In vast majority of regions the TFR is well below 2.1 and in some extreme cases above but close to 1, meaning halving the population from generation to generation. This is partly due to general low fertility in most European region, partly due to structural changes consisting of below-proportional share of people in reproductive age and low proportional share of females in fertile ages in rural regions. These changes were generated by past emigration patterns and are much more pronounced in remote and poor rural areas than in affluent urban hinterland. They are also much more evident in rural regions of relatively poor countries of the ESPON space, i.e Central and Southern Eastern European ones than in old EU member states (however many South European regions also fall into this category). For these regions, low fertility and age and sex structure of population is the main constraint of population growth, but not of population change, as they will contribute to the population decrease. The only factor that may impact the population structures in medium term is migration.

Migration is the second constraining factor of population growth, which depends on two factors: remoteness, on which we have no or little impact and Galor and Weil's technological and economic development. Migration is to large extent about push factors, which are to a large degree linked to ability to earn one's living and quality of life. These issues are discussed in length in chapter 2; the bottom line is that a lack of development, lack of jobs will inevitably drive people away from rural areas.

4 PROPOSAL FOR THEME RELATED INDICATORS

Demography offers broad spectrum of various indicators and measures which may be easily used for the research of population development of rural areas, such as population change and population change rate, total fertility rates, life expectancy, net migration rates as well as immigration rates and emigration rates etc. Various rates to measure the structural changes are used, as for example dependency rates, feminization rates, proportion of people at certain age etc.

The selection of indicators depends on one hand on the correctness of their definition, their appropriateness for the purpose of research and the technical possibility of their calculations, availability of data being an important constraint. Given the broad geographical scope of the ESPON research and large number of regions, we need to seek indicators and evaluate which of them that is not too demanding in terms of data.

From the methodological point of view researchers investigating demography of rural areas have to decide on the scale of their research. For research conducted on continental scale, as in ESPON, the division into NUTS 3 regions is the best one can get. Lower level spatial units, such as communes, are more suitable for the research of rural areas, but the data availability is the main constrain to conduct research at that scale. Smaller scale research, say national should use smaller spatial units, like communes.

By the way, in part 4.1 and 4.2 some relevant indicators that can be used in analyses of the demographic development are proposed. These can all be estimated in a direct or indirect way and are all relevant with regard to rural as well as urban areas. The point is, however, that they differ a lot between the different kinds of regions and this is valid even concerning the various rural regions that were already specified in chapter 1.

4.1 Related indicators

This part is partly based on SUSPS, Population Terms http://www.susps.org/overview/population_terms.html but developed and extended with regional dimensions.

The demographic equation: Total population change = (births – deaths) + (in-migration – out-migration). This is the same as that total population change is a result of the interaction of natural population change and net-migration in a regional or national population in a given period of time. The demographic equation is often taken as point of departure for description and analyses of demographic development in different types of regions and is also the base for the typology presented in chapter 3.

Annual total population change is estimated as:

$100 \cdot (\text{EXP}(\text{LN}(\text{End year}/\text{Start year})/N) - 1)$ where N = the number of years including both the start year and the end year. The estimations will result in annual change during the period and differ from the mean value, which is expressed as $(100 \cdot (\text{End year}/\text{Start year})/N - 1)$. In most cases with short periods and small changes the results will be about the same. From a methodological point of view the exponential version presented above is to prefer and will also be the case in this study as in the typology estimations in chapter 2.2.4.

Total Fertility Rate (TFR): An estimate of the average number of children that would be born to each woman if the current age-specific birth rates remained constant. TFR is, thus, a theoretical measure and is defined as the number of birth related to the number of women in the childbearing ages and is standardised for variances in

cohort sizes. TFR can thus be defined in the following way: $TFR_t = \sum_{x=16}^{49} f_x$ where t =

year and x = age. TFR is also an indicator of the reproduction potential in different regions as a TFR under 2.1 also is under the reproduction rate. From this point of view it is a central measure in analyses of population development today and tomorrow. As TFR differs – as well as CDR – comparing these measures at regional levels gives a hint of the effects of TFR respectively CBR on the natural population development and the population structure in differing regions. It shall also be remembered that TFR is neutral to differences in the gender and age structures as it consists of the sum of the age-specific fertility rates. TFR is thus an interesting analytical tool both concerning urban and rural areas. This will also be used in the

forthcoming studies within this part of the project in order to get a hint of the impact of the age structure on the natural population development.

Crude birth rate (CBR): The number of live births per 1,000 population in a given year and shall not to be confused with the total fertility rate (TFR). The crude birth rate is dependent of the gender and age structure in the relevant region. CBR is relevant for analysis of the population development in the demographic equation as TFR is a more theoretical concept that is not dependent on the age structure.

Crude death rate (CDR): Analogously with CBR it is the number of deaths per 1,000 population in a given year.

Immigration (In-migration) Rate: The number of immigrants (in-migrants) per 1,000 population at that destination region in a given year. This rate is dependent on the size of the gross immigration flows as well as the population size of the immigration area. This rate is also an indicator of different regions' attractiveness especially if it is disaggregated for differing population categories. This will also be done in the forthcoming parts of the study as e.g. youngsters, families and oldies.

Emmigration (Out-migration) Rate: This measure is estimated analogously as the immigration rate and can be used in analyses in similar way. Even in this case it is important differ between gross flows and net flows. Like the immigration rate this rate is also an indicator of different regions' attractiveness especially if it is disaggregated for differing population categories.

Net Migration Rate: The net effect of immigration (in-migration) and emigration (out-migration) on a region's population, expressed as an increase or decrease per 1,000 population of the area in a given year. It must be kept in mind that a high net-migration – in or out – is not the same as large migratory flows. It tell us only that there is large discrepancies between the two flows. The same is valid for small net-migration rates – even regions with large migratory flows can have low net-migration rates. The impact on the population development between these two differing outcomes are however quite different. This is obvious by looking at the construction of the demographic equation.

Natural population change: The surplus (or deficit) of births over deaths in a population in a year or given time period that ca be expressed in quantities as well as a rates Eve this measure is a central ingredient in the demographic equation. This is also an indicator of the relation between the CBR and CDR. This means that natural population change is dependent of the regional gender and age structures.

Replacement-Level Fertility or Reproduction Rate: The level of fertility at which a couple has enough children to replace themselves or about two children per couple. Often the rate means at least 2.1 children per woman. This is a central measure as it say something about different regions possibilities to reproduce themselves.

Life expectancy: The average number of additional years a person of a given age could expect to live if current mortality trends were to continue for the rest of that person's life. Most commonly cited as life expectancy at birth. From an international as well as regional point of view this is a measure that has great impact on both the ageing process and the development of the dependency rates. As life expectancy differs between various regions as a consequence of economic and social standard as well as welfare and medical care this measure has also implication on the age structure both today and tomorrow. This is also the reason that it is of importance in

analyses of the population development in both urban and rural areas and especially then in comparison between regions in differing countries.

Age-gender structure: The composition of a population as determined by the number or proportion of males and females in each age category. The age-gender structure of a population is the cumulative result of past trends in fertility, mortality, and migration. Information on age-gender composition is of importance for description as well as analysis of many other types of demographic data and is especially important when analyses of differing regions with different age-gender structures are done.

Ageing: Often measured as the part of population in the ages 65+. This has been of increasing importance both at international and national as well as regional level as a consequence of its impact on the dependency rates.

Population Pyramid: A bar chart, arranged vertically, that shows the distribution of a population by age and sex. By convention, the younger ages are at the bottom, with males on the left and females on the right. The population pyramid is often used to show the age structure and gender structures at regional levels and is more and more used to show the ageing process by comparing the pyramids over time. This can also be done to show differences between various regions.

Dependency Rate: The relation between the non-active and active parts of population. Can be expressed as total population divided by the ages 15/20-64 or 0-14/19 and 64+ divided by the ages 15/20-64. For analytical purposes it does not matter which of the alternatives that are chosen – the analytical result will be the same even if the rates will differ. It is often easier to take the second version as it can be easier to work with. On the other hand the first rate is to prefer from a dependency part of view as it say how many non-active people the active people must support.

4.2 Indicators, sources and methods

In Table 4.1 a list of relevant indicators are presented. The table includes also relevant periods, suggested NUTS-levels, urban-rural delimitations and some methods that can be used for estimations. With these variables and estimations the above-mentioned indicators might be calculated.

Table 4.1 List of demographic indicators and including sources and some methods

Indicator	Years	NUTS-level	Urban-rural	Others/methods
Total population change	1995-2000, 2000-2005	Nuts3, 2006 version	DG-Regios extended version	DK is missing, missing variables are estimated. Eurostat, NSIs.
Natural population change	1995-2000, 2000-2005	Nuts3, 2006 version	DG-Regios extended version	DK is missing, variables are estimated, Eurostat, NSIs.
Net-migration	1995-2000, 2000-2005	Nuts3, 2006 version	DG-Regios extended version	DK is missing but estimated. Eurostat, NSIs.
New typologies	1995-2000, 2000-2005	Nuts3, 2006 version	DG-Regios extended version	DK is missing but estimated, six types combined with the DG-Regio extended urban-rural division. Eurostat, NSIs.
Ageing (65+)	1995-2000, 2000-2005	Nuts2, (Nuts3), 2006 version	DG-Regios extended version	Estimations concerning NUTS3 based on NUTS2. Eurostat.
Dependency ratios Tot pop/20-64 or 0-19+65+/20-64	1995-2000, 2000-2005	Nuts2, (Nuts3), 2006 version	DG-Regios extended version	Estimations concerning NUTS3 based on NUTS2. Eurostat, NSIs.
Gender structure	1995, 2000, 2005	(Nuts3, 2006 version	DG-Regios extended version	Estimations concerning NUTS3. Eurostat, NSIs.
Migration of young people	1995, 2000, 2005	Nuts2, (Nuts3), 2006 version	DG-Regios extended version	Using an indirect cohort method. The number of youngster in a special age group (e.g 15-19, 20-24) in region X 1995 or 2000 and the corresponding amount (20-24, 25-29) five years later in region X. Assumption: Very low death rates. Eurostat, NSIs.
Migration of families	1995, 2000, 2005	Nuts2, (Nuts3), 2006 version	DG-Regios extended version	Using an indirect cohort method. The number of children in a special age group (e.g 1-5) in region X 1995 or 2000 and the corresponding amount (6-10) five years later in region X. Children in these ages move with their parents. Assumption: very low death rates among the children. Eurostat, NSIs.
Total fertility rates (TFRs)	1995, 2000, 2005	Nuts2, (Nuts3), 2006 version	DG-Regios extended version	Number of births according to the age of the mother and females in different age groups? Eurostat, NSIs. BE, DK, UK missing data
Age structures, total, males and females	1995, 2000, 2005	Nuts2, (Nuts3), 2006 version	DG-Regios extended version	Estimations on NUTS based on NUTS2. Eurostat, NSIs.

5 THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

From the demographic point of view the future population development depends on the existing population structures and changes in the components of growth. The structures are “given” and cannot be easily modified. Purely demographic expectancies of future population change may be modified by policy measures which may impact to some extent the evolution of the components of change and, above all by the technological, social and economic changes on local, regional, national and global levels.

Out of three components of change: mortality, fertility and migration two latter play important role in population dynamics. Mortality is relatively stable, and when we exclude Russian Federation or Ukraine, where mortality is an important factor of population decrease, European countries and regions enjoy a stable improvement in life expectancy, albeit on varied levels. If we assume there will be no wars or rapid political changes, there is no premise currently to expect any rapid changes in existing mortality dynamics, however in longer term unhealthy life styles and obesity may have adverse effect on longevity.

The main **demographic drivers** of the population development in rural regions will be the existing age and gender structures and migration. One may not think of existing structure as a “driver”, however the imprint the structures have on future demographic developments is quite strong and projects well into the future. In other words the regional age structure is somewhat a historical inheritance of past fertility, mortality and migration patterns and can be seen as a long term structural driver. Its modification is a mid to long term process, mostly due to migration, much less, at least with currently observed demographic patterns in Europe, due to fertility changes. Fertility may be impacted with the policy measures and France and Northern European countries offer examples of such successful policies. To the contrary, Southern and Central Europe either has not developed such policies or they failed to increase fertility. Most of pro-natalist policies, which constitute the **socio-economic driver** of population development, are developed on national level and may filter down the regional hierarchy with varied degree of success. The observed age structures in rural areas differ very much, depending on the functional characteristics and accessibility of the region. Suburban and counterurbanized areas tend to rejuvenate, with the inflow of young and mid-age families, whereas remote, monofunctional and impoverished rural regions, especially in Central Europe, have substantially damaged age and sex structures, which may be irreparable, at least in near future.

Migration is quite volatile, much more subject to modifications due to policy response, and sensitive to changes in **socio-economic drivers**, such as interregional differentiations in income, employment opportunities, quality of life, access to amenities, access to education, differences in the quality of local infrastructure, in particular transport and communication infrastructure and others. In long term the climate change may be added to this list, which, anyway, is far from exhaustive.

Given the far going differentiation of rural regions in ESPON space (see section 3.1), from polycentric regions with high urban and rural densities, to rural areas under metropolitan influence, rural areas with networks of medium-sized and small towns to remote rural areas, the future perspectives of demographic development will vary substantially.

Different types of rural areas have different starting points, in terms of demographic, social and economic characteristics, remoteness, access to human capital and to infrastructure etc. Therefore a variety of **future trajectories** of population change are feasible. These trajectories depend very much on the developments of migration factors, which certainly will determine the population growth in more prosperous rural regions. They will also have an impact on the population change in stagnating and declining rural areas but it will fade over time as all population able and willing to emigrate do so. After that the development of these regions will depend predominantly on the interplay between mortality and fertility, largely determined by the regional age and sex structures.

From the social point of view the demographic fate of remote/underdeveloped rural regions is the most sensitive issue. Two extreme possibilities are either far going depopulation or population recovery. Which trajectory will be implemented in future to large extent depends on the existing situation. From demographic point of view the age and sex structure are the most important as they to large extent shape fertility and mortality. Net migration in such regions is persistently negative. Decrease in working age population and outflow of females from rural areas already resulted and will result in future in deep damage of demographic structures.

Non demographic factors, such as possibility to develop agricultural activities allowing for increase of income from farming, diversification of income, among others via consumption of countryside, and related development of crafts, small scale manufacturing and services are all important, as they may reduce negative net migration or even turn it positive. However, the more damage and more remote the rural area is, the less likely is its recovery

Future perspectives of depopulating regions profoundly depend on policy measures. Changes needed are very broad; they have to eliminate the push factors that keep sending young people to more prosperous and central areas. Remoteness, a factor that is very difficult to offset with any policy measures is the key contributor to the emigration decisions. It is responsible for lack of educational opportunities and jobs. Only far going policy interventions may reverse its impact and only to limited extent. However, such intervention is unlikely to materialise for at least two reasons. First, its magnitude would be difficult to establish and its effectiveness uncertain. Second, current crisis and very generous governmental bail-out packages resulted in the increase in already high budget deficits in many European countries, to the levels when governments will have no other option than to cut expenditures. Development of remote rural areas may be the first victim of saving policies, especially that some experts see investment in growth poles much more effective for national development than investment in regions lagging behind. The bottom line is that rural remote areas, which depopulate currently, will be unlikely to recover in future.

On the other end of prosperity continuum of rural regions are those with a good access to urban centres, which may expect population increase and perhaps even rejuvenation of their populations. Migration factor will play a crucial role in short term, in long term we may expect that the relatively high fertility of affluent and mostly young migrants will also impact the population dynamics. The geographical scope of this process will mostly depend on the quality of transportation infrastructure allowing for access to urban centres for the inhabitants of rural areas. It is also in these types of regions that the “new rurality” has been established and developed.

Another factor, which may play a role in future, is the quality, availability and accessibility of broadband Internet and telecommunication services in general. It is

difficult now to foresee the ways and modes of work in a decade or two (two decades is approximately the time since World Wide Web and hypertext kicked out), but it seems quite reasonable to assume that the teleworking will be much more widespread than now. If this come true, restrictions in the access to typically urban, service based jobs, arising from living in rural locations, may fade out to some extent over time.

Between remote and suburban/counterurbanization rural areas there will be a variety of rural areas with geographical characteristics between the two mentioned above. Their demographic future perspectives are most unclear. We may expect that, depending on their functionality, geographical location, development policies and strategies and other factors, regional demographic dynamics will vary. Two factors will probably dominate the demographic development: the access to urban centres (or remoteness if one wish to look at this factor from the other side) and the development of widely understood infrastructure.

We may set the following **hypothesis** concerning future demographic development of rural areas.

- Population dynamics in rural areas will differ profoundly.
- Rural areas in the surroundings of big cities and metropolitan areas will continue grow while remote and sparsely populated rural areas will experience a continuing depopulation process.
- There are and will be big differences in the migration and settlement patterns between different age groups.
- The key factors in the population development will be the accessibility to urban centres and job availability. To some, albeit limited, extend poor accessibility may be compensated with development of transport infrastructure and quality access to widely understood telecommunication, allowing for teleworking. Job availability and creation depends on variety of factors, like the functional structure of rural region, existing and potential (possible to import via migration) human capital and available infrastructure.
- Areas with poor accessibility will depopulate due to the exodus of young people willing to have access to education and improve their living conditions. It will be very difficult to reverse this process. The rural exodus among young people will thus continue.
- Policy measures to reverse the depopulation of rural remote areas will be difficult to finance and it is unsure if they will be efficient.
- In long term in the most affected remote rural regions we may expect (continuation of) long term fertility decline to the level well below replacement and in consequence depopulation of these regions over time. This is, to some extend, the case in certain Central and Eastern European regions with TFR oscillating around half of replacement level value.
- Suburban and counterurbanization rural areas will benefit from migration from urban areas, which will result in population increase due to both positive high migration and increased fertility being a consequence of young population structure of migrants.
- Regions “in between” suburban and counterurbanization on one end and remote and declining on the other will experience various population dynamics, which will depend on the existing demographic structures and future migration trends. These trends, in turn, will be influenced by regional development policies modifying the accessibility to urban centres and possibility to create jobs.

- There are obvious risks that the ongoing polarization between differing regions with regard to the demographic development will erode the territorial and even the social cohesion in and between countries within the ESPON space.

6 DISCUSSION OF POLICY IMPLICATIONS

From policy-making point of view there are three issues to decide:

1. What are the policy aims?
2. Which regions should be subject of policy measures?
3. What should the policy measures be?

Let us try to suggest answers to each of the above questions.

For rural regions the main policy objective, is to maximise the wellbeing of the inhabitants of these regions and to the productivity of the regions. To some extent these aims are contradictory, as maximising productivity may result in lower than possible wellbeing of the inhabitants. Two dimensional optimization is a solution from purely mathematical point of view, however probably difficult to implement in practice due to the difficulties with defining the concept of wellbeing which out of its nature is psychological and sociological rather than economic. Therefore we will use some judgement, subjective in the nature.

How the aims specified above translate into demographic policy aims? It was argued above, and is evident in the literature, that human resources (both in terms of the size of population as in terms of its quality) are indispensable for economic and social development of regions. Therefore prime policy aim is to prevent depopulation and damage to demographic structures (disproportionally low share of people in economic activity age, in particular young adults and masculinization of rural populations). This is equally the most trivial and the most important statement on policy aims. Translating this into demographic terms and considering, as it was earlier argued, two really central components for the growth of rural regions – fertility and net-migration – should then be focused. One should be aware that these factors impact the population in varied temporal perspective; change of migration patterns gives immediate effect, as most mobile group are young adults, who either are productive at the time of migration or will be productive upon completing education, mostly tertiary, that is within three to five years from migration. The increase in fertility give results in the medium term as most young people enters labour force at the age between 18 and 24. For depopulating regions reversing emigration is an emergency measure with immediate effect whereas increase in fertility is an equivalent of a long term investment.

Obviously, the policy measures should differ, depending on the characteristics of the region. From demographic point of view a very useful typology of regions from demographic policy point of view has been developed by Copus et. al. (2006) and Johansson (2009). This typology is presented in Table 3.1 of this study. Each of six types of regions defined there need a specific and different demographic policy measures.

First, regions with positive net migration balance and positive natural change resulting in a strong and solid demographic development (type 1) do not require any policy intervention. Their demographic future is sustainable. Certain degree of

monitoring of demographic processes in these regions is indispensable to plan and arrange policy intervention when any of the components of growth turns negative or when their dynamics suggest that they may turn negative in near future.

Perhaps the most contentious policy implication is the conclusion that rural regions with negative net migration balance and negative natural change, resulting in a strong demographic decline (type 6) - mostly remote rural areas, should not be targeted with demographic policy measures. Such support will be uneconomic, as the resources pumped into these areas will be most likely lost. Demography will be the main factor determining this loss. There are no chances for any development when there is no population there. However the social type of support to secure indispensable social services should be provided.

The main battlefield in terms of policy measures should be the regions in between – with a mixture of positive and negative components (types 2, 3, 4 and 5; Table 3.1). Let us first consider regions with negative natural growth (types 2 and 5). The policy measures should be directed on increase of fertility. In general the pro-natalist policies are created on national level and encompass such measures as for example creating legal system supporting families (maternity and paternity leaves, flexible work time arrangements, legal protection for pregnant women etc.) financial support for families with children (i.e. paid leave of absence for bringing up children, tax breaks for families with children etc.), subsidized services, such as for example kindergardens, for families with children. However there are some measures to be implemented on regional level. Two areas are open for intervention on regional level. First, provision of services for families and mothers depends heavily on local and regional initiatives and on activities of civic society. Second, as Kotowska and Matusiak (2008) have shown, employment perspectives have an important impact on fertility. It has also been shown that a high female labour force participation rate is positive correlated with high fertility rates (see e.g. ESPON 1.1.4, 2005) Therefore, regional policies supporting sustainability and creation of jobs, to large extend implemented on regional and local level should be implemented. As it was already said the effect of pronatalist policies will have an impact on regional economy in relatively distant future. A word of warning is due here: pronatalist policies are expensive, and the outcome is not always in line with expectation of decision makers.

Finally, let us consider the regions characterized by negative net migration (types 3 and 4). For these regions the main aim is to turn negative net migration into positive one. As the literature review in section 2 shows, there is a large number of factors impacting migration. Obviously the economic development of regions has profound influence on migration balance. One of the issues is the replacement of shrinking agricultural jobs with service and manufacturing jobs. Development of infrastructure improving accessibility to urban centers (roads system, public transport, in particular fast railway and suburban rail system) is another fundamental factor that may improve the migration balance. Improving quality of living and accessibility to health service, education and social services. One may expect that, from geographic point of view, the rural regions that should be in focus of policy decisions are those, which are not in the immediate hinterland of urban centers – these regions usually enjoy the tranquility of rural life with good access to urban jobs and amenities. The target regions are those, which are in the outer ring surrounding urban centers and their immediate vicinity. Another category are the regions which are neither remote nor in the interaction zone of urban centers.

Obviously, the set of policies should be considerably more nuanced, depending whether the driver of negative net migration is high emigration or low immigration. The structure of migration should also been considered. For example the substantial

inflow of retirement migrants to sun-sand-sea regions in Mediterranean makes policy decision making quite complex: most of immigrants will not participate directly in the labour force, but will create demand for services of all kind and perhaps generate immigration of people employed in service sector, in order to meet the demand. An obvious indication of this is the positive population development in the coastal areas of Spain (Johansson, 2009). This development is complete contrary to the development in many of the NMS – e.g. the Baltic States, Romania and Bulgaria where the the combination of low fertility rates, emigration and out-migration and an accentuated lopsided age structure shall not be neglected or underestimated if the aim is sustainable population development at macro as well as meso and micro level. As mentioned earlier the alternative is eroding territorial and social cohesion.

The demographic perspective on defining of policies is, out of its nature, quite narrow. They aim at the improvement of demographic balance in rural regions and do not take into account certain important aspects, such as for example social costs of lack of policy decisions. The right mixture of policy interventions should take into account a variety of aspects, social, demographic, economic and others. Cultural and sociological aspects of functioning of rural communities, including level of education and ability to accept changes should be also take into account. Last, but not least, the costs of policies versus benefits of these policies should be taken into account.

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(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 2

Scientific Working Paper No. 2

Rural Employment

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LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
EAFRD	European Agricultural Fund for Rural Development
EU	European Union
GDP	Gross Domestic Product
NRE	New Rural Economy
RE	renewable energy
R&D	research and development
PR	predominantly rural areas
RU	predominantly urban
RES	Energy from Renewable Sources
RETs	renewable energy technologies
SMEs	small and medium enterprises
SR	significantly rural areas

SUMMARY

The Rural Employment thematic report inevitably refers to issues which may also be covered in theme (c) – Rural Business Development, since it is difficult to separate rural employment trends from the development of the rural economy as a whole.

Rural labour markets tend to have certain distinctive characteristics. These include limited opportunities, a high proportion of low skilled and low paid jobs, part-time working, underemployment, self-employment and multiple job holding. The size structure of businesses tends to be negatively skewed, with a preponderance of micro-businesses and “solo” firms. Levels of human capital (education and training) are often an important constraint in rural areas, and job search patterns are more restricted than those of urban employees.

Two schools of thought argue for different explanations of the multiple handicaps described above. Neo-classical human capital theory places reliance upon education and training and free market forces. By contrast the labour market segmentation school take a more pessimistic view, arguing that many rural employees are locked into a distinct “secondary segment” of the labour market, and that there are a broader range of social, cultural and “institutional” barriers which prevent them from moving up into “primary segment” employment.

Nevertheless many rural areas have experienced substantial structural changes (the decline of primary sector activities, and the rise of the secondary and tertiary sectors) which have direct implications for rural employment. In a policy context these changes are often described as “diversification”. They have in many ways rendered rural labour markets less distinctive, in the sense that in broad structural terms they are hard to distinguish from adjacent urban areas. This transformation has taken place within a context of both counter-urbanisation, and the rise of the “consumption countryside”; the end result of which has usually been increasing differentiation – a patchwork or mosaic.

Some new forms of employment, which are distinctively rural, are increasingly important in rural areas. These include a range of tourism and leisure-related activities which derive competitive advantage from landscape, environment or cultural public goods. They also include social service occupations to meet the needs of an increasingly ageing population. It must be recognised, however that both of these tend to be just as much associated with the “secondary segment” as the more traditional rural activities. In addition to these specifically rural activities, self employment and entrepreneurship (across the sectoral spectrum) is extremely important in the countryside, especially the more accessible areas.

This review of rural employment has identified the following as drivers and/or opportunities:

- (a) The expansion of the “New Rural Economy”
- (b) Employment counter-urbanisation, commuting, and regional enlargement

The following are the key constraints identified:

- (a) Rural labour market segmentation
- (b) Peripherality

This led to the identification of two main (typical) “development paths”:

- (a) In accessible areas the trend is often towards a more diversified “New Rural Economy”, with a relatively high proportion of “primary segment” jobs, low levels of multiple job holding, relatively high incomes and quality of life.

- (b) In more peripheral areas the scenario is one of “depletion”: - an ageing workforce, selective outmigration, and the predominance of secondary segment characteristics. Infrastructural improvements may well have a perverse “pump effect” on the economic diversification by exposing nascent SMEs to external competition. In this context traditional rural activities may retain an important role in the local economy. Given the right conditions tourism and recreation may offer a vital lifeline to such regions. In such a context local “soft factors”, such as human/social capital, institutional capacity and business networks may allow communities to overcome (to an extent) the weight of the constraints they face.

1. INTRODUCTION

1.1. Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- o The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- o The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- o The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

1.2. The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “drivers” of change, from regional or local structures and characteristics which either allow development “opportunities” to be exploited, or act as “constraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment
- (c) Rural business development

- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3. Introduction to the theme

Employment opportunities and labour markets are clearly very much influenced by their context, the local or regional economy. It is therefore very difficult to avoid some discussion of general economic and structural trends affecting rural areas in any account of rural employment trends. This implies close links between this report and that dealing with theme (c) – Rural Business Development.

In Europe, as in other parts of the world, rural areas have for decades been perceived as places of much slower economic, social and cultural progress in comparison with urban areas in general. In scientific literature, especially among the rural sociologists the problems of rural areas as lagging development places have been documented and analysed since this discipline was established. The awareness of the challenging economic situation (low incomes and unfavourable employment rates) and severe social conditions of rural areas (especially declining and ageing of rural population) come into the front of politicians concern only with the occurrence of the global crisis in agriculture at the end of seventies and the beginning of eighties of the previous century. In the European framework, especially in the agenda of the European Union agricultural policy rural development has got its place of social relevance in the now Common Agricultural Policy (CAP) reforms that still last. However, the social and political importance of rural areas increased significantly with the introduction of Lisbon strategy – impetus for greater competitiveness of the Europe Union economy - that in its renewed second version accentuated the responsibilities of all parts of the European Union society, also rural areas for economic growth, higher employability and better working conditions of the population.

In order to create appropriate policy measures for improving the employment conditions in rural areas it has been realised (among others by the support of EDORA project) that new knowledge is needed about these places. In this regards, drivers, opportunities and constraints of changes in the rural labour market need to be identified.

More recently some (Friedland 1982) have argued that there is no longer any space or place that could be distinctively rural due to eventual colonisation of all spaces of capital, transportation and communication technology. However, all modern states still recognise the **existence of rural places** and design some policies in accord to the definitions of the rural that could significantly differ from case to case. Considering **economic interactions**, within rural places it is more likely than in urban

places that these interactions take place in the context of 'other than economic relationship (kinship, cohort, neighbours, friendship) that bring distinctive but overlapping normative expectations and obligations' (Marini and Mooney 2006). According to Beggs and colleagues (1996) rural and urban network structures defer both in form as well as substance that give rise to distinctive capital formation. Under such circumstances the economic actor cannot enjoy the normative autonomy of singular rationality that exists in the relative anonymity of the urban economy. This may generate a fundamental difference of **economic behaviour and institutions** in rural places.

There is implicit assumption that operation of the **labour market in rural areas** is different from that in urban areas (Monk and Hodge, 1995). In general it is pointed out that in rural areas agriculture is the most important, albeit declining source of employment, populations are dispersed and unevenly distributed, transport is difficult and costly, and the range of local employers and job opportunities are limited. But, besides these general characteristics there are also many others listed in the literature that significantly distinguish rural labour markets from the urban ones and make them far more challenging. The limited range of job opportunities in rural areas is additionally accompanied with restricted opportunities for career advancement and promotion, many jobs available are low paid and relatively low skilled (Green and Hardill 2003). Transport difficulties go along with the limited access to educational opportunities (Burkitt, 2000) and lower employability (Monk et al. 2000). The prevalence of particular working arrangements also differs significantly among rural and urban labour markets. Part-time work, self-employment, multiple job holding and small business are more frequent and important in rural than in urban areas. It is notable that self-employment and part-time work is associated with relatively low incomes and may also disguise under-employment (Monk et al. 2000), whereas small businesses are connected with low propensity to new knowledge, skills and innovation (Tödting and Trippel 2005). Some would argue that these urban-rural contrasts signify a form of labour market segmentation (see section 2.1)

1.4. Methodology and data sources

This report is based upon a desk-based review of research on rural employment. It is multi-disciplinary, drawing on the work of rural sociologists, economists, geographers, and is intended to reflect the literature of both rural development and regional policy. It is intended to juxtapose both conceptual/theoretical perspectives (mainly in section 2.1) and more inductive, empirical approaches (2.2). Where appropriate findings will be presented within the framework of drivers, opportunities and constraints, and within the broader context of three "Grand Narratives", (Agricentric, Urban-Rural, and Capitalist Penetration).

1.4.1 Some Definitions

Pluriactivity is the term commonly used in 1990 to describe the diversification of farming work and business into alternative fields including employment and business development off the farm and the diversification of farming into new endeavours like tourism (Gray and Lawrence 2001, quoted by Robertson et al. 2008). Pluriactivity is proved to be a useful concept in considering agricultural policies in relation to **diverse sources of farm family income** (Shucksmith and Smith 1991, quoted by Robertson et al. 2008) and its application has broadened the types of farm household employment research that also allowed the study of work done by household members working at different locations than a farm. The essence of pluriactivity concept is that it retains a focus on employment that is at least partly farm based and treats rural areas as being mainly agricultural, rather than multifunctional. It does not

explicitly incorporate those rural people who are not engaged in farming (Robertson et al. 2008).

As analytical concept, **multifunctionality** refers to the fact that **one activity can have different outputs**. It is thus related to an economic activity (either a single activity like the cultivation of wheat or a group of activities like food production), while **diversification** means that **different economic activities** (e.g. food production and tourism) **are combined within the same management unit** (in case the farm or the agricultural sector). On the one end we can thus have a specialised farm with workers only involved in food production, but being multifunctional because the food production activity results in different benefits for society, and at the other end a diversified enterprise with persons involved in different activities and thus pluri-active, but where every activity in itself could be theoretically mono-functional (Van Huylenbroeck et al. 2007).

Multiple job holding, a term introduced by Hathaway and Waldo (1964; quoted by Robertson et al. 2008) is more inclusive with regard to consider all professional groups living in the countryside and **includes pluriactivity** and other forms of **non-farm jobs**. In emphasising individual workers, either as singles or as members of social groups such as households and families this concept incorporates the possibility that each **individual may have more jobs at different employers at one single point of time** (Robertson et al. 2008).

Self-employment was traditionally defined as the “total number of employers and self-employed people”, whereas the definition of self-employment **today is related to** its consideration on **entrepreneurship**. In recent years two further elements were introduced: (i) the **creation and growth** of new and **(small) businesses** and (ii) the **will to take risks**, to create and to take initiatives so as to exploit the opportunities in the best ways for business (Skuras and Stathopoulou, 2000).

1.5. The structure of this report

The second section of the report presents the “state of the art” in terms of both the conceptual discourse, and recent empirical analyses, highlighting those which present European-wide patterns and trends, and also those which analyses regional differentiation, and the relationship of farm structural change with change in the rest of the rural economy. The third section discusses and summarises these findings in the context of the EDORA conceptual framework, especially the D.O.C. and typical development paths. The fourth section will consider how “narratives” of rural employment change may be translated into maps by the use of appropriate indicators. This will be followed by a discussion of the likely future continuation of rural employment change, leading to a final discussion of policy implications.

2. THE STATE-OF-ART

2.1. Conceptual and theoretical approaches

2.1.1 Changing Rural-Urban Relationships

The characteristics of rural labour markets indicated above are to a great extent the outcomes of historical processes, particularly the spatial division of labour among urban and rural places, where city dominated over the countryside economically and politically. The dominant explanation for concentration of economic as well as political power in urban places is that distance is a cost for

transaction of material goods and services - concentration was explained as means of cost reduction (Marini and Mooney 2006). Through the modernisation process since the Industrial Revolution the concentration of natural and human resources into the cities was even more intensified, whereas most of rural economies were marked with the lack of opportunities, traditionalism, and isolation. Out-migration from rural to urban areas led to depopulation of rural areas, and affected the maintenance of local rural economy. During the last quarter of the twentieth century, a reversal process took place as a new flow of capital, goods and opportunities commenced toward many rural areas throughout Europe and North America. This is a long-term phenomenon described as '**urban-rural shift**' or the '**rural turn around**' (e.g. Murdoch et al. 2003, North 1998). Its reason was capital's search for cheaper labour, the creation of new markets and better places for living. The improvement in infrastructures and telecommunication technologies reduced the space in which the interactions take place and costs of production. There emerged tremendous pressure on rural localities to construct their own unique 'niche' to attract development. However, in some New Member state this process of 'urban-rural' shift has different impetus and consequences. E.g. in Romania following the collapse of former state industries in the 1990s, many unemployed people migrated from urban to the rural areas. Subsistence farming was often the only survival solution for those people. It reflects rational responses to high levels of urban unemployment, low incomes and social security systems and the lack of non-agricultural alternatives for employment in rural areas (Zaman 2007).

According to Marsden (2003) emerging '**consumption countryside**', resulted from rural turn around, has been subjected to demands of heterogeneous product differentiation through the needs of broader consumption society and at the same time to the forces of globalisation and rationalisation that demand homogenisation of the products and space. These counter movement of capital and persons combined with contradictory process of homogenisation and heterogeneity deeply transformed rural economy: " It can no longer be described merely with traditional/modern dichotomy, but rather as a '**patchwork**' of diverse, local economy (Marini and Mooney 2006: 96). These patchwork of rural scene, named also '**differentiating countryside**' (Marsden 1998), is illustrated by some categorisations of **ideal types**.

Marsden's typology of rural areas distinguishes among: **preserved countryside** (characterised by predominance of service sector and clean industry); **contested countryside** (represented by newcomers in conflict with longstanding landowning resident farmers over many issues concerning local economy and development); **paternalistic countryside** (denoted by established large landholders and farmers still having unchallenged regulatory control over minimal economic development); and **clientelistic countryside** (associated with rural regions that are economically dependent on transfer payments and subsidies of agricultural products (Marsden et al. 1993, Murdoch and Marsden 1994, quoted by Marsden 1998). Marini and Mooney's typology of rural economies (2006) delineate **rent-seeking economy** (refers to rural areas whose resources are mainly based on agriculture and extractive industry (mining) that produce monopolised goods; class-structure is polarised by monopolistic or oligopolistic structure of ownership; local culture is averse towards change); **dependent economy** (refers to localities whose income is primarily derived from external source which may be of private (factory built by multinational corporations) or public (public or state supported hospitals) nature; such economies are vulnerable, since the source of investment is outside the control of the local population); **entrepreneurial economy** (draw their income mainly form valorisation of local resources; fill the demand for high-quality goods promoted by the globalisation process through their local, but socially widespread, tacit knowledge; the culture factor (inclination towards change) and social capital are their

entrepreneurial capabilities). Rent-seeking economy correlates with Marsden's paternalistic countryside, dependent economy to clientelistic countryside and entrepreneurial economy overlaps with preserved countryside.

Both these typologies indicate the need of much broader framework of aspects to consider than just agriculture and economy when rural areas' employment potentials are investigated. In this regard special point should be given to culture (values, beliefs and norms) and various social actors (their vertical and horizontal networks) located inside and outside of rural territories. It is suggested that development of rural areas is not given, but strongly dependent on the responses of local communities on opportunities and constraints brought by globalisation. Therefore, rural places are in a position to continuously (re)construct their social, economic, political and cultural structures and also the nature by responding to external processes (Marini and Mooney 2006: 100). The development strategy of multi-functional rural economies, on which rural employment strongly depends, may now be more focused on economies of synergy: consideration of interaction of different projects in the region and involvement of various actors – not only economic institutions (Marsden 2003). Considerations derived from these ideal types and their premises could be a useful analytical tool in identifying a complex set of opportunities and constraints of rural labour markets functioning.

Today '**rural diversification**' is already high on the agenda in rural development. Policy makers assume that 'farm diversification' makes a significant contribution to rural development (European Commission 2008). The funding for 'diversification' within the EU focuses predominantly on farm diversification, stimulating tourism activities and alternative farm products at the level of individual farms. However, diversification studies (e.g. Daskalopoulou and Petrou 2002, Lobley and Potter 2004, Meert et al. 2005), where the centre of attention is also the farm household and its ability to find new employment opportunities have shown that farm diversification activities are small-scaled, related mainly to conventional agriculture and add little incomes. Accordingly, research as well as policy attention on employment diversification should be much more widespread considering '**rural diversification**' and '**non-farm economy**' and not to be confined to agriculture and the farm households only (McNally 2001, Herslund 2007). With the process of 'counterurbanisation' indicated above, the immigrants into rural areas brought with them from outside world into the local area higher educational assets and better social contacts that make them better able to find employment elsewhere or to start business locally.

2.1.2 The Changing Nature of Agricultural Activity and Increased Importance of the Non-Farm Economy for Rural Employment

Debates about the *changing nature of employment in the countryside* go back to 1970 stimulated by the **US farm crisis**. Researchers (e.g. Laurent 1982; Moran et al. 1989; Gould and Saupe 1989; Taylor and McCrosti Little 1995; Weersink et al. 1998, Gringeri 2001; quoted by Robertson et al. 2008) started to study the status of part-time and full-time farmers and their involvement in off-farm work. These farmers were participating in the off-farm work in return for some sort of remuneration, including, in some cases, exchange of labour for goods and services. But, this did not include on-farm or non-farm enterprises. Off-farm income in this way made an important contribution to farm finances. As a sort of self-insurance activity this working arrangement enabled the farms to adjust to the changes in economic environment and maintain their existence and continuation. However, researchers from Europe and other parts of the world (Benediktsson et al. 1990; De Vries 1990; Fuller 1990; Mackinnon et al. 1991, Roberts and Hall 2001; Gray and Lawrence 2001, Taylor et

al. 2003; Panelli et al. 2003; quoted by Robertson et al. 2008) found that the focus on off-farm work, part-time and full-time work did not fully capture the complexity of rural employment conditions in western industrialised countries, which were also significantly influenced by the **reduction of state involvement in the economy**. The **withdrawal of the state**, within the European CAP reform process, provided grounds for reorganisation and rationalisation of rural economic and social life and directed a transition towards the development of **multifunctional** rural space.

One of the key considerations of the multifunctionality (Crehan and Downey 2004) is the maintenance of valuable man-made landscapes created by agricultural activity. Although the production of agricultural commodities accounts for a declining share of economic activity in rural areas, it is believed that agricultural activities still have important positive indirect effects on other parts of the rural economy. This is evident in the case of tourism and leisure. Multifunctionality is not only a feature of agricultural activity but an essential feature of all economic activity. In particular multifunctionality refers also to activities such as energy production, small scale industry and specialised production. Public services such as post-offices, schools and clinics also play a multifunctional role in the rural economy. Although these sources of multifunctionality have not been explored to the same extent as agriculture it is likely that they will play a role in the development of policy in sparsely populated regions in the future. It is believed the more diverse the rural economy the more alternatives it provides for employment and the better it is able to deal with decline in any one sector. An essential part of such a vision is that the future of a rural region depends on its current strengths and the opportunities to utilize what new technologies and new markets could provide (Crehan and Downey 2004).

This reform process of CAP brought a reduction in agricultural employment, changed farm structure and services base, changed the land use and introduced a mix of production, consumption and environmental preservation activities. In the employment domain **rural restructuring and the transition to multifunctionality** have provided both the need and opportunity for **increased pluriactivity of jobs in agriculture** but also a great impetus for **non-farm economy** as well. The **non-farm economy** is integrated with food markets and agriculture and diversification policy, but it can also be connected to the **wider societal development** trends of **counterurbanisation** and **recreation**. Integration of rural labour markets into regional labour markets and urban demand for residential area and recreation are increasingly important and place rural areas even more in the position to open up the countryside for new functions, income and business development (Herslund 2007).

Following the outcome of negotiations under the World Trade Organisation (WTO), resulting in more liberal world trade and greater globalisation of markets, EU CAP reform and EU Lisbon strategy EU agriculture and rural regions must be repositioned in the knowledge economy, by developing **knowledge-based** multifunctional agri-food industries and rural economies.

2.1.3 The Role of Knowledge and Innovation

There is widespread agreement in academic literature and among policy makers that knowledge, skills, learning and innovation are a key to economic development and employment growth, competitiveness for enterprises, regions and nations. It is agreed that new knowledge and introduction of advanced technological infrastructure can contribute to job creation in peripheral and less favoured areas. Until the 1990s the linear model of innovation and transmission of knowledge and advanced technology was dominating, often neglecting the absorption capacity of firms and the

specific demand for innovation support in less favoured regions. The question of how these potentials will spread to rural areas or peripheral areas was regarded as unquestionable. A 'infrastructuralist' approach (Parker et al., 1989, quoted by Richardson and Gillespie 1996) suggests that with assured universal access to advanced infrastructure and services and advice on applications rural areas would have the opportunity to take part in the new 'knowledge- and service-based society'. What just is needed is to overcome the 'tyranny of geography'. The specific strengths and weaknesses of rural areas to absorb these resources were not taken into account.

According to Richardson and Gillespie (1996) two inter-related problems should be considered in this regard. Firstly, as evidence suggests **small and medium enterprises** (SMEs) whether in rural or urban areas **are slow to adopt advanced technology** and secondly, due to business-related forces the prospective commercial returns on large investments from sparsely populated areas are perceived too low to adjust the expenditures. Besides solving these problems there remain additional elements to be considered: first, in order to be able to compete in highly open and competitive markets firms in rural areas must have **highly developed competences and skills**; and second, they must have **social, business and institutional networks and contacts** to enable these competences and skills to successfully marketed.

Similarly, Tödttling and Tripl (2005) state, from the point of view of innovation, that rural regions are often dealt within an isolated manner. Their specific strengths and weaknesses in terms of their industries, knowledge institutions and innovation potential are mostly not taken into account. These authors also pointed out that innovation activities required to secure competitiveness are not the same in all kinds of areas which has important implications for policy making. Innovations in peripheral regions are mainly focused on incremental and process innovation (Feldman, 1994; Fritsch, 2000; quoted by Tödttling and Tripl 2005).

Policy recommendations pertaining to both technology transmission and innovation creation are rather similar. Considering constraints on both these subjects in remote and disadvantaged rural areas (low level of R&D due to dominance of small SMEs and traditional industries, weakly developed firm clusters, skill shortage in key areas as management, few knowledge providers, significant out-migration of well educated young people, weak endowment of support institutions and weak social networks) it is suggested that complementary assets are required, particularly highly qualified labour force. According to above mentioned authors (Richardson and Gillespie 1996, Tödttling and Tripl 2005) this could be achieved by relying on inward, exogenously-led resources: attraction of external companies, linkages with external clusters and knowledge providers and to higher spatial knowledge and innovation systems (national, European). In this regard an important constraint that needs to be overcome is the lack of awareness in regional and national economic strategies due to lack of information on rural economy that rural areas are seats of business location (Thompson and Ward 2005).

2.1.4 Human Capital and Education/Training

Among professionals and policy makers there exists an increasing demand for high skilled workers in rural areas. As evidenced from the research carried out in UK, important role in this issue can play local learning and skills councils (LSCs) (Green and Hardill 2003: 13) to identify and promote examples of best practice, showing 'real world' cases where investment in high level skills has helped companies compete

successfully in new markets. However, there is a large-scale structural issue facing many rural areas that needs to be overcome. People who live and work in rural areas are less well qualified, less likely do undertake training and are also low paid. For this reason, many industries employing larger than average shares of higher-skilled workers are under-represented in rural areas (Green and Hardill 2003). This unfavourable picture correlates with the difference in educational situation between urban and rural areas in general. As the results of the survey First European Quality of Life Survey (EQLS) 2004 (in 28 countries: the EU25, the two acceding countries – Bulgaria and Romania – and one candidate country, Turkey) (Shucksmith et al. 2006) show there are considerable differences in the educational level both between country groups and between urban and rural regions across Europe. In the EU25, people in urban areas are generally better qualified than those in rural areas: on average, 18% of the respondents in urban areas only have a primary education, while 58% have a secondary education and 22% have a university degree. In rural areas, the educational level is lower: more people only have a primary education (25%) than a university degree (13%). In relation to increasing demand for higher skilled workers evidence shows (Green and Owen 2001, 2002, 2003: quoted by Green and Hardill 2003) that demand for, and retention of, the highly skilled, among the employers in some rural areas is not particularly high. Considering higher skilled workers many rural areas also face difficulties in retention of their most highly educated and highly skilled young people. Many move away from rural areas, particularly from remote/more peripheral areas due to more limited opportunities for career progress (Canny 2004, Jentsch 2006). An important issue in rural areas is also access to and delivery of training. Low number of potential learners in particularly remote rural areas accompanied by transport barriers is uncovered by some recent studies (GHK Consulting 2003; quoted by Green and Hardill 2003, Copus et al., 2006).

2.1.5 Job Search Patterns

Remoteness of rural areas remains a crucial factor determining the way in which people can find a job. In some parts of the EU internet and telephone-based job search systems have recently been developed to supplement the network of local “jobcentre” offices. However some research pertaining to this issue (Lindsay et al. 2003, Lindsay et al. 2005) shows that informal job search and recruitment networks and the lack of both information technological opportunities and formal employment services in remote rural areas still potentially contribute to labour market disadvantages. Job seekers in rural areas are significantly more likely to use social networks to look for a job. However, those who have experienced repeated or long-term unemployment, the unskilled and young people are significantly less likely to use such networks. At the same time formal job seeking is seen by them as largely symbolic, lacking practical value¹. The solution of this problem is maybe a combination of the best elements of informal networking and formal services in the sense of partnership creation among the both spheres.

The employers in rural areas are increasingly facing the problems of declining workforce due to **population ageing**, **out-migration** and **low fertility** rates. The employers are only now beginning to take on the implications of these population trends and at present tend to be more concerned with the immediate problems of labour shortages. As some research (Hollywood and McQuaid 2007) shows many employers use migrant workers who were very often filling vacancies for which there were very few suitable local people available. This suggests that migrant workers

¹ There are parallels between these findings and those relating to “insular labour markets” (see below).

(national as well as international) may have an important role to play in economic future of rural areas. However, as migrant labour is not likely to provide the sole numerical solution to labour shortage the employers need to consider all potentials in the resident labour force. Their strategy of increased labour force participation should focus on older workers as well as on other disadvantaged groups which brings the need for greater partnership between employers, local stakeholders and employment intermediaries. At the same time the experiences of older and disabled people working in the rural areas should be considered in future research.

2.1.6 Value Chain Development as a means of expanding rural employment opportunities.

An important **source of opportunity for employment growth in rural areas** is seen in value chain development. A value chain can be described as the full range of activities necessary to bring product from its conception to its end use, and includes design, production, marketing, distribution and other support functions to bring the product to its end-user and includes its disposal (Kaplinsky and Morris 2006). An important question in this regard is whether smallholders and subsistence farmers are the backbone of rural development. As some empirical research indicates (Swinnen and Maertens 2006; quoted by Posthumus 2007) public or private interventions into the value chain that targeted commercial farms (greater estates) are likely to have bigger outreach in terms of employment creation than interventions that targeted smallholders. Under the impact of global agricultural developments larger commercial farms appear to be in a better position than smallholders to enter into global value chains. They are more likely to meet the increased standardisation and are able to produce sufficient volumes. However, due to fierce **international market competition and continuous decline in prices** producers are under pressure to increase their flexibility and to reduce costs. Consequently, the food industry has taken a number of initiatives to enhance productivity and maintain a competitive edge. Productivity initiatives include also small food producers developing products, services or business models in order to increase value added. This strategy entails selling a narrow, specialised range of products to a large, even global, market using advanced logistics and the internet. Medium sized companies with relatively high capital costs but lacking the capacity to develop into global businesses seem likely to lose out in the effort to boost productivity. With trade liberalisation and improved technologies for food preservation and distribution, both smaller and larger companies are better able to compete in providing perishable foods. (European Monitoring Centre on Change, 2006). However, the impact of value chain development on rural job creation is vague; current research has not yet provided a systematic assessment of these developments.

2.1.7 The “Rural Jobs Gap”: Evidence of Labour Market Segmentation?

The European Commission has coined the term “Rural Jobs Gap” to describe the lower rates of employment, economic activity, higher rates of unemployment, and lower levels of qualitative human capital (training and skills) characterising *some* rural areas of Europe (EC 2006).

“many of Europe's rural areas face a common challenge – their capacity to create high quality, sustainable jobs is falling behind urban areas...Across the EU-25, in the period 1996–2001, employment has increased fastest in urban areas. The employment rate has increased by 3.6% in predominantly urban areas compared to 1.9% in predominantly rural areas. This suggests a widening urban-rural employment rate gap”. (Ibid p1-2)

The Commission also points out that across the EU-27 the income per capita of predominantly urban areas is almost double that of predominantly rural areas, and argue that low levels of income make it harder to retain and attract skilled individuals. (Ibid p3). It links the “rural jobs gap” to demographic trends (ageing, selective migration and gender issues), and structural differences (slower development of tertiary activities in rural areas).

The document also highlights the heterogeneity of rural areas: Rural Europe exhibits both extremes of labour market performance; the fastest growing (accumulating) areas are accessible “Significantly Rural” (SR) areas, the weakest “depleting” labour markets are generally in peripheral “Predominantly Rural” (PR) areas².

The Commission also note the potential advantages of rural areas; quality of life and environment, opportunities to develop recreation and tourism and to market niche or high quality/regional produce. Yet the ability to exploit these comparative advantages depends, they argue, upon human capital³.

The principal Lisbon employment target is for a 70% employment rate, by 2010. The SERA report (Copus *et al* 2006) showed that many urban and intermediate regions have already exceeded this target, and that further progress (without increasing disparities) is contingent upon addressing the low rates in the PR regions.

The key issues in relation to labour market disparities depend to some extent on the researcher’s perspective, which can be either aggregate or “top down” or, by contrast, “bottom- up”, beginning from the experiences and constraints of individual workers.

From an aggregate “top down” perspective, structural change is a key issue. In order to reduce regional disparities it will be necessary to accelerate structural change within lagging labour markets, and to reduce the dependence upon traditional primary and secondary sector activities, in favour of appropriate tertiary activities.

The literature which adopts a “bottom up” perspective is less concerned with sectorial structure, and rather seeks to understand the constraints and barriers facing individual workers of different kinds, as they seek to maintain or better their employment situation.

Thus the “rural jobs gap” seems to have two distinct, but inter-related elements:

- A need for **accelerated structural change**, including the need for growth of distinctively rural (land-based) activities, such as “environmental services, recreational amenities and traditional skills”. However, in more accessible rural regions the dominant driver of structural change is often “employment counter-urbanisation”, involving activities which are not distinctively rural and not based upon rural resources – including the “knowledge-based economy”.
- **Barriers and constraints** facing rural residents as they seek to participate in, and benefit from, these changes. Unless these can be overcome there is a risk that rural workers, especially those formerly employed in traditional land-based activities, will be trapped in a disadvantaged “secondary segment”.

² “Europe’s rural areas are diverse and include many leading regions. However, some rural areas, and in particular those which are most remote, depopulated or dependent on agriculture face particular challenges as regards growth, jobs and sustainability in the coming years.” Ibid p6

³ “This will require the development of new skills, entrepreneurship and the capacity to adapt to delivering new types of service. In short, Europe’s rural areas must exploit their potential or risk falling further behind urban areas in meeting the Lisbon targets, particularly in the remotest and most agricultural areas.” Ibid p7

The rural (and regional) development literature is rather richer in relation to the former, whilst the latter is relatively neglected.

Within the literature which adopts the second (bottom-up) perspective, there are two competing theories to explain variation in wages, job security, and other aspects of “job quality” within, and between, labour markets. These are:

- (i) *Human Capital Theory* and,
- (ii) *Segmented (or Dual) Labour Market Theory*.

The first of these is a neo-classical economics perspective, in which differences in job quality simply reflect differences in productivity based on the individual’s investment decisions in education and training. Unemployment is equated with a job search which allows an individual to discover the market value of his/her human capital. This is part of a rational, maximising process of matching people to “appropriate” employment.

However, the above description of the “rural jobs gap” seems to be more compatible with the second (segmented labour market) perspective. This school of thought dates back to the 1960s, and although there are examples of quantitative analyses, assessing precise hypotheses about different characteristics of segmentation, it would be wrong to suggest that there is a single theory or model. Rather there is a body of literature dealing with differentiation and barriers within labour markets⁴.

This literature shares a common view that labour markets are not homogeneous, but are divided into “segments”, between which the “quality” of the jobs are differentiated in a variety of ways; wage levels, contractual conditions, job security, turnover, the relative valuation placed on human capital, and different kinds of job search behaviour. These aspects often seem to be associated with differences in the mix of sectors/occupations, and perhaps also with different labour market areas.

In the simplest (dual segment) version a “primary” *segment* (not to be confused with the primary *sector*) encompasses white collar and most blue collar jobs, and offers higher wage rates, more security, and greater mobility, than the “secondary” segment, a kind of “underclass”, in which low status jobs, with low wages and little security, mingle with unemployment and inactivity. For individuals, movement between these two segments is relatively difficult, although at an aggregate level the two markets do interact to a limited extent.

In the primary segment human capital (education, training and experience) is a crucial element of the employee selection process, but in the secondary segment the key issue is wages. In the primary segment job search is generally motivated by career advancement, and a change of job associated with “promotion”. In the secondary segment job search is initiated by redundancy, or a fear of it, and moves are not closely linked to improvements in pay or conditions. Within this context the long-term unemployed are the most disadvantaged group within the secondary segment. Even those formerly employed in primary segment jobs risk slipping into the secondary segment if they remain unemployed too long. In the context of remote or fragile rural areas the significance of unemployment is often cloaked by seasonality (which reduces the number registered long term as unemployed) and “underemployment”.

⁴ For an excellent brief summary see Mitchell *et al* 2005, also Fields 2005.

There is a wealth of literature, both empirical and theoretical, on labour market segmentation, relating to a wide variety of contexts. However, perhaps the most relevant to the rural jobs gap issue is that which considers the spatial or geographical dimension. There is for example, some analysis of the implications for UK migration patterns (Gordon 1994), and a number of analyses of rural-urban migration as part of the recent economic development in China (Knight and Yueh 2004).

2.1.8 Labour Market Area Concepts

Closely related to segmentation in empirical terms, but separate in theoretical antecedence, is a recent discussion of rural labour markets by Green and Hardill (2003) in which they concluded:

“The term ‘the labour market’ suggests a unity that is absent in practice – rather the reality is one of a multiplicity of porous sub-markets, demarcated by industry, occupation and geographical area. A ‘local labour market’ is socially constituted. It consists of multiple layers of different geographical scales – reflecting the different commuting propensities of labour market sub-groups - superimposed on one another, such that in reality there is no such entity as a ‘rural labour market’”

The picture of complex overlapping “layers” conjured up by the above quotation certainly makes a lot of sense within accessible rural areas such as occur in Central and NW European contexts. It has much in common with the concept of “Regional Enlargement”, (outward expansion of commuting zones) which has provided the rationale for recent local government reforms in the Nordic countries (Anderson *et al* 2007). The SERA report also pointed to evidence of “employment counter-urbanisation”, whereby previously urban-based activities and employment are increasingly moving into accessible rural areas.

In other parts of Europe extreme peripherality is often associated with “insular labour markets” (Dahlstrom *et al* 2006). Within this context it seems that the “primary” and “secondary” segments may tend to fuse, and individuals exhibit a greater degree of mobility between different parts of the market (employment, informal or voluntary activity, inactivity, etc). This suggests that a more holistic kind of analysis of the “income system” is appropriate.

2.1.9 Combining Segmentation and Labour Market Area Concepts

The above review shows that a clearer understanding of the spatial/sectoral organisation of labour market segmentation, the various social, economic and geographical barriers associated with it, and the position of new rural employment opportunities, (especially those supported by rural development policy) within the segregation process is necessary if the rural jobs gap is to be addressed.

There are several possibilities, in terms of the role of segmentation in the “rural jobs gap”:

(a) Since more accessible, “intermediate” (SR) regions tend to exhibit relatively “healthy” labour market characteristics, and the strongest evidence for a jobs gap comes from more peripheral PR regions, the first possibility is that the main form of segmentation is geographical. In other words the labour markets of the rural regions themselves are not internally segmented, but there are significant disparities and barriers to movement between lagging PR regions (the secondary segment), and the more dynamic SR regions (the primary segment).

(b) The second possibility is that segmentation is associated with traditional rural or land-based activities, but only in more peripheral PR areas. In accessible SR regions the “rural” activities are sometimes a minority, and effectively integrated with the rest of the economy. Thus in these intermediate rural areas the farm workforce does not experience particular barriers to movement into other more dynamic sectors for employment.

(c) A third possibility is that the traditional rural activities are part of a secondary segment in both kinds of areas, but that in the accessible, intermediate areas they are too much of a minority to produce a measurable “jobs gap” in the regional statistics.

2.2. Review of the empirical evidence/analyses relating to the theme

2.2.1. The SERA Report

The recent empirical wide-ranging review of rural socio-economic situation of the EU-27 at NUTS-3 region level SERA (Study on Employment in Rural Studies) (Copus et al., 2006) demonstrated that rural regions significantly differ among each other in their capabilities to employ and attract the new opportunities associated with the rural turnaround. Based on three types of NUTS-3 region ‘predominantly rural’ (PR), ‘significantly rural’ (SR) and ‘predominantly urban’ (RU) the study showed that changes in economic activity and employment are much slower or even worse in PR regions than in SR regions. For illustration: fourteen percent of PR regions showed no employment growth in any of the three main sectors (agriculture, manufacturing and services) between 1995 and 2001. This compares unfavourably with 4.5 per cent growth in SR regions and 8 percent in RU regions (Copus et al., 2007: 16). This difference in employment growth rate among the regions is partly determined by the sectoral structure. Today in the EU, the primary sector accounts for less than 10 per cent of total employment, in a third of rural regions its share is less than 5 per cent. However, in more remote rural areas of the Central and Eastern European Countries this sector still covers 25 per cent of the workforce. The average proportion employed in manufacturing is now higher in both SR (30 per cent) and PR (28 per cent) than PU regions (26 per cent). Employment in services is now the largest of the three sectors in all three region types, although less dominant in SR and PR regions. Although the increase in employment in services was the strongest in PR regions its growth rate is still lower in SR than in PU regions. There is a significant difference in the relative importance of the service sector between North-West and South-East member states. Additionally, rural-urban differences in employment growth are partly determined also by gender difference. Female, especially youth unemployment rates are in general higher in rural than urban regions. The most indicative finding in this report is the tendency of most intensive accumulation of human capital (more educated and skilled individuals) in accessible significant rural (SR) regions and its further reduction in the remoter, already sparsely populated predominantly rural (PR) regions (Copus et al., 2007: 21).

2.2.2. Issues Specific to the New Member States.

With the integration of the new member states the size of rural areas in the EU increased significantly and with this also the challenges of rural (un)employment. In this regard the main emphases of research have been on agricultural employment related to agricultural adjustment of new enterprises (larger corporate farms and emerging small subsistence farms) and diversification of farm households. Farm

diversification has been assumed by policy makers to be able to significantly contribute to rural development and poverty reduction. As some research show (Herslund 2007) farm diversification does not generate much employment and income since profitability of agriculture is overall much lower in these countries than in old member states. There is some evidence (Chaplin et al. 2004) that enterprise diversification by corporate farms is more likely to lead to the creation of new jobs although on the basis of agricultural contracting than smaller farms. However, there is very little evidence of household or corporate farms generating significant number of non-agricultural enterprises or new employment opportunities. Education and availability of public transport seems to be the most important for rural employment diversification. Before 2004 the EU initiatives for rural development in associated countries, especially the SAPARD programme, did not give much attention to these non-agricultural issues but was mainly focused on farm-based initiatives. More suitable strategies for new member states is seen in the integration of rural and urban businesses and labour markets and encouragement of non-agricultural activities, especially social services (due to their huge gap in rural areas) and small entrepreneurship through credit facilities, tax breaks and simplification of administrative requirements for small business creation (Bogdanovski 2005, Herslund 2007).

2.2.3. Rural self-employment

Although self-employment does not have a big share in overall employment, it has significant impact on rural economy in terms of probable diversification and multifunctionality of agriculture (Tarling et al., 1993). The emphasis on job creation is particularly strong in rural communities where significant degradation has occurred in traditionally important rural industries (e.g. in agriculture and textile). The creation of new job opportunities is linked to stimulation of self-employment. Agriculture is by far the most important sector of self-employment in rural areas, although as expected it loses its importance in rural and national economy in terms of self-sufficiency and interdependency.

It is believed that if sufficient support and focus is given, then this would generate entrepreneurs which would result in rural development. In many states rural self-employment becomes the centrepiece of economic development plan of many lagging, mountainous and less-favoured rural areas (Skuras & Stathopoulou 2000, Dapson 2004). Small towns and rural areas represent unique business settings due to distinct demographics, spatial composition, social structure and market segmentation (Beggs et al. 1996). Social and economic composition of rural communities can have also decreasing effect on self-employment. Social trends (globalisation, liberalization, free market activities, and changes of cultural values) lead rural areas to become more externally interrelated. But rural residents rely more heavily on primary group relations and close personal ties than urban dwellers do (Fraizer & Niehm, 2004).

Rural self-employment in the EU is also seen as the main component of development activity in rural areas. Self-employed people in rural areas found themselves mainly in agricultural sector, however, other markets focused in tourism or other sectors also appear as important for self-employment. But, non-agricultural rates of self-employment (mainly in construction, repair services and personal services) are everywhere lower than the overall rates due to still high levels of self-employment in agriculture (Blanchflower 2004).

According to Eurostat data on rural self-employment in 27 EU member states for 2006 (Gülümser et al 2007) the proportion of agricultural self-employment in total

agricultural employment was 13% in EU15, 17% in EU25, and 20 % in EU27. EU member states have no similar trends or level in terms of agricultural self-employment. It has different shares in total self-employment and importance among countries (from 4 % in Czech Republic to 76 % in Romania).

Considering self-employment in agriculture it is not possible to group the countries in the EU through their spatial distribution or their accession year. There appears to be no pronounced north-south or east-west concentration of self-employment in the EU in any of the sectors either. The ongoing decrease in the agricultural self-employment shows that farmers want to invest in new sectors that are less risky than agriculture (Gülümser et al 2007). Today entrepreneurs in Europe do not prefer agricultural sector for their investments as it used to be. This trend can be seen in any country which indicates that there is not great diversity among the EU countries. However, CAP reforms affected farmers positively to become self-employers, as in 1998 and 2003 there was a remarkable increase in the share of agricultural self-employment.

As Sera report shown (Copus et al. 2006) in the EU25 self-employment was relatively more important in the PR and SR regions (at 14.8% and 13.9% of the economically active population), than in the urban regions (12.5%) and the EU25 average of 13.4%). The level of self employment appears to be linked to the degree of rurality, particularly in Southern member states (Greece, Portugal and Spain). Rural labour markets have a strong tradition of entrepreneurship, which creates a good seedbed for self-employment. However, flows out of self-employment have also become great since rural locations suffer from low levels of demand and entrepreneurial ability may remain low (Tervo 2008). As indicated for rural England, one area in which improvement is needed are the regulations governing social and unemployment benefits, as these are worse for self-employed than for wage earners and the coordination of delivery of support (The Countryside Agency 2003). Rural areas require specific approaches to business support due to their local and often distinctive support needs and the difficulty that arises in delivering this support (transport barriers, high costs due to insufficient critical mass of firms, poor coordination).

2.2.4. Recent employment trends in sectors associated with rural areas

Trends in agricultural employment are discussed in detail in the report on Theme (i) – Farm Structural Change, and, in order to avoid overlap and repetition, will not be considered here. However there are of course a number of other activities commonly associated with rural areas, and their recent employment trends will form the subject of the following sub-section:

(a) Food Processing and Agricultural Supply Industries

According to the European Monitoring Centre on Change (2006) with reforms of the CAP, competitive pressure and its consequences can be expected to grow, particularly in the sub-sectors of the food manufacturing industry with the closest links to agriculture. The implications for the food-sector labour market are likely to be more mass redundancies among blue-collar workers in medium sized production facilities in Northern and Western Europe. Some of these blue-collar jobs will be relocated to the new Member States, but this will probably be temporary, as competitive pressures from overseas grows and these jobs are moved to countries such as China and India. These trends mean that total employment in the European food sector is likely to fall as productivity grows. At the same time, developments in the food industry are creating a demand for employees with higher skills, both sector-

specific and overall. These developments include greater regulation of the food production and handling, requiring a workforce that can understand and implement hygiene, safety and other regulations. The increasing use of technologies and of raw and ancillary materials from other countries requires workers who can understand instructions in foreign languages. Also, increased global trade requires sales and marketing staff that can function in different cultural and linguistic contexts. Hence, productivity trends are towards a more segmented food industry, concentration and cost cutting continuing among large corporations, diversification and specialisation continuing among SMEs medium sized companies being squeezed in the middle fewer employed in the sector, and demand for new skills to match technological developments.

(b) Forestry and Wood Processing

Forest-based employment, along with income for private forest owners, is the key material benefit from forestry to society. Many owners of family and farm forests derive as much or more income from self-employment in their forest as from ownership per se. Employment is both a benefit from and an indispensable input into forestry. The relevance of labour and social aspects for European forestry and forest industry has been explicitly acknowledged and addressed in the declarations and resolutions adopted at the Ministerial Conferences for the Protection of Forests in Europe in Helsinki in 1995 and in Lisbon in 1998. It is also increasingly reflected in criteria and indicators for forest management adopted by governments and voluntary certification schemes like the Pan-European Forest Certification and the Forest Stewardship Council.

The current total labour force in the forest industry in Europe as a whole is about 3.9 million full-time equivalents. Pulp and paper is the smallest sub-sector in employment terms with just 27% of the total. Forestry and the wood industries share the balance about equally between them. Gains in labour productivity have varied by sub-sector and country as well as over time. On the whole, they have been substantial and exceeded increases in the volume of output. As a result, employment has been declining substantially, - for example it was 4.3 million in 1990 (United Nations 2005). Most of the decline has come from the pulp and paper subsector. In the 1980s and 1990s this decline has mostly affected the countries of northern and western Europe. In the future, assuming continued increases in labour productivity, reductions in employment levels are expected to be largest in Central and Eastern Europe as well as in the Commonwealth of Independent States. The total workforce is expected to shrink by 6.9 per cent between 2000 and 2010. Values for individual countries and sub-sectors vary widely around this average. The continued decline in employment will further reduce the visibility of the sector and partly its direct benefits to society. Rural livelihoods will be most affected as the losses are concentrated in forestry and in small firms in the other sub-sectors. If the forest industry is to make a contribution to rural development in Europe, patterns of production and marketing need to be reviewed and altered.

In spite of the decline in employment volumes, the sector is likely to be faced with difficulties in finding adequate employees with related timber qualifications in the future, not the least because of demographic trends in Europe. These shortages may only concern the inability to attract new entrants with good qualifications and potential, or it can translate into absolute shortages. In some major producer countries, these are expected to limit the potential for growth in output. This issue would appear to merit closer scrutiny at the national and local level. Improvements in employment quality such as wages, training and career prospects, as well as working

environment and safety, will be critical to maintain adequate levels of new workers, in particular women (Blombäck et al. 2003).

Physically very demanding or dangerous work is becoming less attractive for young people. In the near future, there will be a lack of up and coming young persons. In a number of countries such as Austria, Finland, France and Sweden forestry companies are already complaining of this. The number of unemployed workers remains relatively high in many eastern European countries. This imbalance has spurred work migration. In countries like Germany and France this has led to an increase in the number of foreign workers, particularly in forestry, who are often prepared to work for wages below the minimum wage level (Blombäck et al. 2003).

Employment in the forestry sub-sector in European countries amounts to some 1.4 million workers (full-time equivalents) (United Nations 2005). It could, however, be assumed that the real figure is considerably higher as many countries fail to account for seasonal workers or self-employed such as contractors. The employment figures mainly only include "formal" or "visible" activities in the forestry sector. The ILO (2001) estimates that, on average, for every one job in the formal forestry sector there are another one or two jobs in the informal forestry sector (the majority of which are activities related to the production of wood fuel and non-wood forest products) (FAO 2004).

Traditionally forestry has primarily been seen as an economic activity and most forests have been managed or established to supply wood and timber. However, the role of forestry as a provider of a wide range of other goods and services has become more pronounced during the past decade (FAO/ECE/ILO 1997). More than 90 percent of European forests are open to public access and the area of forest available for recreation is increasing. Ecotourism is becoming more and more popular. While the nature of the demand is expected to change, influenced by demographic and income changes, the demand for forests as recreation areas is expected to increase (Bell et al., 2007). Additionally, the transition to a green economy implies strong demand, and willingness to pay, for forest environmental services. Europe's high income, increasing area of forests and growing focus on multiple-use management with more emphasis on environmental values suggest positive movement in this direction. Multifunctional forestry places a greater focus on the provision of environmental services (FAO 2009). Consequently, it can be expected that in the future employment opportunities in this sector related to forestry will increase. However, some research (Niskanen et al. 2001) shows that it is not evident that the existence of forest resources as such would certainly contribute to regional development in terms of employment or income. The existence of large forest resources may indicate remoteness and peripherality of the region with low population density and therefore weak potentials for job creation.

(c) Fishing and Aquaculture

According to report on employment in the fisheries sector and its three sub-sectors (fishing, fish processing and aquaculture) in 25 EU Member States and 121 coastal NUTS-2 regions (Salz et al. 2006) in 2002/2003 there were about 405.000 persons employed in this sector. About one third was women, who were mostly employed in the fish processing industry. The number of people working in the fisheries sector is most numerous in the Atlantic and the Mediterranean part of the EU, 42% and 28% respectively. At the beginning of 1990 analysis in some 300 coastal zones within the EU showed that employment in the fishing sector represented only between 1 and 1.5 per cent of all jobs. But in 20 zones, including the Atlantic coast of Spain, the east

coast of Italy, and Scotland, this share increased to 10 per cent. In 82 other zones the fishing sector accounted for between 2 and 10 per cent of all jobs (Boude et al. 2001).

There were some 205.000 persons working on board fishing vessels in 2005. The number of fishermen has been decreasing by 4-5% per year. In 2005 there were about 190-195.000 fishermen in EU-25, whereas in 1999 the total number of fishermen in the EU-15 was 240,000 (Salz et al. 2006). The most important job losses occurred in Denmark which lost 6000 fishermen (60%). France with a loss of about 20.000 fishermen faced similar relative losses. Belgium lost less than 500 fishermen (40%). Germany in spite of the reunification lost a little more than 2000 jobs (34%), Spain and the Netherlands respectively lost 30 000 and 1500 fishermen (26% and 29%). Only Ireland and Greece stabilised or created new jobs (Boude et al. 2001). This trend indicates that the nominal labour productivity (value of landings per man) increased by 23%. Even after accounting for inflation (10% in the period 1999-2005), the real labour productivity still increased by some 12%. Some 95,000 fishermen work on board coastal vessels, while 110.000 fishermen are active on offshore fleet. About 20% of the employment on board is part time, mainly in the coastal fisheries (Salz et al. 2006).

Spain, Greece and Italy account for almost 60% of all people working in fishing. The numbers of fishermen are also substantial in France and Portugal. The fish processing industry employs most people in Spain, France and the United Kingdom, and to lesser extent in Germany and Poland. Aquaculture is most pronounced in France and in Spain (Salz et al. 2006).

The large population of many NUTS-2 regions reduces the relative dependence of these regions on fishing. Galicia is indisputably the most important fisheries region in the EU in terms of absolute number of people working in the fishing sector, showing also one of the highest dependency rates. Other regions, showing a dependency rate over 1% and with number of persons working in the fisheries sector in excess of 5.000 are in France (Bretagne, Poitou-Charente, Basse-Normandie), UK (N-E Scotland), Estonia, Latvia, Portugal (Algarve) and Poland (Pomorskie). Several small NUTS-2 regions show high dependence in Greece (Salz et al. 2006).

There are marked differences in the structure of employment in the fisheries sector. In the North Sea and Baltic region about 30% of people working in the fisheries sector are on board fishing vessels, 65% work in the processing industry and about 5% in aquaculture. On the other hand, marine fishing is much more important in the Atlantic areas and in the Mediterranean, with a relative share of 46% and 76% respectively. Atlantic areas have also a major fish processing industry. Processing in the Mediterranean represents only 14%. Atlantic aquaculture accounts for 22% of the employment in the fisheries sector while in Mediterranean this is 10% (Salz et al. 2006).

The three sub-sectors of fisheries face a number of major problems and challenges:

- Fishing: increasing fuel costs, crew shortages and limitations of quota and fishing effort;
- Processing: lack of raw material, high labour costs and competition from non-EU imports;
- Aquaculture: increasing competition from imports, technological progress, depressed prices, environmental regulations and user conflicts (Salz et al. 2006).

In recent years, aquaculture has been the only segment of the fisheries industry in the EU to experience a rise in employment. It is already an important economic sector: in 2005, production by the EU-27 aquaculture sector amounted to around 1.3 million tonnes of fish, molluscs and shellfish, representing a turnover of about EUR 3.5 billion. The sector provides jobs for approximately 65 000 full-time equivalent jobs mostly in coastal and rural areas (European Commission 2009). Aquaculture is a varied sector that includes the farming of not only saltwater and freshwater fish, but also molluscs and shellfish, produced in different types and according to different breeding methods (European Commission 2009).

Aquaculture not only contributes substantially to fish supplies but also provides alternative employment in many fisheries-dependent regions. The arrival of aquaculture in rural communities appears to have a positive impact on employment within these areas. Aquaculture provides an important source of employment for local people in areas where there are very few alternative job opportunities (just under a half of fish farmers stay in aquaculture because of the lack of other jobs in their community) (AQCESS, 2000; quoted by McCausland et al. 2006). Aquaculture constitutes 17% of the volume and 27% of the value of the total fishery production of the Union (European Commission 2002). There is no lack of challenges, however, one being the strict European regulations on environmental protection, animal health and product safety that ensure the superior quality of European products. Yet they also lead to real price pressure exerted by imports from Asia and Latin America, where production capacity has expanded sharply in the last few years (European Commission (2009).

(d) Rural Tourism

In employment terms, the European tourism industry (as a whole) is about 25% smaller than the agricultural industry, accounting for about 8 million jobs (EC 2006) compared with agriculture's 12m full time equivalents (Farm Structure Survey 2005). However, unlike agriculture it has shown consistent growth in recent years. European regions with a higher intensity of tourism employment often have relatively lower unemployment rates (Eurostat 2008). In a report for the USDA, Reeder and Brown (2005) have shown, through regression analysis of county data, that recreation and tourism activity are associated with "rural well being, increasing local employment, wage levels, and income, reducing poverty, and improving education and health."

Broad-brush generalisations such as these are often the basis of optimistic assumptions about the future role of the industry as a solution to rural and regional development disparities. However some caution is appropriate due to the difficulties associated with the paucity and ambiguity of available data. Tourism employment is "hidden" within a range of NACE categories, and is also rather elusive due to the high proportion of temporary, part-time and "informal" jobs. Economic activity associated with tourism is hard to distinguish from that generated by other parts of the local economy (English *et al* 2000). These are difficulties not only for the tourism industry as a whole, but also to the sub-sector of "Rural Tourism". This undoubtedly accounts for the fact that although there is a very substantial academic literature relating to rural tourism, it is predominantly qualitative; hard estimates of economic impact (including employment) are few and far between.

Tourism (and recreation) employment is pivotal to most recent rural development paradigms, notably multifunctionality, the consumption countryside, commodification, post-productivism and the increasing role of public goods as a driver/resource (Copus and Dax 2009). It is also often seen as a key component of the "rural restructuring" process.

Farm tourism specifically, and hospitality services as a form of farm diversification is sometimes seen as “a panacea for the ills of declining rural communities” (Walmsley 2003). However it is important to recognise that farm tourism is usually a relatively small sideline in income terms (Oppermann 1996), generally kept separate from the main (“real”) business of farming (Sharpley and Vass 2006, Hjalager 1996). Summarising a study of farm tourism in Israel Pizam (1997) states “Like rural tourism businesses in other parts of the world, most Israeli operators went into the business in order to supplement their income and enable them to stay on the farm. The typical B&B operation was found to be a small business that operates only during a short season, and generates a relatively low income.” A study of “agrotourism” in Cyprus allowed Sharpley (2002) to identify the following challenges “high development costs but low returns, low demand, a lack of essential skills and dominance of mass tourism operators...”.

On the specific issue of “joint production” between conventional farming and countryside public goods which are valued by tourists the evidence is rather mixed. Fleischer and Tchetchik (2005) argued that “farm activities on a working farm are of no value to the visitors...” By contrast Vanslebrouck *et al* (2005) used a hedonic pricing approach to show that some agricultural land uses increased tourist’s willingness to pay, whilst other (intensive) practices had a negative effect.

Rural tourism is often associated with sustainable and endogenous rural development (Gössling and Mattson 2002, Sharpley 2000). However, different kinds of tourism have different impacts upon the rural environment and community. The introduction of mass tourism, for example, may have negative effects upon both, and at the same time generate relatively low multiplier effects in the rural economy. Slee *et al* (1997) distinguish “hard” and “soft” tourism in the Highlands of Scotland, and argue that the latter generates much higher levels of local benefits. Andriotis (2001, 2002) reaches similar conclusions in the context of Crete. In Turkey, (Tosun *et al* 2003) mass tourism development has increased regional disparities.

“Integrated” rural tourism “which is explicitly linked to the localities in which it takes place and ... has clear connections with local resources, products, production and service industries, and a participatory local community...” is held up as a more appropriate alternative for rural areas (Oliver and Jenkins 2003, Saxena *et al* 2006). Unwin (1999), in a study of integrated tourism in Estonia, finds that the impacts on rural areas are relatively smaller than anticipated, and that urban areas are more likely to benefit. Cawley *et al* (2002) argue that a balance between local embeddedness and “global reach” is the key to successful rural tourism development. An important aspect of such local embeddedness is the degree to which local people have a “voice” in policy decisions (Marshall 2001).

“Soft” tourism is associated with micro-businesses and entrepreneurship (Lordkipanidze *et al* 2005). As such it is potentially a key element in endogenous development processes. However research has shown that tourism micro-businesses are often motivated by lifestyle choices (associated with urban-rural migration) rather than growth or profit (Andersson 2002, Paniagua 2002, Szivas *et al* 2003). The predominance of small enterprises in the industry creates a specific need for appropriate institutions, such as marketing structures (Clark 1999), and for fostering of local co-operation and collaboration (Briedenhann and Wickens 2004, Marshall 2001).

The tourism workforce is characterised by a large proportion of women (Garcia-Ramon *et al* 1995), lower average levels of education, employment insecurity, and

low wages (Andriotis and Vaughan 2004). Seasonality of employment (and unemployment) is a well documented issue (Lundmark 2005, 2006, Jolliffe and Farnsworth 2003, Ball 1989). Rural tourism is thus a rather good example of a “secondary segment”.

It is important to recognise that the tourism industry in different parts of the EU has quite distinct characteristics, reflecting different recent histories (Turnock 1999, Garcia-Ramon et al 1995, Hall 1998, 1999). At a more local level Walmsley (2003) has emphasised the fact that development of tourism is not an equally viable or attractive option for all rural regions, that some will “win” while others “lose”. Walmsley, drawing on Australian evidence, suggests that in this competition, relative accessibility, specialisation, and pro-active “place marketing” will be crucial to success of any particular region. Within a European context it is reasonable to assume that access to natural environment resources would be a key precondition. The potential geography of this factor is well illustrated by an indicator developed for the Territorial Cohesion Green Paper by Hugo Poelman (EC (2008) Annex p16).

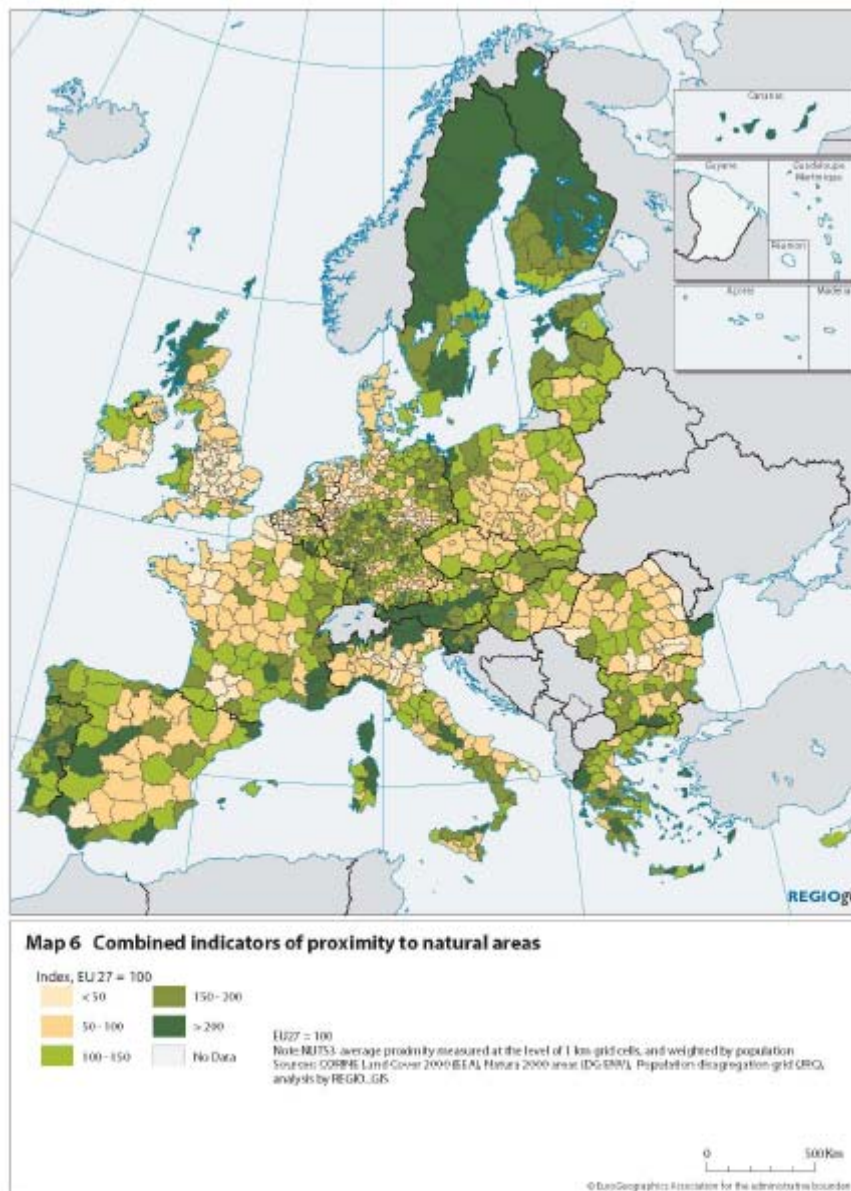


Figure 1: Poelman's combined indicator of proximity to natural areas
 Source:

(e) Natural Heritage related Activities

Natural heritage related activities have a lot in common with tourism and recreation, indeed there is a close relationship between these two categories. Cuff and Rayment (1997) argued that conservation and land management activities often deliver secondary employment impacts in tourism and recreation which are larger than the direct effects. Like tourism, natural heritage activities are necessary “drivers” of the multifunctionality, post-productivism concept of rural development. However, they also share the problem of being almost impossible to quantify in terms of employment, partly because they are spread across a very broad range of NACE categories, and partly because many of the jobs are only partly related to protection or management of the natural heritage.

According to the SERA report (Copus et al 2005):

“Direct employment in conservation and landscape management offers opportunities for people with many kinds of expertise, such as countryside management, biological and environmental sciences, visitor services and environmental education, as well as managerial and administrative jobs. It also supports the general rural tourism sector. Employment in nature conservation is found throughout Europe, but reflects variations in landscape, habitats and biodiversity. Many jobs are in remote rural areas with declining employment in agriculture and few alternative jobs. In such areas, conservation offers valuable diversification opportunities. The natural environment sector includes activities relating to the conservation and enhancement of the natural heritage, including nature and landscape, habitats and species.”

Evaluations of agri-environment schemes provide anecdotal evidence of the employment impacts of the farming industry’s involvement in conservation of the natural environment, though as with farm tourism, the impression is that is more often associated with absorbing under-utilised labour than creating new jobs.

One recent attempt to quantify the employment associated with Natural Heritage-based activities is a report commissioned by Scottish Natural Heritage (ERM 2004). The authors argue that almost 4% of Scotland’s total employment is in some way related to the natural heritage. However less than one-third of these jobs are directly concerned with protection or management, or with “heritage products and services” (organic farming, sustainable forestry, coarse fishing etc), more than two-thirds were estimated as a proportion of total tourism employment “dependent on the natural environment”. This serves as a vivid and sober illustration of the rather shaky evidence base for assertions about the role of, and prospects for employment in natural heritage-based activities.

It is reasonable to assume that the geographical incidence of employment in natural heritage related activities will be partly related to “proximity to natural areas” (Figure 1) but also tempered by accessibility to major centres of population, (which determines the demand for day trip recreational activities).

Although more properly within the scope of the report on Theme (h) - Climate Change, - it is important to note here that rising temperatures and water shortages in the Southern and Eastern parts of the Espon space, and increased rainfall and “changeability” in the North and West, are already presenting challenges to both tourism and recreation, and the natural heritage-based activities. However, as yet

there are so many “unknowns”, that little or no serious academic work has explored the employment implications.

(f) Culture

As the Council of the European Union (2000) stated it is vital for European competitiveness and for cultural diversity to strengthen the cultural industries and that the cultural industries have substantial growth potential in the single market and the global market. There is a broad range of possibilities reaping economic benefits from cultural activities and creative industries for societies. They range from the economic relevance of creative industries as such to their role as a driver of innovation in the broader economy, and from the power of the local and regional cultural climate to attract talents, companies and tourists to the importance of creativity as an input in local and regional production (URBACT Culture members 2006). The cultural sector covers a very wide range of economic and industrial activities. It includes activities connected with heritage, literature, the press, music, the entertainment arts, the media and the audiovisual sector (European Parliament 1999). The culture having around 2.3 % - 2.5 % of the national Gross Value Added, around 2.5 % - 2.7 % part of the national overall employment and a rate of around 1.5 % investment in “plant and equipment” respectively the national stock (Hummel Berger 1988; quoted by Geppert (2006)).

Today, cultural activities and creative industries in Europe constitute already 10 to 15% of new direct and indirect employment (URBACT Culture members 2006). Surveys and statistics on the subject point out that the arts, culture and media sector – the “creative industries” - is often characterised by atypical forms of employment. These atypical forms of employment are characterised by (Geppert 2006: 1):

- high qualification level
- requested flexibility
- high mobility
- part-time work
- project work (well or badly paid)
- short-term contracts
- self-employed and freelancing
- voluntary or very low-paid activities
- obstacles for mobility and cultural products.

The group of independent workers or self-employed in the EU is up to 4 times higher in the creative sector than in the economy as a whole. About 29% of the people working in the cultural sector are self-employed in 2002. This is more than twice as much as the EU average in total employment (14%). The share of independent workers is highest in Italy (47%), Austria (39%) and Iceland (35%). It is weakest at Estonia, Latvia and Norway (5% each) (Geppert 2006). Additionally, more than 40 % of the people working in the creative industries have at least a university degree in comparison with 24% of the total employment. The distribution by gender of the employees having an employment in the cultural sector differs little from the totality of the active employed population. For all countries of the EU, the share of part-time working possibilities is higher in the cultural sector than in total employment (Geppert 2006).

The demand for artistic and creative contents rises. The frequently project-dependent interlaced form of the work in culture spreads increasingly on other economic sectors and is an indication for a modern economy. However, in relation to direct impact, existing statistical tools are not appropriate and available statistics are scarce. At

European and national level statistical tools do not enable the cultural and creative sector to be captured properly. Statistical categorisations are often too broad. Data are rarely comparable. A considerable amount of cultural activity takes place in establishments whose primary classification is non-cultural and therefore not recorded within existing classifications (KEA European Affairs 2006).

As the SERA report (Copus et al. 2006) has already indicated there is also still a lack of information relating to the significance of cultural activities to employment in rural areas. In fact, it is difficult to obtain reliable and comparable statistics on cultural industries and their employment impact both at the national and the European level (Council of the European Union (2000). There are just anecdotal evidences that interest in this area is growing and the expectation is that the significance of the sector to employment creation in rural areas will increase in future as several cases shown (e. g. the LEADER+ best practices (European Observatory of Rural Areas 2008a, 2008b).

In rural areas cultural activities are closely related particularly to tourism, heritage and local and historical identity. Generally and presumably in rural areas as well, revenues generated by cultural tourism are most significant. According to Nypan (2003: quoted by KEA European Affairs 2006), 79% of the turnover in Europe's cultural heritage sector is due to tourism while 16% is derived from investments in maintenance by private owners, charities, and foundations. The remaining 5% is received from public and governmental bodies. The impact of heritage driving the tourism industry is obvious in cities. However, heritage is also a powerful lever for cultural tourism in rural areas as the European countryside is rich with historical sites, structures, and buildings (churches, castles, Roman roads and aqueducts, etc.). As visitor survey organised by VisitBritain, with financial support from English Heritage, showed there were between 2.244 sites in England, of which 922 are classified as historical interests; there were 58 million visits in 2004. Commissioned by English Heritage and the Association of English cathedrals, a study covering 42 cathedrals and their 8.8 million visitors showed that visitors spent a total of £ 91 million per year in the local economy with a total economic impact of £ 150 million 163 (Anita Pollack 2005, quoted by KEA European Affairs 2006).

Future employment growth in cultural industries and occupations is dependant upon a whole set of determinants (Geppert 2006):

- Private consumption of cultural services
- Business demand for the presentation of products, services, companies etc
- Foreign trade through exports and imports of cultural goods
- Innovation of production technologies (ICT in particular)
- Financial inflows through the sale of advertising space or time
- Public subsidies for cultural activities.

For problems considering this issues to be remedied in the future, more work needs to be done at national and European level to adopt appropriate standards and definitions as well as to prioritise the collection of statistically sound data right across the cultural and creative sector (KEA European Affairs 2006) pertaining to rural sector as well.

(g) Social Services

At the time of significant socio-economic and demographic changes in Europe, like the impact of globalisation, European integration, population ageing, international and regional migrations and employment restructuring, the diverse rural regions are facing challenges in delivering social services to its citizens. A review of the literature

shows (Manthorpe & Livsey 2009) that there is the issue of how to provide universal services provision in rural areas where the population exhibits specific and diverse needs and possess different capacities to meet this needs than the population in urban areas does.

There is a lack of a universal definition of social services. However, in the EU context they mainly fall in to the following categories: statutory and collective provision of social assistance and social security programmes such as health services, welfare benefits, family support payments or state pension provision (European Commission 2006d: 4; quoted by Manthorpe and Livsey 2009) that are designed to meet the needs of individuals and/or families across the lifespan. Although the growth of the public sector slowed in some Member States (UK, SE) during the 1990s the overall trend was upwards, and seems likely to continue (Copus et al. 2006).

Social services modernisation (defined as multi-agency partnership among people using social services and voluntary and community organisations in working with statutory and private sector providers to identify local needs and develop responsive social services (Kumar et al. 2003 Halloran and Calderno 2005; quoted by Manthorpe and Livsey 2009) is seen as additional source of economic development through potential job creation (Newman and Hughes 2007 quoted by Manthorpe and Livsey 2009). Due to subsidiary principle there is great variation in the extent, availability and scope of social services programmes between and within the EU member states. Some studies (Terluin et al. 1999; quoted by Copus et al. 2006) showed that in leading and lagging rural regions in the EU a number of regional variations in terms of employment growth in the non-agricultural sectors are found, and they identified that in many regions the setting up of public services (like hospitals and schools) had boosted employment.

Rural social services are not very well documented by the existing evidence base. While the evidence is developing, it remains limited in extent, reliability and generalisability. The volume of dedicated up-to-date research on rural social services appears small which constitutes a missed opportunities (Manthorpe and Livsey 2009).

(h) Alternative Energy

In many countries policy makers are beginning to perceive the potential economic benefits of renewable energy (RE) e.g. employment/earnings, regional economic gain, and contribution to security of energy supply (Domac et al. 2005). Avoiding carbon emissions, environment protection, security of energy supply on a national level are an added bonus for local communities, but the primary driving force is much more likely employment or job creation, contribution to regional economy and income improvement.

In this regards the European Commission set to the European Council and the European Parliament a Communication "An energy policy for Europe" which clearly states the points of departure for a European energy policy as: "combating climate change, limiting the EU's external vulnerability to imported hydrocarbons, and promoting growth and jobs" (Commission of the... 2007: 5). Though the overall benefits of the use of RE in the electricity, heat and transport production in terms of environmental (climate change) benefits, as well as resource security and import independence currently seem to be undisputed, the overall economic costs of the support of RE in these sectors continue to be an issue. They become even more an

issue if the economy's performance is slow (very low growth rates and high unemployment rates) (Lehr et al 2008).

Since 1990 the Energy from Renewable Sources (RES) industry has seen substantial growth, mainly due to public promotion policies. The fivefold increase in investment expenditures for new RES plants to almost €30 billion in 2005 was the main driver for this expansion. But operational and maintenance expenditures also increased continuously, due to the growing number of plants in operation. Furthermore, European suppliers gained considerable global market shares in booming RES technology fields such as wind and photovoltaics. Total value added generated by RES deployment has roughly doubled since 1990. Due to increasing labour productivity, total employment has grown by approximately 40%. This development has led to the establishment of a strong cross-sectoral RES industry in Europe. It comprises all the activities needed for planning, manufacturing and installing facilities that use RES, for operating and maintaining them and for supplying them with biomass (direct economic impact). It is furthermore connected with several industries that form its upstream supply chain (indirect economic impact) (Ragwitz et al 2009).

In 2005 building and operating RES facilities contributed about 0.6% to total GDP and employment in Europe. About 55% of this impact is directly related to the RES industry, 45% are related to the supply chain industries. In absolute numbers RES deployment leads to a gross value added of €58 billion and 1.4 million people employed. With 0.9 million people employed, small and medium-sized enterprises have a significant share of two-thirds of this employment impact. As important suppliers of biomass, agriculture and forestry roughly employ 200.000 people. Other important economic sectors involved are the investment goods manufacturing industry, construction and trade (Ragwitz et al 2009).

The economic relevance of the RES industry varies strongly among the EU countries. Shares in GDP and total employment vary from almost zero in countries such as Cyprus and Malta to almost 2.5% in countries such as Finland, Sweden or Latvia, which partly are characterised by an extended use of biomass. In absolute terms the economic impact in the EU is currently dominated by Germany, which has the largest share of RES-related expenditures and, with 320.000 employed, accounts for roughly one quarter of the total employment impact. Biomass, wind and hydro are the most important RES for current employment in the EU. It is expected that till 2020 the gross employment will come out in the New Member States whereas in absolute figures it will appear in countries with a large populations (Ragwitz et al 2009).

Report on Renewable Energy and its Impact on Rural Development and Sustainability in the UK (ADAS 2003) uncovers limitations of scale and job creation potential of many renewable energy technologies (RETs) for rural areas. In the context of very sparsely populated rural areas with few employment opportunities beyond extensive farming and forestry, small numbers of new jobs could have a significant impact on these communities. However, a key factor in determining the contribution RE can make to rural development is the scale and mix of component technologies which are dependent on their ability to compete with conventionally generated electricity. At a local level, there are also issues of planning consent (oppositions by environmental agencies and local stakeholders e.g. National Parks), perceived limited community benefits and educational gap.

There are considerable differences between wind, hydropower and biomass of RET in terms of age of technology, infrastructure requirement and scale, which are important to consider alongside their contribution to rural employment and development. Total capacity of wind farms represents only 0.4% of total UK electricity

supplies. Due to advances in turbine design the increase in rate of power in this RE is foreseen (from 400kW to 1.5MW for single machines). However, wind farms have low operational costs and labour requirements once commissioned.

Like wind power, hydro power is often located in areas of high environmental value and is subject to strict conditions at planning stage. Environmental and planning constraints mean that most growth in hydropower in rural areas is in small-scale (less than 5Mwe) schemes. The scope for this RET is limited by the ability to develop suitable sites economically. Namely, small-scale hydro has a high capital cost per kW relative to conventional energy generation. Additionally, once established, the ongoing input for operation and maintenance is low and this is often done remotely from another area or region. This can make it difficult to demonstrate economic and social benefits locally.

Biomass systems have high operational costs and labour requirements once commissioned; a large share of the maintenance work is carried out via the turbine supplier, but there are significant impacts on local direct and indirect employment. The scale of generation of RE from biomass is more substantial than most other technologies. In this respect, it should have the greatest potential to contribute to rural employment and energy policy targets for Europe. Local rural impact of these schemes is high since they require locally produced biomass. Indeed the capital cost of the building phase of a biomass plant is a small proportion of the total project's costs. However, some substantial problems for RE from biomass remain as are planning issues and heavy investments in cleaning technology (ADAS 2003).

Therefore, of all RET biomass has the greatest potential for impact at the rural level. The EUROFORES study (1999, quoted by ADAS 2003) calculated that by 2020, 515.000 new jobs might be created throughout Europe in the biomass fuel production chain alone. Although progress to date has been erratic and beset with problems, this still remains the most likely area for significant rural economic impact. Wind energy is likely to be the largest RE growth sector but with little direct relevance to the rural economy. Wave and tidal energy are unlikely to develop significantly and their rural impact would be no more significant than wind systems. Photovoltaic is likely to develop slowly, heavily subsidised by capital and installation grants, and the installed units are likely to be so dispersed that servicing and installation will be conducted from industry based in urban areas not rural areas. Although the cost of electricity production from PV will decrease during the next twenty years, it is not expected to become cost-competitive by 2020. Consequently, there will be virtually no uptake of the technology and therefore no rural economic impact. If and when PV becomes cost-effective then the impacts on the rural economy may be significant, since the installation and servicing of the systems will all be sourced locally. Other technologies (geothermal, fuel cell) are either too expensive to be seen in the future or unlikely to have any rural impact (or both) or simply too far from commercial development to be considered with accuracy (ADAS 2003).

There are already some good practices evidenced (Report on the potential...2008) pertaining the impact of RE on rural employment. One of them is the case of District of Güssing in Austria, previously very dependent on the agriculture and forestry that did not provide enough jobs locally and the area had a high rate of unemployment. Since the early 1990's the local economy of Güssing has been given a major boost. The establishment and continual expansion of an alternative system of producing energy from resources, grown, garnered and utilised in the local area, and using this energy to supply electricity and heat to business, industry and private homes in the same area is driving this boost. The ecological energy approach has proved to be a driving force for the local economy and an impressive example of a sustainable

regional development process. The use of self-sustained renewable energies has added €18 million per annum to the local economy and has resulted in increasing levels of employment and decreasing levels of commuting, migration and emigration. Güssing is the first community in the European Union to cut carbon emissions by more than 90 per cent by producing heat, power and fuels from the sun, sawdust, corn and cooking oil.

Hence, from above description it seems that some of RETs represent a significant potential for new rural job creation. However, its realisation certainly depends on general development trends in this field, on global market situation and technological development. As it is indicated in EmployRES (Ragwitz et al 2009) GDP and employment in the EU from RE will also in following decades, as it was the case till now, substantially depend on policy stimulations that basically strive to achieve at least a 20% reduction of greenhouse gases by 2020 compared to 1990.

3. IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

The following discussion seeks to reformulate the information presented in Section 2 in a way which is consistent with, and supportive of, the aims and conceptual framework of EDORA. It begins by considering which aspects may be considered drivers of rural change, and which present opportunities and constraints for rural development. This is followed by a consideration of the potential usefulness of some of the “narratives” of change in helping to structure the typology of rural areas (Activity 2.22), and the selection and analysis of “Exemplar Regions” (2.13 and 2.24).

3.1. Drivers, Opportunities and Constraints

3.1.1 *The New Rural Economy*

The declining role of agriculture and associated activities as an inevitable long-term secular trend associated with economic development with obvious consequences for rural areas of Europe, has been discussed in the report on theme i (Farm Structural Change). Here it is appropriate to focus upon the corollary, the increasing importance of other forms of (secondary and tertiary) economic activity. The term “New Rural Economy” (NRE) is useful (generic) shorthand for the outcome.

Although the NRE is a minority land user, except perhaps in the most “built up” accessible intermediate regions, it is the dominant source of employment and income in all but a few regions of southern and eastern Europe⁵. Many intermediate rural areas have a higher proportion of secondary employment than adjacent urban areas. In the Central and NW EU Member States the service sector is dominant in most rural labour markets (Copus *et al.* 2006: 93). The expansion of the NRE must surely be seen as an “opportunity” for rural areas, since it generally provides a more sustainable source of income than the primary sector activities it replaces.

The increasing dominance of the NRE, especially in intermediate rural areas suggests that much that has been written in recent years by economists, geographers and regional scientists, about the drivers and processes of (urban) restructuring, industrial change and growth is of direct relevance to EDORA and our understanding of rural change and differentiation. This includes, for example, the work on “the Second Industrial Divide”, (Piore and Sable 1984), much of what has been written on clusters, post-Fordism, innovation, learning regions and so on.

3.1.2 *Employment counter-urbanisation, commuting, off-farm employment and regional enlargement*

Employment counter-urbanisation occurs when economic activities formerly associated with urban locations migrate into the accessible countryside. This has been increasingly common in the past decade or so, as a response to urban congestion, increasing car availability/dependence, the advent of new information technology (which has reduced the need for face-to-face contacts and transactions), changing logistical requirements (associated with the shift from manufacturing and into services and the “knowledge economy”, post-Fordism), and so on.

⁵ The SERA report identified just 10 regions in which agriculture accounts for more than 50% of the workforce (Copus *et al* 2006 p89)

At the same time commuting patterns have become increasingly extended, and many farm households have become reliant upon off-farm jobs, often located at a distance from the farm.

The aggregate impact of these changes can be a changed, and more integrated, relationship between urban centres and the accessible countryside. In such cases it has become more difficult to conceive of distinct urban and rural labour markets, since both have become part of a process of “regional enlargement” (Anderson *et al* 2007). This process seems, superficially at least, to provide opportunities for employment growth and diversification for accessible rural areas, though there will also be negative externalities in terms of community cohesion, environmental impacts and so on.

Many of the less accessible predominantly rural regions find themselves less able to participate in these developments, and may become increasingly marginalised. We shall return to this issue below.

3.1.3 Segmentation as a constraint

Broadly speaking NRE activities seem to involve both primary and secondary segment employment, whilst traditional rural industries involve a high proportion of secondary segment workers. Therefore labour market segmentation does may tend to hamper some rural groups/areas from fully participating in the more remunerative activities in the NRE. The extent of this, and the geographical pattern of the effects is not entirely clear at the present time. However perhaps some tentative conclusions may be gleaned by study the distribution of “vulnerable groups”, such as those lacking in education or training qualifications, or those in the older age cohorts. Both of these groups were found by the SERA project to be more numerous in the southern member states (Copus *et al* 2006).

It is also significant that forms of employment which are assumed to drive the “multifunctionality” and “post-productivist” paradigms of rural development (i.e. tourism, recreation, natural heritage activities etc) tend to be predominantly in the “secondary segment”. Therefore the ability of these forms of rural change to deliver improvements in job security, income or social mobility to rural areas seems at least open to question.

3.1.4 Differential Processes of Change in Accessible and Peripheral Areas

As we have seen above, accessible rural areas of Europe are subject to a combination of restructuring and counter-urbanisation processes associated with the increasing dominance of the New Rural Economy. The most peripheral regions of Europe are to a greater or lesser extent insulated from these processes. Recent analyses have suggested that the constraints to economic development associated with peripheral location are continuing to evolve in a complex way, in response to technological changes in travel and transport, improvements in infrastructure, changes in the way in which logistics are provided and required, structural shifts in economic activity, and individual travel behaviour (Copus 2007). Some of these changes will result in expanded employment opportunities for remote rural areas, but some of them are likely to strengthen the competition they face from more accessible areas. Overall the net effect of these changes on the rural periphery seems likely to be negative, especially if the long-term upward pressure on fuel prices resumes after the current respite due to the economic slowdown.

The divergence between accessible rural areas, increasingly dominated by the NRE, and the peripheral areas, where development options are more limited, (resources or land based activities), becomes more emphatic in terms of levels of socio-economic well-being and social mobility due to the differentiation between the NRE and more traditional rural activities in terms of labour market segmentation.

3.1.5 Pattern Complexity due to Local Soft Factors

The AsPIRE project (Copus *et al* 2004) has drawn attention to the significance of “soft” and “aspatial” regional characteristics, including human and social capital, institutional capacity, the strength and orientation of local business networks, or entrepreneurial traditions, in ameliorating or exacerbating the challenges attributable to peripheral location. The obverse applies in accessible areas. The development path followed by any individual rural area seems to be determined by a finely balanced interaction of positive and negative factors, both exogenous and endogenous. This again points to increasing differentiation between rural areas, both within the periphery, and in more accessible areas.

3.2. Narratives/pathways of rural change

The early stages of the EDORA project are intended to set observed pattern and changes in rural Europe within a clear conceptual framework, featuring a number of common “development pathways”. This framework will be elaborated in the report for Activity 2.12, which seeks to synthesise the findings of the nine thematic reports of Activity 2.11 (of which this is one). Activity 2.13, which focuses upon twelve “exemplar regions”, will provide further insights on the observed processes of change, whilst the regional typology (Activity 2.22) will provide a classification of NUTS 3 regions which reflects the key differences in terms of the main environments within which the common development paths occur.

Underlying the various common development paths for rural regions are three “Grand Narratives”. These are powerful, overarching, generic/secular trends which affect the development paths followed by all regions, but in different combinations and to different degrees. They have been termed:

- (i) The agri-centric narrative
- (ii) The urban-rural narrative
- (iii) The capitalist penetration narrative

For a detailed description of these see the report on Activity 2.12.

In this section we aim to briefly summarise the material presented in sections 2 and 3.1 above in terms two typical “development paths” which are evident in the literature on rural employment.

- (a) In accessible intermediate rural areas the dominant development path may be described in terms of the increasing dominance of non-agricultural sources of employment (i.e. the New Rural Economy). This is associated with features associated with the primary segment of the labour market, such as relatively high levels of education and training, relative security of employment, job changes associated with promotion and career advancement, formal recruitment processes and so on. Multiple job holding and part time working are less common here. Generally speaking such regions are characterised by relatively positive trends in income and quality of life.
- (b) In the more remote and predominantly rural regions a common development path (in an employment perspective) is towards a labour force characterised by ageing and depleting human capital (due to selective out-migration).

Agriculture and other primary industries may continue to play a significant role in such regions. Infrastructural improvements may exacerbate the structural weaknesses of the local economy, (and hinder a shift into NRE activities) due to increased competition from more accessible areas. Part-time working and multiple job holding are common. The characteristics of a secondary segment of the labour market, insecurity, low levels of education and training, job moves triggered by redundancy and rarely associated with promotion, informal job search processes, and so on are very evident. Such regions may exhibit considerable fragility in terms of socio-economic trends.

These two typical narratives interplay within a complex and fluid pattern/process of “functional area enlargement”, within which the interdependency of urban centres and their rural areas has been intensified and extended by increased commuting over longer distances, “employment counter-urbanisation” and the increasing involvement of farm families in the wider labour market.

In addition the both development paths are very often affected by local soft factors, such as the quality of human/social capital, institutional capacity, business networks, entrepreneurial traditions and so on. As a result the degree of disparity, or differentiation, within rural areas, whether accessible or remote, may be substantial.

4. PROPOSAL FOR THEME RELATED INDICATORS

The above discussion of drivers, opportunities, constraints and narratives of change suggest that indicators should be sought to explore the possibilities of mapping the European regional patterns of the following aspects of rural employment:

- (i) Restructuring (i.e. the changing role of primary, secondary and tertiary sectors).
- (ii) Patterns of employment in agriculturally related industries, and in activities associated with multifunctionality and post-productivism (e.g. tourism, natural heritage-based activities).
- (iii) Patterns of urban-rural interaction, i.e. commuting.
- (iv) Indicators of possible labour market segmentation (or more specifically, the secondary segment).

Table 1 provides some suggestions of potential data sources at an appropriate regional level (NUTS 2 or 3). Clearly this is a pragmatic proposal, based on data which is readily available, without too many gaps, and using reasonable proxies where direct measurement is not possible. Of the four categories above, (iii) is not covered. One potential source, Labour Force Survey data on commuting, (reg_lfe2ecomm), is unfortunately rendered unreliable because it is based upon a criteria of travelling to work across NUTS 2 boundaries. The size of NUTS 2 regions and variability between MS is in this context problematic.

Table 1: Proposal for Indicators Relating to Rural Employment

Concept/Issue	Brief Description of Indicator	Type:	Potential Source(s)	NUTS Level
		P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
Relative importance of Primary Sector v. NRE	Percentage of employment in primary sector (NACE A-B), secondary sector (NACE C-F) and tertiary sector (NACE G-P)	P	Eurostat REGIO table reg_e3empl95	3
	Percentage of GVA in the following NACE classifications: A-B, C-E, F, G-I, JK, L-P (Note the GVA database is more complete and up to date than that of employment – it's a good proxy)	P	Eurostat REGIO table reg_e3vabp95	3
	Percentage change in GVA by NACE category (as above) over the most recent 5 or 10 years (experiment to see what gives most useful/interesting results).	T	Ditto	3
	Percentage employed in agriculturally related industries: (NACE categories DA, DC, DD, DE, g512, g513)	P	Eurostat REGIO Structural Business Statistics Table sbs_r_nuts03	2
The importance of tourism and natural heritage employment (proxy indicators)	Number of bed places in all forms of collective accommodation	P	Eurostat REGIO Tourism statistics table tour_cap_nuts3	3
	Number of nights spent by non-residents in all forms of collective accommodation	P	Eurostat REGIO Tourism statistics table tour_occ_nin2	2
	Degree of proximity to natural areas	P	Green paper on Territorial cohesion, Annex Map 6 + pers. Comm..	3
Potential Indicators of segmentation	Percentage of workforce self-employed	P	Eurostat REGIO Regional LFS data, table reg_lfe2estat	2
	Percentage of employed part-time	P	Eurostat REGIO Regional LFS data, table reg_lfe2eftpt	2
	Percentage with only ISCED 0-2 or ISCED 3-4 (experiment)	P	Eurostat REGIO Regional LFS data, table reg_lfe2eedu	
	Percentage long-term unemployed	P	Eurostat REGIO Regional LFS data, table reg_lfu2ltu	

5. THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

5.1. The process of ‘urban-rural shift’ or the ‘rural turn around’.

5.1.1 *The implications:*

Due to this process the functional interdependencies between rural and urban areas will be much more pronounced in the future in the form of employment counter-urbanization, commuting patterns and consumption countryside (tourism, recreation, food niches, services). This process will not change rural labour markets of all rural areas equally. The functional interdependencies between rural and urban areas will be more pronounced in rural labour markets of more accessible rural areas than in more remote rural areas.

5.1.2 *Hypotheses:*

- In general, labour markets in more accessible rural areas will be better off at responding to urban-rural shift than those in remote rural areas.
- At least due to geographical nearness to urban centres (e.g. access to basic services and institutions required for economic activities and everyday living) flow of better educated and skilled people on the daily basis or more permanently will be greater in accessible rural areas than in more remote rural areas.
- Consequently more new and better (primary segment) and non-farm economy jobs for new comers as well as for local people will be created in more accessible rural areas than in remote rural areas.
- In the case of eventual policy interventions (e.g. in the form of facilitating service sector improvements and entrepreneurship incentives) new jobs can be created also in more remote rural areas (especially in the new EU member states).
- However, new jobs in remote rural areas will be still primarily confined or related to farming and other land use activities than to non-farm economy. E.g. increased employment opportunities could emerge in production of special food products and management of ‘green services’ in accordance with the tendency of consumption countryside.

5.1.3 *Future perspectives:*

In short term the process of ‘urban-rural shift’ or the ‘rural turn around’ related to employment will have several implications for rural areas: demographic, spatial, economic, and social. Due to increased flow of people from urban to rural areas the concentration of jobs and consequently population density of accessible rural areas will intensify. This process will improve the situation of population in these areas: increase in income, development of infrastructure, access to services, and greater social inclusion (the appearance of cooperation or conflict among new-comers and the locals can be expected too). But concentration of jobs and population density will also have an impact on the appearance of landscape, its amenities and biodiversity through the use of land for construction of business and residence buildings and infrastructure. From that point of view these areas might gradually become pretty similar to urban areas in terms of lifestyle. On the contrary more remote rural areas, especially those less able to respond to the opportunities of ‘urban-rural shift’ might face further out-migration and consequently decreasing population density and increased social exclusion due to scarce basic social services. But due to less extensive construction interventions, more remote rural areas can also develop other type or ‘rural economy’ for its population based on more preserved natural amenities and biodiversity and make decent living from exploiting that resources.

Thus, urban-rural shift might have long term implication in terms of leading gradually to a greater differentiation (patchwork) among rural areas. At least four types of different rural areas might be foreseen: 1. accessible rural areas with plenty of high quality employment opportunities based on coexistence of non-farm and farm production within adjusted economic development to natural resources (preserved countryside as denoted by Marsden (2003)); 2. accessible rural areas where newcomers' interests in new job creation are in conflict with interests of longstanding residents (contested countryside as denoted by Marsden (2003)); 3. peripheral (depopulated) rural areas where there are low opportunities for new job creation and 4. rural areas which manage to draw new jobs through entrepreneurial valorisation of local resources despite their remoteness.

5.2. The ongoing reform of the CAP, EU enlargement and more liberal world trade in agricultural products, allied to increasing society/consumer demands.

5.2.1 The implications:

These processes of global competition in food production provide grounds for restructuring - reorganisation and rationalisation of rural economy - a shift towards rural development, involving the changing nature of agricultural activity in terms of its multifunctionality and increased importance of the non-farm economy. A transition towards the development of multifunctional rural space is not limited only to agriculture but is an essential feature of all rural economic activities including protection and management of Europe's rich heritage of rural landscapes and cultural diversity. The implications of these processes on employment and job creation in rural areas are manifold and significant. Restructuring containing increased regulation and adjustment to a number of strict requirements act as an entry barrier for many enterprises in rural areas (especially in the new Member States). However, in this regard rural regions differ among each other in their capacity in responding to the challenges of global competition and restructuring of rural economy particularly due to their varied quality of initial human capital (level of education and skills, opportunities for primary and additional trainings, inclination towards change,...) and level of infrastructural development and access to new technologies. One of the implications of global competition is also witnessed in increased tendency towards multiple jobs holding and part-time work among rural residents living in more remote rural areas.

5.2.2 Hypotheses:

- In rural areas relying on inward, exogenously-led resources in the form of attraction of external companies and educated work force; making linkages with external clusters and knowledge providers; incorporated into the framework of national and European knowledge and innovation systems more new jobs of higher quality will be created than in rural areas relying only on existent natural and human resources.
- The process of restructuring of rural economy will be more intensive and accomplished in accessible rural areas than in more remote rural areas especially pertaining to creation of new jobs in non-farm and primary labour market sector.
- Competition for jobs especially for high quality jobs in primary labour market sector will be minor in more remote rural areas, in event they will be created there, than in accessible rural ones due to lower amount of highly qualified work force there.
- Multiple jobs holding and part-time jobs will be more frequent in remote, peripheral rural areas (especially in the new Member States) than in accessible rural ones due to lower opportunities to find high quality (permanent and full-time) jobs.
- With entrepreneurial and self-employment promotions through policy measures in the form of better regulation, coordination of delivery of support and development of specific approaches for micro-business in rural space the opportunities for new jobs creation will increase in more remote rural areas.

5.2.3 Future perspectives:

In the circumstances of increased global competition the lagging of peripheral and remote rural areas with respect to new job creation and restructuring of its economy will continue or even accelerate in spite of extant opportunities of these regions (natural amenities, richness of natural resources, biodiversity, and cultural heritage). As anticipated from the literature bigger and smaller enterprises will be better off to adjust their cost of production due to increased competition and consequently to maintain the post and income of their employees and workers than medium scale enterprises. For rural areas this indicate good opportunities for self-employment, but rather unfavourable chances for medium-size enterprises that could accumulate more resources for development of human capital and on the long-term provide new jobs.

Development of multifunctional agriculture and restructuring of rural economy is going to have rather limited prospects in peripheral and remote rural areas unless the policy interventions are introduced: e.g. incentives and assistance in acquiring information, financial resources, new knowledge and skills needed for taking part in the global markets. In peripheral and remote areas (especially those in the new Member States) non-farm employment has minor prospects as well since changes in that direction are hindered by unfavourable age and educational structure of the population and prevailing mentality not very much in favour of changes (e.g. rather low self-confidence in own abilities, especially among women, to take part in entrepreneurial activities). Current policies that enforce competitiveness (e.g. CAP principals and measures) are not considering enough that rural areas in the EU differ very much among each other in terms of their capacities to adjust to globalisation and general ability to develop opportunities on the open market. For that reason many initiatives will not reach those who would really need that kind of assistance the most. As mentioned earlier population characteristics of these regions hinder them from inclusion in pretty demanding system of regulations and requirements that need to be fulfilled e.g. at each tender competition. This is specially the case of rural areas in the new Member States, where abilities of majority or rural dwellers to participate in such competitions are minimal. Additionally, services advising in new business and job searching, offering recent information about various calls and assisting at tenders' preparation are still weakly developed as well.

6. DISCUSSION OF POLICY IMPLICATIONS

6.1. Policy priorities emerging from the above discussion:

- (a) **Geographical:** Clearly accessible regions which are within the sphere of influence of urban areas, which are already well into the process of diversification, with a substantial NRE component to their local economy, are less in need of policy assistance than remote regions which have few options outside land or resource-based activities. Whilst “equalisation” can no longer be the guiding principle, and interventions must correspond to some identified potential, neither is it right that scarce resources are employed in areas which are likely to continue to show positive trends irrespective of policy intervention.

It is also clear that accessibility may be necessary, but is not sufficient for dynamic development trends. Intervention may also be appropriate in accessible areas which for some reason (often relating to some aspect of human or social capital) have lagged behind in developing NRE activities.

- (b) **Individual:** Across all rural areas there is a need to address the issue of segmentation, and the barriers which may make it very difficult for those with a background of working in secondary segment rural activities to move into NRE activities.

6.2. Some Observations on Current Rural and Regional Development Policy Arrangements

- (i) Careful consideration needs to be given to the implications of the dominant multifunctionality/post-productivist ethos of European Agricultural Fund for Rural Development (EAFRD)-funded rural development programmes, which place heavy emphasis on the role of diversification into activities which will allow farmers to be “rewarded” for the public goods they provide.

In remote areas, with substantial levels of agricultural activity, and where alternative options are limited, such approaches may be valid, although the segmentation implications should also be recognised, and if possible, addressed.

It has to be questioned, however, whether it is appropriate to offer the same menu of measures in regions which are accessible, dynamic, relatively prosperous, and where farm households are a very small minority. If there is a need for EAFRD (employment-related) intervention in this context it is perhaps more appropriate to consider ways to tackle the barriers which may prevent farm households from entering primary NRE employment segment.

- (ii) In the current programming period and across the EU27 as a whole, €14bn, less than 7% of planned EAFRD expenditure is allocated to measures directly addressing human capital issues. A little less than 8% (€17bn) has been allocated to “local capacity building” measures. This allocation is a consequence partly of choices by the member state, which select and prioritise measures from the Rural Development Regulation “menu”, and partly of the axis limits set by the Commission. Careful consideration should be given to the question of whether this process has resulted in a balance which is appropriate to the needs of different rural areas within the EU.

- (iii) There is undoubtedly a role for Cohesion policy to address the needs of those rural regions in the more accessible parts of the EU which for some reason have failed to

restructure, and participate in the NRE. Consideration should be given to “soft” issues, such as human/social capital constraints such as a lack of entrepreneurial culture, perhaps associated with a dependency culture due to particular wage-employment traditions (such as coal-mining or steel-working etc)

6.3. Policy Issues relating to Specific Employment Sectors

- (i) Support for rural tourism should address the particular issues of seasonality, integration, and the need for institutional support, including place marketing.
- (ii) In the case of social services, rural tourism, natural heritage-based activities and those based upon local culture and heritage there is a pressing need for an improved evidence base in the form of regular, standardised and comparative statistics.
- (iii) Support for farm tourism and natural heritage-based activities often improves job security, and addresses under-employment, but does little to create new jobs in the countryside. This does not mean it is not worth doing, but expectations (and claims about impacts) need to be realistic.
- (iv) Developments in the food industry with increased regulation of the food production require more skilled and educated workforce as it was up to now. At the same time productivity trends (e.g. cost cutting) in this sector give many new opportunities for job creation in rural areas. In order to take advantage of this process transfer of new skills to rural and farm populations pertaining to technological developments should be supported.
- (v) A transfer of new knowledge in developments of alternative energy technologies also needs to be addressed to overcome a major educational gap that hinders creation of new jobs in that kind of activities. Additional research is also needed in respect to facilitate responsiveness of rural and farm population for jobs in the field of alternative energy production.
- (vi) In order to preserve existent level of employment in forest industry, patterns of production and marketing need to be reviewed and altered. Improvements in employment quality such as wages, training and career prospects, as well as working environment and safety, are critical to maintain adequate levels of employment.

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EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 3

Scientific Working Paper No. 3

Rural Business Development

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SUMMARY

The present working paper reviews literature and data concerning rural business development in Europe. A conceptual framework based on conventional business theory is reviewed. The present work reviews four major themes related to business development.

Business performance. This theme defines the alternative approaches framing business growth (the ultimate goal of any rural business development policy) in various disciplines and attempts to explain the importance of business stock for the prospects of an area.

Business networks. This theme examines the concept of business networks as an opportunity and constraint for the development of rural businesses.

Business innovation. This theme examines the concept of business as well as spatial innovation as an opportunity and constraint for the development of rural businesses.

Business clusters. This theme examines the concept of business clusters as an opportunity and constraint for the development of rural businesses as well as an emerging rural development strategy.

Then, the state of the art is presented by reviewing the conceptual and theoretical approaches and the empirical evidence/analyses for each of the themes identified above. We explore the concepts of drivers of change and of the opportunities and constraints related to each of these themes and we propose a series of indicators related to each theme.

Finally, we attempt to formulate a series of hypotheses relating each theme to future perspectives and discuss the policy implications of our work by reviewing current European policies.

1. INTRODUCTION

1.1. Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- o The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- o The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- o The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

1.2. The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “drivers” of change, from regional or local structures and characteristics which either allow development “opportunities” to be exploited, or act as “constraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment

- (c) Rural business development
- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3. Introduction to the theme

A resurgence of many remote and extremely peripheral economies was observed in the 90s and firms located in these areas have overcome some of the peripheral disadvantages. Certain mountainous and lagging areas experienced the birth of small sized dynamic firms and the formation of new industries that have input and structures independent from older industries. Those firms enjoy 'windows of locational opportunity' (Storper, 1997, p. 10) and develop along pathways or trajectories that are different from the corresponding pathways or trajectories of those firms still attached to old stocks of external economies. Although the term 'windows of locational opportunity' was used by Storper and Walker (1989) to describe the locational freedom enjoyed by companies in young industries and at certain stages, we can use the same term in a rural context to describe new companies that emerge out of old and conventional industries due to the activity of entrepreneurs making use of locally specific tangible and intangible resources. Piore and Sabel (1984), have shown that since the emergence of the 'industrial divide', contemporary capitalist development is both localized and territorially specific, sharing, however, the common forces of flexibility and specialization. Trajectories of firm development may be also localized and territorially specific but may also share a common pathway of flexibility and specialization.

European rural areas, especially those in disadvantaged locations, have always been regarded as problematic areas and targeted by use of measures of rural and regional development policy. The aim of this work is to provide a new interpretation of the forces at work in the development of firms located in rural areas with a varying physical and economic environment. Why are firms located and operate in rural areas with an adverse environment and which are the 'windows of locational opportunity' in this case? How do these firms instigate development and which are the development trajectories for these firms? Which are the forces supporting business development in rural areas?

Research has attempted to explain why businesses in various locations grow. Evidence from research on city growth shows that business growth is assisted by scale economies and the successful operation of agglomeration economies (Glaeser et al., 1992; Henderson et al., 1995). Rural areas are characterized by low population density and a low concentration of businesses that, by definition, prohibits the operation of either urbanization (scale) economies or the operation of static or dynamic localization economies in the conventional sense (Marshall-Arrow-Romer or

Jacobs economies). Thus, the argument that businesses in rural areas can derive benefits (productivity gains or increased innovative activity, Henderson, 2003; Audretsch and Feldman, 1999) from the operation of agglomeration economies is rather weak. Furthermore, the growth of businesses in certain rural lagging areas cannot be keyed into the SME internalization debates (Coviello and Jones, 2004; Lu and Beamish, 2001; Westhead et al., 2001) due to the low international exporting activity of such firms. The economic (or export) base model of local economic development, centered on the geographic extent of linkages of local firms (van Dijk and Sverrisson, 2003) could be a promising alternative. In most European rural lagging areas, however, the conventional natural resource base sectors of agriculture, forestry, fishing and mining experienced a dramatic downturn in the last two decades and their under-performance cannot justify a contribution to local development.

The theoretical groundwork for our research utilizes developments in strategic entrepreneurship (Shane and Venkataraman, 2000; Hitt et al., 2001) and the resource-based view of firms (Greene and Brown, 1997). The level and type of entrepreneurship exhibited in rural areas is very distinct from the respective entrepreneurial activity in urban areas due to the external environment and the association between this environment and the firm's resources (Stathopoulou et al., 2004). Strategic entrepreneurship suggests that entrepreneurial actions can entail creating resources or combining existing resources in new ways to develop and commercialize new products and service new customers and markets (Lu and Beamish, 2001; Hitt et al., 2001) which is, basically, very similar to the geographic view of 'windows of locational opportunity' introduced by Storper (1997, p. 10).

A range of drivers may be classified into two major categories. Firstly, the category that is concerned with the changes occurred in production. These changes are either concern with changing production away from agriculture and into services or small scale manufacturing activities or within agriculture from conventional large scale agriculture towards more quality and locally denominated production. Secondly, the category that is concerned with the changes occurred in consumption. Rising incomes have increased spending into recreational activities and amenities of urban based population in rural areas while spending in food moves towards more quality food conforming with higher safety and hygienic standards as well as other trends such as dietary requirements. These two major drivers are regulated by a policy context which on the one hand assists an exodus out of farming and into the production of other rural services such as conservation and amenities and on the other hands facilitates the production of non-conventional agricultural and food products. At the same time extensive hard type policy interventions increased infrastructure in transportation and communication technologies and while soft type interventions raised training opportunities. These drivers create entrepreneurial opportunities and instigate entrepreneurial activity in rural areas. One example will illuminate the argument. The need to out of conventional agricultural production due to gloomy prospects and decreasing support (production driver) and the need to produce a product with better market prospects according to changing consumer demand (consumption driver) which, for example may be a denominated product or an organic product will meet the regulations protecting denominated production (or organic production) that create an entrepreneurial opportunity.

The fact that an entrepreneurial activity exists it does not imply that the opportunity will be realised and converted to the establishment and growth of a business. From the really large range of factors that may act as opportunities and constraints in realising new entrepreneurial opportunities in rural areas we isolate three major categories. Firstly, those related to the operation of business networks that are

deeply rooted to the social and institutional capital of an area. Secondly, the ability to innovate. Innovation should not be considered placeless and innovative activity is related to the characteristics of the rural firms but also to the features of the place. Thirdly, the operation of local/regional clusters. Returning to our theoretical resource-based view of firms, business networks and clusters and innovative activity may act as resources available to a rural firm in an area which may be internalised and support more competitive production. Going back to our example above, the production, consumption and regulation drivers create an entrepreneurial opportunity in the form of denominated production. The establishment and operation of appropriate business networks (alternative supply chains) will assist the firm to produce if this firm has access to the network. The operation of a tourism cluster will also assist the firm to channel its products to alternative local source. Finally, access to innovative activity may help the firm to channel its products to innovative food firms or to innovate a new product or a new process for itself. On the contrary, the absence of alternative business networks, a local lock-in into well established conventional networks or the production of conventional low priced food in a low innovation activity, may constrain the attempt to realise the entrepreneurial opportunity. As such, those factors supporting firms to realise entrepreneurial opportunities may, at the same time, adhere people from realising them.

To summarize the discussion so far we view production, consumption and regulation drivers as factors creating (or destroying) entrepreneurial opportunities. The operation of business networks, business clusters and the innovative activity in the area are external factors (resources) that assist the entrepreneur to internalise them for his/her own benefit. Then, these factors are opportunities facilitating successful business creation. However, the same factors may act as barrier to the entrepreneur. Then, these factors are constraints adhering the successful business creation and growth.

1.4. Methodology and data sources

The methodology of this paper is solely dependent upon literature and data review. Literature spans from academic papers to policy documents and working papers. The themes of the literature searched were also very broad to include standard business development literature, rural businesses in particular as well as various issues in the business literature such as business innovation, business networking and the formulation of business clusters.

Data for rural business development are rather difficult to locate at a European level and especially at low level of spatial disaggregation, i.e. lower than NUTS II. Data on business performance and growth are not available as European business surveys such as the European's Business Observatory surveys are not available with a geographic location indication for the participated firms. Data on business networks are also rare and not systematically available. Business innovation data are available from the European Regional Innovation Scoreboard survey while data on business clusters are available from the European Clusters Observatory.

The challenge of this literature review was to keep a balance between standard business theory while maintaining the essential and unique characteristics of rural businesses. Conventional theories of business growth and performance are applicable to all businesses, rural or urban. However, rural businesses have some features that differentiate them from their urban partners. These features, sometimes, differentiate their behaviour and call upon a different conceptual framework.

1.5. The structure of this report

Following our conceptual framework presented in 1.3 above we will focus on four major themes:

1) Business performance

This theme defines the alternative approaches framing business growth (the ultimate goal of any rural business development policy) in various disciplines and attempts to explain the importance of business stock for the prospects of an area.

2) Business networks

This theme examines the concept of business networks as an opportunity and constraint for the development of rural businesses.

3) Business innovation

This theme examines the concept of business as well as spatial innovation as an opportunity and constraint for the development of rural businesses.

4) Business clusters

This theme examines the concept of business clusters as an opportunity and constraint for the development of rural businesses as well as an emerging rural development strategy.

Section 2 presents the state of the art by reviewing the conceptual and theoretical approaches and the empirical evidence/analyses for each of the themes identified above. Section 3 explores the concepts of drivers of change and of the opportunities and constraints related to each of the themes identified above. Section 4 proposes indicators related to each theme while section 5 attempts to formulate hypotheses relating each theme to future perspectives. Section 6 discusses the policy implications of our work by reviewing current policies.

2. THE STATE-OF-ART

2.1. Conceptual and theoretical approaches

The Rural non-Farm Business

Rural locations over Europe are characterized by the existence of micro-businesses (firms employing less than 10 employees) which are thought to be different from their urban located counterparts. Besides the sharp focus of rural micro-businesses to food processing and food related activities in the manufacturing sector and tourism, recreation and amenities provision in the tertiary sector, other differences also exist. As such, the study of rural enterprises may get elements from the conventional micro businesses strand of the literature but should also keep in mind the differences that cause the behaviour and responsiveness of rural micro businesses to deviate from the conventional-urban business behaviour. The differences are imposed by the firms' location creating a different external environment and by their own resources or internal environment. Rural locations are characterized by lower population densities and restricted markets for products and services forcing businesses to address non-local markets, with distant customers and consumers. This distance imposes hard

type costs including transportation costs and logistics as well as soft type costs of frequent face-to-face communication enabling firms to get reactions from their customers, market information, etc. The rural location frequently imposes restriction to the basic economic inputs for rural businesses. Provision of capital is more constrained in rural areas not only because the available capital is less but also because the availability of financial institutions are less diverse than in urban locations. The amount and quality of labour is acknowledged different than that in urban locations while land or buildings are less available making rural firms to face difficulties when an expansion of existing or the search for a new premise is considered.

The rural firm's internal environment is also slightly different from its urban counterpart. It is not only that rural businesses are resource constrained in terms of financial and human capital but also they are in more difficult position as concerns information retrieval and knowledge. Besides the fact that rural businesses are more distanced from their customers also they are more distanced from sources of information and knowledge and especially the tacit part of knowledge that is only transmitted with the physical presence of the entrepreneur. Finally one should note that the basic entrepreneurial goals of rural businessmen may be slightly different of those in urban places because profit maximization is not always their first goal as other goals such as the sense of independence, the provision of labour to family members, a sense of doing something for the community or even a lifestyle sometimes prevail strict economic goals.

Unfortunately, the academic literature on micro rural businesses is not well developed and thus there are not theoretical explanations for the effects these different external and internal factors may have on the behaviour (set up, growth and survival) of rural firms. Consequently, we will draw from the conventional academic literature on small businesses and we will attempt to point out findings concerning the rural business in particular when they exist.

2.1.1 Business Performance (Growth and Survival)

The definition of successful business performance is a controversial issue in business economics, largely due to the multidimensional meanings and goals that have been assigned to entrepreneurship. Research on performance measurement generates from organization theory and strategic management. Murphy et al. (1996) have provided the most complete account of the changing meaning and measurement of performance in entrepreneurship research up to the mid 90's. Organization theory and strategic management research have provided the grounds on which business performance is measured and assessed. Financial performance is at the core of the organizational effectiveness domain (Chakravarthy, 1986) while operational performance measures concepts such as product quality and market share and defines a broader conceptualization of organizational performance by focusing on factors that ultimately lead to financial performance (Hofer, 1987; Kaplan, 1983). However, Venkatraman and Ramanujam (1986), suggest that the operational as well as the financial aspects of performance should be considered so as performance could be improved by examining multiple dimensions of performance, an issue that has been highly stressed by several authors (Kaplan, 1983; Gupta, 1987; Venkatraman and Ramanujam, 1986; Randolph et al., 1991). In that sense, several measures of firm performance have been examined in the business and economics literature. Financial performance is often identified with profit, and sometimes with market power. Performance most commonly used proxies are Return on Sales (ROS), Return on Investment (ROI) and Return on Assets (ROA). In particular, ROA is widely regarded as the most useful measure and ultimate 'bottom

line' test of business performance (Reese and Cool, 1978; Scherer, 1979; Long and Ravenscraft, 1984), despite occasional criticism (Fisher and McGowan, 1983; Benston, 1985). However, the sole use of financial indicators as indicators of performance measurement has been severely criticized (Tangen, 2004).

Durand and Coeurderoy (2001), developed a more complete index measuring organizational performance by five items indicating profitability, return on assets, growth of sales, growth of margins and growth of the number of employees. Tobin's q and the return on the replacement value of assets are also measures of accounting profitability used to assess firm performance (McGahan, 1999; Lang and Stulz, 1994; Lindenberg and Ross, 1980; Salinger, 1984). Voulgaris et al. (2000) define SME performance on the basis of a financial ratio analysis based on a multiple criteria decision aid (MCDA) method (Jacquet-Lagrange, 1995; Doumpos and Zopounidis, 1998) enabling them to classify SMEs into appropriate homogenous classes according to their financial performance. Glancey (1998), defined corporate performance as profitability measured by average operating profits divided by average total assets, and growth measured by average annual growth rate of total assets. Nickell (1996) examined the effect of competition on corporate performance by defining the level of total factor productivity as the value of sales and the value-added deflated by a three-digit industry-specific price deflator while Mudambi and Nicosia (1998) measured firm performance using the actual and abnormal rate of return on the stock market.

A wide range of factors may influence firm performance. In general, the factors influencing business performance are classified into three categories. Firstly, factors specific to the firm under consideration (firm specific factors), secondly, factors specific to the sector of economic activity (sector specific factors) and thirdly, factors specific to the macroeconomic environment of the region/country and the time period of assessment (economy-wide specific factors). The most influential firm specific factors include the firm's size, capital accumulation, competition and age, while sector specific factors include mainly the business cycle and growth. Economy-wide factors account for interest and unemployment rates and exchange rates especially for exporting sectors (Tzelepis and Skuras, 2004; 2006).

The literature related to firm survival is vast and a set of stylized facts concerning factors affecting firm exit has emerged (Geroski, 1995). However, there are not specific conceptual frameworks or analyses relating firm survival to the concepts of rural-urban space, albeit limited works concerning with the food industry (Dimara et al., 2008).

Relating business performance and business survival will, nevertheless, led us to question how the three categories of business performance are to be considered in isolation or, on the contrary, one should pay an increasing attention to their forms of interconnection. Accordingly, the following sections will refer to the recent theoretical developments aimed to tackle those issues.

2.1.2 Business Networks

Business networks are important determinants of business performance (and in many cases survival) and research in this area has yielded a number of important findings (Hoang and Antoncic, 2003). A network is a structure in which a number of nodes are related to each other by specific threads (Håkansson and Ford, 2002). Both threads and nodes are rich in resources, knowledge and understanding as a result of complex interactions, adaptations and investments within and among firms over time. Other definitions of business networks and networking tend to focus on the

issue of relationships created among businesses. In that sense, business networks are defined as “an integrated and co-ordinated set of ongoing economic and non-economic relations embedded within, among and outside business firms” (Yeung, 1994). Several researchers (Aldrich et al., 1987; 1989; Sanders and Nee, 1996) argue that networks and their surroundings (resources, actions, support) are useful when it comes to starting new firms, and thus, networks and especially social networks motivate entrepreneurship. As a social structure business networking exists only so far as the individual understands and uses a network (Johannisson, 1995; Monsted, 1995; Chell and Baines, 2000). It is acknowledged that especially for SMEs, which are the dominant form of enterprise in rural areas, firms can overcome some of the assumed disadvantages of limited size through accessing and utilizing external resources in the network (Havnes and Senneseth, 2001).

Informal business interactions are based on trust, friendship or family relations. The so called ‘personal network perspective’, focuses on entrepreneurship as embedded in a social context, channelled and facilitated or constrained and inhibited by people’s positions in social networks (Aldrich and Zimmer, 1986). In contrast, formal networks are composed of business entrepreneurs, banks, accountants, creditors, legal representatives and trade associations (Littunen, 2000a). Personal networks are considered central canals for accessing information that is often useful, exclusive and valuable, as it might come from distant and different parts of the social system (Granovetter, 1974; 1983). Enduring personalized relationships convert trust and asymmetrical power into assets that create exclusivity in individuals dealing with each other (Kalantaridis, 1996). The family network is a special example of a social network that is of great importance to the periphery. It admits employees recruited from the family and provides emotional support (Brüderl and Preisendörfer, 1998).

Another important feature of peripheral and rural business networks concerns with their spatial expansion. The terminology of vertical and horizontal networks is used in business and industrial economics to indicate networks linking businesses at different stages of the production chain (vertical linkages) and at the same stage of production (horizontal linkages). The first attempt to define the same terms under a spatial perspective first appears in Murdoch (2000) with the term ‘vertical networks’ referring to those networks linking rural spaces into the agro-food sector and the term ‘horizontal networks’ referring to those networks that link rural spaces into more general and non-agricultural processes of economic change. This is a clear spatial-sectoral view of network operation focusing on the agro-food sector. Building on Murdoch’s (2000) suggestion that the concept of network can provide a new paradigm of rural development, Kneafsey et al (2001), have, in a sense, redefined the concept provided by Murdoch and adapted it to a culture economy framework giving it a more spatial focus. According to Kneafsey et al. (2001), vertical networks allow local enterprises to forge alliances with externally located consumers, suppliers, distributors, retailers and institutions. Thus, these vertical networks are fundamental to the long term prosperity of a marginal (peripheral) region. On the other hand, horizontal networks provide relationships with locally based producers, institutions, and consumers. Business networks linking local businesses or linking local businesses to their nonlocal counterparts are an example of aspatial factors which interact with peripherality. The importance of effective local business networks is highlighted by the literature on regional competitiveness (Porter, 1990) and “flexible specialisation” (Piore & Sable, 1984), and on the determinants of local variations in innovation and entrepreneurship (Asheim, 1996) while networks linking local businesses with non-local ones are means of tapping into external area resources. These networks are the medium for both business transactions and less tangible “untraded interdependencies” (Storper, 1997). Such networks seem to

provide an alternative to more conventional agglomerative economies as a stimulus to local development.

Commodity networks are a special variant of networks putting the focus on webs of interdependence that exist among different actors in the rural economy (O'Neill and Whatmore, 2000) and along the supply chain. Commodity networks integrate vertical and horizontal dimensions of commodity movement overcoming problems associated with supply chains and circuits (Whatmore and Thorne, 1997; Murdoch, 2000) and therefore can be seen as a fusion of ideas from commodity chains and geographies of consumption (Crewe, 2000; Hughes, 2000). The re-emergence of local quality production in rural areas has witnessed new and alternative systems of food provisions that enhance the concept of commodity networks and show how networks can adapt to facilitate new production relationships and approaches (Watts et al., 2005).

Special attention should be paid to the role of networks as channels of information flow and as factors promoting or inhibiting business innovation. Business networks are considered as factors that can bond actors in a specific locality and concurrently can bridge actors with the non-local environment. Strong local networks facilitate transmission of information (on new technology, potential demand, matching partners, etc.), decrease transaction costs through prevailing trust and loyalty (linked to social capital) and facilitate collective action or even lobbying. On the other hand, very strong local networks may discourage economic agents from seeking new opportunities, drive individuals to have low incentives and presents a considerable range of exclusion effects. The entrepreneurs' embeddedness with the local economic and social environment is an important feature influencing the creation of certain networks (Benneworth, 2004) which, in turn, may support innovative activity (Boschma, 2005) or lead to lock-ins (Hassink, 2005). Burt's (2001) sociometric analysis has pointed out that strong local ties may be effective in a static world but may work in the opposite direction in a dynamic environment. Legendijk and Oinas (2005) recognize the need to understand the role of networks linking the local to the non-local as a domain where local firms may tap into different technical and institutional resources, for economic interaction, local economic growth and development. Business and non-business networks is a route out of the regional cage advocating a move away from the topological presuppositions of the bounded region (Bunnell and Coe, 2001) and the physically distanced knowledge exploration and/or exploitation systems. The effect of commercial customers or consumers on the innovative activity of firms is well acknowledged in academic work (see for example Von Hippel, 2005). Forward and backward linkages form part of a firm's relational capital and have important effects on the localization and efficiency of productive activity (Romero and Santos, 2007) as well as on innovation (Vazquez, 2002; Capello and Faggian, 2005).

Finally, another important theoretical field of research is business innovation. While a clear and direct causality between innovation and performance and/or survival could not be found in all businesses cases, it is undeniable that the capitalist dynamics is strictly connected with innovation that is the main driver of the creative destruction.

2.1.3 Business Innovation

The main definition of innovation mentioned by many authors (e.g. Freeman, 1971; Porter, 1990; Pavitt et al, 1987; Thwaites and Wynarczyk, 1996) always draws back to the pioneering work of Schumpeter and is best encapsulated by the definition proposed by OECD (1981: 15-16) where innovation:

“consists of all those scientific, technical, commercial and financial steps necessary for the successful development and marketing of new or improved manufactured products, the commercial use of new or improved processes or equipment or an introduction of a new approach to a social service. R & D is only one of these steps”.

It involves fundamental or radical changes that are the result of the implementation of a new idea or invention through the creation of a new product or process. These changes are technical advances and aim to create or maintain a competitive advantage (Freeman, 1971; 1986; Fischer, 1999; Porter, 1990; Pavitt et al, 1987; Thwaites & Wynarczyk, 1996). Innovation may also concern new developments within a sector or economy (called “radical innovation”) or new changes to an individual firm, but which other firms have already adopted (“adaptive or diffusion innovation”) or finally modification of existing products and services (“incremental innovation”). Of course, this simplified view of innovation as a simple linear process has been objected and an interactive non-linear innovation processes has been proposed (Kline and Rosenberg, 1986). The definition of innovation used in the regular Community Innovation Surveys (CIS) is the one described in the Oslo Manual (OECD, 2005; chapter 3, section 3, paragraphs 155-184) stating that all innovations must contain a degree of novelty which may be a novelty new to the firm, new to the market, or new to the world.

The effects of innovation on a wide range of firm performance indicators are well documented and out of the scope of this review. Many authors suggest that there is a strong link between innovation and business performance. Geroski (1994) refers to two views concerning the type of this link. The first suggests that innovation enhances a firm’s competitiveness, but this lasts as long as the firm can defend itself against its competitors. According to the second, the impact of innovation is fundamental and makes a firm more capable (through enhancing its flexibility and adaptability) than non-innovative ones to resist market pressure. However, Neely and Hii (1998) emphasize that innovation is not the only prerequisite for business performance, but one of a wide range of factors. On the contrary, recent works show that, whilst innovative activity may be a competitive activity consuming a firm’s resources that may be dedicated to other activities, innovation may hamper business performance if entrepreneurs decide, in a constrained world, to sacrifice certain activities in favour of innovative activities. Thus, the pursuit of innovation may be viewed as a constraint in the process of attaining other business goals.

The main focus of the theme is on the relation between business innovation and place. According to Ratti (1991) three functional spaces are of strategic importance for a firm.

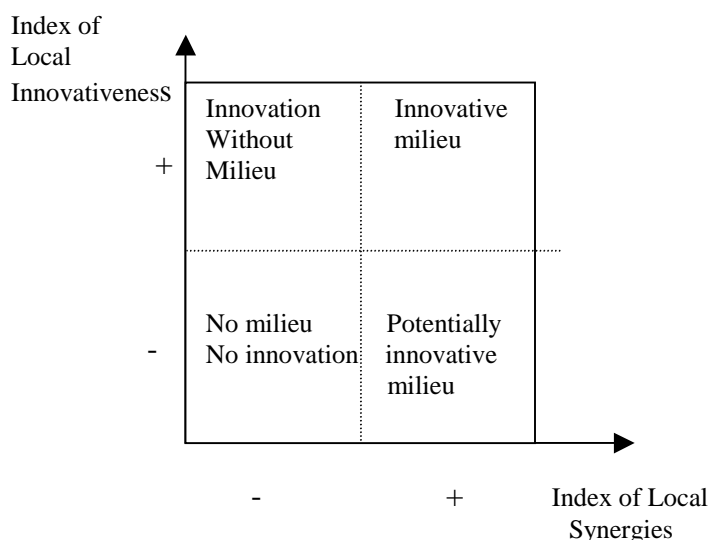
- *The “production space”*: It is determined by the way that the firm buys outside and how the production is delocalised outside.
- *The “market space”*: This is determined by the relationship of the firm with the market (from a spatial perspective of view) and thus is directly linked to commodity networks.
- *The “supporting space”*: it consists of the following relationships outside the market:
 - Organization of the production factors
 - Relationship with partners, customers and marketing agents linking innovation directly to wider business networks
 - Relationship with territorial environment institutions.

The definition most broadly used for “innovative milieu” is the one of Camagni (1991; 1995) who describes it as *“the set or the complex network of mainly informal social relationships on a limited geographical area, often determining a specific external*

'image' and a specific internal 'representation' and sense of belonging, which enhance the local innovative capability through synergetic and collective learning processes". Maillat and Lecoq (1992:2) describe innovative milieu as "a new development model in which the innovation process has a territorial base, which is a function of the milieu's characteristics". According to Perrin (1991) and (Bramanti and Senn, 1991) the elements of an innovative network or milieu are individuals and institutions (actors) participating in an innovation process and the formal and informal relations that they develop for this purpose. The informal relations are mainly between customers and suppliers, public and private actors and transfer of tacit knowledge through mobility and inter-firm imitation. The formal relations are usually trans- territorial and concern vocational training, technological development or infrastructure (Camagni and Capello, 1999).

The role of the innovative milieu is of major importance for the firm as it generates the innovative behaviour by providing a background, which promotes the learning process and the exchange of tacit knowledge and consequently enhances creativity and innovativeness. Moreover, through its synergies it helps reduce uncertainty by better forecasting market trends, analyzing and interpreting technological information, monitoring strategies of other firms and generally assessing incoming information (Camagni & Capello, 1999). Camagni (1995) describes four region types according to their extent of presenting the characteristics of an innovative milieu. In the first one there is no innovation and no milieu. The second region type has no milieu, but there is innovation. In the third one there is some kind of milieu through synergies and some innovation, but to a limited extent. Finally, in the fourth type the so-defined innovative milieu is observed. Knowledge and learning in an innovative milieu are transmitted with the help of mechanisms, like relationships and links between firms, suppliers, customers, mobility of highly skilled workers, collaboration with universities and laboratories (Keeble et al, 1999). The following figure shows the four region types (adapted from Shefer and Frenkel, 1998).

Figure 1: The Four Regional Types of Innovative Milieu



Rural firms, either located in the periphery or closer to urban centres have to pay the extra cost to manufacture or to service, as their scale of production and their access to professional labour and advice is limited (due to their limited local markets). Moreover, their larger suppliers and customers are distant (Anderson, 2000; Fynes

and Ennis, 1997). However, very frequently, what it really matters about proximity is not actually the reduction of physical distance, but the possibility to exchange information easily through frequent personal contacts and mobility, as also similar cultural attitudes (Camagni, 1991). According to Keeble et al (1988) repeated in Burca (1997) innovation is developed firstly in the core and later it may spread in the periphery. This happens due to the possibility of the firms located in the core to have direct access to information networks and highly skilled staff. Moreover, the success of their innovations is more possible in core areas, where the people are more open to new ideas and keener to buy new products. One should agree that there is not consolidated theoretical framework explaining regional differences of innovation or differences due to accessibility and consequently peripherality and rurality.

2.1.4 Business Clusters

A business cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, including product producers, service providers, suppliers, universities, and associated institutions and linked by commonalities and complementarities. Clusters reflect the fundamental influences of spill-overs and linkages among and across firms and associated institutions. Agglomeration economies are frequently confused with business clusters. However, a sharp distinction should be made. The notion of agglomeration economies dates back to 1890 and the work of Alfred Marshall and refer to spillover effects resulting either from the concentration of establishments operating in the same sector and sharing common practices (the so-called Marshall-Arrow-Romer economies) or the diversification of activities, i.e., the concentration of establishments operating across various sectors (the so-called Jacobs economies). As such business clusters focus on interconnected businesses from various sectors (unlike MAR agglomeration economies) aiming to the production of one specific final product (unlike Jacobs agglomeration economies) and include non-business organization (such as universities and research centres) and institutions (such as development agencies or regulation bodies). Business networks or inter-organizational networks, and the linkages which compose them, have been variously defined and described by writers from a range of disciplines.

Business clusters as a development strategy was popularized by Michael Porter (1990) and has since become a focus for many governments and the EU (see for example the European Business Observatory accessible at: <http://www.clusterobservatory.eu/>). Business clusters increase competitiveness because they affect the productivity and efficiency of individual businesses, stimulate innovations and support entrepreneurship. Business productivity and efficiency is enhanced by the efficient access to specialized inputs, services, employees, information, institutions, training programmes and other public goods. Clusters stimulate and enable innovations because they increase the likelihood of perceiving innovation opportunities, assist knowledge creation, facilitate experimentation and provide a strong incentive to strategic differentiation that is often the result of incremental innovations. Finally, clusters support entrepreneurship because they provide opportunities for new companies, encourage spinoffs and start-ups and the commercialization of new products from new companies.

According to Porter (2004) what makes rural regions different to metropolitan areas, in terms of business clusters, is the low population densities prevailing rural areas and the state of their urban neighbours. Thus, a study of rural business clusters depends highly and is connected to the study of rural demography and rural human capital as well as on rural-urban linkages. Information on rural business clusters is limited and fragmented not only at EU level, but worldwide (Porter, 2004). A recent

review on rural business clusters in countries of the EU reveals the significance of cluster operation for rural development Skuras et al (2005). Taking into account the progress made in creating rural typologies and defining various types of rural areas, mapping rural business clusters appears to be a challenging prospect.

Rural business clusters provide a new model of economic development for rural areas in which development is a collaborative process involving government at multiple levels, companies, teaching and research institutions and institutions for collaboration. As such, competitiveness is a bottoms-up process in which individuals, firms, and institutions take and share responsibility to address the specific barriers faced by their region and companies in a given market and not just the general challenges

Porter (2004) has attempted the first large scale and integrated effort to map rural clusters in the US. Porter and his associates identified a research agenda related to rural clusters in the US. They point the following areas for research:

- Incorporating data on agriculture and government employment into the Cluster Mapping Project data.
- Securing access to unsuppressed data at the county level to allow a more accurate analysis of employment patterns, wages, and trends by cluster. Appropriate
- safeguards on publication would need to be put in place.
- Analyzing the link between cluster composition, cluster specialization, and the performance of rural regions. The relative impact of cluster mix versus wages levels in given clusters on prosperity can be analyzed, as can the relationship between the strength of a region's position in a cluster and wages.
- Deepening the analysis of the relative specialization of urban and rural areas by sub-cluster, and how it is changing. Preliminary analysis suggests that rural regions have a higher concentration of manufacturing components of a cluster, and stronger positions in the subclusters with lower wages.
- Exploring the connections between cluster mix in urban areas and the surrounding rural regions.
- Examining the causes of differing economic composition across rural areas.

Rosenfeld (???) calls rural clusters and networks the “Yin and Yang of Rural Development” and argues that there are two very important distinctions between rural networks in the U.S. and many urban and most non-U.S. networks. Firstly, rural networks were more likely to be “soft” networks than “hard” networks. Secondly, rural networks were more likely to be driven by need or crisis than by quick opportunities for profit.

2.2. Review of the empirical evidence/analyses relating to the theme

2.2.1 Business Performance

Anderson (2000) conducted a literature review about entrepreneurship in peripheral regions of Europe. According to older evidence by Whitley (1990) and Perry (1982; 1987) there is an overproportional share of labour- intensive SME's in regions away from the core and those face many problems to overcome distance (Keeble, 1990). Smallbone et al (1993) report that markets served by rural SME's are usually distant and non-local. Mason (1991) tried to explain the high rates of new manufacturing firms in the Highlands and Islands of Scotland and comments that those are related to tourism, are usually craft based and not oriented to growth. He also notes that

there is a “lack of new firms in finance, property and professional services sectors...explaining that the core regions have the highest concentration of managerial and skilled staff”.

The isolation of the periphery can, sometimes, become its comparative advantage and support firm growth. Keeble et al (1992) conduct a survey in rural and urban firms. The results show that 33% of the remote rural firms (tourism excluded) declared rising income, while the proportion in accessible rural firms was 21% and in urban only 16%. Moreover, 18% of the remote rural firms were highly oriented towards personal consumers, while the percentage in urban firms was only 4%. Keeble and Tyler (1995) conduct a survey in 1000 firms in England located in remote, accessible rural, as also in urban areas. The results present that accessible rural firms are more innovative, dynamic and develop more in-house technological expertise than their urban or remote rural counterparts. The same authors and Townroe (1991) report that natural beauty and high quality of life of the remote rural regions is a key factor in the formation of new small firms. According to Bye & Font (1990) “rural space becomes the main source for the provision of services and production factors that are relatively less commodified (air, water, tourism, leisure activities, healthy goods and ‘other’ secondary products)”. Firms that do not have any economic constraints concerning their location prefer it and the high quality of life attracts considerably managers and staff (Keeble and Tyler, 1995).

Huiban (2008) studied the survival rate of new plants, according to their spatial location using a panel data set composed of more than 6 millions French plants, observed between 1993 and 2002. According to its location, each plant was defined as rural, periurban or urban one. A survival model was developed, introducing the location variable alongside the usual survival determinants such as size, industry, and period. Estimation results showed the positive effect of the rural location on any kind of survival indicator. This work demonstrated that it is easier for a firm to start an activity in urban areas but less difficult to survive in rural ones, contrary to what is suggested by location theory. Peri-urban areas are in an intermediate situation. Such a result is inconsistent with the usual spatial approaches, such as those from New Economic Geography. However a consistent theoretical frame can be found by using the entrepreneurial theory of opportunity. Because of the density of population, activities and information, urban areas offer more opportunities than rural ones. This provides more occasions for potential entrepreneur to start an activity. But, once a firm has been created, the entrepreneur may have greater access to alternative opportunities, such as creating a new firm or finding a job in a company. This may explain the coexistence of both higher entry and exit rates in urban areas.

2.2.2 Business Networks

A number of studies indicate that highly networked small businesses outperform other small businesses (Ostgaard and Birley, 1996; Barkham et al., 1996), and facilitate foreign market development (Johnsen and Johnsen, 1999) and innovation (Dickson and Hadjimanolis, 1998; Freel, 2000). Littunen (2000) found that networks internal to a firm create competitive advantages, innovation and efficiency, and networking contributes to the firm’s survival. Thus, networking serves or sustains long-term business objectives. Contrary to this position, other studies have failed to reveal any relationship between networking characteristics and business performance (Johannisson, 1995). Havnes and Senneseth (2001) suggest that networking is not associated to high growth in employment or total sales but there is evidence implying that networking affects the rate at which the geographic extension of the firm’s markets occurs.

Two recent research works have attempted to create a typology of firms based on the spatial extent of their trade linkages with suppliers and customers or consumers (Romero and Santos, 2007; Skuras *et al.*, 2005b). Romero and Santos (2007) analyzed a sample of Spanish firms in the region of Andalusia. For firms in the manufacturing industries with strong forward linkages, firms dependant on external sales markets and suppliers were dominated by high tech SMEs, while firms dependant on external sales markets but on local suppliers were also dominated by high tech firms but of a smaller size. Skuras *et al.* (2005b) in a similar analysis of businesses located in four countries of Southern Europe found that the firms which maintained completely disembodied trade networks i.e., networks with external suppliers and markets, attained the highest business growth rates and had the highest accumulated human capital. Thus, it is expected that firms accessing trade networks that bridge them with the non-local will be more innovative due to higher information flows as well as more active due to the wider range of entrepreneurial opportunities presented to them by the non-local.

Copus and Skuras (2006a) found that accessibility is a major determinant of the type of business networks accessed by a firm. Firms located in relatively accessible rural areas have a higher probability to access networks linking their locality to the non-local, than firms located in more remote rural areas. Copus and Skuras (2006b) and Copus *et al.* (2008) have identified significant positive impacts of business networks and direct links with consumers and customers on innovation. Such evidence links with older evidence arguing that the operation of horizontal business networks may support an innovative milieu and advance a lagging area to a 'learning region' where regional competitiveness is bound up with the local business network's ability to absorb, disseminate and effectively utilize technical and market intelligence (Morgan, 1997; Asheim 1996; Hallin and Malmberg, 1996; Keeble *et al.*, 1999).

Certain case studies have indicated the adverse effects that highly localized business networks may have on business performance and innovation by eventually, locking local businesses to a non-innovative trajectory. Malecki and Poehling (1999) provide strong evidence that market links to customers, suppliers and other firms are the most versatile sources of information and find that entrepreneurs who have always lived in the locality, consulted at least one of the other entrepreneurs on more than one occasion while being suspicious of outsiders. This level of bonding embeddedness may be a barrier to information acquisition (Malecki and Poehling, 1999), it may create functional and cognitive lock-ins (Hassink, 2005) or have an inverted U-shape effect on innovative performance (Uzzi's 1997 model portrayed by Boschma, 2005). Political lock-ins in old industrial areas may form a thick institutional tissue together with the firms' networks and workers in a "self-sustaining coalition" (Grabher, 1993; Hassink and Shin, 2005) which opposes learning initiatives to restructure the regional economy (Hassink, 2005). Phillipson *et al.* (2006) argue that co-operation of micro rural businesses is often associated with symbolic activities to express local identities with few cases of formal collective action. Their case studies highlight an inherent danger of external state intervention in the facilitation of small business networks, in that, by disturbing established local norms and networks, such interventions may jeopardise the latent structures of social capital which they seek to exploit.

2.2.3 Business Innovation

Empirical studies show that peripheral zones are characterized by low innovation potential (concerning mainly product and to a lesser extent process innovation) and technological dynamism (Burca, 1997). In an attempt to examine how regional policy can affect firms' innovation potential in lagging regions, Frenkel (2000) conducts a

survey in 211 industrial firms in metropolitan, intermediate and peripheral regions in northern Israel. Results concerning the peripheral regions show that those mainly attract innovative firms of the traditional industry, while innovative high-tech firms are located in metropolitan and intermediate regions. A basic reason for that is the fact that the periphery doesn't seem to provide a supportive innovative milieu, as it lacks highly skilled labor. Lack of skilled labour is one of the findings of the survey carried out by Keeble and Tyler (1995) and constitutes a problem for both accessible and remote rural firms, which tend to recruit such staff non- locally.

North and Smallbone, (2000a) conducted a survey in remote and accessible rural areas studying firms' innovation for the period 1991-96. Among their conclusions are that accessible rural areas show a higher degree of product and process innovation. The main reason for that is not so much the location itself, but the fact that a bigger proportion of their SME's (than in remote areas) belong to more innovative sectors. Moreover, innovative firms tend more to develop new markets than non- innovative ones. However, concerning new marketing methods accessible rural areas are twice as likely than the remote ones to use Internet for marketing reasons, something that clearly shows the limited learning environment of remote regions. Finally, remote rural areas tend to have process innovation in a lesser extent and this is most probably the result of the lower cost of labour, which encourages them to use more labour- intensive production methods than modernizing their production process equipment. An overall result is that remote rural manufacturing firms are slightly more innovative than the more accessible ones, while the opposite is the case for service firms.

The same authors (Smallbone et al, 1999) compare the results of the above survey and of the survey conducted by the same in the 80's (Smallbone et al, 1993). This comparison shows that the development of new products and markets (and especially non- local ones), objective for growth- seeking firms generally, becomes a priority for the remote rural firms. One of their characteristics is their increasing penetration in national or even international markets. Another conclusion is that the rural labour markets do not encourage the improvement of labour productivity of firms and, although the best performing firms use methods to modernize their production process equipment, this is not the primary objective for all firms. Another empirical survey carried out in UK companies showed that "80% of the companies with at least one innovation in the last three years improved their business performance in terms of profits, market share and new markets penetration" (Neely and Hii, 1998). Mole & Worrall (2001: 360) conducted two surveys in West Midlands region in 1995 and 1996 and conclude that innovators are more competitive than non- innovators. Almost 40% of the firms that developed product innovation had a sales increase of more than 10%, while the same percentage achieving similar increase for non- innovators was 23%.

Finally, one striking conclusion is the fact that even in periods of recession, remote rural firms still managed to create employment. Finally, there is also a possibility that the innovativeness of firms is not affected by their location. According to Roper (2001) and his survey in Ireland, it seems that the location of firms does not have any impact on their possibility to innovate and terms like innovative milieu or advantages coming from agglomeration are not empirically proved.

In an attempt to explain the differences in innovative performance across various regions or in growth benefiting from innovative performance, two lines of research can be distinguished. Firstly, researchers use differences in regional characteristics in order to either explain variations in innovative performance (Gossling and Rutten, 2007) or interpret differential regional growth patterns based on regional innovative

activities. Secondly, researchers argue that it is not regions that innovate but companies, and they therefore use firm level data together with regional characteristics (Sternberg and Arndt 2001 being the most notable example).

A valid question is why the examination of regional differences in terms of innovative performance, followed by the identification of factors bridging or widening the 'innovation gap' among regions, is an important research issue with significant policy implications. Dicken and Malmberg (2001) argue that competitiveness and innovative capacity have a markedly territorial nature regardless of whether we define them in terms of Porterian 'diamond dynamics' (Porter 1990), localized capabilities (Maskell et al. 1998) or relational assets (Storper 1997). Empirical results offer support for the innovative milieu thesis, which implies that the region as an environment for business matters when explaining regional differences in innovation (Gossling and Rutten 2007). Sternberg and Arndt (2001) contrary, in part, to this literature argue that firm specific determinants of innovation are more important than region-specific or external factors. As a result, innovation policy may either aim at improving regional conditions for innovation, for example within a regional innovation systems approach, or focus more on the specific needs of small and medium-sized enterprises in specific regions (Sternberg and Arndt, 2001).

Copus et al (2008) major findings point out that while firm observable characteristics can explain region specific innovation rates (in accordance to Sternberg and Arndt 2001), they cannot explain differences in innovation activity rates across regions. That is to say, firm observable characteristics can explain region specific innovation rates but not cross-regional differences in innovation rates and thus empirical evidence that the observed regional gap in innovation rates is due to unobserved factors is provided.

2.2.4 Business Clusters

Feser and Isserman (2005) argue that understanding the role of clusters in rural economies requires viewing industry clusters on a spatial continuum. The authors use a new rural-urban typology together with a recently developed set of 45 U.S. value chain clusters to operationalize our perspective in two ways. First, they explore the overall rural-urban distribution of the 45 value chains as well as their functional economic characteristics in rural areas. Then, they use a local indicator of spatial association to search for spatially distinct multi-county clusters of employment in one particular value chain: motor vehicles. They find that while rural economies specialize in natural resource- and agriculture-based economic clusters, they also play a significant role in a number of manufacturing and non-manufacturing clusters, highlighting the diversity of rural counties' external linkages. Most importantly they find that of 15 geographic clusters of the motor vehicles value chain in the U.S., 14 consist partly of rural and/or mixed rural counties. Overall, the majority of activity in the 15 spatial motor vehicles clusters is situated in mixed rural and mixed urban counties.

A recent "Conference on cluster development in small and remote communities" in June 2007 in Akureyri, Iceland (<http://www.ruralclusters2007.com/index.php?q=presentations>) has given the chance to researchers and practitioners to present case studies from rural networks from Africa (Uganda), New Zealand, Northern Australia, Northern Sweden, Norway, East Iceland and the U.S.

Munnich et al (2002) and Munnich (2007) defines rural knowledge clusters as specialized networks of innovative, interrelated firms which are centered outside major metropolitan areas and deriving competitive advantages primarily through

accumulated, embedded, and imported knowledge among local actors. The authors provide extensive example of rural knowledge cluster formation and development in the state of Minnesota, US.

Evidence on the effects of clusters are contradicting. Bernat (1999) raised a number of issues involved in measuring the relationship between clusters and rural economic growth. His preliminary evidence shows a positive association between industry clusters and rural earnings growth which in turn supports the notion that a cluster-focused development strategy may be effective in some rural areas. McDonald et al (2005) analyse British DTI data on clusters (not specifically rural clusters) and the results of their analysis do not provide strong support for Porter-type views on cluster policy. Established clusters are linked to employment growth, but deep clusters are not associated with employment growth or international competitiveness, and clusters in the services, and media, computer-related and biotechnology sectors are more likely than manufacturing clusters to have good performance.

3. IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

3.1 Major Drivers of Change

In this work we identified a range of drivers that we classified into two major categories. Firstly, the category that is concerned with the changes driven by production. Secondly with changes driven by consumption. These two major drivers are facilitated by developments in the regulation framework. From the whole range of production related drivers we isolate two drivers:

1. The CAP related drivers and developments related to world trade for agricultural products and food which **push** farmers out of certain cultivations or out of farming or marginalize many rural households.
2. The CAP and other related drivers which **pull** farmers to alternative cultivations within farming and to alternative employment opportunities outside farming (conservation, amenities, recreation)

Secondly, the category that is driven by the changes occurred in food consumption:

1. Rising incomes have increased spending into recreational activities and amenities of urban based population in rural areas
2. Consumer spending in food moves towards more quality food conforming with higher safety and hygienic standards as well as other trends such as dietary requirements. Stricter safety requirements were also supported by major disease outbreaks in the 90s.
3. The food manufacturing industry assisted by developments in the biotechnology, food processing, logistics and packaging sectors has shifted its focus on more innovative products

These two major drivers are regulated by a policy context which on the one hand assists an exodus of farmers out of agricultural production and into the production of other rural services such as conservation and amenities and on the other hand facilitates the production of non-conventional agricultural and food products. In this context one may isolate a few exemplar cases:

1. The regulatory framework concerning with the production of PDOs, PGIs and specialty food
2. The regulatory framework concerning with the production of organic agricultural and food products

At the same time extensive hard type policy interventions increased infrastructure in transportation and communication technologies while soft type interventions raised training opportunities in rural areas.

All the aforementioned drivers create entrepreneurial opportunities for new competitive businesses and put pressure on older incumbent businesses. At the same time the drivers instigate entrepreneurial activity in rural areas by creating niche markets for agricultural and food products and innovative services in the areas of tourism, recreation and amenity.

3.2 Opportunities and Constraints

The existence of an opportunity is not automatically converted into a successful business by an existing or a new firm. Firms operating in rural areas are usually constrained and the creation of business requires human and capital resources as well as a range of other factors supporting businesses. Most frequently, firms overcome resource constraints by tapping into external resources that are, consequently internalised. In this work we have identified three major resources that may act as opportunities for the successful creation on new businesses. Namely, the operation of business networks, of business clusters and of business innovation. These factors may exist in an area or may be instigated and created. On the contrary their absence may be a constraint for businesses. Furthermore, their historical development may lock in firms to non successful pathways of business development and convert these opportunities into constraints.

Business networks facilitate the flow of products (commodity networks and supply chains), of people, especially when rural tourism is concerned, of information, of knowledge and even of labour or of financial resources. Business networks provide an opportunity for rural areas to channel their products and consumers (in the case of tourism) but also to retrieve information and knowledge from nearby urban based sources. How significant is the opportunity presented by the operation of business networks depends on the ability and the extent of the network to mobilise local resources and tap into non-local resources.

At the same time, as already noted, business networks may act as a constraint if they are highly localized (especially in a dynamic framework) or if they lock in the rural area to activities that are not connected to business opportunities and disintegrate the rural-urban linkages. Furthermore, business networks may support backwash instead of spread effects and accelerate a pre-existing rural desertification trend by facilitating labour mobility. Policy efforts to support and regulate the operation of business networks have contributed to the establishment of alternative business networks while policy efforts to increase the supply of communication technologies have assisted the spread of networks. At the same time, evidence shows that policy intervention to local networks should be cautious as it may bring opposite, than the desired, effects.

Business clusters increase competitiveness because they affect the productivity and efficiency of individual businesses, stimulate innovations and support entrepreneurship. Business productivity and efficiency is enhanced by the efficient access to specialised inputs, services, employees, information, institutions, training programmes and other public goods. Clusters stimulate and enable innovations because they increase the likelihood of perceiving innovation opportunities, assist knowledge creation, facilitate experimentation and provide a strong incentive to strategic differentiation that is often the result of incremental innovations. Finally, clusters support entrepreneurship because they provide opportunities for new

companies, encourages spinoffs and start-ups and the commercialization of new products from new companies. The operation of rural tourism clusters is the most vivid example of successful rural clusters where businesses from the primary, secondary and tertiary sectors can benefit by utilizing common natural and environmental resources. Farms provide local products, manufacturing firms process local products or produce artisan goods while small hotels, restaurants, tour operators, recreational agents etc, provide services to the composite good named rural tourism experience.

Innovation provides firms with a competitive advantage. The ability to innovate depends on firm characteristics but also to the ability of the place to support innovative activities. We are witnessing the emergence of an increasingly uneven geography of innovation and production, both within and among nations. As this geography of innovative activity continues to evolve, there are strong tendencies for winners to keep winning, and losers to keep losing, exacerbating already established disparities in local economic opportunity. The role of historical trajectories in the innovation process is important. Learning processes are now highly localized and, by no means, placeless. Weak learning capacities, and a 'lock-in' to local strong ties with non-innovative production systems may lead firms to innovation inertia. This threat has been recognized and pointed out by several researchers as arising from various theoretical backgrounds including an entrepreneurial lock-in, structural embedding, institutional 'thinness' and others. Thus, the fact that innovation depends on business resources is only one part of the innovation story. The other is on the region and its ability to create and support an environment for innovation or an innovative milieu.

3.3 Policy approaches

Support to business networks has been the aim of many community initiatives including Leader+, Interreg, ERDF article 10 approaches, etc. However, formal assessment of the success or failures encountered under these programmes and focusing on business networks are rare.

The major policy implemented in rural areas is the rural development framework (pillar II) of the CAP. The Commission of the European Union argues that pillar II works in accordance to "The Lisbon Strategy" which aims to provide people with a better standard of living in an environmentally and socially sustainable way. The guiding principles for the contribution of the Common Agricultural Policy (CAP) to the Lisbon Strategy were set by the European Council in Göteborg in 2001 and confirmed in the Lisbon Strategy Conclusions in Thessaloniki in June 2003: "Strong economic performance" that goes hand in hand with "the sustainable use of natural resources". These principles have shaped recent CAP reforms. The Commission argues that "Rural development is the key tool for the restructuring of the agriculture sector, and to encourage diversification and innovation in rural areas. Enlargement has changed the agricultural map and getting the restructuring process right is essential for macroeconomic growth. Rural development policy can help steer this process towards a higher value added, more flexible economy – in line with the Lisbon Strategy". As such, the Commission has shaped Pillar II programmes targeting investments in human capital and skills as these are regarded to be crucial for exploiting opportunities for growth and employment in rural areas. Following such arguments, these factors cut across the full range of rural development activities as they can contribute to:

1. helping people adapt to a more market oriented agriculture
2. promoting new ways of selling/dealing with risk in competitive markets
3. raising economic and employment activity rates

4. encouraging development of micro-businesses
5. facilitating innovation and R&D take-up
6. fostering dynamic entrepreneurship
7. improving management of processes in the agri-food chain
8. encouraging the take-up and use of ICT
9. making use of opportunities from improved local infrastructure, and environmental land management.

Outside Pillar II, the Commission of the European Union has recognized the need to support innovation among SMEs including rural SMEs and launched the Competitiveness and Innovation Framework Programme (CIP) that runs from 2007 to 2013 and is divided into three operational programmes. The Entrepreneurship and Innovation Programme (EIP) is one of the three CIP operational programmes with an overall budget of 2.17 billion euro. The EIP aims at facilitating access to finance for the start-up and growth of SMEs and encouraging investment in innovation activities, at creating an environment favourable to SME cooperation, at promoting all forms of innovation in enterprises and supporting eco-innovation at promoting an entrepreneurship and innovation culture and at promoting enterprise and innovation-related economic and administrative reform. At the same time the Commission of the European Communities (Commission, 2006) acknowledges that innovation rates convergence is still far away both within and among member states. The 2006 European Regional Innovation Scoreboard reveals significant differences among member states and regions with the worst performing region in Sweden, the best performing country, outperforming the best performing regions of Greece and Portugal, the worst performing countries (European Trend Chart on Innovation, 2007).

Finally, the Commission Decision of 22 October 2008 “setting up a European Cluster Policy Group” (2008/824/EC) forms the basis for an integrated cluster policy in Europe. The European Cluster’s Observatory website provides extensive review of all national cluster policy for all EU member states. Owing to dedicated cluster policies in Member States, notably since the end of the 1990s, there are an increasing number of cases where forward-looking public policies, business initiatives or top-class universities and research institutes have been instrumental in the emergence of strong clusters by acting as a catalyst and helping to unleash the economic and scientific potential of particular regions.

4. PROPOSAL FOR THEME RELATED INDICATORS

The range of theme related indicators for the present study is, unfortunately limited by the availability of statistical data supporting the construction of indices. Two problems are encountered: First the complete absence of data and second, the non-availability of data at lower spatial units. In the first set of problems, for example, one realizes that there are no compatible data across European member states (not to mention regions) concerning with entry and exit of businesses. Furthermore, issues related directly to SMEs and micro businesses may be addressed by the Observatory’s European wide surveys but are not available at a regional level. So valuable information concerning with the regional differentiation of SMEs is lost. In the second set of problems, for example, the whole Community Innovation Survey Indicators are available only at a NUTS II level or higher. Going down the geographical scale, data become less rare and non-available. As such, most data not from the CIS but related to innovation also are available only at a NUTS II level. Other potentially useful data resources include the Community’s Labour Force

Survey which, at a regional scale is reported in the REGIO database, and the Eurobarometer surveys which, nevertheless do not report harmonized regional data (some countries provide NUTS II regional categories, some others NUTS I and others mix regions in various levels).

Another source of data also may be private companies (e.g. Cambridge Econometrics) or data collected and treated by previous projects (e.g. the ESPON database). Considering the needs of the present thematic study and the data available by all sources the following indicators have been constructed for each sub-theme:

1) The Business Resource and its Dynamics

Indicator	Possible Source
Number of firms by sector of operation (2 digits)	REGIO
Employment by sector of operation (2 digits)	REGIO (Labour Force Survey Results)
Hours worked	Labour Force Survey

2) Factors supporting or inhibiting business development - Innovation

Indicator	Possible Source
Percentage of population with tertiary education	Regional Innovation Scoreboard
Human resources in science and technology	Regional Innovation Scoreboard
Participation in life-long learning	Regional Innovation Scoreboard
Percentage of employment in high and medium tech manufacturing activities	Regional Innovation Scoreboard
Percentage of employment in knowledge intensive high technology services	Regional Innovation Scoreboard
R&D expenditures, all, private, public, education, non-profit	Regional Innovation Scoreboard
Patent applications to the EPO by priority year at the regional level; total number, per million inhabitants and per million labour force	Regional Innovation Scoreboard

3) Factors supporting or inhibiting business development – Business networks

Indicator	Possible Source
Percentage of firms with own website	ESPON Database

Membership in organizations	Eurobarometer
Trust in other persons	Eurobarometer

4) Factors supporting or inhibiting business development – Business clusters

Indicator	Possible Source
Clusters – Size	European Cluster Observatory
Clusters – Specialization	European Cluster Observatory
Clusters – Focus	European Cluster Observatory
Clusters - Organizations	European Cluster Observatory

5) Business growth

Indicator	Possible Source
Employment growth	Observatory for SMEs Survey**
Profitability (% increase)	Observatory for SMEs Survey**
Assets (% increase)	Observatory for SMEs Survey**

5. THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

This section aims to summarise the main drivers of rural business differentiation in terms of growth, networks, innovation and clusters and to suggest hypotheses that would help to guide analysis of rural businesses and their potential impacts on rural development. This information is presented in Table 5.1.

Table 1: Drivers, hypotheses and future perspectives relating to the rural business sub-themes

Sub-theme	Drivers	Hypotheses	Future perspectives
Business Growth	<p>-CAP related drivers restricted employment opportunities in agriculture and forced farmers to seek alternatives outside agriculture</p> <p>-CAP related drives have placed great emphasis to the agricultural production of non-marketed goods and services</p> <p>-Rising incomes increased demand for specialty food and environmental services</p>	<p>-Drivers will results to high turbulence (entries and exits) of rural businesses. This hypothesis cannot be examined empirically due to lack of data on firm entries and exits.</p> <p>-Rural businesses will contribute to the differentiation of economic activity in rural areas</p> <p>-Growth of rural businesses will be constraint by the growth of urban incomes</p>	<p>Rural businesses will provide alternative goods and services and their growth will depend on the degree of product differentiation they will be able to achieve especially in the food and tourism industries.</p> <p>The rate of exit in conventional economic activities that depend on conventional agricultural products or other activities such as mining and quarrying will increase in the future.</p> <p>Business entry will be confronted by entrepreneurial constraints related to start-up capital, adequate human capital, and the lack of external resources.</p> <p>Business growth in terms of employment will not be very significant as most rural businesses are extremely small, family businesses and thus, the creation of rural businesses should not be viewed as a job creation mechanism.</p>
Business Networks	<p>-Infrastructure reducing travel to work and the quality and cost of communication results to more intensive business networks</p> <p>-The evolution of alternative commodity and food supply chains have provided a chance for informal business networks to develop</p>	<p>-Businesses accessing local and non-local networks will experience high growth rates</p> <p>-Highly localized networks and path-dependence may constraint the development of rural businesses</p> <p>-Networks serve wider needs than strictly economic such as channels of information</p>	<p>The recognition that certain areas develop richer and more resourceful networks than other has called attention upon issues such as trust and reciprocity.</p> <p>Rural areas with low population density will develop wider informal networks that will substitute the role played by agglomeration economies in more densely populated areas.</p> <p>Policy initiatives will continue to support the set up</p>

		and knowledge	and operation of informal and formal business networks but the significant focus on localized networks may present a future risk for the development of rural businesses and rural areas.
Business Innovation	<p>-The need to differentiate supplied products</p> <p>-Developments in food manufacturing and especially in biotechnology and food preservation, ICTs, packaging and logistics have allowed higher rates of innovation among small rural businesses</p> <p>-The growing cooperation between rural areas and research and development institutions has allowed the development of innovative successful products</p>	<p>-Innovation is largely demand driven and the rate of innovation will increase with accessibility to central markets and customers. Thus, non-accessible rural areas will enjoy lower proportions of innovative businesses than their accessible counterparts</p> <p>-The proportion of innovative businesses depends on firm specific resources aiming to support innovation but, the gap in innovation rates among accessible and less accessible areas does not depend on firm specific characteristics.</p> <p>-Wider social and institutional factors affect the size of the gap among regional innovation rates</p>	<p>In the future the importance of innovative activity in rural areas will grow further. Most initiatives and programmes addressing rural businesses underline the need for innovative approaches.</p> <p>Radical innovation will not occur in rural less accessible areas and thus value from innovation will not be added there.</p> <p>Incremental innovations and know transfer (adoption of innovations) will be the dominant types of innovation in rural areas.</p> <p>The small size of rural businesses and their dispersed spatial disposition will call upon new support instruments including mechanisms assisting the cooperation of small specialized rural businesses with research institutions, universities and other knowledge generating and transfer mechanisms.</p> <p>Business innovation will be linked to business entry as one dominant knowledge transfer mechanism will be the setting up of new businesses by employees of older (incumbent) firms.</p>
Business Clusters	-Business clusters are driven by complementarities and competition	-The existence and operation of rural business clusters is	Clusters have increasingly considered an important regional development strategy and, more recently, a

	<p>which are generated by the utilization of common rural resources (natural resources, craftsmanship, heritage, etc.) and chance (historical accidents)</p> <p>-Institutional approaches to regulate common resources such as the institutionalization of denominated production have increased the opportunities for complementarities and competition.</p> <p>-Strong demand for the region's products and services may create strong business clusters which, in turn, may lock rural areas in not sustainable low growth long-term paths</p>	<p>related to regional growth and prosperity</p> <p>-The operation of business clusters is related to higher degrees of diversification of the local economy</p> <p>-Business clusters allow the cross-fertilization of ideas and knowledge among sectors of economic activity and increase innovation</p> <p>-Business networks tapping into the non-local will exist in areas where strong clusters operate rather than in other areas.</p>	<p>part of integrated rural development strategy.</p> <p>The notion of rural clusters is relatively new and is dominated by ideas from industrial clusters and districts. However, gradually, the concept of rural clusters is refined. This will shed light on the various effects of the operation of clusters on rural development which may be more diverse than the effects of clusters in urban agglomerations.</p> <p>Increasingly, the efforts of policies will be to regulate competition and set up the regulatory framework within which businesses in clusters will utilize common resources and give rise to complementarities.</p>
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6. DISCUSSION OF POLICY IMPLICATIONS

The ultimate goal of supporting rural businesses and sustaining and enhancing entrepreneurial human capital is long-term development. Thus, the central question is whether policies ensure long term development. How they work within the general policy framework and how they work synergistically among each other. Are the instruments appropriate and do they address the correct population? At the spatial scale of rural development the policy goal is twofold: to ensure development of rural spatial units and make sure that disparities are bridged.

The policy context is set by the **Lisbon Strategy**. The Lisbon agenda's aim to make the EU "the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010". Policies that followed the Lisbon agenda attempted to comply and put the context into workable policy initiatives. The two major policies affecting rural businesses are the Pillar II measures of the CAP and the Competition and Innovation Programme.

The Commission of the European Union argues that pillar II works in accordance to "The Lisbon Strategy" which aims to provide people with a better standard of living in an environmentally and socially sustainable way. Pillar II policies aim at:

1. helping people adapt to a more market oriented agriculture
2. promoting new ways of selling/dealing with risk in competitive markets
3. raising economic and employment activity rates
4. encouraging development of micro-businesses
5. facilitating innovation and R&D take-up
6. fostering dynamic entrepreneurship
7. improving management of processes in the agri-food chain
8. encouraging the take-up and use of ICT
9. making use of opportunities from improved local infrastructure, and environmental land management.

Outside Pillar II, the Commission of the European Union has recognized the need to support innovation among SMEs including rural SMEs and launched the Competitiveness and Innovation Framework Programme (CIP) that runs from 2007 to 2013 and includes the Entrepreneurship and Innovation Programme (EIP) is one of the three CIP operational programmes with an overall budget of 2.17 billion euro. The EIP aims at facilitating access to finance for the start-up and growth of SMEs and encouraging investment in innovation activities, at creating an environment favourable to SME cooperation, at promoting all forms of innovation in enterprises and supporting eco-innovation at promoting an entrepreneurship and innovation culture and at promoting enterprise and innovation-related economic and administrative reform. At the same time the Commission of the European Communities (Commission, 2006) acknowledges that innovation rates convergence is still far away both within and among member states. The 2006 European Regional Innovation Scoreboard reveals significant differences among member states and regions with the worst performing region in Sweden, the best performing country, outperforming the best performing regions of Greece and Portugal, the worst performing countries (European Trend Chart on Innovation, 2007).

One should also keep in mind that these major policies are complemented by several other initiatives such as the LEADER or other bottom up approaches within the regional operational programmes.

Of course the concept of rural business growth is addressed within the general context of conventional business development without taking into account the features of the external and internal environment that differentiate rural businesses from their urban counterparts. As such, we still observe that the standard approaches measuring rural business performance come from the assessment of conventional business growth. The rural entrepreneur, however, has frequently a different orientation of business objectives and operates within a differentiated physical and social environment that provides different opportunities but also creates special constraints.

Business and commodity networks have been at the centre of many bottom-up policy approaches and initiatives. However, most efforts have over-emphasized towards building and strengthening highly localized networks lacking appropriate channels to non-local domains of economic activity. Programmes under the CAP support either exclusively farmers (part or full time) to differentiate their activities or small businesses run by locals. Thus, frequently, programmes exclude non-locals, or non-residents and thus restrain local networks from appropriate bridging mechanisms that may be potentially established by “extra-overts”. Furthermore, many local business development programmes, due to their agricultural policy origin, fail to address non-farm linked businesses or businesses not linked to the agro-food or rural tourism industries. Business networks in rural areas substitute agglomeration sources of spillover effects as they link rural places to denser and richer urban networks and allow the operation of feedback mechanisms in innovation processes.

Furthermore, the concept of innovation has been highly misunderstood and badly used in many rural development approaches. The overwhelming majority of what is called innovative approaches in rural areas has to do with the adoption of innovations or, at best, incremental changes to existing products or processes. Radical innovations are extremely rare among rural businesses. This indicates that innovation programmes aiming to bring together R&D institutions with rural businesses may not have the same impact as programmes aiming at providing information, facilitating the interface between the rural business and its customers (the major source of innovation) and allowing business oriented knowledge to flow from knowledge sources to rural businesses. On the other hand, programmes facilitating access to financial and human specialized capital for innovative approaches work in the correct direction.

A final point related to policy approaches concern with the second policy objective, that of convergence. Results indicate that innovation activity rates are region specific in the sense that the inter-regional differences are the consequence of regional heterogeneity and not of the difference in observable firm characteristics. If the ‘environment for innovation’ was determined by national level institutions and processes (Bathelt 2003, 2005), inter-regional differences of innovative activity rates within the same national innovation system would then be, at least partly, determined by regional differences in observable firm characteristics. Whilst not denying that global and sectoral factors are important, evidence supports the views of those researchers arguing in favor of the importance of region-specific innovation systems, also identified as innovative regions and milieu, high-tech areas, clusters of knowledge based industries or knowledge spillovers (Asheim and Coenen 2005; Todtling and Trippl 2005; Cooke 2002; Cooke and Morgan 1998; Audretsch and Feldman 1996). Aghion (2005) revisits Gerschenkron (1962) and argues that different institutions or policy design affects productivity growth differently depending upon a country’s distance to the technological frontier which, in turn, affects the type of organizations observed in a particular country. The above arguments on growth

closely resemble the case of innovation. Crescenzi's (2005) regional level research shows that an increase in innovative efforts produces an increase in the average growth rate which is proportional to the accessibility of the region. Therefore, innovation policy affects innovative activity rates differently depending upon an area's distance from the centre, which in turn controls for the characteristics of the firms in this area. It is therefore essential, when designing policies for bridging the inter-regional gap in innovation and rural business performance, to take account of regional characteristics and institutional capacity building. This points out to the need for region specific strategies addressing both the background to development and innovation (institutions, governance, organization, etc.) and the subject of development (firms, farms, etc.).

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EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 4

Scientific Working Paper No. 4

Rural-urban Interactions

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SUMMARY

Polycentric development is based on the principle of functional economic and political relations and networks between urban and rural areas at different scales and as such the structure of intra-regional flows and relations is of increasing relevance to rural development and planning.

As the physical and functional boundaries of urban and rural areas are becoming ever more blurred, the interdependencies are becoming more complex and dynamic, containing structural and functional flows of people, capital, goods, information, technology and lifestyles. A typology is framed to reflect this complexity and to facilitate the D.O.C relating to diverse rural areas across the EU:

Economic linkages: the nature, strength and spatial distribution are important drivers of rural economic development; shaped by industrial and demographic structures and patterns of employment and commuting.

Travel to work patterns: Rural-urban travel to work patterns are driven by advances in transportation and communications infrastructure and re-locations which can help drive economic growth and diversification.

Service access and provision: in both rural and urban areas can be crucial in determining and vibrancy and sustainability of rural communities, with demand for, and quality of , rural services underpinning economic growth and stocks of human capital through employment and wider public service benefits.

Business and social networks: Can facilitate the flow of commodity networks and supply chains, which can in turn help channel information, knowledge, labour and financial resources in and out of rural areas.

Amenity, leisure and recreation: The demand for tourism services can have direct, indirect and induced effects on rural products, incomes and employment. Particular benefits can be found in peripheral and lagging regions through the transfer of urban wealth.

Governance, partnership and civic society: Rural-urban collaboration involving public, private and voluntary sectors have great development potential but impacts will be variable and subject to a number of opportunities and constraints including greater inclusion of rural stakeholders in decision making and political and cultural differences which can hinder development.

Migration and lifestyles: An important driving force behind rural-urban interactions spanning governance, employment, production and consumption. Movements can present relative opportunities in the form of knowledge, ideas, information, expertise and education. The demise of local skills base and socio-cultural capital represents some of the serious impacts of rural out-migration.

Physical infrastructure and resources: Infrastructural improvements can influence commodity and service flows between urban and rural areas giving rise to trickle down or polarisation effects.

1. INTRODUCTION

1.1. Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- o The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- o The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- o The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

1.2. The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “**d**drivers” of change, from regional or local structures and characteristics which either allow development “**o**pportunities” to be exploited, or act as “**c**onstraints” which

hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment
- (c) Rural business development
- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3. Introduction to the theme

Rural-urban interactions are at the heart of the overarching concept of spatial planning, which is undertaken with the aim to “create a more rational territorial organisation of land uses and linkages between them” (ESPON, 2005:1). The European Spatial Development Perspective (ESDP) (CSD, 1999) has been instrumental in drawing attention to urban-rural relationships and urban-rural partnerships at the European, national, regional and local levels. This interest derives from the recognition that the vitality of Europe’s rural areas is under threat; in many cases as a result of depopulation and agricultural decline. Urban areas, on the other hand, face different problems such as congestion, pollution and urban sprawl.

The European Spatial Development Perspective (ESDP) also sees a shift towards a polycentric system as being central to achieving balanced competitiveness and the creation of several dynamic zones of global economic integration. The rationale for such a policy is to help avoid further concentration in core areas of the EU and more fully utilize the potential of all regions, thus enhancing the competitiveness of the EU in a global context (EC, 1999).

The polycentricity concept challenges the core-periphery (or monocentric) model whereby a prosperous, economically dynamic core zone contrasts with an underdeveloped, geographically remote periphery (Shucksmith et al, 2005). The move towards polycentricity not only chimes well with aims of spatial planning, and European policy more broadly, but other functional changes in the activity patterns and spatial mobility of rural and urban producers and consumers have also served to undermine the monocentric model. These include an increase in the number of two-earner households and the extent of cross-commuting and multi-purpose journeys’ (Kloosterman and Musterd, 2001) and the move away from the handling of goods as the

dominant urban activity towards the handling of information and the production of services (See Castells, 1989; Storper, 1997).

The polycentric model is one of a balanced settlement structure whereby urban centres at several levels or scales are the driving forces for regions, implying a hierarchical interrelation of functional structures between the difference levels (Schindegger and Tatzberger (2002). In turn, polycentric development is based on the principle of functional economic and political relations and networks (Antikainen et al 2003) between urban areas at different scales. Considering the opportunities and potential of the countryside as an integral part of regional development, the structure of intra-regional flows and relations is therefore of increasing relevance (Shucksmith et al, 2005).

The ESDP states that “the small and medium-sized towns should form important hubs and links, especially for rural regions. In problem rural regions, only these towns are capable of offering infrastructure and services for economic activities in the region and easing access to the bigger labour markets. Towns in the countryside therefore require particular attention in the preparation of integrated development strategies (EC, 1999, para 93). Thus, in a rural context, it is important to consider interactions at a regional level, between large urban and metropolitan areas and surrounding rural regions; and at a sub-regional level, between small and medium sized towns and surrounding rural locales.

Despite the increasing emphasis on them, there does seem to be a general lack of clarity about the nature of urban-rural interactions and relationships (Caffyn and Dahlstrom, 2005; Hoggart, 2005), particularly at a transnational and European level. Likewise, the complexity of their linkages and relationships has often been underestimated. Whilst the physical and functional boundaries of urban and rural areas are becoming ever more blurred, the interdependencies are simultaneously becoming more complex and dynamic, containing structural and functional flows of people, capital goods, information, technology and lifestyles (CURS, 2004).

The ESDP reinforces the notion that the linkages between urban and rural areas should be based on an integrated treatment of the city and countryside as functional and spatial entities with diverse relationships and interdependencies. This complexity is reflected in the typology of urban-rural interactions identified for use in this study; a typology which is framed primarily to facilitate the analysis of Drivers, Opportunities and Constraints (D.O.C) relating to diverse rural areas across the European Union:

- Economic linkages
- Travel to work patterns
- Service access and provision
- Business and social networks
- Amenity, leisure and recreation
- Governance, partnerships and civic society
- Migration and lifestyles
- Physical infrastructure and resources

The above characterisation builds on previous typologies of urban-rural relationships (See for example Preston, 1975; ESPON, 2005) and, with the

exception of physical infrastructure and resources, focuses primarily on functional relations, which arise through complementarity and result in a variety of different flows between urban and rural areas (ESPON, 2005).

This is distinct from the urban-rural typology developed in ESPON 1.1.2, which focussed on the degree of urban influence based on population density and degree of human intervention in terms of average shares of land use across artificial and agricultural land. Whilst urbanisation is useful for conceptualising urban-rural relations (by encompassing demographic change, structural changes in the economy and behavioural changes), the focus here is on deconstructing the various forms of functional relations and networks in order to identify the drivers, opportunities and constraints (D.O.C) associated with each. Thus, rather than a focus on distinguishing functional areas from each other, the emphasis here is on the development opportunities arising from the complexity of linkages between them. The result is not a typology of urban-rural Europe, but rather a deconstruction of elements which help shape the dynamics of such a typology.

In this way, this work builds on that developed in ESPON 1.1.2 which recognised an increasing spatial interconnectedness between functional urban regions and commuter catchments, and that the division between rural and urban functions was becoming increasingly blurred. This itself poses some important challenges for recognising opportunities for the development of rural areas.

1.4. Methodology and data sources (1 page)

The methodology for this working paper centers on a wide ranging review of the conceptual, empirical and policy literature. Due to the nature of this theme, which encompasses a number of inter-related topics, it is necessary to draw on literature from a variety of disciplines with the social sciences; including regional science, human and economic geography, rural studies, rural and agricultural economics and rural sociology.

Given the potential for overlap with other thematic reports (in particular, Institutional Capacity, Rural Business Development, Demography and Rural Employment), it is also important to remain sufficiently focused on the rural-urban element of the identified sub-themes, and where necessary to acknowledge and discuss areas of overlap accordingly.

In reviewing data sources to identify potential indicators of rural-urban interactions, the working paper draws principally on Eurostat hub, in addition to the European Social values survey, European Cluster Observatory and various ESPON data sources.

1.5. The structure of this report (0.5 page)

Sections 2, 3 and 5 are structured around the typology of rural-urban interactions identified above, which yields eight sub-themes around which to discuss drivers of change and opportunities for rural development. These eight sub-themes are:

- 1) Economic linkages

- 2) Travel to work patterns
- 3) Service access and provision
- 4) Business and social networks
- 5) Amenity, leisure and recreation
- 6) Governance, partnerships and civic society
- 7) Migration and lifestyles
- 8) Physical infrastructure and resources

Any overlaps with other thematic reports in terms of conceptual issues and empirical evidence are acknowledged at the beginning of sections 2.1 and 2.2 respectively.

2. THE STATE-OF-ART

2.1. Conceptual and theoretical approaches

It is important to note that some overlaps exist between the material presented here and theoretical discussions contained in some of the other thematic reports; namely Institutional Capacity, Rural Business Development, Demography and Rural Employment. This is inevitable given that this theme centers around various forms of relationships and interaction which encompass most aspects of development drivers. A brief discussion of the main overlaps is therefore useful.

Theoretical approaches discussed under Institutional Capacity rightly encompass various aspects of multi-level governance in both its horizontal and vertical phases and shows how this underpins both territorial coordination and cooperation. It also makes due references to the processes of social capital, which help shape the form of governance structures and drives them forward through formal networks of cooperation or through informal relationships based around trust and reciprocity. While some reference is also made to democratic theory and the structures around participatory and representative democracy, no sources of contradiction between the two reports is evident. In fact, the conceptual ideas around rural-urban governance structures presented here can be regarded as complimentary to that contained in the Institutional Capacity report, providing further depth where appropriate, and of course focusing more specifically on implications for rural-urban interactions as opposed to the rural and territorial dimensions that are emphasized in the sister report.

The Rural Business Development report contains a section on rural business networks which emphasizes the role played by networks in bridging rural and urban areas. Especially because business networks are thought of as mechanism that link businesses under trade and non-trade conventions. The material in the Rural Business Development report does not conflict with that presented in this report. In this report, the discussion is spatially bounded to networks linking rural to nearby urban centres and especially to commodity networks.

The Employment report contains a distinct section on rural-urban relationships in the context of theoretical approaches, which emphasizes the changing relationships between urban and rural areas, from out-migration to urban areas to the urban-rural shift; the rise of the consumption countryside; the increasing prevalence of multi-functional rural economies focused around

interaction; and the rise of rural diversification. While none of this material conflicts with that presented here, the discussion here focuses a little more on hypotheses of rural-urban travel to work patterns rather than general paradigms of rural-urban change *per se*. In this context, therefore, the Employment report can be seen as useful background to what is presented here. Similarly, in the case of Demography the theoretical discussion contained in the sister report centers on overarching paradigms of population dynamics and movements, of which rural-urban migration is only one. While both reports highlight the drivers behind rural-urban migration, the overarching material presented in the Demography report (which for example goes into greater depth on labour migration theories and their implications for rural-urban population movements) suggests that the report can usefully be read in tandem with this one to add depth to some of the arguments.

The concept of urban-rural relationships is grounded broadly in the economic geography and regional planning literature. However, while there have been various studies concentrating on certain aspects of urban-rural linkages such as employment, migration, commuting and landscapes, there are few academic theories and concepts concerning urban-rural relationships *per se* (Davoudi and Stead, 2002). While spatial planning and Polycentricity provide a useful context for rural-urban interactions, the lack of a strong theoretical grounding for rural-urban interactions provides an important challenge for the development of an appropriate conceptual framework for study. A useful starting point for this in a rural development context can be found in the work of Ray (1999), Marsden (1999), Hughes (2000), Murdoch (2000) and Kneafsey et al (2001), all of which have advocated a more spatialised, as opposed to sectoral-based, research agenda for rural development which moves beyond the endogenous/exogenous and core-periphery dualisms.

As Kneafsey et al (2001) usefully explain, this spatialised agenda is centered around the notion of networks in providing what Murdoch (2000) terms a 'new paradigm for rural development'. The evolution of this paradigm stems from dissatisfaction with concepts such as commodity chains analysis (Appelbaum and Gereffi, 1994) and systems of provision (Fine, 1994), both of which focus on production, verticality, linearity and pay little attention to horizontal dimensions relating to place, space and consumption. While the idea of commodity circuits began to embrace the horizontal dimensions of non-linearity and complexity, they were also criticised, this time for downplaying the uneven power relations between places and actors within the circuit.

With its ability to embrace the complexity of interdependencies within a polycentric spatial context, and paying heed to both 'territorial' and 'economic' space, the network paradigm thus provides a potentially useful conceptual framework for studying the role of urban-rural interactions in rural development processes. Murdoch (2000) distinguishes between vertical network approaches, whereby agriculture is incorporated into broader sets of processes which exist beyond rural areas, and horizontal network approaches, whereby non-agricultural economies are integrated into processes that straddle both urban and rural spaces. The fact that urban-rural interactions are indeed a varied and complex web of networks implies that the distinction between vertical and horizontal is likely to be blurred.

As Kneafsey et al (2001) explain, these networks are seen as complex webs of interdependence rather than fixed, vertical or uni-directional relationships, capable of integrating both vertical and horizontal dimensions of commodity

movement, rendering the concepts of core and periphery redundant and becoming globalised in terms of the extension of associations between agents across space. It is therefore important to recognise the diversity of, and relationships between, networks across the various elements of the typology identified above and also to recognise that in a rural-urban context these networks operate in socio-economic as well as territorial space. Hidding and Teunissen (2002) also note that, within the context of spatial planning, the network concept is used both to refer both to an assemblage of public/private actors who are interdependent with respect to spatial problem solving and to infrastructure networks that accommodate flows of traffic, people, information, goods and water. Networks are thus no longer seen as merely connections but as a departure point for planning, with attention given to the role of different types of infrastructure as carrying structures for spatial functions (Tjallingii, 1996).

The related theoretical approaches relevant to the eight types of urban-rural interaction identified are considered further below. A number of conceptual approaches pertaining to the movements of people, capital and knowledge, and the functional relationships between people and place, are discernable, many of which cut across the eight sub-themes. A short discussion of these can further address the conceptual shortcomings observed in the contemporary urban-rural interaction literature, particularly in relation to rural development.

Economic linkages

A useful starting point here are theories of the economic geography, which emphasise the role of output supply, input demand and labour supply on firm location decisions (Fujita et al, 1999). These location theories imply a potential relationship between levels of local competition, intermediate and final demand and labour supply on the strength of local economic integration (Courtney et al, 2008), and thus on the relative strength of rural-urban linkages. However, the economic geography has more limited application in assessing the potential for these linkages to stimulate rural development; for this we need to turn to the broader regional economic literature and focus on the nature of linkages between producers and consumers.

The strength and spatial distribution of linkages between rural and urban agents can be considered in terms of growth pole, export base and net income theories. While growth pole theory may be superficially viewed in the context of outdated core-periphery development models, a wider interpretation of the concept highlights it as a useful precursor to the study of rural-urban linkages, in both economic and territorial space. First conceived by Perroux (1955) in terms of the concentration of economic activities in economic space, Hirschman (1958), Boudeville (1966) and others subsequently developed the concept with respect to territorial space, with various definitions based around industrial agglomeration and urban growth centres. With an application to regional planning, Boudeville (1966) described it as 'a set of expanding industries located in an urban area and inducing further development of economic activity throughout its zone of influence', with direct indirect and induced effects corresponding broadly to Hirschman's (1958) 'trickle down effects'.

Export base theory assumes that an economy must earn external income in order to grow, thus prioritising 'basic' sectors (i.e. manufacturing) with an ability to export as opposed to non-basic sectors (i.e. consumer services)

which merely circulate income in the economy. This theory thus assumes that extra-local downstream linkages are of key importance to achieving local economic growth and overlooks the role of locally-orientated upstream activities that stimulate the economy through the prevention of income leakage (Courtney et al, 2008). However, Williams (1997) argues that a rise in *net income* is required for an economy to grow, which is determined by total external income times a multiplier minus total external spending, thus presenting a case for fostering both basic and non-basic sectors to generate external income whilst increasing the size of multipliers through local sourcing. Of course, the travel to work patterns both sectors employees will also influence the strength and spatial distribution of local multipliers through induced effects.

Travel to work patterns

Travel to work patterns has been the subject of certain transportation geography studies. These studies, however, focus on the effects of changing travel to work patterns on the chosen transportation mode, distances travelled and energy consumed and do not really focus on the effects of travel patterns on residential location, rural demography and employment and, in general, rural development.

For rural demography, the late 70s and certainly the 80s witnessed a reversal of the historical trend of net out migration from rural areas although net migration into some rural areas especially for retirement and/or recreation pre-existed. This counter-urbanization trend has been attributed to changing travel to work patterns facilitated by advances in transportation and communications infrastructure. Changing work patterns have supported (or even caused) this trend. The role of physical infrastructure is at the heart of the above alternative explanations of this reverse in population trends. First, those researchers supporting the regional restructuring hypothesis (e.g., Johnson, 1993) argue that fundamental changes in the organization of production that were caused by a shift in the comparative advantage from manufacturing to service industries and facilitated by technological changes in transportation and communication technologies. The major explanation underlying trends in rural-urban dynamics is due to changes in the spatial distribution of employment opportunities. Secondly, those researchers supporting the deconcentration of population hypothesis (e.g., Fuguitt and Brown, 1990) argue that the diminishing cost of distance (either due to transportation or to communication infrastructure) together with negative externalities in urban areas have changed locational preferences and boosted the mobility of workers. In other words, the major explanation underlying trends in rural-urban dynamics is due to changes in residential preferences and the changed travel to work patterns caused by advances and lower cost of transportation and communication technologies.

In another theoretical framework, Shields and Swenson (2000) argue that commuters balance employment and wage opportunities with relative housing prices and travel costs and emphasize the commuters' propensity to "capture" jobs. Thus, efforts to generate employment opportunities for residents, especially in rural areas and small towns, may support non-local commuters. In such a case a local development policy (viewed as a driver) may not result in the expected outcomes due to reversed travel to work patterns.

Service access and provision

In theoretical terms, the service provision in a rural-urban context can be traced back to Christaller's Central Place theory, which seeks to explain the number, size and location of settlements in an urban system. The theory states that the concepts of range (the maximum distance that people are prepared to travel for a good or service) and threshold (the minimum number of people required to support a service) govern the number, size and distribution of settlements, and in turn the distribution of low and high order services. While highly simplistic, central place theory is a useful starting point to consider the relationship between urban 'central places', the functional areas that fall within their sphere of influence and spatial distribution of settlements within functional regions. Indeed, more recent applications of central place by Shonkwiler (1996) and Mushinski (2002) illustrate the usefulness of the framework for assessing the spatial distribution of retail activity. The marketing, transportation, and administrative principles which govern the arrangement of Christaller's central places are also a useful overarching framework for considering the various processes which influence the distribution and relationship between rural and urban settlements in a region. However, the importance of multiple trip making, socio-economic structures, transport costs and planning permissions as summarised by Shonkwiler (1996) have more applied relevance to modern day settlement functioning.

In a rural development context, and given the restructuring of rural areas which has altered the pattern of service provision in many rural areas (See for example, Marsden, 1993), the concept of accessibility to services is especially pertinent to this debate, broadly defined in terms of proximity to local services, residential location and mobility (Moseley, 1979). Farrington and Farrington's (2005) conceptualisation of accessibility moves beyond the urban/rural dichotomy debate (See for example, Halfacree, 1993) and acknowledges that an interaction between work on urban accessibility (Hine and Mitchell, 2001) and that on rural accessibility can further enrich the concept. Recognising that rural accessibility is about the ability of people to reach and engage in opportunities and activities, Farrington and Farrington (2005) argue that quantification of accessibility levels necessarily involves value judgements about people's accessibility desires, and is imbued with the empiricists account of accessibility and life chances. Thus, in terms of rural-urban interactions and access to services, perceptions of accessibility, as well as hard measures of service accessibility and opportunity, also need to be recognised as being a potential driver of how areas might function differentially.

Business and social networks

Business networks are important determinants of business performance and research in this area has yielded a number of important findings (Hoang and Antoncic, 2003). A network is a structure in which a number of nodes are related to each other by specific threads (Håkansson and Ford, 2002). Both threads and nodes are rich in resources, knowledge and understanding as a result of complex interactions, adaptations and investments within and among firms over time. Other definitions of business networks and networking tend to focus on the issue of relationships created among businesses. In that sense, business networks are defined as "an integrated and co-ordinated set of ongoing economic and non-economic relations embedded within, among and outside business firms" (Yeung, 1994). Several researchers (Aldrich et al., 1987; 1989; Sanders and Nee, 1996) argue that networks and their surroundings (resources, actions, support) are useful

when it comes to starting new firms, and thus, networks and especially social networks motivate entrepreneurship. As a social structure business networking exists only so far as the individual understands and uses a network (Johannisson, 1995; Monsted, 1995; Chell and Baines, 2000). It is acknowledged that especially for SMEs, which are the dominant form of enterprise in rural areas, firms can overcome some of the assumed disadvantages of limited size through accessing and utilizing external resources in the network (Havnes and Senneseth, 2001).

Informal business interactions are based on trust, friendship or family relations. The so called 'personal network perspective', focuses on entrepreneurship as embedded in a social context, channelled and facilitated or constrained and inhibited by people's positions in social networks (Aldrich and Zimmer, 1986). In contrast, formal networks are composed of business entrepreneurs, banks, accountants, creditors, legal representatives and trade associations (Littunen, 2000a). Personal networks are considered central canals for accessing information that is often useful, exclusive and valuable, as it might come from distant and different parts of the social system (Granovetter, 1974; 1983). Enduring personalized relationships convert trust and asymmetrical power into assets that create exclusivity in individuals dealing with each other (Kalantaridis, 1996). The family network is a special example of a social network that is of great importance to the periphery. It admits employees recruited from the family and provides emotional support (Brüderl and Preisendörfer, 1998).

Amenity, leisure and recreation

Beyond theories associated with rural and urban tourism generally, the most relevant starting point from a rural development perspective is the role of rural tourism in the so-called 'post-productivist countryside', in which new demands related to the interactions between rural and urban areas can be identified including public amenity space and experience of the rural idyll through the commodification of rural areas (ESPON, 2006). A related theoretical debate is that surrounding the 'consumption countryside'; the sets of increasingly diverse ruralities which tie rural space and people to the provision of goods and services that can be consumed by those in and beyond their particular boundaries (Marsden, 1999). As Marsden describes, amongst other things the consumption countryside and its evolution is characterised by increased personal mobility, including not only commuting and migration but also tourism and recreation.

Garrod et al (2006) argue that, in many areas, rural tourism has become the lynch pin of many rural communities, having effectively replaced agriculture in this role. As these writers note, rural tourism has often been identified as a vehicle for enhancing the rural economy, maintaining rural ways of life and helping to sustain the wider countryside resource (See for example Roberts and Hall, 2004), thus the implications of urban-based visitors to the countryside has more far reaching effects than simply economic growth through tourism multipliers. Indeed, according to Marsden (1999), rural recreation becomes a social force which ties rural areas much more into their urban and regional contexts and continues to shape the countryside into the images and identities of those who consume rural resources.

Governance, partnerships and civic society

Three main bodies of literature are relevant in this context: democratic theory, top-down and bottom-up planning and social capital, with the focus on rural-

urban relationships adding a distinct spatial dimension to all three. The tension between participative and representative democracy, their individual shortcomings and in particular the need to combine them, is well documented in the literature (Owen et al 2007). Van Doosselaere (2004) argues that participative democracy can provide formal ways for citizens to participate in and influence government activities. Compared with representative democracy, in which elections only take place from time to time, members of civil society exercise permanent control over the leaders they choose by taking direct responsibility for some of their concerns. The process that links the two stands, associative democracy, has become a dominant strand in democratic theory over the past few years. As a model of participative democracy in which individual participation takes place in the context of self-governing interest groups with a democratic structure (Perczynski, 1999), associative democracy, according to Van Dooslaere (2004), can improve governance, information flow, accountability, political processes and give a voice to those most affected by public policies. This theory has received considerable attention in policy circles across Europe, particularly in relation to the drive towards more socially inclusive partnerships (Catney, 2002).

A parallel debate, especially in relation to rural development, is that which deals with reconciling top-down and bottom-up approaches to planning. As Owen et al (2007) describe, in emphasising a strategic perspective, the top-down approach offers the prospect of targeting resources in areas of greatest need or potential and if doing so with a measure of efficiency arising from both scale economies and the scope for co-ordinating a range of service delivery agencies. While top down partnerships are generally sympathetic to local consultation, they are often criticised for embodying a 'provider led' approach to service delivery and a reluctance to cede any real power, control or decision making (Carley et al 2000). In contrast, the bottom-up approach is often lauded for its ability to release latent energies of local communities, for adding value to local human and social capital and encouraging self-help and mutual support (Owen et al, 2007). Carley et al (2000) conclude that there is a need to link national policy, regional and sub-regional governance and local action in a coherent spatial development framework so that top-down and bottom-up initiatives are mutually supportive, a framework within which urban-rural partnerships are likely to feature strongly.

In embracing both of the above sets of tension, Somerville (2005) points to the need to build strong democratic organisations of local people through the development of social capital by scaling up local networks to create organisations linked to wider power relations. The process of developing and nurturing social capital is itself central to this debate, and is defined by Putnam (1993) as social networks and the norms of reciprocity and trustworthiness. Social capital consists of two elements - ability to commit oneself into common goals, and the norms of reciprocity which facilitates the co-ordination and collaboration. Very simply, three aspects of social capital can be discerned: Bonding, which stresses horizontal linkages within a network and the role of non-state actors; 'Bridging', which relates to information exchange and resource access between networks and 'Linking', which encourages inter-hierarchical relationships that increase resource access vertically through society (See Scholz, 2003). Thus, while "bonding" social capital facilitates cooperation within a group, "bridging" social capital lubricates interaction and cooperation among groups and thus reduces segregation and "linking refers to the relations between actors who are unequal in their power and access to resources (Woolcock, 2000). All three

are pertinent to the case of urban-rural interactions, and bear direct relation to the overarching 'networks' framework which is set out above.

In addition, rural-urban collaboration as discussed above is especially pertinent to city regions and the polycentric planning model. Parkinson (2004) acknowledges that there is recognition in several European city regions of the economic advantages of critical mass and efforts to increase rural-urban collaboration, including increased competitiveness and capacity to provide fiscal relief for revitalisation of central cities. In this respect, the extent to which such relief can benefit surrounding rural regions is highly dependent on the nature and extent of rural-urban collaboration. Similarly, rural-urban collaboration is required to overcome competition between neighbouring local authorities and fragmentation of sub-regional governance which can prevent city regions from functioning effectively. This is also relevant to the wider polycentric planning model, which requires the forging of new connections by overcoming historical barriers such as those caused by national boundaries and local rivalries and developing joint working and active cooperation. Indeed, underpinning polycentric development is the notion that settlements work together in a partnership to help sustain and grow businesses, services and facilities and that administrative boundaries no longer act as a barrier. In turn this requires new forms of governance that link communities of place and interest to form coherent networks with area-wide goals.

Migration and lifestyles

Migration between rural and urban areas in the European Union needs to be considered both in terms of rural depopulation and rural in-migration (counterurbanisation). In the context of rural-urban interactions, there are obviously a number of secondary impacts and 'networks' which are subsumed in many of the other sub-themes. Whilst rural-urban migration lacks any strong theoretical grounding the literature does provide some useful background to help conceptualise this area of enquiry. As Stockdale (2006) explains, recent research confirms the continuation of rural depopulation in many parts of Europe (See for example Vanoni, 2002; Machold et al 2002), primarily driven by out-migration of young, often the most dynamic, adults. In the typology of contemporary rural out-migration, Stockdale (2002) identifies a total of seven categories of out-migrants based on their re-location decisions, with the largest group defined by 'career aspirers' re-locating to urban centres to access further and higher education.

Counterurbanisation has also features across parts of Europe since the 1970s, as documented by Champion (1981) and others. As Stockdale (2006) reports, there is general agreement that rural restructuring in the post-productivist era has played a part in driving counterurbanisation (See Marsden, 1998) and the phenomenon is widely reported to be associated with movements of middle class urban retirees, or commuters who continue to have their economic base in the city, motivated by the desire for a rural lifestyle. Thus, many counterurbanites not only bring with them diverse urban networks but also represent a valuable source of human and social capital to rural communities. The process of counterurbanisation has also been influenced the relocation of employment as firms have been able to take advantage of technological developments to seek a more congenial setting for their activities. Theoretical approaches of the economic geography also provide a potentially useful framework in this context to help better understand the nature of urban-rural movements and their implications for resulting economic linkages and functioning of city regions.

Physical infrastructure and resources

Within the overarching networks framework, the role of various types of infrastructure is seen as carrying structures for spatial functions. Hidding and Teunissen (2002) distinguish between 'single network concepts', which focus on once specific flow or type of infrastructure, such as water and traffic, and 'integrated network concepts' which consider many functions and aspects integrally. Cited examples include a traffic and water network as a carrying structure for the spatial organisation of urban and rural forms of land use.

Infrastructure, especially in transportation and communication is assumed to reduce transportation and communication costs thus making rural areas more attractive for residential location, reducing transportation costs and acting against urban agglomeration forces. Kilkenney (1997) reviews the theory of "New Economic Geography" models and shows that their mainstream conclusion holding that "overall reductions in transport costs work against the economic development of low density (rural) places. Kilkenney (1997) challenges five basic assumptions of these models and renders them incapable of simulating rural development.

On the other hand, a number of researchers have demonstrated (theoretically and empirically) the role of declining transport costs in promoting the growth of cities at the expense of the countryside (Nerlove and Sadka, 1991; Krugman, 1993; Waltz, 1996; Calmette and Le Pottier, 1995). On the contrary, Kilkenney (1998) employs a theoretical two-region general equilibrium model to show that there exists an initially negative, but ultimate positive, relationship between reductions in transport cost and rural development. Kilkenney (1998) concludes that rural development can be encouraged by transport cost reductions and that electronic communication infrastructure can enhance the attractiveness of rural locations to traditionally market oriented firms.

Grimes (2000) examines the prospects for rural areas within the Information Society, referring particularly to the EU experience. He refers to benefits related to the diminishing effects of distance from core markets and enhancing the learning capacities of rural areas by improving access to relevant information. He points out that teleworking, which was widely hyped as the best prospect for rural areas, continues to be predominantly an urban or suburban phenomenon and underlines the potential that ICTs present, within a more enlightened policy environment, for rural development.

An OECD survey argues that niche markets for products and services are created by the careful utilization of 'rural resources' (OECD, 1995). Characteristically, rural resources are classified into three categories, namely natural resources, tradition and cultural heritage, and environment-amenities resources. Natural resources refer to the use of raw materials in the production of value-added and processed agricultural, sea, forestry and mineral products. Furthermore, environment and amenities pertain to the region's appeal for reasons such as good climate, clean air, exceptional standards of living and other characteristics that distinguish the region as a place for quality life and tourism. Tradition, cultural heritage and history might relate a specific asset to a region, when the region has developed traditional methods of production and the product itself, both in its production and consumption, has become part of the region's cultural heritage. The term *craftsmanship* may encapsulate the latter. The same OECD survey relates

these resource elements to the possible production of goods and services, and derives a matrix of six niche goods and services which represent a typology of possible niche markets created in rural areas.

Porter (2003) in his examination of the economic performance of regions classifies industries in three types. The first type, termed local industries, includes industries that provide goods and services primarily to the local market (non-tradeables) and thus compete in a limited way, if at all, with similar firms in other regions. The second type, termed resource dependent industries, includes industries that utilize natural resources and compete with similar industries located at national or international level. The third type, termed traded industries, includes industries that do not depend on natural resources and that compete with other similar national and international industries on the grounds of broader competitive considerations.

Another strand of research models rural-urban interdependence and natural resources in view of input-output models and/or core-periphery models (Holland et al, 1996). Another emphasizes the role of resources for the development of tourism and recreational activities and amenities provided to one day visitors from nearby urban centres. Moreover, resources contribute to the creation of a strong rural image that may be subsequently used in marketing the area's products to urban based consumers (Skuras and Dimara, 2004).

2.2. Review of the empirical evidence/analyses relating to the theme

Again, it is important to recognise the potential overlaps between the evidence presented here and that contained in some of the other thematic reports; namely Institutional Capacity, Rural Business Development, Demography and Rural Employment. Nevertheless, the evidence presented retains, as far as possible, its focus on the rural-urban dimensions and not on the more generic material contained in the sister reports, which necessarily draw more on literature from the rural evidence base. For example, while the evidence in the Institutional Capacity report centers around the dynamics of rural partnerships, the evidence here is drawn from the more limited source of literature on rural-urban partnership working and cooperation, which emphasises the barriers and constraints to cross-boundary working and the cultural and political ramifications that this has. As with the conceptual material, the two reports can be seen as complimentary to each other rather than contradictory. The empirical evidence related to the Rural Business Development report is much broader than the material presented here. In this report emphasis is placed on the action of business networks and commodity chains linking rural to urban centres. Thus, there is a degree of overlap between the two reports but the evidence presented in this section is used to shed light on the specific impacts that business networks have for specific rural-urban relationships.

While the evidence presented in the Employment report focuses very much on sectoral patterns of employment in rural areas, the emphasis here is on the movements of employees from rural-urban and vice versa, and as such the evidence centers around the results of rural restructuring and deconcentration hypotheses testing introduced in section 2.1. In the case of Demography, evidence relating to the dynamics of counterurbanisation are presented in both reports and again such evidence can be seen as

complimentary and helps to reinforce the implications for development opportunities discussed subsequently in both reports.

This section contains a review of existing evidence relating to the eight broad types of urban-rural interaction identified in section 1.3. To augment the EDORA framework, this review needs ideally to focus on evidence which not only relates in some way to urban-rural interactions but also to differentiation between rural areas and the implications of this for rural development. However, as Caffyn and Dahlstrom (2005) note, a limited body of academic research exists which focuses specifically on rural-urban linkages and interdependencies, with these commonly appearing indirectly in other pieces of research. The review therefore presents a dual challenge; to seek out not only research relevant to the rural-urban debate, but also highlight those findings with more specific relevance to rural development.

The review begins with a brief assessment of recent ESPON work on Rural-urban interactions in a European and spatial planning context, namely ESPON 1.1.1 (Polycentric development, 2005) and ESPON 1.1.2 (urban-rural relationships, 2006). ESPON (2006) aimed to establish an EU-wide definition of rural areas, which resulted in the rural-urban classification described briefly in section 1.3. In terms of findings, the study has limited application in that it attempts to differentiate rural areas according to their degree of rurality and urbanisation rather than economic development paths and potentials, which is the focus here. Nevertheless, the nature of urban-rural linkages in terms of migration, commuting, and the supply of goods and services was considered, and some useful insights from this work are woven into the relevant sub-sections below.

According to the final report of Espo 1.1.2 (Urban-Rural Relations in Europe) “commuting is one of the biggest forces of change in the countryside.” One detailed investigation of this approach is the SERA report (Copus et al 2005), which drew attention to two large scale processes of change; a long established “urbanisation” trend drawing population and economic activity out of more remote rural areas into urban and accessible rural areas, and a more recent “counter-urbanisation” flow out of urban regions into accessible rural areas. As a result of these two flows, the report argued, the accessible parts of the OECD’s Significantly Rural (SR) group of regions represent a zone of growth, with an economic structure increasingly similar to that of the Predominantly Urban (PU) regions. By contrast the Predominantly Rural (PR) regions, especially in the more remote parts of the EU are still being depleted of population and economic activity through cumulative self-perpetuating cycles of decline – a reference back to Myrdal’s cumulative causation thesis.

Economic linkages

In recent work, Courtney et al (2007) have tested the potential for small towns to act as ‘sub-poles’ (EC, 1988) in rural development through rural-urban linkages. In terms of the magnitude of Leontief-type multipliers resulting from the relative strength of upstream and downstream linkages in each location, the English towns studied did not appear to act as sub-poles in their local economies. They did, however, provide an important employment function for rural residents, albeit relatively poorly paid compared to in-commuters and those commuting to larger urban centres. Certain sectors did exhibit strong levels of local economic integration, in particular banking and

financial services, chemicals, plastics, rubber and glass, machinery and computing. Agriculture was also found to retain links with small and medium-sized towns with much of its impact continuing to be found in the town itself. Firms in peri-urban towns were found to have a greater impact on the surrounding hinterland compared to those in the agricultural towns where the majority of upstream impacts were felt within the town itself.

Related work by Courtney et al (2008) on the spatial behaviours of rural firms in thirty towns across five European countries indicated further differences between both rural areas and firm type. Larger towns and those in agricultural areas were found to be more locally integrated in terms of production linkages than smaller towns and those in peri-urban and tourism areas, which had stronger linkages to urban centres. 'Traditional' rural firms, characterised as being small, old, run by local managers, employing unskilled labour and achieving low productivity exhibited the strongest local linkages, and this weaker linkages to larger urban centres. Towns in Portugal and Poland were also found to exhibit more self-contained local economies than those in France, England or the Netherlands and across all five countries a similar pattern was evident across medium sized as opposed to small towns, and in areas where employment in agriculture is above the national average.

Two further studies have attempted to create a typology of firms based on the spatial extent of their trade linkages with suppliers and customers or consumers (Romero and Santos, 2007; Skuras *et al.*, 2005b). Romero and Santos (2007) analyzed a sample of Spanish firms in the region of Andalusia. For firms in the manufacturing industries with strong forward linkages, firms dependant on external sales markets and suppliers were dominated by high tech SMEs, while firms dependant on external sales markets but on local suppliers were also dominated by high tech firms but of a smaller size. Skuras *et al.* (2005b) in a similar analysis of businesses located in four countries of Southern Europe found that the firms which maintained completely disembodied trade networks i.e., networks with external suppliers and markets, attained the highest business growth rates and had the highest accumulated human capital. Thus, it is expected that firms accessing trade networks that bridge them with the non-local will be more innovative due to higher information flows as well as more active due to the wider range of entrepreneurial opportunities presented to them by the non-local.

Travel to work patterns

Renkow and Hoover (2000) develop and empirical test the regional restructuring hypothesis versus the deconcentration hypothesis in the US based on whether commuting and migration are positively or negatively related after controlling for other economic factors. Their econometric results support the deconcentration hypothesis In particular they find that the area by which commuters into metro areas choose to reside widened significantly due in the 80s and 90s and encompassed nearby rural communities but not the more remote rural hinterland lacking the appropriate transportation and communication infrastructure.

Partridge et al (2007) found that rural areas benefit when the growth of urban places spreads to the hinterlands, especially within daily commuting distance. The authors utilized an extensive Canadian GIS database to provide evidence that spread and backwash rural growth varies by distance from the

urban centre, by urban population versus income growth and by size of rural community.

Cervero (1988) found that decentralisation in the North American cities, with the establishment of suburban office developments (in the form of business parks, individual buildings and urban villages), had led to a pattern of commuting with increased journey distances and greater use of private vehicles. However, in the United States, Gordon and Richardson (1996) have contested Cervero's findings, arguing that as both people and employment decentralise, there is a process of spatial re-equilibrium that leads to shorter, not longer, journeys to work.

ECOTEC (1993) found that density was a strong determinant of UK work travel patterns, but that other factors such as location, income and car ownership also have a strong influence. However, these factors may be related to density. Others, such as Stead et al. (2000) suggest that socio-economic factors are as important, if not more so, than land-use factors. However, little of the literature has studied the relative importance of network accessibility at home versus the workplace in determining travel to work patterns.

Titheridge and Hall (2006) found that the rurality of the origin ward is a determinant of distance; those living in rural areas are more likely to travel long distances to get to work than those living in urban areas. However, their model showed that those living in high-density areas were likely to travel further than those living in low-density areas. This was due to the fact that high-density locations are also likely to be highly accessible locations and thus encourage outward as well as inward commutes. Shields and Swenson (2000) carried out a survey using data from 65 Pennsylvania counties in the US and found that the proportion of jobs filled by in commuters varies by industry ranging from 3.6% for farming to 49.8% for federal government jobs. Thus, community benefits of employment growth depend largely on travel to work patterns and vary enormously by industry.

Service access and provision

Powe and Shaw's (2004) work on service access in and around a market town in England revealed that the viability of services in the town were dependent upon trade from hinterland residents, which accounted for 40% of all trade. This implies that local-level rural-urban linkages were relatively strong although survey data did show a relationship between outward commuting and service access, implying that those employed in larger urban centres were also likely to access higher order services at their place of work. This concurs with findings of Courtney et al (2006) and Findlay (2001) who also found a strong relationship between place of employment and service access. Powe and Shaw (2004) also found that a number of key services were accessed via the internet, implying wider rural-urban interactions beyond the immediate region.

In addition to location of employment, resident characteristics access to public and private transport, area type and, ultimately, planning policy have been found by a number of commentators to influence patterns of service access and provision between rural and urban areas. Examining mobility as a driver of change in rural Britain, Findley et al (2001) found that retired incomers to rural areas were more likely to have stronger links with urban areas but in economically active sub-groups, the commuting effect was

greater than the in-migration affect. Comparing activity patterns of consumers in and around small towns in the UK and Netherlands, Courtney et al (2006) found that newcomers exhibited stronger ties to larger urban centres and residents in predominantly agricultural areas accessed services more locally in both countries. Differences were, however, revealed with respect to the influence of car ownership; while car owning households in the UK tended to access more services in larger centres, equivalent households in the Netherlands exhibited stronger ties to their local town. A similar pattern was revealed in terms of activity patterns in tourism areas of the two countries. With regard planning policy, Powe and Shaw's findings imply that the provision of supermarkets is likely to help claw back trade which would otherwise be lost to larger centres.

Business and social networks

A number of studies indicate that highly networked small businesses outperform other small businesses (Ostgaard and Birley, 1996; Barkham et al., 1996), and facilitate foreign market development (Johnsen and Johnsen, 1999) and innovation (Dickson and Hadjimanolis, 1998; Freel, 2000). Littunen (2000) found that networks internal to a firm create competitive advantages, innovation and efficiency, and networking contributes to the firm's survival. Thus, networking serves or sustains long-term business objectives. Contrary to this position, other studies have failed to reveal any relationship between networking characteristics and business performance (Johannisson, 1995). Havnes and Senneseth (2001) suggest that networking is not associated to high growth in employment or total sales but there is evidence implying that networking affects the rate at which the geographic extension of the firm's markets occurs.

Copus and Skuras (2006a) found that accessibility is a major determinant of the type of business networks accessed by a firm. Firms located in relatively accessible rural areas have a higher probability to access networks linking their locality to the non-local, than firms located in more remote rural areas. Copus and Skuras (2006b) and Copus et al. (2008) have identified significant positive impacts of business networks and direct links with consumers and customers on innovation. Such evidence links with older evidence arguing that the operation of horizontal business networks may support an innovative milieu and advance a lagging area to a 'learning region' where regional competitiveness is bound up with the local business network's ability to absorb, disseminate and effectively utilize technical and market intelligence (Morgan, 1997; Asheim 1996; Hallin and Malmberg, 1996; Keeble et al., 1999).

Certain case studies have indicated the adverse effects that highly localized business networks may have on business performance and innovation by eventually, locking local businesses to a non-innovative trajectory. Malecki and Poehling (1999) provide strong evidence that market links to customers, suppliers and other firms are the most versatile sources of information and find that entrepreneurs who have always lived in the locality, consulted at least one of the other entrepreneurs on more than one occasion while being suspicious of outsiders. This level of bonding embeddedness may be a barrier to information acquisition (Malecki and Poehling, 1999), it may create functional and cognitive lock-ins (Hassink, 2005) or have an inverted U-shape effect on innovative performance (Uzzi's 1997 model portrayed by Boschma, 2005). Political lock-ins in old industrial areas may form a thick institutional tissue together with the firms' networks and workers in a "self-sustaining

coalition" (Grabher, 1993; Hassink and Shin, 2005) which opposes learning initiatives to restructure the regional economy (Hassink, 2005).

Amenity, leisure and recreation

A Eurobarometer survey on 'Europeans on Holiday (1997-1998)' showed that more and more people are interested not only in trying out new places but also in discovering different forms of tourism and place greater emphasis on quality products, more environmentally and culturally conscious form of tourism on shorter but more frequent trips while a significant number of Europeans (23%) choose the countryside as the most preferred tourism destination (EC, 1998).

Although tourists' expenditures and the demand created for tourism in rural areas acknowledged to be one of the most prominent trends in today's tourism restructuring in Europe, little is known so far about them, and empirical economic studies of that kind are very limited (Downward and Lumsdon, 2000, 2003; Felsenstein and Fleischer, 2003; Vaughan et al, 2000;) Furthermore, agricultural and rural economists have not really worked on this issue and this fact raises a number of questions referring to the reasons why rural economics research has not really touched the topic and why this should be done.

Skuras et al. (2006a) examine the expenditure behaviour of rural tourists within a framework of demand for composite (heterogenous) goods. The authors find a price (unit value) elasticity of expenditure to be 2.25 (for an average unit value of about 75 Euros) and a demand elasticity of 1.25.

Skuras et al (2006b) examine the expenditures of rural visitors on local food purchases. Firstly, purchasing local food is a significant part of the total rural tourism expenditures. Secondly, visitors that choose to purchase local food products have distinct characteristics that differentiate them from visitors who do not usually consume local food products. Thirdly, the level of expenditure for those visitors who buy such products depends highly on their views concerning local food products and on whether they are already familiar with the products. Also, they find that food manufacturers in less accessible areas use a higher proportion of local products among their material inputs. These results are due to the areas' relative accessibility to major urban centres and to the nature of the locally produced food. They also find that visitors in more remote areas are less inclined to buy local food because it is difficult to take the food back home on a long trip.

Governance, partnerships and civic society

Limited research has focussed specifically on rural-urban partnerships and other civic relationships between urban and rural actors in a rural development context. Caffyn and Dahlstrom's (2005) research exploring urban-rural partnerships in the UK is particularly relevant. The majority of case studies, including those centred around transportation, community and environmental regeneration, cycle trails and food initiatives, were found to have originated through bottom-up approaches and to have been established for a number of years. While benefits of the initiatives were reported to be an increased ability to address regional issues, reduced urban-rural polarisation and greater inclusion of multiple stakeholders with diverse interests, there were a number of challenges. These included overcoming political and cultural differences, difficulties in collaborating across different types of organisations, building trust and a lack of policy framework at a regional level.

In drawing out the recommendations of their findings, Caffyn and Dahlstrom (2005) suggested a role for parish and town councils in becoming constructive partners in urban-rural joint working, and that Local Strategic Partnerships (LSPs) could identify potential for future urban-rural collaboration at a local level. Work by Owen et al (2007) actually developed and tested the efficacy of partnership working or 'bridges' between LSPs and Parish Plan working groups and found that the nature and success of urban-rural relationships is likely to be highly variable and dependent upon a number of contextual, as well as spatial and political factors. Through case work in five English areas, they found the main constraints to successful bridging to be a lack of resources at the strategic level, over-reliance of a few people at the local level, a limited appreciation of strategic issues at the local level, the operational complexity of the process and changes in the political context. Nevertheless, mutual recognition and commitment to bridging was achieved, with the benefits of detailed intelligence of local concerns and priorities on offer for the strategic level and the prospect of their endeavours being taken seriously by those with power and resources a useful incentive for rural actors.

Other international studies which have sought to examine the nature and extent of rural-urban collaboration through partnerships and other forms of civic engagement include those by Kubisch et al (2008); McKinney et al (2002); Parkinson (2004) and Gordon (2007). Following consultation, Kubisch et al (2008) present five suggestions for linking urban and rural areas: redefining rural, urban, and suburban into meaningful regions; develop new champions and non-traditional leadership; support, learn from, and disseminate lessons from emerging urban-rural partnerships; build the urban rural advocacy agenda around upcoming policy opportunities; and work with practitioners to test and disseminate the power of the urban-rural framework. McKinney's et al's (2002) study evaluated the evolution, structure, and successes and challenges of various regional initiatives in the Western US. Regional initiatives were found to vary in development and function, with some initiated at the local level in response to the failure on the part of existing jurisdictions and institutions to respond effectively to existing challenges, while other initiatives were begun and coordinated by government or public-Private partnerships. Successful collaborations were characterised by effective communication; dedicated participants; local, state, and federal support; and access to resources. Barriers to regional collaboration included lack of resources, reluctance of agencies to engage in multijurisdictional processes, hierarchical decision-making, and cooperative or uninterested government agencies, distrust among stakeholders, and ambiguous authority structures.

Parkinson (2004) acknowledges that there is recognition in several European city regions of the economic advantages of critical mass and efforts to increase rural-urban collaboration. Benefits of greater collaboration are argued to include increased competitiveness in the global economy, greater ability to address the negative effects of uncontrolled development, and increase capacity to provide fiscal and other forms of relief to help revitalise central cities, which in turn benefits surrounding regions. Challenges to city region collaboration include local government fragmentation, opposition, economic competition among adjacent local authorities, and failures to market the subregion effectively. Parkinson suggests that regional collaboration may be enhanced why creating formal hierarchical structures,

although informal structures may be more effective when smaller authorities are reluctant to relinquish power, with relationships becoming more formalised as trust is established. Gordon's (2007) work in the USA explored how rural and urban areas within an economic development region perceived one another as competitors or collaborators and identified benefits of and challenges to regional economic development. While the importance of a collaborative attitude was recognised by stakeholders, some continue to hold a competitive attitude toward neighbouring communities. Benefits of collaboration were found to include economic spillover, greater marketing power, economies of scale, and the sharing of expertise. Barriers to collaboration included the desire to maintain local autonomy; disagreements about the nature of the cooperative effort; inequalities in resources; and attitudes of distrust and fierce competition. Gordon concluded that there needed to be an increased commitment to, and promotion of, collaborative efforts from the state.

Migration and lifestyles

The dynamics and impacts of rural in and out-migration are well documented with varying patterns across Europe providing a useful basis for differentiation ESPON (2006) provides a useful overview of these variations, drawing on case studies in the UK, France, Germany, Ireland, Spain, Portugal, the Netherlands, Slovenia and Hungary. Out-migration towards the suburban ring was found to be a common feature in many of the case studies. In several cases population shifts into wider rural areas were noted but large areas in several countries were found to have continuing depopulation. The evidence showed that accessible and attractive areas close to urban nodes tended to receive well-off migrants who through their purchasing power and tax revenues added to the viability of public and private services.

As Stockdale (2006) documents, Investigations into the detrimental impacts of rural in-migration have focussed on local housing (Gilligan, 1987) and employment (Simmons, 1997), markets, service provisions and community activities (Murdoch and Day, 1998). More recent research, such as that of Findlay et al (2000), Hoggart and Panaiga (2001) and Jones (2003) focus more on the positive benefits of rural in-migration and return migration, particularly with regard to self-employment and enhanced opportunities for endogenous development. While Findlay et al (2001) found quality of life factors to be important for encouraging self-employment in-migration, Stockdale (2006) found the motivators for rural-in migration to be more diverse, with personal reasons related to marriage and divorce and employment to be the main motivators behind relocations to depopulating rural areas.

In terms of rural out-migration, Stockdale(2006) found education to be the dominant motivator, with many school leavers viewing progression to college or university and leaving the home and community for an urban area, as a natural process. This was followed by employment. Youth out-migration was found to represent a significant loss of human capital from donor communities at a time when endogenous rural development principles were being advocated. Although a number of respondents did state an intention to return to the donor area, perceived obstacles centred around a lack of compatible employment opportunities and ties or commitments to the current place of residence. Others had reportedly returned in the past and had subsequently migrated out again, indicating that patterns of rural-urban flows

of human and social capital, and implications for development opportunities, are likely to be highly differentiated and difficult to predict.

Physical infrastructure and resources

Many works demonstrate the effects of new road connections that shorten travel time and reduce costs. Others demonstrate even the effects of just passing through or by road networks. For example, Chandra and Thompson (2000), provide evidence from the US that public infrastructure in the form of highways affect the spatial allocation of economic activity. More specifically, highways raise the level of economic activity in the counties that they pass directly through, but draw away from adjacent counties.

The evidence on ICTs effects on urban-rural interdependence are limited as most work is concentrated either on the effects of ICTs on rural areas (Grimes, 2005) or the urban areas but not on the rural-urban effects of spreading ICTs.

Holland et al (1996) employ a rural-urban input-output model for the Portland area in Oregon and find that the urban market buys 15% of the rural sales for the sectors of utilities, food and drink, lodging and livestock. Waters et al. (1996) estimate for the same area (Portland, Oregon) that a natural resource policy aiming to preserve owl habitat may result to loss of 4,400 jobs in the urban metro area which represents less than 1% of total jobs in the metro area. In contrast, 25,600 jobs would be lost in the rural area surrounding the metro area.

Also, Pouliakas et al (2008) have employed rural-urban CGE models to assess the rural-urban effects of improvements in transport infrastructure in six remote EU areas. Results show that in the short run urban benefits prevail, while rural economies record a notable increase in both GDP and employment in the long run. In parallel, results revealed that differences in the levels of both remoteness and accessibility, influence the magnitude and distribution rural-economic benefits.

3. IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

The aim of this section is to examine the role that urban-rural interactions plays in understanding why differentiation between rural areas in Europe is occurring, either as a driver of change which in acts differentially, or acting as an opportunity or constraint which acts differentially. Using urban-rural interactions as a vehicle, it therefore aims to reveal differentiation between rural areas, the processes of change which account for that differentiation, and which, in turn, help determine the performance of different kinds or rural areas.

This builds on the work undertaken on ESPON 1.1.2 whereby lagging regions were examined in relation to the developed urban-rural typology. However, rather than examining any specific geographic patterns the following commentary focuses on potential relationships between urban-rural linkages and opportunities and constraints for rural development.

Economic linkages

The nature, strength and spatial distribution of economic linkages between rural and urban areas are crucial drivers of rural economic development. As the empirical evidence illustrates, they in turn are driven by the industrial and demographic structure of rural economies and societies, with, for example, 'traditional' rural firms sustaining rural economies but presenting fewer opportunities for economic growth and diversification. As important as the strength and spatial distribution of linkages is the balance between input and output linkages will drive both the amount of income injected into an area and the degree to which further income is generated, and contained, in the local economy through local sourcing and employment. An appropriate model is therefore strong rural-urban downstream (output) linkages combined with strong rural-rural upstream (input) linkages. Of course, the nature of employment and consumer activity patterns will also play an important role in this mix.

Local employment will help to contain income through both indirect and induced effects, particularly as a fair proportion of rural household income earned in urban areas will be spent at the place of work as opposed to the place of residents. Similarly, with some demographic groups (i.e. indigenous, low income, lower social group, non-car owning) more likely to access local rural services as opposed to urban, further implications arise for rural development through the mix of industry, demographics and commuting between rural and urban areas. Hypothetically, lower paid rural employment may stimulate rural-rural multipliers but in some cases may prove less significant than the income loss of higher paid employment through rural-urban linkages driven by commuting and household consumption away from the place of residence. Of course, the effects in-commuting from urban areas may partially offset any income leakage through the secondary impacts of commuting, particularly if rural services are as abundant and as high quality and rural employment opportunities. The pattern of drivers, opportunities and constraints associated with economic linkages is therefore complex, and cannot be considered in isolation from other sub-themes, such as travel to work patterns.

Travel to work patterns

A change in rural-urban travel to work patterns is an important driver of rural change and differentiation. For example, advances in transportation and communications infrastructure could lead rural labour commuting to urban areas for employment as well as to urban families relocating to rural residences due to lower housing costs and perceived higher quality of life. Both these effects are positive for the rural periphery and constitute rural development opportunities. In the case of the former, commuting compensates for the possible lack of rural employment opportunities and could provide a "soft landing" for rural restructuring. In parallel, it could induce rural economic growth and diversification, conditional on the average propensity of spending of commuter households and the extent of economic leakages which characterise the rural periphery. Further, it could induce the upgrade of rural services which constitute an important household location decision-factor. Initially, rural labour commuting could be associated with rural areas adjacent to urban centres and jobs; however, further improvements in infrastructure could expand the rural commuting zone and associated economic benefits.

On the other hand, as already noted, policy efforts to generate employment in rural areas might well end up creating employment for urban commuters and

“generate” reverse travel to work patterns. In that case commuting might constitute a constraint on rural development, especially if attractive urban lifestyles and services lead to a migration of rural residents to urban areas and also rural housing prices reflect restrictive availability and/or positive externalities. In parallel, if rural businesses employing urban commuters are characterized by high propensities to import and export, little economic benefit accrues to the rural economy.

Service access and provision

As a driver of rural change, access to, and provision of, services can be crucial in determining the vibrancy and sustainability of rural economies and societies. In turn, the patterns of service use and access in urban areas by rural agents is also an important driver and amongst other factors is related to the relative accessibility (both perceived and actual) of rural communities to urban centres; the demographic structure (including that influenced by in and out-migration); the concentration and quality of service availability; and demand for rural services to achieve economies of scale.

The existence of quality rural services (both public and private) can itself present a number of opportunities for rural development. Provision of local services can not only help to contain income and generate economic growth through multipliers, but can also help sustain and build stocks of human and social capital through employment and more widely through educational and health benefits, community facilities and in helping to build a sense of community and place. Conversely, a poor stock of rural services can constrain development through a similar set of dis-benefits, with relative accessibility to urban centres likely to be an important differentiator. With a lack of services due to low or dwindling demand, more accessible rural areas may become little more than dormitory communities whilst in remote communities poor access to services can cause more serious problems of exclusion, disadvantage, deprivation and even disempowerment. Of course, peri-urban rural areas will benefit indirectly from their relative accessibility to good quality urban services, and similarly, the use of rural services by urban residents may help to sustain them, and in turn present further development opportunities.

The spatial distribution of services in rural areas and rural-urban interactions arising through town-hinterland relationships are also particularly significant with regard service access and provision. With greater potential for economies of scale, and in turn provision of a more diverse base of quality services, market towns provide great potential to act as ‘hubs’ of the rural economy and sustain rural development benefits through sub-regional rural-urban interactions. Service quality is likely to be an important differentiator, with high quality, particularly retail, services preventing car owners, and more especially counterurbanites by-passing market towns to access quality services in larger urban centres. Planning policy is also important. Some commentators, such as Powe and Shaw (2004) argue, for example, that supermarkets have the potential to anchor other services provided in small towns, strengthening town-hinterland linkages and weakening wider linkages to larger urban centres. On the other hand, supermarkets may lead to the demise of further independent services in the town itself, with negative knock on-effects for rural development in terms of economic growth and tourism.

Business and social networks

Business networks facilitate the flow of products (commodity networks and supply chains), people especially when rural tourism is concerned, information, knowledge and even labour or financial resources. In a rural-urban framework, short or long business networks may connect rural areas to the nearby urban centres or to more distant urban places. As such, business networks provide an opportunity for rural areas to channel their products and consumers (in the case of tourism) but also to retrieve information and knowledge from nearby urban based sources. How significant the opportunity presented by the operation of business networks is depends on the ability of the network to tap into non-local resources as well as to the scale and characteristics of the urban places to which the network ends (products) or initiates (information, knowledge).

At the same time, as already noted, business networks may act as a constraint if they are highly localized (especially in a dynamic frameworks) or if they lock in the rural area to activities that are not connected to the urban area and disintegrate the rural-urban linkages. Furthermore, business networks may support backwash instead of spread effects and accelerate a pre-existing rural desertification trend by facilitating labour mobility. Policy efforts to support and regulate the operation of business networks have contributed to the establishment of alternative business networks while policy efforts to increase the supply of communication technologies have assisted the spread of networks. At the same time, evidence shows that policy intervention to local networks should be cautious as it may bring opposite, than the desired, effects.

Amenity, leisure and recreation

The demand for rural tourism services has direct, indirect and derivative effects on an areas' product, rural incomes and rural employment (Saarinen, 2003). Due to multiplier effects this direct demand for rural tourism products and services generates indirect and derivative (induced) effects in all sectors of the economic structure (Archer, 1982). In that sense, rural tourism can be a means of providing economic development in peripheral and lagging regions. According to Telfer (2002), in the context of core-periphery systems, tourism can transfer wealth from the richer urbanized areas to the poorer peripheral regions, which have often fallen below national averages on social and economic indicators related to well-being and quality of life.

It is important to underline two recent trends in leisure, amenity and tourism which will have profound impacts for the development of rural areas in the years to come. First, the trend favouring the increase in more short breaks against longer time holidays. This trend increases intra- national movements on the expense of international movements. Rural areas having the capability to offer leisure and amenities and are being prepared to handle the increased tourism demand will get a share of this shift with profound benefits to development. Second, visitors to an area are consumers of the area's products and many areas take the chance to promote their products through visitors to the area. Thus, the links between the local manufacturing industry (especially the food and drinks industry and handicrafts) and the tourism industry can be used to promote the area's products and visitors may search for these products in their urban location and increase demand for the area's products.

Governance, partnerships and civic society

The presence of effective rural-urban collaboration involving the public, private and voluntary sectors has potentially great significance for rural development. However, formulating and implementing rural-urban partnerships poses as many challenges as benefits which policy will ultimately have to be sensitive to. The impacts of rural-urban partnerships are likely to be highly dependent on local, and ultimately *ad hoc*, contextual factors, thus as a driver of rural differentiation they are by no means straightforward as their impacts will not be felt uniformly across rural areas, however they are characterised. That said, the structures (both spatial and organisational) of governance, organisational support for rural businesses and local and strategic level planning will itself provide a broad differentiator of rural areas, albeit one that is not easy to identify through secondary data.

The potential opportunities of formal rural-urban collaboration include an improved ability to address regional issues; reduced urban-rural polarisation and greater inclusion of multiple stakeholders with diverse interests; useful intelligence of rural concerns and priorities for the urban decision makers; the prospect of rural initiatives being taken seriously by those with power and resources; improved access to resources and support for rural initiatives; increased competitiveness in the global economy; greater ability to address the negative effects of uncontrolled development; and economies of scale for rural initiatives. From an urban perspective, increased capacity may also help revitalise cities, which in turn benefits surrounding regions. Constraints to rural development may be felt in the form of political and cultural differences on both sides which hinder development; exclusion in decision making processes due to a lack of strategic appreciation at the local level; distrust and competition between rural and urban interests which prove divisive to rural projects; and the dilution of rural interests due to urban influence.

Of course, there are numerous forms of informal urban-rural relationships which are more difficult to both identify and assess the impacts of. These may, for example, manifest through the membership of societies and communities of interest bridging rural and urban areas as well as through social and kinship networks. Ultimately, all forms of rural-urban collaboration have the potential to open up rural economies and societies to new forms of knowledge, ideas, innovation, entrepreneurship, which evidence suggest can help drive rural development and performance in a positive way.

Migration and lifestyles

Migration is an important driving force behind many facets of rural-urban interaction spanning in particular governance, employment, consumption and production. Migration itself represents permanent and semi-permanent movements of people between rural and urban areas, and in itself this movement is an important and well documented driver of rural development, as well as representing a mixed bag of opportunities and constraints.

Movements of urban dwellers into rural communities can present opportunities in the form of increased levels of knowledge, ideas, information expertise and education, which in turn can manifest in more efficient and innovative forms of local governance and voluntary sector activity, and of course business activity through enhanced innovation, entrepreneurship and increased business start-ups. Counterurbanites are an important source of human and social capital and the prospects for endogenous development may be inextricably linked to processes of in and out-migration. To varying degrees, in-migrants may also bring their networks with them, which in turn

can have social impacts, enhancing voluntary and civic activities and improving institutional effectiveness and efficiency and economic impacts, improving the knowledge base of firms and influencing the employment, sourcing and marketing strategies of firms, which can have local economic benefits through increased productivity and efficiency.

As well as networks, counterurbanites often bring with them urban lifestyles and habits which can impact on patterns of consumption and service access in rural areas. If the desired services are not in sufficient abundance or of sufficient quality, lifestyle choices may further diminish the stock and viability of rural services through increased consumption of urban services, both low and high order. And this often exacerbated (or even driven) by the fact that counterurbanites commute to urban areas for employment. Thus, new forms of income are leaked out through out sourcing of household goods and services. As well as contributing to the demise of rural services counterurbanisation can also contribute to other forms of social and economic exclusion in rural areas. Participation in community activities and local level governance can sometimes result in exclusion of 'local' individuals whereby social capital becomes concentrated in 'elites', or conflicts of interests which affect community cohesion detrimentally. Likewise, increased demand for rural housing can also result in the exclusion of local people from the housing market, which in turn can force people into rented accommodation and exacerbate rural out-migration.

Indeed, rural-out migration is also an important driver of rural change and, from a rural development perspective, can result in a number of socio-economic problems. These include the demise of the skill and knowledge base (including the traditional rural skill base), a loss of social and cultural capital in the community and a weakening of rural community ties to the land, all of which can affect the identity and cohesion of rural communities, with variable implications for rural development. However, the impacts of out-migration can be partially offset by those of 'return migration', when out-migrants return in later life, often when they are still economically active, and bring with them the benefits of education, knowledge, ideas and innovation to help stimulate rural development and performance. Indeed, in some cases return migration from urban areas can represent a more beneficial dynamic than counterurbanisation, in that return migrants are sensitive to the rural way of life and can hold with them a determination to support and drive the community and economy forward in new ways while preserving traditional, cultural values.

Physical infrastructure and resources

The economic effects of physical infrastructure and especially transport infrastructure on rural change and differentiation are well documented (see also Section 2 above). In terms of a rural-urban context, improvements and infrastructure influence the flows of commodities and services between rural and urban areas, give rise to trickle down or polarization effects and constitute an important driver for rural change. The basic problem with the investigation of the economic impacts of physical infrastructure is associated with its uncertain causal direction, as the net (rural-urban or core-periphery) effect is not clear (Oosterhaven and Knaap, 2000).

Economic effects associated with transport and communication infrastructure can be distinguished into direct and indirect, temporary and permanent, market and non market (ibid). Temporary effects occur in the infrastructure

construction procedure both directly (sector-specific) and indirectly (backward effects) through demand for inputs and factors. Temporary supply-side effects could occur in an indirect manner in the form of crowding-out, through the capital (need for finance) and labour markets. Finally, there could be temporary direct and indirect external effects associated with construction efforts and emissions related to backward economic effects, respectively.

Permanent economic effects are distinguished into direct and indirect ones. Direct include the exploitation cost and time benefits associated with the utilization of infrastructure (market effects) as well as the associated environmental and safety benefits. Indirect relate to the backward expenditure effects of the exploitation of infrastructure (via demand) as well as to supply-side (induced) effects defined as the consequences of transport cost reduction on firms and households production and location decisions. These later effects also give rise to external effects (noise, emissions, etc.).

Taking the above definition into account one could distinguish several opportunities for rural areas associated with the development of infrastructure. In more detail, construction effects could trigger rural economic activity if a “decent” share of construction contractors originates from rural areas. A comparatively small pattern of rural economic leakages can lead to important rural backward expenditure effects as well. In the same manner, more permanent rural effects could include significant reductions of travel time and cost, environmental and safety effects.

However, the most significant rural benefits can be indirect ones. Indicatively, a decline in transport costs could well mean an expanding (urban) market for rural products. Also, urban firms could locate in rural areas to take advantage of low wages and land costs and consequently this could lead to urban funds being invested in rural areas for the same reasons. As Kilkenny (1998) has shown, a lot depends on share of transport costs for rural firms and on the importance and exploitation of electronic communication infrastructure. At the same time (as explained above) lower transport cost could lead to the migration of urban households to rural areas, as these households might seek to exploit lower housing costs and better quality of life. Taking the regional restructuring hypothesis into account, improvements in infrastructure could be an important drive for rural economic diversification and spatial dispersal of economic activity, while the current dynamics of innovation and learning could trigger a spread of knowledge, culture and business networks and (consequently) to a higher level of competitiveness for the rural economy.

In addition, improvements in transport and communication infrastructure could well mean negative effects on the rural periphery and positive ones for urban nodes. Temporarily, construction effects could accrue to urban areas if a significant share of construction contractors originates from urban areas and at the same time, rural leakages are high and urban leakages low. In the same manner, there are temporary negative rural external effects induced by the construction of infrastructure. Crowding-out effects could relate to rural constraints in terms of capital availability for investment other than in infrastructure and labour specific to certain occupational segments.

In the case of permanent constraints, a decline in transport costs could well mean a decline of spending in rural markets due to increased competition from urban firms. Also, in terms of location decisions, innovative rural firms

could decide to locate in urban areas in order to benefit from agglomeration economies, markets and specialized labour and rural funds could be invested in urban areas in an effort to exploit growing markets. At the same time, reversed travel to work patterns could emerge especially if the local rural labour market is rigid. Finally, changing pattern of economic activity and the dynamics of innovation could well lead into further agglomeration due to benefits arising from spatial economic clustering and the strong spatial clustering of innovation dynamics within urban centres.

4. PROPOSAL FOR THEME RELATED INDICATORS

Table 1: Proposal for Theme Related Indicators: Urban-rural interactions

Concept/Issue	Brief Description of 'wish list' Indicator	Potential proxy indicator	More detail about available indicators	Type:	Potential Source(s)	NUTS Level
				P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
Economic linkages	Strength of local linkages by rural / urban residents	% of households in lower social groups	Economically active population by sex, age and highest level of education attained.	P/OC	Eurostat Hub	2
	Strength of local linkages by rural / urban business	% of small/micro firms	Number of local units, persons employed and Wages and salaries by region (<i>select low wages?</i>) AND Employment by professional status (<i>select Number of family workers</i>)	P/OC	Eurostat Hub	2
	U-R/R-U flows of visitor derived income and expenditure	Visitor expenditure per head of resident population	Number of non-resident visits to region	D/OC	Eurostat Hub	2
Travel to work	Size and pattern of commuting	% of employees travelling more than 30km to work	Employment and commuting among NUTS level 2 regions (1000) (<i>working in region or out of region</i>)	P/D	Eurostat Hub	2
	Access to private transport	% of households with access to a private car	Stock of vehicles by category at regional level – no. of passenger vehicles (<i>by head of population</i>)	P/D	Eurostat Hub, Census data	2
	Extent of home working	% of employees working at home	Number of local units, persons employed and Wages and salaries by region (<i>select low wages?</i>) AND Employment by professional status (<i>select Number of family workers??</i>)	P	Eurostat Hub	2
Service access and provision	Availability of, access to, public	No of doctors / schools per inhabitant	No. of Doctors and Physicians (<i>by head of population</i>) AND No. of students (select		Eurostat Hub	2

Concept/Issue	Brief Description of 'wish list' Indicator	Potential proxy indicator	More detail about available indicators	Type:	Potential Source(s)	NUTS Level
				P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
	services		different educational level) <i>by head of population</i>			
	Availability of, access to, private services	No of shops/ banks per inhabitant	Total employment in Wholesale and retail trade, hotels and restaurants, private households: AND Financial intermediation, real estate, renting and business activities (<i>per total no. of NACE units or head of population</i>)		Eurostat Hub	2
	Educational attainment levels	% of school leavers achieving Advanced level (or equivalent)	Economically active population by sex, age and highest level of education attained (<i>select between 15 and 24 years</i>)	D/OC	Eurostat Hub	3
Business and social networks	Number of firms in knowledge economy	% of high tech firms	Employment in technology and knowledge-intensive sectors at the regional level, by gender (<i>select high tech sectors</i>)	D/P	Eurostat Hub / ESPON	2
	Number and density of business clubs and associations bridging rural and urban areas	Number of regional clusters		P/O	European Cluster Observatory / DG Enterprise	1/2
	Number of firms with own website	% of firms with own website		P/D	ESPON 1999, 2001	2
	Degree of trust between rural and urban business people	% business club/organisation memberships	% of business club/organisational memberships	D/O	European social values survey	?
Amenity, leisure and recreation	Numbers of day and overnight R-U / U-R visitors	Number of tourist beds	No. of tourist bed places AND No. of nights spent (<i>select by non residents</i>)	D/OC	Eurostat Hub	3

Concept/Issue	Brief Description of 'wish list' Indicator	Potential proxy indicator	More detail about available indicators	Type:	Potential Source(s)	NUTS Level
				P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
	Access to high quality amenity and designated natural and heritage sites	No designated heritage sites	Designated areas (KM2) as proportion of total land area (Spatial analysis)	D	Eurostat Hub	2
Governance, partnerships and civic society	Strength and quality of R-U partnerships between private, public and voluntary sectors	No of cross-sector partnerships		D/OC		
	Strength and vibrancy of civic society	Voter turnout/attendance rates at public meetings				
	Strength and vibrancy of R-U strong and weak ties/bridging and bonding social capital	No of clubs/societies bridging rural and urban areas		D/OC		
Migration and lifestyles	Movements and re-locations of people between rural and urban areas	Net in migration from R/U areas	Total Population Change AND Total Change (by Births and Deaths) – <i>Calculate non-birth/death change</i>		Eurostat Hub	2
	Spread of entrepreneurship and innovation between rural	Levels of entrepreneurship		D/OC		

Concept/Issue	Brief Description of 'wish list' Indicator	Potential proxy indicator	More detail about available indicators	Type:	Potential Source(s)	NUTS Level
				P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
	urban areas					
	Quality of life in rural and urban areas	Selected QOL indicators	Unemployment Labour costs Private car Education No. of hospital days/head of pop	D/OC	Eurostat Hub	2
Physical infrastructure and resources	Density and quality of physical infrastructure linking rural and urban areas	Density of road and rail networks	Length of road networks (KM) AND length of rail networks (KM) (<i>per km2</i>)	P/D	Eurostat Hub, ESPON 1999, 2001	2 /3
	Density and quality of IT infrastructure linking rural and urban areas	Broadband coverage and takeup	Percentage of households having access to the Internet at home AND Percentage of households using a broadband connection Share of internet users / 100 inhabitants	P/D	Eurostat Hub, ESPON 1999, 2001	2

5. THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

This section aims to summarise the main drivers of rural differentiation in terms of rural-urban interactions and to suggest hypotheses that would help to guide analysis of rural-urban interactions and their potential impacts on rural development. This information is presented in Table 5.1.

Table 2: Drivers, hypotheses and future perspectives relating to the rural-urban interactions sub-themes

Sub-theme	Drivers	Implications	Hypotheses	Future perspectives
Economic linkages	<p>Mix of industrial and demographic structures</p> <p>Relationships between place of work and place of residence</p>	<p>An appropriate demographic and industrial mix will help ensure favourable patterns of economic growth and self containment</p> <p>Providing local employment for rural and sub-urban dwellers will help create balanced, sustainable communities</p>	<p>Planning for mixed use development will help to contain income and assist economic growth</p> <p>Maximising opportunities for rural exports to urban areas, combined with fostering local sourcing strategies will assist rural economic growth</p>	<p>Opportunities exist for the successful development of rural areas if attention is paid to sectors which both derive and contain urban incomes in rural areas.</p> <p>The relative accessibility of rural areas to urban nodes is likely to prove crucial and it is important that territorial policies reflect this accessibility.</p> <p>More remote areas dominated by 'traditional' activities may have higher self-containment but lower growth.</p> <p>Accessible areas may lose income through the dominance of urban workplaces on consumption expenditure patterns and insufficient clustering to contain employment and sourcing in rural areas.</p>
Travel to work patterns	Investment in transport infrastructure	<p>Infrastructure reducing travel to work and, in general, commuting time will result to increased travel and higher proportions of commuters</p> <p>Adverse conditions deteriorating quality of life in urban agglomerations (crime, pollution, etc)</p>	<p>Counterurbanisation trends will continue in accessible rural area</p> <p>Competition for employment opportunities in accessible rural areas will increase</p> <p>New economic investment will be concentrated in accessible rural areas to the detriment of remote rural regions</p>	<p>Contemporary trends towards greater dispersion of population in accessible rural regions will result in both positive and negative implications for these spaces. Whilst the overall population and economic opportunities will increase so to will pressures on environmental resources (land and water).</p> <p>New employment opportunities in accessible rural areas may not be open to some rural dwellers, particularly those</p>

				<p>who have traditionally worked in semi-skilled or unskilled industries in the past. Social-exclusion may increase.</p> <p>Efforts to generate employment opportunities for rural residents, may support non-local commuters and thus local development policy may not result to the expected outcomes due to reversed travel to work patterns.</p> <p>The increasing socio-economic capacity of accessible rural regions might result in concentration of economic opportunities in these areas. Lagging regions may become relatively more disadvantaged.</p>
Service access and provision		<p>Demand for rural services will drive the concentration and quality of rural service availability</p> <p>Relative accessibility to urban areas will influence rural service provision to varying degrees</p> <p>Planning policy will be important in driving market towns as rural service hubs</p>	<p>Economies of scale for rural service provision will underpin rural development through fostering income containment, rural employment and stocks of human and social capital</p> <p>Successful rural areas will be characterised by service hubs which divert service access from larger urban centres</p> <p>Areas characterised by intermediate urban areas serving remoter rural areas will have greater potential for rural development benefits than more accessible areas serviced by larger urban centres.</p>	<p>The degree of polarisation between rural areas well served by the public and private sector and those highly dependent on urban areas will increase if local and spatial planning does not adequately address the issue.</p> <p>The role of small, intermediate urban centres in serving rural hinterlands may prove crucial to securing favourable development opportunities for rural areas.</p>
Business and social networks	Increased trade patterns and trade internationalization	Business networks are based on informal social networks that bond businesses, institutions	<p>Successful rural development are due to the operation of rich and dense business networks</p> <p>In innovative areas, there exist business networks bridging the</p>	Innovation among rural businesses will depend on the operation of informal business networks linking the local business domain to the non-local

	<p>Increased use of information and telecommunications technologies</p> <p>Innovations in the food sector</p>	<p>and organizations in the production, promotion and trade of goods and services</p> <p>Business networks that bridge the local to the non-local operate more successfully than highly localized networks</p> <p>Business networks are frequently the carriers of innovation, information, knowledge, capital and employees</p>	<p>local to the non-local</p> <p>Informal social networks based on trust and friendship advance rural business development</p>	<p>Alternative commodity networks will facilitate the development of specialized rural businesses especially in the agro-food chain</p> <p>Business networks and supply chains will manage common resources for the support of new forms of economic activities in rural areas</p>
<p>Amenity, leisure and recreation</p>	<p>Long term increase in free time and family income</p> <p>Increase in intra-versus international tourism due to terrorism threats</p>	<p>The demand for rural amenities, recreation and tourism has increased marked by sharp consumer demand for internal short breaks and new forms of recreation and amenity</p> <p>Non-market products of agriculture and its impact on landscape is highly valued by urban based consumers</p>	<p>The demand for recreation, leisure and tourism in rural areas will increase in the future</p> <p>The demand for recreation and leisure will offer entrepreneurial opportunities in rural areas</p> <p>The demand for the production on non-market goods and services from agriculture will intensify</p>	<p>The increase in the demand for short breaks in the countryside will increase and will trigger the development of new businesses in the countryside</p> <p>Agriculture will re-orientate its production towards amenities and leisure services</p> <p>Agriculture will offer food products aiming to serve the need of the local recreation industry and satisfy the urban consumer seeking the authentic, traditional and wholesome product and his nostalgia for the countryside</p>

<p>Governance, partnerships and civic society</p>	<p>Nature and extent of cross-sectoral and authority working</p> <p>Existence and effectiveness of social capital bridging rural and urban areas</p> <p>Cultural and political differences affecting the nature and dynamism rural-urban partnerships</p> <p>Competition between neighbouring rural and urban authorities</p>	<p>Fostering cross-sectoral partnerships may help facilitate rural-urban collaboration and reduce competition</p>	<p>Successful rural-urban collaboration will reflect the success of partnership working across administrative boundaries</p> <p>Positive rural development outcomes will be driven by the extent of devolution to rural authorities and effective links between strategic and local level planning</p>	<p>Territorial policies will need to make explicit reference to rural-urban partnerships and positive rural development outcomes in city regions will be characterised by this.</p> <p>Cultural, historical and political differences will impede rural-urban collaboration in some areas.</p> <p>Competition between local authorities, and between rural and urban interests may also impede rural-urban collaboration to the detriment of development opportunities for rural areas.</p> <p>Successful areas will be those where bridging social capital between rural and urban areas, either through formal or informal communities of interest can be harnessed.</p>
<p>Migration and lifestyles</p>	<p>Balance between rural in migration and out migration</p>	<p>Changing demographic structures as a result of migration patterns</p>	<p>Rural out migration will lead to a loss of human and social capital from rural areas, and in particular young people</p> <p>Rural in-migration will lead to the encroachment of urban lifestyles on rural areas; community conflicts; and improved endowments of social capital for local capacity building</p>	<p>Provision and education and employment opportunities in rural areas is likely to prove crucial in retaining young people and maintaining rural identity.</p> <p>In migration of urban dwellers inevitable though lifestyle reasons but human and social capital benefits need to be harnessed and conflicts minimised.</p>
<p>Physical infrastructure</p>	<p>Investment in transport</p>	<p>Infrastructure in transportation and</p>	<p>Overall reductions in transport costs will work against the economic development of low density (rural) places</p>	<p>Transportation costs and time will continue to decrease and access to</p>

<p>and resources</p>	<p>infrastructure</p> <p>Investment in infrastructure for information and telecommunications technologies</p>	<p>communication reduces transportation and communication costs and makes rural areas more attractive for residential location, reduces transportation costs for products and services and acts against urban agglomeration forces.</p> <p>The competition of resource dependent industries, i.e., that industries utilizing natural resources, will intensify under national and global forces.</p>	<p>Declining transport costs will promote the growth of cities at the expense of the countryside</p> <p>Alternatively, there exists an initially negative, but ultimate positive, relationship between reductions in transport cost and rural development</p> <p>Electronic communication infrastructure can enhance the attractiveness of rural locations to traditionally market oriented firms</p> <p>Resources contribute to the creation of a strong rural image used in marketing the area's products to urban based consumers</p>	<p>urban markets will be made easier and less expensive for rural products</p> <p>Urban based employees will seek employment opportunities in rural areas or small towns</p> <p>Urban based entrepreneurs will seek opportunities in rural areas</p> <p>Globalization forces and intensification in world trade will increase competition of local products with international products</p> <p>Local resource based products will find alternative channels to access new markets</p>
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6. DISCUSSION OF POLICY IMPLICATIONS

Policy implications are discussed in the context of the policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. In the European Community, this vision is moulded by three fundamental aims: economic competitiveness; sustainable development; and coherence of the European continent. These are in turn reinforced by the key principles/visions of “the pursuit of a more balanced and polycentric urban system; the parity of access to infrastructure and knowledge; and the wise management and sustainable development of Europe’s natural and cultural heritage” (ESPON, 2005: 5). The three agendas which make up the policy context for an examination of rural differentiation are:

- The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion, which have drawn attention to regional specificities as a potential resource.

The 2000 Lisbon agenda sets overarching objectives for growth through building a competitive knowledge economy and increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion. It can be defined as “a new economic and employment agenda [that is] based on the notions of full employment, economic dynamism and greater social cohesion and fairness” (CEC 2000, p5). With a focus on the knowledge economy, both the economic and social pillars of the Lisbon agenda have relevance to rural-urban interactions, with the former placing emphasis on the need to adapt constantly to changes in the information society and to boost research and development and the latter focusing on investment in education and training and the conduct of an active policy for employment, making it easier to move to a knowledge economy.

The nature, strength and spatial distribution of economic and employment linkages is therefore an important policy consideration in underpinning a competitive knowledge economy, and one that can be addressed at the strategic and spatial planning level. Recognising the factors that influence the strength of linkages, including firm and household type, distance travelled to work, and the associated impacts on household consumption patterns, should help inform regional and sub-regional planning policies to help ensure that rural-urban interactions benefit development opportunities for rural areas. Policy instruments might include planning policy guidance for business and residential use, and fiscal stimulus measures for enhancing the growth of favourable sectors which will help facilitate economic growth and self containment.

The evolution in transportation and communication technologies will increase travel to work from rural areas to their urban neighbours and vice versa. Job creation policies in rural areas or rural small towns will enhance the

competition from urban based employees who commute to rural areas. Policies aiming to improve access to rural areas by improving the rural road network, increasing the frequency and quality of public and private rural transport and improving access to fast telecommunication networks will have both positive and negative effects. Unfortunately, the evidence on infrastructure improvements and ICTs effects on urban-rural interdependence are limited as most work is concentrated either on the effects of infrastructure improvements and ICT provision on rural areas, or urban areas, but not on the rural-urban effects.

Business and commodity networks have been at the centre of many bottom-up policy approaches and initiatives including the LEADER programmes. However, one should note that most efforts have over-reacted towards building and strengthening highly localised networks lacking appropriate channels to non-local domains of economic activity. Frequently, programmes exclude non-locals, or non-residents and thus restrain local networks from appropriate bridging mechanisms that may be potentially established by “extra-overts”. Furthermore, many local business development programmes, due to their agricultural policy origin, address exclusively farmers and fail to address non-farm businesses or firms not linked to the agro-food or rural tourism industries. Business networks in rural areas substitute agglomeration sources of spillover effects as they link rural places to denser and richer urban networks and allow the operation of feedback mechanisms in innovation processes.

The Gothenburg Agenda seeks to ensure that growth is compatible with environmental objectives; addressing issues relating to climate change, sustainable transport, public health and resource management. Sustainable transport is of particular relevance in the context of urban-rural linkages as movements to facilitate, amongst other things, access to services and employment risks causing a rise in traffic volumes, congestion, noise and pollution. Encouraging the use of, and investment in, environmentally friendly transport and related infrastructure is imperative if urban-rural linkages are to be sustainable. Likewise, spatial planning to help ensure balanced, sustainable communities at various levels of the settlement hierarchy should be sought, for example by fostering policies to coordinate residential with business development in smaller towns and to ensure an efficient distribution of public services.

The Green Paper on Territorial Cohesion has drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development. Territorial cohesion thinking is “about ensuring the harmonious development [of the EU] and about making sure that [its] citizens are able to make the most of inherent features of [its] territories”. (CEC, 2008). Many of the problems faced by territories cut across sectors and effective solutions require an integrated approach and co-operation between the various authorities and stakeholders involved. In addition to the role that EU rural development programmes can play in pursuing territorial cohesion, the Green paper also recognises the need to promote cooperation, dialogue and partnership between different levels of government and between these and organisations and people on the ground directly involved in the development process. Indeed, the need for strong cooperation at various levels is central to the territorial cohesion debate and it is clear from the subtext of the Green paper that rural-urban cooperation is likely to prove crucial.

The presence of effective rural-urban collaboration involving the public, private and voluntary sectors has potentially great significance for rural development. However, formulating and implementing rural-urban partnerships poses as many challenges as benefits which policy will ultimately have to be sensitive to. The impacts of rural-urban partnerships are likely to be highly dependent on local, and ultimately *ad hoc*, contextual factors, thus as a driver of rural differentiation they are by no means straightforward as their impacts will not be felt uniformly across rural areas, however they are characterised. That said, the structures (both spatial and organisational) of governance, organisational support for rural businesses and local and strategic level planning will itself provide a broad differentiator of rural areas, albeit one that is not easy to identify through secondary data.

To capitalise on these opportunities, synergy is therefore required between strategic (largely but not wholly urban) and very local level (largely but not wholly rural) governance to allow partnerships to be forged, perhaps facilitated in the first instance by national initiatives in a handful of member states. The potential barriers to rural-urban cooperation clearly need to be taken into account when developing any test bed for partnership initiatives such as that mentioned above. Further, it would seem crucial that the spatial structures of cooperation initiatives be selected carefully to minimise potential cultural differences and alleviate, as far as possible, the detrimental effects of competition between municipalities and the various levels of governance. This also needs to be balanced with a need to consider interactions at a regional level, between large urban and metropolitan areas and surrounding rural regions; and at a sub-regional level, between small and medium sized towns and surrounding rural locales. Thus, together with inherent differences between member states, a 'one size fits all' approach to fostering rural-urban cooperation is unlikely to prove successful.

Of course, there are numerous forms of informal urban-rural relationships which are more difficult to both identify and assess the impacts of. These may, for example, manifest through the membership of societies and communities of interest bridging rural and urban areas as well as through social and kinship networks. Ultimately, all forms of rural-urban collaboration, have the potential to open up rural economies and societies to new forms of knowledge, ideas, innovation and entrepreneurship, which evidence suggests can help drive rural development and performance in a positive way. This presents potential difficulties for policy in that informal networks are difficult to monitor and integrate into more formal governance structures. Nevertheless, these informal, *ad hoc* forms of rural-urban cooperation may well prove central to the goals of territorial cohesion policy, particularly with respect to allowing citizens 'to make the most of the inherent features of their territories'.

Wider policy implications

More generally, rural-urban interactions have great relevance to territorial policies, including Territorial Employment Pacts (TEPs), supra-municipal planning, and, using the UK example, City Regions. The following section briefly discusses the relevant implications for each.

The general aim of TEPs is to concentrate and intensify employment efforts in circumscribed geographical areas through a global and integrated approach. The aim is to mobilise all parties concerned with employment

around a joint project that permits improved coordination of job-creating actions in a given territory. The nature and strength of rural-urban interactions are therefore likely to prove crucial in driving the success of TEPs, particularly in relation to cross-administrative boundary working and developing initiatives based in deprived geographical communities, whose needs are not sufficiently addressed under mainstream area-based initiatives. Obvious areas for intervention might include fostering rural-urban partnerships involving the public, private and voluntary sectors to co-ordinate the development, delivery and evaluation of the job creation activities of all agencies; identifying opportunities for employment and develop strategies to target them; developing coherent, needs-driven, locally-based actions in favour of disadvantaged communities that remove barriers to employment; and evaluating the strengths and weaknesses of an area's regeneration processes.

Supra-municipal areas may be configured as service areas, and those which require homogenous development criteria; thus coordination between rural and urban areas is crucial. Indeed, fostering social interaction across regional space lies at the heart of supra municipal planning as does the fostering of integrated planning between the centre and more peripheral areas. To achieve this, successful bridging between agencies involved in strategic planning with those involved in local level planning and community initiatives is likely to prove important. This will not only provide urban-based strategic planners with knowledge of rural issues but also raise the profile of rural concerns to those making decisions at the supra-municipal level. The role and profile of small and medium sized towns is also important in this context; those towns which are home to major employers may be important strategically in both an urban and territorial context whereby such towns provide much needed functions to their own rural hinterlands.

In the UK, city regions are described as 'enlarged territories from which core urban areas draw people for work and services. City regions are about the geographical areas that relate to people's lives, that is the area in which people live, travel to work, access public and private services, shop and spend their leisure time. They are also very much about cross-boundary working and, inherently, developing collaboration between cities, towns and villages. All of the sub-themes discussed in this report therefore have potential implications for city region policy, from wider polycentric development policies through to regional and sub-regional policies aimed at increasing cross boundary working. An example are the multi-area agreements that have been implemented in the UK to address primarily strategic, economic development related issues that span across more than one local authority's or local strategic partnership's geographical boundary.

The opportunities and constraints relating to rural-urban partnership working discussed earlier are therefore crucial in this respect. Capitalising on such opportunities and overcoming constraints will require not only a firm understanding of the local, historical and cultural contexts that impinge on partnership working but also the fostering of accountability and strong leadership at the various levels of governance, as well as the devolution of sufficient power to local (rural) authorities to ensure that representative synergy is created between urban and rural interests and governance structures. In particular, policy needs to recognise and address issues around competition and rivalry between local authorities and differing cultural and political differences that are likely to impede partnership working across rural-

urban boundaries. Developing guidelines and examples of good practice through sponsored case work partnerships may prove fruitful in the first instance. Crucially, it will also be important to share good practice across member states, and pilot transnational rural-urban partnerships as well as those which are regionally based.

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(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 5

Scientific Working Paper No. 5

The Role of Cultural Heritage in Rural Development

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LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
CHI	Cultural Heritage and Identity
COM	Commission of the European Communities
DOC	Drivers, Opportunities and Constraints
EDORA	European Development Opportunities for Rural Areas
ESPSP	Study Programme on European Spatial Planning
ESPON	European Spatial Planning Observatory Network
EU	European Union
HNV	High Nature Value
ICHI	Innovation in Cultural Heritage Interpretation
LAG	Local Action Group
LEADER	Liaison Entre Actions de Développement de l'Economie Rurale (links between the rural economy and development actions)
OECD	Organisation for Economic Co-operation and Development
RDPs	Rural Development Plans
UAA	Utilised Agricultural Area
UNESCO	United Nations Educational, Scientific and Cultural Organization

SUMMARY

The contribution of cultural heritage to rural development is little understood. Theoretical rural development perspectives identify tangible and intangible aspects of cultural heritage as potential assets which are both a property of people and of place and with direct, indirect and non-use values. This paper reviews the evidence of the relationships between the constituent elements of cultural heritage and rural social and economic performance in the European context. In this paper the term 'cultural heritage' is used to refer to both 'tangible' and 'intangible' elements of cultural heritage. Cultural heritage is conceptualised as stocks of 'cultural capital' and 'cultural capacity' (determined by forms of social organisation and public support for valorising cultural capital). 'Cultural mobilisation' generates flows of benefits from these stocks in the form of common, public and private goods.

A review of a diverse literature finds that the multidimensional nature of cultural heritage has lent itself to sectoral (and usually local and empiricist) rather than territorial analyses. As a result, there is little evidence of the potential for cultural heritage related activities to foster local development relative to other economic opportunities, or of the linkages between types of cultural heritage resources and activity. Important exceptions are studies which examine cultural factors in differentiating patterns of relative economic performance. A strong identity of people with place has been found to be a potential benefit or dis-benefit to rural development. These intangible values and sensibilities are, it is noted, closely related to other development factors, such as governance, entrepreneurship and human resources.

The potential of an area to derive economic benefits from cultural heritage is strongly related to the capacity of a region to make cultural heritage assets accessible for place-based consumption through recreation, leisure and tourism in the 'experiential economy'. Rural lifestyles, high cultural value landscapes and cultural heritage attractions are symbols of the authentic, historical and the traditional. The commodification of rural areas is closely linked, therefore, to re-packaging and even re-inventing cultural practices that are constructed as being unique to that territory. The non-profit attributes of many built forms of cultural heritage and the public good characteristics of intangible heritage means cultural assets often depend upon networks to identify and mobilise these resources as part of integrated territorial development.

Potential constraints in valorising these rural resources for development can be social, financial, physical and human. The extent to which cultural heritage qualities are an opportunity for development is often dependent upon the strength, nature and quality of rural-urban linkages, strong institutional partnerships, accessibility, and forms of policy support and intervention. Measuring, however, stocks of cultural capital and the cultural capacity at a regional level, and the extent to which they are mobilised across different types of social and economic activity, is beset with problems. Many of the potential indicators for addressing the relationships identified in the theoretical and empirical literature do not exist in harmonised form for all of the ESPON-space or at a regional level. As such, the operationalisation of cultural heritage in understanding spatial differentiation requires proxy indicators. Further research is necessary, based on more localised case-study analysis, in order to generate a better understanding of what kinds of available data best represent cultural heritage dynamics in rural development.

1 INTRODUCTION

1.1 Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- o The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- o The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- o The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

1.2 The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “drivers” of change, from regional or local structures and characteristics which either allow development “opportunities” to be exploited, or act as “constraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment
- (c) Rural business development

- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm structural change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3 Introduction to the Theme

Modernisation and development theories, derived from both classical and neo-classical economics, typically rendered culture an anathema and cultural diversity inimical to economic progress. A renewed political commitment to the maintenance of cultural heritage (and its diversity) at the international level is challenging these earlier models. Contemporaneously, regional development analysis is belatedly integrating 'culture' into economic theory by according cultural factors an explanatory, rather than residual, role in explaining the peculiarities of relative economic performance.

The revalorisation of cultural diversity as both a valid empirical objective and object of study subject to international scrutiny is linked, it would seem, to three macro concerns. First, there is mounting concern over the acceleration and intensification of homogenising processes of modernisation and economic integration on the loss of *tangible* manifestations of cultural heritage (Urry, 1990; Burns, 1999)¹. From the early 1970s, international response to the threat of depletion of cultural heritage has been marked by international and European conventions and resolutions under a protectionist or preservationist paradigm which has paralleled debates on the impact of development on environmental resources. The first supranational initiatives to safeguard 'cultural heritage', notably the 1972 UNESCO convention concerning the Protection of the World Natural and Cultural Heritage and the 1974 European resolution on the Protection of European Cultural Heritage², were concerned primarily with sites of archaeological and architectural interest. These tangible or material objects of cultural heritage were identified as 'static' features of a territory worthy of protection for scientific, aesthetic and historical reasons.

A second and more recent global driver is the emergence of cultural diversity as a source of political controversy in liberal democracies. Cultural diversity has been of major political significance in the EU enlargement process as reflected in the Copenhagen accession criteria (Council of the European Union, 1993) and its provisions for the protection of minority cultures (Toggenburg, 2004). The European commitment to 'safeguarding' cultural diversity of the territory (including diversity of peoples in and between regions) is argued on a dual perspective of 'rights' and

¹ See EDORA Working Paper 10 for an analysis of the impact of increased 'connexity' on the transformation of rural areas in the ESPON space.

² See Appendix 1 for a list of key supranational conventions and resolutions concerned with cultural heritage in Europe.

'cultural assets' through the post-modern notion of cultural pluralism (Grin *et al.*, 2002). The concept of cultural pluralism introduces *intangible* aspects of cultural heritage as inherited through intergenerational transfer of norms, values, languages and practices. These embodied aspects of cultural identity are recognised to be important in the (re)production of cultural heritage under the UNESCO convention for Safeguarding Intangible Cultural Heritage (2005) and the Council of Europe Framework Convention on the Value of Cultural Heritage for Society (2005). Moreover, these cultural differences can influence tastes, preferences and development values (Jenkins, 2000).

Third, and connectedly, changes in the world economy are believed to be accelerating the transformation of the rural landscape. The analytical concept of 'cultural landscapes', whilst subject to diverse interpretations in the scientific literature (see Section 2), is gaining currency in sustainable development frameworks which take into account the interactions between nature and society to address the relationship between landscape quality and quality of life. The concept of a 'cultural landscape' is primarily a rural concept especially since "the 'cultural' landscape can frequently be equated with the 'agri-cultural' landscape due to the centrality of farming and land use practices in the creation of qualities such as character, distinctiveness, and ecological diversity" (Matthews and Selman, 2006: 200). This 'holistic' concept of landscape is supported by the European Landscape Convention (2000) which treats landscape as "a whole, whose natural and cultural components are taken together, not separately" (Article 1). Pressures of agricultural modernisation, urbanisation (and counter-urbanisation) and a shift to 'para-productivism' are all believed to threaten existing cultural landscapes that are generally believed to hold historic and cultural value (Antrop, 2006)³.

These three macro concerns have broadened the concept of 'cultural heritage' from describing material objects that document the past to a more complex multi-dimensional and dynamic concept which relates as much to the present as to the past, and to the immaterial as to the material. In this paper the term 'cultural heritage' is used to refer to both 'tangible' and 'intangible' aspects of cultural heritage as defined by UNESCO:

- a) Intangible: the practices, representations, expressions, knowledge, skills – as well as the instruments, objects, artefacts and cultural spaces associated therewith – that communities, groups and, in some cases, individuals recognize as part of their cultural heritage.
- b) Tangible: the physical manifestations of cultural heritage to include monuments, groups of buildings and sites, including archaeological sites.

At the same time, we acknowledge the processual nature of the (re)production of tangible heritage through 'living cultural heritage'.

Despite a general consensus that cultural diversity should be maintained, and the intangible traditions of different cultures 'safeguarded' or, in the case of material sites and artefacts, 'preserved', culture's contribution to development is very difficult to fully understand due to the following analytical problems. First, the concept of 'culture' is itself abstract and multidimensional and subject to multiple interpretations across different disciplines. Second, many aspects of culture (and heritage) contribute to economic activity indirectly through non-market benefits and have public good characteristics which are complex and difficult to measure. Third, societal preferences for different dimensions of cultural diversity (embodied in people, in

³ See EDORA Working Papers 2.11(i) on Farm Structural Change and Working Paper 10 Synthesis of Theme Paper, for an overview of trends and patterns of agricultural change.

material artefacts and at the landscape interface) are themselves subject to the principal of cultural relativism. The absence of a common framework for measuring cultural heritage features or attributing a value to them across the EU was recognised by the ESPON 2006 DYNAMO project: “it could be difficult to propose universal definitions of cultural value as problems may arise from different national classifications (which would however be revelatory!) and incompatible value systems” (2006: 53)⁴.

Consequently, in the context of the EU there are real obstacles to reaching a common understanding of what is, or should be, defined as ‘cultural heritage’ as it relates to rural development. The contribution of cultural heritage to rural development still lacks a strong theoretical grounding because the nature of cultural phenomenon has lent itself to sectoral (and usually local and empiricist) development studies – such as cultural tourism, local food culture, historic buildings and agri-environmental heritage. This focus on sectoral rather than territorial approaches to cultural heritage presents challenges for identifying an appropriate conceptual framework for this study. The work of rural development theorists such as Ray (1998, 1999), Jenkins (2000, Marsden (1999) and Bryden and Hart (2001), suggest that responsive rural development strategies should derive competitive advantage from less mobile assets, including cultural heritage, which are protected from, or not subject to, global competition. They argue that tangible and intangible aspects of cultural heritage assets are both a property of people and of place and with direct, indirect and non-use values. However, because they are often public or common goods, they need to be developed through some form of state or collective action (Bryden and Hart, 2001).

To aid the identification of drivers, opportunities and constraints of cultural heritage in the development of diverse rural areas in Europe in this project, a simple analytical framework is proposed based on the market and non-market values of different types of rural cultural heritage. The premise is that whilst there is a plurality of cultures in rural areas, the challenge for future rural development trajectories is to add value (market or non-market) to the stock of **cultural capital** which cultural diversity produces. This process of valorisation is dependent upon **cultural capacity** (determined by forms of organisation and public support for valorising cultural capital). Tangible or intangible forms of capital can infer direct economic value through transformation into the commodity market, or infer indirect economic value through embodiment of symbolic or other forms of non-use value. The process through which this is achieved is one of **cultural mobilisation**.

⁴ In the first Eurobarometer Survey on Cultural Values (EC, 2007) the most common concepts of culture were the arts (39%), traditions, languages and customs (24%), literature (24%) and education and family (upbringing) 20%. However, the survey found particular concepts were highly associated with Mediterranean countries, for example, education and family upbringing was cited by more Italians and Spaniards relative to the EU average.

1.4 Methodology and Data Sources

The point of departure for this working paper was the ESPON 1.3.3. Final Report on 'Cultural Heritage and Identity' and the SPESP 1.7 Final Report on 'Cultural Assets'. A review of both these documents was undertaken in order to review key theoretical concepts used in the analysis of spatial effects of cultural heritage.

Second, we reviewed the international scientific literature related to the production, consumption and distribution of cultural heritage resources, with a focus on theoretical papers on culture and development relationships and empirical papers examining aspects of cultural heritage in rural areas. Databases of electronic journals, namely Web of Science and Science Direct, identified over 100 articles which were related, either directly or indirectly, to the topic. This search was supplemented by a search of European research collaborations relating to rural development funded under the EU FAIR and Framework research programmes.

Third, strategic policy documents of international organisations including the OECD, Council of Europe, European Union and UNESCO, were reviewed.

Fourth, a preliminary review of indicators used at a regional, national or supranational level to measure characteristics of cultural heritage in rural areas was undertaken. In addition to the documents consulted above, datasets such as Eurostat's cultural statistics were reviewed. Only preliminary analysis of data availability at the regional level in Europe and Member States has been undertaken.

1.4.1 The Structure of this Report

This working paper aims to analyse, from a cross-disciplinary perspective, theoretical approaches to understanding the production, consumption, distribution and regulation of cultural heritage as both a material product and an intangible resource in rural areas of the European Union (Section 2.1). This analysis enables us to identify cultural heritage and identify empirical evidence of how different combinations of cultural resources are distributed and valorised in spatially and temporally differentiated ways across the European Union (Section 2.2). Section 3 considers the implications of the findings for the EDORA conceptual framework by summarising drivers of cultural heritage as a factor in rural development, and analysing the opportunities and constraints upon it, before turning to examine how the function of culture in development processes are interconnected to other EDORA themes to act as drivers, opportunities or constraints. The tripartite conceptualisation of cultural capital, cultural capacity and cultural mobilisation underpins the hypotheses and indicators of cultural heritage proposed in Section 4. Section 5 reflects on the evidence of the multiple ways in which cultural assets have been mobilised in rural Europe and hypothesises over what kinds of future development trajectories will mobilise cultural heritage and in what kinds of ruralities. The report concludes in Section 6 with a discussion of the implications of the findings for territorial cohesion, territorial co-operation and rural development policies. It also identifies gaps in current policy design and delivery at the EU level, and scope for new instruments to support the mobilisation of cultural assets for development.

2 THE STATE-OF-ART

2.1 Conceptual and Theoretical Approaches

2.1.1 *Introduction: Culture in Mainstream Economic Theory*

Consideration of cultural factors in either development or economic theory has, until very recently, been limited. With the exception of a number of contributions which can be put under the general heading of 'cultural economics', both the effect of culture on development, and development on culture, has been typically ignored. Rutton remarks, "Cultural considerations have been cast into the 'underworld' of development thought and practice. It would be hard to find a leading scholar in the field of developmental economics who would commit her-self or himself in print to the proposition that in terms of explaining different patterns of political or economic development...a central variable is culture" (1991: 276). Throsby (2001), in his consideration of the role of culture in economics, notes that mainstream development texts have no time for culture either as a mediating influence on the achievement of material progress or as a desirable factor of society. In general economists are reluctant to consider cultural (or other qualitative) variables in explaining differential economic performance at the macro economic level, or to acknowledge cultural factors in influencing individuals economic decision-making at the micro economic level. As such, Throsby concludes, "a role for culture in influencing or conditioning economic performance is scarcely recognized" (2001: 61). Rather, economists generally argue that everything that matters to economic performance is explained in price, through the market mechanism. Whether this neglect is warranted is being increasingly challenged in contemporary development theory.

Classical economics identified land, labour and physical capital as the basic factors of economic development and production. Neo-classical economists introduced the concept of human capital to convey the idea that the productive use of the three basic factors depended on a society's stock of educated and trained workers. Within the past decade or so, however, social scientists from adjacent disciplines (geography, sociology, cultural studies, political science) have drawn attention to specific qualitative features of the structure and functioning of society to help explain the emerging pattern of differential development at the regional level, in areas where stocks of land, labour, physical and human capital appear comparable. As such, new concepts of social capital and cultural capital have emerged as important variables in economic and social development.

The concept of 'cultural capital' itself has many guises. Its origins can be traced to the work of French theorist, Bourdieu, who described cultural capital as being the social reproduction of symbols and meanings which define 'high statuses'. Bourdieu regarded cultural capital as being embodied in individuals in their preferences, tastes and behaviours, as well as being objectified in cultural goods and institutionalised in, for example, educational structures. In economic theory, cultural capital encompasses cultural assets which hold cultural value, in addition to economic value, and which are a product of cultural processes, phenomenon and activities related to social and economic activity (Throsby, 1999). Taken this way, cultural capital derives from any good which can contribute 'cultural value'. This can include the description of tangible and intangible cultural heritage described above in Section 1. Because these 'stocks' are historically associated with place, cultural capital has been incorporated into regional development theories through the concept of the 'cultural economy'. Ray (2000) and others have developed Bourdieu's concept to collective conceptualizations of cultural capital which is produced through individuals transforming aspects of their cultural heritage into commodities through private enterprise, the flows of which themselves feedback into the territory for the common good.

2.1.2 *The (Re)Production of 'Cultural Territories'*

The concept of 'cultural territories' (cf. MacKenzie, 2004) is gaining credence in rural development theories in the context of a decline in traditional natural resource-based industries and the globalisation of economies. Grounded primarily in regional development and geographical theories, the work of authors such as Ray (1998, 1999), Bryden and Hart (2001), Marsden (1999) and Jenkins (2000) suggest that the transition to the 'consumptivist countryside' is leading to the reconstruction of place based on exploitation of local 'cultural assets'.

According to Ray (1999: 263), culture offers "a set of place-specific forms that can be used to animate and define development". The assumption that cultural identity is fixed to place runs counter to post-structuralist concepts of identity, which suggest that the unprecedented mobility of populations has destabilised earlier notions of spatially fixed (or singular) identities. However, as Gupta and Ferguson (1997: 39, *our emphasis*) point out, "the irony of these times is that as actual places and localities become even more blurred and intermediate, *ideas* of culturally and ethnically distinct places become even more salient". The construction of territorial identity based on signs and symbols is part of the modern industry of 'selling places' through re-presentation to the outside world (Jenkins, 2000). 'Selling places' to a range of consumers, including inward investors, in-migrants, recreationists and tourists is fundamental to the extraction of the maximum value from immobile assets. The commodification of rural areas is closely linked, therefore, to re-packaging, and in some cases, *re-inventing*, cultural practices and traditions that are constructed as being unique to that territory.

Whereas in urban areas 'culture' is represented as contemporary and dynamic through discourses of multiculturalism and creativity, in rural regeneration culture is constructed primarily in images of the past which represent aspects of 'tradition' and 'indigenusness'. Thus, according to Panelli *et al.* (in press: 3) "idealized (and homogenized) constructions of attractive, nostalgic, agricultural and community-based views of rurality are strategically produced and supported by developers, entrepreneurs and local governments who wish to promote particular places". Consumer demand for experiencing features of the 'rural idyll' are, therefore, closely tied to disillusionment with aspects of modernity and a sense of rural areas being less changed or corrupted by modernity than urban areas (Wood, 2005). The symbols of cultural heritage – authentic, local, historical and traditional – provide a regional marketing opportunity.

In theoretical terms, researchers suggest that the more peripheral a European region, the higher the endowments of 'tradition' from which to market an area for tourism, or to use as a brand to sell goods and products. Jenkins (2000:302) suggests that, "Despite the universalising tendencies of modernisation, EU marginal areas retain traditional cultures, exhibiting varying degrees of vigour which potentially represent resources for alternatives to the modernist cosmopolitan mode of economic development". Likewise, Cawley and Gilmore (2007:317) claim that "Peripheral areas [in rural Europe]...tend to be repositories of older ways of life and cultures that respond to the postmodern quest for an antidote to the anomie of urban living". Whilst these claims might be challenged as being overly simplistic and reductionist, there is a general consensus that, paradoxically, the geographical marginality and distance from main markets which have been the underlying cause of 'lagging' rural regions' relative underperformance in the past, have protected constituent elements of cultural heritage which might be valuable in determining future development trajectories. That is, the more peripheral a region, the stronger the identity of people with place and the more likely that aspects of cultural heritage –

such as distinctive traditions, sensibilities and cultural practices – can be territorially defined as ‘belonging’ to a community of place.

Cultural tourism forms one example of how culture is represented in the practice of ‘selling places’. The reconstruction of ‘authenticity’ for the ‘tourist gaze’ (Urry, 1990) underpins the co-construction of place by residents and consumers. Indeed, according to Marsden (1999), rural recreation becomes a social force which shapes the countryside into the images and identities of those who consume rural resources. One outcome of this recursive relationship is the notion that tourism consumption of the countryside is implicated equally in the production and maintenance of cultural heritage resources as it is in their consumption. Thus the benefits of income from tourist and visitor expenditures provides a *raison d’être* for inter-generational transmission of traditional values, customs, language, art and craft forms that otherwise might have less utility in capitalist economies (Sharpley, 2002). Indirectly, rural tourism, in general, is frequently identified as a means of maintaining ways of life through supporting pluriactive farm households, traditional livelihoods and population in areas which might otherwise be less resilient to rural restructuring (OECD, 2009). Contemporaneously, returns from tourism expenditure can be reinvested in the tourism product which typically include (immobile) historical resources and built visitor attractions as well as other forms of ‘countryside capital’. Garrod *et al.* use the phrase ‘countryside capital’ to refer to natural, socio-cultural and built resources in rural areas. The pivotal role of tourism in rural economies is said to arise because of the multiple resources and multiple economic sectors which potentially have strong links with it.

On the other hand, the selectiveness of the types of cultural symbols used to construct a regional identity involve representation of partial histories and can, therefore, be contested for acting as a constraint on development. Whilst Ray (1998) and Kneafsey *et al.* (2001) reject the notion of a pure and unique cultural system peculiar to a territory, they advocate that each cultural community could, theoretically, subscribe to a common territorial ‘repertoire’ in order to market the region and add value to its regional goods.

2.1.3 Culture as a Distinctive Social System

In addition to cultural heritage functioning in representations of rurality through place-based marketing and branding, advocates of the ‘cultural economy’ approach, including Jenkins (2000), advocate that a key role for cultural heritage in rural development is through distinctive inherited traditions acting as a guiding social framework to pursue a development framework based on local values. Thus, as well as cultural heritage being used to market a territory externally, “a traditional culture can be turned inwards and used to facilitate networks which animate local and regional development” (*ibid.*:309). Jenkins draws on arguments’ supported elsewhere (e.g. Price *et al.* 1997) that cultural diversity offers creative and intellectual diversity which enables regions to define unique development paths based their inherited cultural systems. ‘The diversity dividend’ (*ibid.*) is purported as a more sustainable and, therefore, desirable societal model which counters the homogenising forces of globalisation and overcomes “the difficulties associated with any monoculture - namely, a loss of material for new paths of economic, social and environmental evolution, and a danger that resistance to unforeseen problems is lowered” (Jenkins, 2000: 306). The notion of local rural cultures as embodying traditions which are more sustainable is not unproblematic. However, the overall idea is that the development of locally embedded resources according to local value systems and with extra-local linkages to markets, policy support, technologies and consumer trends, can offer a motivational desideratum and inspiration for economic growth.

These distinctive social systems are also conceptualised as a form of 'cultural capital'. This capital is inherited and produced through individuals and can be transformed into a commodity through the exchange of these 'intellectual skills' on the labour market in the suite of industries commonly referred to as the 'creative industries' or the 'cultural sector' (Eurostat, 2007), the flows of which feed back into the territory for the 'common good'. The cultural economics and geographical literature has paid close attention to the intersection of culture and the economy in the creation of new urban economic spaces in the context of the 'knowledge economy'. According to some quarters, creative clusters are only viable in 'city regions' due to the benefits of agglomeration economies and knowledge spill-overs, graduate retention of skilled entrepreneurs, and strong physical (telecommunications and physical accessibility) infrastructure (Obidos, 2009). The direct economic contribution of creative industries in rural economies is believed to be an area of potential growth in accessible rural areas but it is believed to proffer fewer opportunities in more remote regions where economies of scale are less feasible (*ibid.*; Hepworth *et al.*, 2004). It may be that some types of creative activity are more suited to rural areas than are others. According to Atton *et al.*, "The...creative industries is a hybrid, bringing together the large-scale activities of the cultural industries and the individual talents of the creative arts. (Atton *et al.*, 2008: 11). The large-scale activities associated with the cultural industries are most likely to develop in agglomerations, whereas it is the individual talents of the creative arts which are more likely to offer potential for development in rural areas.

The role of 'culture' as a catalyst for the creative industries is argued to help achieve the goals of the EU Lisbon Strategy for jobs and growth. The European Council purports that culture should be recognized to an even greater extent within the Lisbon Agenda (Council of European Union 2007). However, measuring the cultural industries' direct contribution to economic development is plagued by a lack of comparable data at the European level for common measurement.

2.1.4 Agri-Environment Approaches and the 'Cultural Landscape' Concept

The concept of cultural heritage value in relation to agriculture is gaining increased currency with reference to the term 'cultural landscapes'. The perceived threat of agricultural intensification at the one extreme and land abandonment at the other, on the supposed erosion of more traditional and extensive methods of production in rural Europe are being defended through the multifunctionality debate. The 'cultural landscape' concept, which has its origins in the ecology and land-use planning literature, is being used in new arguments for policy intervention to support farmers which are connected to the increased role being given to farmers as custodians, care-takers or guardians of the landscape.

The scientific and policy literature suggests that cultural heritage is constituted in agricultural 'tasksapes' (cf. Ingold, 1993) and inter-linked with other public or quasi-public goods, including biodiversity and a range of other properties which are socially preferred, such as perceived food quality, rural employment, food traceability, visual character and shared memories (Matthews and Selman, 2006). These benefits have 'public good' characteristics for they can be enjoyed by all once produced but are subject to market failure: without government intervention, provision of these goods is likely to be under-supplied. A review of the literature identifies two perspectives on the relationship between the landscape and cultural value. First, a *social values perspective* which describes some of the characteristics of intangible cultural heritage. These include, for example, distinctive practices, values and inherited traditions that mean particular landscape features and uses contribute to a

community's cultural heritage and identity⁵. Second, an *aesthetic and environmental values perspective* that suggests that many of the physical landscape characteristics which are valued for their aesthetic or environmental benefits are equally valued for their historic and cultural qualities. For this reason, the concept of a 'cultural landscape' is used most often to refer to "traditional rural landscapes" (e.g. Höll *et al.*, 1999).

However, "a central dilemma in the maintenance of cultural landscapes is that the historical practices which produced them are often obsolete, and new social and economic forces may fail to reproduce their valued properties" (Matthews and Selman, 2006: 199). Thus, the continuation of 'historic' patterns of land use and the character of the landscape produced by these activities is under 'threat' as land managers respond to contextual shifts in national and international public policy and the market place, and according to changing landscape values (Höll *op. cit.*).

Vos and Meekes (1999: 3) comment, "highly valued landscapes that developed during centuries till millennia vanish or are completely transformed within a limited number of years". They argue that a sustainable future for historic European cultural landscapes are dependent upon "society's demand for multifunctionality; the inclination of farmers to meet this demand if it is economically profitable; support from national and local authorities (and the public) for ecologically sound management and finally, decentralization of landscape ruling and legislation, which favours regional solutions" (*ibid.*). The risk of "impoverishment of our cultural heritage and loss of local identity" (p4), they suggest, arises from processes of land use change so that previously regionally differentiated systems, characteristic of most of Europe's cultural landscapes, need to find new functions or be protected in and for themselves in order to be 'sustainable'. Local differentiation, itself informed by climate, physiography and local cultures, is being replaced by the 'postmodern landscape' which results in a "complex mozaic of different landscape types" (*ibid.*: 4).

From an aesthetic perspective, the cause for concern relates to how productive and non-productive land uses generate new visual landscapes. From a social perspective, a major argument is that "the best way of upholding the cultural heritage connected to agriculture is with a system of active farming" (Daugstad *et al.*, 2006: 68). This focus arises because, in addition to the physical landscape, objects and artefacts created by productive agriculture, value is also attributed to non-material heritage such as knowledge of farming and management of natural resources and authenticity (*ibid.*). This value is not necessarily reflected in national designations or protected areas (Mallarach, 2009).

2.1.5 *The Mobilisation of Cultural Heritage as a Private, Public or Common Good*

The identification of cultural heritage as a 'property' of people, territory and landscape brings attention to the complexity of culture and the various opportunities and constraints it gives rise to for rural development. Cultural heritage's contribution relies on processes of collective and individual cultural mobilisation because it is constituted by private, public and common goods. Aspects of cultural diversity are important in contributing to cultural dynamism which, in turn, has flow-effects in the economy for example via the 'creative industries'. In such cases, aspects of cultural heritage can be given a direct market value. At the same time, cultural heritage is

⁵ See EDORA Exemplar Region Paper for Skye & Lochalsh, UK, which identifies the local language along with the system of smallholdings (called crafting) as the cornerstones of local cultural heritage and identity, and their valorisation as critical for transforming the social and economic potential of the area.

seen as an example of a 'common' good in terms of cultural diversity, cultural services, and tangible cultural assets which hold cultural, but not necessarily monetary, value.

Whilst culture is conceptualised as a public good in most of the literature about cultural heritage and rural development (Olsson 2008), other academic disciplines do make a distinction between a public good and a common good. This distinction may be helpful in the operationalisation of cultural heritage indicators later in this paper.

Héritier (2002:2) recounts that in traditional economic analysis, the term "common good" encompasses three different types of goods: public goods, common pool resources and club (or toll) goods. From the institutional and political perspectives, however, the distinction between the three types of goods is crucial for inferring value and the normative element of which types of institutions should provide these types of goods. Thus these types of goods are generally conceptualised in accordance to whether or not they are rivalrous and excludable according to Musgrave's and Samuelson's classification of goods as depicted by E. Ostrom (1987:43).

Pure public goods, which are non-rivalrous and non-excludable, are increasingly difficult to come by. A lighthouse would be a good example of a public good as it is difficult to exclude use of the light produced, and the utility that a person (or ship) receives from the lighthouse does not diminish the utility that others could receive. Other types of goods that are generally conceived of as public goods are the provision of certain rural services such as schools or cultural services for minority groups, and certain tangible cultural goods such as monuments. However regardless of the provider of the goods (the public sector or the private sector) most public goods are more characteristic of common goods. Common goods are goods that are non-excludable, but which are rivalrous; that is they are prone to overuse and freeriding. The classic example is the analogy of a rural commons where no one can be excluded from grazing their livestock, the use of the commons by one agent will reduce the amount available to another agent, resulting in the "tragedy of the commons" (Ostrom 1990 and Hardin 1968). Other examples of cultural landscapes that are seen as good goods are nature reserves, beaches, or the special "flavour" of rural areas. Private goods are goods which are both rivalrous and excludable and these include many of the economic opportunities in rural areas which flow from common goods, such as tourism, the experience economy or consumables.

In situations where non-excludability and rivalry occur, common pool resource problems, such as the tragedy of the commons, can crop up: "Though often treated as a synonym of 'public goods' the term 'common goods' is also used in a wider sense as including two distinct types of collective problem solutions, namely the solution of common pool resource problems in addition to the provision of formally defined public goods" (Mayntz, R. in Héritier 2002:19). Thus while the boundary between common goods and public goods is a "line in the water", the two types of goods give rise to different types of problems. With public goods the problem is ensuring the production or maintenance of the good while with common goods, which are often naturally or readily available (such as natural or cultural heritage), the problem is to make sure that their utilisation is economically, socially and environmentally sustainable (Mayntz, R. in Héritier 2002:20).

The question is how common pool resource problems such as scarcity and or over-utilisation can be solved: through top-down centralised management or by more bottom-up, horizontal coordination (Mayntz, R. in Héritier 2002:20) Ostrom (1999) asserts that in some cases a combination of both governance styles work best to manage the commons, in a type of polycentric governance system. Empirical studies

of rural development echo this call for both top-down and bottom-up governance for provision of the common good. Lukesch (2008), for instance, relates how both top-down and bottom up processes are necessary for the production of public goods as well as the generation of private benefits. This type of mixed institutional arrangement is increasingly being seen in calls for public-private partnerships to produce the “common goods “such as regional development, (European Commission, Community Strategic Guidelines 2005:11). This is also apparent, for instance, in the principles for the integrated approach embodied in the LEADER Community Initiative.

Saxena and Ilbery (2008) draw attention to the range of stakeholders involved in the construction and supply of the rural tourism product and, as such, the necessity for greater understanding of the inter-linkages between different resources, actors and the end product in theory and in practice. In making their arguments, they draw attention to intangible culture as a ‘collective’ good which is dependent upon co-operation, trust and civic involvement in order to produce the culturally distinctive artefacts, values, practices which can be transformed into goods and services for the tourism market. They coin the term ‘resource controller’ to refer to the range of mainly non-profit-making actors who “exert ownership, management, or service provision control on many natural and cultural resources for tourism (such as large estates, cultural centres, museums, historic buildings)” (*ibid.* 235). Thus the non-profit attributes of built and material manifestations of cultural heritage and the public good characteristics of immaterial manifestations of cultural heritage depend upon networks to identify and mobilise these resources as part of integrated territorial development. This, they suggest, can indirectly benefit the region through increasing the attractiveness of an area for inward investment.

The ability of individuals to generate private benefits from collectively produced cultural capital is itself fraught with tension. Activity to delineate ownership and use-rights of cultural artefacts, expressions and knowledge can be contested where divergent interests collide. An inter-disciplinary interest in the concept of ‘cultural property’ reflects the increased interest in valorising public and common cultural heritage goods for either private benefit, such as through seeking copyright for a weaving pattern, or for collective exclusive rights for local and indigenous traditions, such as local food marketing⁶.

2.2 Review of the Empirical Evidence/Analyses Relating to Cultural Heritage

2.2.1 Introduction to Empirical Evidence

To the extent that the distinctiveness of various manifestations of cultural heritage varies geographically, so too do rural development opportunities. According to the OECD, “a large number of successful rural regions have been able to valorise public or quasi-public goods such as a clean environment, attractive landscapes and cultural heritage (including food)” (2006:32). There is little evidence, however, of the potential for cultural heritage-related activities to foster local development relative to other economic opportunities, or of the linkages between types of cultural heritage resources and activity (c.f. Terluin, 2003). The challenge of this section is to review the existing empirical evidence generated through disparate research strands, and seek to identify their relevance to rural development and to explaining differential patterns of rural development. This section reviews the evidence for the valorisation of cultural heritage in generating opportunities for rural development, through territorial, sectoral and landscape research and analysis.

⁶ See <http://www.cultural-property.org> for theoretical and empirical research papers on this topic.

2.2.2 Cultural Heritage as a Determinant of Rural Performance

In relation to rural Europe, there is little comparative evidence of the extent to which intangible and tangible cultural heritage can act as benefits or dis-benefits to rural development outcomes. However, several research projects have identified cultural factors as important in differentiating patterns of relative economic performance in rural regions. These projects have in common a theoretical framework which broadly views economic performance as a function of five types of capital (i) human capital (ii) natural capital (iii) economic capital (iv) social capital and (v) cultural capital. However, operationalising the concept of 'cultural capital' has been fraught with difficulties of measurement and, connectedly, interpretation of its relationship to other forms of capital, and to overall regional economic performance.

The DORA Project⁷ (Bryden and Hart, 2001) was a cross-European project which conceptualised cultural capital (after Geertz), as being a product of identity of people with place. Through utilising paired case-studies, containing one well-performing region and one under-performing region in four countries, the project identified that shared understandings of heritage and tradition were used to develop alternative development trajectories in successful regions, resonating with the concept of 'cultural territories'. The project was unable to quantify this contribution, but qualitative analysis of interview data revealed that, in well performing regions, there was a strong resonance between local conceptions of identity and the external image marketed whereas in under-performing regions, there was little sense of continuity with the past. On the other hand, the project identified that a strong sense of identity with place could be negatively, as well as positively, correlated with differential economic performance, for example, should such collectives be inward looking. Thus in well performing regions, the 'culture of community' was believed to be important in informing a "broad commitment to enterprise" which "could be translated into effective action" (*ibid.*: 45). A final point was that 'cultural traditions' are also closely related to other factors important for differential economic performance, such as governance, entrepreneurship and human resources. The authors concluded, therefore, that these cultural traditions "can be encouraged/discouraged by styles of governance, institutional arrangements and economic structures or organisation which foster/deplete positive characteristics of self-determination, independent and local identity" (*ibid.*:51).

A second study which found cultural factors to be determinants of differential regional economic performance in rural areas was undertaken by Courtney *et al.* (2004) in England. Courtney *et al.* used multivariate analysis on secondary economic data, together with primary data, to analyse relative differential performance between rural areas. Building on earlier research, including the DORA project, they conceptualised stocks of cultural capital as being represented by the extent of commercialisation of cultural heritage, the existence of heritage sites, and (after Putnam, 1993) the traditions of civic engagement. A lack of secondary data limited the use of cultural variables in their modelling of economic performance for rural England, but data collected through a stakeholder and business survey in selected rural districts was used to estimate the potential contribution of cultural heritage to rural development. Their study identified eight themes that explained uneven pattern of economic performance across rural England, of which two were related to their initial conceptualisation of 'cultural capital: first, the use of regional identity for marketing as

⁷ EC Funded under the FAIR research programme: FAIR 6-CT98-4162

and, second; the 'cultural capacity' of a region⁸. Whilst the former aligns with the concept of cultural commercialisation and economic activity arising from cultural assets, the latter relates more to the intangible values and sensibilities which guide individual action, and which can determine the collective capacity of a region's population to identify and act upon new development opportunities. Thus the effectiveness of rural districts to market or mobilise cultural activity to generate economic return was found to be variable and related to historically determined "prevailing attitudes and values" (*ibid.*:173).

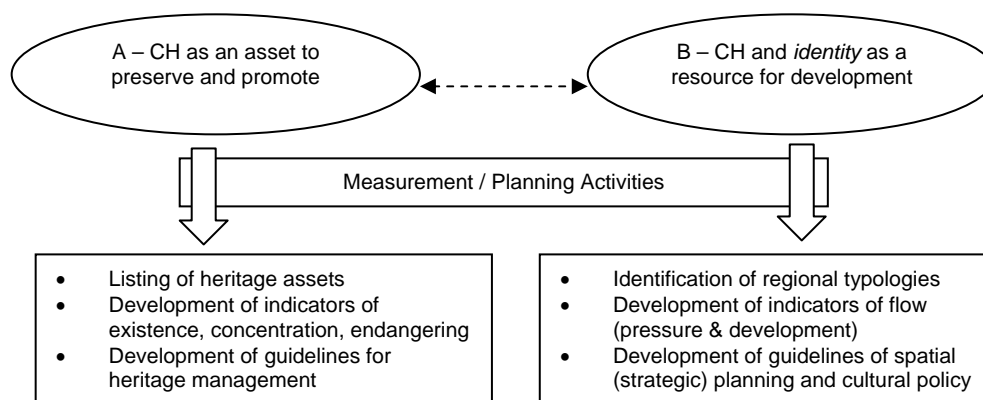
Spatial planning perspectives have informed a separate body of empirical work to study differential drivers, constraints and opportunities for cultural heritage in contributing to territorial development. The SPESP project on 'cultural assets' sought to explore the relationship between "preservation of the cultural heritage, socio-economic growth and sustainable development" (Anzuini *et al.*, 2000: ii). The project tried to measure both the 'stock' of cultural heritage and the extent to which these stocks were 'endangered'. The investigation was divided conceptually and methodologically according to two types of cultural heritage: cultural landscapes and built heritage. Both were conceptualised as potentially contributing to social and economic opportunity through fostering 'social and cultural enrichment', direct economic benefit due to employment in its management and its use (e.g. tourism) and indirect economic benefit through its affect on the image and quality of the locality. The relationship between cultural landscapes and socio-economic development were not empirically explored (see sub-section 2.2.3 below for a discussion of the findings as compared with other empirical research on the value of cultural landscapes to rural development). Moreover, the relationship between built cultural heritage and development was limited to the study of the relationship between tourism consumption and the supply of built cultural heritage attractions. Even here, the credibility of results was undermined by the data on the distribution of cultural heritage sites (those listed in the 'Italian Touring Club' guides produced in early 1980s). Reliance on this dataset was likely to under represent cultural heritage in rural areas, which is less likely to be built or managed. Nonetheless, the use of these proxies identified that some rural, peripheral regions had a "remarkable" absolute number of cultural sites. They concluded from their regional analysis that where use pressure was low, but cultural heritage sites abundant, such areas had the potential to utilise their cultural heritage to better effect (despite a lack of any data on the carrying capacity of e.g. specific historic sites).

Of greater relevance is the succeeding work of ESPON 1.3.3 on Cultural Heritage and Identity (CHI). The authors conceptualised cultural heritage both as a set of 'static' features and as a property of people (and hence related to identity) which could act as an 'engine' of development (see **Error! Reference source not found.**). The project aimed to examine the dynamics of cultural heritage and its interrelations with social and economic trends. Their more nuanced interpretation of cultural heritage was operationalised through nine-fold categorisation of cultural heritage: monuments; protected landscapes and sites; museums and galleries; events; cultural diversity; cultural professionals; cultural infrastructure and organisations; intellectual capital, and; cultural excellence. Like all empirical studies which seek to measure cultural heritage dynamics, this study was beset with data availability (particularly geo-data) and harmonisation problems⁹.

⁸ The term 'cultural capacity' diverges subtly here from alternative conceptualisations which use the term to refer to the capacity of the local population to reproduce and make accessible the heritage and its value, or to produce new heritage (e.g. Dynamo, 2006)

⁹ These limitations led the authors to include the caveat, "the properties exhibited by the datasets and the derived maps indicate clearly that rather than with a faithful representation of the phenomena which are the main object of this study the reader is faced

Figure 2-1: ESPON 1.3.3. Conceptualisation of Cultural Heritage



Unlike the ESPSP, the dynamics of cultural landscapes were not included in the typology, although the extent of territories designated as culturally significant landscapes were measured. A NUTS II regional typology, developed to reveal the relative strength or specialisation of each region in cultural heritage, was used to measure (a) conservation (b) production of cultural commodities and (c) valorisation of cultural heritage for branding and personal identification. The results found that rural areas were more specialised in ‘conservation’ whereas urban areas had higher levels of cultural ‘production’. When each function of cultural heritage (conservation, production and valorisation) were combined in measurement, rural regions were more likely to exhibit specialisation in ‘conservation’ and ‘valorisation’, but less effective in generating value in the form of cultural goods and services. Levels of inaccessibility were found to prohibit valorisation of cultural heritage through tourism consumption or cultural industries. Moreover, tangible cultural heritage (built attractions and cultural services) assets were strongly associated with urban regions, although several inaccessible regions were also positively correlated with tangible heritage. The urban ‘bias’ in measuring built cultural amenities has been found elsewhere (see Appendix 3 for an example of a national cultural amenity dataset, based on built cultural attractions) failing as it does, to measure cultural venues, events and participation which take place in ‘non-conventional’ locations in rural areas.

2.2.3 *The Value of Landscape as a Cultural Amenity*

Studies which seek to understand the social and cultural contribution of the land-based sector are relatively less than those which seek to understand the environmental and amenity value of agricultural and forestry taskscapes. However, as agriculture and forestry has undergone a transformation from a focus on economic outputs to a focus on multifunctional activity, so there have been increased efforts to examine a broader range of values of agriculture and forestry (Willes *et al.*, 2000, 2003; Christie *et al.*, 2006a and 2006b; Edwards *et al.*, 2008). The absence of a single common understanding of ‘cultural value’ means that no common method of identifying cultural benefits is brought to bear on such analyses, however (see **Error! Reference source not found.**).

with a representation of the diversity in approaches and capability of the different national states as far as the inventory and protection of their heritage resources is concerned, and – to a lesser degree – of the capacity of this TPG to collect disparate information and integrate them in a data collection exercise which has necessarily limited dimensions” (Dynamo, 2006: 76)

Figure 2-2: The Cultural Value of Forestry

Measuring the Cultural Value of Woodlands and Forestry

Two UK studies on the social and economic benefits of forestry in the UK illustrate different theoretical approaches to understanding and measuring cultural values of forestry. Slee (2006) led a public sector funded-project 'Understanding Forestry in Rural Development' to understand regional or sub-regional impacts of forestry. Edwards *et al.* (2008) have undertaken Scotland-wide study to evaluate the social and economic contribution of woodland. Both studies developed typologies and indicators of the value of woodland and forestry arising from their multiple functions. Slee (2006) categorises these contributions into four groups: direct economic impacts of forestry production; indirect impacts (termed 'shadow' or 'halo' effects) on other economic activity; non-market values which contribute to 'green' accounts, and; social values which were defined as 'symbolic, historic and cultural'. No monetary value was calculated for social values and the study concluded that indirect impacts (arising from consumption) were greater than production impacts. Edwards *et al.* (2008), in their study of the benefits of forestry, differentiated between learning and education; employment; health and wellbeing; recreation and accessibility; community capacity, and; cultural landscape benefits. The cultural benefits of forestry, whilst acknowledged to be "particularly difficult to define and value, since many are intangible and attempts to quantify them are often considered inappropriate and controversial" (*ibid.*:5), were broken down into three value types (a) cultural values, associated with cultural sites, features and activities as well as cultural meanings users attach to them (b) aesthetic values, and their contribution to the landscape and, (c) non-use values, specifically the existence value for being of benefit to present and future generations and as a habitat for biodiversity.

The ESPSP project on cultural assets sought to measure the spatial distribution of cultural landscapes according to a five-fold typology: physical geographical features; human geographical/economic functional features; special agricultural features; special legislation instruments; cultural significance values. These categories were selected as indicating landscapes in need of 'protection' from different drivers and processes of land-use change. However, finding a suitable framework from which to attribute cultural value at the European level is fraught with theoretical, methodological and practical difficulties and a lack of data availability (particularly for proxy measures of cultural significance values) led to this five-fold typology being largely abandoned. Instead, the project assumed that relative diversity of land cover types was positively associated with aesthetical attractiveness and sought to measure this diversity using CORINE Land Cover data (Anzuini *et al.* 2000). However, Antrop and Eetvelde (2005:21) argue that, "Land cover is unsatisfactory to be used as the sole component of cultural landscape character as is clearly show by the erroneous mapping of the cultural landscape diversity for the Study Programme on European Spatial Planning using CORINE Land Cover data". Contesting the conceptualisation of land cover (according to climate, elevation, land use and parent material) as a cultural, as well as natural, component, Antrop and Eetvelde (*ibid.*) suggest that themes recognised to be significant to landscape character include cultural themes such as "settlement types and patterns, traditional rural architecture and building materials, farming styles, field patterns, hedgerow and planting patterns, signs and place names" (land occupation and organisation). In order to address the cultural component through human features, they analyse three themes according to different sub-categories: forms of rural settlement; traditional building materials and tradition rural house and farmstead types, to devise maps to measure the 'richness' of the landscape.

Landscape heterogeneity (a measure of landscape structure which typically is used to describe spatial variation of a landscape) is supported, however, by several studies as a good measure of cultural value, as well as being an accepted indicator of biodiversity. For example, Dramstad *et al.* (2001 and 2006, cited in Van Eetvelde

and Antrop, forthcoming: 2) have shown that landscape heterogeneity is related to landscape values of biodiversity, cultural heritage and attractiveness. With a focus on agricultural landscapes, Dramstad *et al.* (2001) sought to measure the relationships between landscape heterogeneity and cultural heritage interests. They identify that “cultural heritage interests are linked to landscape structure through the importance of farm buildings and historic boundaries between farm ownership, between field systems and between cultivated and wooded areas” (*ibid.*: 261). The latter, research has found, are linked to prehistoric sites, whilst landscape structure elements, such as watercourses, lakes and old road systems, are also indicative of cultural heritage sites. In the paper, Dramstad *et al.* used indicators calculated for the Norwegian monitoring programme for agricultural landscapes (the 3Q programme), of which four are specific to measuring cultural heritage (absolute number of historical agricultural buildings; grave mounds, ruins and cairns; number and length of fences and stone walls, and; number and length of historical roads and paths) and two are indicators of landscape (area of agricultural and non-agricultural land types and heterogeneity). Through cross analysis of these data with public valuation of such landscape, they conclude from their analyses that typologies of landscape originally derived for ecological analysis can also be relevant to cultural and aesthetic analysis and that further research should seek to understand the inter-linkages between landscapes of environmental value and those of cultural value.

An empirical study of landscape assessment in Flanders concerned foremostly with conservation of historic landscapes, overlaid landscape diversity data with time-series map data using the emergent approach, ‘Historic Landscape Characterisation’ (Van Eetvelde and Antrop, in press). This process is valuable, it is argued, for calculation of time-depth of landscape characteristics can measure the *value* of landscape, and therefore, justifications for landscape protection and conversation. However, it is contended that “research has yet to establish clear links between specific landscape metrics and the combined interests of biodiversity, cultural heritage, sustainability, amenity or aesthetic qualities” (Dramstad *et al.*, 2001: 258). Attention is also drawn to the dangers of assuming the ‘co-occurrence’ of these qualities, all of which are important for rural development, and it is suggested that landscape structures might be positive for one interest, but less so for others.

In a case-study of an olive agricultural system’s contribution to multifunctionality, Fleskens *et al.* (2009) draw attention to the trade-offs not only between productive and ecological functions of agriculture, but also social and cultural functions which could limit productivity. They comment on their estimation of the multiple functions of Sloping and Mountainous Olive Plantation Systems (SMOPS) in north-east Portugal, that “cultural functions are the hardest to assess, as they relate to more abstract concepts” (2009: 145). Nonetheless, they identified four categories, as follows: landscape value according to visual qualities; recreation and tourism expenditure of SMOPS; cultural identity, given their “structural characteristics reinforce a spiritual attachment to the land” (145), and; cultural heritage value with a focus on the temporal continuity of farm practices. The regional level indicators to measure these dimensions found, surprisingly, that the cultural value did not vary according to their extensiveness (abandonment) or level of intensification. They concluded that this agro-system was important for maintaining the cultural landscape and identity, and were thus vital to regional development.

Valorising cultural landscape as an amenity depends upon transforming this common good into a private good, such as through commercialisation of an historic site, or through linkages to the tourism industry or speciality goods production. These flows are considered below.

2.2.4 Cultural Value in Market Goods

Cultural heritage is inextricably linked to an area and is (re)produced over time through heredity and the continuation of cultural processes. Cultural heritage has, therefore, an important geographical and temporal dimension. In Section 2.1, the commodification of rural areas was described as being closely linked to re-packaging, and in some cases, *re-inventing*, cultural practices and traditions that are constructed as being unique to a territory. Thus, a major economic development opportunity for rural areas is to directly exploit cultural heritage assets by making them accessible for recreation, leisure and tourism and through product differentiation in the quest for market share.

The continued growth of the service class and the principles of ethical consumerism mean that cultural tourism as a tourism sector in its own right is a major source of economic development in rural Europe (Richards, 2005). However, the evolution of an integrated tourism product is spatially differentiated due, according to Canoves *et al.* (2004), to the differential resource base, accessibility, and climatic variations. They also identify a temporal dimension, as areas evolve the tourism product from farm-based rural tourism (agro-tourism) to increased specialisation to meet more sophisticated demands.

It is known that demand patterns in rural tourism are changing, as the consumer becomes more sophisticated and discerning about the quality of general services and seeks active involvement in experiences which are 'different' and 'authentic' (Tourism Sustainability Group, 2007: 12). The post-modern tourist taste for not only 'spectacle' but 'life-experience' of cultural heritage diversity is placing new demands on the types of cultural attractions and activities in which tourists wish to experience. In keeping with the broadening concept of 'cultural heritage' discussed in Section 1, cultural tourism is responding to social trends by moving away from 'sites and monuments' approach, to creating a product in which the (usually international) tourist can experience "the lifestyles, everyday culture and customs of the people they visit" (OECD, 2009: 25). According to Eoropa Nostra (2005, cited in OECD, 2009) "more than 50 percent of tourist activity in Europe is driven by cultural heritage and cultural tourism is expected to grow the most in the tourism sector". The high cultural values attached to rural tourism mean that the rural visitor is, by definition, a cultural visitor. If, as outlined above, rural areas are rich in intangible heritage, linked to land use and the natural environment, then they could be well placed to create higher symbolic value through, for example, clustering cultural experiences and attractions around themes (e.g. cultural routes, gastronomy) to gain destination advantage over destinations that have relied in the past on their national monuments and buildings.

In their study of rural tourism in Spain, Canoves *et al.* (*op. cit.*) identify that local culture centred upon the land-based lifestyle is the foundation of rural tourism. They argue, "Without a "typical" rural lifestyle, there is no tourist attraction" (2004: 766). In Spain, the main market for rural tourism is domestic, and its potential is identified as greatest in near-urban fringe zones close to urban dwellers in search of their 'rural roots'. Thus, whereas in urban areas 'cultural tourism' uses built heritage and 'high culture' (galleries, theatres), in rural areas "cultivating the land, maintaining the farms, refurbishing the buildings is part of the cultural heritage" (*ibid.*: 766). Royo-Vela (2008) uses the terms 'rural-cultural destination' and 'rural-cultural excursionist' in an analysis of rural tourism in Spain to capture the significance of domestic tourism in this national context. The study of visitor patterns and motivations concluded that the rural tourism product is based on heritage, architecture, culture and cleanliness, and that tourism providers in rural areas need to manage their built heritage resources, and maintain authenticity related to traditional handcrafts and foodstuffs.

The coexistence of high nature and cultural value landscapes are seen as integral to the rural tourism product.

Quantitative knowledge of the demand and supply of cultural tourism is relatively weak, however. In recognition of its significance to European development, but the relative absence of comparative data, the European Commission has supported the ATLAS Cultural Tourism Project (Richards, 1996). They sought to delineate both a cultural tourism product and cultural tourism processes (activity), and defined cultural tourism as, "The movement of persons to cultural attractions away from their normal place of residence, with the intention to gather new information and experiences to satisfy their cultural needs" (1996: 24). They observed at that time, however, that "the rapid pace of social and cultural change and the progressive de-differentiation of social life is making the application of such definitions increasingly difficult" (*ibid.*: 25). Visitor surveys for the project are targeted primarily (if not exclusively) in cities. A focus on major cities as sites of cultural heritage consumption is likely to be explained by high visitor numbers, the scale of built heritage attractions, such as museums, and the ease of collecting data in urban environments. In 2007, the results from a survey undertaken in 20 national locations reported a further growth in the proportion of tourists taking cultural holidays, from 17% in 1997 to 31% in 2007 (Richards, 2007). The surveys support findings reported elsewhere, that cultural tourists are more likely to be higher educated and motivated by 'learning' about other cultures. This is also true of 'rural tourism' whose visitors are from middle and higher socio-economic groups. However, whereas in urban areas the cultural tourist tends to be younger, in rural areas visitors tend to be older due to relatively higher costs (OPTOUR, 2004).

Cawley and Gillmor (2008) found that endogenous small-scale rural tourism models which are based on the immobile natural and cultural resource of an area are less vulnerable to external tourism business competition (particularly if non-reproducible). Saxena and Ilbery (2009) found in an English-Welsh case study that the sustainability of the rural tourism product was threatened by different priorities (economic, social, environmental and cultural) of actors in the tourism infrastructure which identified "the difficulty of achieving co-coordinated actions and strategies even within small geographical areas with low population densities" (*ibid.*: 249). They related the capacity for 'co-coordination' to cultural factors, by concluding that "the local sociocultural context has a profound influence on the nature of networks and relationships" (*ibid.*: 250).

Sharpley (2002), in a case study of rural (mountainous) tourism in Cyprus, found that the capacity of small businesses to cater for the demands of the modern tourist was limited due to poor infrastructure and inaccessibility. Local schemes to encourage the revitalisation and promotion of traditional Cypriot socio-cultural practices as part of the 'agro-tourism' product, and funding to restore traditional village architecture, combined to increase awareness amongst locals of the (threatened) local heritage but most rural locations in Cyprus were found to lack facilities for tourists to 'experience' this culture. Thus there was a mis-match between the demands of the independent traveller and the supply of services, facilities and related pricing to conform to expectations. He concluded that "the belief that increasing numbers of tourists are demanding 'traditional' experiences is not a guarantee of success" (*ibid.*: 242), given rural tourism is small scale, specialist, and depends upon relatively high levels of investment relative to its returns.

The empirical evidence from the above studies points to the need for investment in training and quality assurance mechanisms *in tandem with* the development of the rural cultural tourism product. Developing this form of 'cultural capacity' is essential in new Member States which have relatively less developed service economy or culture.

Research into the factors affecting visitor expenditures on local foods has identified that association of an area with a tradition and culture in the production of the food, and that this is linked to ideas of quality then, this will affect spending behaviour. In a Greek study, Skuras *et al.* (2006) have found that purchasing of local food is a significant part of the total rural tourism expenditure, and is influenced by how informed consumers are of the food products prior to visiting. They conclude that local food campaigns "should emphasize the wholesome (authentic and traditional) character of the local food projects and place them in a frame of a particular lifestyle" (*ibid.*:778). Thus, "An important aspect of the market for regional products is the successful identification of a product on the part of a consumer with its place of origin." (*ibid.*: 771). Daugstad (2008:420) describes the niche market potential for local food as exploiting the link between "the visual and the edible landscape qualities", through slogans such as "Eat the view" and "cultural landscape tastes".

The research evidence suggests, therefore, that leakages from the cultural heritage industries (including those in the tourism sector) are best contained by endogenous development models. Key features of such models are high local business ownership, experiential tourism which requires place-based consumption, and local institutional structures which foster co-operation and networking among private and public actors.³⁴

There is, however, currently a lack of information relating to the significance of traded cultural services and goods in terms of employment or income generation. According to the SERA report (Copus *et al.* 2008) it is the linkages of cultural heritage development to tourism, local quality products and landscape protection that debar the disaggregation of employment impacts. Indeed, because of such inter-linkages, the authors conclude that "it may not be useful to consider "culture" as a separate sector since it can be closely related to both nature and landscape management, and the production and promotion of local, quality produce" (*ibid.* 117). This being the case, the drivers as well as the opportunities and constraints arising from cultural heritage are closely interlinked with agricultural and land use policies. Nonetheless, the report states, "there is anecdotal evidence that interest in this area is growing and the expectation is that the significance of the sector to employment creation in rural areas will increase in the future". (*ibid.*:116). There is evidence from the UK to suggest that the likelihood of a 'creative class' underpinning rural economic performance is higher in accessible rural areas which have the business infrastructure and connectivity to support the growth of the knowledge economy as a whole, as well as being a place of residence for 'urban knowledge workers' (Hepworth *et al.*, 2004a and b). The activities of a 'creative class' in accessible rural areas are unlikely, however, to be distinctively 'rural' in nature or based on rural resources (EDORA Thematic Paper 2.11 (b), 2009). Rural areas, on the other hand, are more likely to attract 'life-style' entrepreneurs in the creative industries whose activities are linked to elements of rural place, through self-employment and micro-enterprises.

3 IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

The aim of this section is to examine the role that cultural heritage plays in understanding why differentiation between rural areas in Europe is occurring.

Drawing on the piecemeal evidence of spatial differentiation available, it seeks to explain differential drivers of changes in the stocks of cultural heritage and the processes which account for different ways in which cultural heritage acts as a benefit or dis-benefit to rural performance. The multiple and complex forms in which culture is produced and reproduced mean it is difficult to subject it to quantitative spatial analysis. Moreover, it is important to recognise the inter-linkages between other development factors, some of which act as drivers of change in the production of cultural heritage, and others which proffer potential to mobilise cultural heritage as an asset.

3.1 Drivers of Change in Cultural Heritage Production and Reproduction

The cultural characteristics of the population, and their customs and traditions, are an important driver of the cultural distinctiveness of an area. As the empirical evidence suggests, historical association between people and place in rural areas is a major driver of endogenous development. There are several factors that cause significant changes in the cultural characteristics of local populations.

First, the cultural identity with place can be diluted by processes of economic integration and modernisation which lead to the devaluing of traditional practices associated with more traditional rural lifestyles. For example, such processes are contributing to the minoritisation of traditional ethnolinguistic groups 'indigenous to' rural areas, and the loss of regional folklore. Second, rural areas which have experienced natural population decline and high levels of out-migration (due to a lack of economic opportunity), typically have an imbalanced and ageing demographic structure. Such areas are likely to have less 'cultural capacity' to reproduce cultural practices and create new forms of cultural expression which are valued for their association with place. This may be particularly true of former industrial areas in rural Europe and peripheral areas with lower densities of population where the 'grey pressure' is higher (these might include some of the Nordic regions as well as peripheral regions in Central and Southern Europe). Of course, the effects of immigration may partially offset this and contribute to a plurality of 'living' cultural heritage in areas of positive net migration. Third, contraction of agricultural employment can act as a significant driver of change through reducing the common heritage connecting people to place. Whilst agriculture continues to be an important form of land use and land management, processes of land abandonment, amalgamation, mechanisation and specialisation all contribute to the transformation of the rural economy and, therefore, change historical cultural practices. Farmers embeddedness in the land, which has historically given rural society a sense of permanence, is being weakened across rural Europe, albeit at different rates, as the ESPON areas move to an increasingly free global market. The disappearance of a farming culture is connected to processes of land abandonment (and conversion) in marginal and mountainous areas, whereas counter-urbanisation processes (of population and economic activity) are at work in Europe's rural metropolitan areas. Economic decline in other industries, which have historically used the immobile natural resources of rural Europe, such as fishing or mining, can have similar outcomes.

The historical association between people and place is reflected in the cultural landscapes of rural Europe. Farm adjustment is a significant driver of change in the cultural continuity of agri-cultural landscapes, given agriculture is, and will continue to be, the most important use of land in Europe. The loss of temporal continuity of farming practices will alter the landscape structure and appearance, however. As UAA increases in areas of agricultural intensification, homogenisation of cultural landscapes could occur. The process of 'land abandonment' and marginalisation of

former productive land could lead to more 'natural' landscapes with lower 'cultural' value, particularly in peripheral and upland areas, where traditional forms of extensive traditionally managed farming systems are prevalent.

Rural regions in Europe will have to adapt to the effects of a changing climate, as well as find ways to help mitigate greenhouse gas emission. As such, climate change presents both opportunities and constraints on rural cultural heritage. Rising sea levels in certain areas may be detrimental to cultural landscapes. Hotter and dryer summers and the ensuing lack of water may make traditional agriculture practices as well as agro-tourism infeasible in the southern parts of Europe. Likewise warmer, wetter winters in the North and alpine areas could be problematic for winter sport cultural landscapes. On the other hand, the same conditions may give rise to new opportunities for cultural landscapes in many areas.

3.2 Opportunities and Constraints for Mobilisation of Cultural Heritage

The implications of these changes for rural development trajectories are complex. Migration itself is an important driver of rural development. Immigration flows of groups with different cultural identities and practices represent both a potential opportunity and constraint for rural development related to cultural heritage. Rural areas experiencing positive net migration typically have a strong metropolitan influence and migrants can have urban lifestyles and values which diverge from traditional agrarian lifestyles and values (c.f. EDORA Working Paper 2.11(a)). Processes of urban-rural migration to remoter rural areas are less likely to be influenced by economic factors (e.g. wage differentials, social mobility or accessibility to urban centres), as they are by the cultural and environmental attractiveness of rural areas. Their conception of the 'rural idyll' can pose an "unprecedented challenge" to the prevailing culture (Terluin, 2003).

This evidence is countered by a larger body of research which suggests that skilled in-migrants are important for improved institutional effectiveness and efficiency of the rural economy. Institutional and economics perspectives generally view population shifts as beneficial (c.f. EDORA Working Papers 2.11(a) Demography and 2.11(c) Rural-Urban Interactions). An increase in the variety of skills and entrepreneurial experience can support new types of business culture which helps to mobilise local cultural heritage resources through private enterprise or public intervention. Research on migratory processes has, however, tended to neglect the impact of rural in-migration on local cultural values, practices or local languages and dialects and overlooked the political, economic and cultural controversies of multiculturalism in rural society. On the other hand, the review above has pointed to the association between 'traditional' rural economies and the maintenance of an internally coherent socio-cultural identity which is inward-looking and at odds with the consumptive demands of dominant urban culture. Former traditional agrarian areas or rural de-industrialised districts which are in transition are most likely to be associated with such entrenched views. Certain traditional practices maintained in rural areas can act as a 'constraint' on entrepreneurialism and innovation, for example, religious beliefs which restrict service provision on a Sunday.

The evidence presented above in Section 2 suggests that it is the authentic and historical aspects of rural heritage which are most marketable e.g. those which have greatest time-depth. Thus, the agrarian traditions which are highly valued in a European context offer significant opportunities for commoditisation of built attractions, marketing and branding in exportable production, and for revenue generated by visitor experiences. The representation of rural culture in some national contexts is more exclusively agricultural in some parts of the ESPON area, than in

others, reflecting historical patterns of agricultural land use, employment, income and its GDP contribution.

The process of 'land abandonment' and marginalisation of former productive land, particularly in peripheral and upland areas where traditional forms of extensive traditionally managed farming systems are prevalent, creates a demand for new jobs in other sectors. The potential loss of population in areas which cannot absorb excess labour into other sectors in the economy can impact on the 'cultural capacity' of the region. It also lessens the farming culture in these areas, which in the past, has acted as a cornerstone of their territorial identity. Interventions to protect and maintain traditional agricultural buildings and access to historic sites which farmers have, in the past, protected, would be necessary whilst interventions to sustain extensive systems because of their social, cultural and environmental contributions would enable the continued reproduction of this productive agricultural heritage. Maintenance of these landscapes offers opportunities to enhance the area attractiveness for tourists, recreationists and other consumers. New uses are also being found for inefficient historic agricultural buildings as part of farm-diversification strategies. In intermediate-rural areas, processes of counter-urbanisation are most likely to lead to new types of land uses, including housing and road infrastructure, which can threaten historic landscapes and lead to their fragmentation (although sites and monuments might be protected). It is in these intermediate rural areas which conflicts between preservationist and commercialist models of development are most likely to favour commercialist outcomes. By contrast, in more remote rural areas the high value attached to traditional landscapes will mean economic development which impacts on the aesthetic and environmental quality of place will be highly contested.

When local meaning is given to the development of saleable or non-saleable cultural services, crafts and other products, this heritage can become a driving force through transforming local conceptions of place as well as the image of the region held by potential investors, migrants and visitors. When people hold little pride in their local heritage and environment, levels of confidence and entrepreneurialism are less (Hepworth *et al.*, 2004). One potential constraint is the extent to which heritage related activity in rural areas engenders a predominantly retrospective vision. Thus, rural development strategies which reify culture as an object manifested only in commemorative buildings and monuments, exhibitions, churches, and archaeological remains are unlikely to be as successful as those which focus on modern and evolving expressions of cultural identity. Essentialist notions of 'traditional' are being confronted by rural areas in which increasingly diverse populations and social groups mean that a locale no longer shares a common cultural heritage or social organisation. As a result, forms of cultural expression, cultural activity and cultural organisation can reflect a plurality of local identities. Whilst, on the one hand, the diversity of the population may undermine the unique characteristics of a rural region and affect its development potential as a 'cultural territory', on the other hand, a plurality of cultural groups may create opportunities for more cultural events and cultural attractions and a multicultural area identity e.g. in border regions.

The extent to which these qualities are an opportunity for development is often dependent upon the strength, nature and quality of rural-urban linkages. The concept of spatial planning draws attention to the importance of regional "hubs" in the global network economy as "gateways to markets, people and cultural symbols" (Nordregio, 2008: 39). Spatial planning perspectives suggest that metropolitan areas are important in the symbolic construction of regions as destinations for investors and tourists, nationally and internationally. The relative connectivity of regional hubs to international networks are argued to affect the degree to which local cultural assets

can be exploited (*ibid.*) Thus rural regions with successful and accessible metropolitan areas are more likely to be able to derive economic gains from their culturally distinctive resources than are those which are not well connected to metropolitan areas and, therefore, international networks.

Tourism, leisure and recreation activities provide the primary market for the consumption of cultural heritage, and nature-related, goods, services and experiences. The consumption of the countryside by urban dwellers is being facilitated by unprecedented personal mobility which means urban dwellers are more frequent day and weekend visitors to the nearby countryside as outdoor recreationists, in addition to accounting for the majority of 'postmodern' tourists. Cultural resources are viewed as crucial for the development of integrated rural tourism. Rural regions containing or close to natural areas (such as natural parks) or with a high density of monuments (heritage conjuncts) have a stronger potential to attract visitors. Larger concentrations of heritage and natural conjuncts determines a higher level of development potential based on tourism and culture. But even more important, regions which make use of their natural potentials for tourism in a sustainable and rational way tend to be recognised as regions with a high level of respect towards the environment, as opposed to regions whose only interest is a permanent large-scale tourism flow which could disturb the rural environment. Rural regions developing rational and sustainable tourism projects can find a niche market and thus manage to preserve both their original natural environment and a rational flow of tourism.

Because tourism activity has multiplier effects and consumption patterns generate indirect and induced effects across all sectors of the economy, it can determine the level of investment in a range of cultural heritage infrastructure and indirectly supports the production of cultural value by other economic sectors, such as agriculture. Thus, opportunities for job creation in the range of activities which comprise the 'cultural industries' is itself largely determined by the strength of urban linkages and relative access to rural tourism, leisure and recreation.

Deriving economic benefits from place-based assets are not, therefore, without conflict: conflict between multiple uses, particularly in relation to land use, and conflict over which elements of a 'local culture' are selected for promotion at the expense of other elements. Rural areas are becoming increasingly cultural diverse in response to increased personal mobility. Local populations are differentiated by race, language, religion as well as by other cultural symbols and practices. As a result cultural narratives are often contested. Whilst multiculturalism in rural areas is not incompatible with social and economic cohesion, the construction of territorial identity as 'traditional' becomes further removed from the social and political realities.

Cultural capital can, therefore, represent both an opportunity for and a constraint on rural development. If it is possible to delineate the conditions under which cultural capital is an impetus for development or a barrier to development, rural policy could thus be differentiated to better reflect synergies between interventions. Border regions could be particularly interesting as they tend to be disadvantaged in social-economic terms (ESPON 1.1.3, ESPON Interact study on Cross-border, Green Paper on Territorial Cohesion), have a plurality of cultural histories and many tend to be devoid of urban agglomerations (with important exceptions). Thus these areas are interesting for the study of the role that cultural heritage plays in rural development. Particularly coastal regions are areas where tangible cultural symbols tend to be concentrated (ESPON 1.3.3 Final Report p. 18) and many of these coastal regions are (water) border areas.

The capacity of a region to 'monopolise' on its cultural identity is believed to be at least partly determined by the overall institutional capacity or governance forms of the territory. Rural partnerships, such as those encouraged by the LEADER initiative are one instrument for mobilisation (see EDORA Working Paper 2.11(g) Institutional Capacity). Cultural heritage can be a catalyst for rural development in terms of broadening the economic resource base of a region, but it must first be at the forefront of local, regional or national policy agendas to truly garner mobilisation efforts.

4 PROPOSAL FOR THEME RELATED INDICATORS

In the context of the overall aim of this thematic paper (to highlight the role that cultural heritage plays in rural development as both an opportunity and a constraint) an important secondary task is to propose indicators which can measuring or reflect aspects of cultural heritage. This is the focus of this section of the report.

From the literature analysis above and the review of the empirical studies on cultural heritage we find that it is more difficult to hypothesise and measure the role of cultural heritage in rural settings than in urban settings. This is because many of the tangible and intangible aspects of cultural diversity and capital are most prominent in urban areas (museums, diversity festivals, tourist attractions). However the influence of cultural heritage is undoubtedly just as important in non-urban areas.

In proposing theme related indicators for rural development, culture is conceptualised in terms of cultural organisation creating a range of cultural goods (public, common and public) which are dependent upon complex processes of cultural mobilisation to contribute to rural development. Harmonised, European-wide indicators for cultural heritage are notoriously hard to come by at NUTS3 level (ESPON 1.3.3). However we propose a few thematically-driven research questions and hypotheses in this review and the types of indicators that would be desirable in order to address the inquiries.

4.1 Cultural Heritage Resources – Cultural Capital

The cultural capital of Europe is constituted by both tangible and intangible representations of heritage (including cultural diversity). As such, these representations of heritage can be either static objects (monuments or museums) or processes and activities which produce and reproduce cultural heritage. The question is how do we distinguish when such 'cultural capital' is an opportunity or a constraint to development? We hypothesise that the greater the density of tangible and intangible cultural capital in a rural area, the more important effect cultural heritage will have on rural development. Indicators for analysing this could include outputs of rural tangible development opportunities that show patterns of culturally protected areas in Europe relative to evidence of its mobilisation in tourism and recreation.

4.2 The Mobilisation of Cultural Capital

Cultural heritage as a driver of rural development has a role as both an opportunity and a constraint in this process. Mobilisation of cultural heritage allows the transformation of both cultural diversity and cultural capital into specific public or common goods as well as private goods, the consumption of which is extended to both rural and non-rural agents. Thus, through mobilisation cultural heritage is transformed into goods that have market and non-market values as drivers of development. The "consumptivist countryside" offers opportunities for rural

development. Symbols of cultural heritage can be mobilised into regional marketing opportunities, not least of which is linked to tourism. “Cultural tourism is possibly the most immediate strategy to make the heritage ‘rentable’”. (ESPON 1.3.3 Final Report, p. 4). On the other hand development of rural areas will have to be sensitive to the unique cultural heritage of the area. Sustaining a certain cultural heritage in disadvantaged regions, rather than risking the abuse of cultural resources for short terms economic advantage, such as the “bite and run” model of tourism development (ESPON 1.3.3 final report: 6) may be the preferable strategy. The research question here is, how is the countryside’s cultural capital being mobilised into public, common and private goods in rural areas?

We expect that the mobilisation of such goods, be they common goods such as cultural landscapes or private goods such as locally denominated food products, will boost the identity and image of a rural region and in doing so, help drive the rural economy. On the other hand, the mobilisation around cultural common goods, such as the protection of certain landscapes from large scale economic exploitation, may forward more socially and environmentally sustainable rural development.

4.3 Cultural Capacity

Efforts towards building up rural development capacity are a type of process-oriented cultural capital. Actions to preserve, maintain or manage cultural heritage (such as cultural organisations or local planning processes for addressing rural cultural heritage) are often required to maintain and valorise cultural capital, given its common and public good characteristics. We hypothesise that the higher forms of local cultural activity, the greater the propensity that cultural heritage will be seen as a rural development potential in the area. Given a paucity of data through which to directly measure these processes, this type of intangible capital can be traced by looking at outputs such as the share of EU funding opportunities allocated towards potential cultural heritage development. We thus expect that regions that earmark greater amounts of this funding (per capita and per regional GDP) will have prioritised cultural heritage as one of the means of rural development.

4.4 Data Availability

Many of the potential indicators for addressing the hypotheses above (and presented in Table 4-1) do not exist in harmonised form for all of the ESPON-space and others are not feasible for collection, as cultural heritage represents only one of the several D.O.C. themes of the EDORA project. However the goal of this thematic paper has also been to work deductively to produce a “wish list” of indicators that could help to provide empirical evidence in addressing the hypotheses highlighted here. The recent EUROSTAT publication, ‘Cultural Statistics’ represents the first attempt to harmonise a range of data to support greater understanding of the role of culture in social and economic development in the EU-27, EFTA countries and candidate countries. A structure of cross cutting cultural themes (artistic and monumental heritage, archives, libraries, books and press, visual arts, architecture, performing arts and audio-visual/multimedia) with six cultural functions (conservation, creation, production, dissemination, trade and training) produced a set of national indicators of cultural activity, with a focus on material culture. This dataset draws on existing harmonised data collections and European surveys, however, even at the national level there are significant gaps. It is, therefore, unhelpful for understanding patterns of regional differentiation. ESPON 1.3.3. dedicated intellectual effort to developing metadata to better reflect stocks of material culture, however, the quality of the available data on even material elements of cultural heritage is weak. Moreover, the focus on forms of managed built heritage is likely to under-represent rural cultural

heritage. This is because of the significance of living cultural heritage to rural areas, and the likelihood of historical remains, traditional (e.g. agricultural) buildings, and cultural heritage centres not being recognised or registered on national registers.

In lieu of data necessary to construct indicators of change in the production and use of cultural heritage, proxies might be useful for regional analysis. The collection of data suitable for other indicators may well have to be postponed for further research efforts.

Table 4-1: Potential Indicators of Cultural Heritage in Rural Development

Concept/Issue	Dimension	Indicator	Indicator Type D: Driver O: Opportunity C: constraint	Potential Sources	NUTS level
CULTURAL CAPITAL					
Population characteristics	Ethnolinguistic / Number of languages	% of total population who speak an autochthonous regional or minority language or Number of official languages in region and change	D	ERICarts Institute / European Charter for European Regional and Minority Languages / Euromosaic Studies (1992, 1995, 2004) / National official statistics and census / Eurobarometer Special surveys 2001-2006 (national level only) A) EUROSTAT Population statistics (citizenship and country of birth); B) and ESPON 1.3.3 indicators CHE1N2 and CHE1N3; C) ESPON 1.3.3 indicators CHE2N2 and CHE2N3	NUTS0 A) Eurostat NUTS0; B/C) ESPON 1.3.3: NUTS2 and NUTS3
	Diversity of population	A) % of total population who are foreign nationals; B) Diversity of population per nationality of residents (ESPON 1.3.3); and C) Diversity of population per ethnic minority (ESPON 1.3.3)	D		
	Gender diversity	Number of women entrepreneurs and/or Number of women engaged in rural industries (as percentage of population)	O		
Landscape (& environment)	Size of productive landscape	A) Average farm size and distribution and change ; B) Average forestry size and distribution and change	O / C	A) Farm Structure Survey (Eurostat REGIO EF_R_NUTS) 2005; B) Forests: CORINE Landcover Database	NUTS2 and 3 probably
	Landscape character - Land use	CORINE Landcover Database, ESPON 1.1.2	O / C	CORINE Landcover Database, ESPON 1.1.2	NUTS2
	Landscape character - historic / cultural	Density of cultural landscapes and conjuncts (ESPON 1.3.3 indicator CHB1N2 and CHB1N3)	O	ESPON 1.3.3 indicator CHB1N2 and CHB1N3	ESPON 1.3.3 indicator CHB1N2 for NUTS2 and CHB1N3 for NUTS3
	Landscape character - attraction	% farms < 5 acres	O	Farm Structure Survey (Eurostat REGIO EF_R_NUTS) 2005	NUTS2

	Monuments and sites	Density of registered monuments	O	ESPON 1.3.3 Indicator CHA1N2 and CHA1N3	CHA1N2 for NUTS2, and CHA1N3 for NUTS3
	"Global commons"	A) Number of Natura 2000 areas B) % of territory under Natura 2000 C) UNESCO World Heritage areas	O	A) Natura-2000-Barometer in collaboration with European Topic Centre on Biological Diversity; B) Rural Development in the EU, 2008 C) UNESCO: Compilation by Stefan Neumaier	A) NUTS0 (NUTS 2 or 3 unsure) 2; B0 NUTS II C) NUTS0, NUTS1, NUTS2, NUTS3
	Extensive agriculture	A) Ha. And % of UAA organic B) % change UAA for extensive grazing & arable	O	A) Rural Development in the EU, 2007 (Farm Structure Survey, 2003) B) Farm Structure Survey (Eurostat REGIO EF_R_NUTS) 2005	A) NUTS2 but with missing data B) NUTS2
	Land abandonment	A) % change in agricultural area B) % change in sheep and beef livestock C) % change in no of FT occupiers	C	Farm Structure Survey (Eurostat REGIO EF_R_NUTS)	NUTS2
CULTURAL CAPACITY	Dimension	Indicator		Availability	NUTS level
	Rural cultural centres	A) Density of cultural events; B) Number of local cultural groups per capita	D	a) ESPON 1.3.3. indicators CHD1N2 and CHD1N3; B) Wish list level	A) NUTS2 and NUTS3; B) Wish list level
	EU Structural Funds with cultural priorities	% of ERDF in EUR on 'Culture' and 'Tourism' priorities per Country and per Operational Programme (NUTS2) and per capita.	D	DG Regio data base/Nordregio "LisGo" database	NUTS0, NUTS2
	INTERREG projects	Number of INTERREG IIIA projects dealing with cultural heritage and or rural priorities	D	ESPON-INTERACT CBC database (KTH/Nordregio),	Programme level, but can be approximated to cross border NUTS 3 regions
	Local Action Groups /Leader	Number of LAGs by size of area	D	LAG database for 2000-2006, Only at NUTS 0 and NUTS 1 and for EU-15	NUTS 0 and 1
MOBILISATION OF CULTURAL CAPITAL	Dimension	Indicator		Availability	NUTS level

Tourism	Traditional arts, crafts, skills and customs	A) Number of establishments, bedrooms and bed-places - NUTS 3 - annual data; B) Arrivals - NUTS 2 - annual data; C) Nights spent - NUTS 2 - annual data	O	All in EUROSTAT Tourism Statistics and/or Regional Statistics	NUTS 2 or 3 annual data depending of the indicator
	Rate of mobilisation	A) % annual change in no. of bed places 2001-06 B) % Farmers with other gainful activity	O	A) EUROSTAT Tourism Statistics and/or Regional Statistics B) Farm Structure Survey 2005	A) NUTS 3 B) NUTS 2/3
Entrepreneurship	Traditional and extensive agricultural knowledge in SMEs	Number of (culturally-related) SMEs in rural areas	O	Wish list	Wish list
	Creative and intellectual input	% employed in cultural employment	O	A) EU Labour Force Survey (cross-tabulating both dimensions at 2-digit (NACE) and 3-digit (ISCO) - Details in EUROSTAT Cultural Statistics	NUTS0 (NUTS 2 or 3 unsure)
Private goods	Local rural products	% of total product output with PDO/PGI label by region.	O	DOORS Database has a list of each PDO, PGI and TSG by country. Not known if any data are geo-referenced or if can use point data (eg. Address of applicant) and intersect it with the NUTS III regions	NUTS0

5 THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

This section reflects on the evidence of the multiple ways in which cultural assets have been mobilised in rural Europe and hypothesises over what kinds of future development trajectories will mobilise cultural heritage and in what kinds of ruralities. Before discussing the potential scenarios which may be derived from the above review of available studies and data, it is important to acknowledge that this review has been hampered by an inadequate level of data in official statistics at a regional level and an absence of time series data which allow trends to be identified, whether it is with regards to cultural employment, cultural tourism or the cultural characteristics of populations. The conclusions which can be drawn, and the hypotheses deduced, are of necessity qualitative and not suitable for quantitative testing. The dynamics of cultural heritage production, maintenance and mobilisation are not easily understood from the analytical studies reviewed and, as such, the direction of causation between cultural mobilisation and other development factors are uncertain.

5.1 Driver 1: In-migration into Rural Europe

5.1.1 Implications

Demographic ageing is ubiquitous in Europe but it is occurring fastest in rural areas. The continued process of in-migration of pre-retirement and retirement age-groups into some rural areas coupled with the out-migration of younger people in sparsely populated areas in particular, is contributing to the structural transformation of rural society. Demographic ageing in situ may account for the greatest proportion of ageing, but ageing through in-migration exacerbates the process. At the same time, as noted in the EDORA paper 2.11(a) Demography, ‘renewal’ of rural areas through in-migration means that the “ideas, jobs, and habits are more urban than the traditional rural values”. Many intervening variables, including levels of human capital in the working-age population, local governance and the quality of natural resources, will modify the impact of these processes on the development potential of a region based on the people’s culture and heritage.

5.1.2 Hypotheses / propositions

In sparsely populated rural areas where in-migration is insufficient to off-set out-migration and net population loss is occurring, the cultural capacity of an area will be less as the transmission of local knowledge is reduced and the capacity for new forms of expression weakened.

In more accessible rural areas where selective in-migration driven by retirement, commuting and work factors is contributing to net population gain, the continuity of traditional values associated with an agrarian society will be challenged. This will lead the destabilisation of temporally and spatially unique customs and traditions. On the other hand, increased levels of human capital and income will contribute to increased local investment in tangible cultural heritage attractions and features, particular in intermediate rural areas high in natural heritage and other amenities.

Remote rural areas which exhibit net population gain will continue to reproduce distinctive cultural practices and knowledges. These will be assets in endogenous development processes.

5.2 Driver 2: Increased Travel Costs and Relocalisation

5.2.1 Implications

Rising travel costs, environmental and monetary, will lead to increased demand for, and provision of, rural leisure and recreation experiences. Domestic travel to rural areas and coastal scenic areas in particular, will increase. Reduced travel choices will mean that urban visitors are relatively more likely to seek new cultural experiences that build on place specificities within their own country.

Long-distance commuting will become less viable for those living in remoter rural areas thus home-working and new forms of local activity, which draw on the cultural capital of the place and of its people, will form an important strand of remote-rural areas response to rural sustainability. Contemporaneously, there will be a gradual decline in the mobility of those employed in (re)localised economic activities which will lead to greater cultural continuity and, potentially, a relative decrease in the cultural diversity of rural populations.

In more accessible rural regions and their intermediate centres, commuting patterns will intensify as the counter-urbanisation trend continues. Housing development regulation could intervene to stem environmentally unsustainable commuting patterns, however, the rate of in-migration into accessible rural areas is likely to intensify and could put pressure on tangible heritage features as well as intangible cultural practices, particularly in areas which have been previously economically disadvantaged (e.g. old industrial districts) and where protections have not been put in place.

5.2.2 Hypotheses / propositions

The demand for cultural goods from rural areas is likely to increase in line with international demand and, according to Geppert (2006), cultural products and services will continue to make relative gains against other areas of consumer goods.

Accessible rural regions, and rural regions areas with strong market towns or equivalent intermediate centres, will be centres of growth of knowledge/labour intensive cultural activities, but which are not necessarily rooted in place e.g. they are a product of employment counter-urbanisation and/or in-migration of an urban 'creative class'. External global market penetration may in fact challenge the sustainability of local cultural heritage.

Remote rural areas, which retain or attract a well-educated workforce, which have strong local institutions and which are rich in cultural capital will be well placed to revalorise their regions based on place-based identity which is marketable in cultural goods, regional foods, and cultural experiences. Localised processes, that is, processes embedded in the social and cultural relations of an area, are then in control of external marketing and the selling of 'the local to the global'.

5.3 Driver 3: Economic Competitiveness in the New Rural Economy

5.3.1 Implications

Neo-liberal reliance on the market mechanism is leading to a reduction in public spending and investment on activities with public and common good characteristics. This will affect external payments and transfers into rural areas in several ways. First, changes to the delivery of the CAP will reduce subsidy payments which indirectly

support the reproduction of cultural practices, such as traditional farming systems. Rural areas which have historically received significant economic development support in the form of agricultural subsidies will undergo significant farm adjustment. The competitiveness of smaller farm holdings is likely to depend on their ability to draw on local environmental resources, traditions and other heritage assets in order to exploit their location and provide niche goods and services. Second, public subsidies for cultural activities which are recognised to have a positive external effect on the rural economy e.g. exhibitions, events, will face increased competition from other (non-cultural) policy areas (Geppert, 2006).

Rural areas will require investment to preserve and protect built public goods, such as cultural sites and monuments, in order that private benefits can be gained through the global competitive world economy. Similarly, locally distinctive practices and customs which were once produced by economic activities no longer profitable or lifestyles no longer supported by a modern knowledge-based economy need new instrumental motivations and continued forms of public investment, such as through Pillar 2 mechanisms of the CAP.

5.3.2 *Hypotheses / propositions*

The adaptability of agricultural areas to participate in increasingly competitive global markets will be mediated by a range of factors (including cultural). Marginal areas which are less price-competitive will mobilise cultural symbols of agrarian society in processes of cultural commoditisation.

In more accessible areas processes of agricultural 'commercialisation' will lead to increased pressures on the cultural landscape, leading to a loss of cultural features and reduced diversity in the landscape in areas where this process is most intensive.

Income from tourism and recreation will increase in importance as a form of income for the protection and maintenance of tangible rural heritage assets and reproduction of intangible rural heritage.

6 DISCUSSION OF POLICY IMPLICATIONS

The review of the theoretical and empirical literature suggest that, rather than being a stable and collective asset of rural regions, cultural heritage is fluid and shaped by a range of factors which generate opportunities for collective or individual mobilisation of cultural heritage for development. The multiple dimensions of cultural heritage mean that it can act as a driver in rural development trajectories, offer opportunities for generating indirect or direct economic value, and can equally act as a constraint on other types of development as different economic interests interact and compete with each other. The causal relationships between different cultural heritage dimensions and rural development might fall into two distinct groups: those that might be directly influenced through policy interventions, such as the continued production and maintenance of valued cultural landscapes, or those types of cultural heritage which cannot be easily changed, for example, religious affiliation and inherited values.

Another distinction, referred to above, relates to the management of cultural heritage resources and the need for policy to address (a) production or prevention of deterioration of cultural heritage amenities and sites with public-good characteristics, and (b) to address issues of sustainable use which are characteristic of common

goods and include addressing how to resolve conflict over how such common goods are used for collective or individual economic gain.

Cultural policies at the national and European level are important in relation to the cultural and artistic expression and built heritage; conservation policies are important for the preservation and maintenance of sites of cultural (and natural) importance, including archaeological and other historic monuments and sites; language policies affect the maintenance of regional and minority language heritage. Notwithstanding these sector-specific policies, the primary European policy instruments to support the use of cultural heritage as an asset for rural development can be divided into (a) Rural Development Regulation (b) Structural Funds Regulation.

6.1 Implications for EU Rural Development Policy

In recognition of the 'custodian' role of land managers, measures under Axis 3 (The Wider Rural Economy) of Rural Development Plans (RDPs) are available to support the protection and maintenance of archaeological and historic sites, vernacular buildings and other aspects relating to the protection and conservation of 'rural heritage'. Unlike the "preservation and management of natural heritage", the measure "renovation and development of villages, protection and conservation of the rural heritage" is not identified as necessary to support the economic diversification of rural areas. Instead, it is seen as support of an indirect kind to economic development through increasing the quality of life in rural areas. The LEADER axis, following the same tripartite thematic structure contained in the 'main' programme, also supports the maintenance of tangible forms of cultural heritage and the mobilisation of this heritage for improving the social and economic wellbeing of rural communities.

In the programming period 2000-2006 the European Commission set four priority themes for LEADER+, which structured LAG development plans. Measure four, "making the best use of natural and cultural resources", was the primary measure available to support rural regions to mobilise their cultural capital for individual and collective benefit. In the period 2000-2006, 34 percent of LAGs selected 'natural and cultural resources' as their principal theme (additional themes were allowed). In the current programming period, 2007-13, the LEADER approach enables LAGs to develop their plans according to any of the themes under Axis 1-3 of the Rural Development Programme, including the measure "conservation and upgrading of the natural and cultural rural heritage".

Environmental measures under RDPs (Axis 2) are said to have two primary objectives, the first related to minimising the environmental risks of modern agriculture and the second, "preserving nature and cultivated landscapes" (European Commission, 2005). The preservation of valued landscapes is, therefore, one cornerstone of agri-environmental policy and linked primarily to (potential abandonment of) traditional, labour-intensive, farming practices in extensive areas. The maintenance of certain landscape features, such as hedges, is one type of productive land-management environmental measure which aims to protect biodiversity and reduce risks associated with soil and water. However, these landscape features can also hold *cultural* (aesthetic, symbolic or spiritual) value. EU policy acknowledges that land-management measures which support the maintenance of existing sustainable and extensive systems and types of farmed landscape create "as a side effect...characteristic landscapes" (*ibid.*:12), which are part of the 'traditional agricultural landscape'. However, cultural value is rarely, if at all, explicitly acknowledged as being positively associated with high biodiversity value.

Non-productive land-management measures include the maintenance of the countryside and landscape features, such as linear features (hedges and stone walls), point features (trees, ponds etc), and terraces which, as well as having a positive impact on the landscape aesthetic by 'protecting and enhancing the landscape', are also linked to increased biodiversity. Within the rural development programme, 'landscape' outcomes are grouped along with soil and water quality, water quantity and biodiversity.

The positive association of cultural value with High Nature Value (HNV) farming and forestry systems is largely overlooked in European rural development policy, despite its enshrinement in the academic concept of HNV (see Beaufoy, 2008). Cultural value is not used as a basis for the distribution of economic support to otherwise threatened traditional agricultural systems. The interplay of traditional extensive systems and practices and land cover mosaic produced is, however, part of rural Europe's cultural heritage. Moreover, these agricultural systems are also associated with the maintenance of tangible built heritage features, such as archaeological sites. A lack of integration between nature conservation measures and cultural 'conservation' measures could act as a threat to high cultural value farming and forestry systems. Value attributed to non-material heritage, such as knowledge of farming and management of natural resources and authenticity (*ibid.*), is not necessarily reflected in national designations or protected areas (Mallarach, 2009). Cultural landscapes, which provide amenities, are dependent upon state intervention and support.

6.2 Policy Implications for Territorial Cohesion and Co-operation

This review has highlighted the emphasis placed on culture as a resource for promoting territorial cohesion in the European Union and cultural heritage as an asset for regional competitiveness. New endogenous development perspectives have influenced the evolution of rural and territorial cohesion policies. Recent spatial planning development frameworks suggest that culture is growing in importance in regional development processes. For example, the Commission of the European Communities paper, *Cohesion Policy and Culture*, claims:

The diversity of cultural heritage in Europe is one of its most valuable assets. It forms a major part of the continent's identity. As yet, however, the full potential of this asset remains underexploited, as do opportunities for further innovation. (Commission of the European Communities, 1996: 2)

Cultural heritage is, therefore, perceived to offer a set of development resources which can be used to generate economic benefits.

The European Spatial Development Perspective (ESDP) from 1999 enumerates conservation and management of natural resources and the cultural heritage among its three fundamental policy goals for Europe, along with more balanced competitiveness of the European territory and social and economic cohesion (ESDP 1999). However, as conceptualisations of territorial cohesion are currently progressing within the EU, cultural heritage seems to have a somewhat diminished role. The Green Paper on Territorial Cohesion: Turning territorial diversity into strength (European Commission (2008)), for example, makes no mention of culture or cultural heritage in its provision of EU territorial goals.

The Structural Funds Regulations 2007-13 offer scope to assist cultural measures through its instruments delivered through the three objectives 'Convergence',

'Regional Competitiveness and Employment' and 'European Territorial Co-operation' (see Appendix 2). Each objective can support investment in the maintenance and growth of cultural capital and cultural diversity, and mobilisation of culture for rural development. The Convergence objective contains two priorities which might be mobilised for the development of culture. The first is directed at tourism, with a focus on developing sustainable tourism models. The second is specifically for investments in culture: "including protection, promotion and preservation of cultural heritage; development of cultural infrastructure in support of socio-economic development, sustainable tourism and improved regional attractiveness; and aid to improve the supply of cultural services through new higher added-value services" (Art. 4 Reg ERDF regulation 1080/2006). The objective 'Regional Competitiveness and Employment' provides assistance for the "protection and enhancement of the natural and cultural heritage in support of socio-economic development and the promotion of natural and cultural assets for the development of sustainable tourism" (Art. 5. ERDF regulation 1080/2006). The policy on European cross-border territorial cooperation includes as goals the "joint protection and management of natural and cultural resources" which cross regional and national boundaries, as well as supporting "developing collaboration, capacity and joint use of infrastructures" in the cultural sector, among others (Art 6. EDRF regulation 1080/2006). According to the ESPON-INTERACT database some 18% of INTERREG IIIA projects in 2006 were for 'culture and cross-border social interaction' (see Appendix 2). These projects were concentrated in Eastern Europe on old and new EU borders. Transnational cooperation also supports priority areas for the preservation and promotion of cultural heritage.

Taken together, cultural measures account for 6 percent of total planned expenditure of the Structural Funds 2007-13 (See Appendix 3). The prioritisation of activities related to culture relative to previous programming periods signifies the increased understanding of the contribution of cultural heritage to regional development and territorial cohesion both through providing direct economic benefit via employment and indirect benefit through improving the *conditions* for sustainable social and economic development, and overcoming cultural differences acting as a barrier to transborder and transnational cooperation.

6.3 Final Reflections

Several empirical studies related to cultural heritage activities in rural areas draw attention to the multiple actors involved in resource management and the range of public-funded bodies that invest in cultural infrastructure for different reasons and functions (e.g. see Garrod *et al.*, 2006). The diversity of sources of cultural heritage and the various forms of private, public and voluntary sector management mean that it is a transversal policy theme which cross-cuts multiple economic sectors and policy divisions. According to DYNAMO (2006: 228) the European cultural policy is a "stealth policy" in the sense that "specific actions regarding cultural development and cultural heritage are but a very small piece of a much larger amount of actions that are hidden in the different sectoral and spatial policies that are *indirectly* addressing cultural aspects".

As such, a territorial approach to the maintenance, (re)production and valorisation of cultural heritage is critical for resolution of conflicts over, and trade-offs between, different uses of immobile cultural heritage resources. Moreover, cultural landscapes and social systems which produce cultural differences do not necessarily follow administrative boundaries, which suggest, therefore, that cross-border, trans-national and interregional policies to support development of cultural heritage resources are necessary.

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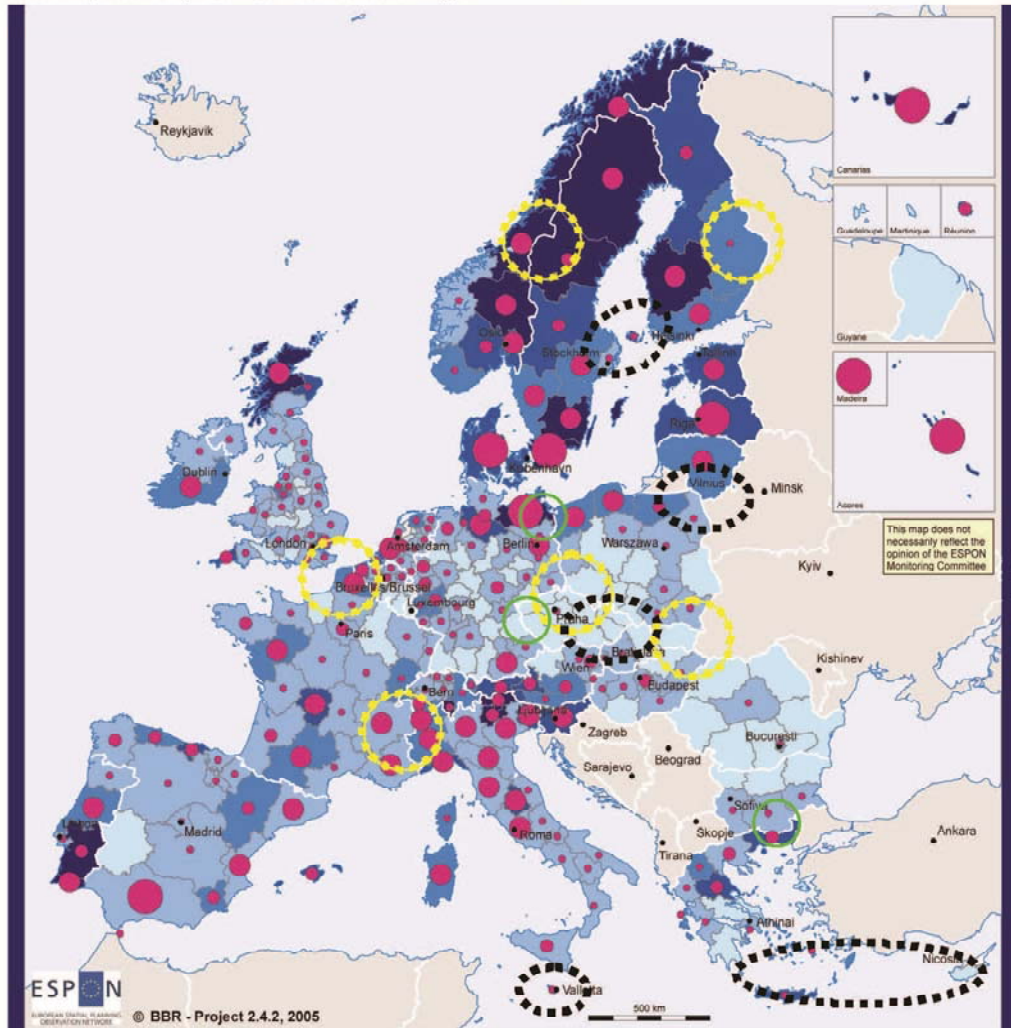
APPENDICES

Appendix 1: Conventions and resolutions concerning cultural heritage in Europe

Year	Body	Description
1972	UNESCO	Convention on the Protection of the World Cultural and Natural Heritage
1974	European Parliament	The Protection of the European Cultural Heritage
1985	European Parliament	Convention for the Protection of the Architectural Heritage of Europe
1992	European Parliament	Convention on the Protection of the Archaeological Heritage
1993	European Parliament	Resolution on preserving the architectural heritage and protecting cultural assets
1999	Council of Europe	European Charter for the Protection of Regional or Minority Languages
2000	Council of Europe	European Landscape Convention (Florence)
2001	UNESCO	Convention Concerning the Protection of the World Cultural and Natural Heritage in the Member States of the European Union
2005	Council of Europe	Framework Convention on the Value of the Cultural Heritage for Society
2006	European Parliament	Resolution on the Protection of the European Natural, Architectural and Cultural Heritage in Rural and Island Regions

Appendix 2: Cross-border co-operation on cultural heritage

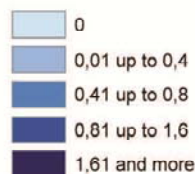
Intensity of co-operation - cultural heritage



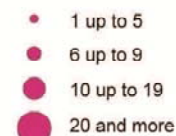
Number of project co-operations according to operational programmes*

Thematic field: management of cultural landscapes and cultural heritage, development of tourism

weighted by population (in 100.000)



absolute number



© EuroGeographics Association for administrative boundaries
Regional level: NUTS 2
Origin of data: ESPON 2.4.2. INTERREG project survey
Cyprus: data for government controlled areas only

Source: ESPON database

* based on the INTERREG co-operation areas: Alpine Space, Atlantic Area, Baltic Sea Region, CADSES, Caribbean Area, Madeira - Azores - Canary Islands, North Sea, North West Europe, Northern Periphery, South West Europe, Western Mediterranean, Indian Ocean Area

This map has been modified by ESPON-INTERACT CBC Project and shows the analysis for Culture & Cross Border Social Interaction in the EU 27 based on INTERREG III A Programmes - Source: ESPON-INTERACT INTERREG III A Projects, 2006



Very High % Culture & Cross Border Social Interaction priority Projects
Italy-Malta; Greece-Cyprus; Lithuania-Poland-Russia; Slovakia-Czech Republic; Skårgården



High % of Culture & Cross Border Social Interaction priority Projects
Euregio Karelia; Sachsen-Czech Republic, Alcotra; Kent-Sussex-Nord Pas de Calais-Picardie; Kvarken-Mittskandia, Hungary-Slovakia-Ukraine



Medium % of Culture & Cross Border Social Interaction priority Projects
Mecklenburg Vorpommern-Poland, Bavaria-Czech Republic; Greece-Bulgaria

Appendix 3: Allocation of Structural Funds 2007-13 for tourism and culture

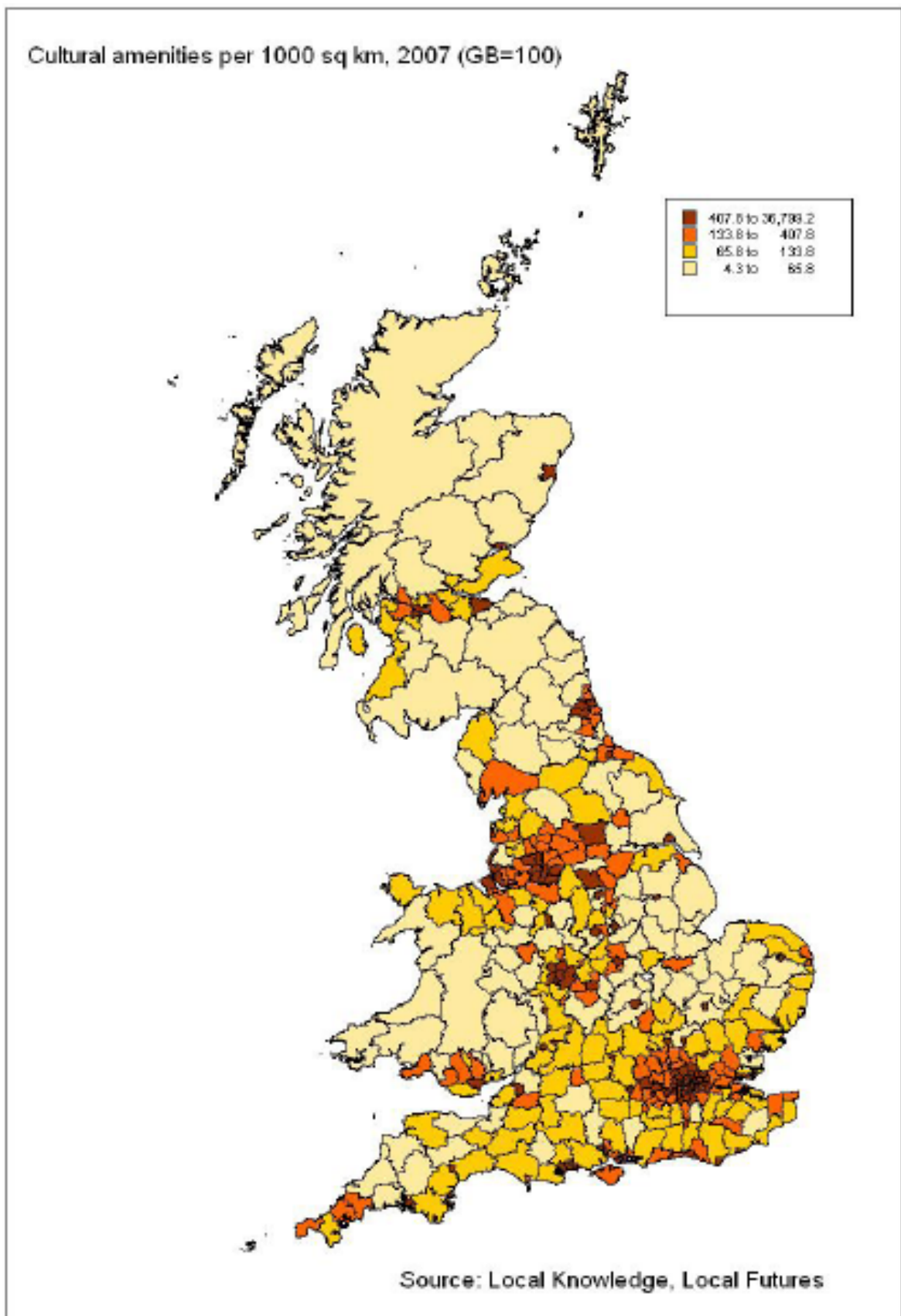
Structural Funds 2007-2013 - Expenditure on the Categories of "Tourism" and "Culture"

*Per Objective -
All EU*

Data on financial allocations was provided by DG Regio, 2008

	Convergence		Competitiveness		Territorial Cooperation	
TOURISM	4,936,414,805		815,233,409		579,801,104	
<i>Description</i>						
Promotion of natural assets	831,830,992	16.9%	176,010,198	21.6%	131,177,707	22.6%
Protection and development of natural heritage	1,026,402,272	20.8%	254,188,342	31.2%	141,276,147	24.4%
Other assistance to improve tourist services	3,078,181,540	62.4%	385,034,870	47.2%	307,347,250	53.0%
Culture						
CULTURE	4,689,378,004		763,901,225		468,769,019	
<i>Description</i>						
Protection and preservation of the cultural heritage	2,363,564,617	50.4%	347,524,575	45.5%	190,668,845	40.7%
Development of cultural infrastructure	1,808,971,003	38.6%	299,059,773	39.1%	122,146,442	26.1%
Other assistance to improve cultural services	516,842,384	11.0%	117,316,877	15.4%	155,953,732	33.3%

Appendix 4: UK Index of Cultural Amenities



Source: Local Futures (2008)



The ESPON 2013 Programme

Applied Research Project 2013/1/2

EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 6

Scientific Working Paper No. 6

Review of Current Situation and Trends: Access to services of general interest

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Pérez (Universitat de València)
Johannes Lückenköter (IRPUD Dortmund)

2009



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*Note: Page numbering is consecutive within the aggregated Final Report document
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TABLES

Table 1: Perceptions of quality of services of general interest: EU 15 average and country differentials (own calculations based on Eurobarometer 47.0, 1997)

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Table 4: Perceptions of the quality of services of general interest: EU 25 average and differentials (own calculations based on Eurobarometer 62.1 and 62.2, 2004)

Table 5: Perceptions of the quality of services of general interest: EU 25 average and country differentials (own calculations based on Eurobarometer 62.1 and 62.2, 2004)

Table 6. Activity 2.11(f) Services of General Interest. Proposal for Theme Related Indicators

FIGURES

Figure 1. The multidimensional nature of accessibility

Figure 2: Privatization proceeds in the EU, 1981-2002 (million dollars)

Figure 3: Privatization proceeds in telecommunications and utilities in the UK and EU-14, 1981-2002 (million dollars)

LIST OF ABBREVIATIONS

COM – Commission of the European Communities

EU – European Union

IST – Information Society Technologies

SIG – Services of General Interest

SUMMARY

Historically, access to a wide range of public services only existed in towns. In contrast rural areas were traditionally characterised by a lack of such services or long distances to the nearest facilities. Thus rural life was more isolated from the rest of society and considered more 'primitive' than the 'modern' life in the cities. Times have changed, however. Especially since the end of World War II European societies have experienced an unprecedented rate of economic growth, which among others facilitated an expansion of public and private services in both rural and urban areas. Today most rural regions of Europe enjoy a level of service provision that were unimaginable even in cities just half a century ago.

For several reasons the European Union takes a keen interest in some services. First, access to services touches on one of the EU's central policy goals, namely territorial cohesion. As the European Commission stated in its Green Paper on Services of General Interest (2002): "Given their [services of general interest] weight in the economy and their importance for the production of other goods and services, the efficiency and quality of these services is a factor for competitiveness and greater cohesion, in particular in terms of attracting investment in less-favoured regions" (EC 2002, p.). Secondly, access to services is considered a central element of quality of life, and increasing service accessibility a mechanism for overcoming social exclusion and isolation. Thus services of general interest "form an essential element of the European model of society" (ibid.). Thirdly, the issue of services of general interest touches upon the crucial question of what role public authorities should play in societies that are committed to both free markets and social goals. How much freedom, regulation or public provision of services should society aim for? For these reasons "[s]ervices of general interest are at the core of the political debate" – in particular in regard to the future of Europe's rural areas.

Against this background the aim of this working paper is to undertake a state-of-the-art analysis of the access to services of general interest (SGI) in rural areas of the European Union. Through this analysis it is intended to identify SGI related drivers of change, opportunities and constraints that either promote or hinder rural development. The paper first reviews various theoretical approaches and empirical analyses that help to understand the evolution and present situation of services of general interest in rural areas. On this basis hypotheses and policy recommendations regarding the future of SGI are formulated and indicators for a statistical analysis of SGI across Europe's rural regions are identified.

1. INTRODUCTION

1.1. Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

1.2. The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “**d**drivers” of change, from regional or local structures and characteristics which either allow development “**o**pportunities” to be exploited, or act as “**c**onstraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment
- (c) Rural business development
- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3. Introduction to the theme

Historically, access to a wide range of public services only existed in towns. In contrast rural areas were traditionally characterised by a lack of such services or long distances to the nearest facilities. Thus rural life was more isolated from the rest of society and considered more 'primitive' than the 'modern' life in the cities. Times have changed, however. Especially since the end of World War II European societies have experienced an unprecedented rate of economic growth, which among others facilitated an expansion of public and private services in both rural and urban areas. Today most rural regions of Europe enjoy a level of service provision that were unimaginable even in cities just half a century ago.

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ment. The paper first reviews various theoretical approaches and empirical analyses that help to understand the evolution and present situation of services of general interest in rural areas. On this basis hypotheses and policy recommendations regarding the future of SGI are formulated and indicators for a statistical analysis of SGI across Europe's rural regions are identified.

1.3.1 Basic concepts and definitions

In order to avoid confusion and to delineate the scope of this paper two terms need to be clarified: 'services of general interest' and 'access' to these services.

Services of general interest

Broadly speaking, the term 'services of general interest' refers to what used to be called 'public services'. They were called public, because for centuries such services as for example schools, hospitals, roads, postal service and telecommunication services were provided exclusively or predominantly by public authorities. However, with the advent of large-scale privatisation of these services, the term 'public services' became something of a misnomer. On the other hand, despite the fact that some of these services are now owned and offered by private companies, services like e.g. hospitals are clearly different from e.g. retail shops: The latter cater to non-vital private consumption while the former are crucial for individual citizens' health and the well-being of the local community at large. Therefore the public has a special interest in certain services (mostly those that are or used to be in public ownership), which are therefore called 'services of general interest'.

The term 'services of general interest' is today used in all service-related European Union policy documents. In this way the EU wants to take a neutral stance towards the issue of ownership but at the same time reassert that certain services have a special importance for European citizens' quality of life and the functioning of European economies. Thus 'services of general interest' (SGI) includes all services that are considered to be in the general interest of society and therefore subject to public-service obligations. SGI include what are called 'non-market services' like e.g. education, security services or the justice system. Of course even some of these services can be privatised or complemented by private services (e.g. private schools). They are nevertheless distinguished from 'services of general *economic* interest' (SGEI), which refer to commercial services upon which specific public obligations are placed, including transport services, energy provision and (tele)communication services. Since the lines between the non-market and the economic services are fluid and may even differ from country to country, this paper will continue to use the umbrella term 'services of general interest'.

Despite these terminological clarifications, there is no specific definition or 'list' of services of general interest in Europe. Even the European Commission's Green Paper and the White Book on services of general interest stop short of providing such a list. Instead different types of services are mentioned in passing in various passages of these documents. This may be due to the Commission's caution not to overstep its political mandate and make statements about services that are primarily regulated by national, regional or local legislation. Furthermore, within the context of the EU there is such an extraordinary diversity of cultures, social models and political histories that make it difficult to reach a consensus on which services exactly should be considered services of general interest.

Nevertheless, in order to roughly delineate the contents of this paper the various services mentioned in the policy documents, in official European surveys and in the academic literature were put together and yielded the following list of services that can in principle be considered services of general:

- Transport (roads, railways, ports, airports, intra-urban and intercity transport services)
- Postal services (letter and package delivery)
- Telecommunication (landline and mobile telephone, broadband internet access)
- Broadcasting services (TV and radio)

- Energy provision (gas and electricity)
- Fresh water provision and waste water treatment
- Solid waste collection and disposal

- Child care (day care, kindergarten, pre-school)
- Education (primary, secondary, tertiary education)
- Health (hospitals, medical practitioners)
- Care of the elderly (nursing homes, mobile services for the elderly)

- Security (police, justice system, army)
- Recreation/culture (parks, museums)

Access to services

Closely related to the provision and use of SGI is the concept of 'accessibility', i.e. the link between services and their users. Accessibility is a multidimensional concept (see section 2.1) that includes physical, temporal, economic and socio-cultural aspects.

Obviously the transport infrastructure and public transport services existing between a service facility and its users are essential elements of service accessibility (Vinson 2004). Going one step further, Moseley (1979) defines the concept of access in relation to the proximity of users' residences to local services and to personal mobility factors. In a slightly different way, Sarkar and Ghosh (2000) conceive accessibility in physical terms and the difficulties faced by an individual to reach the location of a particular service. Thus they relate it to the degree of personal mobility and the level of introduction and quality of services. Derek, Farrington and Copus (2002) link rural accessibility to the services and facilities available and the travel options for each group in a particular society to reach these services

In relation to the provision, access and use of SGI the concept of mobility has two components: on the one hand, an objective component in relation to the quality and availability of transport infrastructures and services; on the other hand, a subjective component gathering diverse subjective characteristics of the individuals accessing (disabilities or conditionings for personal mobility, age, income level, cultures of mobility, etc.). This also brings up culture-related aspects that condition accessibility, e.g. whether certain service facilities are considered appropriate to be visited by men *and* women or only separately – and at what time. Thus, design, use regulations and schedules of the services also affect their accessibility.

Lastly, the costs of the service and the transport costs for reaching the service facility also greatly determine its accessibility for potential users. These cost issues might even prohibit certain socio-economic groups to make use of a service at all.

1.4. Methodology and data sources

Basically this paper is a desk study, drawing on and analyzing various publications that have been written on the topic of services of general interest, mainly in regard to European experiences. Besides books dealing with SGI we have used databases of journal articles (e.g. EBSCO Electronic Journal Service, Dialnet, ICI Web of Knowledge) for identifying relevant articles in international journals. These journals span a wide range of disciplines, e.g. from geography, sociology, transport science to medical science and public management, to name but a few. The difficulty is often to find specific references to rural experiences – as this aspect is not necessarily of primary importance to these disciplines.

Second, information has been obtained from policy, management and evaluation documents of relevant international institutions. These documents allowed to complete the scientific analysis with the knowledge of the principles, actions and evaluations of key governmental or civic players. Thus it was possible to analyse the relevant policy positions, (funding) tools and results of operation from e.g. the European Commission, the OECD, and a number of civic organisations.

2. THE STATE-OF-ART

2.1. Conceptual and theoretical approaches

The question of which services are essential for the general well-being of society and should be provided or regulated by the state has been debated for centuries. Underlying this debate are different theoretical conceptions of these 'essential services'. This debate can be linked to the overarching issue of territorial cohesion between regions. There are opposing theories, however, as to how territorial cohesion can be achieved. Another set of theories tries to explain the best locations for different services. A core concept in many of these theories is the concept of accessibility, whose multifaceted meaning is discussed at the end of this section.

2.1.1 *Services of general interest as public goods*

A first conception of what are today called services of general interest is to see them as manifestations of public goods. By public goods economists understand a good that can be consumed without reducing the availability of the good ('non-rivalness') and that no one can be excluded from using ('non-excludability'). A trivial example would be fresh air that can be breathed without reducing the amount of fresh air for others and that under normal circumstances nobody could be excluded from breathing. These two characteristics make it unrealistic or impossible that such goods would be provided by a private/commercial producer. If there is no scarcity of a good and access to the good cannot be controlled, market mechanisms simply cannot function. Thus public goods lead to what economists call market failure. Conversely, unless they exist naturally, public goods can only be produced and offered by non-market oriented actors – like public authorities.

A related economic phenomenon responsible for market failure is 'positive externality'. A good or service has positive externalities if its benefits spill over to more than just the buyers or to society at large. For example fire brigades not only extinguish a particular fire but by doing so protect all neighbours from a spreading of the fire as well. But not all neighbours (especially if further away from the fire site) would be willing to pay the fire brigade, not least because they are enjoying the benefit of the extinguished fire nonetheless. Positive externalities thus prevent a producer or buyer to internalise all the benefits of a good or service. This would diminish the willingness to produce or purchase the good or service and lead - in an extreme case - to a breakdown of the market: Such goods or services would not be produced enough or not at all, despite its positive overall effects on a community. Such a case of market failure would again call for a public provision of the good or service.

These arguments have often been used as general justification for providing public services. Certainly, many services offered by public entities exhibit the above described characteristics – for instance fire brigades, police, waste collection, roads, parks, hospitals or schools. But the public goods argument is not absolute even in these cases. There are private hospitals and schools and some roads and bridges have been built and are operated privately. Other services like waste collection and disposal can be publicly regulated, ensured and enforced, but operated privately. And lastly there are those services that have often been provided by the state but are clearly not public goods, e.g. postal services, telecommunication services or energy provision. Not surprisingly it is the latter category of services that debates and policies regarding privatisation are concentrating on. However, even the services that fall into the public goods category and are offered by public service providers have been engulfed by new debates that are based on different conceptual approaches:

2.1.2 The customer approach to services of general interest

The first of the two competing approaches can be called the customer approach. The starting point of this approach is the conception of SGI users as customers. This assumes a primarily economic relationship between user and service provider. Such a relationship is best implemented when private customers are served by commercial service providers. Ideally public services should therefore be privatised. Only then would market mechanisms be allowed to regulate supply and demand of services. Not only would the providers have to cater to the specific and changing demands of the customers, but there would be competition between service providers. This would ensure greater efficiency, lower prices and higher quality of services – and in the end higher satisfaction of the customers.

Consequently this conceptual approach calls for a privatisation of hitherto public services. It can easily be linked with neo-liberal, market-oriented ideologies with a deep distaste for state interventions and general preference for individual ownership. As much as possible the state should withdraw and not strangle private service providers with politically inspired norms and regulations either. Unfettered markets would work for the benefit of both service providers and customers and thus would be in the interest of the public as well.

But the customer approach does not necessarily imply or require privatisation. As part of the New Public Management (NPM) paradigm the customer approach also applies to non-privatised public services. The NPM paradigm calls for an outcome and efficiency oriented reform of the public sector. This entails applying concepts, principles and techniques of private sector organisations to public administrations. Technical and organisational issues aside, NPM aims to transform the basic understanding of the roles of the various actors providing, using or regulating public services: Politicians are conceptualised as board members, administrators as managers, citizens as shareholders and users as customers. Public services would thus compete for customers, monitor customer preferences and satisfaction and offer services more efficiently, i.e. more cheaply. On the other hand the prices of services would need to reflect the actual service 'production' costs, i.e. could also be higher than previous politically fixed user charges.

NPM and privatisation can go hand in hand. In fact, privatisation of public services can be a part of a larger NPM inspired reform strategy. But even without a change of ownership, NPM clearly extends market-oriented practices into every corner of the public sector, including the still publicly provided services of general public interest. Given the fundamental changes that NPM and privatisation entail, it is not surprising that a theoretical approach emerged that is in stark opposition to the market-oriented customer approach:

2.1.3 The rights approach to services of general interest

At the heart of the rights approach to SGI provision is the conviction that citizens have certain entitlements vis-à-vis the service providers. Every citizen should have the right to have access to services of general interest, to transparent and affordable prices, continuous service etc. Thus the rights approach conceptualises the relationship between users and service providers as a legal relationship that guarantees certain qualities of service provision. Ultimately the specific service qualities need to be defined politically, which points to the strong normative character of this approach to SGI provision.

How can the enforcement of these political rights be ensured? The easiest and most effective way, according to this approach, is to keep services of general interest in public ownership because public service providers are directly accountable to the political institutions defining and guaranteeing the SGI rights. A second best solution would be private service providers that operate on the basis of strict public obligations and are closely monitored by public regulatory bodies.

The rights approach to SGI provision is ultimately leading to broader political issues. This is so because the rights approach is not an individualistic approach but a universalistic approach: All SGI users should have *equal* rights in regard to the aspects mentioned above. And achieving equality means making extra efforts to improve the services of general interest conditions for those citizens whose conditions are seriously below the average. And if services of general interest are indeed of vital importance for the quality of life and economic development, aiming for equality in SGI provision is part of a broader agenda of ensuring equal living conditions for all citizens. Thus the rights approach to services of general interest links into the EU's social cohesion policy.

2.1.4 Territorial cohesion and services of general interest

The above discussion can also be resumed with a territorial perspective. Then the main objects of analysis shift from citizens and social groups to localities and regions. For example, one would analyse the endowment of a region with services of general interest, i.e. what services are present in a region, what is their quality, what other services can be reached in adjacent regions within reasonable time etc. These SGI characteristics can then be compared between regions. The greater the differences between the regions are the less territorial cohesion has been achieved in respect to services of general interest. Of course there are also other aspects of territorial cohesion, but services of general interest play a key role in the concept of territorial cohesion: by definition SGI are considered essential for the well-being of inhabitants and the economic development of the companies of a region. The question arises, however, whether services of general interest lead to an increase or decrease of territorial cohesion among regions. Two 'grand theories' of regional development shall be examined with this question in mind.

Neoclassical regional development theory asserts that within a free market economy economic disparities between regions will decrease and finally vanish. This rests on the assumption of free movement of workers (labour mobility) and unhindered movement of goods (free trade). Therefore workers living in a poor region with a low wage level can and will move to a region where they can get higher wages. But this creates a relative scarcity of workers in the first region thus driving up the wage level there. On the other hand, the influx of workers in the second region creates a relative abundance of workers and lead to a decrease of the wage level. Through many similar (and more complex) mechanisms like this the economies of both regions will in the end reach an equilibrium: a case of perfect territorial cohesion.

How do services of general interest feature in neoclassical regional theory? First of all, certain services of general interest – like transport and telecommunication infrastructure and services – are crucial for the functioning of this theory, as it is based on 'free' (ideally instant and free of cost) movement of people, goods and information. These services of general interest should be operated by private companies so that supply and demand of these services will constantly be adjusted by market mechanisms. Actually, in keeping with its theoretical and ideological foundations, neoclassical development theory posits that there should be free markets, i.e. without state intervention, for all goods and services.

A more specific application of neoclassical theory to the issue of public services is the Tiebout model. The starting point of the model is a situation where several local jurisdictions offer different sets of public services at different costs (i.e. local taxes). Households evaluate the different costs and benefits on offer and then 'vote with their feet' by moving to a locality that best meets their needs. Since the various jurisdictions compete for households they will adjust their taxes and modify the public services they offer. In the end a regional equilibrium (not uniformity) is reached. While convincing in theory, the Tiebout model has certain weaknesses. Most importantly it assumes that the households as users of public services are 'footloose' and decide their location solely based on fiscal and public service related considerations. However, households make their location decisions primarily based on the place of work of the income earning members of the household. Under the constraints of travel costs to work, this limits the choice of jurisdictions to take residence in. Therefore the model works best for metropolitan settings where the number and density of competing jurisdictions is relatively high. Conversely, the Tiebout model does not work well for rural settings where households have less jobs, jurisdictions and public services to choose from within a given travel cost radius.

Polarisation theory, on the other hand, deals specifically with the differences between metropolitan and rural areas. A metropolitan area is characterised as a centre of innovation and economic growth. Due to superior conditions for growth a metropolis attracts financial capital, natural resources and labour from the surrounding rural hinterland, which will thus be drained of its most productive assets. Consequently disparities between the booming metropolis and its declining rural periphery increases. However, there is also a countervailing process whereby positive effects of metropolitan growth spill over into the rural areas, e.g. through weekend tourism or increased demand for food for the growing urban population. The rapid growth of the metropolis also leads to adverse effects like congestion, pollution, rising office and housing prices etc. This would finally induce some companies and households to move out of the metropolis. Hence, over time the polarisation process between centre and periphery would be reversed and sub-centres in the rural areas would begin to thrive. In the end there would be a stable and differentiated system of settlements reaching from small villages, rural towns and suburban centres to the central metropolis. In summary, after a prolonged period of increasing polarisation the territorial system would finally reach a status of greater (though not perfect) territorial cohesion.

Polarisation theory highlights the ambivalent nature of services of general interest. In the beginning such services would almost exclusively be found in the metropolis, while life in the rural areas is rather primitive and poor. With the onset of the polarisation phase the rural areas become integrated into the metropolitan economy. Transport and communication infrastructures become means for the extraction of natural, financial and human resources from the rural areas. Not only do roads transport these productive assets to the metropolis, they also open up and expose the rural areas to the industrial, more competitive goods of the city (similar processes would apply to telecommunication infrastructure and e.g. access to the Internet). These mechanisms set into motion a 'vicious circle' of rural decline. Rural areas become characterised by shrinking settlements, decreasing local production and a highly aged population, unable to generate and sustain an adequate provision of basic services. On the other hand, advanced services in the metropolis become more accessible to the rural population and roads also facilitate transporting agricultural produce to the city and urban customers to the rural areas. When intra-metropolitan growth problems increase and polarisation reversal sets in, population and companies relocate to the rural areas and push the carrying capacity of services of general interest above minimum threshold levels.

In summary, polarisation theory describes temporal and spatial development processes under the condition of a free market economy. Even though opposing processes are at play, the theory predicts a drying out of rural areas in the first stage and rural growth as a spill-over from the metropolis in a later stage of development. Some theorists even question that the second stage will necessarily occur. In any case, the policy implications would be to counteract polarisation or promote an early reversal of polarisation and thus bring about territorial cohesion between urban and rural areas. Services of general interest could play an important role in such a territorial cohesion policy as they shape the respective locational advantage of urban and rural locations for households and companies.

2.1.5 Location theory and services of general interest

Services of general interest, especially transport services, play a key role in location theories. Basically, these theories try to explain where households take residence and companies set up business. A simple economic explanation is given by Harold Hotelling whose 'principle of minimum differentiation' expounds why similar services that cater directly to customers would cluster together in order to capture as large a market area as possible. Of course there are also disadvantages for a company to be right next to its competitor(s). Sometimes it would make sense for a company to increase its (locational) difference vis-à-vis other companies instead of minimising them, as Hotelling argued.

A more complex theoretical approach goes back to the work of Alfred Weber. His *industrial location theory* economically explains the emergence of agglomerations. Weber first demonstrated how the location of production facilities is determined by the location of their suppliers and customers and the respective transport costs. Transport costs also define the geographical size of the labour market of a production facility as the workers only have a fixed budget for travelling to and from work. Thus availability, prices and routes of transport infrastructure and services are a key determining factor for households' location choices. Moreover, the geographical overlap of the labour markets of several production sites becomes the preferred location for households, because they can then choose any of the production companies as their employer without having to move their residence. Thus households would cluster in this area and create the beginning of an agglomeration. Of course all new companies would choose to locate in this agglomeration, in order to be close to customers and to be able to attract as many workers at low wages as possible. This would apply not only to industrial companies but even more so to service companies for whom good accessibility for customers is even more important. Consequently services are usually concentrated in locations where most of their customers live close by.

A second classic location theory was developed by Walter Christaller. His *central place theory* sought to provide a general explanation for the size, number and distribution of cities. The starting point of this theory was the realisation that different goods and services have different catchment area sizes. For example, customers of a bakery would only accept a short trip for buying their daily bread, whereas customers of a jewellery shop would travel a longer distance for their once-a-year purchase. Therefore, in a city there would be more bakeries with small catchment areas and perhaps only one jeweller in a more central location catering to all citizens of the city. On this basis Christaller derived a hierarchical system of locations with different degrees of centrality that would each have different shops and services in accordance with a location's centrality. Christaller's central place theory was further

developed by August Lösch. He replaced the rougher concept of catchment areas with the concept of market areas that were defined by the frequency of shopping or service trips and the transport costs customers would be willing to pay for a visit.

The central place theory lends itself very well to a location analysis of SGI. One can differentiate services of general interest that need to be used more frequently (e.g. a pharmacy or doctor's office) or less frequently (e.g. a hospital) and determine whether the current location is the most suitable location within the central place system. In a similar manner it is possible to identify the optimum location for a new service facility. This is also why central place theory is being used in many countries for determining the location of public services or for defining which towns should be equipped with which kind of public services (see also next section).

2.1.6 The multidimensional nature of accessibility to SGI

An important concept for location theory and service provision more generally is the concept of accessibility. This concept goes beyond mere spatial relationships and consists instead of multiple dimensions.

A first look at the concept of accessibility finds an easy relationship with the physical distance that a potential user has to cover to reach the service, measured in distance units (km, miles, etc.). From this standpoint accessibility depends only on the space between the user and the service. This approach does not consider the morphological configuration of territory, the intensity of human occupation and the potential congestion derived, the availability and quality of transport infrastructure, and other related factors. This problem has been solved by linking accessibility to the time-distance concept. The journey time between a potential user and the service brings accessibility measurement closer to the real effort needed to benefit from the use of a particular service. In this case, time is the accessibility measurement unit. Using this time accessibility concept, research and work have been carried out considering access time in different transport modes and their combinations, thus allowing a closer look at the different social and territorial realities that are determining access to SGI (i.e. existing transport infrastructures and services, geomorphology, access to private car, etc.). Therefore, the time dimension constitutes a much more realistic approach to the real effort made by a potential user to benefit from using a particular service.

However, time distance does not allow, by itself, to consider subjective factors that condition in different ways personal accessibility even under the same "objective" conditions. Indeed, subjective characteristics also influence accessibility. On the one hand, the physical condition of each individual (age, disabilities, etc.) constitutes a first factor of subjective differentiation in relation to accessibility. Moreover, there are other social, economic or cultural subjective factors of differentiation. Thus, for example, income level introduces another differentiation in individual accessibility conditions because it allows for access to a bigger number of mobility (transport modes) and accessibility (use of an increased number of at-home services) options for persons with more available income. On the other hand, the social or cultural group influences the demand and use of services and forms of accessibility and mobility. For example, the elderly are more likely to use health and welfare services, and their form of access will be conditioned by their health situation, but also by their available income, education and cultural identity.

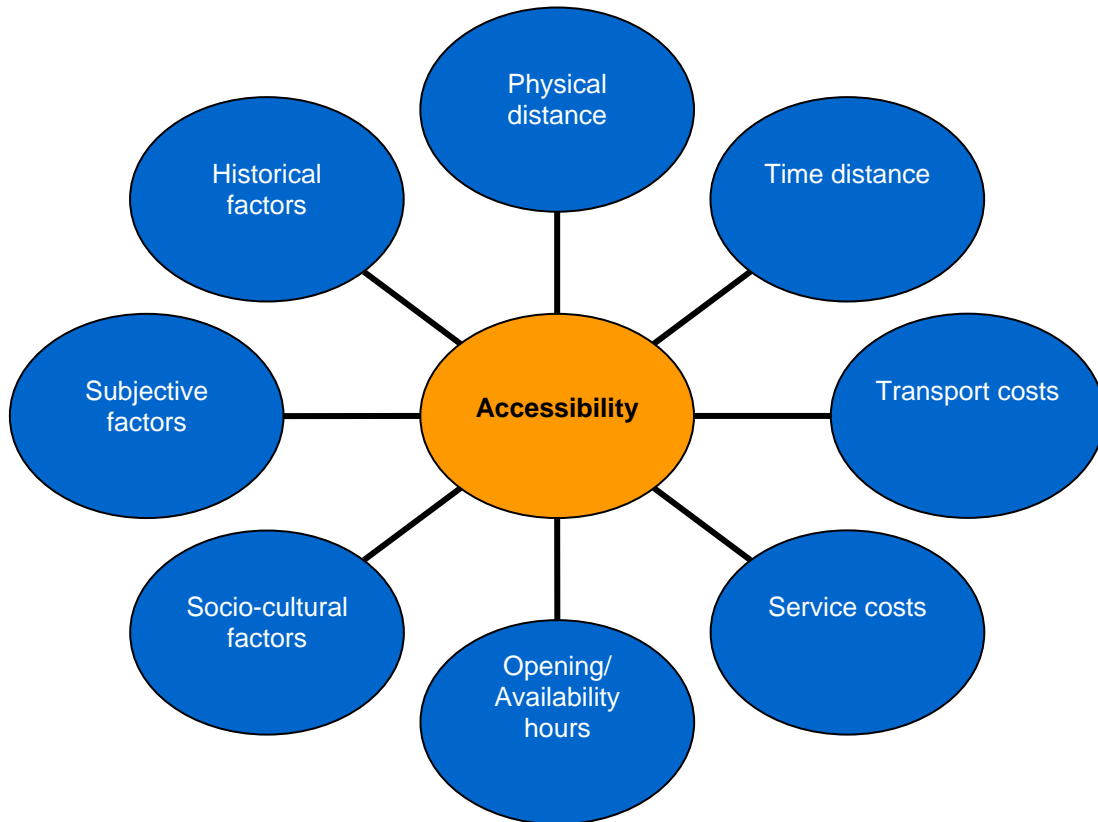


Figure 1. The multidimensional nature of accessibility (own elaboration)

The multidimensional nature of accessibility raises the fact that accessibility problems are different from place to place. This calls for the need to define “accessibility needs” in any planning process in order to improve the quality of life of rural residents. Rostami (2005) proposes the use of “accessibility needs” rather than “transport needs” arguing that “some population groups transport-disadvantaged are unable to get to specific locations or facilities to obtain “needed” goods and services” (Ibid, 74). In the case of rural dwellers the evaluation of accessibility needs involves expressed, stated, comparative and community need. According to Halden et al (2002): “expressed need is demonstrated through observed demand, stated need through surveys of the local community, but for an objective view of comparative and community need accessibility analysis is required”.

2.2. Review of the empirical evidence/analyses relating to SGI

This section of the paper reviews empirical evidence on the evolution, the status quo and the underlying change mechanisms of services of general interest in Europe. The first sub-section presents and analyses quantitative evidence and provides the general backdrop for the more in-depth qualitative analyses that are reviewed in the second sub-section.

2.2.1 Quantitative evidence on SGI in Europe

Services of general interests have a long history in Europe and have undergone many changes. However, the last three decades have been particularly eventful, partly due to technological innovations (e.g. mobile telephony or the Internet), partly due to radical policy changes regarding services of general interest. Foremost among the latter are national policies (often prompted by European policies) to privatise some of the traditional public services.

Privatisation of services of general interest

Public services played an important role in the historical evolution of European states. Especially since the industrial revolution and then after World War II public services expanded in every European country and became a cornerstone of the European model of the welfare state. Even though there was fierce internal resistance to allowing market forces to take over public services, from the 1980s onwards national and EU policies nevertheless pushed for large-scale privatisation.

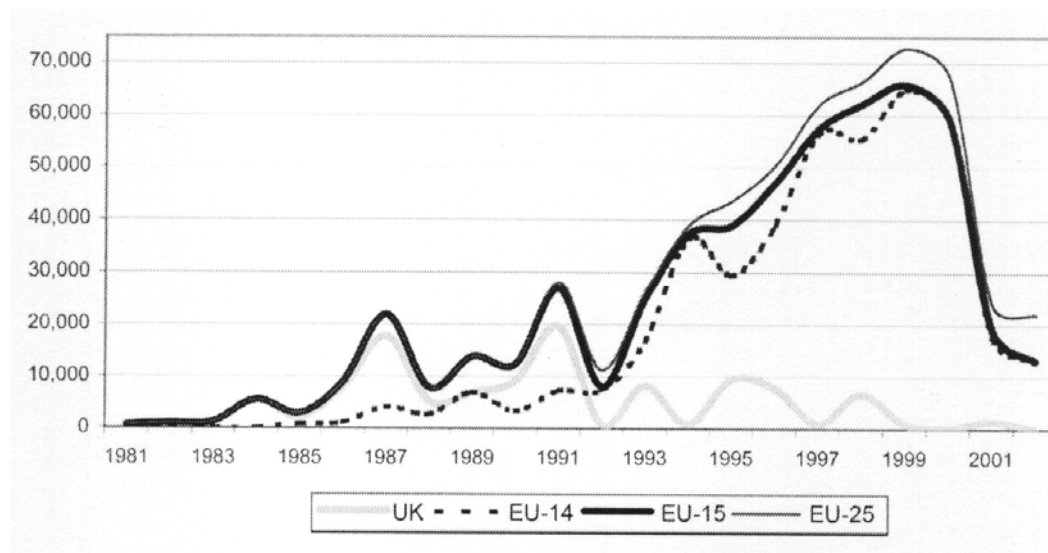


Figure 2: Privatization proceeds in the EU, 1981-2002 (million dollars)
(Clifton et al 2006, 742 based on Privatization Barometer 2005).

Figure 2 shows the temporal distribution of proceeds from privatisation in the European Union. When looking at the thick black line (EU-15) and the thick grey line (UK) it becomes clear that up until 1993 there was hardly any privatisation outside of the UK, where Margaret Thatcher pushed through her free market oriented policies. From 1993 onwards, however, most other European countries followed suit and

embarked on ambitious privatisation policies. Privatisation proceeds peaked in 1999 with US\$ 66 billion (Privatisation Barometer 2006). But this figure also included proceeds from privatising state-run industrial companies or public shares in industrial companies.

Privatisation of services of general interest followed similar patterns, but with a few sectoral differences. In the transport sector privatisation typically focused on privatising national airlines, whereas rail transport is up to now largely in public hands in most European countries. The privatisation proceeds in the telecommunications and utilities sectors can be seen in Figure 3. Concentrating first on the thin lines the diagram proves again the pioneering role of the UK. The other European countries (EU-14), represented by the thick lines, only started to seriously privatise their telecommunications companies from 1994 onwards. The high figures in the 1990s should not mask the fact, however, that in several countries state ownership is still strong or even dominant in the telecommunications sector. In the utilities sector (gas, electricity and water) most privatisation transactions occurred in 1998 and 1999 when stock markets were strong. Nevertheless, public or mixed ownership of utility companies is still the norm, with partial exceptions of France and Spain in regard to water provision (Clifton 2006, 750 f.).

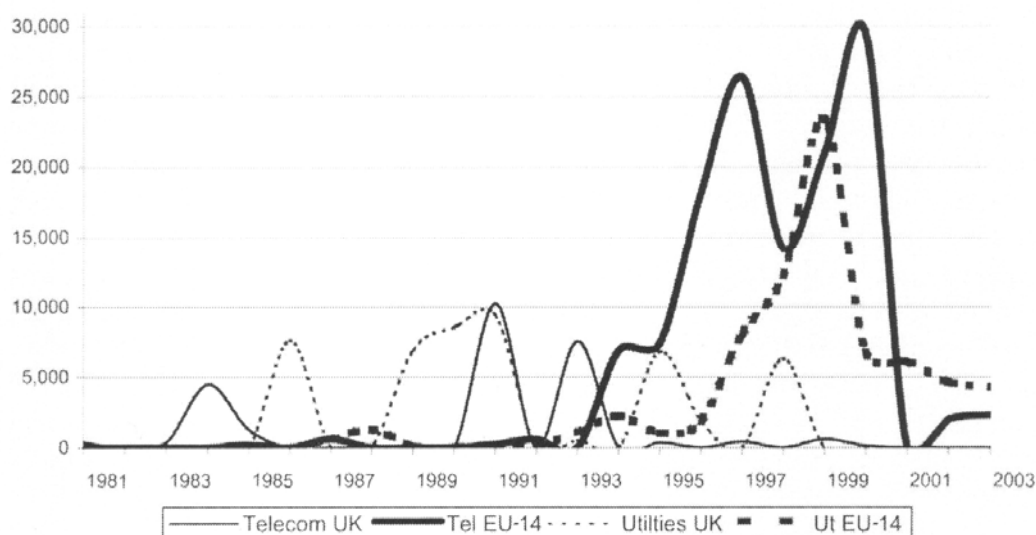


Figure 3: Privatization proceeds in telecommunications and utilities in the UK and EU-14, 1981-2002 (million dollars)
(Clifton et al 2006, 749 based on Privatization Barometer 2005).

Of course these privatisation figures only paint a partial picture of the changes that the respective sectors went through. In parallel or before privatisation of former state companies the sectoral markets were liberalised, thereby allowing private service providers to enter into competition with the former state monopolist. Thus, if one were to compare the actual revenues of the state companies, one would often see a dramatic financial downturn. The big network services may not be all private (yet), but the market share of the public providers has significantly decreased.

Quality/access to services of general interest (1997)

There are a plethora of studies on services of general interest in Europe. However, they typically focus on only one type of service, a specific country, policy or programme. There is hardly any study that deals with all or many services of general interest in rural areas across Europe. A notable exception are reports based on the Eurobarometer, which is a public opinion survey conducted by the European Commission polling around 27.000 European citizens twice a year. Questions on services of general interest are not part of the standard Eurobarometer, but sometimes SGI related questions were added to the standard questions, e.g. in Eurobarometer EB 47.0 (1997), EB 53 (2000), 58.0 (2002), EB 62.1 and EB 62.2 (2003), EB 63.1 (2005) and EB 65.3 (2006). Unfortunately these questions are not completely compatible with each other both in terms of coverage and methodology. Therefore, two Eurobarometers have been identified which give a fairly comprehensive overview of the state of services of general interest in Europe based on the assessment of European citizens.

Table 1 presents a ‘snapshot’ of SGI conditions in Europe in the year 1997, based on Eurobarometer 47.0. Citizens were asked about the quality of a number of services ranging from technical infrastructures, communication services, justice and health

	EU 15	FIN	S	DK	IR	UK	NL	L	B	D	A	F	E	P	I	GR
“good quality”																
Gas Supply	75.3	8.0	-15.4	16.8	8.9	7.2	21.6	8.2	-5.1	6.6	5.4	1.5	-8.3	-24.3	-12.3	-44.0
Electricity Supply	81.8	15.0	13.5	15.9	13.5	4.6	15.5	7.3	0.1	4.8	5.9	3.7	-7.4	-17.0	-12.9	-27.8
Water Supply	64.0	29.2	28.1	26.3	0.4	-5.8	27.3	17.4	0.8	12.9	23.1	-11.4	-2.5	-14.3	-13.3	-24.3
Waste Collection	57.1	17.7	4.1	22.6	2.7	14.5	24.4	13.0	-2.4	12.9	11.6	-1.7	4.9	-22.7	-36.2	-35.3
Telephone Services	74.9	18.8	17.2	4.1	13.9	8	6.2	9.4	-3.2	2.1	4.2	5.7	-4.2	-15.3	-10.9	-40.8
TV Channel Access	70.8	11.9	11.9	12.0	0	6.6	4.2	4.5	1.7	12.2	9.6	-6.7	-8.0	-8.0	-13.2	-23.8
Postal Services	54.3	4.6	-3.6	28.7	26.9	21.8	27.9	24.2	3.2	-3.3	9.3	5.8	-3.9	2.0	-33.1	-4.6
Justice/Courts	29.0	35.2	22.9	30.0	12.2	10.0	26.6	22.3	-13	12.4	24.7	-12.6	-12.5	-14	-20.4	-3.4
Health System	44.1	29.5	8.4	11.5	1.5	-5.6	30.8	26.7	16.4	15	28.9	11.5	-9.5	-28.4	-30	-30.9
Ambulance Services	60.8	30.1	14.6	15.9	4.7	2.6	28.6	23.8	6.1	12.5	23.2	8.6	-9.6	-26.3	-28.3	-42.2
Road Maintenance	29.0	17.0	4.4	24.3	-16.1	-12.9	11.6	19.1	-0.8	17.7	25.2	3.3	-0.7	-13.1	-20.5	-18.8
Motorway Network	56.6	7.6	9.7	27.5	-5.8	-2.1	12.1	15.4	0.9	18.6	6.2	3.8	-14.1	-8.1	-18.2	-46.6
Urban Transport	49.6	27.5	23.1	28.5	9.0	-1.6	16	25.9	-1.1	5.4	18.8	1.8	7.9	-13.6	-23.1	-23.2
Rail Travel	45.2	33.3	1.4	38.9	14.9	-5.0	13.8	28.7	7.8	7.9	13.4	1.8	11.9	-5.7	-28	-4.6
Bus/Coach	49.5	38.5	10.5	26.5	20.5	10.8	-1.0	17.2	2.9	-0.2	6.2	2.4	4.8	-8.7	-23.2	-9.2
Air Travel	63.2	26.5	16.6	26.7	24.3	13.7	20.1	21.6	0.5	7.5	9.5	-6.3	0.1	-10.8	-29.9	-22.2

Table 1: Perceptions of quality of services of general interest: EU 15 average and country differentials (own calculations based on Eurobarometer 47.0, 1997)

services to transport services. There was only this one question regarding the quality of these services (unlike subsequent Eurobarometers which asked about access, use, quality etc. separately). Thus one can assume that the respondents included all kinds of aspects in their responses that reflect on the quality of services, e.g. how accessible or affordable the services are, if the service is uninterrupted, if customer relations are satisfactorily, if the service is 'good value for money' etc.

The first column shows the EU 15 average for each service, the following columns indicate for each country how many percentage points their national average differs from the European average. The colours indicate significant difference of more than 10 percent above (blue) or below (red) the European average. Values in bold font are even 20 percent above or below the EU 15 average.

For a rough *sectoral analysis* one may concentrate on the European averages. The first two 'sectors' of services (technical infrastructure and communication services) have relatively high ratings, ranging from over 50 percent to almost 82 percent. In the next group ambulance health services also have a high score, but the health system as such (hospitals etc.) has less than 50 percent approval. This is only undercut by the justice system with less than one third of the respondents attesting a "good quality" of service. The final group of services revolve around transport. Most transport services have approval ratings between 45 and 63 percent. Only the condition of roads (road maintenance) gets a very low score (29 percent).

A *cross-country analysis* of the results yields a more differentiated picture. Concentrating only on the red and blue coloured values it is easy to see that most northern and central European country have quality ratings significantly above the European average. The only surprising results are low scores for gas supply in Sweden, road maintenance in Ireland and the UK, the justice system in Belgium and France and water supply in France. Countries with at least five services with quality ratings above 20 percent of the European average are Finland, Denmark, the Netherlands, Luxembourg and Austria. In contrast, most southern European countries have quality ratings below the European average. Spain is mostly within a range of maximum 10 percent below the EU average, but Portugal, Italy and Greece are in many areas very significantly below European standards. In fact, Greece has only three services that are not more than 20 percent below the European values.

The overall results can therefore be summarised as follows:

- (a) Technical, communication and transport services are perceived as having good to high quality, whereas
- (b) the justice and health system received very low quality ratings.
- (c) Northern and central European countries' quality of SGI is generally very high, but
- (d) southern European countries received below or significantly below EU average quality ratings.

It needs to be pointed out, however, that these ratings represent the perceived quality of services (subjective assessments) and that they relate to each country as a whole, i.e. not differentiating between urban and rural areas. Nevertheless, the Eurobarometer 47.0 is the first pan-European survey systematically collecting data on a wide range of services of general interest.

Quality and access to services of general interest (2004)

A second, comprehensive 'snapshot' of the state of SGI in Europe was conducted in 2004, i.e. right after ten new member states joined the European Union. Table 2 shows a summary of the results of Eurobarometer 62.1 and 62.2. This Eurobarometer included as one of its protocol variables data about the residence of each respondent. Based on this information it was possible to calculate the respective values for rural and urban areas. The table below shows these as percentage point differences compared to the EU-25 average shown in the first column.

The wording of the respective answer categories for the technical services and the social services differed a little. Therefore the calculations below summarise the data for *all positive* assessments of a particular service (i.e. "easy access" or "very satisfied", "fairly satisfied" respectively).

a. Access to services of general interest

Table 2 summarises data on perceived access to services of general interest. A first *sectoral analysis* (focusing only on the first column) shows very high quality ratings for access to utility, communication and transport services (between 68 and 92 percent). Access to education and health related services also received high scores, albeit a little lower than the previous group of services (63 to 76 percent). Social housing had the lowest accessibility ratings, with just about 50% of respondents indicating good or very good access.

An analysis of *urban and rural areas* at the EU-25 level (second and third columns) shows, that utility, communication and transport services are less accessible in rural areas than in urban areas of the European Union. The differences are not always great, however. Only access to gas, urban transport and rail services between towns is significantly lower in rural as compared to urban areas. Interestingly access to electricity is better in rural areas than in urban areas. The same applies to most social services: accessibility in rural areas is equal or higher than the EU average, whereas urban areas are faring worse than the average. The only deviation from this rule is social housing, to which urban respondents seem to have better access than rural respondents.

Breaking results down even further and analysing *new member states (NMS) vis-à-vis 'old Europe* (EU 15) reveals big differences between the respective urban and rural areas (columns 4 to 7). Comparing first rural areas between EU 15 countries and new member states, it turns out that gas, electricity, postal services, mobile telephone and child care services in rural areas in NMS are comparatively more accessible than in their EU 15 counterparts. On the other hand, the scores for fixed telephone, rail services, social housing and the health system score are significantly lower in new member states' rural areas.

For urban areas the surprisingly good showing of new member states is even more pronounced: For all services except fixed telephone, social housing and health care services the respective scores in new member states's urban areas are better or even significantly better than in EU 15 urban areas.

Comparing urban-rural differences in EU 15 and new member states separately yields other interesting findings: In EU 15 countries urban areas generally have higher scores, but in most social services rural areas are ahead of urban areas. In

new member states this is only true for social housing and the health system. Overall, if one calculates urban-rural differences for all sectors, the overall difference is negative (rural areas are lagging behind), but this difference is more than twice as high for new member states.

	Average	Rural	Urban	Rural		Urban	
	EU-25	EU-25	EU-25	EU-15	NMS	EU-15	NMS
<i>“easy access”</i>							
Water Supply	92,5	0	0	0,1	-0,3	-1,1	5,7
Gas Supply	74,7	-8,1	3,9	-11,0	4,1	1,3	17,1
Electricity Supply	92,3	0,9	-0,4	-0,2	5,5	-1,6	6,0
Fixed Telephone	89,8	-0,2	0,1	1,3	-7,2	0,3	-0,9
Mobile Telephone	82,6	-3,0	1,5	-3,3	-1,6	0,7	5,4
Postal Service	89,1	-1,8	0,8	-2,3	0,3	-0,4	7,7
Rail Service btw. towns	68,2	-18,7	9,1	-16,6	-28,1	8,6	12,3
Urban Transport	74,8	-17,1	8,1	-17,4	-15,7	7,2	12,7
<i>“very satisfied and fairly satisfied with access”</i>							
Social Housing	49,7	-0,4	0,2	1,8	-13,0	3,4	-20,0
Education System	76,5	0,6	-0,4	0,7	0,6	-1,1	3,5
Further Training	70,1	1,3	-0,6	1,7	-1,2	-1,9	5,9
Health System	67,1	2,2	-1,3	4,3	-7,2	2,1	-19,2
Child Care	63,0	-0,1	0	-0,3	0,8	-2,5	13,7

Table 2: Perceptions of access to services of general interest: EU 25 average and differentials (own calculations based on Eurobarometer 62.1 and 62.2, 2004)

To conclude this general spatial analysis of access to services, one may say that differences between urban and rural areas as well as between EU 15 countries and new member states are more complex than expected:

- (a) While in general it holds true that perceived access to services of general interest is lower in rural areas as opposed to urban areas,
- (b) there are notable exceptions for some social services, which are more accessible in rural areas.
- (c) Rural areas in new member states often have more accessible services of general interest than EU 15 rural areas,
- (d) but access to rail services, fixed telephone, and most social services is comparatively better in EU 15 rural areas.
- (e) Urban areas in EU 15 countries have more accessible services compared to their rural counterparts.
- (f) but this is not true for most social services which are perceived as more accessible in rural areas of EU 15 countries.
- (g) Finally, urban-rural differences are overall more than twice as high in new member states than in EU 15 countries.

The results of a detailed *cross-country analysis* of services of general interest in rural areas only are shown in Table 3. The respective country columns present the percentage point difference in relation to the overall EU-25 average (urban and rural). Instead of analysing individual countries, it may suffice to highlight the key sectoral and regional differences.

First of all, practically in all countries rail services and urban transport services are very significantly below the EU 25 average. The same holds true in regard to gas supply for northern and central European countries: In some countries there seems to be hardly any gas supply in rural areas. Eastern European countries (perhaps owing to their – formerly – close relations with the giant gas supplier Russia) show significantly higher gas accessibility scores.

On the other hand, these countries have markedly lower values for fixed telephone services, but their mobile telephone accessibility values are significantly higher – perhaps in compensation of the fixed telephone service deficit.

As regards social services, rural areas in northern and central European countries are way ahead of their southern and eastern European counterparts. But there are some exceptions: France, East and West Germany are below the EU average for some social services. In contrast, quite a number of eastern European countries have above average child care services, possibly a remnant of the communist welfare state (see similarly the respective difference between East and West Germany). Finally, Malta and Cyprus need to be singled out for their strong showing in regard to mobile telephone services, education, further training opportunities, health care and child care. Perhaps this has to do with their legacy as former British ‘protectorates’.

	EU 25	FIN	S	DK	IRL	NIRL	GB	NL	L	B	D-W	D-E	A	F	E	P	I	GR	EST	LV	LT	PL	CZ	SK	H	SLO	M	CY
<i>"easy access"</i>																												
Water Supply	92.5	-2.5	5.5	2.0	2.1	1.2	5.9	0	3.3	0.2	1.2	1.6	-0.3	0.5	-6.8	-6.3	-2.8	4.2	-4.9	-8.9	-18.1	0.5	0.4	-7.0	3.9	2.5	7.3	6.6
Gas Supply	74.7	-61.7	-71.4	-49.3	-36.9	-55.9	-9.7	16.6	-25.8	-9.6	-14.5	-5.9	-5	-15.1	-1.7	4.2	13.4	-72.4	-4.5	11.6	13.9	3.0	-2.2	7.3	16.4	-14.5	21.5	-74.7
Electricity Supply	92.3	1.3	4.5	2.6	6.9	3.9	7.2	-3.1	2.7	-2.4	1.3	1.8	-1.7	-1.0	-7.4	3.7	-6.2	5.8	3.5	4.0	5.5	6.4	6.1	-0.4	5.9	3.6	7.5	6.3
Fixed Telephone	89.8	-6.3	8.5	6.2	3.7	6.2	5.5	6.2	5.8	3.5	4.7	1.3	1.0	2.3	-11.1	-0.9	-2.9	7.8	-10.4	-22.4	-21.2	-8.1	-8.5	-7.2	-1.7	2.9	9.1	8.0
Mobile Telephone	82.6	4.2	2.4	2.2	8.1	-2.9	0.6	9.8	6.4	3.1	-6.1	-7.8	8.0	-5.4	-15.9	1.8	-0.4	-2.7	11.9	-3.2	-3.7	-6.1	6.5	-1.1	4.0	7.0	13.2	13.8
Postal Service	89.1	5.8	-12.0	0	9.0	3.3	2.6	-0.6	2.5	-4.1	-7.6	-9.4	1.5	-1.8	-2.8	-0.3	0.6	2.9	6.3	4.9	8.1	-4.3	7.5	0.9	6.6	7.5	7.3	6.9
Rail Service btw. Towns	68.2	-33.1	-22.7	-18.6	-30.2	-38.7	-5.0	-12.2	-14.5	-4.4	-13.1	-40	2.1	-30.9	-7.2	-45	-17.4	-19	-29.7	-26	-11.6	-36.7	-11.5	-19.6	-5.9	-39.5	-68.2	-68.2
Urban Transport	74.8	-17.8	-34.7	-19.1	-22.2	-22.9	-17.3	-24	-5.0	-8.7	-11.7	-28.3	0.1	-40.2	-2.0	-14.4	-14.9	-3.1	-9.1	5.7	2.5	-20.3	-19.5	-3.0	-4.8	-29.6	-5.2	-29.9
<i>"very satisfied, fairly satisfied with access"</i>																												
Social Housing	49.7	25.3	18.9	23.0	16.3	19	14.4	10.5	8.4	4.5	0.6	12.5	39.9	-7.8	-12.6	10.0	-1.8	-14.6	-2.7	-3.2	-6.3	-15.5	-1.3	-5.4	-24.7	-32.5	0	1.4
Education System	76.5	16.2	12.9	14.7	14.5	3.1	10.2	19.8	3.3	15.1	-6.3	-10.2	14.6	2.1	-3.6	-5.8	-13.7	-23.2	-0.5	-9.7	-8.5	0.6	6.0	1.0	-1.5	-0.3	14.5	6.5
Further Training	70.1	14.6	15.2	17.6	11.6	5.9	13.4	20.8	22.2	16.5	2.9	-8.2	23.4	-5.5	-5.3	-9.2	-14.6	-36.5	3.6	-5.8	-13.6	-2.7	6.2	4.5	-6.5	-0.5	10.1	10.7
Health System	67.1	5.3	4.6	16.8	-8.2	9.0	12.0	15.8	18.7	24.6	-5.6	-0.2	22.9	13.5	5.0	-16.7	-13	-24.7	-15	-20.9	-14	-8.3	5.4	-14.5	-8.1	0.7	11.8	-3.7
Child Care	63.0	25.9	24.0	24.7	1.4	11.6	14.3	5.3	5.1	5.7	-1.1	22.3	18.7	-17.3	-10.5	11.0	-3.4	-21.8	8.8	-17.1	-2.2	-6.4	10.5	11.9	5.4	19.5	-5.9	17.4

Table 3: Perceptions of access to services of general interest: EU 25 average and country differentials (own calculations based on Eurobarometer 62.1 and 62.2, 2004)

b. Quality of services of general interest

Table 4 summarises data on the perceived quality of services of general interest in Europe. First of all it needs to be pointed out, that only those respondents of Eurobarometer 62 who indicated that they have access to and actually use the services were asked how they rated the quality of the respective services. Thus the data are very different from those shown in Table 1, which reflects the results of all surveyed citizens (and probably also includes dissatisfaction due to non-availability of a service, low accessibility etc.). In contrast, Table 3 shows only the results from actual service users.

Comparing *sectors* at the EU 25 level (first column) reveals that utility and communication services are perceived by the majority of respondents as good or very good quality services. Less, but still a high percentage of users gave such an assessment of rail services and urban transport services (again: this does not reflect the limited access to these services as discussed in the section above). Social services have markedly lower quality scores – but still around two thirds of users found most of these services satisfactory.

Analysing *urban and rural areas at the EU-25 level* (second and third columns) yields the surprising result that most services of general interest get higher quality scores in rural than in urban areas. The only real exception is mobile telephone services. The most significant quality differences can be found in social services, where rural areas are generally above the EU 25 average, whereas urban areas are (slightly) below average.

	Average EU-25	Rural EU-25	Urban EU-25	Rural EU-15	NMS	Urban EU-15	NMS
<i>“very good, fairly good quality”</i>							
Water Supply	94.3	0.5	-0.3	0,8	-0,8	0,1	-2,7
Gas Supply	95.4	0.7	-0.3	1,6	-1,7	-0,4	-0,1
Electricity Supply	95.4	0	0	-0,2	0,4	-0,3	1,1
Fixed Telephone	92.9	0.5	-0.3	0,7	-0,8	-0,1	-1,6
Mobile Telephone	92.1	-1.0	0.4	-1,8	2,9	-0,4	4,7
Postal Service	86.7	2.4	-1.1	1,2	7,0	-2,2	3,9
Rail Service btw. towns	76.0	1.8	-0.6	1,3	4,7	0,4	-5,0
Urban Transport	79.7	-0.1	0	-0,6	1,4	-0,2	0,6
<i>“very satisfied, fairly satisfied with quality”</i>							
Social Housing	56.4	0,8	-0,3	3,2	-14,1	2,6	-19,3
Education System	65.7	1,3	-0,6	-0,2	8,9	-1,6	4,4
Further Training	70.0	3,3	-1,8	3,5	2,5	-2,9	4,2
Health System	61.6	4.0	-2,1	7,2	-10,7	1,7	-22,2
Child Care	71.8	2,5	-1,3	2,7	1,3	-2,8	7,4

Table 4: Perceptions of the quality of services of general interest: EU 25 average and differentials (own calculations based on Eurobarometer 62.1 and 62.2, 2004)

The breakdown into urban and rural areas in EU 15 countries and new member states (columns 4 to 7) shows more complex patterns. When comparing EU 15 and NMS rural areas one finds that for seven services EU 15 rural areas have significantly better scores, while for five services new member states' rural areas are ahead. Interestingly the quality deficits of NMS's rural areas are most pronounced in regard to social services. Comparing urban areas with each other reveals similarly mixed findings: For five areas EU 25 urban areas and for five other services NMS's urban areas are significantly better. The biggest differences are can be found in social housing, health and rail services.

When adding up urban-rural differences across sectors, new member states have a 70% higher discrepancy than EU 15 countries.

Thus, one can conclude:

- (a) Services of general interest are – according to its users – of high quality, even higher than in urban areas.
- (b) For some SGI rural areas in new member states are perceived to have a higher quality, for other services rural areas in EU 15 countries.
- (c) Urban-rural disparities are significantly higher in new member states as compared to EU 15 countries.

A quick *cross-country analysis* of SGI quality is based on the detailed data shown in Table 5. From a sectoral point of view rail services stand out with almost consistently high quality scores. Only Malta and Cyprus have very low scores – simply because they are small islands and do not have rail services.

Looking at different regions of Europe and groups of SGI services, the northern and central European countries appear to have similar SGI quality characteristics. With only a few exceptions (e.g. Great Britain, France, West Germany or urban transport in general) the rural areas of these countries exhibit above average quality scores across the board: Scores for utility, communication and transport services are generally not very much above the EU 25 average, but the scores for social services are typically very much higher. The very low values for the German education system stand out. This may have more to do with the controversial political discussion about the German school system than with the actual quality of German schools (which, to be sure, are not in the top European ranks).

Rural areas in southern European countries show mixed results in regard to utility, communication and transport services; some have above average, many have below average quality scores. But social services of southern Europe's rural areas are clearly and significantly below EU standards, most notably in Italy and Greece.

Eastern European countries also exhibit negative results for the quality of their social services, especially for social housing and the health sector. On the other hand, education and training services are often above or clearly above average. The Czech Republic, Malta and Cyprus even have good to very good scores for most social services. In regard to utility, communication and transport services rural areas in Eastern Europe are mostly performing above or a little below EU 25 average. But, as indicated above, Malta and Cyprus stand out as not having rail services, while Cyprus does not even have gas supply services in rural areas.

	EU 25	FIN	S	DK	IRL	NIRL	GB	NL	L	B	D-W	D-E	A	F	E	P	I	GR	EST	LV	LT	PL	CZ	SK	H	SLO	M	CY	
<i>"very good, fairly good quality"</i>																													
Water Supply	94.3	3.2	3.5	3.0	-1.1	-0.8	1.8	4.5	3.0	3.3	4.5	2.5	3.7	-2.3	-4.4	-1.7	-1.4	-0.6	-9.3	-7.6	-6.7	0.5	2.0	-4.4	-3.0	-5.9	-4.0	0.2	
Gas Supply	95.4	-9.1	4.6	4.6	2.7	4.6	2.5	2.2	4.6	3.3	3.8	2.3	2.2	3.7	-2.7	-2.2	1.8	4.6	0.3	-0.5	1.2	0.8	0.4	0.2	-15.4	0.4	-0.7	-95.4	
Electricity Supply	95.4	-1.5	0.8	2.9	1.5	2.8	-2.1	2.0	3.3	2.3	2.0	1.9	2.1	3.9	-7.3	-2.9	-1.2	-5.3	-10.2	0.1	0.0	0.2	3.4	-0.1	0.2	2.1	-3.0	1.0	
Fixed Telephone	92.9	0.5	3.4	2.8	3.7	3.3	0.3	4.8	6.5	4.1	1.4	5.7	4.3	2.3	-3.8	2.3	-8.1	-1.8	-2.5	-0.1	3.4	-2.5	0.7	4.3	1.3	0.8	3.0	5.9	
Mobile Telephone	92.1	4.8	-2.7	-2.0	3.6	-9.6	-8.9	0.6	2.1	3.6	2.1	5.8	6.9	-8.5	-3.8	5.8	0.0	2.8	-2.5	1.5	3.3	1.1	7.1	7.0	3.2	-0.1	7.1	4.7	
Postal Service	86.7	4.1	-6.9	6.9	7.5	8.7	-3.7	8.5	6.4	-1.0	-1.6	1.2	-0.9	5.9	6.2	3.6	-7.5	4.4	9.5	10.3	12.0	8.3	1.9	1.9	6.0	9.8	1.8	10.4	
Rail Service btw. Towns	76.0	20.0	14.4	7.5	4.1	19.1	-13.8	-7.3	17.5	10.4	-2.4	1.6	4.6	2.3	16.2	22.7	-2.0	12.5	4.3	19.8	19.4	10.3	1.0	-2.7	-3.7	-7.8	-76.0	-76.0	
Urban Transport	79.7	5.9	-2.2	0.9	3.8	5.4	-6.9	-8.0	12.2	7.6	-1.1	-1.2	11.7	-6.7	8.2	-1.4	-12.5	6.7	8.0	13.5	9.6	5.1	3.0	-12.4	-7.2	-9.1	-6.9	-9.4	
<i>"very satisfied, fairly satisfied with quality"</i>																													
Social Housing	56.4	26.0	28.3	31.5	19.3	29.8	15.4	20.8	20.1	16.5	-5.2	8.5	36.8	-1.0	-12.1	6.7	-8.7	-20.7	9.3	-11.6	-16.4	-16.0	-1.9	-8.4	-29.0	-17.6	9.1	4.7	
Education System	65.7	27.7	20.1	21.9	26.5	17.2	13.2	21.3	4.3	19.2	-15.0	-19.8	18.5	-2.2	-1.2	1.3	-10.7	-28.5	5.1	5.0	-0.3	8.6	14.7	11.8	5.1	13.2	21.9	5.7	
Further Training	70.0	16.9	17.6	22.1	15.1	13.8	16.6	23.6	20.9	20.8	2.9	-2.7	25.1	1.4	-7.6	-8.4	-16.6	-36.8	13.4	-6.0	-13.3	2.4	9.4	6.9	-4.7	5.8	15.5	5.9	
Health System	61.6	19.1	19.2	19.6	-13.0	7.6	11.5	23.4	20.8	32.9	-4.2	0.8	27.6	20.3	4.3	-11.9	-13.0	-27.7	-6.9	-16.3	-15.4	-12.5	5.4	-21.1	-14.4	3.0	18.4	-1.5	
Child Care	71.8	24.5	18.7	16.4	2.4	-6.4	10.6	14.9	13.6	20.6	-2.4	15.0	18.8	3.8	-10.5	5.5	-7.1	-30.1	10.7	-20.8	0.1	-0.6	7.7	1.8	-1.5	14.9	3.1	6.7	

Table 5: Perceptions of the quality of services of general interest: EU 25 average and country differentials (own calculations based on Eurobarometer 62.1 and 62.2, 2004)

Finally, when comparing access to SGI and quality of SGI side by side the following observations can be made:

- (a) Overall, respondents of Eurobarometer 62 expressed relatively high satisfaction with service quality and access to services of general interest.
- (b) Social services are generally perceived as less satisfactory than utility, communication and transport services – both in regard to access and quality of services.
- (c) Residents of urban areas seem to have better access to services of general interest, but the service quality is often perceived as better in rural areas.
- (d) Differences between urban and rural areas are higher in new member states than in EU 15 countries. This applies even more to access to services than to service quality.
- (e) Rural areas in northern and central European countries have significantly higher access and quality scores for most services, especially for social services.
- (f) Rural areas in southern European countries have lower scores in regard to service quality, but significantly lower scores for access to services, especially to social services.
- (g) Rural areas in eastern European countries have very mixed scores both in regard to access and quality of services. Some countries are doing exceptionally well, while most others show moderate to significant deficits in regard to access to services, especially social services. Service quality is generally better, but also deficient. Many utility, communication and transport services as well as education services are actually of average to good quality.

2.2.2 Qualitative analyses of SGI development in rural Europe

This subsection reviews academic literature that concentrates more on the causal mechanisms of changing services of general interests in Europe. After an introductory review a brief historical review will sketch general SGI developments in rural Europe. This is followed by a comparison of different national experiences with services of general interest, before some regional and local studies are reviewed.

Accessibility of SGI and rural areas: General conditions and processes of change

In the context of the wide and diverse rural areas, in most of which human activity is less intensive and the size of settlements more reduced, the number and dimension of accessibility constraints is more important, particularly in the case of less favoured social groups (Borden and Moseley, 2006). The access to and use of SGI, in most cases far away from urban quality standards, means a bigger effort in terms of economic cost, time and energy consumption, both for rural residents and public and private organizations responsible for their operation and maintenance.

The impact of described difficulties exacerbates due to the reduced dimension of local markets in rural areas and the generalised scarcity in the provision of services. This problem was already highlighted by Labasse (1973) who stated, for the case of

education and health care, that contrasts between urban and rural settlements should make think about the needs and mobility limitations of peasants. Labasse pointed out that “*any collective equipment is conceived according to the issue of centrality*” (ibid, p.551) and that there is a need to incorporate an adequate planning and the concept of equity.

In the most remote rural areas, population decline, along to the contraction of local labour markets may drive to increasing regional disparities. The progressive loss of competitiveness of rural economies, in many cases unable to face the challenges of economic globalisation, is one of the main worries of the EU that devotes a substantial and increasing portion of its regional policy (and more recently also the agricultural policy) to promote rural development and the increase of competitiveness of the most lagging rural areas (Commission of the European Communities 1994, 2004b, 2007).

In these areas, accessibility-related problems constitute a serious constraint for development or for the satisfaction of personal and group needs and expectations. The long lasting population loss suffered by many rural areas during decades is cause and consequence, at the same time, of the reduction in service provision and accessibility. This, in turn, reduces the chances for increasing the population base. This sequence builds the so called “cyclic nature of rural decline” (Gilg 1983) with multiple consequences on the lives of rural residents like an overall reduction in the chances to obtain an adequate job or to get involved in social activities (Storey and Brannen, 2000), or the higher risk for social exclusion and personal isolation (Rostami, 2005).

The decline in the provision of services and the consequent reduction in accessibility conditions for many SGI in rural areas have an undoubtedly negative impact on the possibilities to maintain a lively and dynamic social fabric. Therefore, the situation, availability and prospects of service provision in rural areas is a major driver of change to achieve a long term sustainable development, and to help reducing regional disparities.

General historical overview of SGI development in rural Europe

Accessibility to services and employment was not a problem in traditional rural systems with an agricultural economic basis, where demand for services was reduced and the balance services-population was stable (Oliva Serrano, 1995). It will be in the decade of the 1970s when a series of new processes and factors come into action to generate new behaviours in relation to the access to services. Among these new factors and processes are the following: the diversification of the rural economies, the improvement of transport infrastructure and systems, or the increasing demand for rural goods and services by urban population (Garkovich 1982, Fuguitt 1991).

The impact of the intensive depopulation of extensive rural areas between the post-war period and the decade of 1990 is a major cause for the loss of SGI and employment in these territories. This process strongly impacts in the everyday lives of all remaining rural residents, but more particularly in lagging social groups with reduced mobility like elderly, women, disabled or low income (Moseley 1979, Shaw 1979). Moreover, difficulties for personal and professional development are a direct function of the degree of inaccessibility experienced by individuals (Compan et al., 1989).

The quality of lives of rural residents reduces as the quality and number of services available decays (Hudson 1989; Taylor 1991; Humphreys, 1993; Cheers, 1994; Beal and Ralston, 1997). The reduction of services has several consequences for rural local markets: first, the increase of regional disparities in relation to human capital available; second, the concentration of employment in the main rural settlements; third, the lamination of local labour markets of smaller settlements (Martín Gil, 1995).

In this way, the own regional dynamics, along with the insufficiency impact of cohesion and rural development policies, will drive, during the second half of the 20th century to the socio-economic deterioration of lagging and remote rural areas. This process will affect the already weak local markets by reducing the economic margins for the provision of services of general interest and thus pushing the remaining young and dynamic population out (Noguera, 1999).

In the case of accessible rural areas the relevant process refers to the intensive and quick territorial changes linked to sub-urbanisation and delocalisation of economic activity and residence from nearby urban areas. These processes have brought new residents with urban culture to accessible rural areas that generate new dynamics of territorial organization and new service demands.

International comparison: The relevance of territorial contexts

The empirical analysis of accessibility to SGI in rural areas of the EU shows an unequal treatment in literature sources in relation to the geographical context of study. On the one hand, there exists abundant literature dealing with demand, availability and access to SGI in rural areas of western European countries, notably United Kingdom and Scandinavia. This part of literature highlights issues as the different cultures of mobility present in rural areas and their consequences on service provision and access, or the issue of "territorial equivalence". It is also the context in which are first described innovative ways of service delivery in areas where population thresholds did not allow for their conservation under traditional formulas.

In the case of *Mediterranean countries* the majority of analyses and case studies refer to the problem of depopulating lagging and remote rural areas, and the derived consequences. The intense depopulation of the Mediterranean mountain environment has caused similar processes in all Mediterranean countries (Portugal, Spain, south of France, Italy and Greece). In most rural remote and mountain areas in these countries, a cumulative loss of economic traditional functions, and the subsequent out-migration, has produced intensive depopulation. The percentage of population loss in relation to 1950 is about 50% or more in most cases. The logical consequence of this emptying process is that many small rural settlements have become unfeasible as regards maintenance of their remaining population. Many other villages and towns, despite still inhabited, have reducing levels of service provision and quality. There is a general reduction in the quality of life and well-being of rural population caused by depopulation and its consequences. In relation to the provision and access to SGI this is perceived in increasing accessibility time to the available services, the lack of service provision in many villages and towns due to economic unfeasibility, the economic constraints of demanding population, the lack of appropriate policies and programs to counteract the progressive closure of SGI in rural areas. On the other hand, during the last two decades the Mediterranean mountain has become the place of settlement (permanent or seasonal) of new collectives (return migration, summer vacation, western European retired, a percentage of the international flows from different world areas, etc.). The "newcomers" are essential for revitalization in most remote and mountain rural areas but also

mean a challenge to integrate and answer to the new consumer and mobility behaviours.

For example, Auyda et al (2002) point out the functional and territorial concentration of services in a reduced number of selected settlements according to their location or population relevance, setting loose service networks. This process is more evident in remote and mountain rural areas where the urban structure is poor and is detrimental to the demands of smaller settlements in relation to the improvement of current conditions of service accessibility. This recognizes, implicitly, the lack of economic viability of such sites and the difficulty that its residents will one day enjoy the right to equal access.

Instead, still in the Mediterranean, we hardly find reference to the situation of supply and access to services of general interest in accessible rural areas, which are receiving, to a great extent, the consequences of rapid urban growth resulting from the relocation of economic and residential activities of nearby cities. Moreover, this happens in regions where rapid changes are occurring in the traditional territorial configuration, not always guided by proper planning, thus threatening the rationality of the resulting territorial model. The arrival of culturally "new settlers" also poses the challenge of how to combine the cultures of demand and access to services that now come together in these territories.

Regional and local studies

In the field of spatial planning and, within it, the planning of the provision and access to services of general interest, there were early studies conducted in the UK in the 1980s to know community needs in relation to public transport taking into account demographic variables, car ownership and supply of public transport available (Parolin 1984, Bird, 1987).

Other studies are concerned with the proposal and implementation of innovative solutions for the provision and access to SGI in rural areas. For example, there is a case conducted in Yorkshire (UK), "South Pennines Rail Partnership (SPRP)", where private companies have partnered transportation and public entities with the objective of promoting sustainable tourism through the promotion of travel by rail, the creation of interconnection stations in low accessibility areas, the reduction of social exclusion, and the awareness increase for using environmentally friendly transport. This experience has had very positive effects, such as strengthening local and regional actors, as well as further consolidation of their networks, securing funding and feasibility of present and future projects (Commission for Rural Communities, 2008).

Power and Shaw (2004) studied the future role of rural settlements as service centers in inland areas in the region of Alnwick (North East of England) through the "Market Town Initiative", involving 13 cities. They analyse the the "self-access services" in which the resident or client has to go for (ie. health care and retail services). They conclude that the main factors for the development and maintenance *market town services* are accessibility, service quality and characteristics of residents. In this case, the establishment of service centers has proved to be "a key vehicle for the improvement in rural services, which is based on a partnership between the Countryside Agency, working through regional divisions, and the regional development agencies."

More recently, Swan, Selvaraj and Godden (2008) have carried out a study in the field of health services in rural areas, aimed at gaining knowledge on their peripherality level to use it as a significant indicator that responds to the needs of professionals and services. The study area was the Highlands West of Scotland. Have developed the index "Clinical peripherality" with four variables (population density, number of patients on the practice lists, travel time to nearest specialist led hospital and travel time to Health Board administrative headquarters) converted to factor analysis in terms of percentage of variance. The proposed indicator represents the combination of two models and methodologies (gravity model-based and travel time / cost or accessibility indicators). According to the authors, the development of this index provides a tool for service planning and to explore the relationship between peripherality, patterns of disease and quality of services offered by practices.

Also within the field of health, there is a study conducted by the Department of Health, Social Services and Public Safety (2004) in Northern Ireland. The study focus on a comparison between the rural and non rural areas, and the total average North Ireland, in relation to the location and travel time to the center / nearest service in rural areas, through the "average access time (mins) and average access time weighted for need (mins)". The variables used for comparison were: pharmacies, dental practitioner, ophthalmic practices; general practices, children's homes, day centers, nursing homes, residential homes for the elderly; residential homes for the mental health, learning disability and physical and sensory disability programs of care; hospitals providing acute inpatient services; providing acute hospitals outpatient services; maternity units, accident and emergency departments (excluding minor injury units), accident and emergency departments (including minor injury units); hospitals providing inpatient mental health services; hospitals providing outpatient services, learning disability hospitals providing inpatient services, outpatient services providing learning disability.

Hull (2005) conducted an empirical analysis of a case of integrated urban mobility policy in Sweden and highlighted the need for integrated policies at the local level. He pointed out a number of general failures: the duplication of procedures, failure in communication and lack of clear and resourced responsibilities. Hull then developed a model for integrating various mobility policies and compared it with mobility management practices in the UK.

3. IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

Access to services of general interest are one element of the EDORA project's overall conceptual framework. This framework was developed and presented in the Inception Report and Interim Report in order to guide the project's efforts to understand patterns of differentiation between different kinds of rural areas and the interrelations between urban and rural areas. To this end EDORA's conceptual framework defined *drivers of change* as economic, environmental, social or institutional structures and processes that determine or 'drive' changes in rural areas. These drivers of change may originate from within or outside rural regions. The specific structures and characteristics of a rural region then determine if these drivers of change are transformed into development *opportunities* that facilitate rural development or whether this adaptation process is not or not successfully achieved, thus creating *constraints* to further rural development. Drivers of change, development opportunities and constraints are thus the main building blocks of the EDORA conceptual framework. On this basis three '*grand narratives*' were identified that combine these main elements in different ways, creating typical development paths for different kinds of rural regions.

On the basis of the previous theoretical and empirical chapters, the paper will now discuss services of general interest from the perspective of the EDORA conceptual framework. The first section will elaborate whether and how services of general interest may act as drivers of change, development opportunities or constraints. The second section will then relate services of general interest directly to the three main grand narratives sketched in the Inception and Interim Reports.

3.1. SGI and drivers of change, development opportunities and constraints

The term 'services of general interest' encompasses such a wide range of services - from waste collection, transport, education, health care to energy provision – that it becomes almost impossible to make valid general statements about their role and impacts on rural development. Furthermore, the specific history, economic situation and policy context differs a lot not just between European countries, but even within each country. It must be clear, therefore, that the following discussions are at a fairly abstract level and may not apply to all countries or all regions equally.

SGI as crucial factors, but not drivers of change

By definition services of general interest are of general interest because of their importance for the production and delivery of other goods and services as well as the well-being of citizens. Therefore these services play a crucial role for local development in general and for the development of rural areas in particular. However, many of these services, whether provided by public authorities or private service providers, are demand driven and thus react to more general economic and social changes. For example, broadband internet access will only be provided when there is sufficient demand from households and companies of an area to justify the respective infrastructure costs. In principle the same applies to schools, hospitals, energy supply etc. On the other hand, European, national, regional or local policy-makers determine certain standards or service obligations that the service providers have to adhere to. Or policy-makers may decide to spur economic growth or control public budgets by expanding or downsizing certain services or infrastructures. In all these instances the services of general interest are used as a vehicle of a broader development policy. The services as such are not the drivers of change, but these overarching political policies or underlying general economic changes.

SGI as a local economic sector

Nevertheless, services of general economic interest may constitute a sizable part of a local economy. Adding up local employees in transport, telecommunication, energy and water supply, waste collection and management, education, child care, health care and security services yields a significant workforce. Some regions may even specialise in providing certain services, e.g. spas that concentrate on health related services or rural 'college towns' that cluster around a local university. In these instances a particular spectrum of services of general interest may be a key economic sector and have even greater importance for the local economy. Such a cluster of services may then be more than a catalyst for local development but a defining economic asset.

Access to and quality of SGI as development opportunity or constraint

The previous chapter showed that access to many (but not all) services of general interest is lower in rural areas as compared to urban areas. Given the pivotal role of SGI for economic development such access deficiencies may translate into development constraints. However, as was also shown, the quality of many services of general interest, especially social services, was often perceived as being higher than the quality in urban areas. Thus it seems that other qualities of rural areas (perhaps better social relations, greater commitment to the area etc.) come into play and lead to improved quality of services, which may compensate for the reduced access to these services. They could even be used as positive opportunities, and may for example be behind the success of rural health and recreation clusters. On the other hand, in some countries services of general interest in rural areas lag behind so much – both in access and quality – that they constitute a formidable development constraint that seriously handicaps economic development.

SGI retarding, then amplifying local growth or decline

The provision of most services of general interest is very cost intensive and requires long-term investments in infrastructure. This applies to transport services, schools, energy production and supply and hospitals to name just a few. The physical, financial and institutional costs for starting or expanding a service are therefore very high. Such commitments are therefore only made based upon careful analysis and only when demand has reached a certain threshold – and promises to be above this level in the long run. Furthermore, once a decision is taken to start a certain service in a particular region, it usually takes time before the required physical and institutional structures have been created and the service can be offered. Consequently the start or extension of services of general interest usually lags behind the underlying economic and demographic changes. However, once the respective service is finally up and running it acts as a booster to local development.

Similar mechanisms apply to declining regions. A public institution or private service provider cannot react spontaneously to reduced local demand. It is also costly to give up or downsize a service. Sometimes it is not even possible, e.g. one cannot easily downsize electricity production or an existing electricity supply network. Completely closing down a facility involves even greater costs and institutional resolve. Therefore services of general interest may continue to operate at a more or less unchanged level in a declining rural region even though the economic and demographic context has deteriorated. At some point, however, the costs of running a service under dismal conditions become unbearable and 'adaptation', i.e. closure or downsizing,

becomes inevitable. When this finally happens (and not just for one service) the already ailing local economy/community is even more seriously impacted. Instead of stabilising development, the loss of services may now exacerbate further decline and cause a region to spin into a downward cycle of recession. Thus, services of general interest first retard and then amplify either a process of local growth or decline.

Liberalisation and privatisation of SGI as a key drivers of change

Key driving forces behind SGI changes in the last two decades have been the liberalisation of service markets formerly closed to private competition and the privatisation of formerly public services (see chapter 2). This opened up services of general interest, in particular transport, utility and telecommunication services, to the more or less free interplay of market processes. This created more choice as several service providers catered to customers, but also introduced purely profit oriented calculations into service provision considerations.

In a parallel development, services that remained in public ownership were remodelled under the auspices of the New Public Management paradigm. Accordingly public services were modelled after private prototypes. Efficiency, outcome and customer orientation became the new hallmarks of service provision. Even public services started to operate under criteria similar to those used by private service providers. Depending on the specific type and depth of institutional reform this meant e.g. cutting back and concentrating public service facilities in order to increase efficiency and competitiveness. Thus the logic of privatisation and the resulting effects on rural areas extended beyond the privatised services and encompassed still publicly provided services as well.

3.2. SGI and the grand narratives of rural development

SGI and the agri-centric narrative

The agri-centric narrative distinguishes between an agro-industrial model, a post-productivist and a rural development model. Each of these are defined by the degree and the way in which they are based on agricultural production. Hence different services of general interest are important for these three models. In the agro-industrial model, in which rural areas focus on food production, the most important services of general interest are transport related. Agricultural supplies and equipment need to be easily and quickly transported to farms and the agricultural to the (urban) mass markets. Telecommunication services are also important for immediate access to agricultural market information.

In the post-productivist model rural areas are not primarily used for agricultural production, but are perceived as scenic countryside and home to traditional, community-oriented living, which makes them attractive for current or former urban dwellers. In this model household oriented services like child and health care, education but also telecommunication are of primary importance. Ex-urbanites may seek rural surroundings but still require services and amenities they are used to in their urban lifestyles.

The still nascent sustainable rural development model is based on local food production through local food supply chains. This type of agricultural production would not be so much oriented towards urban mass markets. Consequently transport

services that connect e.g. a peripheral rural region with other regions, are less important than in the other models. Instead the model implies a kind of self-reliance that would necessitate a high level of local control over local resources and services. Education would probably play a key role for fostering post-industrial, post-consumption attitudes and farming practices.

SGI and the capitalist penetration narrative

At the core of the capitalist penetration narrative are processes of economic globalisation and regional flexible specialisation. Capitalists would seek to extract abundantly and cheaply available rural resources, such as natural resources, energy or labour, and integrate them into global production processes. Within this paradigm of rural development transport services are again of key importance both for transporting rural natural resources, agricultural goods but also for enabling rural residents to commute to urban areas and become part of urban labour markets. Telecommunication services promote urban lifestyles and consumption patterns and enable globally operating companies to easily sell their products to the rural population.

Privatisation of public services and a reorientation of public services along the lines of New Public Management facilitates an even deeper capitalist penetration into formerly public domain. As more and more services are privatised local communities have less and less control over crucial services of general interest. Rural areas would become powerless and unable to steer their own development. In this way services of general interest would be facilitators of a capitalist transformation of rural areas.

SGI and the urban-rural narrative

Services of general interest are also at the core of the urban-rural narrative of rural development. This narrative prioritises urban-rural interactions and categorises rural areas according to their geographical distance to urban centres. Commuting is seen as one of the crucial rural-urban linkages as are short-term tourism and trade between rural and urban areas. Hence transport accessibility becomes a defining element of this development model.

Rural areas close to cities become increasingly integrated into the urban economy. With increasing urban growth problems, households and businesses relocate to these peri-urban locations. This creates demand and political pressure for expanded services of general interest, such as schools, hospitals, telecommunication services etc. In other words, the new residents demand urban standards of service provision in a more tranquil and beautiful rural environment. Services of general interest are thus a key ingredient (but not a driving force) of peri-urban growth processes.

More peripheral and predominantly rural regions, however, are facing economic and demographic challenges, not least because of their low transport accessibility and low/slow telecommunication access. The situation of provision and access to services of general interest will be a primary factor for the capacity to maintain the current population and to break the vicious cycle of rural decline. As discussed above, after some delay services of general interest will eventually be reduced, thus intensifying the local recession. In the long run, with continuous population losses, this might even necessitate a spatial restructuring of such services as schools and hospitals which require certain number of users.

4. PROPOSAL FOR THEME RELATED INDICATORS

4.1 Potential indicators

In regard to the various sub-themes identified in this paper and building upon existing studies and data sources (see 4.2) the following indicators were identified:

A. Transport

- A.1 Accessibility by car to population (potential accessibility)
- A.2 Accessibility by rail to population (potential accessibility)
- A.3 Car travel time to nearest airport
- A.4. Car travel time to nearest port
- A.5 Car travel time to nearest city with a least 100,000 inhabitants
- A.6 % of inhabitants living within a radius of one hour car driving time from the municipality centre.

These transport-related indicators are relevant for both firms and households. On the one hand transport accessibility has an influence on households' ability to commute to work, visit friends/relatives, or make use of centralised public and private services (e.g. hospitals, shopping malls). In this regard indicators A.5 and A.6 may be most important as they relate more clearly to short-distance accessibility.

On the other hand firms, whether in the manufacturing or service sector, likewise depend – with varying degrees – on locations with high accessibility as this reduces their transport costs for acquiring and selling goods and services, meeting with other firms and also increases their access to a large local labour market.

B. Communication

- B.1 Number of persons served by local post office
- B.2 % of households with a fixed telephone line
- B.3 % of households with at least one mobile phone
- B.4 Mobile phone reception
- B.5 % of households with internet access
- B.6 % of households with broadband access

The communication-related indicators are also relevant for both firms and households. Quick and thus low-cost access to a post office (B.1) is important for both, but may be more important for households, as many private postal service providers pick up large shipments from companies directly. Telephone infrastructure (B.2-4) is almost a *conditio sine qua non* for most businesses but also for private households. However, with further decreasing mobile phone call prices it may be argued that fixed line access is diminishing in importance.

On the other hand, access to the internet and corresponding high speed telecommunication infrastructure (B.5-6) can be expected to even gain more in importance in the coming years. The indicators identified so far are unfortunately only related to private households and also reflect the population's willingness and speed of technology adoption. Firm-related indicators and purely telecommunication infrastructure-related indicators are still to be identified.

C. Energy

C.1 Sensibility to variations on energy prices and energy self-sufficiency

Reliable and inexpensive supply of energy, namely electricity and gas, are of great importance especially for firms and their decisions whether or where to locate their (especially energy-intensive) production sites. It may be argued that energy prices and energy supply in general is mostly regulated by national governments and national markets. Therefore more fine-grained, regional analysis may not yield differentiated results. This has to be further explored with reference to existing studies before a decision is taken whether to maintain and add energy-related indicators to the EDORA database.

D. Education and research

D.1 Number of secondary school students per 1,000 inhabitants

D.2 Car travel time to nearest university (tertiary education facility with a non-professional profile with over 1,000 students)

Good and accessible schools are important location factors for private households. Primary schools are usually available locally, but secondary schools are not as densely distributed. Therefore secondary education facility related indicators are more appropriate. In the absence of precise data on the geographical location of secondary schools, indicator D.1 may be used to estimate the availability of secondary schools within a given region. If the secondary school student ratio is low, it may be (at least partly) related to the fact that students have to 'out-migrate' into the next region.

For firms the overall education level is more important (covered in EDORA theme 'demography'). For more high-level jobs the availability of university graduates is even more important, which is positively influenced by having a university nearby. Proximity to a university (D.2) is also relevant for research and development activities of private companies.

E. Health

E.1 Airline distance to next hospital

E.2 Number of beds in hospitals per 1,000 inhabitants

E.3 Number of doctors per 1,000 inhabitants

The health-related indicators are usually not directly relevant for companies, but very important for private households (and thus indirectly for companies as well). Availability or proximity to a large hospital and doctors are, albeit crude, indicators for the health infrastructure situation of rural areas.

4.2 Data sources

The selection of the above indicators already took into consideration the availability of statistical data, both in regard to European-wide coverage and fine-grained spatial disaggregation (see table 4).

Data for the transport-related indicators is available through the IRPUD databases and is generally available at the NUTS 3 or even NUTS 4 (municipal) level.

Data for many of the communication indicators come from a survey conducted by INRA and is only available at the NUTS 2 level. The level of spatial disaggregation for the postal service data (from EUROSTAT) is still to be determined.

Data for the energy indicator come from ESPON project 2.1.4. It is, however, a combined indicator that is partly based on NUTS 1 data and may therefore not be appropriate. As explained above, it needs to be determined anyway, whether it makes sense to seek more indicators in this sub-theme.

Data for the education indicators is available from EUROSTAT and has been used by IRPUD in previous EU research projects.

Data for the health indicators is likewise available from EUROSTAT and has been applied in another project by IRPUD.

4.3 Comments and suggestions for regional analysis

The above indicators are 'tried and tested' direct or proxy indicators for the various concepts covered in this paper. However, they only reflect upon the availability and proximity of the various services, but not on other characteristics like e.g. reliability, security or quality of service. For these service characteristics there are no standardised and European-wide data.

The chosen indicators have proven to be usable for statistical regional analysis in previous studies.

4.4 A comment on data availability and geographical level of analysis

The two most important constraints in the study of accessibility to SGI in rural areas of the European Union are, on the one hand, problems related to the availability and homogeneity of statistical information and, on the other hand, the geographical scale at which most indicators are available. On the first, and despite the efforts to obtain homogeneous series of data for all EU countries, the different times for accession, the variable effectiveness of national and regional statistical information services, apart from other factors, determine that the degree of homogeneity of transnational statistical series only begin to be "acceptable", although it is much the way ahead.

As to the geographical scale at which statistical information is available, most key indicators are available in homogenised databases of Eurostat at NUT3, if not higher (NUT2 or NUT1). Even the smallest scale available (NUT3) is clearly inadequate for the analysis of the provision and access to SGI because of the size of a NUT3 region in most European countries (with the possible exception of Germany and some other central European countries) (see Figure 2). Thus, it is not surprising that the same geographical unit contains booming metropolitan areas, remote and declining rural areas, industrial districts, tourist areas or specialized agricultural production complexes. Therefore an analysis on NUTS 3 level would hide the true processes that occur in the interior of the regions, and whose logic usually refers to a part of the region and never to the full territory. Accordingly, the proper analysis of this and many other processes really requires smaller territorial units (LAU 1 or 2, or NUT5, for example).

In any case it will be necessary to adopt and combine different geographical scales of analysis, which will allow capturing the object of study in its many dimensions.

However, although the change of views on the subject gives an account of the various facets of a phenomenon, we come to a scenario in which any result is only valid at a certain scale, it depends solely on it, and exists only in it (Sabatini, 2005). It is also necessary to note that what is observed on a particular level tends to disappear when you change the scale of observation. Accordingly, although there are contradictory phenomena, even invisible at certain scales, all of them are necessarily involved in the final definition of the phenomenon being studied.

Beyond a simple change of scale, the juxtaposition macro/micro is part of a methodological problem, since it means abandoning the idea of fractals (repetition of the defining characteristics of a phenomenon at different scales). The use of the macro level focuses on the link that can exist between individual actions and structural phenomena, which in turn shape the object of analysis, as we know it. Conversely, the micro scale favours the subjective experience and the analysis of its context to emphasize certain lines of interpretation of reality. This approach emphasizes the diversity of what is possible and the instability of processes as opposed to the stability in time of structural phenomena.

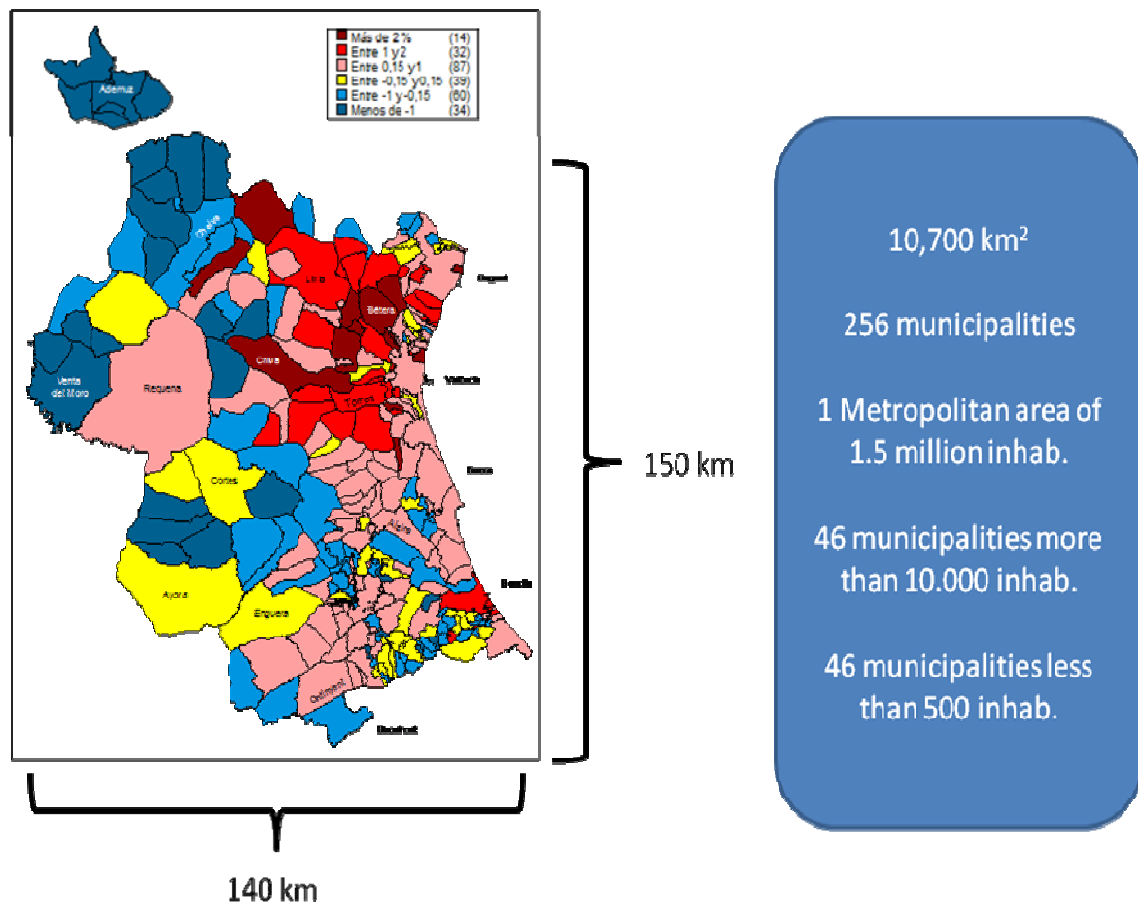


Figure 2. The inadequacy of analysis at the level for which data is currently available: The example of a NUT3 region in Spain (province of Valencia)

Note: The colours in the map show the population change in % from 1975 to 2001 for each municipality in the province.

Table 4. Activity 2.11(f) Services of General Interest. Proposal for Theme Related Indicators

Concept/Issue	Brief Description of Indicator	Type:	Potential Source(s)	NUTS Level
		P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
Transport	Peripherality by car to population	P	IRPUD	3/4
	Peripherality by rail to population	P	IRPUD	3/4
	Car travel time to nearest airport	P	IRPUD	3/4
	Car travel time to nearest port	P	IRPUD	3/4
	% of inhabitants living within a radius of one hour car driving time from the municipality centre	P	IRPUD	3/4
	Car travel time to nearest city of at least 100,000 inhabitants	P	IRPUD	3
Communication	No. of persons served by post office	P	Postal Service Survey 2005 and 2007	3
	% of households with a fixed telephone line	P	INRA 2004	2
	% of households with at least one mobile phone	P	INRA 2004	2
	Mobile phone reception	P	Mountain study	3
	% of households with internet access	P	INRA 2004	2
	% of households with broadband access	P	INRA 2004	2
Energy	Sensibility to variations on energy prices and energy self-sufficiency	P	ESPON 2.1.4	3
Education and Research	No. of secondary school students per 1.000 inhabitants	P	Eurostat/IRPUD	3/4
	Car travel time to nearest university (tertiary education facilities with a non-professional profile with over 1,000 students)	P	Eurostat/IRPUD	3/4
Health	Airline distance to next hospital	P	Eurostat/IRPUD	3/4
	No. of beds in hospitals per 1.000 inhabitants	P	Eurostat	3
	No. of doctors per 1.000 inhabitants	P	Eurostat	3

5. THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

5.1 The dynamics of rural diversity – future perspectives

Chapter 3 has raised several concepts to be considered in order to develop a sound planning of available resources and future investment. In the case of access to services of general interest is essential to know the real needs of the population of an area or territory, and know what the demand is, before implementing plans and programs that are not relevant to the territorial development actors.

A flexible approach to the nature of territory is needed in order to understand the dynamics of rural diversity, ie. the basis on which develops the daily activity of the population. According to this view, there must be many spatial and time context influencing mobility and accessibility.

We can not forget the role of ICT in rural development. In rural areas, its significance is even greater because of the difficulties associated to the low accessibility to SGI. The use of ICT reduces the number of journeys and facilitates communication, interaction and information exchange.

5.2 Hypotheses

Hypothesis 1. *Accessibility is a multidimensional concept that refers not only to physical distance. There are other "dimensions" involved:*

- travel time (associated to physical and climatic conditions, the state of communications infrastructure, the efficiency of management and land use planning, the availability and efficient of the public transport system);
- economic cost (availability of private car, travel costs, etc.);
- socio-cultural factors (social and cultural factors that determine the actual use or perception of the need for access to goods and services);
- the availability (both of service and the person who accesses);
- subjective elements related to the physical and mental state of the person;
- historical factors that have conditioned a certain spatial configuration that affects availability and accessibility to goods, services and employment;
- the orientation and effectiveness of policies with impact on accessibility.

Hypothesis 2. *Multidimensionality of the concept of accessibility increases the complexity of analysis. Accessibility problems in rural areas result from various combinations of the dimensions of accessibility.*

Hypothesis 3. *Accessibility to SGI by residents of rural areas is challenged by specific problems in relation to:*

- the lowest density of occupation of territory;
- the dominance of small settlements, often scattered;
- the process of economic and demographic decline (accentuated in remote and mountain rural areas);
- the rapid growth and territorial reorganization in accessible rural areas;
- the small size of local labor markets.

Hypothesis 4. *A good number of rural residents, mainly those belonging to disadvantaged groups and / or those without access to private car (elderly, unemployed, women, etc.) have only access to a restricted range of goods, services and jobs. This reduces their chances of election, the degree of freedom and, consequently, their quality of life.*

Hypothesis 5. *The provision of services and infrastructure is mainly governed by criteria of resource saving and cost effectiveness. Rural markets have not, in most cases, the critical mass to sustain many SGI. Consequently, there is a "circle of decline" which progressively reduces services, jobs and population.*

Hypothesis 6. *All typologies of rural areas have problems related to access to SGI that are of different nature. Therefore, they affect residents in different ways and require different solutions.*

Hypothesis 7. *Rural areas are home, more and more, of new groups of residents whose cultures, consumption habits and mobility patterns differ from those of traditional rural inhabitants. New residents, mostly from urban culture, now reside temporarily or permanently, in rural areas: immigrants from various origins (retired from central European countries, families or individuals from poorer countries), new permanent residents moving their residence from cities to accessible rural areas, holiday or seasonal residents, and so on. New rural residents have a significant impact on access conditions to goods, services and employment. Although there are some negative effects (differentiated demands, cost of products, etc.), the assumption is that their influence is overwhelmingly positive and can help to counteract the effects of rural decline (loss of services), resize the labor market and avoid a further reduction of it, and improve access to services and employment by increasing the viability of public transport systems.*

Hypothesis 8. *People from urban environments who settle in rural areas maintain their "urban" consumption patterns. Consequently, their mobility patterns adapt to the satisfaction of those urban tastes. This means more frequent trips to greater distances, and for reasons different from traditional rural dwellers, and a culture of mobility that is less sustainable*

9. Services and peripherality: Overall, the more peripheral a region is the less accessible are services of general interest. Conversely, the more accessible/urban a region is the more accessible are services of general interest.

10. Distances to services: Overall, distances to services of general interest have increased in the last 20 years and are likely to increase further. This development is even more pronounced the more rural/peripheral a region is.

11. Cohesion/territorial disparities: From the above follows that services of general interest have been and continue to be concentrating more and more in urban areas, thus increasing disparities between urban and rural regions. But these territorial disparities are also increasing between rural areas of different types.

12. Cultural/institutional diversity: Owing to different cultures, traditions, policies and institutional set-ups, there are significant differences regarding provision of services of general interest between countries. These differences have been relatively stable over the years.

(Methodological aside: Since these national differences can obfuscate European-wide development trends it may make sense to carry out national analyses in addition to only European analyses.)

13. Services and rural development: The development of services of general interest is positively correlated with the economic and demographic development of rural areas. Thus services of general interest are part of processes of rural decline, but also of rural growth.

(Methodological aside: Such correlations do not indicate to what degree the service developments are cause or consequence of rural development.)

14. Car mobility: The adverse effects of increasing distances to service points are partly ameliorated by increasing rates of car ownership. Especially inhabitants of remote, economically declining and rural regions in Eastern Europe are trying to - or are forced to - compensate sparse service delivery with increasing their individual transport mobility.

15. Ageing: Given the outmigration of mostly young inhabitants, especially in remote, declining rural regions, the average population age and the percentage of senior citizen in particular is increasing and will continue to increase in these regions. Since older people are in general less mobile but also more reliant on e.g. health services, this poses a special problem because these 'ageing rural regions' are also characterised by decreasing provision of services of general interest.

16. Sectoral diversity: Status quo and development trends differ between SGI service sectors (health, education, transport, communication), making it necessary to cross-check the above hypotheses for each type of service or developing sector-specific hypotheses (see some below).

17. Internet/broadband access: While access to the internet can potentially compensate for physical remoteness of rural regions, the provision of broadband access to the internet is lagging behind in rural areas. Therefore, internet-based or internet-affine economic activities are less likely to locate in rural areas, thus reducing their territorial competitiveness.

18. Health care: In most European countries the health care system has a dualistic structure: Most hospitals are public facilities, while doctors' offices are privately operated. Therefore the health sector can show spatial differences in regard to private or public service provision: While a concentration of services can also be observed in regard to hospital facilities in rural regions, this concentration process (or reduction in service points) is much more pronounced in regard to practicing medical doctors in rural regions.

19. University education: Universities are spatially more concentrated than primary or secondary schools. Therefore, people seeking a university education typically have to move to an urban area with a university. Upon graduation many 'rural graduates' tend not to return to their rural home region. Thus, while tertiary education levels are generally rising in today's knowledge-based society, the percentage of rural inhabitants with a university degree is growing slower the further away a region is from a university.

6. DISCUSSION OF POLICY IMPLICATIONS

A better knowledge of the factors and processes that condition the access to services in rural areas shall result in several potential benefits: first, to understand the diversity of rural accessibility problems in line with the diversity of rural areas; second, to establish an strategic prioritisation of public and private services according to their relevance in terms of maintaining social fabric in rural areas, in order to prioritise their conservation and improvement in adequate accessibility conditions for rural residents; third, to determine success and/or innovative solutions for provision of SGI (public and private) in rural areas; fourth, to set up adequate procedures to implement these solutions; fifth, to propose methods and procedures to develop strategies to counteract real and potential problems of social exclusion associated to bad accessibility to services in rural areas.

According to the previous reasoning it seems both unavoidable and justified a public intervention to improve accessibility conditions. In the case of the extensive rural lagging and/or remote areas the goal is to ensure equal opportunities of access to SGI in relation to other more advantaged locations. In rural areas close to cities the challenge is to contribute to a more rational and efficient territorial organisation in the context of quick changes that put at risk natural and cultural resources.

As such this is acknowledged by several strategic documents of the EU (COM 1991 and 2004) that also recognises the specific circumstances and difficulties associated to access and provision to services in rural areas:

“All of these regions, in whichever part of the EU they are located, have common problems of accessibility and of remoteness from major markets which tend to add to both travel and transportation costs and constrain their economic development. At the same time, the construction of infrastructure of all kinds and the provision of health care, education and other basic services is usually also more costly, because of the nature of the terrain and the remoteness of the location, and more difficult to justify because of the small numbers of people being served. In many cases, the population, or size of the market, is below the ‘critical mass’ required to warrant investment in economic terms. This problem is compounded by an ageing and declining population as young people leave”

“Despite the difficulties of some regions, equality of access to basic facilities, essential services and knowledge — to what are termed ‘Services of General Economic Interest’—for everyone, wherever they happen to live, is a key condition for territorial cohesion”

(COM, 2004, p.33)

In any case, an improvement in accessibility conditions to SGI in rural areas will contribute to the goal of equal opportunities and to reduce regional disparities. It is, therefore, logical that some authors point to several accessibility issues among the key elements for the strategies of insertion of rural areas in the global economy (Silva Pérez 2002): improved access to IST technologies, new accessibility demands derived from an increased presence of urban-based cultures, intense territorial modifications in suburban areas and accessibility needs derived, new forms of

governance (from Keynesian to Schumpeterian model) and an increased capacity for action for local governments, etc. (Ferrao, 1997).

From the above explanation it seems, therefore, that the free market habituates mechanisms for well-being consecution as long as two conditions exist: on the one hand, that the economic profitability is ensured; on the other hand, linked to the economic profitability there must be a minimum “critical mass” demand. If one of these conditions fails (ie. population below profit thresholds, reduced accessibility that increases costs, lack of “critical mass” for a particular need even if basic, etc.) the service losses quality or disappears.

Hence, it depends on the dominant constitutional model of each state whether principles of “equal opportunities” or “territorial equivalence” are considered and pursued. According to the profitability driven rules of the free market, it seems clear that any State or region pursuing territorial equivalence will need to undertake some kind of intervention in order to guarantee adequate provision and accessibility to services of general interest for all citizens regardless their place of residence.

The role of the state in relation to the provision and accessibility to SGI must be adaptative to the particular requirements and demands in each territory, and consequent with its social and technological evolution. In a context of an increasing liberalization and internationalization in the provision of services of general interest, governments must guarantee the principles of territorial equivalence and equal opportunities in relation to the access and use of SGI.

The European Union constitutes one of the environments in which there is more evident public action aimed at achieving regional cohesion and the principles of equal opportunities and territorial equivalence, as shown by different declarations from the Foundational Treaty to the Lisbon Strategy, formulated in several strategic documents (The Future of Rural Areas (1987), The European Spatial Development Perspective (194), the Agenda 2000 and 200+, the Cohesion Reports, etc.) and implemented in multiple policies and programs whose objective is social and territorial cohesion, and the reduction of regional disparities.

Provision and access to SGI are central to the EU cohesion and regional policy, reflecting the goal of territorially equilibrated development. However, the objectives of “territorial equivalence” and equal opportunities in relation to services does not depend only on the existence of a particular service but also on other key factors (Muscar 2007) like the capacity and quality of the equipment, its location and hinterland, or its accessibility. An adequate understanding of the previous factors will allow for the identification of gaps and improvement needs

Provision and accessibility to SGI is a primary driver of change for rural areas. There is little doubt that the state of provision and accessibility to SGI in rural areas will largely condition their capacity to maintain and attract population and to break the rural deprivation “vicious circle”. In most cases rural areas are characterized by small settlements with reduced local markets and highly aged population, unable to generate and sustain an adequate provision and accessibility to basic services based on market criteria. It is necessary a public action focused on territorial cohesion that continues and boosts efforts already carried out by different administrations.

The traditional configuration of public administrations (sectoral, hierarchical, bureaucratic, non cooperative) favours non coordinated and sectoral policy design and implementation. New forms of governance more cooperative, coordinated, participative, integrated, territorial-based, and less hierarchical and bureaucratic, have arose during last 15 years thanks to the impulse of EU policies and programs. In this case, rural areas were pioneer in the implementation of territorial based policies (i.e. LEADER method) that have been extended later to other policy areas. A more effective and relevant delivery of services in rural areas will need policies designed and implemented on the basis of the territorial system concept. These policies will need to consider all elements that have influence or are influenced by the provision and access to services (i.e. transport policy, demographic structure, cultures of mobility, available income, etc.).

On the basis of the above a number of policy implications can be derived:

Identify critical threshold levels for service provision:

From which point onward does a further decrease of service levels lead to an escalation of rural decline processes? Conversely, what are the critical service provision thresholds for stimulating rural growth processes?

Identify current and future 'hot spots' of service provision decline:

Which rural regions have already or will in the future reach alarmingly low SGI levels? What are the likely consequences for the development of these regions? What are their response capacities?

Ensure critical/minimum threshold levels of service provision in rural areas:

either by providing/financing/staffing public services accordingly or providing subsidies/incentives to private service providers

Stimulate public, nationwide consultation regarding SGI provision in rural areas:

like the European Commission did at the European level with its Green Paper and White Paper on Services of General Interest. Otherwise restructuring takes place in technocratic and piecemeal fashion without much involvement of the public.

Support supra-local and cross-sectoral coordination of service provision:

SGI service provision will continue to become more regional and where possible combine several types of services in one location/facility. European, national and regional policy-makers and administrations should provide guidance and support to the necessary and difficult coordination processes.

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EDORA

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for Rural Areas)

Final Report Annex 1 Part 7

Scientific Working Paper No. 7

Institutional Capacity

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*Note: Page numbering is consecutive within the aggregated Final Report document
(Parts A, B and C)*

LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
ESDP	European Spatial Development Perspective
EU	European Union
LEADER	Liason Entre Actions pour le Développement de L'Economie Rurale (European Community Initiative for assisting rural communities)
NGO	Non-governmental organisation
OECD	Organisation of Economic Cooperation and Development

SUMMARY

This theme provides a critical review of relevant information sources in the topic of rural development institutional capacity and governance. The intention is to explore the different processes of the local, regional and national contexts, within which the *rescaling* and *reshaping* of rural development has taken place. A crucial question in rural development is how its implementation may foster and maintain diversified interrelations.

An important trend in the last 20 years has been the rise of new patterns of political, social and economic co-ordination. The term governance has been applied widely to describe these, because there has been a need for diverse definition to interpret changing government structures. The 'new rural development paradigm' is now widely accepted and implemented. The intersection of different institutional realities (European, domestic, regional, local, sectoral, spatial, etc.) and the resulting institutional bricolage is inevitably contested.

Theoretical consideration of governance among rural researchers has been rather limited until recently although there has been some direct and indirect debate of a broader concept of rural governance. We could argue that the shift from rural government to rural governance is a direct response to the increasing complexity in rural areas. It is, however, more widely influenced through rural restructuring, which tackles the changes in societal and economic structures of the countryside related to changes at national level.

The review of research and policy literature reveals that there is an ongoing shift away from sectoral approach towards growing recognition of the wider development possibilities in rural areas. It also reveals that institutional structures and modes of rural policy are widely changing in order to encounter these challenges and issues. The changing position of localities and regions in a more globalised political economy has been recognised as an origin for a diversity and variety of forms of social and political regionalism. In rural areas, this has meant the change of approach from modernisation paradigm to New Rural Paradigm, and lately even more in the direction of constitution of rural areas as action spaces rather than action regions/areas.

One of the noticeable policy implications is that mutual relations dodge to a large extent the field of competence, impacts and recognition of regional and local actors. Capabilities to act within the formed action spaces rather depend on a institutional capacity to activate and organise different actors and forces through innovative inputs and incentives. As a result, it is possible to articulate new position of the central level policies as they step out of vertical as well as hierarchical role and become facilitators and promoters of new governance structures.

1. INTRODUCTION

1.1. Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

1.2. The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “drivers” of change, from regional or local structures and

characteristics which either allow development “opportunities” to be exploited, or act as “constraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment
- (c) Rural business development
- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3. Introduction to the theme

European regions and localities have usually relied in their development on central government interventions and subsidises. However, these preferences have during the last 20 years changed and currently embrace more local development actions. Now, procedures and theories of local development stress the potentiality to recognize and attach a wide mixture of resources that in many cases are more effective and influential than separate top-down initiatives. Indirect interaction between structures and performance imply several changes in governing structures of regions and rural areas. The role of the central state in management of regional development has gradually decreased that has strengthened the change from hierarchical forms and structures of government to more informal and flexible forms of partnerships and structures. A modification from formal administrative structures to the current sharing of implementation produces new scale specific regional policies.

In recent years, the literature on rural development in Europe has been marked by increasing attention to issues of rural governance. The agenda of rural governance has emerged on the basis of several authors' works who all have referred to 'shift from government to governance' (Marsden & Murdoch 1998). Goodwin (1998) argues that 'governance as an interactive process between a range of organisations draws attention to the difficulties of negotiating shared goals and agendas, and to the acceptance that many intended actions will not match eventual outcomes'. Stoker (1998) again argues that 'the development of governing styles in which boundaries between and within public and private sectors have become blurred'. In rural policy making, this shift has involved inter alia a widening of participation in rural policy making through a creation and operation of local level partnerships by stakeholders and authorities who are able to think and act strategically. This shift has resulted an

increasing reliance on partnerships beyond the formal structures of government like it has been expressed in the Cork Declaration and a number of other European rural policy documents.

Partnerships can be seen as an implication of the continuing changes in the governance of rural areas. The increasing complexity requires collaboration between wide ranges of actors; along with the new modes of policy the boundaries between public and private become blurred and dissolved. Governance can be regarded as a manifold phenomenon, which comprises a complex set of power relations and differing aims from the promotion of the regional competitiveness to the improvement of democracy. It does not solely form a territorial alternative to sector based policies, but it also advances endogenous development by building local capacity of people to pursue their adaptability to external changes.

Yet, underlying the above described developments, which point out decreasing importance or alternatively influence of the state level, are neither outspoken nor inevitably underpinned by a consistent political rationality. The diversity of the ensuing institutional arrangements through which rural economic, social and environmental policy is performed is finally formed on the basis of national government structures and traditions, e.g. local level democracy will serve a bridge to integrate the people into governance or alternatively state level authorities will hold their overarching powers in relation to local development. This means that the apparent shift from government to governance does not, as in many occasions suggested, engage a decline in the importance of state level authorities or institutions. Rather, government remains heavily present in rural areas in contemporary forms of governance and the continued role of state will be detectable in policy formulation and delivery. The case is that the changing institutional framework in rural areas does not put in the picture the shift from government to governance, but it also engages new styles and discourses of governing. The state does not totally lose its power.

Within the EU, rural development is generally performed as a multilevel process between various actors in all regional and administrative levels. Crucial question in rural development policy is how its implementation may foster and maintain diversified interrelations and what kind of impact its implementation will have on associated policy actions. Healey (2004) points out that delivery of potential spatial policies is concerned with both involving collaboration of various actors related to local circumstances and also with their appreciation and influence of external influences. Key question is to assess the correspondence of rural development policy with EU spatial cohesion objectives that is strongly related to different multilevel governance challenges. There are two dimensions of arrangements. First, vertical governance deals with the collaboration, coordination and decision-making processes between local, subregional, regional and national actors. This requires a mixture of top-down and bottom-up approaches in order to attain local level needs and demands. Second, horizontal governance deals with intersecting different sector approaches and also intersecting different types of actors. Horizontal governance is linked to the openness and the direction of the dialogue among institutions, administrative cultures and routines and different actors.

This theme provides a critical review of relevant information sources in the topic of rural development institutional capacity and governance. The intention is to explore the different processes of the local, regional and national contexts, within which the

rescaling and *reshaping* of rural development has taken place. A crucial question in rural development is how its implementation may foster and maintain diversified interrelations. *Rescaling* refers to multilevel governance that concerns the ongoing shift of rural policy away from sector specific policy to integrated policy. *Reshaping* relates to institutional capacities that include among other things human resources, social capital and collective actions. This theme examines the relationship between rescaling and reshaping of rural development. Rural development remains partly centrally driven in terms of budget resource and strategic planning, but has also new institutional setting combined with local and regional capacities.

1.4. Methodology and data sources

The methodology of this working paper is based upon a desk-based review of research on institutional capacity related literature. Due to the nature of this theme, it necessary to point out some basic approaches in the research field of institutional capacity/governance. It has not been possible to analyse detailed the wide ranging literature dealing with institutional capacity. While original writings on governance tend to focus almost solely to urban environment, we have tried to comprise these approaches as well to our working paper.

1.5. The structure of this report

The second section of the working paper comprises state-of-art presentation of the conceptual and theoretical approaches to the institutional capacity. Discussion in this section is divided into five approaches considering governance and institutional capacity, institutional thickness and capacity building, powers, globalisation, regional policy, and 'project state', and 'reflexive agency' a way out of the 'New Paradigm's dilemma. These approaches are further reflected in the chapter review of the empirical evidence/analyses relating to the theme. The third section discusses and summarises the outcomes of the second section in relation to the EDORA conceptual framework, particularly to developments, opportunities and constraints in rural areas. The fourth section gives a short indication about indicators related to institutional capacity. The last two sections will discuss about the likely future developments leading to final discussion of policy implications.

2. THE STATE-OF-ART

2.1. Conceptual and theoretical approaches

Institutions are the means through which social interaction is mobilised, regulated and structured (Peters 1999). Institutional approaches acknowledge the idea that people do not exist independently in relation to their choices and decisions as actors, but instead are constrained by socially constructed 'rules of the game' (North, 1990). Yet as well as constraints institutions are resources; significant in shaping social action (Healey 2006). The institutional capacity of given regional or local territory can be therefore be thought of as the collection of social resources that enable co-ordination and collective strategic agency, as well as the accommodation of local interests with those of other levels of governance.

Institutional capacity includes the overall system of organisational arrangements and procedural repertoires that a rural territory can draw on, as well as the formal and informal relationships that provide their context and the embedded system of values that underpin them. The concept draws in notions such as social capital (see Baron *et al.*, 2000) as well as human or organisational capital, of informal as well as formal institutions, and of culture as well as policy. It relates to multi-level governance in both its horizontal and vertical phases, underpinning both territorial co-ordination and the co-operation with other levels of governance in setting and delivering public policy. Analyses of institutional capacity consider social, economic and political activity, within which the concepts and practices of rural governance and formation of partnerships are embedded. There is also a need to reflect on issues like social communities and networks as well as different uses of power.

The theme has become important in rural policy, due to an interest in the relationship between governance and development. As Europe has grown, opportunities for economic development have not been evenly distributed during the transformation of capitalism that has seen a decline of manufacturing, the growth of the knowledge based tertiary sector, rising social marginalisation, and growing unemployment. In rural areas, these problems and challenges have been expressed as in the decline of agriculture, and growth of multifunctionality and post-productivism. The result is that a commodification of the countryside is taking place (Marsden 1995), as traditional agricultural landscape has made room for 'differentiated countryside' with a socio-economic and political regionalisation of the countryside (Murdoch *et al.* 2003).

These uneven development processes play to the major European theme of cohesion (cf European Commission, 2007). The response can take the form of development intervention through grants or investment. As in many other contexts this leads to a strong interest in institutional capacity, in order to ensure that the money is spent well to achieve its aims. But building capacity is not unproblematic, and exogenously driven efforts can distort and damage existing local institutions without providing much benefit. On the other hand, where institutional capacity does arise it enables new opportunities for strategic action, and for the drawing down and mobilisation of resources.

Locally, the multiple socio-economic and political processes that seek to respond to this often proceed independently without contact with one another. Yet in some cases, rural areas can restructure their repertoires (Ray 1999), and achieve a degree of reflexive agency (Nemes *et al.*, 2006). Putnam *et al.* (1993) suggest that much of what makes this possible is endogenous – that local culture shapes the potential for the emergence of new loci of institutional capacity. In this view, social co-ordination rests on norms of trust and the capacity to reconcile different interests, and the evidence is very mixed concerning the ability of exogenous institutional forms to prevail in even the medium terms, where endogenous institutional capacity is lacking.

2.1.1 Governance and institutional capacity

An important trend in the last 20 years has been the rise of new patterns of political, social and economic co-ordination. The term governance has been applied widely to describe these, because there has been a need for diverse definition to interpret changing government structures (Jessop 1998; Rhodes 1996). There are many different conceptions of what is happening and why, but a generally important notion is that traditional government structures are losing their importance, while a range of different actors are being drawn in to decision-making and delivery of policy. In Europe, some of the drivers behind this process include (1) the European integration process, (2) the changing standpoint of the nation-state in relation to regional and local governance, (3) new forms of local economies and (4) changes in provision of welfare services (Healey 2006; Le Gales 2002; Pierre 1998).

A number of different understandings of the emerging modes of governance can be identified. First, governance can be understood through networks and co-operation that indicates changes in scales of governance (Macleod 1999; MacLeod & Goodwin 1999; Jones 2001). Second, some approaches consider the relationship between state, space and territoriality as a vital component towards emerging modes of governance (Brenner *et al.* 2003; Kooiman 2000). Third, the new political economy approach considers governance as interference between civil society, state and the market economy (Gamble 2000; Brenner 2004). Fourth, an approach based on regulation theory takes into account the extent to which mode of governance is reflected through a shift in mode of regulation, i.e. changing structures of nation state in relation to local state (Goodwin *et al.* 1993; Jessop 1995; Stoker 1998). The change in mode of regulation does not simply refer to the shift from government to governance but rather it is comparable to new forms of regulation on the surface of public and private spheres. In short, there is a shift from government to governance in the narrow sense. Changes in mode of regulation form primarily the context in which other previously mentioned discourses and argumentations become apparent.

New modes of governance have prompted changes in the traditional culture of policy making and in socio-economic structures. We have to pay attention to societal response in order to interpret how governance is reflecting a changing governing environment that is characterised through socio-economic diversity, dynamics and complexity (Kooiman 2003). A central theme in uncovering governance is the changing nature of the nation-state that implies growing functional differentiation and intensification of societal complexity. In the economic sphere, there is a shift from national to lower levels, as capacities become more independent from national state systems.

Theoretical consideration of governance among rural researchers has been rather limited until recently although there has been some direct and indirect debate of a broader concept of rural governance (e.g. Goodwin 1998; Marsden & Murdoch 1998; Marsden 1998; Little 2001). Goodwin's (1998) article in a 'special issue' of the *Journal of Rural Studies* on rural governance can be regarded as the first real step to define rural governance and set new research agendas for rural research. The article contributed remarkably to the debate on rural governance by directing aspects to the changing landscape from rural government to rural governance. We could argue that the shift from rural government to rural governance is a direct response to the increasing complexity in rural areas. It also has its roots in state crisis, which is manifest in most rural areas in terms, for example, of decreasing service provision. It is, however, more widely influenced through rural restructuring, which tackles the changes in societal and economic structures of the countryside related to changes at national level.

A number of separate (but linked) issues can be distinguished in respect to the above mentioned problems and challenges. First, global competitiveness and technological innovations have set new challenges to agricultural production and rural economy. Number of farms has generally decreased and the result has been symptoms of decline in many rural areas. Second, processes of restructuring have led to a reordering of the significance of rural areas and new patterns of economy and policy have emerged. The key characteristics in this context is that countryside has become a commodity and new policy initiatives like LEADER have made possible to develop rural areas from a new point of view (Moseley, 2003). Third, issues of rural governance have arisen as an outcome of shifts away from traditional modes of administration and the introduction of concepts of endogenous development and partnership. These new elements and a new style of policy making presented a range of possibilities for addressing and also solving problems of uneven development as well as brought up important issues like accountability and inclusion.

Recent work on multi-level governance (Marks & Hooghe, 2004) suggests two modes of governance: (i) Type I, which involves subsidiarity of decision-making to the appropriate level within a hierarchic structure of levels of governance, and (ii) Type II, which is issue-led, specialised and polycentric. Both are limited by the degree to which appropriate levels of institutional capacity exist. Where rural areas build networks to mobilise and reorganise their resources and capacities, it is institutional capacity that determines the degree to which these networks can act strategically. Murdoch (2000) has identified two kinds of network building strategies: a horizontal strategy which implies an effort to co-ordinate a variety of different activities situated within a rural area, and a vertical strategy which directs at connecting local economy to external processes.

In theory, under multi-level governance the role of the state shifts from one of control to one of co-ordination, using new mechanisms to guide a plurality of network actors (Stoker 1998; Bache and Flinders 2004). This requires appropriate institutional capacity within local territories and governance relations that are supportive of subsidiarity and devolution. The danger is that centre-led projects can disrupt established economic and social relations (Beckman and Dissing 2005), eroding cultural and natural values. There is therefore often an ongoing tension between the formal institutions of the political centre and the needs and established ways of doing things in developing regions. The term 'institutions' here and through the rest of the

article refers to North's (1990) rules of the game, the social contracts that provide common ground for negotiating and enacting power and influence in social relationships. Critically, in North's view, institutions should be seen as dynamic. Multi-level governance can thus be seen as the working out of intersecting institutional realities, in which different interest and value systems are integrated or not.

2.1.2 *Institutional thickness and capacity building*

Institutional thickness refers to strength of local institutions and the degree to which partnerships occur through networks between institutions on different levels. Amin and Thrift (1995) recognise three factors which play a part in building institutional thickness in a region. First, there has to be strong interaction among different actors. Second, there is a requirement to have clear structures and also institutions that allow mutual action and trust. Third is a shared mode of policy and strategy for a region. Institutional thickness is vital for both endogenous development efforts and for taking advantage of exogenous development opportunities.

According to Amin and Thrift (1995) the above mentioned three factors are necessary but not sufficient conditions for putting development policies into practice. They also propose that dominant institutional structures may hinder change, threatening novel institutional modes of policy making. Hudson *et al* (1997) share this view as they consider that new and external institutions in some cases are provided without understanding the need for new institutions. However, the institutional interaction and creation of new institutions is regarded as a constructive and positive feature that creates new possibilities and opportunities for processes of development of institutional capacity (eg. Hudson *et al* 1997; Amin & Thrift 1995).

The ensemble of organisations, different actors and development conditions embeds development conditions. Institutionally thick environments present an intrinsic process and a capability to develop strategic adjustments to capacity building. Development capacities display and rely on conditions dependent on reserves of social, cultural and institutional forms and supports (Macleod & Goodwin 1999). This viewpoint originates from cultural bonds to place and social networks that both channel and create collective behaviour and also allow a development of shared vision (Day 1998). Social capital in this environment draws a range of informal institutions and forms into a communication with more formal regulations.

Rural regions typically comprise thin institutional thickness due to the need of the involvement of a larger number of actors representing socially and culturally diverse community. In order to achieve sufficient institutional thickness in rural areas, there has to exist relevant social capital that allows communities to thicken. Therefore, key task is to ensure in the development work that development practitioners and policy makers not only allocate powers and recourses to local level, but, that they also improve the capacities at local level (Fox 1996). This strategy allows actors to create alliances with individuals in positions of power.

2.1.3 *Powers*

Government refers to the authority of the state organised through formal administrative agencies and bureaucratic practices. The relationship between

government and governance can be considered as a apparently fated and universally valid process of hollowing-out the nation state. In this case, governance can be regarded as appearance of overlapping and intricate mutual interdependencies that include various external actors to traditional arenas (Painter and Goodwin 1995). Governance draws attention to the actions and interests of both public and non-public agencies and organisations. However, governance may also comprise an another role in dealing with mutual and collective affairs, and, in this case governance may be considered as a process that is not precisely determined and contains a character of relations among involved actors (Kahila et al. 2006).

The relations between various actors directs the interest to questions how power is exercised, where power is located in structures, how decisions are taken and how various actors have the opportunity to participate the decision making. According to this aspect, governance does not solely concern with the process by which the struggles between various actors alter the allotment of power, but as well, with its impact to the style or mode of policy measures and implementation. These processes result in the differentiation of several dimensions of power which Stoker (1995) has described as follows:

- Systemic power is obtained through particular actors from their position in the socio-economic structure. Systemic power mirrors the (dis)advantages built on their position within the socio-economic structure.
- Command power reflects the active mobilisation of resources in order to achieve domination over other interests. Normally command power extends over a limited domain, and a restricted set of activities within the regional system.
- Coalition power comprises, as an alternative to domination, bargaining on the grounds of independent basis of strength. The bargaining depends on paying attention to other interests that hold alike aims and prospects.
- Pre-emptive power involves the requirement of shared leadership that enables various interests to sort out substantial common views of difficulties.

Now, it emerges as a multifaceted form of competence, competition and participation that is a sign of change in socio-economic relations at local level (Cloke & Goodwin 1993). Traditionally the division of power in rural areas has been dependent on the control of resources, and in an economy, based on primary production, ownership of land was a prerequisite to economic wealth (Woods 1998; 2005). Nowadays, the modality of power in addition to agricultural interests is more and more in the hands of residential, commercial and institutional interests. This reflects the changing position of traditional rural communities to more encapsulated forms which contains a danger for traditional rural communities to be marginalised in relation to power as new communities/institutions become more influential and gain more statutory power (Newby 1979 cited in Gallent et al. 2008). However, the changing institutional framework in rural areas does not put in the picture the shift from government to governance, but it also engages new styles and discourses of governing. The state does not totally lose its power. The new political environment involves more and more public, private and third sector organisations that are blurring the boundaries between state and other actors. In addition to that, the shift from government to governance has remarkably increased the power of these other actors, and they unambiguously influence and shape the character of local areas in which they are active (Goodwin & Painter 1996).

There is a clearer differentiation into nation state, local state and socio-economic structures and a decentralisation of power and responsibilities. Thus, the ability of the central state to regulate the new multicultural space is decreasing, and, it loses more and more power as a result of new socio-economic processes. Marsden and Murdoch (1998) argue that as state structures are rapidly changing it also speeds the supposed shift from government to governance. The actors and institutions associated with governance take different forms and operate at various dimensions with the nation-state. The trend from rural government to rural governance is thus part of a wider societal development, bringing to light the decrease in democracy and traditional administrative institutions that is a result of promotion and emergence of new structures and institutions (Goodwin 1998). The changes have supported the turn from nation-state dominated governing processes to a more multi-level and multi-agency synchronisation of the economic and social life as governing practices are no longer encapsulated within structures of the nation-state.

2.1.4 Globalisation, regional policy, and 'project state'

The last 15-20 years has seen the advance of neo-liberal economic and political philosophy and the parallel emergence of the 'new rural paradigm'. The recent OECD report on the New Rural Paradigm (OECD, 2006) calls for a model of rural development based on partnership, programming and local participation, in order to achieve a more efficient use of resources, and a reduction in regional and social inequalities (Nemes & Fazekas 2006). A key feature of rural development in Europe is that it requires a shift towards a system of multi-level governance (Stoker 1998). According to this view, the state is no longer solely responsible for decision-making and control (Bache & Flinders 2004), but instead responsibility is shared among different scales of governance, and between state and non-state actors.

The new paradigm envisages participative democracy, more efficient use of resources, and the reduction of regional and social inequalities. However, all this presumes long-term thinking, strong NGOs and local communities becoming proactive. New institutions and co-operations are required and local power relations may change significantly, resulting in conflicts both in old and new EU Member States. Nevertheless, development policies are confined within the world of institutions and projects, where funds are only available through applications presuming possession of current capacities and a large proportion of the resources serve to sustain the development system itself (project state – Marsden & Sonino 2005). At the same time players and objectives in development are subordinate to the project system and new skills, interest groups, social and professional networks are required (projectified system – Csurgo et al 2008). The 'new paradigm' has not put an end to central bureaucratic and political control. In Europe generally, while the delivery of much rural policy has shifted outside direct state control, there has been a compensating increase in managerialist institutions of control, such as formal targets, contracts and indicators of performance (see Ray 2000, Robson 1993). Ray links these explicitly, arguing that devolution gives rise to managerialism (Clarke & Newman, 1997) as a result of the need of the centre to ensure quality in public service. The link is also alluded to by Robson (1993), who associates an agenda of accountability in public policy with a growth in the need for evaluation, as public bodies seek to demonstrate that the projects they fund are well managed and deliver satisfactory results.

As a wider range of organisations and partnerships become involved in co-ordinating and delivering public goods and services, so the complexity inherent in transactions across institutional boundaries and different viewpoints increases. This has clear implications for the mechanistic notions of policymaking and governance that underpin modernist, managerial styles of decision-making (Chapman, 2004). Systemic and applied research that engages rural stakeholders in making sense of new trends in governance will illuminate some of the interconnections between different levels and locations of governance, and different institutional realities.

2.1.5 *'Reflexive agency' a way out of the 'New Paradigm's dilemma*

The 'new rural development paradigm' is now widely accepted and implemented. Nevertheless, as many authors state (including the World Development Report 2008) there are challenges to it, one of the most significant ones concerning multi-level governance (OECD 2006, Hooghe 1996). If it does not perform well enough, then policies based on the new paradigm are likely to be distorted. This can result from a deficit in participative democratic traditions, low political culture; weak civil society or a lack of trust and of a genuine attempt to decentralise and delegate power and resources to lower levels by national and/or regional governments (OECD 2006, Boonstra 2006). This is a general dilemma for the 'new paradigm', as we argue, and concerns not only Third World development, but many EU regions too, with special regard to Central and Eastern European Member States. EU development programmes have not been very successful in achieving social and economic cohesion (Commission 2001, Marsden 2006) and even less so in CEE countries during the pre-accession period (Nemes 2003). There has been little analysis of this topic in international literature. One recent explanation (Kováč & Kucerová 2006, Csurgó 2008), however, attributes policy failure to insufficient governance in CEE countries resulting in the raise of new social elites (the 'project class'), emerging on various levels of the development system and sometimes contesting the delivery of structural development in rural areas.

Still building on multi-level governance, an analysis of development institutions can provide further explanations. The intersection of different institutional realities (European, domestic, regional, local, sectoral, spatial, etc.) and the resulting institutional bricolage is inevitably contested. If the way things are done is a composite of old ways from several different sources then the results are likely to be misunderstood which can cause confusion and institutional mismatches within the development system. On the other hand, blended institutions can create at least the beginnings of co-operation. The new, micro-regional level development agencies (they could be called *'reflexive'* or *'adaptive agency'*), emerging from the LEADER Programme throughout Europe can provide further explanation on contemporary processes and offer a way out of the dilemma of the 'new paradigm' (Nemes et al. 2006). Such agency can link the two fundamental development systems (the central administrative and the local heuristic one – Nemes 2003). Using multiple policies and funds - 'stringing pearls' offered by the project state - reflexive agency can greatly increase the adaptive capacity of a region, help to unlock local resources and overcome many of the above outlined difficulties of the current EU rural development system (Nemes, High, 2008).

2.2. Review of the empirical evidence/analyses relating to the theme

Rural problems and issues have become a plentiful scientific research area for approaching the operations and development of rural governance practices and systems. Research has covered national, regional and local policy environments and emerging new institutional structures. The most significant research themes are new forms of rural governance as they are still developing and progressing in order to respond the changing political and socio-economic environment. Rural researchers have raised many aspects of rural governance and interpreted the existing processes on various ways. Activities have expanded remarkably in this research field after Goodwin's (1998) article in *Journal of Rural Studies*, in which he pointed out that within rural research governance had been neglected.

During the last ten years, rural governance has evolved from being academic concept to be widely applied both in development rhetoric and actual programmes. Rural governance itself has also gone through extensive changes, as new partnership-type collaboration and networks tackle more and more challenges of rural development (Edwards et al. 2001; Murdoch 2006). Interpretation of the mode of governance has various forms depending on how governance environment is considered and on what level governance takes place.

Partnership working, as a key feature of governance, has become an important instrument for EU rural policies, during the last twenty years. This has ensured the participation of different actors (state agencies and local public, private and civic sector organisations) in the development process, contributing remarkably to the new spatial reorganisation of rural areas. On this way, local communities have been endorsed to take part in the policy implementation process, to make sure the prevalence of the bottom-up approach and that local needs are taken into account (Edwards et al. 2000). Partnerships present a mixture of resources from public, private and third sector organisations and offer new way and new level of decision making, suitable to harmonise interests, to achieve a shared set of objectives and development measures at local level.

The general presumption is that partnerships are inclusive; nevertheless, empirical studies have shown that community members and civic organisations do not always have sufficient access to participate in local partnerships (Geddes 2000). Thus, partnerships are not necessarily open compositions, marginalised target groups might be excluded from participation (Shucksmith 2000 & 2004; Cloke et al. 2002), or the partnership might promote inclusion on the surface, but the power can remain in the hands of a smaller group of actors within the partnership. Partnerships therefore have a theoretical capability of social inclusion, but in reality they tend to replicate social marginalisation that exists in rural society (MacKinnon 2002).

Another area of problems is legitimacy. Since partnerships are mostly based on participation of nonelected actors, the lack of representative legitimacy appeared especially problematic. The legitimacy of government organisations and structures is connected to their democratic mandate, but it is difficult to identify how 'legitimacy' is to be grasped in the case of rural partnerships, as democratic government is not apparently obvious in 'new rural governance' (e.g. Edwards et al. 2000; Edwards et al. 2001). Few studies have gone into detail linking representative democracy to local participation and governance. These suggest that to ensure the legitimacy of new

governance structures, attention should be paid to legitimacy of the processes of their establishment, which, at the end of the day, will increase the efficiency of the policy making (Connelly et al. 2006). Governance is often celebrated for promoting participatory democracy through activation of actors who are not directly connected to government.

Partnerships represent a great potential for the involvement of a wide range of local actors and thus the valorisation and cultivation of local resources throughout the development process. Nevertheless, to realise this, a certain level of development capacity (knowledge, skills, functioning networks and institutions, etc.) is needed, and we should be careful not to take granted the existence of this capacity, since it can vary a lot in rural communities. In fact, actors in partnerships do not regularly have anything very valuable to contribute except their time and points of view (which of course should not be underestimated) (Jones & Little 2000). Developing real capacities at local level should include strengthening confidence of people and promoting local capabilities to develop and manage their own strategies. The employment of participants in local partnerships will, however, usually take place within a limited time, and it is also designed by a smaller group of individuals (Edwards et al. 2000). Representatives of public the sector, at the same time, have continuously available resources, thus they tend to dominate the work of local partnerships in the long run.

New rural partnerships working at local level have promoted a new emphasis on community engagement and local level incentives. Partnerships can be seen as an implication of the continuing changes in the governance of rural areas (Marsden & Murdoch 1998), and they are essential element in new modes of policy delivery (Greer 2001). The emergence of the LEADER-initiative can be considered as the most visible result of the new mode of rural governance. This has emphasised the influence of EU for development policy in rural areas that lays stress on partnership approach in policy implementation.

The discussions which considers partnerships is characterised by integration and collaboration that includes issues (such as how partnerships structures are translated into practice, and how they relate to existing scales of governance (Marsden & Bristow 2000; Shortall 2004). As a result of rural policies, new territorial frameworks and new development levels have been produced, usually entailing the establishment of new partnerships, and causing problems and conflicts where new and old establishments (institutions, partnerships, authorities) overlap (Welch 2002; Edwards et al. 2001). There are significant differences between rural areas in relation to activities of partnerships and organisations at a regional scale because availability of various funding programmes and initiatives differentiates remarkably. The regionalisation of rural policy should therefore include both demands for rural differentiation, which refers to identification of specific needs or rural areas, and integration which refers to integration of rural issues to wider regional strategies (Ward et al. 2003).

Lowe et al. (2002) argues that different usage of rural development reveals different standpoints at national and local level towards the substance of rural policy processes and content of rural development (Lowe et al. 2002). Traditional rural development programmes were implemented sectoral and in top-down manner as new Rural Development Programmes include multifaceted approach considering rural areas. The EU level process towards the integration of rural development policy

strengthens member states to advance their policy implementation and local approach (Bristow 2000; Shortall 2004). We may argue that Agenda 2000 reforms and further transformations of the CAP are moving from sectoral based approach to more territorial one.

Profound changes have taken place in European rural areas as they are shifting from productivist to a post-productivist countryside characterised by diversification and differentiation of countryside (Marsden 1999; Gray 2000; Hadjimichalis 2003). This development has also set a signal for changing emphasis in rural development policy. Both at EU and member state level a policy discussion has foreseen a shift from sectoral support to complex rural policy (Moseley 2000; Shortall & Shucksmith 2001). The shift has acknowledged that spatial strategies and development policies may be integrated also with sectoral elements of policy and pay more attention to holistic approach in processes of European rural areas. A bottom-up and local level approach of the 1990s (e.g. Moseley 1997; Ray 2002; Scott 2002), has in recent times developed in the direction of spatial strategies of territorial development and been attached to issues like ESDP and relationships between urban and rural areas (e.g. Tewdwr-Jones & Williams 2001; Faludi 2006). However, Hadjimichalis (2003) argues that ESDP does not display the rural dimension strongly because an urban bias is dominant.

The consequences of for European policy of the accession of central and eastern European countries have been remarkable. The most visible effects have been increase in the level of support to agriculture and rural areas in new member states and change in formation of rural policy instruments (Rizov 2006). Rizov (2004, 2006) argues that the recent studies on new member states have mostly considered issues such as EU budgetary expenditure, but less the impacts of accession on rural policy in new member states. This is somewhat surprising because EU enlargement is an essential dimension of rural change in Europe. New member states are also diversified in terms of size and emphasis in rural policy, and they also are more dependent on agriculture in comparison to countries within the old member states (O'Connor et al. 2006).

New member states set real challenges for the design and implementation of EU rural development policy. The enlargement of the EU has also give rise to ambition to prevail over the differences at regional level which are dominating the present regional structures in the expanded union (OECD 2005). Dominance of the agricultural sector in the new member states has changed after their accession to the EU. The emerging rural development approach has changed the implementation structures. There is a new kind of demand for local expertise and capacities in new member states that partly has restructured local power constellations (Kováč & Kučerová 2006).

3. IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

3.1. Drivers

We consider the following as the most important drivers within the rural policy arena concerning organisations and institutions:

1. The mainstreaming of the 'new rural paradigm' in the EU policy system (and the resulting 'project state') – and in strong connection with this:
2. The variety in political culture (and the resulting differences in the working of multilevel governance) throughout the EU;
3. Pressures to change the CAP (WTO, enlargement, environmental, etc.) and the prospective radical change of budget allocation from 2013 onwards.
4. The current crisis (economic, political, social and environmental);

These apply and have over-arching and cross-cutting consequences throughout the EU, both on a European, national and local level, having very significant effects on the setting, work and possibilities of institutions.

3.1.1 *The new rural paradigm and the project state*

The mainstreaming of the New Rural Paradigm (OECD, 2006) has brought significant changes to EU policies. Gradually, the old system of redistribution based on direct subsidies and traditional bureaucracy was transformed into a new arrangement, where most public money is now delivered through programs and competitive projects; and both resources and the responsibility for planning and control is dispersed alongside multilevel governance. This new system could be called the '*project state*' (Andersson, 2006; High & Nemes, 2007; Nemes & High, 2008; High & Nemes, In preparation). Here the unit of intervention and/or action is increasingly the competitively organised *project* (Marsden & Sonnino, 2005), equally for individuals, communities and the state itself.

The project state obviously requires significantly different organizations and institutions on every level of the system compared with its predecessor (Sjöblom *et al.*, 2006). Alongside the state bureaucracy it needs to incorporate NGOs and businesses, creating public-private-civil partnerships to ensure legitimacy, efficiency, the harmonization of interests, etc. New institutions, capacities, and organisations (often outside state bureaucracy) need to be developed. New types of collaboration, horizontal and vertical networks, and new procedures and control mechanisms are needed to run a highly complex system of planning, implementation, control and evaluation of development policies. During the last decade this process, especially in the field of rural policies, has become more prevalent, with important counter-forces in the system. The transformation obviously could not happen overnight. It is, indeed, still happening all over Europe, reaching different degrees in different countries, regions and sectors. Therefore, the mainstreaming of the new paradigm, the evolution of the project state and the development of multilevel governance are still probably the most important driving forces for institutions in the European rural arena.

One of the main assumptions of the project state is a functioning system of multilevel governance (Bache & Flinders, 2004; Nemes *et al.*, 2006). This permits decentralisation and ensures legitimacy, efficiency, participation and the constructive operation of the project state. Nevertheless, multilevel governance has lots of preconditions to be operational, such as a genuine intent for decentralisation; a certain level of political culture and local democracy; strong civil society; appropriate and capable institutions on every level and their horizontal and vertical co-operation; and a good system of evaluation that enables social learning and a continuous and conscious improvement of the 'project state' as a whole (Nemes & High, 2008). To precisely measure the availability of these preconditions is difficult. Nevertheless, it clearly varies greatly throughout Europe. We could probably safely assume that in less developed regions, which have a shorter history of democracy and weaker traditions of civil society and welfare state, preconditions for multilevel governance tend to be less available – especially if these preconditions include a strong existing institutional capacity and high norms of trust. The bad news is that these are exactly those areas where the efficient implementation of rural development projects – in other words a functioning project state – would be the most important. The good news is that according to many researchers, besides the 'well-multigoverned' Scandinavia, the other 'New Rural Paradigm' success story is the Mediterranean (Spain, Portugal and Italy) which should be somewhere at the other end of the 'governance scale' within the EU15. This is a paradox at first sight, but we suggest that it can be resolved through an institutional approach. The EU LEADER Programme - as the main manifestation of the New Rural Paradigm in Europe, having the same major rules, philosophy, level of resources, institutional and administrative requirements - provides a good framework for comparison.

We suggest the hypothesis that a significant difference lies in the implementation and the institutionalisation of LEADER, depending on the ability of a region to operate multilevel governance (Marks & Hooghe, 2004). It is not at all a simple question of 'good or bad quality' rural development. LAG regions that work well will have very similar projects, results, etc. anywhere in Europe. The main difference is in the structure, capacity and working style of local institutions, namely, where lies the capacity for reflexive agency (Nemes *et al.*, 2006) that can translate and mediate between local and central; flexibly fill the gaps between regulations and reality and provide the essential energy to move and shake the local rural arena. Where participative democracy, decision making and political culture are generally on a more advanced level¹, the main local actor is usually the partnership itself, backed and legitimised by robust local communities and networks and supported by a strong culture of volunteer work. The 'development-bureau' is of course an indispensable part of the picture. It has to professionally assist the development process, but it is mainly 'just an office' implementing the will of the partnership. Most of its employees can be (and often are) replaced and it is closely directed by the partnership itself.

Where representative (let alone participatory) democracy is not supported by centuries of uninterrupted history; civil society is weak and there is little culture of volunteer work and social economy, a different structure tends to prevail². Here local

¹ In general this more is characteristic to North-Western Europe, and Finland could represent a model for this type.

² This is more characteristic to Southern and Eastern Europe, with Spain as a model country for this type. New EU countries of Central and Eastern Europe could represent a third, rather

partnerships, prescribed by EU regulations, are usually ruled by mayors and other local politicians and serve as a forum for the harmonisation of local territorial interests, rather than an engine of local development. Creative energy, innovation, capacity for reflexive agency, if from anywhere, usually come from the 'development-bureau' itself. Development workers are not meant to simply implement the directions of the partnership, but to generate the work and the development themselves – something like Ray's (1999) reflexive practitioners. If they work well, in due course they will help to create and/or reinforce local socio-economic networks and civil society, which can then reinforce the results of their development work. Thus, similar results in rural development can be achieved under varying conditions of multilevel governance, but with different institutional arrangements. Variation in institutional capacity and the consequences it has for multilevel governance therefore can be considered as an important driving force for rural development institutions in Europe.

3.1.2 Pressures for changing the CAP

There have been strong external and internal pressures to change the Common Agricultural Policy, already resulting in many changes. A radical reform of the 'dinosaur' in 2013 is more likely than ever before. Implications for development institutions have been significant and are likely to be reinforced in the foreseeable future. This is, on the one hand due to the implementation of the 'New Rural Paradigm' (OECD, 2006) and the spreading of the 'project state' discussed above. The other reason for change is an attempt by agricultural lobbies and bureaucracies (domestic and European) to somehow save the traditional CAP budget for the agricultural/rural community. This has involved inventing new (and renaming old) subsidies³ and new ideologies to legitimize spending (such as multifunctional agriculture). Obviously, all this resulted in a never seen boom of legislation, bureaucratic organizations, partnerships and other formal and informal institutions on every possible level. Today, there is a clear danger of losing much of the CAP budget altogether during the next European planning period. Radical changes in the policy and budgetary structure, as well as resistance to them, will surely have significant effects on all forms and levels of rural development institutions.

3.1.3 The current socio-economic, political and environmental crisis

The current crisis is likely to bring manifold changes for the conditions in which rural development institutions operate. Processes are still hypothetical, often contradictory and obscure, but it is certain that all this is a great challenge/driving force, which will have to be answered by European rurality and will surely bring about important institutional changes. Just a few examples are:

As a result of the crisis, people and communities are losing their faith in global institutions (the State, Europe, monetary and financial system, etc.). At the same time, the attractiveness of rural life and primary industries⁴ have grown. As a result,

interesting group, where multilevel governance is further handicapped by symptoms of economic, political and social transition, general centralisation tendencies, political extremists, national and ethnic minorities, etc...

³ Some are connected to the protection of the environment, such as agri-environmental payments, others to the protection of socio-cultural-economic values, such as the LEADER Programme.

⁴ In Ireland the number of applicants to agricultural colleges have grown with almost 40%. (Source, TEAGASC personal communication)

ideas of self-help, self governance and independent ways of doing things are gaining popularity. At the same time, some states are trying to deal with the situation through increased regulation and centralisation, which can result in increased tensions within the society, between different sectors and geographical areas (rural-urban, developed-backward, north-south, east-west, etc.). Another example is about the availability of public funds. To keep their economic balance, states have to reduce public spending, which naturally means a reduction in direct funding for civil society, development associations and institutions of all kinds. On the other hand, crisis intervention can bring extra resources to certain sectors or geographic areas and/or existing funds can be made available for a wider audience or with reduced administrative burden, etc. Under such circumstances capacity for reflexive agency within institutions is becoming increasingly important.

3.2. Opportunities

The current economic crisis, together with pressures on changing the CAP, and the advance of the New Paradigm and rural governance represent a number of opportunities for significant improvements in the European rural policy system and other aspects of the rural development arena.

There is a chance now for significant reforms that can break the current status quo down, namely the ruling power of agricultural lobbies and of European and state bureaucracies in this field.

It is obvious that governance processes are on the move more than ever but reason is not the range of new initiatives or policies. Rather, level of new governance processes are diffused as there is a mixture of trying, on the other hand to steer and manage and, on the hand to resist and slow new processes. Opportunities to develop a multi-level governance structures are essential, but the chances lay on the question of what kind of trajectories are reasonable to use and remain. Till now, state – local level power dynamics have dominated the scenes, but different private sector and civic sector actors will, more and more, receive possibilities to have their say in a new mode of governance. This does not relate solely to policy implementation but also in relation to different needs and lifestyles.

Important opportunity of rural governance in rural development context is its ability to facilitate adjustment of the region's economy to changes in the economic environment. In other words, effective rural governance will enable the application of available funds and tools to be used in the pursuit of the goal of balanced development. There is a sense in which the rural development policy response at the local level comprises not only the discourse outlined in policy documents, but also incorporates the competences and powers at work within the wider policy process. Capacity of rural governance is reflected in its ability to integrate and give form to a variety of local and regional interests, organisations and social groups, and to develop more or less unified strategies. This refers to actions and procedures that take place outside of the regions; important aspects are the capacity to organise collective action and to build coalition and partnerships towards specific goals.

3.3. Constraints

3.3.1 The New Rural Paradigm and the project state – the tyranny of projects above actors, objectives and activities

The project state puts many constraints on development institutions, resulting in difficulties and exclusion, especially where institutional capacity is inadequate (on any level); multilevel governance is not functioning and the New Rural Paradigm is not implemented in its ideal form. Projects, implementation, methodology and evaluation tend to take over and come before actors, objectives and activities (Nemes & High, 2008). The project state, together with the neo-liberal economic philosophy, tends to use management tools imported from the worlds of business, science and technology in socio-economic development. These are standard tools (such as logical framework approach, SWOT analysis, quantifiable indicators, etc.) which have become an inherent part of the European system for planning, implementing and evaluating policies and projects (High & Powles, 2007).

The main function of these tools in their original environment was to help structured, strategic thinking. In the arena of the New Rural Paradigm this was complemented with standardisation as an important function, enabling bureaucratic institutions for the evaluation and the selection of project proposals of a very different nature. Nevertheless, the main function of projects in rural development includes social animation, reinforcement of local networks and communities, encouraging innovation, etc. Standard indicators and management tools are clearly inadequate to achieve these aims and/or to measure the efficiency of such initiatives (High & Nemes, 2008). At the same time, they require special expert knowledge which is inevitably present in the development system. This often results in the exclusion of especially those more disadvantaged communities and territories, which, lacking institutional and human capacity, cannot enter the 'project game'. They either fall out altogether, or have to pay an expert to write the tender for them. Nevertheless the latter can easily create alienation from their own project, make them vulnerable, so that exclusion ensues anyway.

Two more serious constraints result from operating rural development through projects: the lack of co-operation and difficulties in sustaining uninterrupted work in development institutions. According to many experiences both in international and European development, building and reinforcing networks and co-operation are crucial factors for success. At the same time, projects are selected competitively (Marsden & Sonnino, 2005), based on their assumed effectiveness. Nevertheless, competitiveness inevitably hinders co-operation and consequently can reduce effectiveness in rural development at the end of the day. At the same time, the finite nature of project based support can jeopardise the continuous work of institutions; the maintenance of networks, co-operation, institutional culture and human capacity. Therefore it can endanger some of the most important process-type results of rural development.

3.3.2 Malfunctioning multilevel governance, lack of institutional capacity, poor evaluation and social learning

A general lack of genuine decentralisation within the EU is recognisable, though with considerable variation. The centre (EU Commission, states, regional governments, etc.) and traditional bureaucratic institutions seem to be reluctant to truly hand over responsibilities and resources to lower levels. Even when some autonomy is given to

different levels in the multilevel governance system, it is regularly “taken back” in the form of contracts, indicators, complex monitoring and audition, keeping much of the control and decisions in the centre. Risk is shifted onto lower levels, above all to beneficiaries of aid programmes and development policies, who are always required to keep deadlines and comply with regulations, while bureaucracy can have faults and often changes the rules of the game along the way. At the same time, partnership working and mechanisms for interest representation and harmonisation seldom work perfectly on every levels of the system. As a result, willingness for participation, empowerment and local ownership of development suffer greatly (Cooke & Kothari, 2002). It is also difficult to improve rules and procedures making them more user friendly, local resources are not revitalised in the process and the work of development institutions is hindered greatly (High & Nemes, 2007).

Appropriate and capable institutions as well as their horizontal and vertical co-operation on every level of the development system would be required for success (Nemes & High, 2008). Nevertheless, this is probably one of the weakest points of the current rural policy arena. Financial and human resources for development institutions are often insufficient even for the centre, and are normally scarce in every other section of the rural policy arena. Without appropriate institutional thickness at the same time neither the New Rural Paradigm nor the project state can function. The central level is not able to administer and control, local interests cannot be represented, society is not animated and the whole system collapses or rather, does not even take off. An obvious example for this is when very disadvantaged social groups (e.g. Roma communities), territories or sectors, without ability to defend their interests and lacking the basic capacities (institutions) cannot enter the ‘project state’ at all, and fell out of the development process completely. How to sufficiently nurture the first steps to build these essential basic capacities is one of the most difficult dilemmas faced by the New Paradigm.

The lack of effective and ongoing evaluation of rural development actions and policies is another major problem. Current evaluation systems, even when evaluating programmes aimed at qualitative results, are overwhelmed by quantitative indicators. The main purpose remains legitimization of public spending and the maintenance of bureaucracy. Feedback to participants, to the planning of subsequent programmes, even to political decisions is scarce and/or very late. Consequently, social learning does not occur and the system itself cannot be significantly improved from one programme to the other (High & Nemes, 2007).

3.3.3 *Pressures for changing the CAP*

A significant reform of the agricultural/rural budget within the EU can clearly set very serious constraints on policies, institutions and projects. A clear intention towards simplification within EU bureaucracy is tangible, nevertheless, practical results of the mainstreaming of the New Paradigm has rather further complicated the system so far. Institutions are more closely monitored and controlled than they used to be, procedures are increasingly complicated, staff of organizations spend more and more of their time with administering and legitimizing their work, leaving less and less time for actually doing the job. A radical cut of the EU’s rural budget can leave many rural development institutions without funding, undermining the current system completely.

4. PROPOSAL FOR THEME RELATED INDICATORS

Institutional capacity related indicators are difficult to define. In large part, the difficulty of measuring institutional capacity enhancement relates to the fact that a final outcome of an institution or policy is not measurable. Measurements of institutional capacity may refer to e.g. public spending, educational attachment or labour market changes. However, institutional capacity relates to issues which are qualitative in nature and they involves complex processes of learning, adaptation, and attitudinal change at the individual, organisational, and institutional levels. Identifying indicators and measurement tools that grasp these complexities and address these different levels of analysis is not possible to grasp. Therefore, fewer efforts have been devoted to look for appropriate indicators to measure processes of institutional capacity.

5. THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

This section of the report summarises the main multiple ways, through which institutional capacity reflects the changes in rural Europe. Discussion on this section comprises also development potentials, which have not been wholly operationalised in responding to growing rural diversity. The conclusion in this section presents hypotheses related to future developments of institutional capacity and policy making in rural Europe.

Future perspectives for rural development in this section are based on number of hypotheses which reflect the ongoing changes and challenges in policy environment of rural policy. The aim is to provide understanding of rural processes in Europe, with emphasis on the most important theoretical perspectives and paradigms of rural development. Within the presented debates in the previous sections framework for hypotheses fall into place, such as:

- Comprehensive restructuring process of Common Agricultural Policy
- Intersection of rural policy and regional policy
- Regional differentiation processes
- Reconstitution of rural areas in the era of globalisation
- Endogenous development approach to territorial development

5.1. Hypotheses 1: Comprehensive restructuring process of Common Agricultural Policy

In the European Union, rural development has been an addition of the Common Agriculture Policy, originally targeted to promote agricultural modernisation and afterwards as approach for diversification from agriculture to more wide ranging mode of policy. Although rural development has been a central policy approach also before the reformed CAP, it increasingly received attention first in the beginning of 2000-2006 programming period as Agenda 2000 was introduced. Simultaneously, the European Strategy for Sustainable Development in Gothenburg 2001 led to inclusion of environmental element to socio-economic ones and also targets of the CAP. This inclusion in CAP was supported and adopted by the Multifunctionality of Agriculture (MFA) concept.

The possible reforms of CAP support include, on the one hand, greater market orientation for agricultural production and, on the other hand, change of funding balance between Pillar I and Pillar II measures. The need is to redefine the purpose of the mode of policy from production based support to agri-environment and rural development. Generally, Pillar II is still mostly concentrated on agricultural measures and actors, and thereby, far achieving it's potential for advancing a more widely applied and adapted rural development policy. However, changes in agricultural policy may comprise a wide range of influences on the economy, society and environment, e.g. unemployment of farm workers, outmigration, negative impacts on age structure, and viability of service provision.

The inevitable reform of the CAP will not only affect agriculture production, but also have territorial implications especially in more peripheral rural regions. Agriculture is in such regions often a significant driver of rural change, and reflects the differentiation of regions not only in socio-economic sense but also in relation to institutional capacities. Implications for development institutions are likely to be strengthened in the course of reforming the CAP. This will partly be due to the implementation of the 'New Rural Paradigm' (OECD, 2006) and the spreading of rural development (Pillar 2) approach. On the other hand, agricultural lobbies presumably will attempt to save the traditional agriculture in the rural communities. Radical changes in the policy and budgetary structure, as well as resistance to them, will surely have significant effects on all forms and levels of rural development institutions.

5.2. Hypotheses 2: Intersection of rural policy and regional policy

Rural development strategies are conventionally formed and delivered at local level, and in wider scale for the whole countryside. Regional policy, on the contrary, has the reasoning to reduce socio-economic differences between regions and advancing consistency in the economic and social stability. Regional policy of the EU is meant to decrease inequalities both in urban and rural areas. Designed and framed through general principles of European policies (Lisbon strategy) it strives to tackle disadvantages and create potentials in order to assist regions to contribute in attaining economic growth and competitiveness. The question lies, at this point, on 'cohesive nature' of rural policy that refers to capability of rural policy to address wider socio-economic changes and challenges. Rural development has been attached to CAP with the intention of supporting agricultural modernisation and diversification away from agriculture.

However, rural policy and regional policy partly coincide regarding the interventions and instruments, and they are normally combined together in socio-economic development in rural regions. Regardless of the overlap between them, we may argue that approaches in rural development and regional development are comparable. On the other hand, discourse on rural policy and regional policy depends also on geographical dimension and extent. It is often more relevant to discuss about rural policy, than regional policy, because of the dominant rural focus. Especially in peripheral regions rurality as such has higher prestige and also in many areas more political power.

The EU Green Paper on Territorial Cohesion in 2008 highlighted the interaction between cohesion policy and rural development. It stated that cohesion policy has to secure that all European regions must have a possibility to contribute to the realisation of the Lisbon strategy. On the other hand, rural policy is able to contribute as well in pursuing territorial cohesion. This argument leads to the fact that there is a growing requirement to advance and strengthen cooperation and discourse between different levels of government and modes of policy. Rural and regional policies will inevitably be more integrated in the future. However, the question is to what extent emphasising Lisbon strategy in rural policy would concentrate on urban centres rather than on peripheral rural regions.

5.3. Hypotheses 3: Regional differentiation processes

Restructuration of agriculture is in many regions a significant factor of rural change, and reflects the differentiation of regions not only in socio-economic sense but also in relation to institutional capacities. Emerging multifunctional rural land and resource use and also development policy is producing differentiated and more complex rural spaces. One essential theme in rural differentiation is the changing nature of the nation-state that implies increasing functional differentiation and intensification of societal complexity. In the economic sphere, there is a shift from national to lower levels, as capacities become more independent from national state systems.

Emerging differentiation in rural areas produces both new policy challenges and new development opportunities. There are obvious policy rationales in the EU policies, which remarkably influence on differentiation of rural policies. These policies are: the 2000 Lisbon agenda, the Gothenburg Agenda and the Fourth Cohesion Report, and also the recent Green Paper on Territorial Cohesion. These EU policy statements will have an explicit effect on differentiation into nation state, local state and socio-economic structures and a decentralisation of power and responsibilities. In this context, rural policy has to reflect the decreasing powers of the nation state, and increasing powers of the local state. The changes have supported the turn from nation-state dominated governing processes to a more multi-level and multi-agency synchronisation of the economic and social life as governing practices are no longer encapsulated within structures of the nation-state.

5.4. Hypotheses 4: Reconstitution of rural areas in the era of globalisation

Globalisation is widely applied concept in various scientific research approaches. In the context of rural development policy, globalisation refers generally to processes, under which rural areas have undergone substantial transformations in the last two decades. In essence, rural areas are influenced by above described developments which have moved them beyond merely agricultural production to multifunctional modes of production. This indicates to the intensified role of new relationship between socio-spatial and economic phenomena and also pointed at the challenges of institutional capacities and governance beyond the nation state. In the context of globalisation, rural development has in recent years incorporated new dimensions of intersectional engagements, a growing focus on the evolutionary dimension of institutional capacities and economic processes, as well as social constructions. Globalisation processes have challenged the local and regional communities and actors to be enrolled into new partnerships (or into reconfigurations of old partnerships), which are more than ever organised at the macro scale.

As a consequence of development described above, increasing and changing activities in rural development, the current applicable mode of policy has been put in check, altering the conventional focus of rural policies. A territorial approach and new kinds of partnership arrangements are gaining importance and also giving rise to new proposals and initiatives not only for rural policy but also for regional development. In the context of institutional capacity, these transformations emphasises following developments: a) the emergence of new forms of governance, b) questions related to social organisation and c) place of rural regions in the emerging new division of labour.

5.5. Hypotheses 5: Endogenous development approach to territorial development

The endogenous development approach to territorial development is not directly delegated to member states and local level, but it is guided and regulated by decrees of the EU. The regulation of endogenous development can, therefore, be also considered as an indirect administrative scheme to drive stakeholder involvement and a partnership approach as part of national/regional strategic planning in the member states. Actually, various EU level programmes and initiatives have strongly driven important changes to national administrative cultures. They have, especially, advanced the inclusion of endogenous approach and local institutional capacity to national strategic planning. However, much of the transition of top-down policies have supported endogenous development; they often looked for external solutions to modify and strengthen rural policies.

Territorial approach in the development policies derives from economic geography and spatial planning, and it defines development as a wider concept in relation to traditional and sectoral policies. A territorial approach does not restrict itself according to administrative borders, but rather, implies to a comprehensive strategy comprising the overall structures of areas of interventions. The outcome is that both regional policy and rural policy are dimensions within wider territorial strategy. We may say that territoriality and exogenous processes in rural policies are more and more crossing over each other, and thereby, changing and replacing the rural modernisation paradigm, which has been prevailing in European rural areas since the Second World War. The OECD New Rural Paradigm (2006) has intensively paved the way to more endogenous approach that, however, has been flavoured with higher level enabling and regulating attitudes.

A territorial approach in development strategies can be both exogenous and endogenous. The endogenous processes result of using local potentials and resources to attract external resources and taking advantages of external investments already present in regional productive activities. Altogether, these elements have the potential of rendering sustainable economic growth processes that addresses the territorial ability to apply local strengths. A territorial approach connected with endogenous development can provide new attitudes, practices and approaches that promote and fortify assemblages of actions in rural areas. They might also move boundaries forwards and assist in building mutual understandings.

6. DISCUSSION OF POLICY IMPLICATIONS

Policy implications are discussed in the context of the policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. The foregoing review of research and policy literature reveals that there is an ongoing shift away from sectoral approach towards growing recognition of the wider development possibilities in rural areas. It also reveals that institutional structures and modes of rural policy are widely changing in order to encounter these challenges and issues. The latest policy documents of the EU, Fourth Territorial Cohesion Report and Green Paper on Territorial Cohesion underline importance of the extent to which disparities and development asymmetries can be considered in the member states rather than at the EU level. However, the EU structural actions are somewhat more addressed in the above mentioned policy papers but this does not downplay the growing importance of local and regional level policies.

The changing position of localities and regions in a more globalised political economy has been recognised as an origin for a diversity and variety of forms of social and political regionalism. In rural areas, this has meant the change of approach from modernisation paradigm to New Rural Paradigm, and lately even more in the direction of constitution of rural areas as action spaces rather than action regions/areas. This has also in policies highlighted the multi-dimensional socio-economic implications involved in the territorial approach and the building of regional identities. Consequently, the concept of territorial cohesion may have been implicit thus far in EU Regional Policy, but there is also a requirement to make it even more explicit and wider acknowledged across all rural related public policies.

This makes rural governance rescaling more complex, and not automatically a mutually coherent process, on the basis of an assumption that governance scales are pre-given in the defined modes of policies. Rather, the emergence of new governance scales are regarded as constitutive dimensions of the reframing of rural policies. What lies in the background of this rescaling is the concrete ways by which policy processes respond the requirements for the mobilisation and construction of new modes of rural policies and governance structures. These comprise also different ways, by which the institutional capacities of territorial policies are reconfigured.

The implications of these processes are manifold, as they relate to the institutional challenge implied in pressure towards change and the need for fostering present institutional settings. However, there is also a co-constitutive relationship between the institutional promotion of new governance rationales and the emergence of new governance scales.

In a rural governance environment, policy spaces increasingly become boundless. The identification of needs and demands at various levels cannot anymore be addressed within the set of the traditional and conventional policies. Therefore, new scales of governance will redefine the spatial rationale of regulation and the role played in it by the central level policies. Thus, central level led policies tend to become less oriented towards considering regional and local levels as action regions, but move towards the advancing emergence of action spaces. This means that new attitudes, practices and approaches may be provided that promote and fortifies

assemblages of actions in rural areas. They might also move boundaries forwards and assist in building mutual understandings. In the light of policy implications, governance rescaling tends to take the form of a flexible and place-specific approach, and the rationale of the central level within the formed action spaces will become less regulative.

One of the noticeable policy implications is that mutual relations dodge to a large extent the field of competence, impacts and recognition of regional and local actors. Capabilities to act within the formed action spaces rather depend on a institutional capacity to activate and organise different actors and forces through innovative inputs and incentives. As a result, it is possible to articulate new position of the central level policies as they step out of vertical as well as hierarchical role and become facilitators and promoters of new governance structures. The role of the central level changes in promoting regional and local level policy-making through initiatives and incentives, which allows regional and local level actors the possibility to form endogenous activities, like LEADER-action groups within the framework of rural policy.

However, this might also have policy implication that regional and local actors have to be redefined or their competences have to be prioritised in a new way. In other words, the central level initiated and promoted new policy activities may change the existing power balance among different governance structures and alter relative importance of various actors. In this case, the main challenge is to make certain that new forms of cooperation and rescaling of governance will not lead to less cooperation and conflicts, which might lessen the possibilities to apply new policy approaches at regional and local level.

As a wider range of organisations and partnerships becomes involved in co-ordinating and delivering public goods and services, so the complexity inherent in transactions across institutional boundaries and different viewpoints increases. This has clear implications for the mechanistic notions of policymaking and governance that underpin modernist, managerial styles of decision-making (Chapman, 2004). Systemic and applied research that engages rural stakeholders in making sense of new trends in governance will illuminate some of the interconnections between different levels and locations of governance, and different institutional realities.

Considering the two-dimensional developments and policy implications in rural areas a key factor is the future development of the CAP and its relationship to rural development policy. There have been strong external and internal pressures to change the Common Agricultural Policy, already resulting in many changes. A radical reform of the 'dinosaur' in 2013 is more likely than ever before. Implications for development institutions have been significant and are likely to be reinforced in the foreseeable future. This is, on the one hand due to the implementation of the 'New Rural Paradigm' (OECD, 2006) and the spreading of the 'project state' discussed above. The other reason for change is an attempt by agricultural lobbies and bureaucracies (domestic and European) to somehow save the traditional CAP budget for the agricultural/rural community. This has involved inventing new (and renaming old) subsidies and new ideologies to legitimize spending (such as multifunctional agriculture). Obviously, all this resulted in a never-before seen boom of legislation, bureaucratic organizations, partnerships and other formal and informal institutions on every possible level. Today, there is a clear danger of loosing much of the CAP budget altogether during the next European planning period. Radical

changes in the policy and budgetary structure, as well as resistance to them, will surely have significant effects on all forms and levels of rural development institutions.

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EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 8

Scientific Working Paper No. 8

Climate Change

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(NORDREGIO)

2009



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(Parts A, B and C)*

LIST OF ABBREVIATIONS

ACCELERATES: Assessing Climate Change Effects on Land use and Ecosystems:
from Regional Analysis to The European Scale

ATEAM: Advanced Terrestrial Ecosystem Analysis and Modelling

CAP: Common Agricultural Policy

CEC: Commission for Environmental Cooperation

DEFRA: Department for Environment, Food and Rural Affairs

EC: European Commission

EU: European Union

ESDP: European Security and Defence Policy (ESDP)

IAASTD: International Assessment of Agricultural Knowledge, Science and
Technology for Development

LEADER: Liaison Entre Actions de Développement de l'Economie Rurale (French:
European Union initiative for rural development)

OECD: Organization for Economic Co-operation and Development

SUMMARY

Climate change is a fact that will confront already existing environmental, economic and social challenges being experienced across the globe. Whilst the international attempts to reduce the greenhouse gas emissions are considerably increasing, there is still an urgent need to develop adaptation strategies together with mitigation in order to adjust to the unavoidable effects of climate change. Europe is a key actor in the global climate change debate and related policy responses. The European Union (EU) context with its joint focus on policies, as in the example of Common Agricultural Policy (CAP) and rural development programmes, provides a potential platform for the integration of adaptation and mitigation actions into its policy frameworks. Concrete measures for the climate change issue are implemented through the rural development programmes in the member states. Agriculture due to its high dependence on climatic conditions is and will be the most vulnerable sector in the years to come. Climate as the driver of change will lead to a series of effects in different geographical areas of Europe, ranging from crop and stock variety to land use. The diversified effects of climate may threaten agriculturally sustained economies particularly at local level where individual actions are controlling the use of land. Thus policies should ensure sustainable farming practices that are climate friendly.

This research on European Development Opportunities in Rural Areas (EDORA) 's 'Thematic Priority' on climate change aims to reflect upon the most recent information available on the interactions between climate change and rural development and also to develop an understanding of the potential policy implications for climate change adaptation and mitigation in rural areas.

The Green Paper¹ adopted by the European Commission (EC) set out options to facilitate the adaptation actions by focusing on four pillars including early action in the EU against extreme weather impacts to reduce overall costs, integrating adaptation into the EU external actions, reducing uncertainty by developing the knowledge base through more integrated climate change research and involving European society at all levels and in all sectors to facilitate more coordinated actions across the EU. Following the Green Paper, the EC presented a commission staff working document² accompanying the White Paper; setting out a European framework for action to improve Europe's resilience to climate change, emphasizing the need to integrate adaptation into all key European policies and enhancing co-operation at all levels of governance.

Commission's vision of a new more emphasized and integrated approach to the framework of EU policy areas is to be realized thoroughly and new methods of understanding and analysis are to be utilized.

This study covering the EU 27, aims to provide an up-to-date information base for policy makers to integrate the challenge of climate change in their plans together with possible adaptation and mitigation strategies. The potential synergy between the adaptation and mitigation actions can help to develop policy measures that would reduce the adverse impacts of climate change and also harness potential benefits that rural areas could meet.

¹ **Adapting to climate change in Europe – options for EU action' (COM(2007) 354**

² Commission Staff Working Document accompanying the White Paper Adapting to climate change: Towards a European framework for action, *Adapting to climate change: the challenge for European agriculture and rural areas* {COM(2009) 147}

It also presents the empirical findings obtained from the pilot study and makes an analysis of recent development patterns together with conceptual debates and literature sources.

1. INTRODUCTION

1.1. Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?

What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- o The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- o The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- o The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide an alternative to agglomeration, as a foundation for economic development.

The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “drivers” of change, from regional or local structures and characteristics which either allow development “opportunities” to be exploited, or act as “constraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment

- (c) Rural business development
- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.2. Introduction to the theme

It is becoming clear that there are numerous and serious challenges to society implied by the rapidly expanding scientific knowledge about climate change. The search for ways to connect that body of scientific knowledge with the processes of policy- and decision-making at different levels of governance is now underway. From the research perspective, our concern is to learn more about how and why some governmental and other civil society organizations engage in processes of concrete response to issues of climate change, while others do not, and then, to apply that knowledge to enhancing the processes in question. We have been asking: What is the role that scientific knowledge plays in stimulating and informing social change that is a response to climate change? How does that play into the economic, political and social conflicts related to climate change? In turn, how does that factor into issues of rural development?

While that research is on-going, it is imperative to be able to have ready access to knowledge and information about what the current situation is. Are there indicators that tell us to what extent climate change is an influential component of rural development? With regard to the notion of *connexion* (Mulgan, 1997), climate change acts as a driver of change in the modes of connexion as they are seen in the expressions of interactions at all levels and scales, from the local to the global, and from the gradually perceptible to the catastrophically immediate, respectively. Climate change is an example of “relational reach” *par excellence*; although both impacts and sources of climate change occur in real places, in real time, there is rarely any direct connection between what is being done *today*, in *this* place, with what might be happening *later*, in *another* area. As a driver of change, climate change is a dynamic and even catalytic element in stimulating shifts between rural places and extra-rural places. It is a key driver in pushing the discernibility of the three alternative accounts, or “grand narratives”, of change that are used in organising our own work in EDORA. The first account, or grand narrative is agri-centric and employs concepts such as agri-industrial productivism, post-productivism, the consumption countryside; and local food networks. This draws on authors such as Marsden (2003) and TEAGASC (2008). The second focuses on accessibility to urban labour markets, distinguishing between accessible and remoter rural areas, and is implicit in many official typologies of rural areas, such as those of DEFRA, OECD and the CEC, as well as in the ESDP. A third perspective draws on theories of globalisation, economic competitiveness, and divisions of labour and capitalist

penetration, considering the roles of local and global capital in exploiting rural resources.

Although an eventual aim of the work developed in this working paper is to be able to analyze and categorize indicators of climate change so as to be able to understand more clearly how they impinge on the three narratives of connexion in rural development outlined above, the state-of-the-art (see section 2, below) for indicators remains overly rudimentary. The goal for this paper is therefore to describe preliminary sets of indicators for which it would be desirable to obtain data. It is presumed that once those indicator sets have been delineated, the search for sources of data to inform them will proceed apace. Once data sets begin to be configured and populated, then it will be useful to search for clues to the interactions between different narratives of connexion that are driving change in our notions of what constitutes the rural, and what climate change means for them. Implications for policy will become evident once those interactions and their drivers are made more explicit.

1.3. Methodology and data sources

At a time when explanations of the intricacies of climate change remain the focus of intense study by meteorologists and climatologists, the notion of directly measuring similarly intricate interactions between climate change and any conception of rural development is dependent on the eventual results of those studies. Nevertheless, there are numerous ways in which it should be possible to indirectly assess the role of climate change as a driver in rural development by collecting data on *indicators*. It must be stressed that the use of the term “indicators” here places heavy emphasis on the literal meaning of *indicate*. In other words, the data sets that can be envisioned lead us to *infer* an understanding of the role of climate change in rural development and diversity. The sets point at phenomena and meanings that, speaking metaphorically, can be compared with the “shadows,” or traces, that the diffuse figure of climate change has on rural development. As is explained in the section on “Constraints” in Section 3, below, the understanding of climate change is subject to a broad range of conceptual challenges that make its definition, in relation to rural development, a matter of transforming the paradigm with which we understand the *relational fields* (Langlais, 1995), *relational interdependence* and *connexity* (Mulgan, 1997; Healey, 2004) that underlie our worldview. The main issue is that climate change is so complex that we can never see it all at once, but are only able to snatch indications of it.

It is not possible to find data sets that provide information on, for example, “climate change and rural population shifts,” or “climate change and rural energy consumption.” It is, however, possible to find correlations between different kinds of sets of data that may indeed indicate that there is some influence from climate change drivers. An example would be data on the number of wind power generators erected, including their generating capacity and the amount of land that they occupy. This could in turn be monitored along with data on changes in the planting of crop types, for example, from grains to fast-growing “energy forest,” or from grains for food production, to grains for ethanol fuel production. In Section 4, below, a number of such potential indicators are listed.

At the level of development of the climate change paradigm that is represented in this working paper, the work with indicators can only be considered to be in a preliminary phase. It should be possible, nevertheless, given the lists of indicators, to identify groupings of indicators, and point to a variety of different databases, in each EU

country, that might be useful as sources, provided that they fulfil the usual demand for standardization and normalization that are necessary for pan-European assessments.

1.4. The structure of this report

The “state of the art”; the second section of this report, provides the conceptual debates on climate change and an overview of the recent empirical data, revealing the European wide nationally-based responses to climate change with an emphasis on rural development plans and a much needed analysis of the cross links between climate change and the concept of rural development. The section also highlights the complexity of the climate change discourse and its likely diversified impacts on the European regions.

The third section reflects upon the drivers of change and considers climate change being one of the detectable drivers of rural development. By drawing upon the ESPON conceptual framework, this section highlights the coupled notion of climate change complexity, containing both opportunities for development and constraints for the reformulation of the generally accepted concepts in terms of short and long term policy frames. This argument supports that the policy development will be an integral factor in determining development opportunities for rural areas and constraints will be highly dependant on the possible character of response to climate change in respective sectors, agriculture being one of the most vulnerable. The fourth section considers the potentials for creating lists of indicators revealing the cross cutting links between the rural development and climate change themes. Energy, forestry and agricultural sectors are highlighted for their potentials to develop measures that address the challenge of climate change on a cost- efficient basis. The fifth section presents a discussion on the European wide patterns of rural development and responses to climate change as a result of the analysis of the recent conceptual approaches, rural development plans of the EU-27 as well as the pilot study. This section is followed by a concluding discussion of the future perspectives of rural areas in the phase of climate change and policy implications to tackle the foreseen challenges.

2. THE STATE-OF-THE-ART

2.1. Conceptual and theoretical approaches

Climate change is one of the most crucial challenges our society faces today (and will continue to face for generations.) The challenge of rapid climate change has much to do with a number of paradoxical tendencies, as has been widely publicized in the reports of, most notably, the Intergovernmental Panel on Climate Change, or IPCC, the Stern Review and the European Commission Green Paper, *Adapting to climate change in Europe – options for EU action* {SEC(2007) 849}, among others. Our objectives here receive their guidance from the current consensus as expressed in the IPCC’s discussions of its scientific synthesis work. Two aspects of that consensus are very broad in their scope, but specific in their implications:

although the scientific work on climate change at global, continental and even, to some limited extent, national levels has now achieved a certain foundation and momentum, what is acutely lacking is knowledge about what climate change means, and will mean, at more local levels, and about how it can be addressed at those levels;

while society, even at the local level, has come a long way in grappling with mitigation issues, thus affecting *future* impacts of climate change, there is an urgent need to develop adaptation strategies for the *present* effects of the climate change that is already underway.

Examples of the paradoxical tendencies mentioned above include:

the difficulty of being able to perceive and understand the *connections* between the local/regional and the global levels of climate change policy; it is not at all obvious how global processes will play out in rural development;

on the other hand, the same enormous increase in *knowledge* about climate change processes at the global level increases the uncertainty regarding unexpected events and outcomes at the local/regional level, where rural development has its most concrete manifestation;

the awareness that policy that might seem appropriate with regard to one sector, e.g., energy, might be inappropriate for others, e.g., transport, residential planning, or agriculture. There is, in other words, a “valuational disconnect” in the priorities that different options are ascribed, which can even be seen as creating incommensurable decision situations;

the way that notions of timescales are changing, so that what used to be considered as planning for the “long-term,” i.e., 5-10 years, is, in the context of climate change, extremely short-term; the new short-term is more like 25-20 years;

the inability to find the motivation to make costly investments today that may not be realized for another fifty or a hundred years or more. This can be thought of as the “mitigation gap,” that connects with the locked-in lag of climate change; it appears that the climate change we are experiencing at the present is the consequence of policies and actions of some several decades ago. Even if we were to achieve 100% mitigation success, the results of that would still not be perceived for decades;

the emphasis on mitigation to date has heavily dominated the character of climate change response. Organizations are now waking up to the need to focus on adaptation also. It is not surprising that there is presently very little expertise in how to proceed with the latter

the worrying trend that as the results of ever more recent studies are published, their results are even more negative than those typified as most probable in the scenarios of the IPCC; and

the fact that almost everything about climate change is new for policy-makers, planners and decision-makers. There are very few precedents to rely on, and it seems that almost every step taken is fraught with uncertainty (the recent re-evaluation of the impact of a dramatic surge in demand for bio-fuels on global food production is a tangible example of this).

It is not surprising, when considering such tendencies as those above, that policy-makers can feel “galvanized into passivity” by the complexity of trying to rely on scientific knowledge as the basis for designing appropriate policy. Conversely, even though scientists work with the findings of their research on a daily basis, they are usually not in a position, nor do they possess the qualifications, to be able to change policy in a way that would reflect the significance of those findings.

ESPON, therefore, represents a vast body of both accumulated and on-going collection of scientific data that is intended, and organized, to be useful for policymakers and stakeholders. It presents an excellent opportunity for using the knowledge that has been accumulated, and is now being added to, in order to inform a policy-relevant process that incorporates scientific knowledge with the development of policy in the area of interaction between climate change and rural development.

The level of local government is widely recognized as having a key role to play in achieving successful mitigation *and* adaptation to climate change. It is at that level that many of the most important national climate change policies are realized in terms of concrete implementation measures, and therefore the *domain*, where *conflicts* emerge and must be dealt with. Local government administrations are, to date, and almost without exception, inexperienced at developing integrated and coordinated responses that also take into account the latest scientific findings regarding the challenges of climate change at local scales. On the other hand, they need to be able to access and conform to the available knowledge, data and principles that are part of the mainstreamed EC approach to climate change. ESPON provides comparable information, evidence, analyses and scenarios on framework conditions (including climate change) for the development of regions, cities and larger territories.

Progress beyond the state-of-the-art: the potential of using ESPON to develop climate change adaptation strategies for rural development

The European Spatial Development Observation Network (ESPON) was established in 2002 in order to help apply the European Spatial Development Perspective (ESDP), published in 1999, and to improve knowledge, research and information on territorial development. Between 2002 and 2006, the first ESPON programme financed some 36 applied research projects, carried out by transnational scientific consortia, across a wide range of issues. All these projects have now been completed. Five main types of studies were financed under the first ESPON programme:

Thematic projects on the territorial effects of major spatial developments on the background of typologies of regions, and the situation of cities on the base of broad empirical data;

Policy impact projects on the spatial impact of European Community and Member States' sector policies and spatial development policies;

Co-ordinating cross-thematic projects evaluating the results of the other studies and developing composite indicators, typologies of territories, spatial development scenarios and conclusions for territorial development;

Scientific briefing and networking to explore the synergies between the national and EU sources for research and research capacities;

Studies and scientific support projects to deepen results already achieved by other ESPON projects.

In 2007, a second ESPON programme was launched, covering the period between 2007 and 2013. The main aim of the second programme is to support the development of regional policy that contributes to territorial cohesion and sustainable development. In common with the first ESPON programme, the second ESPON programme will finance a range of applied research projects. Some of these applied projects have already begun; others will be funded during the course of the programme. All projects will collect and analyse data concerning the development of regions, cities and larger territories. Five main types of studies are being financed under this programme:

Applied research on territorial development, competitiveness and cohesion: evidence on territorial trends, perspectives and policy impacts;

Targeted analyses based on user demand: a European perspective on the development of different types of territories;

Scientific platform and tools: comparable regional data, analytical tools and scientific support;

Awareness raising, empowerment and involvement: capacity building, dialogue and networking;

Communication and technical/analytical assistance.

A number of ESPON projects are relevant to climate change, particularly projects 1.3.1 (natural and technological hazards), 1.1.4 (demographic trends and migration), 2.1.4 (energy services, networks and the territorial impact EU energy policy) and 2.4.1 (impacts of EU environment policy). The primary focus of these ESPON projects was on monitoring and assessing the spatial development trends and impacts of policies rather than exploring the specific policy implications in different settings. ESPON project 1.3.1 for example provides information about which territories are most vulnerable to natural hazards (e.g. landslides, avalanches, floods, droughts, forest fires, earthquakes), but does not really consider how territories might develop tailored local strategies and policies to mitigate these potential hazards.

Much data has been gathered by ESPON projects. In fact, there is arguably too much information for policy-makers (and stakeholders) to assimilate and use. It is now time to use this data to explore the local implications in specific case studies and use this information to develop more informed and robust strategies and policies.

What needs to be done to assist policy-makers to develop climate change adaptation strategies in conjunction with rural development:

draw on ESPON data to identify the specific policy implications for different types of territories

develop a range of alternative climate change adaptation strategies and, together with local policy-makers, evaluate the applicability of these alternative strategies in different settings

investigate the acceptability of alternative climate change adaptation strategies for different stakeholders, including local politicians and different interest groups

explore issues concerning the practical implementation of adaptation strategies together with local policy-makers.

2.2. Review of the empirical evidence/analyses relating to the theme

Climate Change and Rural Development Interactions in EU Countries

The Council of Europe defines rural areas as “a countryside where the main part of the land is used for agriculture, forestry, aquaculture, fisheries, natural reserves and other non-urban recreation areas.”³ Furthermore 91% of the territory of the EU is rural, being home to more than 56% of the EU’s population.⁴ Being rural, however, does not spare a community from the effects of either foreseeable or unforeseeable climate change.

Agriculture is the main driver of the economy in developing countries by providing the major resources for food and employing roughly 70% of the population. As the scientific evidence indicates, extreme weather as a result of climate change will

³ http://ec.europa.eu/agriculture/envir/report/en/rur_en/box1.htm, 02.02.2009

⁴ http://ec.europa.eu/agriculture/rurdev/index_en.htm, 06.02.2009

create serious risks and severe circumstances for the agriculturally-sustained economies and livelihoods. Taking this into account, it is no surprise that the EU, as a whole, demonstrates a great emphasis on the integration of climate change strategies into its policies and those of individual member states.

The strategy for integrating the environmental dimension into the Common Agricultural Policy (CAP) was adopted by the European Council in Helsinki, in December 1999. Since then it has been one of the primary efforts of the EU to integrate specified milestones into the rural development plans of the EU member states to tackle or adapt to the effects of climate change.

The Common Agricultural Policy (CAP) has been promoting farming activities and the CAP's second pillar; the EU's rural development policy is for adapting targeting measures, provides support to the agricultural sector for diversification, innovation and sustainable rural development that aims at advancing local capacity for job growth.

The Rural Development Policy of the EU is implemented in the course of national and regional programmes and also in Local Action Groups (LAGs), through the setting up of indicators within the axes of the new rural development programme that runs from 2007-2013.

(Axes I) has the aim of improving the competitiveness of the agricultural and forestry sectors;

(Axes II) is aimed to improve the environment and countryside, including support for the EU's Birds, Habitats and Water Framework Directives;

(Axes III) aims improve the quality of life in rural areas and encouraging economic diversification;

the horizontal LEADER approach (Axis IV) promotes local bottom-up initiatives.

The EU has evolved an exclusive focus on strengthening the links between the axes. Besides, rural development programmes work towards other EU strategies relating to cohesion policy, regional development, renewable energy sources, climate change, forestry, and the sustainable use of natural resources and soil protection.⁵

Rural areas in the diverse geographical structure of the European territory have their own significant characteristics regarding climate variability and therefore the adaptation and mitigation strategies set by each country are extremely conceptualized according to their specific needs.

It is often pointed out that the most vulnerable regions in Europe are those that are dependent on traditional farming systems and the production of quality foods. Climate change that might impact on such farming and production systems that have a reliance on favorable climatic conditions without proper provisions may cause disastrous effects in rural society.

As a generalized picture, it is most likely that Northern Europe will mainly see positive effects in terms of new crop species and varieties and take the advantage of higher crop production and expansion of appropriate areas for crop cultivation. On the other hand, increase in plant protection, risk of nutrient losses and depletion of soil organic matter due to the possible change in the soil types will generate the disadvantages.

⁵ http://ec.europa.eu/agriculture/rurdev/index_en.htm, 30.01.2009

Southern Europe will face desertification effects in several degrees; increased water shortages, decrease in the appropriate area for the cultivation of usual crops and higher yield variability are examples of the disadvantages that are anticipated.

Agriculture in the Mediterranean countries will be the most vulnerable to climate change in Europe and adaptation measures need to consider both short- and long-term effects. In both cases, care should be taken to increase resilience of the agroecosystems by increasing system diversity and improving soil fertility.

Scoping concerns in the EU

Based on national RDPs, It is clear that there is nevertheless a high level of generalized awareness about the possible challenges of climate change impacts throughout the EU. Most of the recent literature focuses on the technical side of the adaptation and mitigation strategies; basically, the emphasis is placed on scientific research. Nevertheless, what climate change means for certain sectors, areas, gender equality or social communities is not discussed in much detail and the rural development dimension of climate change remains unclear.

The opportunities offered by climate change are seen at the farm level and measures presented by axis programs aim to help farmers for the knowledge transfer, modernization and renewable energy supply. However, there is a need to work on a legislative framework that farmers can be subjected to.⁶

Planning to grow particular crop and working on soil characteristics can direct to more accurate application of seeds and fertilizer and lead to more efficient production, also the reduction of waste and on-farm GHG emissions.

The UK has been in the forefront in supporting the use of agri-environment schemes in the European Union. English Rural Development Plans allocates its 80% of the spending to the measures. With its Entry Level Scheme, UK aims to extend its focus on resource protection and climate change with carbon saving measures, land use and water management. UK, sees the priorities in funding between the measures of different axis in the EU regulation as barriers to implement its strategies for adaptation and emphasizes the approach of pick and mix for the appropriate measures of different axis.

There is a recent study conducted by PICCMAT⁷ to measure the practicality of climate protection methods, taking into account environmental conditions and agricultural technologies in order to verify whether it would be possible (in practical terms) to introduce agricultural production methods into the EU that would effectively protect the climate, and to analyze the impact on production costs.⁸ Lack of knowledge about climate change mitigation, let alone adaptation, of farmers and institutions from Italy, Poland, Spain and their inability to see the immediately required changes in their practices for tackling the issue besides receiving no

⁶ Iglesias, A.et.al. 2007

⁷ The Policy Incentives for Climate Change Mitigation Agricultural Techniques (PICCMAT) research project (DG RTD/FP6), launched in January 2007, aims to identify farming practices that reduce greenhouse gas emissions, and to suggest policy instruments to support the necessary changes in land management to stakeholders and policy makers.
(<http://www.climatechangeintelligence.baastel.be/piccmat/index.php>)

⁸ *ibid.*

pressure from external factors slows the progress of climate change efforts in the just-mentioned countries.

Based on the national RDP's for 2007-2013:

the policies of the Mediterranean countries seem to be detailed and concrete enough with possible beneficial outcomes, but lack the institutional and professional ambition to tackle the issue. The policies would need modification and intensified focus for 2020.

the UK, France and Netherlands have produced precise schedules and detailed programs. Their early initiative in commencing with the integration of climate change into their programs would ease the adaptation process.

the northern European countries, the pioneers of using innovative technologies to tackle the possible scenarios, are also the ones that could actually benefit from the outcome of climate change. Public concern and local authorities' provisions are major advantages.

the eastern European states face a more challenged situation than others, lacking public concern and institutional framework establishment.

3. IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

Drivers

Climate change is by definition a "driver of change." The essence of our conceptual understanding of it is based on the perception that the climate on planet Earth has varied substantially in the past, that climate is not static, that it is consequently changing all the time, including the present, and that it will always continue to change. Even its present prominence as an issue that demands response is based on a sense that its dynamic itself has changed, with the essentially new dimension being that the current rate of climate change is on the faster end of the scales that we currently are aware of, and that it is in that respect primarily caused by anthropogenic activity. This awareness leads to many conclusions, but two that can be mentioned here are that 1) changes in climate are something we can face in their own right (to put it neutrally) as a type of change that in all probability will affect us and, 2) the continued and future climate change will be affected, at least in part, by changes in human action.

Understood as drivers, those two conclusions mean that we can see climate as a factor that has to be considered in rural development, firstly, since changes in climate take place, again by definition, without respect to human settlement patterns or political and other boundaries; indeed, climate itself is *one of* the drivers (but not the only one!) in influencing where those patterns and boundaries have been and will be created. Secondly, the conclusion that the present nature of climate change is heavily anthropogenic is coupled to the realization that if approximately 90% of the territory of the EU are rural, then rural development, as an important form of human activity, is eminently entwined and embedded within any understanding of global change, *no matter what scale we are considering*, whether global, national, regional, or local, and no matter what the qualitative differences (i.e., rural or urban, desert or maritime) might be. Climate change is an important ingredient in the experience and planning of rural development, and vice versa.

With regard to climate change, at the same time as it works as a driver of real and concrete transformation, the question of whether we understand its phenomena as opportunities or constraints is intrinsically dependent on the choices we make in

responding to its imminence. For example, the need to mitigate, or reduce, the extent to which we cause climate change can be understood by some as a constraint to economic growth, while others would see it as an opportunity to revamp the relations between the rural and the urban. In the following, we briefly discuss some further implications of this realization.

Opportunities

One of the implications of most of the results from recently published climatological studies is that the characteristics of climate change are more extensive and serious than had been anticipated in the IPCCs consensus. As an example, if global mean temperatures were expected to be most probably within a certain range, new research results are showing that those ranges were too conservative. In another example, if the Arctic sea ice was anticipated to take a certain number of years to disappear, new results are showing that it is happening more quickly than expected. There is a long list of such evidence.

This somewhat more drastic situation, precisely because it increases the probable impacts of climate change and thereby their characteristics as threats, or constraints, to rural development and other human pursuits, is at the same time its most striking opportunity. Just as with the present global financial crisis (at time of writing, early 2009), which can be compared as not only a situation that is analogous to that of climate change, but even interlinked as part of the larger problematique of *global change*, climate change resets the measure by which human activity, and hence rural development, can not only be measured and evaluated, but reconfigured. To paraphrase the way that the present new administration of the USA puts it, the present danger is also a magnificent opportunity for recreating and reframing the very notions that adhere to the concept of rural development per se.

Instead of continuing to polarize the attributes of climate change as two contrasting sets of parameters represented by the notions of opportunities and constraints, we shift the emphasis here to this coupled notion of climate change as alluded to above. In other words, each attribute can be seen as containing the potential to be either an opportunity or a constraint depending on how we choose to respond to them. This puts the onus on the importance of politics, policy, policy decision-making and planning. With that caveat, we persist with the heading of "constraints," however, in order to retain the structure of the EDORA analysis. The reader is asked to retain the essential understanding of the two-fold nature of climate change attributes in mind.

Constraints

In order to gain more knowledge about climate change, it has been becoming more and more important to understand its expression at ever reduced scales. While the first studies and scenarios were constrained by the degree of the sophistication of their modelling to levels that were not much less than the global, a large number of studies at ever greater magnitudes of resolution have been completed, are underway, or are being planned. This has in turn led to the originally surprising observation that what has been seen rather monotonously, in a literal sense, as *global* climate change, must now be handled in much more difficult terms, as a situation of great diversity. As our knowledge increases, we find that there is very little that is meaningful that can be said about climate change in a general way. It is becoming increasingly obvious that climate change implies diversity. Every region and every locality will have to assess and experience *its* form of climate change and

its expressions. In our on-going study of EU-27 nationally-based responses to climate change (with an emphasis on rural development), what is emerging is that there are no distinctive patterns of response. The responses are as varied as the conditions that are being experienced or anticipated, and that variety is consistent across the EU.

Because of the fact that research on, and consequently our understanding of, climate change has only so recently and so rapidly emerged, there is also the difficulty (for those actors who might wish to engage in the interface between climate change issues and rural development) that there is rarely any addressee for their concerns. In our preliminary survey of the EU-27 countries, it has been striking to note the ad hoc nature of administration and organizational structures and response to whatever might be the prevailing and relevant perception of climate change in that locality.

Many of the attributes of climate change are considered to be constraints because they involve rethinking our fundamental concepts. They have to do with issues of perception, time, relations, validation, frames, scales, probabilities, risk and paradigms, as well as the kinds of indicators and effects that can be conceived. In Section 6, below, we also consider how these attributes can evolve from constraints into challenges and opportunities for policy-making and development.

One of the challenges will be posed by the land use change controlled by various drivers and processes in different geographical scales. The Common Agricultural Policy (CAP) coordinates rural development within Europe while global trades determine the costs of food production.

Assessment of instruments that can show different processes at different scales is therefore essential. Thus far ATAEM and ACCELERATES projects⁹ have highlighted this issue through the development of simulation models and their possible applications for the future land use change scenarios.¹⁰

4. PROPOSAL FOR THEME RELATED INDICATORS

Both climate change and rural development are cross-cutting and cross-sectoral themes. As such, the potential for creating lists of indicators that reveal their interaction, and that indicate the influence of the former on the latter, are myriad. The thinking, however, has to start somewhere, and this is a start. The prospective indicators provided here are the result of the analysis of several recent reports produced with a global perspective. The most helpful of these was the chapter by Scherr and Sthapit (2009), "Farming and land use to cool the planet," published in the report, *2009: State of the World—Into a Warming World*, by the Worldwatch Institute. The Global Report of IAASTD (2009), *International Assessment of Agricultural Knowledge, Science and Technology for Development*, is a source that provides much more depth than the Worldwatch Institute's overview, while nevertheless confirming its key points.

The following lists of desired indicator sets are grouped around several sub-themes. These are energy economics, "business-as-usual" land use in connection with agriculture and forestry, and the more transformational category of strategies for achieving "climate-friendly landscapes." Once again, these lists owe much to the

⁹ Rounsevell M.D.A et.al 2006

¹⁰ Harley, M. ed. 2005.

outstanding overview provided in the 2009 *State of the World* publication put out by the Worldwatch Institute.

Energy economics

- changes in energy costs
- changes in sources of energy
- creation of new biofuel markets, generally
- creation of new biofuel markets, as a result of legislation promoting alternative energy
- increase of “green” certification programs in agriculture and forestry and energy.

“Business-as-usual” land use in connection with sensitivity to changes in temperature and rainfall:

- climate-induced regional crop losses
- shifts in deforestation/afforestation
- changes in grazing intensity, especially on “commons.”
- changes in choices of crops and varieties
- changes in timing of input application
- changes in vulnerability to pests and diseases
- changes in the timing of management practices
- changes in frequency of wildfires (forests and grass)
- changes in pest regimes

Indicators of success in five strategies for achieving “climate-friendly landscapes”:

- 1 - enriching soil carbon
 - changes in timing of input application
 - reduction and more efficient use of nitrogenous inputs
 - enhancement of soil nutrients through organic methods
 - effective manure management
 - changes in soil tillage (minimization is preferable)
 - incorporation of “biochar”
- 2 - creating high-carbon cropping systems
 - growing perennial grains
 - planting agro-forestry intercrops
 - tree crop alternatives for food, feed and fuel
- 3 - promoting climate-friendly livestock production systems
 - shifts to intensive rotational grazing
 - increases in livestock feed supplements to reduce methane emissions by increasing livestock digestive efficiency
 - increase in use of biogas digesters of manure for energy
- 4 - protecting existing carbon stores in natural forests and grasslands
 - reduction of deforestation and land clearing
 - reduction of uncontrolled forest and grassland burning
- 5 - restoring vegetation in degraded areas
 - revegetation of degraded watersheds and rangelands
 - re-establishment of forest and grassland cover in biological corridors

A promising source for matching some of the above prospective indicators desired here with the respective availability of data sets is the (2008) report, *Impacts of Europe's Changing Climate—2008 Indicator-Based Assessment*, published as a joint effort between the European Environment Agency, the Joint Research Centre of the European Commission and the World Health Organization Regional Office for Europe. It acknowledges and confirms the need for countries and international organizations to develop improved international reporting and monitoring mechanisms. As a solution, it states that:

A European Clearing House on climate change impacts, vulnerability and adaptation will make information widely available to users across Europe. It will be underpinned by the EU Shared Environmental Information System (SEIS), the services to be generated by the EU Kopernikus programme on global monitoring for environment and security and the WHO Climate, Environment and Health Information System (CEHAIS). Our institutes are committed to contribute to the further development of these systems and services.

Following-up this working paper with an update on the success of these latter developments may be useful in providing sources for data.

5. THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES

As mentioned in Section 3, above, climate change is one of a number of drivers of rural change, including socio-economic factors, global competition in markets, policies and technological development. Agriculture and forestry are the main land uses and have a significant role in the management of natural resources and in determining the landscape of rural areas. The drivers of land-use change in agriculture include the supply and demand for food, market regulations via CAP, rural development and environmental policies. Added to these are resource allocation for bio-energy crops and the diversified effects of climate change on agricultural yield¹¹. Endogenous drivers and local resources also have the potential to shape the patterns of development in rural communities through human, social, cultural, institutional and natural capital.

In 2009, in preparation for this EDORA Thematic Priority Report on climate change, we undertook a pilot survey of the EU-27's Rural Development Plans' (RDPs) of EU 27 for the period of 2007-2013, on a country-by-country basis. We also examined the EU's recent White Paper {COM (2009) 147 final}, as well as the most recent literature about climate change impacts on rural areas. Our focus was to understand the impacts of existing policy instruments and how those instruments might be implemented or enhanced to tackle the challenges of climate change adaptation and mitigation. Much of the content of this report is from that pilot survey and the literature review.

One unavoidable conclusion of that work is that when considering the diversity of the drivers of change, policy directives are integral for determining the maintenance of resources in rural livelihoods. The EU, with its Rural Development Policy and CAP directives, has significant capacity for steering the diversity of elements towards an integrative framework for action on climate change. The responses we collected from the EU member states confirm that rural communities greatly increase their potential

¹¹ Rounsevell, et. al., 2006

for managing climate change when they are able to undertake their response actions with assistance from the EU. It is imperative that the key policy drivers, which otherwise operate at a range of spatial scales, influence individual decisions at the local level (made by the land managers or farmers for instance) through internal policies and incentives on rural land use, since that is the level where much of the real power to induce change lies, and the national policies are in turn highly influenced by international commitments (Kyoto protocol, EU directives, CAP etc). Member States can consolidate the success of such local measures by providing conditions for the training of farmers and other land-users in how best to conform to the regulations on climate change response.

Rural areas have their own needs, strengths, weaknesses, and characteristics. In view of this, and because climate mitigation and especially adaptation are viewed as being highly context-dependent, it is beyond the scope of this paper to identify specific measures or policy options for each country, or region. Our pilot study illuminates a number of possible ways for the institutions at the national level to make better use of the potential synergies between climate change adaptation and the sectors covered in rural development. The study also indicates several instances where policies can also become barriers to climate change adaptation.

Agriculture Can Be Either an Opportunity or a Constraint

The particular case of agriculture, due to its high dependence on climatic conditions, was often highlighted by our respondents. Agriculture and forestry are the sectors that contribute 30% of total CO₂ emissions worldwide¹². These sectors need to be at the forefront of strategies for transforming energy systems. There is a need for developing new practices, since bio-fuel has only limited benefit in reducing net CO₂ emissions.

At the farm level, effective strategies for crop production and management of resources need to be developed, and investments in climate-friendly technologies are required. Climate adaptation can improve the standards of current agri-environmental regimes and serve as an appreciable opportunity for developing more climate-proof systems.

Some factors identified as being integral to climate adaptation are the enhancement of soil quality and the improvement of the management of soil, water and energy in anticipation of the changes foreseen in the respective countries. These emerging adaptive responses in agriculture can be taken as examples of how adaptive responses may also have mitigating effects. Agriculture is one of the sectors in rural development in which climate adaptation and mitigation can create high synergies with strong interaction.

The biggest challenge for agriculture in the long run is to supply the growing global demand for food while conserving soil and water resources. One of the main hypotheses about the status of agriculture to date has been that agricultural land use areas would increase depending upon the growing demand for agricultural products. Another hypothesis is that land use areas would not need to be increased, or could even decline, provided that more sustainable ways of production are relied on to increase the supply. Fluctuations in supply and demand chains will be dependent on the impact of climate change, CO₂ emissions, and technological development.

¹² Scherr & Sthapit, 2009:32-49

Certain measures with a main focus on mitigation are already being taken in order to minimize impacts in terms of wood production and preservation of biodiversity. The level of these measures differs between countries and regions depending on climate conditions and resources. The most common strategies include the judicious selection of species, crops and pests, as well as the sustainable management of water, soil, forests and the rural landscape.

Opportunities for Rural Areas

The impacts of climate change are likely to be most severe for those sectors that are climate-dependent, with agriculture being the most vulnerable sector. Climate change may have either, or both, positive and negative effects on crops and cropping systems in a variety of ways, depending on the existing climate and soil conditions in different regions. The poorest populations will be less able to cope with climate challenges or to adapt.

There is likely to be significant opportunity for regions in northern Europe to increase agricultural production; in contrast, Mediterranean regions may have the greatest risk of reduced crop yields and water supply. An opportunity that Member States can exercise in deciding standards for good agricultural and environmental praxis, would be to let the most suitable and localized management practices emerge at the same time as experience with adaptation is evolved. The opportunities are realized in the form of improved health, food and energy supply, at the same time as climate change benefits in the sustainable management of land (as an obligation) can be realized.

Mainstreaming climate change adaptation and mitigation can contribute further to sustainable development by linking rural development with climate-friendly objectives.

The Strength of Constraints That Delay or Prevent Exploitation

The adaptation of agriculture to climate change provides a challenge. The security of crop and food production is dependent on soil and water resources as well as on the sustainable maintenance of environment and biodiversity. Agronomics research is increasingly important in terms of developing efficient adaptation strategies for crop production that are vigorous both environmentally and economically at regional scales.

PICCMAT¹³ analysis shows that in most of its cases the climate change mitigation options are compatible with those for adaptation. A constructive interface would efficiently reduce CO₂ emissions at the same time as minimal costs of adaptation surpass the costs of mitigation.

The Stern Review¹⁴ identifies financial constraints as one of the main barriers to adaptation. Respondents in several of the countries we contacted also stated the lack of financial assistance as a barrier in tackling climate change. However, a recent

¹³ The Policy Incentives for Climate Change Mitigation Agricultural Techniques (PICCMAT) research project (DG RTD/FP6), launched in January 2007, aims to identify farming practices that reduce greenhouse gas emissions, and to suggest policy instruments to support the necessary changes in land management to stakeholders and policy makers.
(<http://www.climatechangeintelligence.baastel.be/piccmat/index.php>)

¹⁴ Stern N (2007)

study¹⁵ conducted by PICCMAT found that adaptation has a lower cost until high stabilization levels are met. Nonetheless, measures taken at a certain geographic scale (local/regional area, etc.) may be limited in their effect if a range of drivers across different spatial scales are not taken into account. Adaptation at various spatial scales is the cheapest option for reducing the adverse impacts of climate change.

Institutional capacity is another challenge, since regional or territorial sections—i.e., environmental and water management directorates, national park directorates—of Ministries in some of the central European countries we contacted may face an increasing demand for management interventions and protective measures, due to an increasing frequency of extreme weather events, and their consequences (e.g. major floods, excess inland water, and droughts).

Concerning floods and other inland water issues, in most cases state assistance is provided in the form of financial support for covering increased protection and defence costs. Besides, a significant amount of EU funds for 2007-2013 are dedicated to major flood management projects (e.g. construction of flood reservoirs, improvement/reconstruction of dikes and other water management structures). In case of nature conservation there is no specific support with an explicit reference to climate change. However, a portion of EU funds has been allocated to site restoration projects, which may include measures such as water supplementation for ecological purposes (to reduce the negative impacts of droughts).

The Lessons for Choice of Instruments, Implementation and Targeting

A major hypothesis is that adaptation measures should focus on increased resilience to change and on climatic variability, since adaptation implies not only dealing with changes in temperature and rainfall, but also with increasing variability and greater frequency of extreme weather events. The adaptation options elaborated below would build upon existing practices for tackling the diverse effects of climate change and also be used for building climate change resilience in cropping systems. Options include:

- adjusting the timing and location of cropping activities and fertilizer rates, and using more efficient irrigation techniques
- using crop types with drought tolerance
- using technologies that are more resource-use-efficient
- diversifying farm-level activities
- using technologies for climate forecasting in order to reduce production risk.

Research and development activities, as well as innovation within technological and social structures, call for addressing issues dealing with both adaptation to and mitigation of climate change¹⁶. There may be some constraints in the realization of climate adaptation decisions that also cover institutional, social and technical aspects. Other challenges include the growing shortage of water for irrigation and also rising concern for the environmental impacts of agriculture and preserving biodiversity. Climate change has put additional stress on preserving top-soils as well as soils that mitigate GHG emissions. Nonetheless, building resilient systems for efficient management of soil and water resources may involve long-term planning as well as response to impacts already underway.

¹⁵ J. Olesen (2009)

¹⁶ **Abildtrup, et.al, 2006**

The linkage between climate change and soil degradation can be used as an example for building resilience, which is one of the greatest challenges for changes in global food production due to soil degradation. Higher temperatures, more extreme droughts and intense rainfalls are the main reasons for soil degradation that results from climate change. This leads to a decrease in soil carbon stocks and increase in soil erosion and salinization¹⁷. These challenges indicate that there is a strong need for agricultural research and policy development on how to build resilience to climate change.

The interfaces between mitigation and adaptation have not yet been explored in detail. Only a small number of EU countries¹⁸ have recently adopted national adaptation strategies. In most of those states, the strategies are being followed up with the drafting of policy papers that set out the main strategic principles and recommendations for selected key sectors (agriculture, forestry, energy, and water management). They focus on investigating the national developments and effects of climate change and on determining the need for adaptation. Work is indeed in progress, but most countries are still in the beginning phases of adaptation. The EU's recent White Paper has acknowledged the need for adaptation; consequently, member states will now need to incorporate adaptation measures into their key policies for mitigation actions.

Possible Implications of European Rural Policy

Rural development plans provide a framework for implementing adaptation measures, although they need to be complemented with the exchange of knowledge and expertise in order to make measures more effective.¹⁹ The potentials for the development of agriculture and environment can be exploited by requesting Member states to identify their main environmental risks and climate impacts, and to present the particular reasons for the measures and corresponding standards they foresee. Climate change adaptation can be a mainstreaming strategy, together with mitigation, as part of more general climate policies that can capture the potential in other sectors and policy areas.

Sustainable land use requires efficient management of environmental functions, such as biodiversity, water supply, and carbon stocks. Good management of the natural resource bases (including agricultural production) should take into account the different social, economic and environmental considerations that are important from a sustainable development perspective.

The precise measures may be different for every area and crop type, although actions that are crucial to improving developments in rural areas include increased climate-friendly agricultural production and small-scale industrial enterprises. Non-food crops such as energy and raw materials can be interesting alternatives, depending on local resources as well as price levels. The non-food crops (for example, for industrial processes and for bio-fuels) can produce new options for farmers, provided that this is in line with sustainable land use for that area. All of these can generate new opportunities for rural development. It is important to highlight that economic development, building resilience, and climate change

¹⁷ **Montanarella, L. 2007**

¹⁸ Only 9 countries have adopted national adaptation strategies so far: Denmark, Finland, Germany, France, Hungary, Netherlands, Spain, Sweden and United Kingdom.

¹⁹ **White Paper, {COM(2009) 147 final}, p31**

mitigation can work together in this fashion, as long as small-scale farmers can also benefit from these new opportunities.²⁰

Agri-environmental measures claim nearly half of the European Agriculture Fund for Rural Development (EAFRD) budget and have been in operation since the CAP reform in 1992. The majority of EU agri-environmental schemes have had a focus on the improvement of land use and nature preservation.²¹ Agri-environmental schemes also have a focus on reducing pollution in farming. If the Member States were to focus on a bio-based economy, the area cultivated for non-food crops would increase considerably. Care is required, however, to ensure that conflicts are avoided regarding the use of land for food crops in areas that struggle with food security.

The European Rural Development Policy as a Catalyst for Adaptation Measures

The Rural Development Programmes under the umbrella of The European Rural Development Policy have significant potential for providing further assistance, by steering Member States to consider the impacts of climate change on their axis as part of their commitments. The incentives through all axes may promote adaptation by providing financial support. Agri-environment schemes (for example, environmentally sustainable farming practices) also have the potential to provide for and facilitate adaptation schemes.

The mitigation of climate change is clearly stated throughout the Rural Development Plans. However, adaptations that reduce vulnerabilities to climate change impacts have not been sufficiently discussed. The Rural Development Plans do have the potential of stimulating initiative through strong co-ordination at the local level. The plans could also be developed to include adaptation, since it is likely to be needed at all spatial levels. In order to facilitate adaptation, the Leader programme criteria can be adjusted for the areas that are eligible for rural development support and that are vulnerable to climate change.

The effects of climate change on crop yields are managed by farmers; by the same token, farmers depend on climate and on the availability of resources such as soil, water and nutrients. Consequently, farmers' insurance should be incorporated into CAP measures, thereby providing them the opportunity to increase their resilience to climate change. This may in turn create further incentives for farmers to adapt their production to climate-friendly systems.

6. DISCUSSION OF POLICY IMPLICATIONS

In Section 3, above, it was pointed out that many of the attributes of climate change are considered to be constraints because they involve rethinking our fundamental concepts. They have to do with issues of perception, time, relations, validation, frames, scales, probabilities, risk and paradigms, as well as the kinds of indicators and effects that can be conceived. The following is an expanded discussion of those selected attributes of climate change; when possible, the way in which those

²⁰ **Daily Market Situation 2009,{COM(2009) 385 final}**

²¹ European Commission (EC) DG Agriculture (2005)

attributes can evolve from constraints into challenges and opportunities for development and policy-making is also introduced.

ATTRIBUTES (of understanding climate change, and its development and policy implications)

PERCEPTION ATTRIBUTE: How climate change is perceived is intrinsic to its implications as a driver of change. Perception occurs in individuals, and is fundamental to the other attributes of understanding climate change. Perceptions of climate change differ widely. E.g., in Iceland, climate change is seen by many as positive, with the effects of warming uppermost. The opening of arctic shipping routes, the potential for agriculture and expanded zones of habitation are only a few of the desirables. In contrast, many Mediterranean countries worry about the negative impacts, i.e., increased risk of forest fires, insect invasions and changing disease vectors, among other threats.

Development and policy implications: Generalizing the expressions of climate change must be avoided at all costs. There are few policies and development trends that will be applicable or effective in more than one region. The principle of subsidiarity (from Article 5 of the Treaty establishing the European Community) should be applied as much as possible.

RELATION ATTRIBUTE: The relation between the need to mitigate increases in greenhouse gases and the need for adaptation to the effects of climate change is crucial. On the one hand, we need to promote development that, at best, decreases greenhouse gas emissions and, on the other, be aware of, prepare for and adapt to the effects of climate change. The first is more long-term (see TIMEFRAME attribute, below) and the second more short-term. Integrating adaptation and mitigation is often synergistic and advantageous.

Development and policy implications: The emphasis on mitigation measures in development and policy circles, although necessary and justified, has been *at the cost of* an awareness of the need for adaptation (Biesbroek, Swart & van der Knaap, 2009). Both approaches are needed and, as a growing body of experience and literature point out, it is often found that efforts to consider both simultaneously lead to the unexpected discovery of synergies. An example is the planting of forests in heavily eroded areas. The forests make a contribution to mitigation (i.e., via carbon storage) at the same time as they may provide a buffer to flooding and hamper soil erosion that is a result of climate-change-related increases in precipitation.

TIME ATTRIBUTE: One of the most perplexing attributes of climate change's role in rural development, seen from governance, finance and psychological perspectives, is the way that some of our most "normal" notions of time are challenged. Because of the gradual and, in human terms, slow processes involved in climate change, it is often difficult to appreciate the link between our present actions and outcomes that are in the distant future. This connects to the notion of "mitigation gap," implying that the climate change we experience in the present is the result of actions at least several decades in the past, while our present mitigation efforts will not lead to noticeable results for several decades to come. We are "locked-in" to the impacts accumulating from distant decades. This can create an attitude of frustration, or even inertia, among policy makers, especially at the local level, where the effects of mitigation are even more intangible. Adaptation measures, on the other hand, where local impacts are much more tangible, for example from increased flooding, forest fires, etc., can seem more attractive. The difficulty here is to be able to correctly

predict how current adaptation measures will be able to match unexpected outcomes four or five decades hence, which in turn are the result of climate change that we cannot entirely predict at present.

Development and policy implications: There needs to be active dialogue between different policy levels and between sectors, so that the results of global, international agreements and the measures they require can be actively and rapidly inserted into local contexts where local initiatives are being undertaken on a continual basis. An awareness of the inter-generational aspects of climate change mitigation must be cultivated, so that measures with a “long-term” dimension (see a discussion of “long-term” in the section of FRAMES, below) become more acceptable in budget and policy contexts. A traditional example is the planting of oak forests, which require centuries of care before any “pay-off” can be realized. Other values (see VALUES, below) must be realized, such as the benefits that an oak forest provide – green space, carbon storage, biodiversity refuges – in their long maturation periods.

FRAME ATTRIBUTE: The TIME ATTRIBUTES, above, are further accentuated because they change the way that the notions of “short-term” and “long-term” are being applied. Whereas, for example, short-term has generally been considered to be within a year or two (or even, in financial markets, the next quarter), and long-term might be as much as four or five years, climate change considerations are forcing new habits. In the climate-change context, short-term more often means twenty-to-thirty years, and long-term often refers more to a hundred years or more.

Development and policy implications: At the very least, use of these notions, as speech acts, must be done carefully and with full awareness of how they can be misconstrued by different actors operating within different policy and decision contexts. Actually thinking in these terms requires conscious effort, since their defining character pushes the limits of what is usual practice. In spatial planning, for instance, working in terms of 100-year-plans is still visionary and experimental, even if called for with increasing frequency in climate change discussions.

COST ATTRIBUTE: Many of the other attributes in this table can be expressed in terms of the cost attribute. Its relevance for climate change response is that it is so dependent on the other variables. The most relevant constraint for cost as a driver of change relates to the TIME ATTRIBUTE, which makes it difficult to motivate expensive and perhaps drastic measures, in the present, on the promise of a return in the very distant future. The questions of *who* will pay, and of “How much is enough?” are also crucial.

Development and policy implications: It is essential that the costs of doing something now are compared to what the costs will be if one waits (this echoes the Stern Review’s conclusions).

VALIDATION ATTRIBUTE: This involves comparisons of choices based on their value. Asking the value to whom, for whom, and instead of whom, are essential to such considerations. Often, climate change produces conflicting and contradicting choices. An example is found in regions where both floods and droughts can occur alternatively within the same year. Another is when crops are sown for their value as fuel, instead of food, in an era when global food supply is under growing pressure.

Development and policy implications: Evaluating the impacts, costs and desirability of climate change responses can be a source of tension between different actors and lead to passivity, conflict and mistakes in the choices made. Decisions must be made in open and transparent processes of public choice that assure the optimum fair results.

RELEVANCE ATTRIBUTE: Who are the actors who are most relevant to the particular climate change response that is under consideration? In situations where the relation between the rural and non-rural are paramount (for example, when a region has relevance and value for non-residents, such as for recreation, etc.), the question of relevance of one climate change variable over another becomes important. Should the region give priority to the non-inhabitants, or to its inhabitants, in choosing the climate change characteristic to address?

Development and policy implications: There need to be consistent processes of public consultation and thorough, on-going assessments, analysis and research into the relevance of different regions for different actors and according to a variety of valuations.

SCALE ATTRIBUTE: Appropriate responses to climate change are often dependent on ever finer scales of resolution in the detail of knowledge and data that are required. A recurring issue among planners and other professionals and actors who need to figure climate change into their work is to know at what scales the detail starts to become a problem rather than an asset. How much detail is required? How much is enough? When does information overload set in and the quantity of data becomes counterproductive?

Development and policy implications: Every administrative and policy organization needs to define clear priorities, goals and visions for its work so that the role of climate change response is well understood. Doing so assists the organization in knowing what the requirements for knowledge and information are, and how best to proceed in defining the research and acquisitions for achieving those objectives.

GENDER ATTRIBUTE: An understanding of the gendered character of response to climate change is emerging, but as an attribute faces incomprehension from professionals working with climate change response. Whereas much of the current response to climate change focuses on issues of technology, transport and energy, for instance, a gendered approach to climate change brings in questions of social welfare, care of the elderly, interactions between the transport system and the school system, life quality, neighborhoods, livelihood, equality and health into an awareness of the implications of climate change.

Development and policy implications: It is clear that a gender perspective on climate change broadens the understanding of the appropriateness and adequacy of response measures. Rather than focusing on a merely technocratic approach to climate change, the gender attribute drives change towards a more "broad-spectrum" comprehensiveness that reaches more deeply into more areas of human dimensions of climate change. It is imperative that all forms of organization would benefit from examining how an understanding of the gender attribute of climate change can enhance and deepen their response to its challenges.

PARADIGM ATTRIBUTE: If one considers all the attributes listed here in these pages, then we can see that climate change has a paradigmatic quality. It forces us to change the way we think and understand our world and our experience. Although climate change has been a component of the sustainable development discourse ever since the latter's beginnings in the 1970s, climate change has emerged from a position of having been defined by the sustainability discourse to its opposite; the challenge of climate change now engulfs and defines what is sustainable. This is a

paradigm shift that may have profound implications for the interaction between humanity and the rest of nature for many generations to come.

Development and policy implications: Policy-makers need to see how climate change creates new parameters of the possible. In a sense, this is a different approach to sustainable development, where the conditions of what is sustainable are much more affected by the natural limitations imposed by climate change than by choices reached as the result of social discourse on what limits are desirable. The paradigmatic quality of climate change presents an opportunity for, but also demands, openness to rethinking every aspect of human ecological interactions.

DEFINITIONAL ATTRIBUTE: Defining climate change, knowing how relevant it is and assessing how quickly it changes are among the issues that create the most uncertainty for development planners and policy-makers. One worrying trend is that even though the IPCC's reviews of the state of available knowledge on climate change provide enough grounds for concern, they are proving to have been on the conservative side of probability estimates. As more studies are released, their results are proving even more dramatic than the IPCC's. Another matter is that energy issues and climate change issues are becoming ever more coupled, so that it is increasingly difficult to consider them in isolation. Considering them together provides clues to the complexity inherent in finding synergies between adaptation and mitigation measures.

Development and policy implications: The precautionary principle is worth following when considering every aspect of climate change response. We can ask, "What could happen if we *don't* do this (action)? Is it worth the risk?" We should be prepared for the eventuality that the results of current scientific studies may prove more conservative than what actually occurs. When actors in the energy sector pursue discussions and decisions where climate change is not mentioned, the appropriate authorities should ensure that they reconsider. A full-scale consciousness-raising on the interconnectivity and coupling of energy and climate change questions should be pursued.

CAUSALITY ATTRIBUTE: Causality has at least three main aspects. Firstly, it is not easy to motivate locally-based mitigation measures when it is so difficult to see how what one is doing (as mitigation) can actually have an impact that might have any relevance on the global scale. Secondly, a sense of powerlessness can infiltrate local attitudes when direct local impacts of climate change have diffuse global sources. Thirdly, given the first two points, it can be tempting to see the local situation in isolation. The larger contextual frames, related as they are to the global scales involved in the climate change problematique, may be ignored. (For example, inhabitants of a cold region may welcome climate change and reject learning anything about it that might disturb their positive view of it.) This approach can risk overall security for the regions involved, as indicated by the recent formal recognition by, for example, the United Nations Security Council, that climate change poses a threat to national and international security. Space prohibits full explication here, but it suffices to say that the dynamics of terrorism, as one example, have surely shown that seeing a region as being in isolation from global social currents is to ignore the global reach of conflictual, civilizational issues into every corner of the world.

Development and policy implications: The peculiar attributes of climate change call for radically innovative thinking among development professionals, policy-makers and other actors involved in responding to it. It is important to recognize that it will create challenges, conditions and circumstances that have never before been faced by humanity, on a scale that is unique in history, and that it is likely that many of its most dramatic effects are at present unforeseen. It is best for us to respond and act

in a manner that gives every imaginable benefit of the doubt to the possibility that climate change will surpass anything we can predict at present.

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Scientific Working Paper No. 9

Farm Structural Change and the Role of Agriculture in the Rural Economy

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LIST OF ABBREVIATIONS

AWU	Annual working unit
D.O.C.	Drivers, opportunities, constraints
EDORA	European Development Opportunities for Rural Areas
SERA	Study on employment in rural areas
GATT	General Agreement on Tariffs and Trade
WTO	World Trade Organisation
FSS	Farm Structure Survey
FADN	Farm Accountancy Data Network
CAPRI	Common Agricultural Policy Regional Impact Analysis
ESU	European Size Units
NRE	New Rural Economy
SGM	Standard Gross Margin
LSU	Livestock Unit
UAA	Utilised Agricultural Area

SUMMARY

This report reviews recent research (both conceptual and empirical) on farm structural change and the role of agriculture in the rural economy, with a view to highlighting the key trends affecting different kinds of rural areas, identifying potential implications for the future, and drawing conclusions with respect to rural development policy.

As is common knowledge, the role of agriculture in the rural economy of Europe has been in steady decline for decades, indeed centuries. It is being superseded by various kinds of “New Rural Economy” (NRE). This change has proceeded to different degrees in different parts of the EU, generally it is more complete in the centre, north and west, and less advanced in the south and east. The NRE is a variable concept, and often shares many characteristics with the economy of adjacent urban areas.

“Modernisation” is generally considered a policy of a past era, which has been superseded by new paradigms, such as “ecological modernisation, commodification, multifunctionality and post-productivism. The concepts of peri- and para-productivism are considered helpful descriptions of common directions of change in many parts of rural Europe.

The process and determinants of agricultural employment trends are briefly reviewed, followed by a presentation of the pattern of change in employment and farm structures across the EU. Patterns of pluriactivity and diversification are also presented. Since much of the early discussion reflects a view from the centre and north of Europe, a specific account of the Mediterranean situation is included. The review of empirical research concludes with an overview of patterns of expenditure under Pillar 2 of the CAP.

Drivers, opportunities and constraints, in relation to the development of rural areas are discussed under three headings; the declining role of agriculture in the rural economy; structural change within the farm sector, and; commodification of the rural environment, culture and heritage.

The discussion concludes first with some hypotheses regarding future perspectives, and then with some policy implications. The hypotheses are as follows:

- The importance of agriculture for rural economies will further decline at a more or less constant rate.
- The production of non-commodity outputs will gain importance in comparison with the production of commodity outputs. The possibilities for valorisation of non-commodity outputs will increase.
- The environmental impacts of intensive farming, and agriculture’s contribution to greenhouse gas emissions, will become less acceptable to the urban majority. The locational and technological changes which result will have consequences for farm structures in some regions.
- There will be an increasing regional specialisation of agriculture – more marginal areas with smaller holdings becoming increasingly peri-productivist, and more fertile, large farm areas becoming more para-productivist.
- Agricultural structures and “styles of farming” in the EU27, but also among the NMS12, are characterised by considerable differences. It is likely that the dualistic farms structure – with a huge number of small, often semi-subsistence farms on the one hand a small number of very large farms, accounting for a large

share in agricultural production – which is characteristic for many NMS will continue.

- Climate change will affect regions in the EU in different ways: some regions will benefit from improved weather conditions, other will suffer. Farmers in all regions will face more extreme and variable weather conditions.
- Some structural change will result from increased production of energy crops (and other renewables), and the incorporation of alternative energy production into farming systems.

The policy conclusions are orientated towards territorial rural development policy, rather than agriculture policy or sectoral rural development. They consider both the opportunities and the challenges presented by the release of labour from agriculture. They reflect the increasing demand for commodification of environmental and cultural public goods, and the importance of links between agriculture, leisure and tourism. Appropriate responses to climate change, to demographic ageing within farming communities, and the impacts of the recession all need to be addressed. The conclusions also point to the need for “tailored” and targeted rural policy, reflecting the differing needs of rural areas.

The specific recommendations are as follows:

- The more or less constant release of employment from agriculture will continue. This release should be seen as an opportunity for rural development, which can act as a resource for the New Rural Economy.
- However rural development needs to take the human capital constraints associated with ex-farm labour seriously – to overcome the labour market segmentation issues described in the 2.11(b) employment report .
- The shift from sectoral to territorial rural development policy needs to continue, to accelerate and deepen, in order to reflect the reality of rural areas in most of Europe today.
- Ecological modernisation should increasingly take the place of simple “modernisation”, which is less appropriate in the current market and cultural context.
- The substantial demand for rural environmental and recreational public goods (which are at least partly also provided by the agricultural sector) needs to be better understood, especially in terms of exploring means of commodification.
- The nexus between farming and tourism needs to be better understood, for example, in relation to opportunities for collective promotion.
- Rural policy needs to effectively recognise and respond to the variety of situations and needs in different kinds of rural areas, (i.e. tailoring and targeting of support).
- Rural development policy should address the social issues associated with the ageing of the farming (and wider rural) community.
- We need to understand the relative impacts of the recession on traditional rural economies v. New Rural Economies. Is the recession an opportunity for accelerated restructuring...? If so, how can policy best help? The concept of the Green New Deal may be relevant here.
- Provision of rural socio-economic statistics needs to continue to move away from agricultural structures and production, towards issues of rising importance, including rural tourism and recreation, environmental indicators, access to services, quality of life and so on.
- Before we can develop a rational response to climate change effects on agriculture we need to more systematically monitor the signs of its impacts on different kinds of farming systems and rural areas.

1. INTRODUCTION

1.1. Aims and objectives of EDORA

The point-of-departure of the project is the recognition that, rather than becoming more uniform in character, the European countryside is becoming more diverse than ever. The increasing differentiation produces both new policy challenges and new development opportunities. There is therefore a need for a better understanding of the development opportunities and challenges facing diverse types of rural areas in Europe. The underlying demand for such knowledge is to support targeted policy development and to bring forward new principles for policy formulation at all levels.

Two key research questions have been set by the technical specification of this project:

- What are the development opportunities of diverse types of European rural areas and how can these resources contribute to improved competitiveness, both within the respective countries and on a European scale?
- What are the opportunities for increasing regional strengths through territorial cooperation, establishing both urban-rural and/or rural-rural partnerships, supporting a better territorial balance and cohesion?

There is a very clear policy rationale for the focus upon rural differentiation, drivers of change, opportunities and constraints. It has three main elements:

- o The 2000 Lisbon agenda, which sets overarching objectives for growth through building a competitive knowledge economy, increasing employment, through innovation and entrepreneurship, whilst respecting and enhancing social cohesion.
- o The Gothenburg Agenda, which seeks to ensure that growth is compatible with environmental objectives.
- o The Fourth Cohesion Report, and, more recently the Green Paper on Territorial Cohesion which have drawn attention to regional specificities as a potential resource, which may provide a counterbalancing force to agglomeration, as a foundation for economic development.

1.2. The D.O.C Approach and the Selected Themes

Enhancing our understanding of differentiation processes in rural areas, and the nature of development opportunities and constraints requires a research approach which fully reflects recent conceptual advances. These have sometimes been “packaged” in holistic narratives such as rural restructuring, ecological modernisation, the consumption countryside, multifunctionality, post-productivism, endogenous development, the network paradigm, and globalisation.

Whilst the above “big ideas” are valuable in drawing attention to relationships between different kinds of rural change, it would seem appropriate for the conceptual framework of this project to be based upon a more disaggregate thematic approach, which allow us to distinguish “drivers” of change, from regional or local structures and characteristics which either allow development “opportunities” to be exploited, or act as “constraints” which hinder such exploitation. For the sake of brevity this framework will subsequently be referred to as the D.O.C. approach.

Nine themes have been selected:

- (a) Demography
- (b) Employment

- (c) Rural business development
- (d) Rural-urban relationships
- (e) Cultural heritage
- (f) Access to services of general interest
- (g) Institutional capacity
- (h) Climate change
- (i) Farm Structural Change

Each of these themes will be explored in terms of the relevant scientific literature, patterns and processes of change, the development of appropriate and operational regional indicators, future perspectives, and policy implications.

Although some of these themes can be seen as predominantly focused upon exogenous drivers of change, whilst others are more concerned with local opportunities and constraints, the D. O. C. framework will be applied across all themes.

1.3. Introduction to the theme

Whilst it is recognised that primary industries still dominate rural Europe in land-use terms, and European rural development research and policy has hitherto exhibited a strong “agrarian bias”¹, it was a specific requirement of the specification for EDORA (p6) that: “*Particular attention shall be paid to development opportunities outside the agriculture and forestry sectors.*” This accounts for the fact that a thematic working paper on farm structural change and the role of agriculture in the rural economy was not originally envisaged in the proposal. It has been added, however, since it was quickly recognised that the relative importance of agriculture, and regional farming characteristics, may interact with and influence the nature of the rest of the rural economy, and *vice versa*. As such it is helpful to appreciate the role of agriculture, and main features of farm structural change as context/background, to include them as elements of the “Grand Narratives”, and to incorporate their regional patterns into the EDORA typology of rural areas.

There is of course a wealth of literature and data sources relating to the declining role of agriculture and changing farm structures. However, as this theme is not within the direct focus of the project, and this working paper was not envisaged in our project proposal, it is appropriate to be selective in the presentation which follows. The intention will be to highlight aspects of farm structural change associated with agriculture’s declining role in the rural economy, and for which there is reason to believe that they interact with the development of new rural economic activities. This effectively points us to the issues of diversification and pluriactivity, and (more indirectly) farm size structures and the shedding of farm labour.

1.4. Methodology and data sources

In keeping with the fact that this theme has been added in order to provide contextual information (rather than as a source of development opportunities *per se*) this working paper will be (predominantly) based upon secondary sources, and existing analyses. The methodology will therefore be primarily a conventional literature review, drawing upon both academic and policy literature, both conceptual and empirical. A major source of empirical information will be the DG Agriculture SERA (Study on Employment in Rural Areas) project (Copus et al 2006).

¹ See the Annex to the EDORA Inception Report for a discussion of the implications for the design and implementation of EDORA.

Suggestions for indicators and contributions to the ESPON Database will be made primarily for the purpose of structuring the EDORA typology. These will draw on sources such as the European Farm Structures Survey (FSS), The Farm Accountancy Data Network (FADN), and DG Agriculture's annual "Rural Development in the European Union" reports.

1.5. The structure of this report

The second section of the report presents the "state of the art" in terms of both the conceptual discourse, and recent empirical analyses, highlighting those which present European-wide patterns and trends, and also those which analyse regional differentiation, and the relationship of farm structural change with change in the rest of the rural economy. The third section discusses and summarises these findings in the context of the EDORA conceptual framework, especially the role of farm structural change as part of the evolving regional/rural context for the development of new rural economic activities. This section will consider the popular "pathways" and dichotomies of farm/rural restructuring. The fourth section will consider how "narratives" of farm restructuring may be translated into maps by the use of appropriate indicators. This will be followed by a discussion of the likely future continuation of farm structural change, leading to a final discussion of policy implications.

2. THE STATE-OF-ART

2.1. Conceptual and theoretical approaches

2.1.1 *The Role of Agriculture in the Rural Economy*

Although farming accounts for a substantial proportion of the land use of rural Europe, it plays a relatively small, and declining, role in the economy of most rural areas (section 2.2). Nevertheless, in some regions in the new Member States, but also in Greece and Portugal, the primary sector still accounts for more than 40 per cent of total employment whereas its share in gross value added is much lower. Also in some other regions farming continues to form a key component in “clusters” of related economic activities, along with upstream or downstream businesses, such as food processing, farm input manufacture, or tourism/recreation. In other parts of the ESPON space forestry plays a similar role.

Within the rural development (academic and policy) community various “characterisations” of the rural change have emerged as rationales for the continued dominance of sectoral, (rather than territorial) interventions.² These include “rural restructuring”, “post productivism”, “ecological modernisation”, “multifunctionality” “commodification” and “the consumption countryside”. These will be described in more detail below. By contrast, in regional development circles, the centrality of land-based activities in the future development of rural areas, implied by these approaches, seems less accepted, and economic diversification is seen as the way forward. In this view the “New Rural Economy”, should be the objective.

The “New Rural Economy” (NRE) is a rather poorly defined concept, which in many ways turns out to be rather similar (in terms of sectoral structure) to that of urban areas. According to this view the economies of rural areas derive strength and thrive in similar ways to urban ones, through innovation, an entrepreneurial culture, having a well educated and trained workforce, institutional capacity/thickness, and a capacity to learn and change. However it is recognised that rural areas may encounter specific difficulties (such as a lack positive economies of agglomeration, high transport and travel costs etc.) which are nevertheless “balanced” by rural “comparative advantages”, such as “local embeddedness”, strong business networks (which substitute for agglomeration), and a working environment/quality of life which attracts/retains a high quality and loyal workforce.

2.1.2 *Modernisation and subsequent narratives of agricultural/rural change*

Much of the conceptual/theoretical literature relating to farm structural change is now relatively dated. It was associated with a focus upon “modernisation” and “productivism”; the pursuit of technical efficiency and economies of scale. These represent the ethos of sectoral “rural development” policy during the post-war period until the ‘eighties - when market conditions and an increasing awareness of the “negative externalities” of intensive agriculture ushered in the various CAP reforms of the ‘nineties and “noughties”.

Most commentators (Saraceno 2004, Ploeg *et al* 2000) view “modernisation” as outmoded and inappropriate as a basis for rural policy in twenty-first century rural

² The continuing dominance of sectoral measures in rural development policy is also caused by path-dependencies with the 2. pillar of the Common Agricultural Policy which traces back to the EU agricultural structural and agri-environmental policy measures.

Europe. However the farm restructuring measures which formed the “first wave” in the development of EU Rural Development policy (Saraceno op cit p46) still feature in the most recent Rural Development Regulation (1698/2005), and continue to be implemented by all Member States (MS).³ Indeed (as we shall see in section 2.2) structural change continues to be driven by both the market and technological environment (as well as by non-agricultural income opportunities).

Insofar as the agricultural economics literature continues to deal with farm “modernisation” specifically, it has, for at least a decade, focused largely on the problems facing the former communist countries. Here the issues are more complex than those of old Europe in the mid-twentieth century and include transition specific themes like land restitution and decollectivisation as well as the role of subsistence farms (Lerman, Csaki and Feder 2002, Burger 2001, Kostov and Lingard 2002, Abele and Froberg 2003), and so on. For the New Member States (NMS) farm modernisation has also been analysed with regard to the need to comply with the *acquis communautaire* and to become competitive in the EU’s single market. Many efficiency and productivity analyses were carried out which also shed light on the farm modernisation issue.

Otherwise, it is fair to say that the academic literature has rather lost interest in farm structural change in a Western European context. An exception are agent-based modelling studies (e.g. Happe 2005, Happe et al. 2008). Lobley and Potter’s (2004) review of farm restructuring in England is unusual, but very much reflects the changed times, by pointing to evidence of “disengagement from mainstream agriculture” among surveyed farm households. Weiss (1999) and Breustedt and Glauben (2007) are examples of an econometric strand of analyses of the determinants of farm exits and entries. However, in general, from the early ‘nineties onwards the Western European agricultural economics literature shifts focus from “modernisation” to economic diversification and pluriactivity (Marsden 1990, Fuller 1990, MacKinnon et al 1991, Edmond et al 1993).

A number of new concepts or “*narratives of change*” have emerged in recent years as candidates to provide an underlying rationale for EU Rural Development Policy’s slow shift from an almost exclusively sectoral approach in the direction of more territorial forms of intervention. Although these increasingly feature the word “rural”, rather than “agricultural” most of them still seem to assume the centrality of farming, and related industries, to the rural economy, and for this reason it is appropriate to describe them here.

Ecological Modernisation is perhaps not a very familiar term in the rural development literature, although it certainly has been considered (Marsden 2004, Young 2000) and it neatly summarises a common view of current agri-environment policy. It seeks to highlight potential “win-win” situations, where changes in farming practices result in *both* environmental *and* income benefits (including those from compensating payments from agri-environmental programs). This is in contrast with the former view that economic sacrifices in the present are necessary to “buy” sustainability in the future. *Ecological* modernisation differs from the modernisation of the post-war period in that it broadens the cost-benefit analysis beyond the neo-classical economic assessment of structural and technological changes within agricultural production, and takes account of more indirect effects on the broader rural economy. These

³ On average, the MS allocate 34 % of the total EAFRD budget to axis 1 “Improving the competitiveness of agriculture and forestry” in their Rural Development Programs in 2007-13 with measure 121 “Modernisation of agricultural holdings” as the most important axis 1 measure (European Commission 2008, p. 6-7).

include both opportunities for generating income from environment-based rural activities (on and off the farm) and perhaps also non-commodity public goods. In this way agri-environment schemes may be viewed not as compensation to farmers for sub-optimal production decisions, but as investments in environment-based activities which also benefit the wider rural economy and also urban “consumers”.

Commodification is a popular term to describe a process by which elements of the rural environment and culture (including farm landscapes and heritage) can become tradable commodities, or the basis of economic activities which can help to supplement the income of rural households. This is one of the indirect routes through which the benefits of agri-environment policies are assumed to be delivered. In the case of farm heritage tourism a new market is found for a rather intangible aspect of rural life which was hitherto not exploited. A slightly different, but related concept is that of the “*consumption countryside*” (Marsden 1999 p508), which, in contrast to the sectoral orientation of the “*production countryside*” it supersedes, “increasingly fulfils a role of socially providing a variety of marketed goods and services to non-rural people, who often wish to distance themselves from the pathologies of urban life, either temporarily or permanently.”

Multifunctionality is a commonly used term, emphasising the fact that agriculture, or rather farm households, exhibit positive externalities, because they supply a variety of goods and services beyond the traditional commodity outputs of food and fibre. These are linked by a variety of forms of joint production relationship. Such additional functions generally include an environmental stewardship role, and a contribution to sustaining rural communities. Many of these functions result in “non-commodity outputs”, or public goods (cf. OECD 2001, 2008).

There are different reasons that “multifunctionality” of agriculture has gained importance in political and – later on – in scientific discussions since the mid 1990’s. One reason is the declining role of agriculture in the economy. At the same time changes in agricultural production systems (intensification, farm and regional specialisation) and in societal preferences caused a change in relative scarcities. The production of commodities remunerated by markets has lost importance whereas, e.g., environmental outputs which are often public goods without markets, has gained.

The growing importance of multifunctionality has also to be seen against the background of the agricultural trade negotiations in the GATT Uruguay Round and the WTO Doha round. The EU has a strong agricultural policy interest in stressing agriculture’s production of non-commodity outputs in order maintain possibilities to reward farmers for these non-commodity outputs. The political concept of the “European Model of Agriculture” which is used by the EU since the late 1990’s stresses agriculture’s multifunctionality.

Against this agricultural trade context Swinbank (2001) titled a publication “Multifunctionality: A European Euphemism for Protection?” and leading some academics to regard it as “a simple ideological pretext” (Delgado *et al* 2003 p27)⁴. Others (McCarthy 2005) have suggested that it is a European view of a broader concept (known in North America as the “working landscape” – as distinct from “wilderness”) which stresses the multifunctionality of rural areas, and associated primary industries. More recently Marsden and Sonnino (2008) have distinguished three variants of multifunctionality paradigm, these are (in essence):

⁴ Similarly, Huylenbroeck and Durand (2003 p1) state that “...the EU has adopted the concept of multifunctional land use as a central principle to legitimate further support to agriculture...”

- Multifunctionality as a diversification/pluriactivity survival strategy for farm households which are unable to compete as specialist producers, at an appropriate scale for the current market environment.
- Multifunctionality of agricultural land, primarily to accommodate “post-productivist” demands for “commodified” environmental goods.
- Multifunctionality as a truly integrated approach to rural development, encompassing all the economic, environmental and social contributions of farm households; “...a proactive development tool to promote more sustainable economies of scope and synergy...that potentially re-embeds agriculture in its environment to promote rural sustainability.”(Ibid p2)

Post-productivism is, in one sense, a term which describes the wider processes of socio-political change which have delivered commodification and multifunctionality⁵. Evans *et al* (2002 p314) have described it as:

“a term that neatly captures a sense of fundamental change in postwar agriculture covering the political culture within which agriculture operates, the policy and market conditions under which farming takes place and the experiences of farmers themselves. It has also been successfully deployed within discourses on wider rural change which recognize the declining significance of agriculture in the social and economic fabric of rural space. Post-productivism implies that agricultural policies have moved beyond a principal emphasis upon sustaining and increasing levels of production and that farmers can no longer expect either to be handsomely paid for all the food they produce or permitted maximum freedom in the use of rural space for commodity production irrespective of other demands.”

They go on to argue (after Ilbery, Kneafsey and Bowler) that it has five components:

- the shift from quantity to quality in food production;
- the growth of on-farm diversification and off-farm employment (pluriactivity);
- extensification and the promotion of sustainable farming through agri-environmental policy;
- dispersion of production patterns;
- environmental regulation and restructuring of government support for agriculture.

However, after reviewing the empirical evidence for these components they conclude that post-productivism is “a theoretical cul-de-sac”, which by focusing on two (before and after) “states” has led to a neglect of the *processes* of change. Despite this criticism it is true to say that the concept has been in widespread use by researchers, and has undoubtedly had some impact upon the evolution of rural development policy in Europe.

Crowley, Walsh and Meredith (2008) elaborate a similar narrative, but with several interesting and helpful “twists”. They suggest that productivism persists, but in two different (modified) forms. They thus incorporate the widespread notion of structural duality, a process of polarisation which results in a “bimodal” farm population. The two components of this duality are termed “*para-productivist*” and “*peri-productivist*”. The former are said to “remain on the technological treadmill and increase output to maintain competitiveness, but do so in ways that reduce its negative externalities” (p14). These para-productivist farms are usually larger, more heavily capitalised, not pluriactive, and located in the more fertile regions. Peri-productivist farms tend to be smaller, more marginal, pluriactive, exploiting their “multifunctionality”, and heavily

⁵ However McCarthy (2005 p774) argues that the multifunctionality approach arose out of dissatisfaction with the “black box” character of post-productivism.

dependant upon policy support. They may have an older age structure than the para-productivist farms due to the difficulty in finding a successor (p187).

“This is described as peri-productivism, as farmers are still engaged in food production, but are not on the technological treadmill. As such they may be conceptualised as persisting on the margins of productivism, where farmers engage more with the broader economy” (p14)

Rural restructuring is another, similar term, from a political economy/sociological stable. Hoggart and Paniagua (2001 p42) describe it as “a qualitative change from one form of social organisation' to another...”, involving “fundamental readjustments in a variety of spheres of life, where processes of change are causally linked”. However Hoggart and Paniagua level similar criticisms against the term to those of Evans *et al* towards post-productivism: They feel that it has been too loosely and unquestioningly applied and has tended to obscure the ambiguity or inconclusiveness of the empirical evidence. It tends, they argue, to impose a false image of relatively recent/rapid qualitative change (from one state to another), whereas the reality is often a more incremental process. Nevertheless, the concept of restructuring has certainly been a significant background feature influencing the rural development policy discourse in Europe.

2.2. Review of the empirical evidence/analyses relating to the theme

In the course of economic development there is a general downward trend of agricultural employment and its overall economic importance and thus its role in the rural economy. Furthermore, it is often argued that structural change in agriculture is delayed due to imperfections in the factor markets leading to the overuse of labour in agriculture and income disparities between the agricultural and the non-agricultural sector.⁶ In this section, determinants of agricultural employment trends are briefly discussed and then the structure of agriculture in Europe is sketched by selected indicators.

2.2.1 Determinants of agricultural employment trends⁷

A literature review shows the following general factors which have influenced agricultural employment change and intergenerational farm transfers:

- labor saving technical progress,
- macroeconomic environment (as economic growth and off-farm employment opportunities),
- farm structure,
- socio-economic characteristics of the farmer,
- agricultural support policies.

Technological change leads to labour saving processes, which are adopted more quickly by larger farms (Glauben et al., 2006). In Western Germany, for example, between around 1950 and 2000, the calculated labour requirements per year for cereal production fell from 150 to 7 hours/ha (cf. Table 1). Although labour saving technical progress was most pronounced during the 1950s and 1960s, the ongoing

⁶ However, SCHMITT (e.g., 1991) argues that there is no empirical evidence of an inefficient labor allocation of farm households and stresses the importance of the theory of the farm household for analysing labor adjustment. For a recent discussion of different theories of structural change in agriculture see MANN (2003).

⁷ This section is taken from Baum et al. (2007). For a comprehensive overview on determinants of structural change in agriculture see Happe (2007).

reduction is still remarkable (Henkel, 2004), and there is a huge potential to shed labour in many regions which are dominated by small farms (see section 2.2.2 and Copus et al. (2006, pp68-74)).

Table 1: Calculative working hour requirements of selected production processes in farms with a high technical level in Germany, 1950-2000

	unit	around 1950	around 1960	around 1970	around 1980	around 1990	around 2000	around 2000, (large field sizes and large herds resp.)
Cereals ¹⁾	h/ha	150	100	27	10	9	7	5.5
Potatoe ²⁾	h/ha	320	285	70	50	40	32	22
Sugar beets ³⁾	h/ha	460	400	130	70	45	28	25
Hay	h/ha, 1. cut	77	65	18	10	8	7	6
Dairy cows ⁴⁾	h/cow	145	90	75	55	50	45	40
Pig fattening ⁵⁾	h/pig	8	4	2.5	1.2	1	1	1

Note: ¹⁾ Until 1970 including straw collecting, since 1980 without straw collecting. ²⁾ Since 1970 without sorting. ³⁾ Until 1970 with beet leaf collecting, since 1980 without beet leaf collecting. ⁴⁾ Without roughage fodder harvesting and without manure and slurry application. ⁵⁾ Without manure and slurry application.

Source: Henkel (2004, p. 149).

Regarding the *macroeconomic environment* it is frequently argued that particularly economic growth, and its associated increase in non-farm employment opportunities, facilitate labour outflow (Glauben et al., 2006; Swinnen and Dries, 2003). Empirical results of Andermann and Schmitt (1996) for Western Germany support this view. They identified sector income, farm input and output prices as well as the industry wage rate and general labor market conditions as explaining factors for changes in total farm labour.

Furthermore, there are significant differences in the labour force adjustment during transition in Central and Eastern Europe depending on *farm structures*. Regions with an already relatively low labour intensity at the beginning of transition have reduced labour significantly, while regions with a high labor intensity have kept labor (Swinnen and Dries 2003; Swinnen et al., 2005). Concerning the influence of farm structures in the EU-15 countries, Breustedt and Glauben (2007) revealed higher farm exit rates in regions with small, less specialized farms. Part-time farming turned out to be a stabilizing factor in this survey, a result which is contradictory to findings of other studies (e.g. Stiglbauer and Weiss, 2000; Tietje, 2004; Bojnec et al., 2003).

Labour mobility out of agriculture is also influenced by the *age and education of farmers*. A better education facilitates enhanced farm management but is also crucial for finding work outside agriculture. Middle-aged farmers without vocational education and off-farm work experience have limited possibilities (low opportunity costs) and are likely to continue farming until retirement. Therefore, labour mobility in agriculture is mainly restricted to young, well educated people. One of the main ways that adjustment occurs is by “non entry” into the sector by farm children, especially on small farms (Andermann and Schmitt, 1996; Hennessy, 2002; Swinnen and Dries, 2003).

Finally, farm workforce development in the EU is also influenced by the *Common Agricultural Policy (CAP)* which affects agricultural prices and farm income. In general, agricultural assistance policies influence the functioning of markets and attract more resources into agriculture than it would be the case in their absence. Differing rural development measures can have positive or negative labor impacts.

Generally, they are assumed to keep employment in agriculture but do not create jobs (Tamme, 2004).

2.2.2 Past development of agricultural employment and farm structure

The importance of agriculture for employment is diverse in the EU-27 with the share of primary sector employment in 2005 ranging at the Member State level from 1.3 % in Luxembourg (other MS below 3 %: Belgium, Germany, Sweden and Malta (no data for UK) to above 33.3 % in Romania (Bulgaria: 21.4 %, Poland 17.9 %).⁸

In the EU-15, agricultural employment has generally shown a continuous decline (cf. Copus et al. 2006). "In the Central and Eastern European countries (CEECs) – and in the German new *Bundesländer* – the development of the agricultural workforce since 1990 has been much more pronounced due to the restructuring processes during transition In Hungary, the Czech Republic, Slovakia and Estonia, there was a significant slump in agricultural employment in the early 1990s with annual average change rates of -10% to -30%, coinciding with a consolidation of large scale farm structures and the release of non-family labour. In Poland, the agricultural labour force was much less reduced. In Bulgaria, Romania and Slovenia until about 1998-2000 and in the first years of transition in Latvia and Lithuania, there was an observable increase in agricultural employment. This reflects the emergence of small family farms through the land privatization process, migration from urban to rural areas and subsistence agriculture acting as a social buffer during the development of a more market orientated economy." (Baum et al. 2007, p. 181).

In the EU15, between 1990 and 2005, agricultural employment (measured in AWU) decreased by 1.9 % p.a. (see Table 2) ranging from -5.3 % p.a. in Portugal to -1.0 % p.a. in Spain. Between 2000 and 2007, the annual decrease was faster (-3.1 % p.a. in the EU15 without Greece). In the EU27 (without Greece and Bulgaria) between 2003 and 2007, agricultural employment decreased at a similar rate (-2.9 % p.a.). Nevertheless, there are significant differences between the Member States. According to the statistical data, between 2003 and 2007 the decrease was most pronounced in Portugal, Finland, Latvia, Slovakia, Hungary, Cyprus and Lithuania (-7.2 % p.a. to -5.1% p.a.).

According to Farm Structure Survey data, in 2007 there were 12.3 mio. agricultural holdings in the EU27 (without Bulgaria, see Table 3) with an average size of 13 ha UAA (25 ha UAA in the EU15), 0.9 AWU (EU15: 1.1) and 12 ESU Standard Gross Margin (EU15: 27). 63 % of the holdings had at least some livestock (on average 17 LSU, EU15: 53). Table 3 shows significant differences among the Member States. Between 2000 and 2007, the number of holdings in the EU15 decreased on average by 4.8 % p.a. Whereas the average size of the holdings increased by 4.3 % p.a. when measured in hectares, the increase was less when measured in AWU (1.8 % p.a.). The decrease of livestock holdings (-6.6 % p.a.) was more pronounced than the reduction of the total number of holdings.

⁸ At the NUTS-3 level, this share is above 50 % in 12 regions (in Romania, Bulgaria and Portugal).

Table 2: Agricultural Employment in the EU and in Norway (in AWU and in % change p.a.)

	Agricultural Working Units (AWU)	Change of no. of AWU in per cent per year		
	2007	1990 – 2007	2003 - 2007	2000 - 2007
Belgium	65,600	-2.1%	-2.5%	-1.7%
Bulgaria	:	:	:	:
Czech Republic	137,310	:	-4.7%	:
Denmark	55,860	-3.1%	-2.1%	-2.5%
Germany	609,300	-3.0%	-3.0%	-0.2%
Estonia	32,070	:	-3.8%	:
Ireland	147,540	-3.0%	-2.2%	-1.9%
Greece	:	:	:	:
Spain	967,680	-1.0%	-0.8%	-1.5%
France	804,620	:	-3.1%	-2.3%
Italy	1,302,180	-2.3%	-3.1%	-0.7%
Cyprus	25,920	:	-5.3%	:
Latvia	104,790	:	-7.1%	-4.5%
Lithuania	180,140	:	-5.1%	:
Luxembourg	3,750	-3.0%	-1.4%	-2.4%
Hungary	403,420	:	-6.4%	:
Malta	4,220	:	-1.6%	:
Netherlands	165,110	-1.8%	-3.0%	-3.0%
Austria	163,330	:	-1.8%	-1.5%
Poland	2,263,150	:	0.8%	:
Portugal	338,040	-5.3%	-7.2%	-6.1%
Romania	2,205,280	:	-4.9%	:
Slovenia	83,720	:	-3.2%	-3.5%
Slovakia	91,290	:	-6.3%	-5.6%
Finland	72,390	:	-7.2%	-4.9%
Sweden	65,470	:	-1.9%	-1.8%
United Kingdom	341,370	-1.9%	-0.8%	-0.5%
EU15 without Greece	5,102,240		-2.8%	-3.1%
EU25 without Greece	8,428,270		-2.3%	:
EU27 without Greece, Bulgaria	10,633,550		-2.9%	:
Norway	56,260		-3.2%	-3.3%

Note: “:” = no data available.

Source: Authors calculations based on Eurostat Farm Structure Survey data.

Table 3: Number of holdings and farm size structure in the EU 27 and Norway

	2007						Change 2000 – 2007 in per cent per year.						Change 2003 – 2007 in per cent per year					
	No of holdings (in 1000)	Utilised agricultural area (ha)	per holding AWU: Labour force - directly employed by the holding	ESU: SGM of the holding	No of holdings with livestock	Livestock units per holding with livestock	No of holdings	Utilised agricultural area per holding	AWU per holding: Labour force - directly employed by the holding	ESU: SGM of the holding	No of holdings with livestock	Livestock units per holding with livestock	No of holdings	Utilised agricultural area	AWU: Labour force - directly employed by the holding	ESU: SGM of the holding	No of holdings with livestock	Livestock units per holding with livestock
Belgium	48	29	1.4	70	36	105	-3.5	3.4	1.9	4.1	-3.9	2.0	-1.9	1.7	0.5	2.6	-2.1	1.5
Bulgaria	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·
Czech Republic	39	89	3.5	41	28	72	·	·	·	·	·	·	-2.1	1.7	-0.6	3.7	-3.0	1.5
Denmark	45	60	1.3	80	28	161	-3.6	3.9	1.2	3.8	-4.9	5.9	-1.2	1.3	0.0	0.7	-2.2	2.4
Germany	370	46	1.6	49	266	68	-3.4	3.3	3.3	2.8	-3.9	3.0	-1.5	1.5	-0.2	-0.4	-1.8	1.3
Estonia	23	39	1.4	8	14	23	·	·	·	·	·	·	-6.3	8.8	4.4	11.1	-6.9	6.8
Ireland	128	32	1.2	19	122	49	-1.4	0.4	-0.5	-0.9	-1.5	0.3	-0.8	0.3	-0.5	-0.8	-1.0	0.1
Greece	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·	·
Spain	1,044	24	0.9	21	306	47	-3.0	2.3	1.5	8.2	-4.2	3.8	-1.3	1.1	0.8	4.5	-1.2	1.4
France	527	52	1.5	54	341	66	-3.2	3.1	0.9	3.1	-4.4	3.7	-2.1	2.0	0.4	1.8	-2.7	2.3
Italy	1,679	8	0.8	15	309	32	-3.5	3.3	2.9	7.7	-9.6	10.5	-2.2	1.8	0.4	6.0	-2.1	2.0
Cyprus	40	4	0.6	8	11	22	·	·	·	·	·	·	-1.7	0.7	-1.4	2.9	-1.4	0.8
Latvia	108	16	1.0	3	73	7	-3.8	7.1	-0.8	8.2	-4.0	5.6	-2.3	4.9	-1.9	5.9	-3.2	4.2
Lithuania	230	12	0.8	2	185	6	·	·	·	·	·	·	-2.4	3.3	-0.6	6.3	-4.4	2.6
Luxembourg	2	57	1.6	52	2	91	-2.8	3.3	0.4	5.4	-3.5	2.6	-0.9	1.2	0.1	2.8	-1.7	1.8
Hungary	626	7	0.6	3	440	5	-6.0	5.3	·	9.7	-7.1	3.8	-3.0	2.6	-0.8	5.2	-3.8	2.4
Malta	11	1	0.4	4	3	18	·	·	·	·	·	·	0.0	-0.7	-1.0	-7.4	-1.0	1.2
Netherlands	77	25	2.2	111	53	121	-3.9	3.2	0.9	3.1	-3.7	1.9	-1.5	0.9	-0.2	2.2	-1.2	1.8
Austria	165	19	1.0	17	115	21	-2.6	1.8	1.1	5.7	-2.7	1.6	-0.7	0.4	-0.3	2.6	-1.4	1.2
Poland	2,391	6	0.9	4	1,539	7	·	·	·	·	·	·	1.4	-0.4	-0.9	0.7	0.8	-0.9
Portugal	275	13	1.2	7	198	10	-5.7	4.5	-0.4	0.4	-6.6	3.7	-3.7	2.9	-0.4	0.2	-4.4	2.4
Romania	3,931	3	0.6	1	3,333	2	·	·	·	·	·	·	-1.9	1.7	-1.0	-2.4	-3.9	1.4
Slovenia	75	6	1.1	6	64	9	-1.9	2.1	-1.6	3.4	-2.7	1.4	-0.3	0.4	-1.5	3.6	-1.1	0.3
Slovakia	69	28	1.3	7	57	13	-0.4	-1.1	-5.2	-1.2	-1.6	-2.3	-0.6	-0.8	-3.1	0.0	-1.2	-2.3
Finland	68	34	1	24	27	42	-2.5	3.0	-2.5	0.7	-5.2	4.7	-1.3	1.7	-2.9	1.2	-2.8	2.5
Sweden	73	43	1	25	41	43	-1.6	1.9	-0.2	-0.8	-2.4	1.0	1.0	-1.0	-2.0	-2.0	-0.7	0.3
United Kingdom	300	54	1	31	181	77	3.7	-3.2	-4.0	-5.7	1.1	-2.8	0.9	-0.9	-1.4	-3.0	0.0	-0.5
EU15 *without Greece	4,802	25	1	27	2,028	53	-4.8	4.3	1.8	5.3	-6.6	5.6	-1.7	1.5	0.1	2.3	-2.0	1.7
EU 25 *without Greece	8,416	18	1	17	4,444	28	·	·	·	·	·	·	-1.0	1.0	-0.3	1.7	-1.4	1.0
EU 27 *without Greece, Bulgaria	12,347	13	1	12	7,777	17	·	·	·	·	·	·	-1.3	1.3	-0.4	1.8	-2.6	2.1
Norway	50	21	1	35	36	36	-4.9	5.0	1.6	5.1	-5.0	5.4	-2.2	2.1	0.3	3.3	-2.5	2.7

Note: Due to the different coverage of the Farm Structure Survey across Member States, the total number of holdings is not comparable between countries. "What is called a small or 'subsistence farm' in some countries could include what is named 'garden plots of non-agricultural households' in other countries." (Network of Independent Agricultural Experts in the CEE Candidate Countries, 2004, p. 10). Source: Eurostat Farm Structure Survey.

There are huge differences in farm size structures among the EU member states. Table 4 compares the shares of “small” and “large” farms. Since the minimum thresholds to be classified as an agricultural holding are not the same in the EU, a comparison of the numbers of “small” holdings or their share in the total number of holdings is somewhat misleading. Their shares in total UAA and total ESU are more meaningful. Whereas holdings with less than 5 ha account for less than 1 per cent of the total UAA in 6 old MS, this share is highest in Malta (80 %) and Romania (35 %). Within the EU-15, this figure is highest in Greece (26 %). Large holdings are most important in Slovakia and the Czech Republic. There, around 90 % of the total UAA is farmed by holdings with more than 100 ha, and most of the land is even farmed by holdings above 1000 ha.⁹ These two member states, but also others like Hungary, are characterised by a dualistic farm structure.

The share of holdings with less than 5 ha in total UAA or less than 4 ESU in total ESU might be taken as an indicator for the importance of (semi-)subsistence farming.¹⁰ Davidova and Fredriksson (2007, p. 31) summarise the contrasting view on (semi-)subsistence farming as follows: “Subsistence farming has for a long time been negatively perceived as ‘characterized by a low-external input level and low productivity’ and seen as synonymous with backwardness and inefficiency, holding down economic growth and economic performance` (Heidhues and Brüntrup 2003: 1-2) and ‘associated with poverty, low levels of technology, inefficient production and low levels of commercialization’ (Mathijs and Noev 2002: 3). However, during the past years a contrasting view of subsistence has emerged where it is argued that subsistence agriculture may have positive effects on transition economies. Brüntrup and Heidhues (2003) put forward arguments about the positive impacts of subsistence farming (e.g. as a way for people to survive under difficult and risky conditions, to cope with high transactions costs and in playing an important stabilising role in fragile economies). Kostov and Lingard (2004) also emphasize the stabilising role of subsistence farming and its positive impacts on the agricultural sector where there is no demand for the resources it employs within the commercial sector.”

⁹ For example, in Slovakia in 2003, holdings with more than 1000 ha accounted for more than 70% of the total UAA.

¹⁰ For definitions of subsistence farming see, e.g., Davidova and Fredriksson (2007, p. 3.).

Table 4: Share of "small" and "large" farms (measured in ha UAA and ESU) in total no. of holdings and total UAA and ESU resp. (2007, in %)

	Share of holdings <5 ha in total no. of holdings	Share of UAA of holdings <5 ha in total UAA	Share of holdings >= 100 ha in total no. of holdings	Share of UAA of holdings >= 100 ha in total UAA	Share of holdings <4 ESU in total no. of holdings	Share of holdings <4 ESU in total ESU	Share of holdings >= 250 ESU in total no. of holdings	Share of holdings >= 250 ESU in total ESU
Belgium	24.0	1.8	4.2	21.1	14.0	0.4	3.0	17.6
Bulgaria	:	:	:	:	:	:	:	:
Czech Republic	49.2	0.8	11.1	88.1	62.7	1.8	3.8	72.4
Denmark	2.9	0.1	18.5	61.1	10.5	0.3	8.8	49.2
Germany	22.3	1.3	8.7	52.3	25.4	1.0	2.4	30.6
Estonia	35.9	2.4	6.7	69.1	82.1	12.3	0.5	32.2
Ireland	6.4	0.6	3.5	16.5	29.7	2.9	0.2	8.2
Greece	76.0	26.5	0.1	4.7	54.8	13.3	0.0	1.8
Spain	52.2	4.6	5.0	56.1	38.4	3.5	0.8	22.0
France	24.0	1.0	17.3	54.8	21.0	0.7	2.1	16.3
Italy	73.3	15.9	0.8	24.9	54.7	6.3	0.6	25.6
Cyprus	86.4	28.7	0.4	16.5	69.6	12.6	0.2	12.7
Latvia	40.7	5.8	2.1	38.0	89.6	27.0	0.1	18.2
Lithuania	60.5	14.4	1.3	35.8	92.2	33.7	0.1	17.9
Luxembourg	17.5	0.6	18.3	46.8	13.5	0.5	0.9	5.4
Hungary	88.3	6.8	1.1	65.5	91.6	16.2	0.2	38.6
Malta	97.3	80.3	:	:	78.6	11.4	0.0	0.0
Netherlands	26.3	2.4	2.6	15.7	:	:	8.0	41.8
Austria	33.1	4.4	2.0	24.0	41.0	3.1	0.3	7.0
Poland	68.3	17.6	0.3	17.5	80.5	20.9	0.1	9.3
Portugal	72.5	10.0	2.0	55.9	75.4	15.6	0.2	13.8
Romania	89.6	35.1	0.3	37.6	98.3	66.0	0.0	10.2
Slovenia	59.0	21.8	0.1	7.0	67.6	20.0	0.2	15.0
Slovakia	86.7	2.7	3.2	90.2	92.9	7.9	0.8	61.6
Finland	9.2	0.8	4.7	20.1	21.9	2.1	0.3	5.3
Sweden	14.5	1.1	10.9	49.3	48.4	2.9	0.9	28.5
United Kingdom	27.5	0.9	15.7	70.0	55.6	1.3	2.1	34.0
Norway	9.7	1.4	0.8	5.4	8.1	0.7	0.6	6.5

Note: Due to the different coverage of the Farm Structure Survey across Member States, the total number of holdings is not comparable between countries.

Source: Eurostat Farm Structure Survey.

2.2.3 Pluriactivity and farm diversification

Many farm households are not only engaged in producing agricultural goods, but are also using parts of their production factors (labour, capital) for other economic purposes and are thus not only linked with the rural economy via the primary sector. "In 2005, 36% of the managers of family farms of EU-27 had another gainful activity, ranging from less than 20% in Belgium to close to 75% in Slovenia. Overall, pluriactivity of farmers seems to be more widespread in the Northern and Eastern Member States than in the Western and Southern ones" (EC 2008, p. 6). Farm diversification, which is one case out of three corresponding with pluriactivity¹¹, is

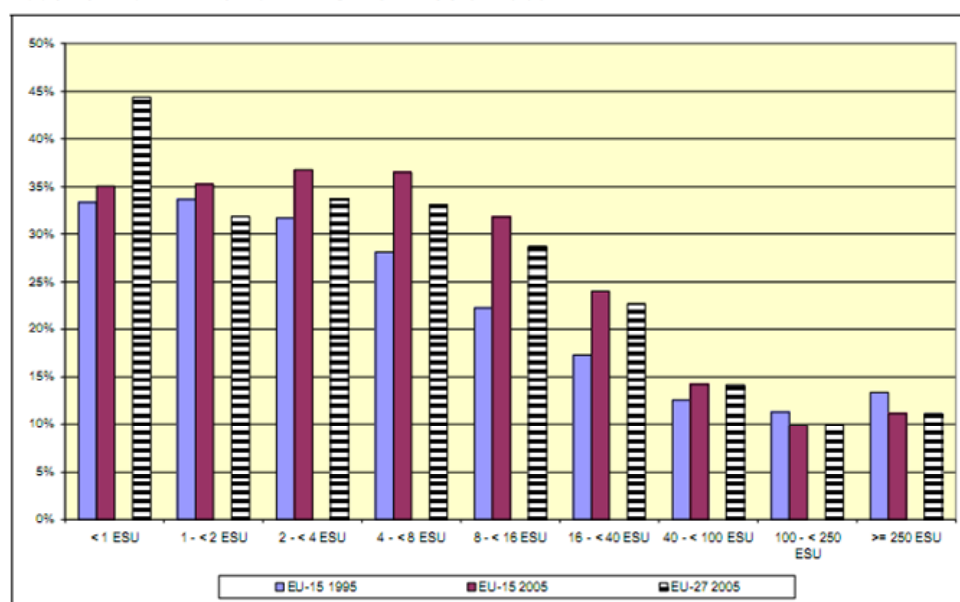
¹¹ Pluriactivity corresponds mainly to the following three cases: " (1) the family farm manager is employed in a non-agricultural enterprise, (2) the family farm manager is also employed on another agricultural holding (3) the family farm manager has set up diversification activities on his/her holding,"

implemented on 12% of EU-27 holdings. Unfortunately, financial data on the share of other gainful activities in the income of farm households are not available at EU level from European sources like the Farm Structure Survey.

According to the EC (2008) pluriactivity is mainly a feature of small farms, whereas diversification occurs more frequently on large holdings. For example, on farms with 0 to 2 ha, 41.5 % of the family farm managers are pluriactive, whereas the corresponding figure is only 15.3 % on farms with more than 100 ha. In contrast, the share of the family farms with diversification is only 10.2 % for farms with 0 to 2 ha, but 22.8% on farms with more than 100 ha. “In the case of farm diversification, the size of the farm also influences the type of activity set up, with small farms developing the processing of agricultural products, and larger ones contractual work” (EC 2008, p. 1).

Figure 1 shows that between 1995 and 2005 in the EU the share of family farm managers which are pluriactive increased in all size classes but above 100 ESU.

Figure 1: Share of family farm managers with another gainful activity than agriculture by economic farm size in EU-27 (1995-2005, in %)



Source: Eurostat – Farm Structure Survey

Source: EC (2008, p. 8).

Human capital can make a decisive contribution to the occurrence of pluriactivity “older farmers are much less pluriactive than younger ones: some 20% of family farm managers aged more than 65 y.o. are pluriactive, against close to 50% for those aged less than 54 y.o. Besides, a high educational attainment and an entrepreneur's mind are certainly advantages to launch new activities on farm.” (EC 2008, p. 2).

(EC 2008, p. 5) and thus means that the family farm manager has other (than agricultural) gainful activities. For the exact delimitation of pluriactivity and farm diversification see EC (2008, p. 43).

2.2.4 The Mediterranean view

The preceding discussion has tried to describe the situation and recent trends in farm structures across Europe. However, since it is derived mainly from the English language and German literature, it has inevitably neglected, to some extent, the special issues and patterns of change characteristic of the Mediterranean countries. It may be argued that although the same broad processes of development are evident here too, there are many distinctive aspects, which warrant a separate descriptive section.

“Agricultures in southern Europe are linked to other sectors through a fabric that takes different forms. In these joints lies its vitality. If these agricultures are diagnosed ignoring the specific criteria of the family farming operation and are subject to the measures of capitalists units, and even counted only on the basis of agricultural products that lead the market, the results are well known: the vast majority of farms is not feasible or competitive and, therefore, must be settled. The diagnosis only considers one dimension of these farms, their reductionist perspective is finally a solution to the legitimacy under the guise of so-called imperatives of economy” (Oliveira 2001, p. 119)

The family farm model of the EU15 divides into two major groups, with a clear demarcation line in the income per work unit (productivity). This indicator is associated with others (% of population working in agriculture, degree of professionalization of the agricultural work and importance of part-time work) that defined more clearly the separation between these two groups: the continental model (Denmark, Sweden, Finland, Netherlands, Belgium, Luxembourg, UK, Germany, Austria and France) and the Mediterranean model (Italy, Greece, Spain and Portugal) (Oliveira 2001).

Mediterranean agriculture is characterized by common production guidelines (MEDAGRI 2002) focused on the production of fruits (20% globally) and vegetables (17% of world). However competition from other non-European countries is growing especially in the case of vegetables. Olive oil, wine and sheep milk and cheese are typical of the Mediterranean agriculture and represent the majority of their respective global production. Also cereals, legumes, milk and meat products are traditional, although consumption exceeds production (Valls 2002).

Despite these common productions, Mediterranean agriculture is developed on a wide variety of ecosystems and environments, from floodplains to coastal hillside terracing mountain, passing through wetlands or arid areas that spread across the Mediterranean environment. There are two major production systems constrained by the availability of water: irrigation and dry land. Mediterranean irrigated farming areas provide very high levels of productivity due to the good weather, the availability of water (own or transferred) and fertile soils. By contrast, the dry lands, historically the most widespread forms of agricultural production in the Mediterranean, have much lower productivity and are subject to the consequences of cyclical periods of drought. However, irrigation causes the greatest environmental impacts and risks to sustainability. One of the most important trends in recent decades has been the transformation of traditional rain-fed agriculture into irrigating areas to increase production or to change the nature of production in order to generate greater economic returns.

Mediterranean dry lands are vast spaces in low-cost direct economic terms, but of incalculable value in other less mercantilist respects, such as planning, landscape or

reducing environmental risks (forest fires, erosion, proper filtering rainwater, etc.). These marginal lands have suffered decades of neglect due to the inefficiency of their production model and the ageing population of disadvantaged rural areas. Agricultural policy has focused on the regulation of production and increasing efficiency. Only those policies and processes related to the economic diversification of rural systems have allowed some economic revitalization, or at least slowing down of the process of abandonment of these rural areas (Noguera, 1999; 2005). It is, moreover, in these areas where action is most urgently needed for a new rural economy, focusing on diversification of the economic base and the transformation of agricultural production towards quality, geographic labels, agro or rural tourism.

Agricultural production in Mediterranean countries is influenced by several aspects:

1. Firstly, the constraints imposed by the natural environment, which include at least the shortage of available water resources, the continued presence of mountain environments that reduce the availability of productive agricultural land or, historically, the unhealthiness of the most potentially productive areas (the mostly narrow coastal plains) due to the prevalence of diseases such as malaria until the nineteenth century.
2. Secondly, by aspects relating to tenure systems and land use. This includes, on the one hand, the existence of regions in which agricultural systems of land inheritance have produced a progressive fragmentation of land ownership that has led to clearly unsustainable smallholders, and on the other, regions that historically have experienced a concentration of land ownership in few hands, which has led to large land properties in which the owner of the land is detached from the social fabric of the area and there is hardly any agricultural endeavour as the majority of farmers work as employees of large farms.
3. Thirdly, by factors related to socio-economic developments of recent decades. In this sense, the Mediterranean agricultural production systems are located in areas with a large urban development due to the increasing concentration of population in the Mediterranean coastal plains, to the impulses of tourism demand, and the demands of infrastructure, equipment and services from these cities. This produces conflicts over the use of land and other scarce resources (water) and an often exorbitant increase in the price of the land that makes the process of rationalization of agricultural structures even more difficult.

In the Mediterranean agri-food systems a variety of production characteristics coexists, even within the same region. Reasons are existing environmental differences, different levels of development of the Mediterranean regions and the different institutional forms that sustain them (Malorgio 2002). The average size of farms is higher in France and Spain, although in the latter case there is a sharp dualism between large farms in the Meseta and Andalusia, and smallholdings in the north and the Mediterranean. By contrast, the average size of farms is lower in Italy, Portugal and Greece, while Italy and Portugal are also affected by the duality described above.

In any case, the structure of farms in the Mediterranean shows a common trend, a decrease in the number of farms, and an increase in agricultural land use. Some authors attribute this trend to the demise of the regime of compulsory fallow and the current system of CAP aid. Furthermore, the declining number of farmers registered in all statistics can be related to the degree of aging of farmers and the progressive disappearance of the most marginal and unproductive.

In those Mediterranean countries where the contribution of agriculture to GDP and employment is low, agricultural production systems evolve towards improving quality,

thanks to the momentum of domestic demand and diversification of production. Conversely, in countries where agriculture is still an important part in shaping the regional or national economy, efforts are geared to increased production through improvements in productivity of resources used, taking into account the existence of limiting factors such as availability of arable land or water.

Societal acceptance of agriculture is beginning to be questioned in some Mediterranean regions where intensive irrigated agriculture (citrus, fruits and vegetables, in particular) represents a consumption of between 70% and 90% of available water resources. In some of these regions, tourism is vital in shaping the regional GDP. Some of the tourist and urban areas in these regions suffer from periodic water restrictions or have to make do with salt water due to inadequate supplies of potable water. This happens in the same environments in which agriculture still uses largely inefficient irrigation systems that waste enormous amounts of water (Sumsi Viñas, 2002).

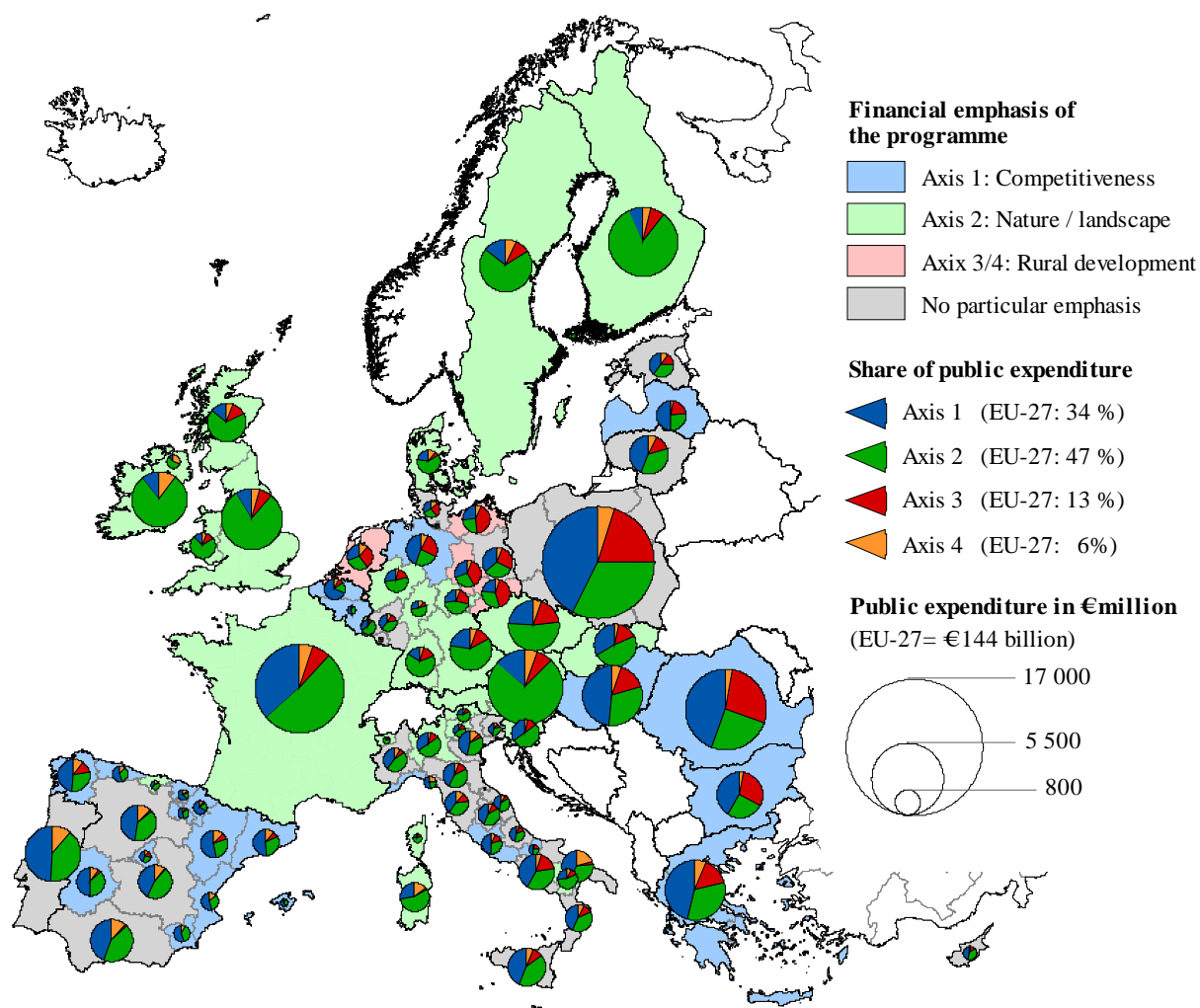
Societal acceptance of agriculture is also weakened by the intense use of chemical inputs that have been generating serious polluting processes in Mediterranean ecosystems. Particularly serious is the case of over-exploitation and pollution of aquifers in coastal plains, where intensive irrigation is used. In such areas, for decades the use of organic and chemical fertilizers and crop protection products, has led to contamination levels of aquifers by nitrates and sulfates that multiply the maximum thresholds allowed by European legislation for water safety. Overexploitation of aquifers has led to another problem no less important: a significant percentage of salinisation of groundwater reservoirs by the frequent intrusion of seawater. The structural shortage of water resources in the Mediterranean area increases the severity of the problem.

The growing water scarcity leads to greater competition for water among different uses. This is a problem which will almost certainly intensify with climate change. In this context concepts like marginal cost of water, the opportunity cost of water, are entering the water economics in agriculture and the setting of rates for irrigation water. In these circumstances it is hoped that in future only those irrigation systems that produce high value-added may bear the costs of processing and compete with other water uses (Carles, Avella and Garcia 1999).

2.2.5 Rural development program budgets in the EU

In the EU rural development policy (Pillar 2 of the CAP) axis 1 is aimed at improving the competitiveness of agriculture and forestry. 34 % of the total EAFRD budget for 2007-13 is indicated to this axis. In many MS axis 1 is the most important axis in terms of the indicative budget. This particularly holds for many new MS as well as for Belgium, Greece and most of the Spanish regions (see Figure 2). "Modernisation of agricultural holdings" is the most prominent single axis 1 measure, accounting for 31% of the total indicative axis 1 expenditures or 10.5% of the planned total EAFRD budget (EC 2008b, p. 7). The "diversification into non-agricultural activities" (measure 311) is encouraged via axis 3. It is planned that 1.7% of the total planned EAFRD budget or 12 % of axis 3 will be spent on this measure.

Figure 2: Financial emphases in Member States' Rural Development Programmes (2007–2013)



Note: Public expenditure includes EU expenditure and national co-financing. The Rural Development Programs are those approved by the Commission in 2008, i.e. they do not cover the additional expenditures agreed on in 2009 (Health Check of the CAP, EU Recovery Package). "Financial emphasis" means that the share of public expenditure for one axis is at least ten percentage points higher than for any other axis (Axis 3 and LEADER added together as "Rural development").
Source: Tietz and Grajewski (2009).

3. IMPLICATIONS FOR THE EDORA CONCEPTUAL FRAMEWORK

The following discussion seeks to reformulate the information presented in Section 2 in a way which is consistent with, and supportive of, the aims and conceptual framework of EDORA. It begins by considering which aspects may be considered drivers of rural change, and which present opportunities and constraints for rural development. This is followed by a consideration of the potential usefulness of some of the “narratives” of change in helping to structure the typology of rural areas (Activity 2.22), and the selection and analysis of “Exemplar Regions” (2.13 and 2.24).

3.1. Drivers, Opportunities and Constraints

It is rather difficult to separate drivers, opportunities and constraints, and the following overview will therefore discuss all three, in the context of the following themes, the declining importance of agriculture in the rural economy, farm structural change, and the increasing commodification of the rural environment, culture and heritage.

3.1.1 *The declining role of agriculture in the rural economy*

The *declining relative importance of agriculture* in the rural economies of most European MS is an inevitable secular trend in response to economic development and a rather inelastic demand for agricultural goods (Engel’s law), and has continued irrespective of the agricultural policy environment, and there is every reason to assume that it will continue to do so.¹² This is therefore a very important and stable driver of rural change. It is also a very important determinant of differentiation between regions, since during periods when the profitability of farming is under pressure, there is a tendency for activity to be concentrated in the most productive areas, whilst more marginal regions are forced to retrench and (if alternative opportunities exist) diversify.

Where alternative opportunities are scarce, especially in remote or peripheral areas, the consequence of the slow decline of farming activity may be out-migration, particularly of the young and better educated elements of the population, resulting in a “*syndrome of disadvantage*” (Gloersen *et al* 2006) and “*depletion*” of human, social and physical capital (Copus *et al* 2007).

However the relative decline of agriculture as a rural economic activity should not be seen as a uniformly negative driver. Whilst (together with technological change which increases productivity) it results in a steady decline in farm employment, this can be viewed as an *expanding labour resource* upon which the New Rural Economy may be built (inasmuch as agricultural employment has at least some significance for rural labour markets). A key constraint in this respect is the level of *education, training and “tacit knowledge”* among ex-agricultural workers. Hence there is a vital importance of support for training and re-skilling within rural development policy. There is also the possibility of *labour market segmentation* in rural areas, which presents less tangible barriers to movement of farm workers into the New Rural Economy (see the 2.11(b) report on Rural Employment).

¹² In some transition countries (subsistence) agriculture served a buffer role in times of economic hardship and as a means of survive. Under these specific circumstances, e.g. in Romania, the role of agriculture in the economy increased during the 1990s.

3.1.2 Structural change within the farm sector

Clearly the continuing *structural change of farm holdings*, the increasing contrast between large “commercially orientated” holdings and small pluriactive and diversified units, whether supported by policy intervention, or simply the result of market and technology trends, is a major factor in the process of increasing differentiation between rural regions, especially where agriculture continues to play a major role. This polarisation has important implications for the locus of market power and the degree to which rural areas are integrated into the globalised economy. Large scale commercialised holdings tend to be tied into supply chains which are often controlled by multinational companies and supermarket retailers, for whom price is normal basis of competitive advantage but for whom food quality and traceability have gained importance since the 1990s. Small scale producers tend to be attached to shorter, locally embedded supply chains, often competing primarily on quality rather than solely on price. However, they are often facing more problems than large scale producers to comply with food quality and traceability standards set by legislation or by supermarket retailers.

3.1.3 Commodification of rural environment, culture, and heritage.

Another driver of rural change is the increasing value placed by society upon the rural environment (including animal welfare), culture and heritage, and the increasing ability of the urban population to access it through leisure, tourism and counter-urbanisation. This is a driver with impacts far beyond the remit of this working paper. However it does play an important role in the restructuring/reorientation of the agricultural sector, particularly in “marginal” regions, e.g. mountainous regions, which are less price competitive than fertile regions. In marginal regions, opportunities present themselves through the process of “commodification” of public goods, and multifunctionality.

Leisure and tourism are important diversification opportunities in areas where the environment (particularly the landscape and climate) are favourable. In northern MS, however, extreme seasonality of demand is a significant constraint. Even during a period of retrenchment of consumer spending and high energy prices, together with concerns about carbon footprints and global warming, rural tourism in northern areas struggles to compete with warmer destinations which have more “reliable” weather.

The more accessible rural areas of the EU frequently coincide with the more fertile and productive farmland. In these areas specialisation and large scale commercial systems, integrated into globalised agri-business supply chains, are a development option for some farmers.¹³ On the other hand good access to large numbers of very mobile and affluent consumers presents an opportunity for small-scale producers of niche and high quality products which may be sold directly to urban consumers or marketed via “short supply chains”.

More accessible rural regions in Europe are generally showing more positive (or less negative) trends in population and employment, through the process of “counter-urbanisation”, which reflects the attractiveness of the residential and working environment, “agrarian” quality of life, and the absence of urban congestion. In many such areas diversification of the economy and the development of the “New Rural

¹³ Also in many less fertile regions, there are specialised farms, often due a lack of agricultural alternative (e.g. dairy and sheep production in mountainous areas, vineyards in specific areas, pig and egg production in less fertile regions with access to harbours).

Economy”, with its strong secondary and tertiary sectors has already taken place, absorbing the labour shed by the agricultural sector. These regions have been described as “accumulating” (Copus et al 2006). In some of these regions, depending upon the land-use planning tradition and regulatory context, sub-urban sprawl and congestion may threaten the environment and quality of life which are the basis of their recent “success”. In-migration may also threaten social cohesion and the traditional (agrarian) culture and heritage.

Table 5: Summary of Drivers, Opportunities and Constraints relating to the role of agriculture in the rural economy and farm structural change

Drivers	Opportunities	Constraints
Long-term decline in importance of agriculture in the rural economy	Ex-farm labour as a human capital resource	Inappropriate education, training, and “tacit knowledge” in the context of NRE activities.
Structural change in farming sector. Polarisation/dual structure, large scale commercial, and small-scale pluriactive.	Small farms with short locally embedded supply chains focus on demands of high quality niche markets.	Large scale technologically efficient farms often vertically integrated into global supply chains – the market power located elsewhere.
Commodification of environment, culture and heritage.	Leisure and tourism as diversification/pluriactivity options. Niche products, short supply chains. Counter-urbanisation.	Seasonality of tourism in northern regions. “Suburbanisation” of accessible rural regions, weakening of agrarian QoL and social cohesion.
Growing demand for food quality and traceability	Growing market shares for farmers producing high quality products	Increasing costs to comply with private and state standards, loss of market shares for those farmers how cannot comply
Climate change	Improved climate conditions in some regions	Deteriorated climate conditions in some regions, higher probability of extreme weather conditions

3.2. Narratives/pathways of rural change

Another way of looking at the processes of rural change which have been described above is to separate out a number of dichotomies of regional differentiation and “pathways” of change. It is not intended to imply that these pathways are independent of each other, any individual region may combine several of these. Similarly different parts of the region, or different parts of the economy, may be moving along different paths, or be at different positions relative to one of the dichotomies. However, for the purpose of clarity it is helpful to separate them out.

3.2.1 Agricultural – Diversified rural economy

There are not so many truly “agricultural” regions left in the EU. In the EU15, especially in the central and northern MS, most regions are a long way down the

pathway towards the “diversified” end of this dichotomy.¹⁴ Except in a few rather special circumstances (perhaps Romania) most regions are moving steadily away from a dependence upon agriculture.

3.2.2 Para-productivist – Peri-productivist

This dichotomy/pathway relates to the individual farm businesses rather than to the rural economy as a whole. The inclusion of the term “productivist” at both extremes emphasises the fact that almost all farm businesses are still responsive to market demands¹⁵, and absorbing technological change to some extent. At the para-productivist end of the spectrum, productivism is ameliorated by regulation to provide environmental protection, food safety, animal welfare and so on. At the other end of the pathway production for the conventional commodity markets is a minority element of the system, alongside on-farm diversification and off-farm employment, and a contribution from subsidies designed to reward farmers for provision of environmental public goods. Farm structural change seems to effect a gradual “sorting” of businesses, shifting the profile in the direction of a bimodal distribution, with large para-productivist farms in one “mode”, and small peri-productivist farms in the other. The relative importance of these groups varies, some more productive areas have a majority of para-productivist farms, whilst in more marginal and remote regions, the peri-productivist group will be dominant.

¹⁴ There are now many regions in the EU, where the role of agriculture in the economy is so marginal that an increase of agriculture would contribute to a more diversified economy (if one takes the term “diversification” literally).

¹⁵ This does not hold for subsistence farms (see section 2.2).

4. PROPOSAL FOR THEME RELATED INDICATORS

Table 6: Proposal for Theme Related Indicators

Concept/Issue	Brief Description of Indicator	Type:	Potential Source(s)	NUTS Level
		P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
Restructuring of farm holdings in order to exploit economies of scale and/or new technology.	Average size of holdings >1 ESU in ESU (most recent data)	P	Farm Structure Survey (Eurostat REGIO EF_R_NUTS)	2/3
	% of holdings >X ESU (most recent data, X to be selected from the size structure categories of the REGIO table) in all holdings > 1 ESU	P	Ditto	2/3
	% change in number of holdings >X ESUs over the past 5 or 10 years.	T/D	Ditto	2/3
	% of Holders who are full-time (FT)	P	Ditto	2/3
	% change in number of FT Holders over the past 5 or 10 years.	T/D	Ditto	2/3
Productivity of Labour	AWU per ESU (SGM) – (Most recent data)	P	Ditto	2/3
	% change in AWU per ESU (SGM) over the past 5 or 10 years.	T/D	Ditto	2/3
Intensity of land use	Nitrogen fertiliser input per ha (kg N/ha)	P	CAPRI	(2)
Agrarian Human Capital	% of holders >55 years	P	Farm Structure Survey (Eurostat REGIO EF_R_NUTS)	2/3
	% of holders <35 years	P	Ditto	2/3
	% change in holders >55 years over the past 5 or 10 years	T/D	Ditto	2/3
	% change in holders <35 years over the past 5 or 10 years	T/D	Ditto	2/3
	% managers with basic or full agricultural training (Most recent data)	P	Rural Development in the European Union 2007	3

Concept/Issue	Brief Description of Indicator	Type:	Potential Source(s)	NUTS Level
		P = Pattern T = Trend D = Driver O = Opportunity C = Constraint		
Degree of agricultural Specialisation	% of holdings, livestock units or UAA from mixed farming systems (General Type of Farming 6-8) (Commission Decision 85/377/EEC)	P	EUROSTAT (FSS) Latest update: 20.02.2009 Oldest data: 2000 Most recent data: 2007	2
	Evenness of no. of holdings, livestock units and utilized agricultural area across relevant General Type of Farming System per regional Unit (Shannon index)			
Pluriactivity and Diversification of agricultural holdings	% of holders or managers (farmers) with an OGA Importance of farm diversification of agricultural holdings	P	Rural Development in the European Union 2007 (EUROSTAT (FSS))	2/3

Note:

An important data source is the Farm Structure Survey. It is important to be aware that the definition of an agricultural holding is not harmonised within the EU, which particularly holds for the minimum threshold to be classified as a holding. "What is called a small or 'subsistence farm' in some countries could include what is named 'garden plots of non-agricultural households' in other countries." (Network of Independent Agricultural Experts in the CEE Candidate Countries, 2004, p. 10). Eurostat points out that due to the different coverage of the Farm Structure Survey across Member States, the total number of holdings is not comparable between countries and therefore, often only compares holdings above 1 ESU.

5. THE DYNAMICS OF RURAL DIVERSITY – FUTURE PERSPECTIVES – FORMULATION OF HYPOTHESES.

One of the most important lessons of the recent “history” of agriculture in the EU15 member states is that although farm policy changes or short-term market fluctuations may trigger significant and sometimes rapid responses in terms of the balance of enterprises and land uses, the medium and long-term trend in the overall scale of the sector (in terms, for example, of share of regional employment, or value added), continues in an incremental way, driven by deep-rooted economic and social processes. The NMS12, especially the former communist countries, have experienced a period of more rapid and radical change which seems, nevertheless, unlikely to be sustained once their agricultural industry has fully adapted to the EU market and policy environment. Broadly speaking, and in the medium-term, it therefore seems reasonable to assume that the role of agriculture in the rural economy of the ESPON space will continue its gradual long-term decline.

Having said this, it is nevertheless important to acknowledge the continuing divergence between the “para-productivist” and “peri-productivist” trajectories, in terms of both styles of farming/farm household economy, and in terms of the relationship with the rest of the regional economy:

- Agriculture in para-productivist regions seem likely to continue to specialise in large scale, highly productive, technologically advanced agri-business. Perhaps, where the local scale of output justifies it, upstream and downstream activities on an industrial scale will be present. In this kind of region many farm businesses will have global linkages, serving distant markets through long supply chains, and will thus exhibit a degree of independence from local business networks. Furthermore pluriactivity and diversification into non-farm activities, is likely to be less common. Here the amelioration of environmental impacts will be an important aspect of agricultural policy. Since specialist and large-scale farming areas are often situated in fertile areas of low relief, close to cities, they are often the focus for competition with residential or commercial land uses, and (in southern MS) compete for scarce water resources.
- In the peri-productivist regions smaller “low-technology” farm businesses will survive, partly dependent upon non-farming activities, especially those relating to the “consumption countryside”. Here, niche marketing, and an emphasis upon local speciality foods, will allow a degree of independence from the “big players” of the agrifood industry, and “compact” business networks will be characterised by shorter supply chains and a greater degree of local embeddedness. The role of farmers as custodians of the landscape and environmental goods, in peri-productivist regions, will be an important aspect of policy associated with attempts to remunerate for the provision of public goods. In regions experiencing depopulation and demographic ageing, the social/community role of farm households has an additional importance.

These two “stylised” types may be said to be essentially NW or Central European in origin. In the Mediterranean countries, and in the NMS12 a number of other farm structural “milieu” may be identified, for example associated with small-scale intensive production of fruit, vegetables, wine, olive oil etc, former collective farms, semi-subsistence activity as a “social buffer” and so on. The last two may perhaps be assumed to converge with the para and peri-productivist types in due course.

Superimposed upon the above continuing processes of change and differentiation will be two rather new “exogenous” factors. The first of these is climate change. The consensus is that climate change will bring both negative impacts (increased water shortages in the South, cooler, damper summers and more storms in the North and West) and opportunities, (such as the northerly extension of the range for some Mediterranean products). However the geography of the local/regional balance between these, and the potential for adjustment or amelioration is likely to be highly complex, and rather difficult to forecast. It is interesting to observe that there is evidence that quality and luxury products (e.g. wine, fruit, flowers etc) may be more severely affected by negative impacts than “staples”. Agriculture has not only to adapt to climate change. It has also to mitigate its impact on climate change. How this will impact on different farming systems and agriculture in different regions will depend on the specific agricultural and climate policy measures.

The second exogenous factor which will affect agricultural structures in Europe over the coming decades is the demand for new forms of energy. Although talk of “recession” is already increasingly conducted in the past tense, and the potential for substantial benefits to rural areas of a “Green New Deal” seems to be fading away, this does not mean that longer-term impacts will not be substantial. Farm structural change (both in peri and para-productivist contexts) will be significantly affected by changes in cropping (e.g. increasing production of energy crops) and the introduction of alternative energy production infrastructure into the countryside (such as wind turbines, biomass plants etc.).

A third important factor which will impact on agricultural structures might be the development of global agricultural commodity prices. Most experts expect that after the recovery from the current global economic crisis, agricultural prices will be significantly higher than in the last decades due to increased demands for food (increase in purchasing power particularly in emerging markets and changing consumption patterns in East Asia (more meat) and renewable primary products.

Taken together the above considerations suggest the following hypotheses with respect to future change in farm structures:

Hypothesis 1: The importance of agriculture for rural economies will further decline at a more or less constant rate, though subject to local/regional variation associated with the relative importance of peri- and para-productivist contexts, and the impacts of other local/exogenous influences, such as pressure from urbanisation, environmental/landscape impacts, climate change and so on.

Hypothesis 2: The production of non-commodity outputs will gain importance in comparison with the production of commodity outputs (as long as agricultural prices will not substantially increase). The possibilities for valorisation of non-commodity outputs will increase.

Hypothesis 3: The environmental impacts of intensive farming (nitrate pollution, water shortages, loss of biodiversity, soil erosion) will become less acceptable to the urban majority. The same holds for agriculturally induced greenhouse gas emissions. The locational and technological changes which result will have consequences for farm structures in some regions.

Hypothesis 4: There will be an increasing regional specialisation of agriculture – more marginal areas with smaller holdings becoming increasingly peri-productivist, and more fertile, large farm areas becoming more para-productivist.

Hypothesis 5: The agricultural structures and “styles of farming” of the NMS12 will, over the next decade stabilise. However, for many NMS, a fast convergence with those of the EU15 is unlikely, as the German experience shows. Twenty years after the wall came down, agricultural structures in Eastern Germany still differ considerably from those in Western Germany.

Hypothesis 6: Climate change will affect regions in the EU in different ways: some regions will benefit from improved weather conditions, other will suffer. Farmers in all regions will face more extreme weather conditions.

Hypothesis 7: Some structural change will result from increased production of energy crops (and other renewables), and the incorporation of alternative energy production into farming systems.

6. DISCUSSION OF POLICY IMPLICATIONS.

In the context of EDORA the focus is not upon agricultural policy *per se* (CAP Pillar 1), but with rural development policy (Pillar 2). Furthermore, the main concern is with socio-economic rather than environmental aspects, (i.e. primarily with axes 3 and 4). Thus the overall thrust of this working paper, and the following policy recommendations is orientated towards issues which originate in agriculture in some way, but which relate to broad (territorial) rural development.

The main policy implications which arise from the material presented in the preceding sections are:

- a) The more or less constant release of employment from agriculture will continue. This release should be seen as an opportunity for rural development, which can act as a resource for the New Rural Economy.
- b) However rural development needs to take the human capital constraints associated with ex-farm labour seriously – to overcome the labour market segmentation issues described in the 2.11(b) employment report .
- c) The shift from sectoral to territorial rural development policy needs to continue, to accelerate and deepen, in order to reflect the reality of rural areas in most of Europe today.
- d) Ecological modernisation should increasingly take the place of simple “modernisation”, which is less appropriate in the current market and cultural context.
- e) The substantial demand for rural environmental and recreational public goods (which are at least partly also provided by the agricultural sector) needs to be better understood, especially in terms of exploring means of commodification.
- f) The nexus between farming and tourism needs to be better understood, for example, in relation to opportunities for collective promotion.
- g) Rural policy needs to effectively recognise and respond to the variety of situations and needs in different kinds of rural areas, (i.e. tailoring and targeting of support).
- h) Rural development policy should address the social issues associated with the ageing of the farming (and wider rural) community.
- i) We need to understand the relative impacts of the recession on traditional rural economies v. New Rural Economies. Is the recession an opportunity for accelerated restructuring...? If so, how can policy best help? The concept of the Green New Deal may be relevant here.
- j) Provision of rural socio-economic statistics needs to continue to move away from agricultural structures and production, towards issues of rising importance, including rural tourism and recreation, environmental indicators, access to services, quality of life and so on.
- k) Before we can develop a rational response to climate change effects on agriculture we need to more systematically monitor the signs of its impacts on different kinds of farming systems and rural areas.

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Synthesis of Theme Papers

Richard Lee, Mark Shucksmith and Hilary Talbot
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1. INTRODUCTION AND PURPOSE OF WORKING PAPER 10

The purpose of Working Paper 10 (WP10) is essentially one of synthesis, providing an overview of the issues and processes of change which help to explain current spatial patterns of differentiation between rural areas across the EU, and likely future trends. The aim is to identify a conceptual framework/narrative for the process of change encompassing all the 9 individual themes, which can help to provide the rationale for future perspectives analysis, urban-rural cooperation and cohesion policy recommendations.

The 9 thematic papers (WPs 1-9) addressed the following 'themes': Demography; Employment; Rural business development; Rural-urban relationships; Cultural heritage; Access to services of general interest; Institutional capacity; Climate change; and Farm structural change. These are synthesised in section 2 of this report.

Section 3 then builds on this synthesis to identify the key issues responsible for the spatial patterns of differentiation between rural areas across the EU in terms of a series of narratives – an overarching process of increasing connectedness and interdependence (or 'connexity'), and alternative meta-narratives which propose the key driver of change to be agriculture, urban-rural relations and global-local relations respectively. We conclude that the key issue in these spatial patterns of differentiation is the *interaction between places*, both between rural/urban *and* between local/elsewhere. In section 4 we examine the implications of this conceptual work for later EDORA work packages, including a discussion of the role of the state in seeking to develop policies for rural areas experiencing differential change.

2. ISSUES AND PROCESSES OF CHANGE UNDERLYING SPATIAL PATTERNS OF DIFFERENTIATION BETWEEN RURAL AREAS OF EUROPE – A SYNTHESIS OF THE THEMATIC WORKING PAPERS

2.1. *Economic processes*

The most pervasive change affecting rural economies is the declining relative importance of agriculture in European rural economies, and it is anticipated that this will continue throughout Europe for the foreseeable future. Two main economic processes underlie this: first, the rise of the 'New Rural Economy' (NRE); and second the refocusing of agricultural activity towards the production of quality food products, on the one hand, and towards environmental benefits, on the other. Both these processes are contributing to the diversification of rural economies, reducing the economic reliance upon mainstream agriculture and promoting the non-farm economy and alternative forms of farm-related business.

Box 1: *Neumarkt* in Germany is located within a triangle of three major cities located outwith the region's borders, and most of the inhabitants of the region can reach one of the cities within 45 minutes. The north of the region is more densely populated and is based on the construction materials industry; the south is more sparsely populated and the productive value of the land is of lesser importance than the 'charming rural character' that it has helped to create. Marrying this with easy access to adjacent cities has produced three clear development trends: counterurbanisation, commuting and local tourism. People from the cities are moving to Neumarkt; with the reduction in traditional rural employment, people from Neumarkt are commuting into the cities for work (rather than outmigrating); and the region has been the destination for day and short visits from city dwellers. Those traditionally involved in land-based sectors are increasingly important as stewards of the rural landscape.

The NRE is a term applied to the growth of secondary and tertiary sector employment in rural areas, which has been gaining ascendancy over several decades (IEA 2005). Tertiary sector employment is now in the majority in almost all rural areas of the EU-27, although it is slightly lower in some New Member States (NMS). Across the EU-27 the proportion of employment in the tertiary sector is 57% in predominantly rural areas and 63% in significantly rural areas (Copus et al 2006). As such, the increasing importance of the NRE in rural areas of Europe represents a structural shift in the rural economy. However, the emergence of the NRE is not uniform. Although the extent and geographical pattern of the NRE is, as yet, unclear, it is often asserted that more peripheral rural areas may be less likely to benefit. The NRE provides an opportunity for rural economies to diversify from an agricultural base and this has been achieved in many accessible rural areas of Northern and

Western Europe. Moreover, this transformation assists the greater prosperity of rural people. However, the crystallisation of the NRE in accessible rural areas may negatively impact upon the ability of more remote areas to benefit from the shift towards secondary and tertiary sector employment. In order to enjoy the advantages of the NRE, peripheral areas may require assistance in the form of incentives and assistance in acquiring information, financial resources, new knowledge and the skills needed for taking part in the global markets.

Alongside the orientation of rural economies around the NRE, agricultural activity itself has been subject to restructuring. The CAP reform process has involved a gradual reduction in support of European agricultural production, facilitating the rise of diversified economic activity within rural areas. The importance of general primary sector activity to the overall economy is differentiated across Europe, forming 3% of total employment in Belgium, Germany, Sweden and Malta, against 33.3 % of employment in Romania and 21.4% in Bulgaria (Copus et al, 2006). Total agricultural working units in both Poland and Romania are above 2million, compared to around 340,000 in the UK and 165,000 in the Netherlands. Despite this diversity, the relative decline of agriculture has been a stable process of rural change. Allied to this, structural change has produced a polarisation of the farming sector between large-scale commercial agriculture and small-scale pluriactivity. In terms of commercial agriculture, few agriculturally-dominated regions remain within the EU. Despite the demise of agricultural regions, important differences in farm holding size are evident, in particular between the larger holdings of Western Europe (e.g. Denmark and UK) and the smaller holdings of Southern and Eastern Europe (e.g. Greece and Romania). Scales of agricultural activity remain sources of differentiation between rural areas, even with the overall decline of farming. For small-scale agriculture, changes to the CAP have sought to move farmers out of mainstream production and towards non-conventional food products and the generation and maintenance of environmental goods. In this regard new markets have been developed around the production of quality foods identified by Protected Designation of Origin (PDOs), Protected Geographical Indication (PGIs), organic and other branding tools signifying locality, regionality and/or production methods. The orientation of small-scale farming around quality food is in line with the aspirations of the Lisbon strategy to focus upon higher valued added economic activity.

In those rural areas dominated by small farms – often in eastern and southern Europe - there remains a huge potential for further reductions in the agricultural labour force as a result of continued technological developments and amalgamation of holdings. As a result continued labour mobility away from agriculture can be expected. Generally, the move away from farm work is related to the education and age of the farmer, though this may be modified by pluriactivity. Young people from farming families increasingly seek employment outside of the agricultural sector (and often outside of rural areas) to escape the hard physical work and low incomes typical of farming. Although rural development instruments intended to support farming can – potentially – maintain existing agricultural employment, it is suggested

that they do not promote new job opportunities. Moreover, they may perpetuate fragile or closed labour markets at the expense of a more diversified economy.

Although the NRE and diversification strategies signify a movement towards mixed rural economies, the labour market across rural Europe has not necessarily responded. Labour market segmentation – the structuring of the labour market into several, largely autonomous sub-markets – remains strong. In richer European states, low paid, low status jobs are increasingly carried out by international migrants. The consequences are of a different kind to those resulting from the more traditional rural-to-urban migration within countries. Instead, international migration – principally from NMS – is occurring alongside internal migration away from urban centres and towards rural areas (counter-urbanisation). Within NMS, international migration represents an exodus of human capital from rural areas not yet experiencing the NRE or counter-urbanisation trends evident in accessible rural areas of Northern and Western Europe (Johansson 2009). Further, in peripheral rural areas, the education and skill demands of employers may not be met, even if human capital remains in-situ. The assumption of competitiveness is that people in rural areas are able to adjust their capabilities in order to meet changing global economic conditions and regional opportunities. Initiatives deriving from Structural Funds, which require active input into the tendering process, may not succeed in reaching those most in need of assistance. Educational levels in rural areas generally tend to be lower than in urban areas and skills training is less prevalent. In particular, fewer people in rural areas have a university degree (13%) than in urban areas (22%) (Shucksmith *et al*, 2006). Those young people who do well in school tend to leave to gain higher education, and then pursue their careers in national labour markets (Shucksmith 2004). Career progression for highly skilled workers is limited in many rural areas, contributing to rural to urban migration and international migration in the case of NMS.

Box 2: *Chelmsko-Zamojski* is a peripheral region on the eastern border of Poland, and of the EU. Despite the numerous small towns providing service, market and administration functions, this region is characterised by continuing dominance of semi-subsistence agriculture, with 55% of the region's population employed (or under-employed) in agriculture. The region is deprived, and is depopulating, through out-migration, particularly of the 20-40 age groups, but also through natural decline. Strategic programmes and foreign investment are beginning to have an impact: there is some development of larger, more commercial farms, and the attractiveness of the landscape has been identified as the basis for tourism development, although this is not proving straightforward.

The problems of labour market segmentation and human capital are acknowledged in the 'Rural Jobs Gap', a term applied by the European Commission to describe the labour market conditions of many rural areas in Europe. Within this characterisation it must be acknowledged that rural areas exhibit the fastest capital accumulation (in accessible rural areas) and the weakest labour markets (in peripheral and predominantly rural areas). For instance, in remote rural areas of

Central and Eastern Europe, the primary sector still accounts for around 25% of the workforce. In these areas, farm diversification strategies have had little impact upon the structure of the labour market, with agricultural contracting by large-scale farms the main outcome. The creation of non-agricultural opportunities – in line with the NRE trajectory of Western Europe – has failed to materialise and the SAPARD programme did little to address non-farming issues. More recently, small (non-farming) business creation and the development of social service provision have come to be regarded as more appropriate strategies. In many rural areas of the NMS there is a vicious cycle of a lack of jobs, a lack of skills and a lack of education and training (Kovacs 2009).

Box 3: *Mansfeld-Suedharz* in Germany was highly dependent on 'Fordist' mining, but this collapsed after the communist era resulting in current unemployment rates above 20% and mass emigration which continues today. Its current strategy is to develop its tourism potential based on walking in the Harz mountains and its association with Luther, and to improve its linkages with nearby cities.

Small or Medium-sized Enterprises (SMEs) can offer new opportunities within local labour markets and business entrepreneurship is viewed as means of diversifying rural economies in line with the NRE. Support for entrepreneurs is justified given the performance of existing rural SMEs in the UK. According to a survey conducted by Keeble *et al* (1992), 33% of remote rural firms (excluding the tourism sector) declared a rising income, with only 21% of accessible rural and 16% of urban firms declaring similar growth. Similarly North and Smallbone (1996) suggests that rural SMEs outperform urban SMEs. However, remoteness can impede innovation if there is a relative absence of non-local networks. Highly localised networks may impede the development of technical and market intelligence and limit market opportunities, while the maintenance of dis-embedded markets can broaden innovation possibilities (Atterton 2007). Further, the importance of locality or region to business innovation is open to debate when compared to firm-specific characteristics. The implications for business support is to ensure a twin focus, not only upon the characteristics of rural areas, but also upon the needs of specific SMEs. The diversity of businesses present in NRE areas of rural Europe presents a range of challenges.

While the development of diverse SMEs in rural areas is in accordance with the shift towards NRE, the public sector is also an important source of employment. According to Eurostat, 31% of jobs in predominantly rural areas and 30% of jobs in significantly rural areas of the EU-27 are in the public sector, making it the single largest source of employment (Copus *et al* 2006). Developing social service provision (comprising social assistance, health services, welfare benefits, family support payments and state pensions) may ensure that the public sector is a viable source of employment in rural areas. However, rural areas are subject to a number of challenges arising from the need to deliver specific services in a context of declining capacity and fiscal restraint. The trend across most European states has been a growth in the public sector (Copus *et al*, 2006), although the provision of social

services has tended towards partnership models of delivery of various types aligned to local histories and governance cultures. Investment in social services and educational facilities not only improves the support and opportunities available to rural communities, but also generates valuable sources of employment – perhaps indeed the main source of professional employment.

Box 4: *Teruel*, in Spain, is cut off from major cities by mountain ranges and poor roads. Its population has been declining since 1900, but recently this population loss has slowed. In the regional capital, the administration and service sectors are the most important employers; otherwise employment is mainly in primary industries. A significant recent development for the region has been the building of a new road which links it to, still distant, cities and this may afford more possibilities for tourism.

Although entrepreneurship and social service provision are means of diversifying rural economies, non-farming primary industries remain significant economic activities in more remote rural areas. Forestry and wood processing, food processing and fishing and aquaculture all play important – though declining – roles in rural areas. In the European forestry and wood industry, reductions in employment levels are expected to be highest in Central and Eastern Europe. Despite falling employment, the industry faces problems recruiting skilled labour, which may impede output in lead producer countries. Again, international migration has moved to fill the labour gap in Western Europe (in France and Germany for example). While wood and timber production remains a core activity of the forestry industry, wider services offered by forests – such as recreation and eco-tourism – offer new diversification opportunities (so-called multifunctional forestry). Such opportunities are not so apparent in the food processing industry, with mass redundancies forecast in the medium-sized facilities of Northern and Western Europe. In rural areas, the development of local/regional food products will continue to be an important activity and may move to occupy the gaps created by the decline of conventional products. In fishing and aquaculture, only Ireland and Greece have enjoyed a stable or growing fishing industry in recent years. The division between fishing work and processing work varies across Europe, with marine fishing comprising a greater share in Mediterranean and Atlantic areas than in North Sea and Baltic areas (where the reverse is true). Such differentiation means that the European fishing industry has distinctive regional structures. In contrast to the difficulties experienced in the fishing industry, aquaculture has been characterised by growing employment. A strict regulatory environment has ensured European aquaculture products can be marketed on the basis of quality, in the face of strong price competition from Asian and Latin American markets.

The restructuring of rural economies in Europe, and especially Western Europe, is characterised by patterns of immersion into the NRE. Some rural areas exhibit diverse economies with strong links to extra-local networks; some continue to function around primary industries, while others have become dominated by a commuting workforce. An important process in producing such diversity is the

response of rural areas to changing consumption patterns, whereby rising income levels have led to increased spending on the leisure goods and services provided in rural areas. As a result, tourism has become an important element of diversification strategies. Given the differentiated ability of rural areas to respond, tourism has developed in diverse ways, in part rooted within particular local landscapes, traditions and farming styles which may or may not encourage pluriactivity. Local culture heritage and cultural landscapes are crucial elements of rural tourism, with rural places offering destinations for visitors. Valorising the appeal of landscapes, rural environments and local cultural heritage is thus seen to be an important economic development strategy. Rural areas which have successfully employed such a strategy have been able to associate strong local identities with an external marketing image, though failure to undertake wider engagement can result in an inward form of localism impeding development (Bryden and Hart, 2001).

Box 5: In the northern part of *La Rioja* in Spain, agriculture plays an important role, in particular viticulture and some horticulture. Wine production (from the grape crop to the bottle) has been important in the region since the mid-1800s. Twenty years ago the Rioja label was mainly for domestic consumption; but subsequent modernisation processes, accession to the EU and global capital penetration have contributed to the development of a high quality product for an international market. This part of the region has also experienced substantial counter-urbanisation and significant immigration (mainly from Morocco and Romania).

The appeal of some rural areas to wealthy non-rural dwellers not only stimulates the tourism and cultural sectors, but also produces a demand for housing in some rural areas which can distort housing markets and inflate house prices to levels which are unaffordable to those employed locally. While some countries have different traditions of modest holiday cabins, such as the Nordic countries, even their rural housing markets may be distorted in especially attractive areas such as southern Norway and the archipelago around Gothenberg. In terms of social housing provision, rural areas are badly served, with access to social housing deemed to be the poorest of all rural services in the European Quality of Life survey. This problem is deemed more acute in several NMS, particularly in comparison with urban areas of NMS, which score well. In the private housing market, those rural areas characterised by the NRE have been subject to rising house prices with a limited stock. In the UK, rural in-migrants, with high income levels, savings and/or equity have forced house prices upwards in most rural areas, where housing supply is tightly constrained, marginalising those young people who wish to remain in rural areas. More commonly in Europe, however, rural housing is less expensive than urban housing.

2.2. Social processes

The social composition of rural Europe has been significantly altered by migration, in particular counter-urbanisation and out-migration from rural areas. Counter-urbanisation, facilitated by improvements to transport between urban and rural areas, has led to a 'New Rurality' (NR) in some places, based upon the proximity of urban areas and associated services, commuting between accessible rural areas and urban centres, and the spatial growth of urban and peri-urban areas. The NR is not so evident in more peripheral rural areas dominated by traditional activities, unless these are attractive to holidaymakers and retirement migrants. In particular, sparsely populated rural regions may suffer from rural out-migration, resulting in the demise of the skill and knowledge base (including the traditional rural skill base), a loss of social and cultural capital in the community and a weakening of rural community ties to the land, all of which can affect the identity and cohesion of rural communities, with variable implications for rural development. The transition to the NR is therefore a feature of relational space, being most advanced where improved transport links have facilitated rural-urban commuting and in retirement and holiday regions.

In the case of the NMS, younger people have migrated from rural areas. Their destinations have been largely to urban centres within their home countries or to Western Europe (both urban and rural). Such a movement has served to push peripheral rural areas towards an older population structure, although there may also be some benefits to rural areas in terms of remittances, external networks, and eventual return migration and reinvestment. For Western Europe, the movement of younger people away from some rural areas has occurred alongside counter-urbanisation, involving not only the movement of older people from urban and suburban areas to rural areas, but also the in-migration of families. In both cases the net result is an ageing population, but the consequence for peripheral rural areas is significantly more marked given the more evenly distributed population flows evidenced in counter-urbanisation. Sparsely populated rural areas in the Baltic States, Hungary, Bulgaria and Romania face this more severe situation and the combined effect of out-migration and low-fertility rates is more pronounced in the NMS. Although international migration has had a significant impact upon the populations of Poland and the Baltic States, these trends may be slowing due to the economic recession and rising unemployment as experienced in most European states.

Box 6: *Zasavje* in Slovenia was historically dependent on mining, quarrying, and manufacturing, so that the 1990s crisis of the closure of the mines has left behind a post-industrial decline. The region is now one of the most deprived in Slovenia with numerous social and economic problems including population decline, mainly through out-migration, unemployment and poor health. Strategic programmes to support restructuring have resulted in some growth (from a low base) in entrepreneurial activity, and there are indications that the population decline may be slowing.

The peripheral position of some rural areas means that the provision of services is a crucial determinant of their well-being. Services of general interest (formerly termed public services) provide a social infrastructure supporting education, health, justice, transport and communications. Access to such services is highly variable across rural areas. Citizens' perceptions of access to services suggests that utility, communication and transport services are all less accessible than in urban areas, although there is some variation in this differential (Clifton *et al*, 2006). For instance, electricity access is perceived to be better in rural areas of Europe than urban areas by citizens living in those areas. Further, in judging access to social services, rural areas score higher than urban areas, although access to social housing is deemed poorer in rural areas. Comparisons between rural areas in 'old' Europe and NMS suggest that access to social services, fixed telephone and rail services is generally higher in the former, while the latter enjoy better access to gas, electricity and postal services. The quality of services also varies across rural areas of Europe. Social services are deemed to be below the European average by citizens in the rural areas of Italy, Greece and Eastern Europe. In Northern and Western Europe, assessment of quality is broadly similar, with average scores for utility, communication and transport services, but higher than average scores for social services (Eurobarometer 62 cited in Services WP).

Box 7: *South Savo* is remote from the population centres of Finland. 25% of its area is lakes and, of the land area, 85% is covered by forest. The region has a long history of population decline, mainly young people, and particularly women, out-migrating for education and work which leaves an ageing population with few services in the sparsely populated areas. The region is identified with high environmental and aesthetic quality, and is using this asset as a means of addressing its problems of peripherality (e.g., population decline, higher reliance on the primary sector, lower economic development, lower income levels and higher unemployment). The region's natural assets attract tourists and second home owners who provide some critical mass for services in the region; and its branding as an 'eco-province' has seen the development of organic agriculture and food. It is also concerned to protect its environmental assets as part of a sustainable development approach.

In those rural areas experiencing population loss, the provision of services remains a pressing concern. The withdrawal of services in the context of a falling and ageing population undermines rural development and compromises those most in need of support (the elderly, people with disabilities and children). This situation has been exacerbated with the shift away from agriculture and associated social structures, producing new demands for service provision. As a result regional disparities – between urban and rural areas and between different rural areas – can become exaggerated. Chronic population loss in the mountainous areas of Mediterranean countries, and in the far north, has followed this trend, with service provision in decline. While incomers are beginning to resettle these areas in order to enjoy

environmental benefits, their potential role in producing improved service provision – which are of direct benefit to existing rural dwellers – remains untested.

In contrast, the trend towards counter-urbanisation in many parts of Northern and Western European states has placed new demands on service provision. For those rural areas characterised by the New Rural Economy, demand for high quality broadband access – for both business and household use – is an indicator of widening personal requirements. Broadband provision may be entirely dependent upon perceived or actual demand; yet high speed access to the internet can be a crucial tool in overcoming the geographical peripherality of some rural areas. Demand for broadband provision is also an indicator of the progressive transformation of some rural areas by largely middle-class incomers. Processes of rural gentrification and rurbanisation are transforming some rural areas of the UK around urban values and lifestyles (Phillips, 2005). This process means that accessible rural areas are increasingly exhibiting urban characteristics, thus producing the New Rurality. Allied to this, the growth of urban areas outwards from city centres and extending beyond existing suburbs has led to urban sprawl, bringing rural areas into closer proximity. However, the Swedish experience of rural change differs from the UK and in-migrants have not made a significant impact upon social composition (Amcoff, 2000). This suggests that the New Rurality may be specific to particular rural areas and will therefore have different manifestations.

Box 8: *Skye and Lochalsh* in Scotland is remote from any significant city, and Skye itself is an island. Since the 19th Century, Skye and Lochalsh suffered massive population decline, but has managed to reverse this trend since the 1960s, with the outflow of young people now exceeded by the in-migration of the 45-64 age group. The region is renowned for its cultural identity, associated mainly with the 'crofting' smallholdings, the collective ownership of land, and the use (and revitalisation) of the Gaelic language. This, together with the landscape beauty produces the 'magic of Skye' which has helped attract tourists and in-comers to the region, and new employment opportunities have been developed around cultural heritage tourism, IT, horticulture, and alternative energy. The region's renaissance is often lauded as a success story of rural development - attributed to positive and active state intervention, renewed confidence, and the cultural and natural heritage.

Although counter-urbanisation has contributed to the New Rurality, its role in rural restructuring (producing the New Rural Economy) is complex. Stockdale (2006) suggests that in-migrants, while bringing new influences, ideas and skills, do not necessarily set-up businesses or directly employ people. Commuting is still a dominant means of maintaining employment, necessitating accessibility to urban centres. Further, many in-migrants move to rural areas shortly before or after retirement. While these people may become involved in community activities, it is less likely that they will initiate new business ventures. For those in-migrants who do combine a change in home location with a new form of employment, self-employment in creative or craft industries is an attractive option. The move towards a live-work

model – with home and workplace situated together – is gaining popularity in areas experiencing the NRE. In contrast to the apparently new trend of the live-work model, rural areas of Poland, Romania and Latvia have high levels of self-employment rooted largely in the agricultural sector. A sharp contrast is exhibited between the live-work model of the NRE and the live-work model of the NMS.

The New Rurality of accessible rural areas is also associated with the decline of traditional rural institutions, such as the church, extended family and community associations. Individualisation has been identified as a process of declining involvement in traditional institutions and greater emphasis upon individual action and 'life-building'. The cultural heritage and identity of rural areas experiencing these changes is thus subject to change. The resulting plurality may undermine existing sources of cohesion and latent structures of identity, but can also produce new opportunities to forge rural-urban links and instigate new social and economic relations (Terluin 2003). A tension is evident between the benefits of maintaining strong cultural identity – which may be drawn upon as a rural development opportunity – and the need to adapt to changing social conditions. For instance, the immobility of cultural and natural resources in an urban area can contribute to the success of small-scale tourism businesses (Cawley and Gillmor, 2008). Similarly, Canoves *et al* (2004) suggest that without the presence of an identifiable rural culture and lifestyle there is little basis for rural tourism enterprises. The inherent diversity of European rural cultures is a highly valuable resource for development and uniform development strategies could undermine this diversity.

Although rural areas exhibit diverse cultures, family structures in these areas have historically conformed to similar patterns. However, the traditionally larger and more cohesive rural family has changed under general conditions of a stable and low death rate and a reduced birth rate and, more specifically, the decline of family farming. Total fertility rates have dropped sharply across all rural areas, exacerbated by an ageing population. For those peripheral rural areas experiencing an exodus of young people, the impacts are particularly acute. Even rural areas comprising small towns suffer from youth out-migration, with large urban centres the target for most leavers. The result is a steady shift away from traditional rural family structures. More generally, there has been a rise in one-person households across Europe, a result of increased life expectancy, higher divorce rates, more single parent families and single-living as a lifestyle choice. The proportion of one-person households remains higher in urban centres (largely as a result of single living), but these differences are subject to change (especially due to the ageing population structure of peripheral rural areas). However, in those rural areas experiencing counter-urbanisation, the in-migration of families may form a new basis for renewal. In this respect migration is the central process impacting upon social structure.

2.3. Policy processes

At the outset it must be recognised that the state and its role may be perceived quite differently from one part of rural Europe to another. One aspect of this is that trust in

a paternalistic state, so characteristic of Western Europe and especially of the Nordic countries, is less likely to be shared by those New Member States still emerging from the post-Soviet transition, for whom the state's role may appear in a darker light. Even amongst countries with similar recent histories there are often markedly different governance traditions, as evidenced by Norway's decentralised and localised municipalities compared to Sweden and the UK's large municipal structures. Again, parts of the NMS affected by major land reforms have often lost many of the associated institutional structures. Another dimension is to what extent in different countries and regions the state's post-war universalist provision has extended from the cities into rural areas. Finally, it is apparent that some countries have much stronger traditions of voluntary community associations than others.

Within this variegated governance context, the changing economic and social conditions of rural areas provoke new questions of policy at a variety of spatial scales. In addition, the on-going fiscal crisis in European states may have profound consequences for political decision-making, particularly in respect of public expenditure. It can be anticipated that funding for public services and the institutions of local and regional government present in rural areas will therefore be subject to central government disciplines in the future.

In rural policy there has been a growing interest in the relationship between governance and development. Governance can be understood in terms of networks (indicating multiple levels of interconnected governance), as interference between the state, market and civil society, or as changes to the mode of regulation operating across public and private spheres. Governance in a rural context – sometimes termed rural governance – has emerged through the increasing complexity of rural development and in the reduction of state involvement in service provision. As a result, local and regional partnership arrangements based upon active participation of community members have proliferated.

Partnership arrangements are central to the New Rural Paradigm (NRP) proposed by the OECD (2006). The NRP model of rural development is based on partnership, programming and local participation. Political responsibility for rural areas is thus diffused at multiple scales of governance and shared between state and non-state actors. The participative approach of the NRP presumes the existence of strong institutions employing strategic thinking. Such a presumption may be misplaced, with institutional capacity highly variable across rural areas of Europe. Further, centralised control persists through the emphasis upon projects - comprising formal targets, contracts and performance indicators – to deliver development. Projects have become the focus for partnership activity and resources must be deployed to enable success in the competitive tendering process. The notion of the project state has been proposed as a means of categorising the new governance arrangement of programs and competitive projects. It has been suggested that these may hinder territorial cohesion because of the unequal capacity of territories to bid competitively, unless investment is made in capacity-building to offset this tendency.

The project state comprises non-governmental organisations, businesses and state bureaucracies. New types of collaboration and procedures are a requirement for successful initiation and implementation of competitively organised projects. The evolution of this system of governance across rural areas is occurring alongside existing forms of representative democracy (which are also highly differentiated across Europe), leading to possible tensions over political power. Moreover, partnership approaches may not necessarily lead to better outcomes. While at the local and regional level rural development has been promoted by a project state system involving diverse actors (incorporating the voluntary sector, public sector services, businesses, interest groups and state agencies), new coalitions may assert their interests. In this respect, the power of traditional agricultural interests has weakened vis-à-vis residential, commercial and institutional interests. These latter interests represent a shift in political power and may lead to changing governance arrangements and processes within rural communities.

The evolution of a project state system can be juxtaposed to an earlier welfare state model, typified by Scandinavian approaches to governance. In the welfare state, service provision was provided by the state, and interactions with non-state organisations were limited. Indeed, such organisations – particularly third sector groups – did not exist to the extent now evidenced across many rural areas. As a result, local authorities enjoyed greater resources in dealing with local and regional development issues. This situation has now changed in many states and needs-assessment formulae play a crucial role in mediating the level of resource, which has to be shared amongst partner organisations and managed on a joint basis. The movement towards participative forms of governance, managed through partnership arrangements, is occurring alongside the continued retreat of the state from the provision of services and the privatisation of services has characterised the political economy of European states over the last two decades. Amongst the EU-15, total privatisation proceeds peaked in 1999 and the majority of gas, electricity and water privatisations took place around this time. The liberalisation of service markets formerly closed to private competition and the privatisation of formerly public services has contributed to a variable landscape of service provision, both between types of services delivered in a rural area and between the provision of a particular service across different rural areas (Eurobarometer 62.1 and 62.2, 2004). While services have been subject to liberalisation and privatisation, a further shift has been the refashioning of the services remaining in public ownership around the New Public Management (NPM). NPM emphasises the importance of efficiency, outcome and customer orientation in service provision. In doing so services (under both public and private ownership) respond to a cost imperative rather than a public service mission and this again may have implications for territorial cohesion.

With declining state involvement in the development of rural areas, the management of change has been taken up by new governance arrangements. In moving towards more diversified rural economies – as represented by the New Rural Economy (NRE) – rural governance systems have attempted to support non-farming business

development. The new attention upon secondary and tertiary sectors in rural areas has led to a more regionalised form of rural policy and the application of regional forms of governance is giving rise to differentiated rural areas. Within such regionalised governance arrangements, innovation policy occupies a more central role as rural regions compete for inward investment and also attempt to facilitate business start-ups. The development of region specific innovation strategies – encompassing rural and urban areas alike – thus becomes an important aspect of new governance arrangements. However, the co-operation of rural micro-businesses is frequently reliant upon established local norms and networks (Phillipson et al, 2006). Attempts to intervene in rural business networks may damage latent resources of social capital, where trust, friendship or family relations are often vital.

The relationship between rural areas and regionalised forms of development is significantly mediated by styles of rural-urban collaboration and linkages. Rural areas may become subsumed within a city-region model in order to increase rural and urban cooperation. However, significant challenges exist in establishing rural-urban governance arrangements, including: local government fragmentation, economic competition among adjacent local authorities and failures to market the sub-region effectively. The contribution of local strategic partnerships to fostering rural-urban collaboration has been investigated by Owen *et al* (2007). They suggest that while a lack of resources at the strategic level constrain success, the access to higher-level decision-making is a useful incentive for rural actors to become involved. Moves towards more regionalised forms of rural governance are regarded as offering new opportunities for rural areas to compete within the global economy while providing fiscal relief for central urban areas. The desire to retain autonomy over decision-making may prove to be a significant obstacle to rural areas engaging in this way.

At the level of multi-national governance, the application of EU Structural Funds (European Regional Development Funds, European Social Fund, European Agricultural Guidance and Guarantee Fund and the Financial Instrument for Fisheries Guidance) to projects can generate contestation in rural areas. Kovách & Kucerová (2006) suggest this is the case in some regions of Hungary and the Czech Republic. Top-down forms of governance, while exhibiting varying degrees of responsiveness to local viewpoints, aim to target resources to those areas deemed most in need of strategic direction and support. Such initiatives may conflict with more participatory, bottom-up actions and forms of governance which seek to galvanise local communities. A turn towards self-help, self-governance and independent forms of organising is gaining popularity as strategic interventions and programmes are viewed by some rural communities as failures.

2.4. Environmental processes

The maintenance and commodification of the rural environment is increasingly viewed as necessary for rural development. The preservation of valued landscapes

is an important element of agri-environment schemes and serves to support the tourism sector. Rural landscapes combine cultural values and environmental conditions, and can be valorised within rural economies. Although the promotion of environmental goods and culturally-imbued landscapes offers development opportunities rural areas, changes in climatic conditions have heightened uncertainty around the ecological basis of rural economies. In particular, agriculture in Europe may experience fundamental changes, with new environmental conditions in some areas proving conducive to the growth of new crops and varieties, while others suffer from hostile weather patterns. All climate change will result in the dynamic modification of existing ecologies in rural areas, giving rise, for example, to new invasive species, animal and plant diseases and changing rural landscapes.

The possible impact of climate change upon rural areas of Europe remains uncertain. Parts of Northern and Western Europe may experience conditions more advantageous to agricultural production due to longer growing seasons and the scope to farm new crops. However, issues of plant protection, soil depletion and animal and plant disease may prove challenging. Areas of land previously considered unsuitable for agricultural production will be reconsidered for cultivation in view of climate change. Moreover, the *anticipation* of climate change – as framed in terms of climate change mitigation and adaptation – will provoke intense interest in the use of rural land for other purposes. For instance, with increased rainfall and flooding incidents, some remote areas of land may be sacrificed to flooding in order to prevent flooding in larger settlements. Another example is that development in rural areas may be seen as encouraging car use, and therefore contributing to climate change. Anticipatory work around climate change will undoubtedly influence future rural development, but the implications of this activity are unknown. The rural development dimension of climate change remains, as yet, unclear but potentially this may revalorise territorial assets and is likely to pose new challenges for territorial cohesion.

In contrast to the potential of Northern and Western Europe to increase yields and varieties, areas of Southern Europe in particular may be faced with longer periods of low rainfall or drought, and more volatile climatic events. The long and short term impacts of climate change upon agriculture in the Mediterranean countries will need to be considered in line with their potential impact upon fragile rural areas. Systems diversity may be required, which would necessitate a move away from large-scale, water intensive agriculture (in particular fruit and vegetable production for export). Similarly, soil fertility would need to be carefully managed should existing pressures increase.

The Rural Development Plans of European countries demonstrate the differentiated nature of responses to climate change. The Northern European countries are aware of the potential benefits climate change could bring in terms of production possibilities and have well-developed systems for the application of innovative technologies. In the UK, France and the Netherlands precise schedules and programmes exist, with climate change integrated as a core component of rural

development. In the Mediterranean countries, plans are detailed but institutional issues could inhibit implementation. The situation for these countries could be particularly difficult. Amongst Eastern European countries the institutional framework is less well developed and preparatory responses to climate change may be less well orchestrated. For peripheral regions where farming still comprises a major part of economic activity, traditional farming systems and quality food products may be threatened by climate change. The impacts of change could be profound.

There is no distinctive European pattern of response to climate change, with each state formulating plans and actions specific to localities and regions. Attempts to mitigate climate change, in particular reductions in carbon emissions, will have important implications for rural areas. In diversifying energy production and supplies away from fossil fuels it can be anticipated that renewable forms of energy, such as wind, solar and hydro power, will proliferate. Situating power generation facilities in rural areas will have a number of consequences, including opposition on the grounds of preservation and conservation and support in anticipation of employment opportunities. Further, the re-orientation of settlement planning and development around carbon reduction may result in further change in rural areas. Currently these processes have yet to be established, but will emerge as dominant themes in coming decades.

Box 9: In England, the need to mitigate climate change has been translated into planning practice which permits development and investment only in those larger settlements thought to be 'sustainable communities'. In this way, "development in rural areas is often deemed environmentally unsustainable by physical planners, whether seeking to protect the countryside 'for its own sake', to restrict development to towns and villages with a full checklist of services or to minimise car travel. The evidence underpinning these reasons is pretty shaky," ... yet ... "zealous planners seem transfixed by the notion of re-engineering the settlement pattern (in favour of 'compact cities') as a key means for reducing Britain's contribution to global warming" (Lowe and Ward 2007, 313-4).

The material impact of climate change will produce changes to rural cultural landscapes. Sea-level change will result in some coastal areas experiencing inundation and desirable tourist environments – such as beaches and inlets – may be lost. Water scarcity in Southern Europe will limit the opportunities for agro-tourism and will diminish the attractiveness of the landscape. In alpine areas of Europe, winter sports and hunting activities could suffer from warmer weather patterns, both in terms of snow cover and changing ecological conditions. However, other cultural landscapes may evolve and provide new opportunities for development. All these changes will have manifold impacts upon rural areas.

Given the local level of response and impact, it is recognised that local government and agencies have a key role to play in both mitigation and adaptation. Concrete implementation will happen in localities, and therefore conflicts will also be managed

at the local level. However, local governments and agencies are inexperienced in developing integrated responses which require knowledge of current scientific work. Overcoming institutional weaknesses will be a pressing requirement in order to respond to the latest data informing the mainstream EC approach to climate change, though responses will have highly differentiated local manifestations.

2.5. *Some further remarks*

Processes of change in rural Europe are complex and manifold. Moreover, change is highly differentiated across states and is greatly influenced by the analytical perspective taken. Current migration processes demonstrate that cohesion across member states may prove difficult to maintain if rural areas in NMS are not given adequate support. An ageing population, combined with high-levels of successors exiting from agriculture and the impact of increased farm holding size, means that these areas face difficult futures. In contrast, those rural areas experiencing the New Rural Economy are subject to pressures arising from rurbansation, the decline of rural institutions and contestation over development, particularly increases to housing stock.

The impacts of climate change have already arrived given the policy responses oriented around mitigation and adaptation. Changes in climatic conditions will be preceded by interventions in rural land use and settlements, but these activities will take local forms. Therefore the integration of climate change adaptation and mitigation strategies into rural development may herald a new phase of differentiation, as rural areas struggle to plan in advance of climate change and then attempt to deal with the incremental but significant changes which will occur over the next few decades.

The implications of climate change may pose significant problems to those areas attempting to develop diversified forms of activity reliant upon the maintenance of particular environmental qualities. As a result of the polarised restructuring of agriculture, small-scale farming is supported by payments systems rewarding an agri-environment orientation, while rural development strategies emphasise the importance of cultural landscapes and local/regional products. Rural areas following this form of development trajectory will be more susceptible to ecological changes than those moving towards the New Rural Economy. In order to address the structural problems it may be necessary to stimulate further diversification, producing a mixed economy with differentiated levels of representation by primary, secondary and tertiary sectors.

3. THE UNDERLYING DRIVERS OF RURAL CHANGE

Section 2 has synthesised EDORA's 9 thematic papers in terms of the economic, social, political and environmental processes affecting rural areas of Europe and leading to spatial patterns of differentiation. Section 3 now attempts to distil these insights into more fundamental narratives of rural change, identifying the key dimensions and issues which underlie these processes.

3.1. *Overarching narrative: a world of increasing connexity*

Many writers have alerted us to the increasingly interconnected world in which we live, and this provides an overarching context for the changes affecting rural areas of Europe. For example, Castells (1996) introduced the concept of 'Network Society', while Healey (2004) argues that mid-twentieth century 'Euclidian' concepts of planning have been challenged by a *relational* conception of spatial planning which understands place as a social construct, continually co-produced and contested; views connections between territories in terms of 'relational reach' rather than proximity; sees development as multiple, non-linear, continually emergent trajectories; and recognises the changed context of a network society and multi-scalar governance. Held has drawn attention to a "stretching and deepening of social relations", while Scholte has warned of the "annihilation of place by telemediated space." It is in this context that Mulgan (1997) proposes the concept of 'connexity'. He defines connexity as connectedness and interdependence, and his central theme is the increasing tension which arises between freedom and interdependence in this networked world. A crucial feature is that the inter-relatedness of places is no longer to be considered only in 'Euclidian' terms of physical distance, but rather in terms of their relational interdependence often across considerable distances.

We can illustrate connexity and relational space in terms of the relationship of rural places with extra-rural places. For example, we might consider:

1. *Economic Connexity*. Examples include supply chains that link businesses in rural areas to buyers and sellers in distant places, perhaps through the internet; the remote ownership by multinational companies of many rural businesses; as well as the out-commuting that takes place from rural areas of Europe.
2. *Social Connexity* The exodus of young people to cities for higher education; social networks which are increasingly stretched across distances; and the need for a critical mass of population in order to deliver services.
3. *Ideas and Innovation Connexity* The importance for businesses to network and cluster, including making links with higher education institutions.
4. *Policy Connexity* tends to be asymmetric, with policies and political power emanating from supranational, national and urban sources to impact on the development of rural areas.
5. *Environment Connexity* includes the positive and negative impacts of humans in rural areas on the environment (including 'ecosystem services'), as well as how climate change, notably, impacts on rural areas.

In addition, we should also consider various aspects of connexity which differentiate within rural areas, including an individual's position with respect to rural settlement patterns, and territorial governance designations, for example.

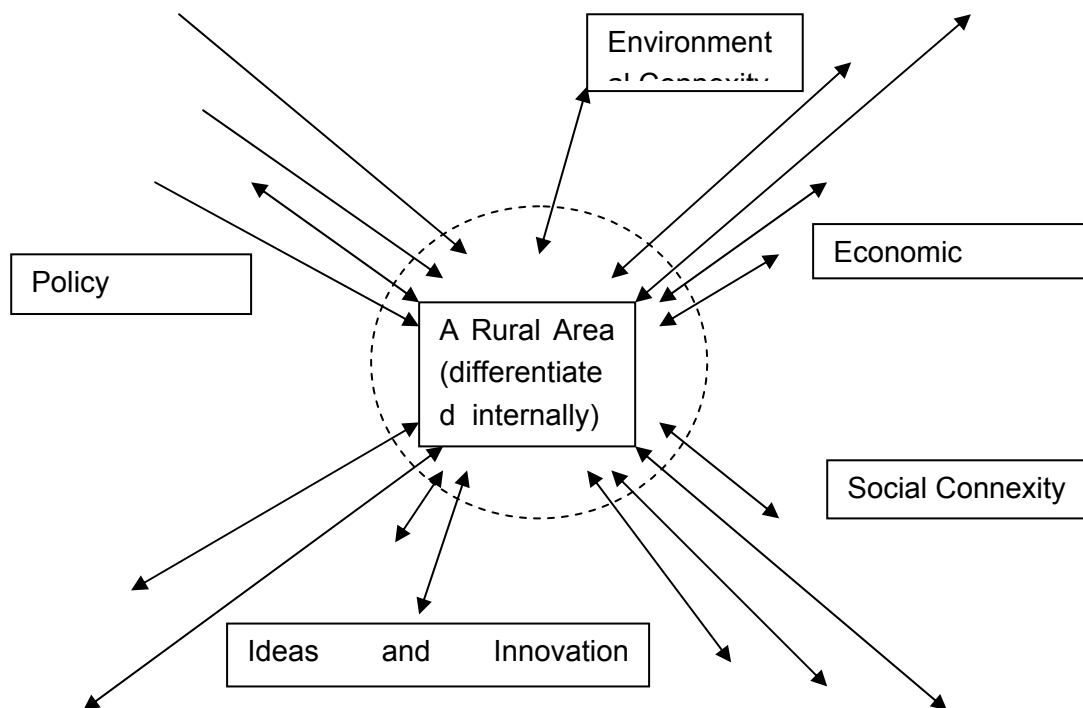


Figure 1: Connexity in Relational Space

Within this overarching context of connexity – ie. increasing interdependence between places, and the growing potency of relational space in network society – we have three competing and contested accounts, or “meta-narratives”, of change which might be useful in understanding rural change. The first is agri-centric and employs concepts such as agri-industrial productivism, post-productivism, the consumption countryside; and local food networks. This draws on authors such as Marsden (2003) and TEAGASC (2008). The second focuses on accessibility to urban labour markets, distinguishing between accessible and remoter rural areas, and is implicit in many official typologies of rural areas, such as those of DEFRA, OECD and DG Regional, as well as in the ESDP. A third perspective draws on theories of globalisation, economic competitiveness, divisions of labour and capitalist penetration, considering the roles of local and global capital in exploiting rural resources.

3.2. Three ‘meta-narratives’: underlying explanations of rural change

An agri-centric meta-narrative

Marsden (2003) distinguished between three models of agricultural and rural development in Europe – an agro-industrial model, an alternative post-productivist model, and a nascent rural development model, each with their own dynamic. The first two accord with TEAGASC’s para-productivist and peri-productivist types.

Marsden argued that recent CAP reforms have essentially been attempts to deal with the growing crises of legitimacy in the dominant agro-industrial model: “to keep in place the basic principles of the industrial system while at the same time highlighting a rational conception of food quality” (p.9). In competition with this, he argues, an alternative post-productivist model of the countryside has been promoted in NW Europe, particularly, in order to shape the countryside socially and morally “in ways which continue to make it attractive and lucrative to aspiring ex-urban groups” (p.11).

The contest between these two models (agro-industrial and post-productivist), he argues, is embodied in the internal contradictions of the Agenda 2000 CAP reform. One proposes an agro-industrial “race to the bottom” through expansion and intensification which will facilitate competitiveness in global markets. The other promotes the coping mechanisms needed for managing the ‘consumption countryside’ for the benefit of urban consumers. Both these models “for the social management of rural nature” tend to marginalize nature, whether through the production process or through a highly materialist conception of the consumption process (p.10). Moreover, “both have their own socio-spatial expressions. In many rural regions in Europe they overlap across rural space and affect change in dual ways,” each relying on market and state governance structures to manage the unsustainable conditions which they create (p.12). However, Marsden does not elaborate on these spatial patterns.

Marsden does argue, though (p.13), that it is in those regions least exploited by either the agro-industrial or the post-productivist model, ie. “peripheral rural regions”, that an emergent sustainable rural development model may instead hold out greater hope. This model he sees as based on local food production through “re-embedded local food supply chains”, with a truly sustainable development dynamic offering “pathways out of contradiction”. This is also “marked by a different set of organising principles which place nature, labour, region, value and quality in a different set of equations” as new forms of food governance emerge on an ad hoc and grassroots basis. While originating among the largely ‘bottom-up’ initiatives associated with empowering rural communities (such as LEADER), this dynamic “is now a much broader and more diffuse church; one which can incorporate renewed ideas of former agricultural practices and social ecology” (p.18). Of critical importance, he continues, is the degree to which this dynamic can assemble at the micro-scale legitimate governance and regulatory structures and processes which are integrative and robust, and which can work vertically with overall strategy and funding mechanisms. However, we cannot expect the impetus to come from national governments or corporate firms because of the inherent conflict of this model with the agro-industrial model and the “super-productivist hands of global agribusiness” (p.20).

An urban-rural meta-narrative

An alternative perspective prioritises urban-rural interactions in explaining change, using typologies of rural areas according to spheres of urban influence, generally measured in terms of Euclidian distance or travel-to-work areas. According to the

final report of Espon 1.1.2 (Urban-Rural Relations in Europe) “commuting is one of the biggest forces of change in the countryside.” One detailed investigation of this approach is the SERA report (Copus et al 2006), which drew attention to two large scale processes of change; a long established “urbanisation” trend drawing population and economic activity out of more remote rural areas into urban and accessible rural areas, and a more recent “counter-urbanisation” flow out of urban regions into accessible rural areas. As a result of these two flows, the report argued, the accessible parts of the OECD’s Significantly Rural (SR) group of regions represent a zone of growth, with an economic structure increasingly similar to that of the Predominantly Urban (PU) regions. By contrast the Predominantly Rural (PR) regions, especially in the more remote parts of the EU are still being depleted of population and economic activity through cumulative self-perpetuating cycles of decline – a reference back to Myrdal’s cumulative causation thesis.

Of course, these tendencies are modified by many intervening variables. “Overlaying this broad pattern are various North-South, and East-West differences, based upon natural environment, cultural, social and political traditions. These include contrasts in age structures, gender differences in economic activity, and patterns of human capital. It is extremely important to recognise and to take account of the fact that well known problems, such as demographic ageing, although evident, to some extent throughout rural Europe, are quite variable in their severity.”

The urban-rural narrative has some affinities with concepts of peripherality, as hinted above, and this concept is also discussed by Copus (2001). Peripherality is a concept which “incorporates two main causal elements; distance from sources of goods and services, and an absence of agglomerative economies. Associated with these are ‘contingent’ disadvantages, such as the high cost of service provision, low rates of entrepreneurship, and a range of associated problems, such as slow adjustment of sectoral structure, poor local infrastructure, and so on.” Ultimately, peripheral regions are thought to have less ‘economic potential’, a suggestion echoed in the recent Barca report. Peripherality is thus viewed as a “consequence of the location of a region in relation to all other regions, and their economic size/importance. Quite simply, a region which is close to centres of economic activity will have a range of advantages over one which is located further away, and vice versa.” This narrative has been summarised by Copus et al (2007), shown in Figure 2.

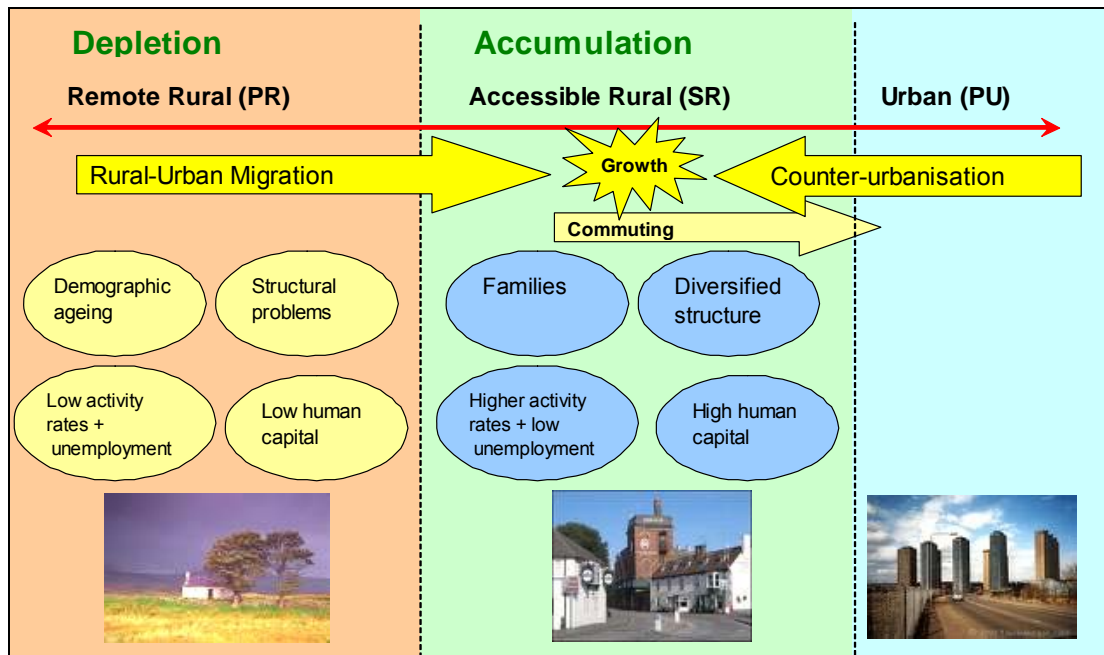


Figure 2: Zones of Accumulation and Depletion

Source: Copus et al 2007

A meta-narrative of economic competitiveness and global capital

Across a range of social science disciplines, a large number of researchers have sought to explain countries' and regions' economic performance and associated social and economic changes in terms of their economic competitiveness and attractiveness to global capital, particularly under a global neo-liberal regime. Porter (1996, 1998) has been prominent in his advice to governments on how to compete internationally, for example, as was Friedmann and the Chicago School before Porter.

Much recent writing in rural sociology has employed the concepts of 'late modernity' (Giddens 1990) and 'risk society' (Beck 1992) to help understand the complex and less certain world in which we live at the start of the 21st Century. Giddens has identified particular features¹ of modernity which have fostered an international division of labour within a global system of nation-states operating in a world capitalist economy. These forces have transformed rural and urban areas alike, through the pace, totality and interconnectivity of change (Woods 2005).

Sociologists and geographers have written about the globalisation of production, the move towards flexible specialisation and a global division of tasks across huge

¹ time-space distancing; the disembedding of social relations out of local contexts of interaction, notably through trust in money and expertise; and reflexivity – examining, questioning and reviewing one's behaviour.

distances. A core of workers is highly paid, while others (often in other countries) are made 'flexible' through low wages, insecure contracts, and casualisation. The key orientation is towards flexibility and the production of tailored, specialised products using 'just-in-time' production systems. For any given locality in late modernity (rural or urban), future prosperity may be profoundly affected by the manner in which global capital seeks to exploit local resources such as land and labour, unless local capital itself is able to underpin development. Rural areas characterised by low wages, a compliant, non-unionised workforce, and lower levels of regulation, may be particularly prone to exploitation by international capital, leading to increased dependency and peripherality. On the other hand, rural areas with highly educated and skilled populations, strong institutions and social capital may be sites of innovation, prosperity and security. In the US, Florida (2002) has shown that some areas may attract a 'creative class' whose presence then underpins these fortunate areas' economic performance: there is some evidence that accessible rural areas of England might be characterised in this way (Hepworth 2006), although empirical evidence is less clear about the benefits to rural areas' economic performance (Willettts 2009). The post-Soviet transition of the New Member States has capitalist penetration very clearly at its heart, such that rural regions in the NMS have been fundamentally affected by the ways in which global capital have sought to exploit their resources and their developing markets. A radically different scenario is that local, rather than global, capital may underpin successful local economies, seeking to develop products which depend upon a local identity for their market niche, so 'selling the local to the global'. These dimensions of capital are, in principle, independent of distance to urban centres and of reliance on agriculture, although in practice there may be historically contingent associations with these factors.

It should be noted that writers who emphasise the role of capital and competition in the differential performance of places, regions and countries have opposite views on the merits of such processes. Free market economists may argue that such processes will ultimately lead to the greatest good, whereas many sociologists and geographers are more critical of what they see as capitalist exploitation. Woods (2005, 33) has stated, for example, that "globalisation is therefore, in essence, about power – about the lack of power of rural regions to control their own futures, and about the increasing subjection of rural regions to networks and processes of power that are produced, reproduced and executed on a global scale." However, as Woods also recognises, people and policy-makers in rural areas are not entirely passive in the face of global forces, with many opportunities to resist and negotiate these forces, so seeking to exert agency and remain competitive in a globalised world. This, in essence, is the challenge of connexity.

This emphasis on global competitiveness in a world where localities are increasingly interconnected and interdependent is also the main thrust of the EU's Lisbon Strategy and of many member states' economic policies. "The whole of the Union faces challenges arising from a likely acceleration in economic restructuring as a result of globalisation, trade opening, the technological revolution, the development

of the knowledge economy and society, an ageing population and a growth in immigration.” (CEC 2004, p2) The Lisbon Strategy accordingly sets out the EU’s aspiration to become the most competitive and dynamic knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion, and rural areas of Europe are expected to contribute to, and benefit from, this strategy.

From this perspective, the CAP is largely irrelevant to the future of rural regions (Court of Auditors 2006). Lowe (2006) has argued that while agri-environment payments to farmers may help to provide the broader conditions for sustainable rural development, by maintaining a region’s landscape and habitats, they do not directly promote the economic competitiveness of rural areas. This is because, as the OECD (2006) puts it in its report calling for “A New Rural Paradigm”, these and other payments under the CAP are predominantly recurrent *subsidies* rather than investments, and they are *sectoral* rather than territorial in their nature. “If the goal is to widen the base and vitality of the economies of rural areas, it is surely important that the crucial, consistent and largely non-agricultural drivers that are revitalising rural economies are supported” (Lowe 2006, 42).

How to promote rural growth

Each of these competing perspectives offers different explanations of the changes affecting rural areas and leads to slightly different conclusions about how to promote rural growth. The question of how to promote growth in rural areas has been the subject of a recent study, the Dynamics of Rural Areas (DORA), which explored the factors underlying the differential economic performance of rural areas across Europe (Bryden and Hart 2004). The study compared eight matched pairs of study areas in Scotland, Sweden, Germany and Greece, focusing both on tangible and less tangible factors. Six themes were found to underlie differences in economic performance: cultural traditions and social arrangements; peripherality and infrastructure; governance, institutions and public investment; entrepreneurship; economic structures and organisation; and human resources and demography. Similar conclusions were reached in the RUREMPLO project (Terluin and Post 2003; Terluin 2003).

The principal conclusion is that successful local responses to globalisation derive essentially from cultural and social factors, though these can be encouraged/discouraged by styles of governance, institutional arrangements and forms of organisation that encourage or undermine self-determination, independence and local identity. Policy should focus on the improvement of governance and economic structures, and facilitating community and individual action. More specifically, “local enterprise can be stimulated by:

- Widespread or community ownership of land and housing;
- Good local institutional autonomy and governance;
- Investment in appropriate public goods;

- Strong local identity and market positioning;
- Good education, health and other service provision and access; and
- Cultural and environmental attributes and a ‘can do’ entrepreneurial approach.” (Bryden and Hart 2004).

These are the very arguments now embraced and proposed by the OECD’s Territorial Development Working Group in their ‘New Rural Paradigm’ report (OECD 2006).

Of course, these three ‘meta-narratives’ of change are not mutually exclusive – indeed there are overlaps between their accounts. They are best understood as alternative perspectives on rural change, three different analytical viewpoints on what is happening in rural Europe, all within the overarching context of increasing interdependence and connexity between places in an increasingly networked society. Interestingly, each maps to some extent on to the competing policy perspectives of different elements of CEC policy, namely the CAP (DG Agriculture and Rural Development), the structural funds (DG Regional Policy), and the Lisbon agenda respectively.

3.3. Two key issues – assets and the interaction between places

Two inter-related issues emerge from these discussions as key to understanding the changes affecting rural areas in Europe, and the spatial differentiation which is emerging. These are, first and foremost, the nature of the *interaction between places*, and, second, the ‘assets’ on which people can draw in ‘shaping’ the future of their place in relation to other places.

The importance of the interactions between places is apparent in the processes of economic restructuring, migration, commuting, access to services and the other drivers of change reviewed in section 2 above, and is inherent too in the overarching concept of connexity with which we began section 3. The crucial question emerging from section 3.2 is whether the most important interaction is *between rural and urban places*, implying spatial differentiation is primarily structured around settlement hierarchies and accessibility/remoteness from centres of population, with distance from urban centres the defining asset/handicap. Or alternatively is the most important interaction *between the local and the global*, or at least between local places and places elsewhere, implying spatial differentiation is primarily according to the locality’s other assets – its institutional capacity, education, entrepreneurial spirit, social networks, identity and ability for collective mobilisation as well as its natural and cultural heritage? Clearly the answer to this question is crucial in guiding policy intervention, as well as in constructing any spatial typology.

Our conclusion is that *both* types of interaction are important in understanding the differential performance of rural places in Europe, although the latter may be expected to grow in significance as relational space eclipses Euclidian space in its importance. In many areas of Europe it is clear that proximity to cities has allowed a

transformation of rural areas into commuting zones of comparative affluence, involving pervasive social and political changes, and often some loss of freedom as they merge into the city's zone of influence. These types of interaction were highlighted by the SERA study, among many others, and indeed are well-established. However, this is an insufficient explanation of the spatial differentiation in rural change, since evidence exists of rural areas remote from cities which are also performing well, and sometimes even outperforming more accessible rural areas. One example is the Isle of Skye, amongst the regions studied in EDORA. To understand the success, and the potential, of such rural areas it is necessary to go beyond explanations couched in terms of rural-urban interactions. The evidence here points to the importance of cultural and social factors in each locality's interaction with other places (near and far), though these can be encouraged/ discouraged by styles of governance, institutional arrangements and forms of organisation that encourage or undermine self-determination, independence and local identity, as suggested by the DORA study. These are very different forms of asset from physical proximity to cities, often less tangible and certainly less easy to measure and to map. The type of interaction between places (Euclidian or relational) that is seen as more important in explaining rural change should lead to a different focus for state intervention. We return to appropriate policy approaches in section 4.

3.4. *Some other significant issues*

Continuity and Change

A fundamental challenge in fostering sustainable rural communities, in economic, social and environmental terms, is to manage the tension between change and continuity (Arnason, Shucksmith and Vergunst 2009). For example, many rural communities seek to attract in-migrants and return migrants (who bring new ideas, start businesses, and maintain the viability of services) but fear an attendant displacement of local people and practices, especially those fundamental to cultural and environmental sustainability. The neo-liberal tendency toward deregulation has depleted the state's ability to manage these tensions in the interests of sustainability, so heightening such difficulties. This lack of control is exemplified by acquisition of houses and small farms by absentee owners as second homes, as much as by the centralisation and withdrawal of privatised services of general importance. It is apparent that the state, and its partners in multi-level governance, require stronger powers and a fuller set of policy 'tools' with which to seek to manage these tensions.

Shucksmith (2009) has recently argued that sustainable rural development requires the state to exercise generative power to stimulate action, innovation, struggle and resistance, to release potentialities, to generate new struggles and to transform governance itself. While this should be founded upon deliberative processes and collective action, the mobilisation of actors (especially the least powerful) to develop strategic agendas in such a context of diffused power and 'nobody-in-charge' will be a crucial challenge. It is likely to play on a dialectic between continuity and change, and will be a process of negotiation (or an arena for struggle) between maintaining

valued aspects of society, economy and environment and fostering and embracing new approaches to them. This process of 'taking the past into the future' will present a huge challenge of cultural change to social actors in rural development, and its realisation will depend partly on the institutional capacity of these actors in terms of knowledge resources, relational resources and mobilising capabilities.

Vulnerability to major shocks

Another somewhat neglected theme which has emerged concerns the vulnerability or the resilience of rural areas to 'shocks'. These include, for example, the disruptions associated with the collapse of the Soviet hegemony and the post-Soviet transition, amongst which possibly the most traumatic has been the loss of full employment. Other 'shocks' which have affected many rural areas include the closure of major employers, the loss of key services, and the effects of economic recession.

In terms of spatial differentiation, the importance of the post-Soviet transition may be highlighted in terms of the distinctive pathways experienced by rural areas in eastern Europe and the ways in which these still constrain options and strategies today. These aspects of path dependency and the challenges facing many rural areas in the NMS have been mentioned as a recurring theme throughout this report. This is especially important in view of the evidence that rural areas in the NMS have by far the lowest levels of material welfare and quality of life in the EU-27 (Shucksmith et al 2009), and the concern that a cohesion policy directed towards the Lisbon agenda might fail these regions because of the greater potential apparent in the main cities of NMS. "Features of many rural areas in the poorer countries, such as low education levels and IT usage, and the legacies of de-industrialisation, might militate against these being seen as suitable locations for Convergence investment, despite their high levels of disadvantage."

Several of the exemplar regions, for example, had been subject to significant 'shocks' in the recent past, including the collapse of mining, or of communism. Not all shocks have negative consequences – some have brought positive development trajectories, as in Ostrołęcko-Siedlecki and Osrednjeslovenska. For others, the shocks have been deep crises throwing the regions into negative spirals and, while some are beginning to recover, the base for their development trajectories is very low. Thus, for example, Teruel and Chelmsko-Zamojski both suffered long-term problems that compounded until recently when strategies have at last begun to support their positive development.

The people and places 'left behind'

The discussions of change and connexity have perhaps underplayed the position of the people left behind in these processes. The spiral of decline that some rural places enter has already been noted, but even without such depressing prospects there are many rural places where people are 'trapped'. This term is used therefore to convey both the lack of opportunity that some people face, and their lack of mobility. These two aspects, that is poverty *of* rural places and poverty *in* rural

places, are highlighted in the report commissioned by the Directorate General for Employment, Social Affairs and Equal Opportunities on Poverty and Social Exclusion in Rural Areas (Bertolini and Peragine 2009).

The ageing nature of much of the rural population is important in this regard, especially when coupled with the decline in rural services, and the problems of rural transport. There are also problems for them about being able to afford local housing in areas attractive to incomers. People working in land-based industries are low-paid, and have poor employment prospects: they are less well qualified than their urban counterparts and less likely to undertake training, sometimes because of a lack of transport options. There is evidence of such people part-time working, multiple job holding or entering self-employment but still being under-employed. In this context there is an increased dependency on the household, family and friends. Many elderly farmers no longer have the opportunity of phasing out of the farm business by handing it on to one of the next generation: the young people have left the rural areas and the practice of farm succession is declining. Many of these issues are exacerbated in the remoter areas, and in poorer areas of eastern and southern Europe.

4. CONCLUSION AND IMPLICATIONS FOR FUTURE WORK PACKAGES

Rural areas of Europe are experiencing major changes which pose challenges for EU territorial cohesion, and these have been summarised in section 2 of this WP in terms of the economic, social, political and environmental processes which lead to spatial differentiation. These processes are complex and manifold, and researchers offer competing explanations for these trends. In reviewing these explanations we have found it helpful to characterise these in terms of three meta-narratives, namely an agri-centric meta-narrative, an urban-rural meta-narrative, and a meta-narrative of economic competitiveness and global capital. Each of these sits beneath a common and overarching context for change which is the increasingly interconnected and interdependent world in which we live, and the tensions this brings.

Two inter-related issues emerged as key to understanding the changes affecting rural areas in Europe, and the emerging spatial differentiation. These are, first and foremost, the nature of the *interaction between places*, and, second, the 'assets' on which people can draw in 'shaping' the future of their place. The importance of the interactions between places is apparent in the processes of economic restructuring, migration, commuting, access to services and the other drivers of change reviewed.

We concluded that two types of interaction were *both* important in understanding the differential performance of rural places in Europe. The interaction *between rural and urban places* causes spatial differentiation around settlement hierarchies and accessibility/remoteness from centres of population, with distance from urban centres the defining asset/handicap. Of equal and growing importance, however, is the interaction *between the local and the global*, or at least between localities and places elsewhere, implying spatial differentiation is primarily according to the locality's

relational interactions and its other relevant assets – its institutional capacity, education, entrepreneurial spirit, social networks, identity and ability for collective mobilisation as well as its natural and cultural heritage.

In terms of the development of a typology of rural regions this poses a considerable challenge. While it is straightforward to measure and map physical distance between rural and urban places, it is much less clear how to map or measure interactions in relational space and the often intangible assets identified by numerous researchers as central to these processes. However, there may be suitable proxies, such as population change, unemployment or economic change which may serve as indicators of the more qualitative and intangible variables which are harder to observe. The implication is that work on the typology should continue to make use of the Dijkstra-Poelman (D-P) approach as a means of capturing urban-rural interactions; while at the same time exploring which variables and available data might be useful as proxies to capture the interactions in relational space and the associated assets of rural places. One way of pursuing this would be to seek to operationalise distinct dimensions of economic structure and performance alongside the D-P typology.

In terms of policies, it was noted above that whichever type of interaction between places is seen as more important in explaining rural change will suggest a different focus for state intervention. Thus, if rural areas' spatial differentiation were explained primarily in terms of proximity to cities, governments might be expected to prioritise investment in transport infrastructure and physical accessibility to bring more rural areas within urban zones of influence, encouraging a greater reach of commuting into urban labour markets. On the other hand, if rural places are seen to have their own endogenous potentialities in interacting with places near and far, drawing on their social, cultural and institutional assets, then governments might instead engage in a much broader range of interventions: building institutional capacity and social capital; investing in education, training and digital inclusion; and fostering local entrepreneurial spirit. Again, our conclusion is that both types of intervention are vital, but that the second has been relatively neglected in many rural areas, notwithstanding the high profile (but little funding) given to the LEADER approach. Furthermore, the breadth of the range of interventions required in many rural areas represents a challenge for the coordination and integration of policies among the plethora of agencies engaged, not only horizontally within the area but vertically through multi-level governance.

Finally, it may be worth reflecting on how these insights and the eventual typology of rural development opportunities might be useful in policy formulation and multi-level implementation. One possibility would be for the Commission to seek to develop a menu of policy measures which would allow governance stakeholders at all levels to address the particular problems of their own rural area, as implied by the subsidiarity principle and embodied in the LEADER approach. The insights from EDORA, and the typology, would then be used in ensuring that such a menu of policy measures was sufficiently comprehensive to meet the challenges identified for the range of 'ideal

types' of Europe's diverse rural regions. Such a tool could then be used by DG Agriculture and Rural Development in refining the RDR for the period post-2013, by DG Regional Policy in similarly refining cohesion policy instruments, and by local and regional stakeholders in considering the options appropriate to their own area strategies.

All of these ideas will be reviewed and built upon in subsequent work packages.

GLOSSARY

Connexity: is defined as “connectedness and interdependence” by Mulgan (1997) whose central theme is the growing tension which necessarily arises between freedom and interdependence in this increasingly networked world.

Governance: refers to the development of governing styles in which boundaries between public and private sectors have become blurred (Stoker 1996). It is associated with a shift from state sponsorship of economic and social programmes towards the delivery of these through partnerships involving both governmental and non-governmental organisations and perhaps other social actors.

Institutional Capacity: The institutional capacity of a territory is the collection of social resources (formal and informal) that enable coordination and collective strategic agency, as well as the accommodation of local interests with those of other levels of governance. Healey (2006) has suggested there are 3 components: knowledge resources; network resources; and mobilisation capability.

New Member States (NMS): The 12 countries which have joined the EU after the first 15 countries (the EU-15). The NMS and the EU-15 together constitute the full EU-27.

New Public Management (NPM): The provision of normally public services are refashioned to emphasise the importance of efficiency, outcome and customer orientation, so responding to a cost imperative rather than a public service mission.

New Rural Economy (NRE): The NRE is a term applied to the growth of secondary (manufacturing) and tertiary (service) sector employment in rural areas, which have been gaining ascendancy over several decades (IEA 2005).

New Rural Paradigm: The OECD (2006) argues that many countries around the world now recognise a new approach to rural policy, oriented around investment rather than subsidies, and around territory rather than sectors.

New Rurality (NR): A New Rurality is said to arise from counter-urbanisation and the change in function of rural areas to a consumption countryside characterised by commuting, leisure and retirement rather than as places of production.

Project State: The notion of the ‘project state’ is a means of characterising the new governance arrangements whereby projects have become the focus for partnership activity, which in turn relies on competitive bidding for short to medium term funding. In this way governance arrangements may be casualised and time-limited.

Relational Space: views connections between territories in terms of the relationships between them rather than physical distance.

Territorial Assets: the assets on which people in a territory or place-based community can draw, including institutional capacity, education, entrepreneurial spirit, social networks, identity and ability for collective mobilisation as well as the territory’s natural and cultural heritage.

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EXEMPLAR REGIONS REPORT:

CHELMSKO-ZAMOJSKI, POLAND

Jerzy Bański

Institute of Geography and Spatial Organization
Polish Academy of Sciences

2010



EUROPEAN UNION

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INVESTING IN YOUR FUTURE

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1. INTRODUCTION TO THE REGION

Chelmsko-zamojski region is located in the eastern part of Lublin voivodship (Fig.1). In terms of economy it is one of the most rural and agricultural region in Poland. Rural areas are characterised by: high share of farmland, high input of labour into agriculture, high ratio of employed in agriculture, very high number of relatively small farms and peripheral meaning of other economic functions.

The agricultural land is the dominant form of land use in the region as it accounts for 70% of the total territory. Therefore, arable land prevails, accounting for approximately 90% of the total farmland. The region is characterized by a relatively high soil quality. In the structure of farming an important role is played by field plant production (mainly - wheat, sugar beet, corn, other cereals; locally – vegetables, hop, tobacco). Over the last years no significant changes occurred in the land use structure.

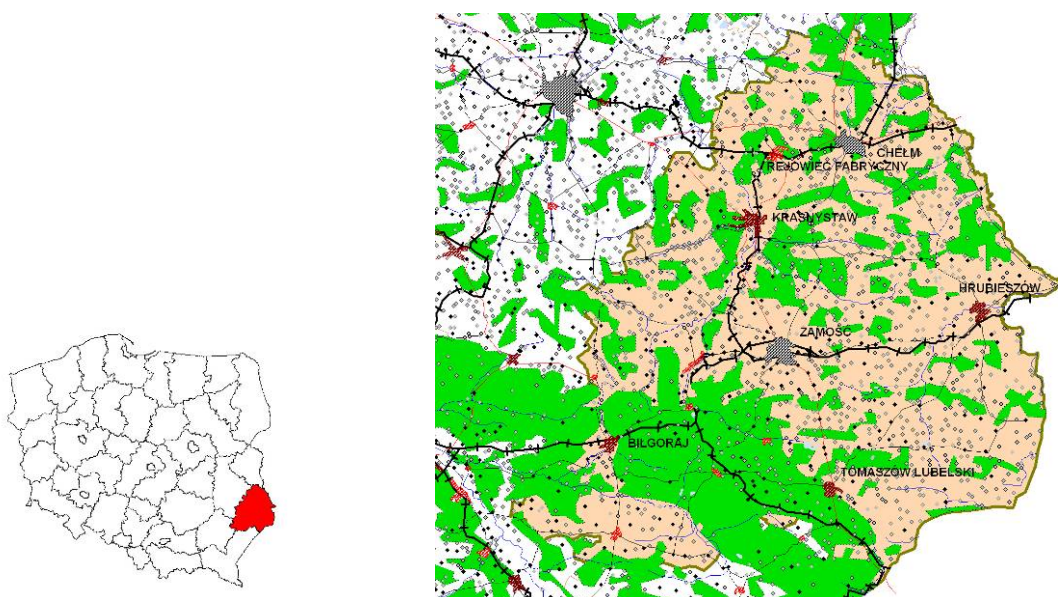


Fig. 1. Chelmsko-zamojski region localization

Source: own study

The region of Chelmsko-zamojski belongs among the poorest in Poland. Low values of GDP per capita are mainly associated with high shares of employment in non-commercial farming and a lack of investments into modern branches of the economy.

A significant share in industrial production is occupied by food processing industry, associated with the local supply in agricultural products and wood. The remaining branches are of lesser importance and concentrate in the biggest towns.

The region of Chelm and Zamosc has a high share of population employed in agriculture (approximately 50%), much above the national average (12%). A lack of industry and a low degree of urbanization mean that only around 10% of agricultural population, can take up additional jobs outside of farming.



Photo 1. Typical agricultural landscape of the chelmsko-zamojski region (J. Bański)

In the 1990s, due to structural changes in the economy, reflected, in particular, through reductions in employment, layoffs affected the farm population first. This was caused not only by the generally low professional skills of this population, but also by the possibility of getting odd jobs in farming. There was a drastic drop of the number of bi-occupational population, linking work on the farm and outside of it (Bański 2004).

2. PROCESSES OF CHANGE

2.1 Population

The rural character of the region of Chelm and Zamosc is demonstrated by a clear domination of the population living in the countryside. In 2005 urban population amounted to 246,227 persons (37%), while the rural population was 411,351 persons (63%). In terms of demographic situation the region can be classified as a problem area (Bański 2001). It is characterized by ***depopulation, ageing of the population and problems with rates of fertility.***

For more than ten years there has been a decrease of the population number in the region, both women and men (fig. 2). This is the effect of the natural decrease as well as migration outflow to other regions of Poland and abroad. The region of Chelm and Zamosc has a disadvantageous age structure of the population. The consequence of the decrease in the

number of births is the drop in the number of young persons in the age bracket of 0-14 years. This is accompanied by a slow increase of the share of persons in post-productive age.

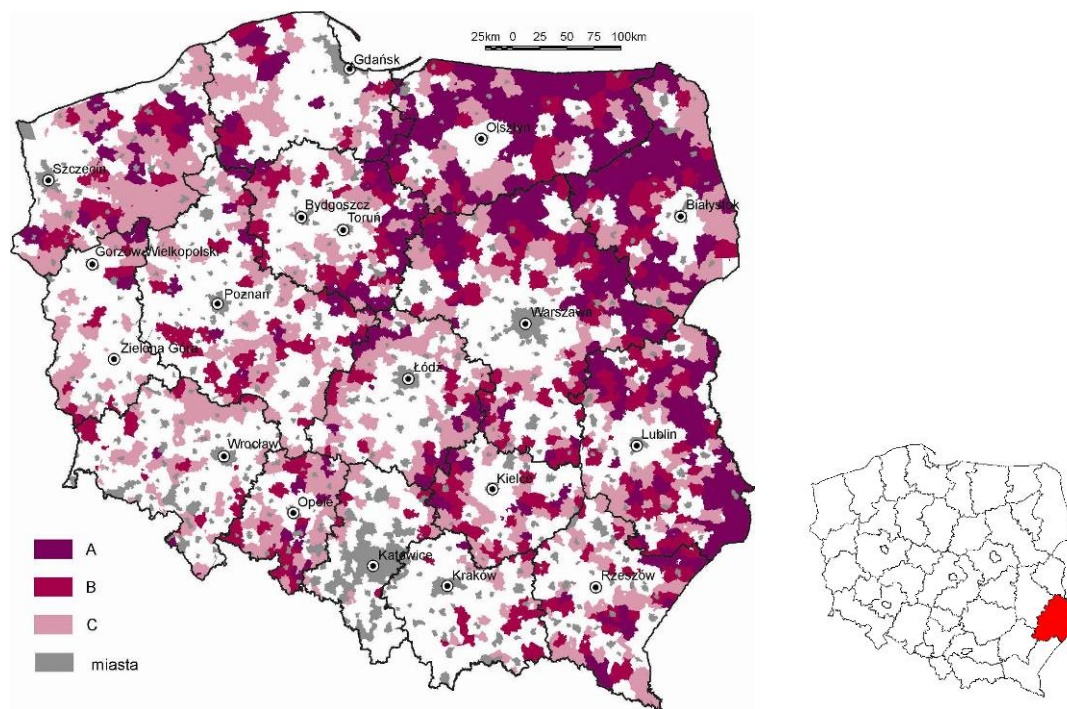


Fig. 2. Areas of excessive outflow of population in the period 1998-2007

A – areas of constant and strong outflow,

B – areas of constant and reasonable outflow,

C – areas of reasonable outflow, miasta – towns

Source: own study based on data of CSO (Central Statistical Office)

A very important indicator of the demographic condition of the area is the coefficient of feminization of the marrying age group. In these terms a major part of the region is characterized by a distinct shortage of women, which is especially pronounced in the countryside. This fact has a negative impact on the demographic development of rural areas. On the average, one in ten men does not find a partner for marrying.

Another disadvantageous phenomenon in the region is high share of the elderly (fig. 3). This phenomenon is observed first of all in rural areas and is strongly connected with the disadvantageous sex structure and the process of outflow of the young to towns. Mainly the active and the enterprising young migrate to towns and outside of the region. This produces a negative influence on the capacity of economic activation of the region.

The region is also characterized by a constant migration outflow of the population. Due to limitations on the labour market and the increase of unemployment this phenomenon was

curbed in the 1990s (Flaga 2002). The rural population, relatively less educated, had limited possibilities of finding jobs outside farms. The region is a depopulation area and one should not expect changes with this respect in the near future. Recently, the outflow of population in the age of 20-40 years got more intensive. The most recent reasons for the emigration of this population are the new possibility of earning money abroad, as well as increasing possibilities of studying outside of the region. This emigration is particularly disadvantageous, since it causes, in addition, an increase of the share of population in post-productive age, and also limits the capacities of local entrepreneurship through the decrease of the number of educated people. Hence, it can be expected that the population number in the region shall continue to gradually decrease and that this process shall be accompanied by the ageing of the rural population.

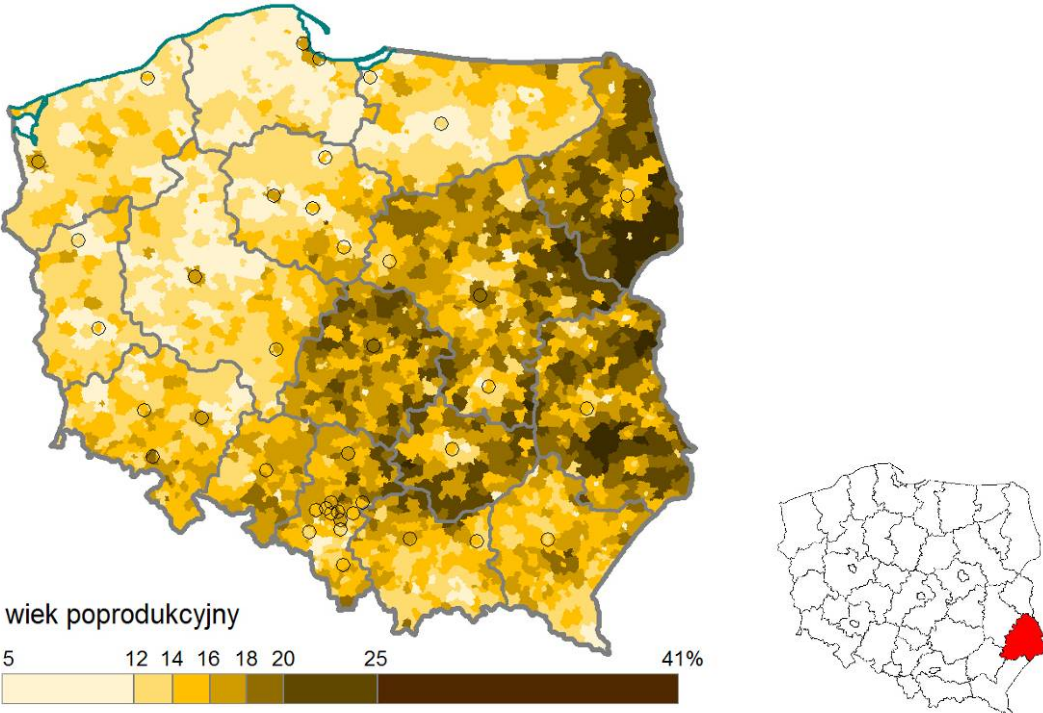


Fig. 3. Share of the population in the post-productive age, 2002 (%)

Source: own study based on data of CSO



Photo 2. Abandoned house in the Dubienka village - the negative consequences of demographic processes (J. Bański)

Owing to the ***low number of investment projects in manufacturing and low intensity of entrepreneurship of the population***, as well as ***overpopulation in farming, unemployment is higher than on the average*** in Poland. This value is, though, better now than in the preceding years, since joblessness both in the country as a whole and in the region decreases. The decrease is associated with creation of new jobs in the country, largely owing to foreign investments, having intensified after the accession of Poland to the European Union, and with the possibility of job-related emigration of the population not finding employment in Poland. The ***highest percentage share of the unemployed living in the countryside*** is observed in the south-eastern provinces of Poland, that is – on the areas, where there is a relatively high share of rural population. Unemployment is, in fact, higher than the figures show because there are people not fully employed on the farm, but not registered as unemployed - this phenomenon being referred to as ***hidden unemployment in agriculture***. The tendencies typical for south-eastern Poland concern also the region of Chelm and Zamosc. The “financial crisis” is too recent for any estimations, but there is an observed decrease of workplaces and increase of unemployment.

2.2 Farming

In the structure of farming ***an important role is played by field plant production*** (mainly wheat, sugar beet, corn, other cereals; locally – vegetables, hop, tobacco) – see fig. 4. Therefore, arable land prevails, accounting for approximately 90% of the total farmland. The role of other categories of land is marginal.

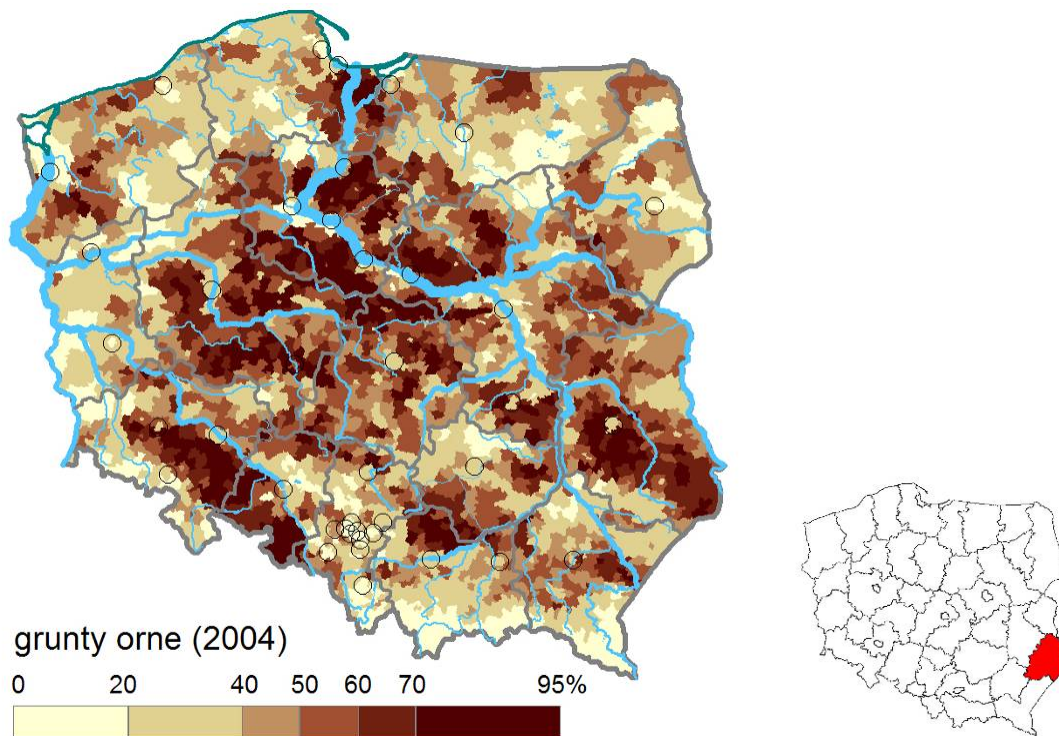


Fig. 3. Share of arable land in total agricultural land, 2006

Source: own study based on data of CSO

The pattern of spatial differentiation of the share of agricultural land in the area of the region is the function of two essential elements: the demographic pressure, displaying varying intensity, and the degree of utility of the natural conditions for farming. High concentration of land used by agriculture is observed first of all on the areas featuring fertile soils. The region of Chelm and Zamosc – and especially its central part – is characterized by the appearance of soils of very good quality. These are, first of all, the complexes of brown and lessive soils, as well as chernozems having emerged on loesses. All crops appropriate for these latitudes can be grown on such soils. Soil conditions in the northern part of the region are not bad, either.



Photo 3. Tobacco's tillage (J. Bański)

Agriculture makes inadequate use of the natural productive potential. Theoretically it is able to achieve much better production results than it does at present. Productivity is decreased by a flawed agrarian structure (small, fragmented farms – see fig. 4), limited expenditure on technical means of production, the low level of farmers' education and ageing of the population (Bański 2004).



Photo 4. Field under hop's tillage (J. Bański)

Recently, no significant changes occurred in the land use structure. The area can be considered stable with this respect. In view of good agro-ecological conditions arable land dominates in a decisive manner in the structure of agricultural land. On the areas with lower

soil quality or on the wet areas larger surfaces of meadows and pastures appear. Permanent crops account for only 1% of the agricultural land.

The average acreage of a farm in Poland is around 8 hectares. The magnitude of farms in the region considered corresponds to the national average, but in the recent years a slow tendency has been observed towards an increase of the farm acreage. This is a typical process for the entire area of Poland.

An increasing polarization of farms has been observed in the region considered in the recent period. The significance of the large and commercial farms increases, while the economic situation of the smaller farms undergoes erosion. In the next few years one can expect continuing elimination of the non-profitable farms, whose land would be taken over by the larger and stronger farms.



Fig. 4. Different land use structure – small scale private farming in Poland (Hrubiszów commune – chelmsko-zamojski region) and large scale post-state farming in Ukraine

Source: Nasa World Wind

Domination of high quality soils and of farming, as well as relatively high population density on rural areas are behind the strong pressure on agricultural land. Demand is decidedly higher than supply, which leads in some cases to conflicts. In addition, in the past, land used to be divided up among the heirs, which brought about agrarian fragmentation. Nowadays, average acreage of a farm is at around 8 hectares. Thus, for instance, in the area with the best soils (the county of Hrubieszow) there are some 12,500 farms, of which as many as 25% have up to 1 hectare, and only 0.4% have acreage above 50 hectares. For this reason only a small share of farms are capable of producing for the market.

2.3 Non-agricultural activity

In view of the typically agricultural character of the regional economy and its peripheral location, there have been no significant foreign investments in the second and third sector, while assistance has focused on investments in farming or on its transition towards ecological production.

Here, as well, unemployment in the two biggest towns of the area (Chelm and Zamość) is somewhat lower than outside of these towns. The difference, though, is not pronounced, since these towns, in view of their geographical location and economic problems, do not guarantee a sufficient number of jobs outside of agriculture.

Approximately 55% of the region's population are employed in agriculture, much above the national average. Lack of industry and a low degree of urbanization mean that only around 10% of agricultural population take up additional jobs outside of farming.

Inhabitants of rural areas display a much lower social activity than urban dwellers. This observation is confirmed by the degree of involvement of the rural population in the functioning of the NGOs. The region considered displays a significant social activity compared with Poland as a whole, despite the very low urbanisation degree. There are in the region 21.3 social associations and organizations per 10,000 inhabitants, while the average for Poland is 18.6. The number of NGOs in the region increases constantly, but this increase has not been very dynamic of late. There has been an important increase in these terms in the two biggest towns, Zamosc and Chelm. On the other hand, the number of social associations and organizations increases very slowly in the eastern part of the region.

Some possibilities for development concern the areas located close to the border crossings. Actual decisions unlocking cross-border local traffic between Poland and Ukraine should stimulate development of services and trade.

Rural areas of the region are characterised by **high share of farmland, high input of labour into agriculture, high ratio of employed in agriculture, very high number of relatively small farms and peripheral meaning of other economic functions**. The southern part of the region is more diverse with important role played by tourism and forestry. During the recent years one can observe the appearance of the new producer groups, farming unions and associations, in which the most active and enterprising farmers participate.

In view of the traditionally agricultural and peripheral character of the region, low urbanisation pressure and marginal significance of industry, numerous areas have been preserved here, having important natural and landscape value. There is one national park and seven landscape parks within the confines of the area considered. The eastern border of the area, being, at the same time, the eastern border of the European Union, is constituted by the valley of the winding river Bug, and its preserved natural character provides an important ecological corridor as well as migration route for many animal species. This area is also rich in cultural qualities. The most important element of the cultural heritage is the Old Town in

Zamość, which was put on the world cultural heritage list of UNESCO in 1992. The cultural heritage of the area contains, as well, as an important aspect, the preserved old spatial patterns of the villages and the traditional countryside architecture. Varied relief, small patches of cultivated fields, significant share of forests, small historical towns and traditional villages form together an attractive mosaic landscape, constituting a potential for the development of tourism.



Photo 5. Old town in Zamość (J. Bański)



Photo 6. Typical wooden architecture in chelmsko-zamojski region (J. Bański)

A lack of realistic perspectives for the development of other branches of economy than agriculture meant that ***since the 1990s the regional and local authorities started to perceive tourism as an opportunity for bettering the economic situation of the countryside.*** Zones meant for the development of tourism have been designated in the region within the spatial development plan of the province. Quite important financial means were devoted to organisation of the agri-tourism training programs, conducted, in particular, by the agricultural extension service centres. Preferential credits were provided for the agri-tourist activity. Due to this encouragement *many farmers got involved in the management of*

agri-tourist farms. They formed agri-tourism associations, of which eight have been registered on the area considered here, encompassing with their reach a significant part of the region.

In the course of just a couple of years, though, it turned out that in many of those agri-tourist facilities - especially the ones featuring low standards, poorly promoted and located in places lacking tourist traditions – demand for service is low and renting of rooms does not bring economic advantages to the farmers. Many of the owners did not invest in the tourist product. Tourist traffic was marginal and room renting became a hobby activity, bringing first of all non-material benefits, while losing on economic significance. During the last 3-5 years new facilities have sporadically been emerging in the eastern part of the region, despite the high hopes attached to the development of tourism as the factor of economic activation of the area in question.

This process took a different course in the few localities, situated in the direct vicinity of the biggest tourist attractions, in the localities that have been known already before on the tourist market. Here, over the period of the last dozen or so years a systematic increase of the numbers of small, private accommodation facilities has been observed.

In the recent years an increase has been observed of land demand for recreational and residential housing (Wesołowska 2006). In the spatial development plans the areas attractive in terms of nature are usually protected against construction developments. The authorities of the municipalities try to resolve the dilemma between nature protection and profits from the presence of holidaymakers by directing the potential holidaymakers and investors towards the zones not subject to legal protection, but also less attractive.

3. RELATIONS TO THE “GRAND NARRATIVES”

3.1 Agri-centric

Given the peripheral location and low degree of urbanisation and industrialisation, the primary direction of development **of the Chełm-Zamość region will continue to be associated with agriculture, with a contribution from forestry and tourism**. Conforming to the concept of the European model of agriculture, this sector, side by side with the basic function of food production, fulfils essential roles in the domains of protection of the environment and landscape, as well as preservation of biodiversity. The concept of multifunctional agriculture offers the possibility of associating productive functions with additional activities, oriented at diversifying the activity profile of the farm and household. The regional and local strategic documents envisage such a role for the agriculture of the Chełm-Zamość region.

The literature of the subject, the statistical materials and the field studies, carried out in the region, suggest that during the last years there has been in the region a process of polarisation of the farm population into two groups. The first group is constituted by the traditional farms, producing mainly for their own purposes or only a little for the market (semi-subsistence agriculture). The second group is made up of the commercial farms (mostly

located on the areas with the best soils), with specialised production, making significant investment outlays into production modernisation (peri-productivism) – see fig. 5.

The traditional farms have less and less chances for development and lack the capacity of competing in the food production market. In the region of Chełm-Zamość, like in other regions of the country, one can observe that some of these farms undertake an effort of modernisation and gradually strengthen their competitiveness. The remaining ones, for various reasons (lack of successors, shortage of capital, risk avoidance, low educational level, etc.) undergo stagnation or collapse.

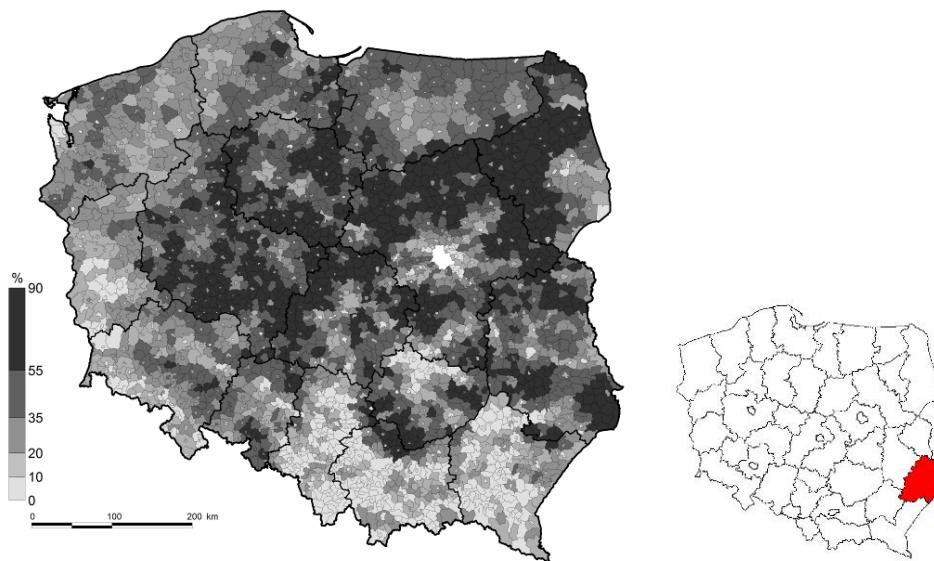


Fig. 5. Share of the commercial farms (production mainly to the market), 2006

Source: own study based on data of CSO

There is a gradual increase of the significance of commercial farms in the region, these farms taking over land from the traditional farms (although this process is quite weakly pronounced). In view of the small acreages and significant dispersion of plots, these farms do not achieve larger scale of production. Here, farms exceeding 20 hectares can be considered very big (fig. 6).

The fundamental barrier to the development of modern commercial agriculture is agrarian overpopulation and the associated high excess of demand over supply of land. It is very difficult to enlarge a farm and this takes place mainly by tenure. Farmers, even those owning the smallest farms, are not willing to sell land, which is treated as a kind of capital insurance for the case of “hard times”. One should also remember of the “attachment to land”, resulting from the historical past of the region.

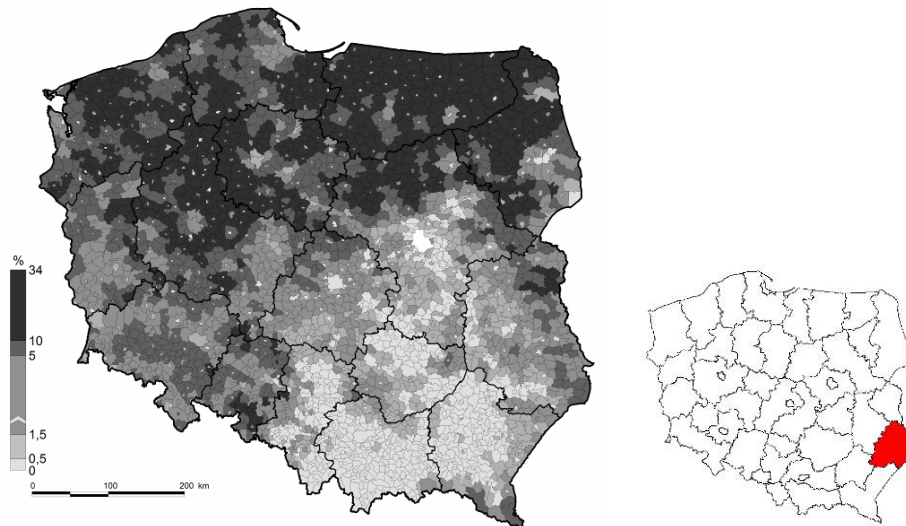


Fig. 6. Share of farms with the surface over 20 ha, 2006

Source: own study based on data of CSO

Farms in the region of Chełm-Zamość specialise first of all in crop production, mainly in cereals. In some places hops, tobacco, raspberries and legumes are grown on a small scale. Given the increasing interest in the alternative ways of using rapeseed, first of all – the biofuels, one can observe during the recent years an increased share of cultivation of rapeseed among all kinds of farms, including those featuring low farming culture. Some farmers, side by side with growing rapeseed, deal also with pressing rapeseed oil using traditional methods.

Increase of productivity and modernisation are facilitated by the national and foreign assistance programs. Yet, *the region of Chełm-Zamość does not belong among the main beneficiaries* of such assistance, which is caused by the relatively low economic and social activity of the inhabitants of the region, low professional skills, small-scale production and limited capital of the farms. Still, the number of farms taking advantage of various forms of assistance is growing from year to year.

3.2 Urban-rural

With respect to the continuum core-periphery the region belongs in its majority to the peripheral areas (Bański 2005). The two bigger urban centres situated within the region – Chełm and Zamość – exert a *limited influence on the economic development of the entire area* considered. The zone of direct influence extends to less than twenty kilometres from their respective downtowns. The poorly developed manufacturing offers a limited number of jobs for the inhabitants of the countryside. In the earlier period, that is – before 1989 – a bigger number of villagers found jobs in towns than nowadays. Yet, as being less educated and capable of living off the farm work, they were the very first to be fired. Currently, *more important than manufacturing are the functions of service* (administration, health care, transport, etc.) and trade (large-scale shopping malls and wholesale outlets, fairs), fulfilled by these towns.

In terms of urbanisation pattern the region has a polycentric character, that is – small towns, satisfying the basic needs of the countryside in domains of service, trade and administration, are quite evenly spaced over the territory of the region. These towns can be considered, similarly as the seats of municipalities, to be the local development centres, in which the inhabitants have access to the fundamental market service, administration, primary and secondary education, health care, banking and trade. Small towns constitute an unalienable element of the rural landscape. Their demographic growth is rather slow, since they are usually not the destinations of the permanent migrations of the rural population, who migrate mainly towards the capital of the province (NUTS 2), Lublin, or to other large metropolises.

The peripheral character of the region, mentioned already, results mainly from the border-adjacent location of the area. The border constitutes in this case a spatial barrier to the flow of ideas, goods and people. Until quite recently, owing to the freer regulations concerning cross-border traffic, the border stimulated local development, mainly in the vicinity of the border crossings. After Poland entered the Schengen area and the border had been made tighter, the possibilities of developing trade and peri-border service have been significantly curbed. The border-adjacent character of the region exerts an essential influence on the capacity of its social and economic development. It is also important to note that the region of Chełm-Zamość has been for a long time already the place of interaction of different cultures, religions and traditions, typically for the transitory zones. According to Huntington, in the vicinity of the area a fragment of the boundary between the western and eastern civilisations passes, dividing up Europe into two different parts.



Fig. 7. Eastern boundary of Western Civilization according to S. P. Huntington (1997)

In the opinion of Huntington this boundary constitutes a great historical line separating the western Christian peoples from the Orthodox and Muslim ones. The division of Europe into Western (Latin) and Eastern (Byzantine) took shape at the turn of the second millennium. This was a consequence of the downfall of the Western Roman Empire and the growing differences between the Roman-Greek culture of the West, and the “orientalised” East. In the very same time Christianisation of the pagan part of Europe was progressing, including Polish territories, situated “somewhere” in the vicinity of the zone, separating the two parts of the continent.

3.3 Capitalist (or capital) penetration

The border-adjacent and peripheral location within the “transitory” zone has a negative impact, in this case, on the economic development. The region lacks more important investment projects, national or foreign. Currently, small undertakings take place, concerning food and agricultural processing, as well as mineral industries.

Local authorities perceive an opportunity for the region in its border-adjacent location. This regards mainly servicing of the transit traffic and development of petty trade and service activities. A fundamental challenge is constituted by the construction of new and modernisation of the old border crossings, development of road infrastructure, and wider opening of the border for the inhabitants of Ukraine.



Photo 7. Traffic on the Dorohusk border point (J. Bański)

4. IMPLICATION FOR POLICY

4.1 Challenges

The level of economic development of chelmsko-zamojski region is spatially varied, but generally the region belongs to poorest areas in the country. There are a number of negative demographic and economic processes. For this reason it is very important to find an optimum scenario for the future development of the region and the main directions of socio-economical activities.

Thus, a fundamental condition if rural areas in chelmsko-zamojski region are to develop is that they should become more diverse; first and foremost through an enrichment of their structure to include more socio-economic functions (from monofunctional-agricultural to multifunctional). For this reason also, more and more attention should be paid to the need for non-agricultural economic functions to develop (mostly: service and tourism). Unfortunately, however, opportunities for such development to take place have been hampered by a mixture of social problems and difficulties of an infrastructural or financial nature. Even so, the last period has brought some development of businesses outside agriculture. For example rural tourism is now being seen as an important one on both the local and regional scales (*Strategia rozwoju ...2007*).

While the level of roll out of technical infrastructure of rural areas has improved considerably, this remains the most serious need or shortfall as regards investment that rural inhabitants mention when polled. Very important is development of fast Internet network.

Of inestimable importance to agricultural change and development, and above all to the initiation of rural activity away from farming, is the level of education of region people. While the decade that has recently ended brought favourable changes, the levels of education among people are still below those of urban dwellers. This is particularly true of the populace linked to the very small-scale, individually-owned, farms.

In turn, the processes or phenomena tending to discourage the development of rural areas include depopulation, ageing of the population, distortion of the population structure in terms of gender and poverty/social exclusion. These phenomena are typical for chelmsko-zamojski region.

General challenges to the regional policy in chelmsko-zamojski region should be based on:

- Increase of the level of education
- effective system of initiation of structural funds and endogenous capital
- development of technical (include ICT) and social infrastructure
- multifunctional development
- development of transport accessibility
- proper management of natural environment
- trans-border cooperation and development of new cross-border points

- higher specialization in agricultural production (especially cattle raising and milk production)
- small towns development as local centres.

4.2 Possible scenarios

The next 10-15 years will bring a decrease in the rural population in chelmsko-zamojski region. In the vicinity of urban areas (Chelm, Zamosc, Krasnystaw, Bilgoraj), as well as along the main transport routes (trans-European highways) there will be increase of rural population.

The average level of education of rural inhabitants (including farm owners) will be higher, and clear “civilisational progress” will be taking place in countryside.

The economic significance of agriculture will be reduced in the income structure of individual rural households. Nonetheless, the character of the region’s rural areas in terms of agriculture will have changed anyway, as regards both land-use and the landscape. Thus the proportional decline in the role played by farming in people’s income will have been associated with a diversification of farms. Commercial farms will have grown in significance. There will have been a decline in the significance of farms applying traditional methods on small areas. Some of these will have confined themselves to production for their own needs, disappearing steadily from the wider market.

It is possible to point to four different scenarios for the transformation of rural “depleting” regions in Poland (and chelmsko-zamojski region):

The marginalisation scenario assumes economic stagnation and the adoption of such a state policy as will prize efficiency over equality. The changes in rural areas will in this case proceed very slowly, with the result of the diverse processes being a far-reaching marginalisation of any rural areas located more than a certain distance from acknowledged centres of development.

The polarisation scenario in turn relies on dynamic economic development plus the adoption of a similar kinds of national policy that again assigns more importance to effectiveness than to equality. The result will a polarisation of space (even though the overriding aim of all activity will be to even out regional disparities), since the “effectiveness over equality” assumption will require that progress be first and foremost driven by the development of metropolitan areas and towns and cities of national or regional rank. The inevitable result of such a process is a widening of differences in levels of development between core areas and the periphery.

The depression scenario assumes economic stagnation plus the adoption of a policy that puts equality above effectiveness. But only in theory can the assigning of priority status to equality bring the desired evening out of inter-regional disparities, since the hard times for the economy will simply not allow the means necessary for rural development to be generated.

Finally, the unification scenario anticipates economic development plus the country’s adoption that again prizes equality above effectiveness. Though superficially attractive, such

a scenario has very limited chances of real success as competition between regions is an inevitability everywhere. Any forced promotion of areas lagging behind through “punishment” of stronger performers will create nothing but “averagely-developed” regions of compromised economic effectiveness in global terms that must inevitably drift quickly towards stagnation if they cannot compete.

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EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 12

Scientific Working Paper No. 12

EXEMPLAR REGIONS REPORT:

OSTROŁĘCKO-SIEDLECKI, POLAND

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Institute of Geography and Spatial Organization
Polish Academy of Sciences

2010



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1. INTRODUCTION TO THE REGION

Ostrołęcko-siedlecki region, the biggest in Poland (12 thous. sq. km), is located in the northern-eastern part of Mazowieckie voivodeship (fig. 1). This voivodeship is characterized, on the one hand, by the highest value of the GDP per capita indicator in Poland, and on the other – the biggest internal differentiation. The central city of the region, Warsaw, is surrounded by a vast territory of the agglomeration, having multi-functional character, while the peripheral borderland areas display a mono-functional (agricultural) character, and are much more sparsely populated. Almost 750 thous. inhabitants lives in ostrołęcko-siedlecki region (population density is 62 people/sq. km – which is half of Polish average). The region do not have strict regional centre. According to its name, it has two main cities, but they are rather medium size and do not have important socio-economic influence on the neighbouring areas – Ostrołęka (54 thous. inhab.) in the northern part and Siedlce (77 thous. inhab.) in the southern part. The agro-environmental conditions are diversified in the selected region – in the northern part they are one of the worst in Poland (with big share of meadows) while in the southern they are average comparing to national mean. Almost the whole region is classified as Less Favoured Areas. The average farm size in that region is around 10 ha.

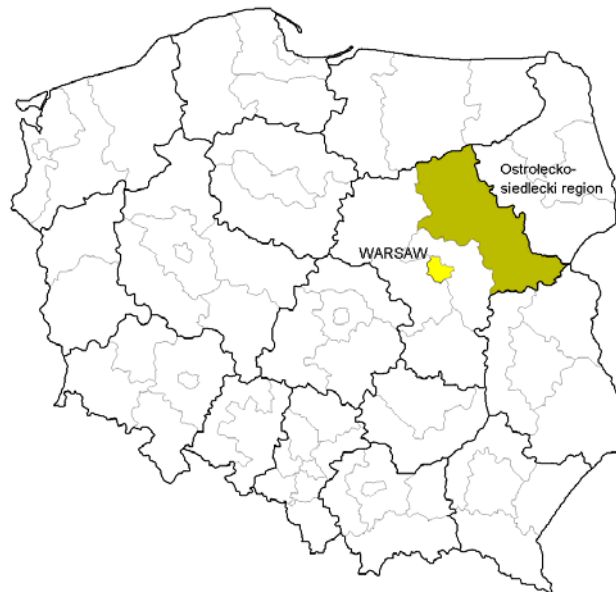


Fig. 1. Localization of Ostrołęcko-siedlecki region

The key features, which should be accounted for when considering the spatial specificity and the history of the analysed subregion, include: socio-demographic structure, conditions for agricultural production, cultural and natural qualities of the area, as well as its spatial structure (urban-rural relations, settlement pattern, infrastructure).

According to the EDORA typologies the region is Predominantly Rural (close to a city), Agrarian in terms of its economic structure, and Depleting in terms of its performance. Agriculture sector in the region is characterized by middle level of productivity and commercialization.

2. PROCESSES OF CHANGE

The most important changes in the subregion of Ostrołęka and Siedlce shall be presented in two spatial dimensions. The first of them will be constituted by the characterisation of the transformation processes against the background of changes in the entire province of Masovia, while the second one will be the description of the intra-regional differentiation.

2.1 *Demography and Migrations*

The socio-demographic conditions are among the basic internal development factors, since people are both the creators and implementers of all activities, and the recipients of the respective outcomes. Humans appear, therefore, in the development processes in a double role – as the addressees of the activities undertaken and, simultaneously, as the subjects implementing these undertakings.

The Ostrołęka-Siedlce subregion is a part of a bigger region of Eastern Poland, featuring disadvantageous demographic conditions. This entire area has been already since the 1950s characterised by the selective out-migration process. The migrants, namely, are mainly younger persons of 20-30 years of age (alone or with children aged 0-5 years), with a definite domination of women, and relatively better educated. That is why the areas of migratory outflow become the depopulating areas, as their societies age, while the areas of migratory inflow are demographically dynamic, with, additionally, better characteristics in terms of educational levels. On the top of this, the processes mentioned display high spatial and temporal stability. The biggest migrations from the areas in question – first of all to the suburban zone of Warsaw and to the towns of medium sizes with extensive industrial sector – took place in the 1970s, and were associated with the industrialisation processes of the socialist period. Yet, in the period of the socio-economic transformation, as well (i.e. in the 1990s), similar spatial regularities have been observed in the changes of population distribution as those of the previously considered period. Main motivations of migrations out of the major part of the Ostrołęka-Siedlce subregion in the 1990s were the wish of getting employed in the service sector of the agglomeration of Warsaw or the wish of getting university education. It should be emphasised, though, that the process of spatial concentration is a spontaneous process, whose origins relate to the tendency of maximising individual benefits by the particular persons or businesses. Migrants leave behind the unattractive locations, where the stimuli pushing out are relatively strong, and move towards the places, characterised by the appearance of the attracting stimuli. These processes were the reason, why in only nine municipalities (NUTS 5) of the subregion analysed positive indicators of the real population increase in the period 1995-2002 have been observed (fig. 2). These units

are situated in the direct vicinity of the four biggest towns of the area. The remaining municipalities featured population losses, and there are a dozen or so municipalities (mainly in the south-eastern part of the area) where during a couple of years population decreased by more than 10%. The thus important outflow of people from these units was linked with a number of conditions – they are located peripherally in relation to large urban centres and important transport routes, feature mono-functional (agricultural) structure of economy, and at the same time are characterised by poor living conditions (equipment with infrastructure).

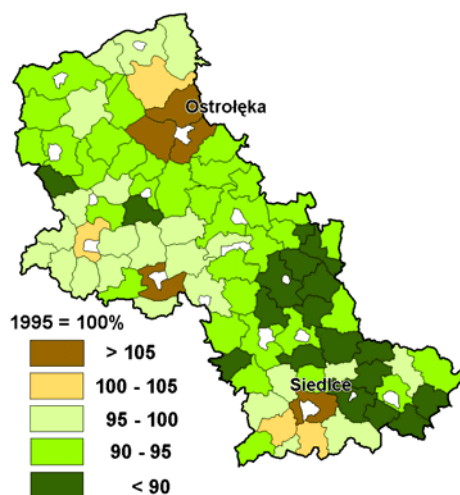


Fig. 2. Changes in the number of inhabitants in communes of Ostrołęcko-siedleckie region in 1995-2002 (1995=100%)

The areas of the biggest migration outflows are, therefore, characterised by a very disadvantageous demographic structure, expressed through a distinctly higher share of persons in post-productive age than on the average, and, in connection with the relatively higher outflow of women in marital age – also disadvantageous values of the feminisation coefficient. Thus, for instance, the most disadvantageous values of the dependency ratio within the province of Masovia is observed in the southern part of the Ostrołęka-Siedlce subregion (fig. 3). When analysing this issue in a dynamic perspective, one should emphasise that while in the period analysed the value of the dependency ratio in the entire province worsened – in 1998 there were 54 persons in post-productive age per 100 persons in pre-productive age, and in 2002 the former number was already at 64 – the spatial distribution remained virtually the same.

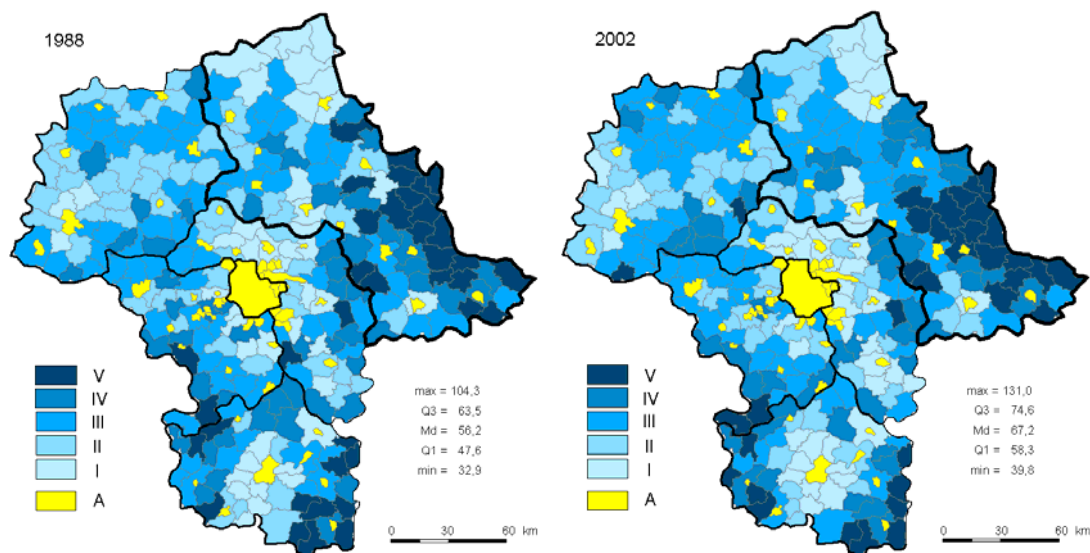


Fig. 3. The dependency ratio (here: population in post-productive age in relation to population in pre-productive age) on the rural areas of Masovia in 1988 and 2002.

Classes: V – very high; IV – high; III – medium; II – low; I – very low; A – towns.

2.2. Importance of Agriculture

Agriculture has an essential share in the economic structure of the Ostrołęka-Siedlce subregion – in 1995 it accounted for 27% of the gross value added of the GDP, and in 2003 – for 18%, while the respective averages for the province amounted to 7% and 4%.

With respect to agricultural production, the Ostrołęka-Siedlce subregion is essentially divided into different parts – the southern one (Siedlce) and the northern (Ostrołęka). Each of these subtypes is characterised by different agro-ecological conditions and features a different dynamics of transformations.

The southern area displays much better – compared to the northern one – conditions for agricultural production (Siedlce Plateau). On this area, farming has a differentiated and multidirectional character – rye, potatoes, cereal mixes are grown, and in some municipalities wheat and sugar beets take an important place in the production structure. Besides, in terms of land use, orchards occupy a definite place, slightly above the respective average. In animal husbandry, pigs and poultry are most important. It should be emphasised that during the recent period relatively small transformations took place on this area in terms of production structure as well as farm structure.

On the other hand, the northern part of the subregion has worse natural conditions for agricultural production (Kurpie Plain). As mentioned already in the introduction, this area is to a large extent used for permanent grasslands. And, despite the relatively poorer initial conditions, it can be stated that this area had an economic success in the period of systemic transformation. This success was first of all

associated with highly specialised agriculture – oriented at cattle raising and milk production. During the last years the Ostrołęka-Siedlce subregion, and the Łomża subregion, neighbouring with the former from the East, became the area of the country featuring the most intensive dairy cattle raising activity. In more than a dozen of municipalities of the area the number of cattle per unit of agricultural land is several times higher than on the average in Poland.

It has to be emphasise, that the dairy sector plays a significant role in the Polish economy. Milk is one of the most important agricultural products, accounting for 16% of total agricultural production and for 19% of market output in 2007. Milk production remains a major source of income and food for approx. 656,000 agricultural holdings. Between 2000 and 2007, total sales of the Polish dairy industry jumped nearly by 80%, to EUR 6 billion (Figure 4). It resulted from the growing collection of milk (up to the milk quota) and rising selling prices after Poland's integration into the EU (Szajner 2009).

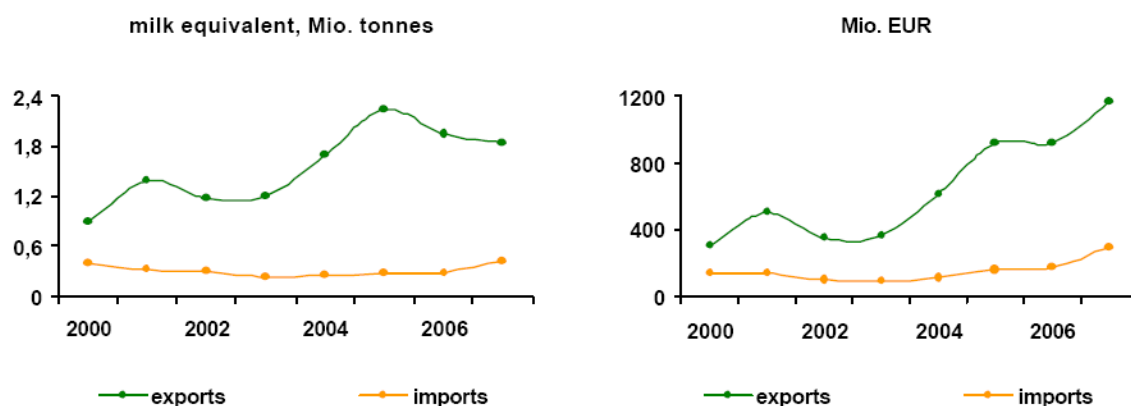


Fig. 4. Exports and imports of dairy products from and to Poland

Source: Szajner P., 2009, Assessment of the competitiveness of the dairy food chain in Poland, AgriPolicy, p. 11.

Although milk production in Poland remains at a similar level for many years, spatial distribution of dairy cattle raising and milk production underwent essential changes. While on the majority of the territory of Poland there has been in the years 1988-2002 a drop in the cattle numbers, within the subregions of Ostrołęka-Siedlce and Łomża there has been an increase, attaining in some parts of this area more than 20%. This situation was largely linked with privatisation of the former dairy cooperatives and the appearance of foreign capital.

Foreign direct investment in the Polish dairy sector has had a significant impact on ownership changes and modernisation in the sector as well as increasing competition in the market. As a result, private companies have expanded their market share, whereas a number of private firms are leaders in specific market segments (yoghurts and milk-based beverages, processed cheese). But the market leaders continue to

be two large capital groups operating as cooperatives where farmers are the shareholders/members (Tab. 1.). The dairy industry is the only sector in food processing where cooperatives account for a major market share (Szajner 2009).

Table 1. The biggest dairies in Poland, 2007

Name of company	Ownership	Collection		Turnover		Employment	
		Mio. L	%of total	Mio. EUR	%of total		%of total
Mlekpól	Co-operative	860	10.3	390	6.5	1634	4.1
Mlekovita	Co-operative	750	8.9	345	5.8	1289	3.2
Danone Polska	Ltd.	214	2.6	297	5.0	1315	3.3
Hochland Polska	Ltd.	210	2.5	145	2.4	817	2.0
Zott Polska	Ltd.	105	1.3	143	2.4	320	0.8

Source: Szajner P., 2009, Assessment of the competitiveness of the dairy food chain in Poland, AgriPolicy, p. 8.

The two biggest cooperatives are located in the subregion of Łomża, neighbouring to the East with the subregion of Ostrołęka-Siedlce, i.e. Mlekpól in Grajewo and Mlekovita in Wysokie Mazowieckie. On the area here analysed two plants of the international company Hochland and a plant of the Polish company Ostrovia are located (Photograph 1). Appearance of large purchasers of milk brought about very advantageous changes in the economic structure of the region.



Photograph 1. Pastures near Ostrołęka and a plant of the Hochland company in Baranów (subregion Ostrołęka-Siedlce).

2.3. Culture, Tradition & Nature

Cultural assets of the area constitute essential elements in “telling the story of the subregion of Ostrołęka and Siedlce”. The northern part of this area (the surroundings of Ostrołęka) constitutes one of the most interesting and richest regions in Poland in ethnographic terms – the region of Kurpie. Traditional, original craft techniques and folk art are being cultivated here. This cultural heritage and traditions, passed from generation to generation, are taken advantage of in the recent years for commercial

purposes. Folk artists and craftsmen sell their produce and promote themselves using modern tools, such as the Web. Other ones establish agro-tourist farms, of which there is several dozen in the northern part of the Ostrołęka-Siedlce subregion. These accommodation facilities offer local attractions, such as regional cuisine, teaching of craft techniques, participation in folk events, etc. Inhabitants of Kurpie form a number of local and regional associations. These associations implement various projects, aiming at promotion of traditions, proper for Kurpie, like ethnographic workshops, model lessons, fairs, as well as business conduct trainings, which emphasise the possibility of making use of the cultural heritage of Kurpie (see Photograph 2).



Photograph 2. Girls in traditional costumes from the Kurpie region and procession with ornamental “palms”, made by the local artists from Kurpie, during the Palm Sunday liturgy in the locality of Łyse.

The area considered here constitutes a part of the so-called Green Lungs of Poland, encompassing ecological systems of unique value on the national and European scale. The most valuable areas in terms of nature concentrate along the valley of Bug river, which forms the south-eastern boundary of the subregion and then passes across its central part. Here, the protected areas are situated – landscape parks, protected landscape areas and reserves, coinciding largely with the Natura 2000 areas. Bug river and one of its tributaries are used for rowing tourism. Along the valley of Bug river the tourist services develop, including agro-tourist farms and other accommodation facilities, and, to a lesser extent, boat renting and catering facilities.

2.4. Spatial Structure

The spatial structure of the subregion displays very low internal cohesion. Delimitation of its boundaries appears to be highly incidental and performed solely for statistical purposes. There are two main towns in the area: Siedlce and Ostrołęka, as well as a couple of smaller urban centres. Yet, these centres do not dominate in the settlement pattern of the area, and their range of influence is limited to the neighbouring rural municipalities. For the majority of the rural areas of the subregion

considered the central town is constituted by Warsaw – situated at the distance of 50 to 150 kilometres from these municipalities. Low spatial cohesion is expressed through the fact that there are only two bus connections per day between Ostrołęka and Siedlce, while train travel between those towns, which are 120 km apart from each other, lasts 4-5 hours, since it involves a change in Warsaw. On the other hand, for comparison, there are 25 connections per day between Warsaw and Siedlce, with one-and-a-half hour of travel, 20 connections per day between Warsaw and Łochów (a town in the central part of the subregion considered), with just one hour of travel, and seven connections between Warsaw and Ostrołęka, with travel duration of two and a half hour.

The settlement structure of the subregion considered is characterised by a high number of very small villages, inhabited, on the average, by less than 200 persons. This constitutes a significant obstacle to the conduct of a rational economy in the domain of extension of technical and social infrastructure. As we compare the densities of water supply networks on rural areas of the province of Masovia, we easily reach the conclusion that the subregion of Ostrołęka-Siedlce features the lowest indicators with respect to this type of installations (Fig. 5). Yet, one should also note that during the last two decades dynamic positive changes have been taking place as far as equipment of rural areas with water supply and sewage infrastructure is concerned. Thus, in the years 1988-2002 the total length of water supply networks in the Ostrołęka-Siedlce subregion increased almost nine times over. This extraordinary civilisational progress and overcoming of the historical delays in the availability and quality of infrastructural networks was made possible due to concentration of the activities of the local self-governmental authorities on this issue. Investments into respective projects were entered as priorities into the local strategic documents and constituted the most important items in the budgets of the majority of municipalities in Poland. Side by side with the still existing important shortcomings in the development of technical infrastructure, one observes in the subregion considered a low level of market-oriented service sector and poor accessibility of public services.

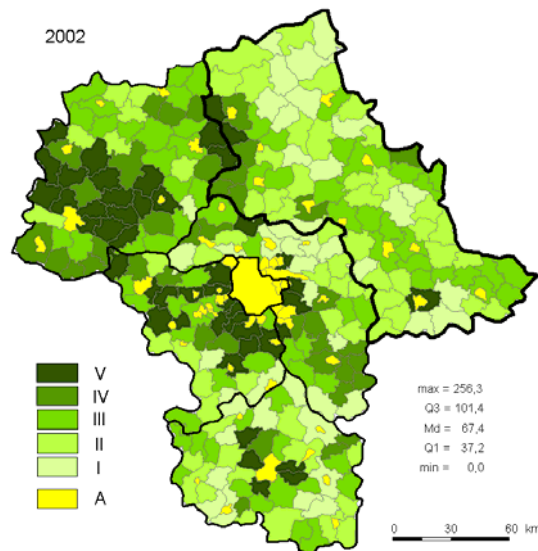


Fig. 5. Level of equipment with water supply network (length of the network per 100 sq.km of the municipality) on rural areas of the province of Masovia in 2002.

Classes: V- very high;IV – high; III – medium; II – low; I – very low; A – towns.

3. ANALYSIS OF CHANGE BY ‘GRAND NARRATIVE’

3.1. Agri-centric Narrative

Agriculture plays a fundamental role in the subregion of Ostrołęka-Siedlce. Roughly 40-50 % of inhabitants of rural areas find employment in the first sector of economy. For many years agriculture of this area was little commercial and little intensive – only a small portion of production was meant for the market. In the recent period, though, very significant qualitative changes have been observed here in the production structure. This is partly due to a relatively low share of farm owners in post-productive age and high share of farm owners with agricultural education. The basis for the economic success of these areas and the structural transformations was constituted by the orientation of production at dairy cattle raising. The increase of the economic activity level of farmers contributed to the growth of the degree of commercialisation of farming and of production volume meant for the market, which is now at almost double of the national average. There has also been an increase of activity level of the farmers in the search for additional supporting means from external sources.

3.2. Urban-Rural Narrative

Side by side with the agricultural specialisation, the subregion of Ostrołęka and Siedlce has a typically rural character. In view of lack of larger urban centres, the suburbanisation processes are not observed on the area considered, except for a couple of municipalities neighbouring directly upon the biggest towns of the subregion. Furthermore, the distance from Warsaw causes that the influence of the

capital affects significantly only selected units. Likewise, the development of tourism does not entail essential changes in rural landscape, nor changes in the functional structure – here exceptions are constituted by few municipalities situated on river Bug, where concentrations of summer (vacation) houses exist, owned mainly by the inhabitants of the agglomeration of Warsaw.

The influence of Warsaw does not concern directly the architectural-spatial processes, but has an impact on the pattern of socio-economic behaviours. As mentioned already, this area is subject to the processes of leaching of human capital resources – young, undertaking and educated persons migrate from there to the capital and to its suburban zone, or to other urban centres. Besides, a part of inhabitants of the subregion take jobs in Warsaw and commute either on a daily or a weekly basis.

3.3. *Globalisation/Capitalist Penetration Narrative*

In Polish conditions the globalisation processes are especially easily observed in towns and in their suburban zones. These are, namely, the locations, where investment outlays of the largest companies from the service sector concentrate, while the rural areas are usually excluded from the related processes. Yet, one can notice on the area considered certain elements, being the evidence of the inclusion of the subregion into a broader network of the socio-economic connections. The first of these is constituted by the investments, made by the external – also foreign – entrepreneurs into the development of the dairy branch. As mentioned already, this enabled the improvement of the condition of the entire farming sector of the area, an improvement of the quality of services offered, and the inclusion in the competition on the global market. The second important aspect, associated with the globalisation processes, is constituted by the increased interest in locality, and in taking advantage of traditions and local culture. This causes that the subregion of Ostrołęka and Siedlce emerges as an attractive area for tourist penetration, in view of its ethnographic qualities. Growing interest from the side of tourists leads to increased cultural and art activity and to the development of small craft businesses, catering and agro-tourism.

4. IMPLICATIONS FOR POLICY

At the end of this short and succinct characterisation of the subregion of Ostrołęka and Siedlce let us recall its most important conditioning factors: rural character, high importance of agriculture in economic structure, disadvantageous socio-demographic processes, high cultural qualities, and low internal cohesion.

The socio-economic activation of described region should be based on several changes. First of all, there should be larger diversification of incomes of rural inhabitants and self-government budget through development of non-agricultural

sectors of economy and as well improving the level of education of rural inhabitants and local leaders. As well development of this region should be based on:

- activation of development of small towns as local centers of public services;
- the higher degree of processing produced in the region agricultural products (the development of food processing);
- higher specialization in agricultural production (especially cattle raising and milk production);
- improvement of spatial accessibility to educational centers (especially secondary schools) and as well other public services;
- higher degree of utilization of existing natural and cultural resources in development of rural tourism;
- complex development of technical infrastructure (especially balancing the number of population using water and sewage networks);
- more effective utilization of external financial sources;
- strengthening of supralocal (subregional) functions of two main city-centers of the region – Ostrołęka and Siedlce.



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Final Report Annex 1 Part 13

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EXEMPLAR REGIONS REPORT:

Südharz County, Germany

Johannes Lückenköter
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2010



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1. INTRODUCTION TO THE REGION

The county of Mansfeld-Südharz is located at the western border of the East German state of Saxony-Anhalt. The nearest urban agglomerations are Halle (130,000 population), Erfurt (210,000 population) and Leipzig (510,000 population). These cities are 60, 75 and 100 kilometres away (see Figure 1). The county's largest town, Mansfeld, has a population of 30,000, the county's total population is 155,000 inhabitants. The average population density is 109 inhabitants per square kilometre. Thus the county is classified as an 'intermediate rural' NUTS 3 region according to the Dijkstra/Poelman classification (2008).

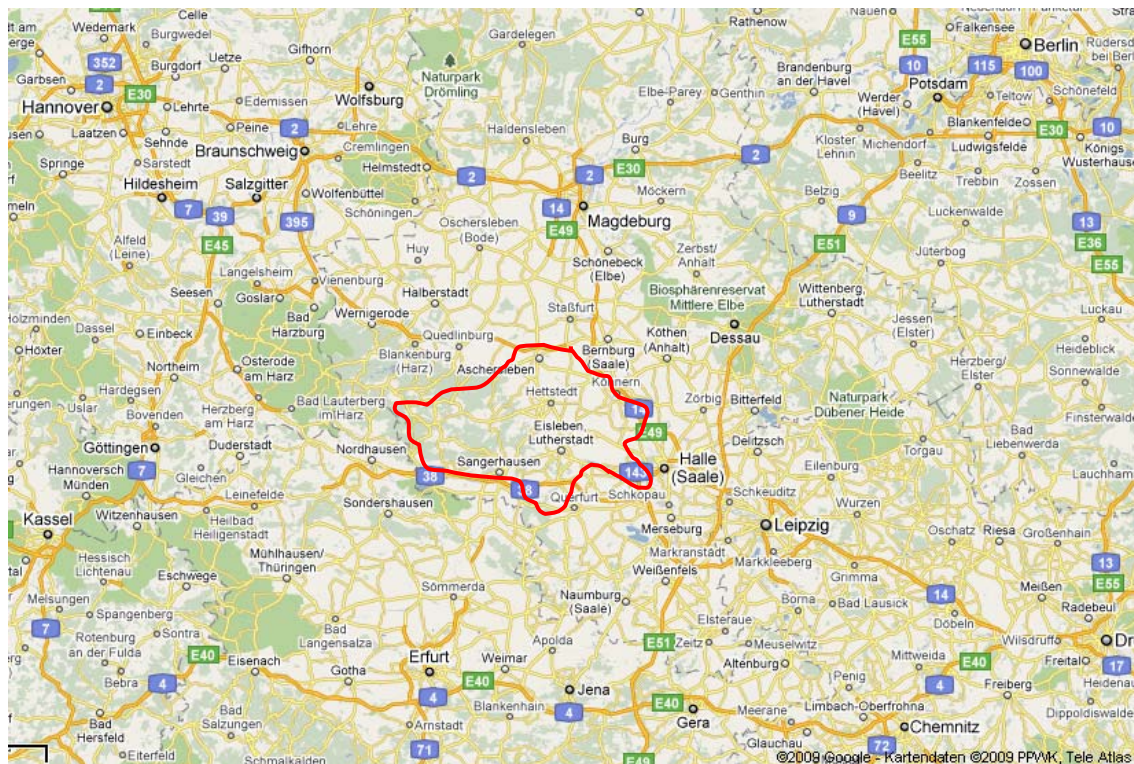


Figure 1: Regional location of the county of Mansfeld-Südharz

Geographically, the county covers an area of 1,448 square kilometres and has a maximum north-south extension of ca. 40 km and a maximum east-west extension of ca. 70 km. The county comprises parts of the middle range mountain massif Harz and the adjoining plains: The north-west of the county is mountainous and mostly covered by forests. The undulating foreland and plains cover the rest of the county and are mostly used for agriculture (see Figure 2).



Figure 2: Map of Mansfeld-Südharz county

Historically Mansfeld-Südharz is known as the home of Martin Luther and as a rural mining area. The former is today seen (and being developed) as a major attraction for cultural tourism, while the latter is a more problematic legacy: in some areas mining dumps characterise the landscape and the local economy lost thousands of jobs in the copper mining and related industries since the end of the communist era. In the 20 years since the fall of the Berlin wall the county has lost 23% of its population. Despite this massive loss of population the official unemployment rate is still very high and has only recently dipped below 20%.

2. PROCESSES OF CHANGE

The area that is today called Mansfeld-Südharz county has a long history. Humans already lived there in the stone age, as findings of man-made tools indicate. Later, around 4500 BC, sedentary farmers and livestock keepers started little settlements, remnants of which can still be seen in many places in the county. Almost three millenia later, around 1800 to 1600 BC, weapons and jewelry were made using copper and other ores found in the area. But it seems that the existence of copper was later forgotten (or further extraction was impossible at that time), for it took another three millenia until copper became the foundation for the region's industrial development.

2.1. *Copper and the region's (interrupted) industrial ascent*

Copper production began in earnest when - according to historic accounts - two young men 'discovered' copper in the Mansfeld area in the year 1199. In the

following 300 years copper was extracted more or less systematically by 'surface mining' along slopes. In the 15th century shafts needed to be built to get to the deeper copper deposits. By the end of the century over 1,500 copper miners worked in the shafts of the Mansfeld area. However, the Thirty Years War brought local copper production to a complete halt: In 1633 not a single shaft existed anymore (Hebestedt 2006).

The war had initially broken out because of rising tensions between protestant and catholic rulers and then widened into a complex struggle for power in Germany and continental Europe. The Mansfeld area was severely affected by the war, both in terms of economic damages and lives lost. But it also had a special relationship to the religious rifts that gave rise to the war: Martin Luther was born in the small town of Eisleben and spent his childhood here. Even though he then left and spent the rest of his life outside the region, he regularly visited his parents and siblings in Eisleben and finally even died in Eisleben.

In 1648 the Thirty Years War was ended with a landmark peace accord. In the Mansfeld area new companies slowly restarted the mining business. By the end of the 17th century copper mining flourished again and employment in the copper industry was back to pre-war levels. In the first half of the 18th century several big mining companies merged and created a copper monopoly. The new company soared. In 1861 there were 3,750 miners in the Mansfeld area, exactly sixty years later this number had tripled to 11,500 workers. Simultaneously copper production increased from 1,500 t to 11,750 t per year (Entwicklungsgesellschaft Seengebiet Mansfelder Land, 2009). In 1921 the Mansfeld Company became an incorporated company. It included copper mines, coal mines, potash mines, smelters, roller plants and other copper processing plants – both in the Mansfeld district and other parts of Germany.

2.2 Downturn and subsidised boom

But in the 1930s international competition and increasing extraction costs (due mostly to water problems in the shafts) heralded the gradual demise of copper production in the Mansfeld area. Thus from 1933 onwards the Mansfeld mining company needed state subsidies to survive. Copper production and processing was kept up during World War II, but right afterwards most plants and mines in what became West Germany were either closed down or sold. Mansfeld district, however, was located in East Germany: All mines and plants of the Mansfeld Corporation were nationalised and integrated into one big state-owned combine, the Mansfeld Kombinat. Even though German copper production remained non-competitive, the East German regime decided to keep up (and keep subsidising) copper mining and production in the Mansfeld area – not least because it allowed them access to the international metal exchanges. Copper production was actually boosted up to 25,000

t a year (ibid.). However, the copper deposits in the Mansfeld area were beginning to be exhausted and in 1969 the last copper mine was closed. In turn copper mining and processing was stepped up in the adjacent Sangerhausen area (which is also part of today's Mansfeld-Südharz county).

2.3 *Industrial collapse after the end of communism*

When the East German regime finally faltered in 1989 and the two German states reunited a year later, the copper industries in the Mansfeld-Südharz region were all of a sudden subjected to free market forces. The management of the Mansfeld Kombinat quickly realised that copper mining was untenable and completely closed down the remaining mines the same year. With no more copper coming from the mines, the downstream plants were cut off their main input and were struggling for survival. The miners, copper workers, plant managers and local politicians were at a loss – the entire region was in a state of shock. For eight hundred years the region had built its fortunes on the industrial exploitation of its natural resources. Mining and industrial production had shaped not only the local economy, but also the landscape, the institutions, the social life and culture of the region. In one way or another everything was based on or revolved around copper, coal and potash. Yet, it was clear to everyone that this era was irreversibly over, that trying to 'stem the tide of history' or staging demonstrations was useless.

Faced with the virtual collapse of their combine the top management of Mansfeld Kombinat sought advice and help from the federal government. Support was made available through the Treuhand Anstalt, the federal trust organisation created precisely for the purpose of restructuring and privatising former state-owned companies in East Germany. Treuhand's economic advisers and financial controllers as well as federal and state policy-makers became frequent visitors and medium-term consultants to the Mansfeld area. Thus, in the months and years immediately following reunification the huge Mansfeld Kombinat was broken up into (sellable) units and thousands of workers were transferred into 'job creation companies'. For some former copper workers this meant taking part in the actual disassembly of the industrial plants they used to work in. Other workers were deployed in the clean up of the environmental effects of the age-long unrestrained industrial production in the area.

2.3 *Massive unemployment and rural exodus*

But these 'job creation measures' could not mask the fact that the local economy was in free fall. Thousands lost their jobs. Many of them left the region right away (mostly heading west), but most stayed on and hoped for the promised economic recovery. Official unemployment figures for the Mansfeld-Südharz area (that do not include persons in 'job creation measures') were persistently around 25%. But towards the

end of the 1990s many people obviously lost hope and decided to leave the region: From 2000 onwards outmigration vascillated between 8% and 11% per year (BBR 2002-2009). By the end of 2009 the region had almost 48,000 inhabitants less than in 1989 – a staggering decrease of 23% (ibid.). Despite these massive population losses unemployment rates stabilised above 20%, meaning that the local economy continued to lose jobs every year (Bundesanstalt für Arbeit 2009).

2.4 Reforms and new beginnings

For a long time the region's political and administrative system was too small-scale and fragmented to effectively cope with the new challenges. The area that today makes up Mansfeld-Südharz was then divided into three small counties and almost two hundred municipalities. In 1994 two counties were merged and several municipalities as well. But the counties were still very small by German standards and even more so by European standards. In 2007 a second local government reform in the state of Saxonia-Anhalt again merged counties (and municipalities), creating the new county Mansfeld-Südharz with about 155,000 inhabitants.

The two counties that eventually merged had already been cooperating within the framework of a LEADER II partnership since 1994. The main decision-making body of the partnership included representatives of the two county administrations and county councils and one civil society organisation engaged in environmental protection-cum-education. Thus, even though LEADER was designed to foster broad-scale participation of the local civil society and private sector, this LEADER partnership was more characterised by cooperation within the public sector (between the two counties). It also reflected – only a few years after the end of communism - the de facto dominance of the public sector and the weakness of the civil society and private sector in the area. But this slowly changed and for the application and then implementation of projects within the next two LEADER funding perious (starting 2001 and 2007 respectively) participation of non-public stakeholders was widened significantly. In 2006 a new integrated development strategy for the area was developed which included two public 'regional fora' with over 200 participants. Thus the 'bottom-up' approach was slowly taking root in the Mansfeld-Südharz region.

The proposals and project of theses initiatives revolved around five main development areas. First, dealing with industrial decline, projects were undertaken to privatise parts of the former state-owned combine and on this basis rebuilt an innovation oriented industrial economy. While some privatisation projects were successful, it was later realised that other sectors, like agriculture and tourism offered more potentials. Thus, as a second development pillar, many projects were implemented to re-orient local agriculture towards the more lucrative fruit and wine production. Third, in a region 'scarred' by centuries of unrestrained industrial

production, environmental protection and rehabilitation projects featured high on the agenda.

As a fourth development initiative the region began to valorise its industrial and religious heritage. Tourism development activities focus primarily on places associated with the life of Martin Luther. A major milestone in these efforts was the official recognition of Martin Luther's birthplace and deathbed in Eisleben as UNESCO World Heritage sites in 1996. Connecting these historical sites with other tourism sites, e.g. related to the industrial heritage of the region or natural attractions in the Harz mountains, has been an ongoing process.

Finally, a fifth development challenge has been how to readjust the public infrastructure to the considerably reduced (and most probably still shrinking) population. Tackling the economically induced demographic changes and resulting institutional challenges is the goal of a new model project which the federal government is sponsoring in the county of Mansfeld-Südharz and a neighbouring county. The project was started in 2008 (thus it is too early for tangible results yet) and has strengthened public hope and regional cooperation to deal with the structural challenges in an active, forward-looking way (Landratsamt Kyffhäuser Kreis und Kreis Mansfeld Südharz 2008).

The last two milestones of the region's development relate to transport infrastructure. In 2009 a new motorway was inaugurated that directly connects Leipzig with west Germany and passes through the Mansfeld-Südharz county. A second motorway will be completed in 2012 branching off towards Bavaria and thus further improving the county's regional and national accessibility.

3. ANALYSIS OF CHANGE BY ‘GRAND NARRATIVES’

As part of EDORA’s conceptual framework three ‘grand narratives’ have been developed which seek to crystallize distinctly different development trajectories of rural areas. In the following sections these grand narratives are briefly outlined and then discussed vis-a-vis local developments in Mansfeld-Südharz.

3.1 *Globalisation/capitalist penetration narrative*

At the core of the capitalist penetration narrative are processes of economic globalisation and regional flexible specialisation. Capitalists would seek to extract abundantly and cheaply available rural resources, such as natural resources, energy or labour, and integrate them into global production processes. Rural areas would be exploited and also become powerless and unable to steer their own development.

This ‘grand narrative’ of rural development captures the development experience of Mansfeld-Südharz quite well. For almost 800 years the region’s development was tied to its rich mineral resource deposits, namely copper, some silver, potash and brown coal. The cornerstones of this development path were the extraction of mineral resources, metal-based industrial production and the evolution of an industrial complex with large conglomerates and organised labour.

Consequently Mansfeld-Südharz’s fortunes were pegged to the ascent and decline of mineral resource based industrialisation. The end of this development model actually began in the 1930s but was reversed for a few decades in the communist era. It finally came to an abrupt end when East Germany’s economy was fully reintegrated into the capitalist system in the 1990s. As a result most of the region’s economy (and work force) became redundant, migrated or stayed idle ever since.

Thus, the rise and fall of Mansfeld-Südharz county was (a) based on its mineral resource base which was extracted and processed for international markets and therefore (b) determined by the competition with other regions producing for these global markets. These global economic underpinnings, the specific ‘mode of governance’ (large corporations and organised labour) and the eventual decline make the Mansfeld-Südharz region an almost idealtypical, albeit rural, case of what has been called the Fordist development model – itself a sub-type of the globalisation/capitalist penetration narrative.

The region is today trying to leave this development model behind. Instead of being dominated by global markets and national policy-makers the county is rediscovering non-industrial local potentials like its woody mountains and unique local history. This is happening, inter alia, within the framework of the local LEADER partnership, which

has at the same time brought together local stakeholders to jointly discuss, plan and implement new development strategies. The new 'economic council' and the model project on innovative responses to the county's consistent population losses also indicate that the political leadership, business community and civil society of Mansfeld-Südharz are beginning to actively steer their region's development again. They are thus trying to leave behind the negative impacts of globalisation and the feeling of powerlessness that has haunted the region for the last twenty years.

3.2 *The agri-centric narrative*

The agri-centric narrative distinguishes between an agro-industrial model, a post-productivist and a rural development model. Each of these are defined by the degree and the way in which they are based on agricultural production. In the agro-industrial model rural areas focus primarily on food production. The still sustainable rural development model is also based on local food production, but not on a large-scale, industrial basis that is oriented primarily towards urban mass markets. Instead food production would be based on local food supply-chains and aim more at self-reliance and sustainable use of local resources. In the post-productivist model rural areas are not primarily engaged in agricultural production, but are perceived as scenic countryside and home to traditional, community-oriented living, which makes them attractive for current or former urban dwellers.

This agriculture-based narrative has some relevance for Mansfeld-Südharz. On the one hand the region wants to transition to a post-productivist development model, catering to tourists and visitors from nearby agglomerations. The county's scenic mountain areas coupled with Martin Luther's historic 'footprint' is being used to this end. On the other hand, most of the county's land is under intensive agricultural use. Owing to farm restructuring during the communist era the size of the county's farms is rather large, thus making them competitive vis-a-vis smaller landholdings in other rural regions of Germany. These large farms are clearly engaged in mass-production oriented farming. Thus in regard to rural-agricultural development the agro-industrial model is the dominant development model being pursued in Mansfeld-Südharz.

3.3 *Urban-Rural Linkages Narrative*

This development narrative prioritises urban-rural interactions and categorises rural areas according to their geographical distance to urban centres. Commuting is seen as one of the crucial rural-urban linkages as are short-term tourism and trade between rural and urban areas. Hence transport accessibility becomes a defining element of this development model. Rural areas close to cities become increasingly integrated into the urban economy. Due to urban growth problems like congestion, rising land and housing costs households and businesses would increasingly relocate to peri-urban locations.

For Mansfeld-Südharz this development narrative is becoming increasingly relevant. It was less relevant when the region was itself a major employment centre. Then, during the separation of East and West Germany, the region was cut off from the next agglomeration centres to the West. And improving transport infrastructure between east and west was clearly not on the agenda of the East German regime. This changed after reunification of the two German states, but it took almost twenty years for the new east-west motorway that passes through the county to be completed. And the new motorway branching off to the south, towards Bavaria, is only scheduled to be opened in 2012. These two motorways are changing Mansfeld-Südharz's accessibility significantly. Car commuting times to Halle, Leipzig and Erfurt are now becoming acceptable. Some are therefore expecting a boost to local economic development especially in the southern parts of the county that are most of all affected by these infrastructure improvements.

However, one should not overestimate these accessibility improvements. While linkages with Halle, Leipzig and Erfurt have and most probably will further increase, Mansfeld-Südharz may still not become a 'peri-urban' rural area. Halle is relatively closeby, but also the smallest urban centre (130,000 population). Erfurt is bigger (210,000 population) but its sphere of influence may not reach 75 kilometres and more. The same may apply to Leipzig, which has 510,000 inhabitants but is on average 100 kilometres away. These may just barely be acceptable commuting distances for current residents of Mansfeld-Südharz, but are not likely to lure new households to the county – also keeping in mind the old industrial image of the region.

4. IMPLICATIONS FOR POLICY

From a European perspective the development of the county of Mansfeld-Südharz is not as unique as it might first appear. There are actually quite a number of rural regions in Europe that in the course of their history were shaped by the rise and later decline of rural mining towns. Only focusing on mining of metals (iron ore, copper, silver) places like the Ore Mountains (Germany/Czech Republic), Falun (Sweden), Lokken (Norway), Banská Bystrica or Banská Štiavnica (Slovakia) may be more prominent examples. But there are many other rural regions (mostly in mid-range mountain massifs) in Scandinavia, central Europe and the Balkans with similar mining histories. Often these regions are fairly remote from the demographic and economic centres of their respective countries. Thus, when the mineral deposits were fully exploited or their extraction became too expensive the economies of these regions collapsed and many of their inhabitants migrated to the (far away) urban centres. Thus while Mansfeld-Südharz belongs to a special type of rural regions (which were primarily shaped by mining and related industries and not by agriculture, forestry or fishing) this type of regions can nevertheless be found in many countries across Europe.

A second aspect of Mansfeld-Südharz's history also makes it representative for many other rural regions in Europe: For more than forty years the county was part of the state-controlled economy of East Germany. Among others this meant a stable or even booming industrial development due to heavy state subsidies. When the 'subsidy bubble' burst after the political and economic unification with West Germany, the region slipped into a vicious cycle of rapid economic decline and demographic depopulation. A similar fate can be found in many other East European rural regions. These regions were only able to maintain their economic base and population because of the communist economic system and experienced a rapid collapse after or during the transition to a market economy. While the speed and severity of the collapse in Mansfeld-Südharz is truly breath-taking (20% population loss in six years, still about one fifth of the workforce unemployed), there are probably even more extreme cases in other Eastern European countries that did not have the benefit of unification with a 'wealthy twin' (West Germany) that was able to ameliorate at least some of the economic, social and infrastructural repercussions. It remains to be seen if the new model project, sponsored by the federal government, that is specifically focusing on the described economic and demographic changes will bring forth a successful recovery and adjustment strategy that could be replicated in similar rural regions across Europe.

What then are policy implications emanating from the Mansfeld-Südharz case study?

- *Recognising rural industrial development:* Policy makers at national and European level should be mindful that rural development policies are not only about agriculture, forestry and perhaps tourism. There are rural regions that still do or did in the past possess a significant industrial base. Thus, industrial policy may directly affect some rural areas – and due to the small size of their local economies may even be more affected than large industrial agglomerations. Therefore policy makers should take cognizance of such non-urban context when devising industrial policy – or even develop a special *rural industrial policy*.
- *Discovering rural industrial heritage:* Mansfeld-Südharz is still suffering from the rapid closure of its mining-related industries. But rather than seeing these industries as only culprits for the current economic crisis, it may be more helpful to focus on the historic relevance of these industries. Just like traditional industrial regions like the Ruhr area in west Germany discovered and now celebrates its industrial heritage, rural areas like Mansfeld-Südharz are well advised to also re-orient their outlook on former industries. Exploring 800 years of rural mining and its economic, environmental and social impacts can become a distinctive feature of a unique tourism development strategy – packaged together with other touristic attractions like, in the case of Mansfeld-Südharz, Martin Luther's legacy and hiking in the Harz mountains.
- *Dealing with depopulation:* Due to structural political and economic changes (transition to market economy, deindustrialisation) massive population losses have been and might still be unavoidable for some rural regions. Despite all efforts it might be impossible to (in the short or medium term) build up vibrant local economies that can compensate for the job and population losses. Therefore adjustments of the private and public infrastructure serving the local population will continue to be a major challenge for many rural regions in Europe. National and European policy and institutions should be even more engaged in advising and supporting local and regional actors in such hard-pressed rural regions, like in the recent model project conducted in Mansfeld-Südharz.
- *Networking with other 'rural industrial' regions:* As discussed above, Mansfeld-Südharz's history and recent experience is not completely unique. It may therefore make sense to connect similar regions across Europe and exchange innovative policies, methodologies and projects. Such a network may perhaps also serve as a platform for political lobbying vis-a-vis national and European policy-makers

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EXEMPLAR REGIONS REPORT:

Neumarkt County, Germany

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1. INTRODUCTION TO THE REGION

The county of “Neumarkt in der Oberpfalz” (hereafter only referred to as Neumarkt county) is located in the centre of the southern German state of Bavaria. The county is situated in between three urban centres: from the northern tip of the county it takes only 30 minutes by car to reach the city centre of Nuremberg (500,000 population), from the southern tip it takes 40 minutes to Ingolstadt (124,000 population) and from the south eastern corner of the county it takes 35 minutes into Regensburg (134,000 population). Thus most of the 128,000 inhabitants of the county take less than 45 minutes to reach one of these three cities by car. This and the low population density of 95 inhabitants per square kilometre put the county in the ‘predominantly rural accessible’ category of the Dijkstra/Poelman classification (2008).

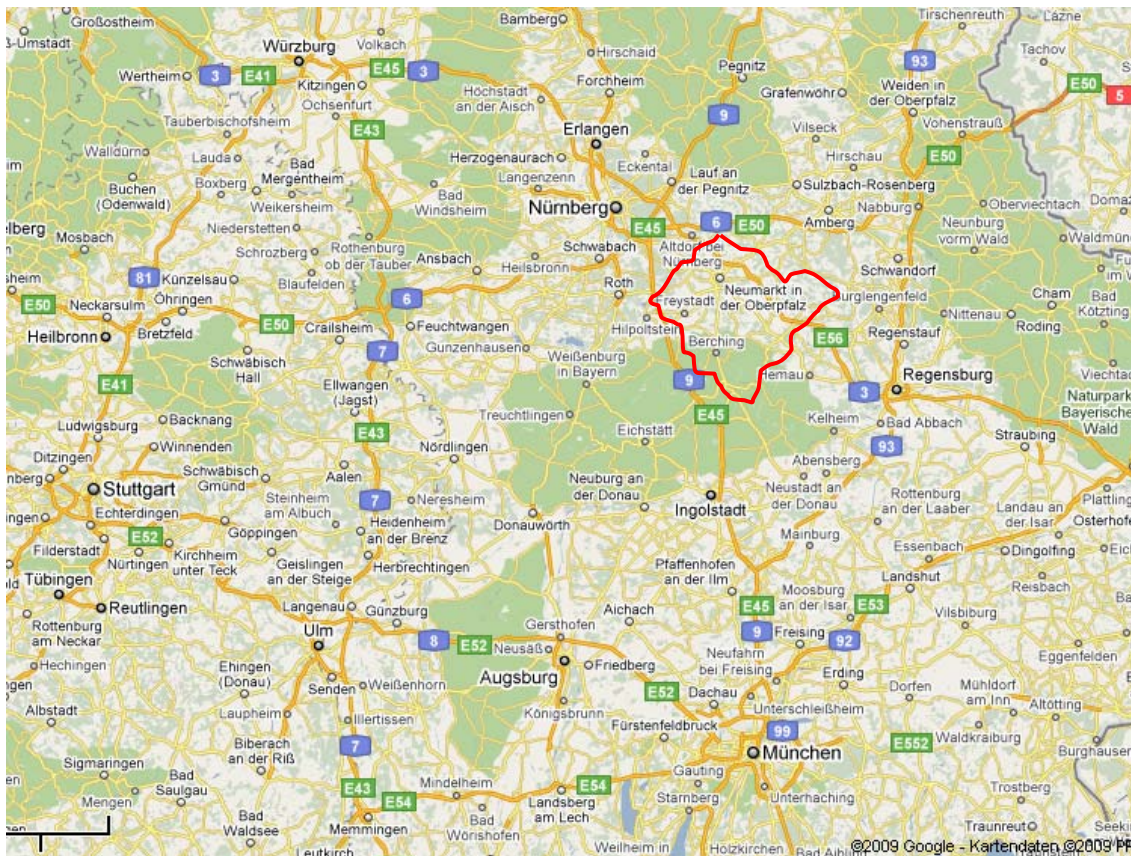


Figure 1: Regional location of the county of Neumarkt

Geographically, the county covers 1,344 square kilometres and has a maximum north-south extension of 48 km and a maximum east-west extension of 49 km. 47% of the land is used for agriculture, 31% is covered with forests and 10% is taken up by settlements and transport infrastructure (BBR 2009). The north of the county, around the city of Neumarkt (40,000 population), is more urbanised and industrialised which is partly due to the closeness to Nuremberg. The main industry is the construction and building material industry. The rest of the county is more sparsely

populated. The low population density, the varied landscape with woody hills, fertile plateaus and beautiful river valleys and the picturesque little towns give the majority of the county its charming rural character: Coupled with the above described accessibility characteristics it makes the county the ideal destination for rural dinners, weekend retreats of city-wary urbanites in search for a quiet non-suburban, rural residence.

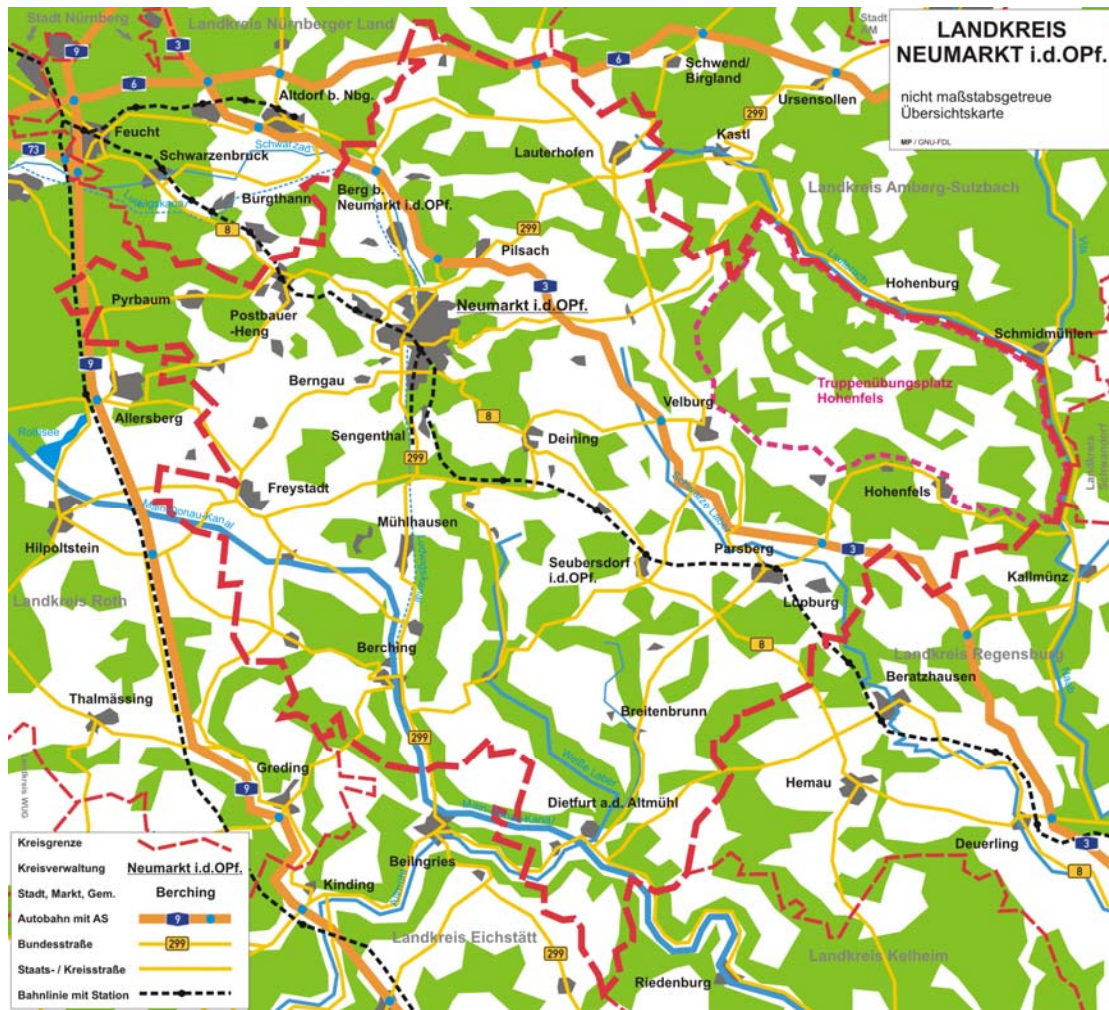


Figure 2: Map of the county of Neumarkt

2. PROCESSES OF CHANGE

The history of the case study region dates back to pre-historic times. The area that today makes up the county of Neumarkt has been inhabited since 3,000 BC. However, real settlements only developed in the 6th and 7th century AD. In the 12th century the city of Neumarkt was founded and in the 15th and 16th century it was the residence of a Count palatine. After these early political as well as economic heydays the area descended in importance after it became part of the Bavarian kingdom. Henceforth Neumarkt was only an administrative outpost.

For centuries the region remained completely rural in character: The area was very sparsely populated and agriculture as well as forestry dominated the local economy and community life. In fact, lacking modern means of transportation most parts of the region were a remote, sparsely inhabited and poor 'pocket' in the middle of Bavaria – and remained in this condition until well after World War II.

In contrast, in the *19th century* the city of Neumarkt re-emerged economically, when it slowly developed into an industrial city. This was in part due to a new canal that was finished in 1846, connecting two of Germany's most important rivers, namely the Danube and the Main river. All of a sudden Neumarkt had a harbour which greatly facilitated the transportation of heavy and bulky goods. In 1871 the railway line between Nuremberg and Regensburg was completed – with a railway station in Neumarkt. Local and outside entrepreneurs seized the new opportunities and expanded or started industrial production in Neumarkt. For example, in 1846 the first bicycle factory in continental Europe was opened in Neumarkt (Romstöck 1985).

By the *early 20th century* Neumarkt had become a small industrial hub, characterised by small to medium-sized industrial companies. However, in one way or another they were mostly based on local resources, e.g. wood, sand and gravel. A good case in point was a pencil factory that was started by a today famous German office supplier. Another important local resource for the new industries was the abundant and hard-working labour force in the rural areas around Neumarkt. Used to physical labour and long hours, many farmers worked in the factories during the day and continued on their farms afterwards and on weekends.

World War II gave industrial production in Neumarkt another boost. The war not only led to rising demand for building materials (e.g. wooden railway sleepers), but also supplied cheap labour: A forced labour camp was set up in Neumarkt whose prisoners had to work in strategic industries. The boom of the city's war economy ended, when Neustadt was almost completely destroyed during air raids in 1945.

After World War II the importance of agriculture and forestry for the economy of the still predominantly rural county steadily declined. For example, the number of farms declined from around 6,000 in the 1950s to only 2,100 in 2008 (Romstöck 1995, BBR

2009). The percentage of employees in the primary sector (agriculture, forestry and mining) today makes up only 0.5 % of the county's total workforce (BBR 2009). This is about half of the German average and even below the Bavarian average. Nevertheless, agriculture and forestry still dominate as a land-uses – and farmers and forest owner still own most of the county's land. This makes them important economic and political stakeholders in urban expansion processes, but also for local tourism development (see below).

In contrast, the *industrial sector* expanded and became the mainstay of the county's economy. First based on processing natural resources several companies slowly expanded, specialised or diversified their operations. Thus several local construction companies grew into large, more complex companies with thriving international sections. For example, starting from wood and gravel based construction they expanded into railway track systems, sewage systems, pylon production and plant engineering. The pencil factory also diversified its production to cover a wide range of office materials. Thus, in 2007 the manufacturing sector employed 47.1 % of the county's workforce – compared to the German average of 32.0 % and the Bavarian average of 37% (BBR 2009)

In the *1970s local government reforms* changed the administrative set-up in the case study area. The old county Neumarkt was merged with most parts of a neighbouring county (plus a few municipalities from two other counties) to form the new county Neumarkt. At the same time many tiny municipalities were merged so that in the end 18 municipalities remained (many of which still only have between 2,000 and 4,000 inhabitants). As a result the office of the directly elected county director (chief administrator) became more powerful. The old and new county director was already quite a powerful politician who was re-elected again and again so that he ended up being the longest serving county director of Germany: He held the office from 1958 until 1996 and thus had a great impact on the county's development.

During his tenure several *major infrastructure projects* were implemented. In fact, expanding the county's transport, education and health infrastructure was at the top of the county director's agenda. The motorway connecting Nuremberg and Regensburg was completed, which ran through the north of the county. The road network inside the county was also expanded, as was the county's general hospital in Neumarkt. Many primary schools and secondary schools were built until the county's education system was up to Bavarian standards. In finally, in 1992 the new Danube-Main canal was inaugurated, which replaced the old 19th century canal. The new canal is not only navigable by modern freighters and thus connects the city of Neumarkt to national and international freight centres, but is also open to excursion boats, which boosted tourism especially in the rural southern part of the county in the decades to come.

In the 1990s *tourism* gained in importance in the county of Neumarkt. Previously only a few municipalities, that are located on the fringes of a national nature park, had benefited somewhat from tourism. In the 1990s local communities and businesses began to explicitly cater to tourists from the nearby urban centres and beyond. They discovered the touristic potentials of the county's beautiful countryside with its woody slopes, fertile plateaus and charming river valleys as well as picturesque medieval towns and villages within less than one hour driving time from their urban homes. Slowly but steadily the touristic infrastructure was expanded: hotels and restaurants opened or re-oriented their business, indoor swimming pools and water parks were built, hiking trails and bicycle routes created and signposted – and a total of four golf courses were created. Thus, in 2007 there were 2.8 overnight stays per inhabitant of the county – which masks the fact that these are largely concentrated in the rural southern and south eastern parts of the county (ibid.).

The 1990s also witnessed *new forms of cooperation* in Neumarkt county. Initiated by a dynamic mayor three southern municipalities and their civil society organisations began to cooperate with each other, later adding another two municipalities of the neighbouring county. By 1995 they had formed the JURA 2000 partnership and successfully applied to the EU funding programme LEADER. The development approach of this tiny LEADER region focused on strengthening local culture and identity and improving the economic infrastructure of the area (mostly tourism-oriented projects). Thus, JURA 2000 sought to reconcile village-based socio-cultural objectives with more outward oriented economic objectives. This mixture of preserving and enhancing the traditional and local qualities of the area with economic development, as well as the new forms of societal and municipal cooperation became a 'winning recipe': With modifications (and inclusion of further municipalities) this mini-region has up to now continuously received LEADER funding and successfully implemented a great number of local development projects (JURA 2009).

One of the main architects of JURA 2000, the already mentioned mayor, went on to become the *new county director*. Not surprisingly he right away adopted a similar cooperative approach to developing the county. As a charismatic and 'visionary' politician he also initiated many future-oriented projects that contributed to him being re-elected twice. Over the last thirteen years his development approach for the county of Neumarkt has focused on regional cooperation, modernising rural and urban infrastructures and fostering an ecological economy. This is reflected in the main initiatives and projects described in the following paragraphs.

As his main development tool the new county director set up a broad based *public-private partnership*, called REGINA. It was also mainly LEADER funded (but increasingly it sourced other funding programmes as well), but unlike the partnership in the southern part of the county REGINA covers the entire county. And while JURA 2000 followed a tradition, culture and tourism oriented development approach,

REGINA was from the beginning more focused on economic and environmental development. Most of all, however, REGINA allowed the county director – the organisation’s *spiritus rector* – to bring together municipalities, civil society organisations and the local business community, to jointly discuss visions of the future of Neumarkt county and then implement projects accordingly. Thus REGINA became an integrative, flexible and efficient planning and implementation organisation outside the county bureaucracy. It played a leading role in most of the development projects implemented in Neumarkt county since 1996 (REGINA 2007a, 2007b).

One of the early projects aimed at promoting the *use of the internet* in rural parts of the county. REGINA initiated small public-private partnerships for setting up 10 tele centres. The task of the tele centres was to improve access to the internet, introduce rural residents to the internet and teach the necessary computer skills and last but not least create new jobs that made use of the facilities at the tele centres. Of course the rapid expansion and upgrading of telecommunication infrastructure in all parts of the county later made the tele centres redundant, but they nevertheless showed REGINA’s determination to promote modern, technology-based economic development and diminish the disparities between urban and rural parts of the county.

Creating *local networks* and small scale economic circuits is a major theme of REGINA’s development efforts. Initiated and managed by the partnership a ‘construction network’ of local builders, crafts and suppliers of building materials was formed. It not only improved the overall competitiveness of this important local economic sector, but also opened up new joint business models and fostered technological innovation. The latter relates particularly to eco-friendly construction and management of buildings. This is supported by special funds that REGINA is providing for local start-up companies. Of course innovative start-ups from other sectors are supported as well.

Environmental protection and a more *sustainable use of resources* are other major goals of the REGINA partnership. Several studies and projects have been commissioned that aim to analyse and protect areas with high ecological value. REGINA’s main emphasis, however, has been on promoting (a) the innovative use of local resources like wood in the construction sector and (b) innovative, locally-based and sustainable energy production. Many projects have been supported that revolve around small-scale and joint energy production for businesses and public institutions, wood-based heating systems as well as bio-fuel and windpower based energy production. The county has received numerous awards for these efforts and in 2009 was also chosen as one of eight national model regions for promoting and testing climate change adaptation strategies.

The county was finally also successful in attracting *higher education* institutions. In 2001 and 2006 respectively one private and one public university of applied sciences each opened a branch in Neumarkt. The two main programmes offered are business administration with a specialisation in construction management and a comprehensive programme in health management. Both programmes build on special strengths of the county, namely its innovative construction industry and the excellent county hospital. The two university branches also reinforce institutional ties to Nuremburg and Erding (close to Munich) where the main campuses are located.

Regional cooperation, i.e. integrating the county more firmly into the Nuremburg metropolitan area, has been another cornerstone of the current county director. Recognising the increasing interdependencies between the city and its surrounding rural areas the political leadership of Nuremburg and of the adjacent counties set up a joint 'marketing association' in the 1990s. The county director of Neumarkt is currently the chairman of this organisation. He was also instrumental in setting up another, even more comprehensive regional partnership. In 2006 the 'Metropolitan Region Nuremburg' was founded as an informal, consensus-based platform for discussing issues of joint interest. This organisation, though in its early stages, has formed several working groups and initiated a number of joint projects. Neumarkt is again an active player in this regional partnership.

Finally, the county is benefitting from recent or imminent improvements of its *regional transport accessibility*. In 2006 a new high speed rail line was opened between Nuremburg and Munich. Even though the up to 300 km/h fast ICE trains speed through or bypass the county, a special connecting train has been set up: At a train station just 10 km outside the county special trains pick up passengers and take them directly to Ingolstadt, where there they can hop into the waiting ICE train. Thus one can commute by train to the 140 km distant Munich (1,400,000 population) within less than one hour – including the 10-15 minute drive to the local train station. From the same station a high speed commuter shuttle train takes only 15 minutes to reach Nuremburg's city centre. These two trains have mainly improved accessibility of the southern and western parts of the county. On the other hand, a new metro line is currently being extended from Nuremburg to the city of Neumarkt. The new line will open in 2010 or early 2011 and will significantly improve the public transport accessibility of the north of the county.

In summary, the county of Neumarkt has in recent years undergone significant changes. While still rural in terms of overall population density, it has been growing continuously for the last 20-30 years: From 1990 to 2000 its population grew by 12.8 % and another 8 % until 2008 (BBR 1998-2009). Likewise the number of jobs in the county grew 11.4 % from 1990 to 2000 and another 10 % until 2008 (ibid.). Unemployment in the last 10 years has been consistently low and is currently (2009) at 3.2 % - which amounts to full employment (Bundesanstalt für Arbeit 2009). The county's economy is still mainly based on local resources, but the thriving tourism,

construction, engineering and energy sectors have grown and become more sophisticated and future-oriented. Agriculture, once the mainstay of the county, has become insignificant at least in economic terms. It remains important, however, for rural identity and community life – and for maintaining a charming rural landscape. This distinct rural character within easy reach of large urban centres even as far away as Munich is one of the main attractions of the county, both for tourists, commuters and local businesses. Regional integration with these urban centres in terms of transport, economic and institutional linkages has increased and is likely to increase further. Combined with a forward-looking and cooperative leadership as well as strong public-private networks the county of Neumarkt looks well positioned to thrive further in the years to come.

3. ANALYSIS OF CHANGE BY 'GRAND NARRATIVES'

3.1. *The agri-centric narrative*

The agri-centric narrative distinguishes between an agro-industrial model, a post-productivist and a rural development model. Each of these are defined by the degree and the way in which they are based on agricultural production. In the *agro-industrial model* rural areas focus primarily on food production. This is clearly not the case in the county of Neumarkt anymore, as agriculture today only plays a marginal economic role.

The still nascent *sustainable rural development model* is also based on local food production, but not on a large-scale, industrial basis that is oriented primarily towards urban mass markets. Instead food production would be based on local food supply-chains and aim more at self-reliance and sustainable use of local resources. Such post-industrial, post-consumption attitudes and practices may be entertained by a few environmentally-oriented farmers and residents and can perhaps be detected in some of the traditional culture oriented projects that e.g. the JURA 2000 partnership is implementing. But by and large the county in general and its agricultural sector in particular are geared towards exogenous development, i.e. producing for outside markets, instead of strictly endogenous and sustainable development.

In the *post-productivist model* rural areas are not primarily engaged in agricultural production, but are perceived as scenic countryside and home to traditional, community-oriented living, which makes them attractive for current or former urban dwellers. The county of Neumarkt is clearly in the process of becoming such a post-modern consumption countryside. Traditional rural sectors like agriculture and forestry have lost their economic importance but are gaining significance as 'stewards' of a rural landscape, that is part of the county's touristic appeal. Supporting and accelerating a tourism-oriented development is the explicit goal of both the county administration, the main towns and the management of the two LEADER partnerships.

However, most of the county's rural residents live in hundreds of tiny villages that do not (or cannot or do not want to) benefit from tourism like the picturesque towns. This fault line between villages and town is evident in most municipalities' internal politics. A second fault line runs between the more urban north (around the county seat of Neumarkt) and the more rural parts of the county. The two LEADER partnerships with their distinctly different orientations are in a way also a clear manifestation of these inner-regional differences. A third fault line is developing between the traditional rural population and the urban newcomers who are mostly commuting to their

jobs in Neumarkt, Nuremberg, Ingolstadt or even Munich but treasure the rural atmosphere (and cheaper housing costs) in Neumarkt county.

3.2. *Urban-Rural Linkages Narrative*

This development narrative prioritises urban-rural interactions and categorises rural areas according to their geographical distance to urban centres. Commuting is seen as one of the crucial rural-urban linkages as are short-term tourism and trade between rural and urban areas. Hence transport accessibility becomes a defining element of this development model. Rural areas close to cities become increasingly integrated into the urban economy. With increasing urban growth problems (e.g. congestion, land and housing costs), households and businesses relocate to peri-urban locations.

As earlier described the county of Neumarkt is situated in a triangle between three major cities. For these three cities the county is just outside of the immediate suburban belt, but still easily accessible within 40-60 minutes. With ever increasing car mobility the number of households moving to Neumarkt has been consistently rising. Secondly, 'traditional' rural jobs in forestry, agriculture and food processing have been decreasing, thus forcing residents to seek new jobs – often in the cities. Given the good accessibility and the high quality of life in Neumarkt county most people chose to keep their residence and commute to the city. Both groups, i.e. the 'rural commuters' and the 'ex-urban commuters' have been increasing in numbers over the years and have made the county of Neumarkt more integrated into the economy of the three closest cities. The same holds true for the increasing short-distance/weekend tourism originating mostly from Nuremberg and the increasing marketing initiatives promoting locally produced products in the wider Nuremberg metropolitan area.

The most recent or ongoing transport infrastructure projects (access to the high speed rail network and extension of the Nuremberg metro) are reinforcing and expanding the commuting patterns between Neumarkt county and Nuremberg. They will have additional growth impacts on the north, west and south of the county.

The increasing rural-urban interconnectedness has even manifested itself institutionally. Neumarkt's membership and active participation in the Nuremberg regional marketing association and the more comprehensive Nuremberg Metropolitan Region partnership give testimony to a new level of rural-urban cooperation in the region.

3.3. *Globalisation/capitalist penetration narrative*

At the core of the capitalist penetration narrative are processes of economic globalisation and regional flexible specialisation. Capitalists would seek to extract abundantly and cheaply available rural resources, such as natural resources, energy

or labour, and integrate them into global production processes. Rural areas would be exploited and also become powerless and unable to steer their own development. Furthermore global corporations and media would promote urban or global lifestyles and consumption patterns in order to sell their global, non-local products to the rural population.

Certainly some signs of this type of development are evident in Neumarkt county. First, local resources like wood, gravel and sand are being used and sold to outside markets. But they are typically processed and integrated into more complex products locally, thus creating value-added in the county. Secondly, an increasing proportion of the county's residents commute to jobs, in Neumarkt city, Nuremberg, Ingolstadt, Regensburg or even Munich and are thus integrated into urban and global markets. Third, supermarkets, clothing stores and banks of national chains can increasingly be found even in the smaller towns of the county. Presumably they have forced out local, family owned businesses. While all these developments are surely taking place in the county, they are not more pronounced than in other rural areas or cities in Germany. In fact, the penetration by national and global corporations seems to (still?) be significantly less than in German cities.

Finally, many EU and locally funded projects (e.g. within the two LEADER partnerships) are promoting and celebrating distinctively local characteristics of the area. Furthermore, the LEADER approach and the cooperative political style of the county leadership encourage participation in local decision-making beyond the traditional democratic avenues. In this sense local control over resources, projects and policy-making have increased rather than given way to top-down imposed global processes.

4. IMPLICATIONS FOR POLICY

From a wider perspective, the county of Neumarkt is not a very special case. In Germany and in Europe there are many rural regions just outside of metropolitan areas with similar characteristics and development trajectories. These regions are what might be called 'exurban' rural areas that lie just beyond the traditional suburban belt but are still within reasonable commuting distance (below 60 minutes car travel time) to the nearest urban agglomeration. What makes these regions interesting for planners and policy-makers is the fact that these regions are today undergoing gradual but fundamental changes that their suburban neighbours perhaps went through in the 1960s and 1970s. However, these suburban experiences are not exactly comparable or transferrable because of the particular locational, cultural and economic characteristics of the new 'exurban' rural areas.

One could argue that the above only holds true for exurban rural regions in more affluent western Europe. But similar changes are present or even more dramatic in the wider metropolitan areas around major cities in eastern Europe, whose economic and demographic growth after the end of communism is often much more rapid and contradictory than in their western counterparts in 'old Europe'.

In any case, Neumarkt county and similar 'predominantly rural but accessible' regions constitute a difficult hybrid. On the one hand they are (still) predominantly rural in terms of population densities, on the other hand they are relatively close to an urban centre and are typically growing demographically as well as economically. These regions are a mixture of traditional rural and modern urban. But they are not just a complex mixture, they are also full of contradictions and conflicts – e.g. between new and old residents, between declining and thriving economic sectors and between preserving or transforming its traditional rural culture. In short, these regions are a complex and 'contested countryside' (Marsden).

So what is the best policy approach for governing or supporting rural regions like Neumarkt county? It clearly would have to be an approach that takes seriously the complex and contradictory development of these regions. Three features of such an approach may be distinguished:

a) *Multi-pronged approach*: Since different groups, localities and sectors are affected differently by current and future developments local leaders at the municipal and county level have to develop and maintain a comprehensive and complex portfolio of objectives and development projects. Correspondingly regional, national and European policy-makers should ensure that they provide funding that is 'wide' and flexible enough to allow local decision-makers to carry out a great variety of projects.

b) *Participatory approach*: Because of the social, economic and political conflicts outlined above regions like Neumarkt county are not easy to govern. It is much easier to govern a region with a 'common fate' and thus a clearly defined, focused mission,

e.g. fighting rural exodus. Therefore local leaders need to be in close touch with the various interest groups and facilitate open debate and cooperation between them. The two LEADER partnerships in Neumarkt county may indicate that this task calls for public-private institutions beyond and in addition to the traditional democratic institutions. Higher level policy makers would be well advised to maintain and expand support for such new, participatory institutions. Institutional support and capacity building may be just as important as funding for concrete development projects.

c) *Fine-grained approach*: Owing to the contradictory development trajectory of regions like Neumarkt county some rural parts of these regions are declining or at least falling behind the more urban oriented parts. Local and higher level policy makers should therefore keep an eye on growing disparities and make sure that they are targeting the right areas. This may call for a geographically or socially more fine-grained approach. Unfortunately, recent national and regional guidelines for EU sponsored rural development partnerships are requiring the corresponding partnership territories to be larger than before. This makes these partnerships economically, politically and culturally more heterogenous and more difficult to govern. It also runs the risk that funds end up being used predominantly for the benefit of the 'promising' areas, thus increasing existing disparities further.

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EXEMPLAR REGIONS REPORT:

OSREDNJESLOVENSKA REGION, SLOVENIA

Majda Černič Istenič
University of Ljubljana

2010



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(Parts A, B and C)*

1. INTRODUCTION TO THE REGION

Osrednjeslovenska region is located in the central part of Slovenia. It is the second largest Slovenian region and it includes 25 municipalities which together cover 13% of Slovenia's territory and is the most densely populated region in Slovenia. More than one fourth (508 607 persons) of the Slovene population lived in Osrednjeslovenska region in the year 2007. The essential advantages of the region are its central position, good traffic connections in all directions and the fact that the country's capital is located in it. As economically the most developed region, in 2006 it created 24 times more GDP than the Zasavska region or almost 36% of the national GDP; as much as three quarters from service activities. That this region is important as regards employment is confirmed by the fact that the number of jobs in the region is larger than the number of persons in employment living in it. Earnings of persons employed in this region are the highest in the country: in 2007 the average net earnings in the country amounted to almost EUR 830 per month, while in this region they were EUR 90 higher. The education potential of the region is shown by the share of people with post secondary education aged 25-64; in 2007 it was the highest in the country with 30.4% or 8.2 percentage points higher than the national average. The region is also important in the field of research and development (R&D) both with the highest gross domestic expenditure and the highest number of R&D personnel. The population growth is still continuing due to immigration and natural increase.

Figure 1: Osrednjeslovenska region among other Slovenian regions



2. PROCESSES OF CHANGE

2.1. General overview of changes related to the development of the region

After the Second World War rural development in Slovenia passed through rather different model paths from West-European countries. Namely, capitalistic (productivistic) agriculture and other economic activities important for livelihoods of countryside were not put in force or were carried out very modestly. Two factors mostly contributed to this (Klemenčič 2006):

- due to various and extensive configuration of the landscape dispersed settlements and small and fragmented land estate structure prevailed;
- political and economic development after the Second World War disregarded and limited private agriculture (maximum of just 10 ha of private estate was permitted); instead intensive industrialization was promoted and favoured.

These two factors had a significant effect on the slow process of urbanisation in Slovenia. In the period 1970-1980 the process of urbanisation was additionally hold back by suburbanisation enforced by expansion of personal vehicles. Dispersed, deconcentrated modes of settlements, a characteristic of Slovenian countryside which is very different from other West-European countries, today still prevails. This slow path of urbanisation was additionally encouraged with polycentric regional development, introduced at the beginning of 1970s, where more centres were developed and not just a single one around the capital of the country (Okoren 2006). This policy was oriented to support less developed, especially agrarian and demographically jeopardized areas. The result of this policy was better economic and social infrastructure and more varied economic structure. However, investments were mostly labour intensive which caused further depopulation of less favoured (upland and border) areas and migration of their population to the regions with better job opportunities. These policies influenced also the development of Osrednjeslovenska region. Namely, the great majority of migrations within the country were oriented towards this region. It should also be stressed that due to polycentric regional policy, current differences among the regions in Slovenia, in comparison with EU27, are the smallest and they are not very far in their development from the regions in developed EU member states (Lavrač et al. 2009).

After 1990 regional policy for the whole of Slovenia experienced considerable stagnation. After Slovenian independence and the simultaneous introduction of a market economy far more attention was given to the establishment of administrative structures and policy of the new state. Macroeconomic problems of transition and strong centralisation of decision-making on the state level came to the forefront. Since Ljubljana, the capital of the state is situated in Osrednjeslovenska region, this region's development gained directly from this increased attention especial through new investments into economic, social and traffic infrastructure. Changes to the economy brought a new set of roles and conditions to each of the regions. Better

developed regions with prosperous economic structures and greater opportunities, among them Osrednjeslovenska region, overcame these changes far better than less developed regions.

Since the end of the 1990s a renovation of regional development policy in Slovenia has begun again. 'New' regional policy is defined as holistic, with principles and instruments adjusted to EU standards, market oriented and based on principles of sustainability. This policy should be implemented in the entire state in all regions irrespective of their developmental level. However, special attention should be given to less favoured areas as well. Since Osrednjeslovenska region has pretty good development opportunities, as described in the following pages, it is expected that this new regional policy will have a favourable impact on it.

2.2. Demographic dynamic

Since 1980 the fertility rate of Slovenia has been below the level of population reproduction. Nevertheless, during the last two decades, the population of Osrednjeslovenska region has increased substantially due to migrations, which significantly contributed to human capital and working force of the region. Migrations into the region on a daily basis are substantial as well. Today, the region's density index is the highest among all statistical regions of Slovenia which give it the most 'urbanised' character in the state. In 2003 the average density was 193 inhabitants per square kilometre while in 2007 it was already 199.1; Slovenia's average was 99, 9 persons/km² in 2007 (SURS 2008). In spite of this progress the population of the region is ageing as everywhere in the country. The ageing index in 2003 was 100 whereas in 2006 it was 108 which puts the region on the eighth place among Slovenian regions (in 2006 the ageing index for Slovenia was 112.4) (SURS 2008). The full explanation of these processes exceeds the intention of this report. Briefly it can be said that the reasons of population ageing in this region is a consequence of low fertility in the entire country and additionally prolonged life expectancy in comparison with former times.

2.3 Employment opportunities and constraints

The population dynamic (mainly based on migrations) of Osrednjeslovenska region is significantly connected with relatively favourable employment opportunities in the region which can be explained by the presence of the capital city of Slovenia in this region and with its long craft and industrial tradition that originated from the time well before the First World War. In the last two decades a trend for a larger number of people being employed in Osrednjeslovenska region than anywhere else in the country was very noticeable. Specifically, in 2003 the Ljubljana urban region employed 30% of all active population in the country, according to the official data (the index of labour migration in the region in 2007 was 121.7 whereas for the whole of Slovenia it was 100) (SURS 2008), which leads to the conclusion that this trend is still continuing. The rate of registered unemployment has decreased between 2001 and 2007 from 8.3 to 5.9, while on the national level this rate has dropped from 12.5

to 7.7 (SURs 2008). However, the demand for job vacancies is higher than the number on offer. The share of first employment seekers is increasing as is the share of young people and of highly educated cadres looking for employment. The share of employment seekers without education and long term unemployed is decreasing. In Osrednjeslovenska the unemployment rate for people with a university education is increasing (in 2003: 11.7% and 14% in 2007) and is higher than the national averages (Slovenian average was 7.2% in 2003 and 10.1 in 2007) (SURs 2008). Structural unemployment represents a large problem for the Osrednjeslovenska region. On the other hand the fact that in comparison with the Slovenian average the share of employed women is above average (57.7% in comparison to 54.1% in 2007) is interesting. In 2008 the highest number of job vacancies was reported in the Osrednjeslovenska statistical region, 2.753 or more than 35% of all job vacancies in the country (SURs 2009).

A higher share of active population provides strong possibilities for ensuring an innovative and productive environment, further development and social security of the population of the region. This is also stimulating for potential investors in the regions' economy. Average monthly salary in Osrednjeslovenska (985.79 in 2003 and 1.020,68 Euro in 2009) shows the highest growth in comparison to other Slovenian regions (878.73 in 2003 and 917.15 Euro in 2008) (SURs 2009). Consequently the population is rising twice as fast as in other parts of the country.

2.4 Human capital

Another advantage and driving force of the region is the educational level of the region's population. An inhabitant of the Osrednjeslovenska region is more educated than the average Slovenian. As data for 2007 show the educational level of 12.7% residents of the region aged 25-64 is elementary school or less (Slovenian average is 18.2%), 57.0% have finished upper secondary education (Slovenian average is 59.6%), university and post graduate education was obtained by 30.4% of inhabitants of the Osrednjeslovenska region (the Slovenian average being 22.2%)(SURs 2008). This compares well with the European average of 21.2% with university or post graduate education, despite the fact that Slovenia spends only 1.36 % of GDP for university education (comparable to the EU). The reason for that disparity inside of the country is a high drop-out rate (44%) and prolonged study process, which is the result of bad circumstances on the labour market for highly educated personnel on the one side and multiple benefits of the student status on the other side.

The reasons for the better educational level of the inhabitants of the Osrednjeslovenska region are to be found in easy accessibility to educational institutions and with lower cost for its inhabitants during their studies. University of Ljubljana has 23 faculties and 3 academies. There are also many formal and informal educational institutions functioning in Ljubljana. According to the official data from 2003 27.7% of the regions' population have been included in the programmes of these institutions (Regional Development Agency of the Ljubljana Urban Region 2007). Of these 52% students are enrolled in additional vocational training and 48%

in programmes for personal growth (art, dancing, theatre, etc.). According to data for 2007 the Osrednjeslovenska region is also at the top of the scale regarding the inclusion of adults in life-long learning processes (17.5%) in comparison with other Slovenian regions (14.8%).

2.5 Economy and business

The Osrednjeslovenska region is the most economically well-off region amongst all statistical regions in Slovenia which is significantly related to its centrality in geographical and political terms and its openness to the global world. This region exceeds the other regions in many parameters. In 2002, the region created 35% of Slovenia's gross domestic product while in the year 2006, the gross domestic product of Osrednjeslovenska region was 36.1%. More than half of enterprises from Slovenia which have registered patents had their base within the Osrednjeslovenska region. Apart from these favourable data Slovenia as well as Osrednjeslovenska region are strongly lagging behind the EU in the area of the innovative activities; since the share of the innovative enterprises in Slovenia is only 21.1% (EU average is 44%). There are no specific evidences available for the reasons of such a lag but it could be supposed that the basis rest in the fact that Slovenia was, for a long time, subjected to a fairly authoritative regime where independent thinking and innovativeness were not encouraged. It could also be supposed that in Slovenia today knowledge is still not valued as much as it should be irrespective of the frequent emphasis of its value in political narratives. Improvement in this regard would be an important driving force for the entire country and for this region as well, but due to the nature of this issue (cultural factors) it could be expected that changes will not be that fast.

However, the structure of activities in the Osrednjeslovenska region can be compared to that of European economy. In 2006, the service activities created 74.9% of gross value added. A 24.2% share of gross value added was created in industry and less than 1% share in agriculture. In comparison with other Slovenian regions, the Osrednjeslovenska region has a smaller share of industrial sector, whereas market services and public services are more developed. The most important service activities are manufacturing, wholesale and retail trade, real estate, renting and business activities, transport, storage, communications, hotels and restaurants and construction.

In 2007, the largest share of business entities in activities C-K in Slovenia was again recorded as in the Osrednjeslovenska region (33.4%), which also created the highest turnover (44.0%). The majority of businesses in the region are located in the city of Ljubljana, while the other municipalities are characterized by a very low number of business entities.

Enterprises in the Osrednjeslovenska region are characterized by a small number of employees. The average number is 6.6 employees per company (the Slovenian average is 6.2 persons per company). However, such small enterprises create almost 50% less income per employee in comparison with large companies and one third less of income per employee in comparison with medium sized companies.

Large companies are more productive, whereas smaller sized companies have more debts and are less productive.

High productivity of the region in comparison with other parts of the country is also shown through above-average salaries. In 2003 the salary in Ljubljana urban region was 1.228.00 Euros per month, which is 16.3% more than Slovenian average. All of the above is the result of the high representation of tertiary and quaternary economic sectors in the region, the higher educational structure of the employees and consequentially the higher value added.

In Osrednjeslovenska region in 2006 the Index of GDP per capita in purchasing power standards (EU-27=100) was 127 whereas for the whole of Slovenia it was 90. Corresponding data for 2003 are 110 for Osrednjeslovenska region and 76 for the entire Slovenia. In 2006 the gross domestic product per capita was also the highest in the Osrednjeslovenska region (EUR 22 286) while the Slovenian average was EUR 15 446.

2.6 Administrative and governmental support to the region's development

In 2003 the first regional development programme for the Osrednjeslovenska region was introduced and implemented as was the case in the other eleven Slovenian statistical regions. Before that 'innovation' development activities were directed by the state and in practice their implementation was in the domain of single municipalities that functioned rather individualistically and as a consequence not very successfully. Such behavioural heritage also burdened the first regional development programme. One of its key tasks was cooperation promotion among municipalities in the region (according to Slovenian legislation and European Union legislative demands), but due to absence of corresponding organizations and institutions that would coordinate common activities and enable constant investments this aim was not accomplished in Osrednjeslovenska region (Poročilo 2005). Although the programme was accepted according to the consensus among the state and local communities it did not present any obligation for the partners. This weakness was pointed out in the preparation of the new programme for 2007-2013 where it is explicitly formulated that the government regulates minimal compulsory structure and methodology of preparation and realization of the regional programme and define the ways of its controlling and evaluation in accordance with guidelines and principles of EU cohesion policy. Regional Development Agency of Osrednjeslovenska region, like in other regions, was established to fulfil these requirements. Additionally, in 2006 a Development Partnership of Central Slovenia was established in order to address common interests and assure higher competitiveness of the area of three regions: Osrednjeslovenska, Zasavska and Savinjska region.

Nevertheless, on the basis of the aims of the previous Regional Development Programme for the period 2002-2006 in Osrednjeslovenska region two successful business clusters were created: the Technological park Ljubljana (TPL) and Incubator at the University of Ljubljana which offer assistance in knowledge and skills in the creation of new enterprises and in linking them with broader domestic and

international environment. The representatives of the Regional Development Agency of Osrednjeslovenska (as well as its employees it is composed also of members of local public and professional consultants) believe that these experiences will form a good basis for further cooperation in the region. Establishment of several new business clusters is planned in the next period.

The new Osrednjeslovenska region's development programme is designed mainly on the basis of understanding the opportunities of the region. However, it is less based on in-depth analysis of the main problems of the region.

2.7. Main problems of the region

During the last two decades, i.e. after Slovenian independence in 1991, the Osrednjeslovenska region has been faced with the process of increased suburbanization. The problems related to this process are increased traffic in the urbanised centres and ineffective spatial planning. The first one is related to population growth of the region and migration of various business activities into big service centres located outside the city centres, a pattern following the model of West-European countries. The second one is related to real estate and spatial planning functioning. The rule of law in real estate and planning in Slovenia in comparison with the EU does not work, even in the year 2004 completely updated spatial legislation. This has a negative impact on economic development. The main problems are poor quality of municipal spatial plans, time-consuming and overly complex procedures and legal uncertainty for property purchases, poor records, illegal construction as the accumulated problems of the past, etc. (Lavrač et al. 2009). In the case of Osrednjeslovenska region, especially in the area around Ljubljana, the problem of spatial planning is manifested in very high prices of building plots, too high considering the development level of the country and purchasing power of the population. These prices hinder domestic and foreign sponsors to invest in entrepreneurship development in the area. In the case of housing high prices slow down the accessibility of flats needed to increase the share of the population in the region and worsen its quality of life.

3. ANALYSIS OF CHANGE BY 'GRAND NARRATIVES'

3.1 Agri-centric Narrative

Agriculture is of limited importance to the Slovenian economy. Contrary to most of the CEECs, the value of Slovenian agriculture did not decline during the transition process. In fact, agricultural production has generally increased slightly (Willems et al. 2002). An agro-industrial model of agriculture like those in Western-European countries did not develop. This model was to some degree adopted only by 'socially owned estates' which however covered only a small share of agricultural land (about 8%), but of a high quality. Thus, the Slovenian countryside had in greater extent 'bypassed' a period of agro-industrial agriculture and instead incorporated itself into the post-productivist model (Klemenčič 2006). After independence, Slovenian agrarian policy decided to adopt an eco-social model of agriculture based primarily on family farms. This model corresponds to dispersed estate and ownership and social structure of farm holdings that still encompass many elements of a mediaeval agrarian structure. Today over 94% of agricultural land is owned by family farms (on average 6.5 ha). According to the Agricultural Census 2000 there were 86.336 family farms and 131 agricultural enterprises in Slovenia. It is believed that all forms of family farms (hobby farms, full-time private farms, part-time farms, supplementary farms) and agricultural enterprises could accomplish the aims of multifunctional agriculture (support to food industry and assurance of food safety, space function and environmental protection, populated countryside, tourism and recreative activities for urban dwellers). In the last fifteen years ecological farming and pluriactivity of farming are gaining in importance for the survival of small family farms. However, at the same time extensive agricultural land owned by non-farmers is only partly cultivated (hired by farmers) or abandoned and consequently exposed to forestation.

The developmental characteristics described above more or less hold true for Osrednjeslovenska region as well. The economic importance of farming is rather limited in this region in comparison with the rest of the country. For Slovenian circumstances the share of agriculture in Osrednjeslovenska region is below average. A total of 0.6% of all employees was employed in agriculture. The same share of enterprises in the region was involved in agricultural activity. Agriculture in Ljubljana urban region represents 0.3% of all companies in Slovenia and employs 0.2% of entire working population. But the share of farm enterprises (market oriented) which are mostly family farms is one of the highest in the country (11.1% in 2003 and 11.4% in 2007) and the most productive. Similar to the whole of Slovenia, in Osrednjeslovenska region the number of farms is declining, but with a slightly slower pace: 1.5% per year in the period 2003-2007 compared to entire Slovenia (2.3% per year). In the same period the average utilised agricultural area per agricultural holding has increased from 7.5 ha to 7.6 ha (in Slovenia from 6.3 ha to

6.5 ha). In Osrednjeslovenska region the labour force in agriculture on family farms (AWU) was also increasing by 3.6% per year whereas the corresponding increase in the whole Slovenia was 12.2% per year. In this period economic size of the farms expressed in Standard Gross Margin (SGM) increased in Osrednjeslovenska region as well by 6% per year, while in the whole Slovenia it increased by 20% per year. A special character of the region considering agriculture is the project NATURA 2000 that covers a considerable share of the region and presents good opportunity for development of tourism in the region.

3.2 Urban-Rural Narrative

Slovenia has a very slightly urbanised structure but very varied and diverse countryside. Its development was organic, oriented towards multifunctional rural space with a diverse socio-economic structure and corresponding supply and infrastructure. As such it satisfies the needs of rural dwellers and at the same time becomes a more and more important part of the living environment of urban dwellers (recreation, relaxation, periodical place of residence – second home, place of investments in real estate and various forms of entrepreneurship). Process of suburbanisation additionally contributes to this variety of the countryside in terms of human capital and differentiation of profitable activities. Immigration from town centres into more remote rural areas is a recent phenomenon where two groups prevail: nouveau rich and young families. The second group migrates into the countryside because of the following motives: philosophical (back to the nature), economic (cheaper life), educational (better place to raise kids), environmental (escape from stressful city life) (Klemenčič 2006). Both groups are few in number and evenly dispersed over the countryside. It is expected that the group of young families could make the move to new development initiatives in their new environment. At the same time different groups of farmers are faced with non-farm neighbours who are very varied according to their age and profession. This variety is visible through different interests in mutual relations among the villagers. As a rule a community spirit is replaced by individualism. However, in many places new forms of relations are created based on 'modernisation' of traditional forms of social gathering. One such new form is visits and presentations of farm and craft products and services to the urban population, organised as annual city events.

Above listed characteristics particularly hold true for Osrednjeslovenska region. Except in the Centre of Ljubljana and some other small towns, physically the region has a predominantly rural character but economically it mostly depends on non-agricultural activities; industry, commerce and increasingly on services that are performed in rural space. It could be stated that this region has countryside of many opportunities in the field of economic production, housing, recreation, preserved nature, cultural heritage, and education and development of social relations.

Considering urban-rural relations the programme 'Sožitje med mestom in podeželjem' ('Coexistence between town and countryside') which is taking place in the eastern part of Ljubljana municipality should be mentioned. The program started

in 2002 with the following aims: to create new opportunities for economic development and new employment prospects at the fringe of the town, to enrich the town and its supplies and to link the town with the neighbouring areas in the region. The initiative of the programme came from official entities: Office of agriculture and administrative affairs at the municipality Ljubljana, Agricultural Extension Service, Tourist institute of Ljubljana, Biotechnical Faculty at University of Ljubljana and local inhabitants. With assistance from an instructor a heterogeneous Leading Project Group (LPG) created its work plan that was mainly oriented towards the development of products and people. In the frame of the programme nine projects were created: sustainable breeding of cattle, sheep and goats, establishment of special estate, creation of walking and teaching paths, tourist supply, tourist farms, guide services, group cooking of brandy, ethnological heritage and organisation of meetings. Every project has its own leader who is responsible for work planning and working with people. Field study, project management, team work and a bottom-up-approach are the main characteristics of activities of these projects. Unfortunately there is no specific data on the project results e.g. in terms of new jobs creation.

3.3 Globalisation/Capitalist Penetration Narrative

Due to its geographical position and administrative role the Osrednjeslovenska region is an intersection point of migrations of people – traffic and tourism, information, knowledge, technology, trade and small industrial enterprises. From this point of view this region is fully included into globalisation processes. However, due to its dispersed economic structure, relatively expensive labour force, dispersed real estates and building plots foreign investments are rare especially in the countryside. One of the characteristics of the Slovenian population, especially in rural areas, is a strong attachment to home and the local environment. Therefore, it is not surprising that locals in Osrednjeslovenska region are not enthusiastic in selling their property to foreigners so far. But they are willing to follow practices already put forward on the global level. One such trend is the increasing safeguards against the unfavourable effects of climate change that are felt more and more in this region: floods, drought, very strong winds that demolish forests and the like. Statistical data show that in Slovenia in 2001 54,110,000 Euro and in 2006 83,121,000 Euro were invested for environmental protection due to climate change. For Osrednjeslovenska region the corresponding shares of these amounts were 16.4% in 2001 and 21.4% in 2006. However, no data is available about how much individuals have invested for protection against effects of climate change.

3.4 Other Significant 'Grand Narratives'

This region is the most developed region in the country in all respects and indicates many elements of an urban region in terms of economy, business, human capital, administrative capacity, etc. in spite of its more rural demographic and geographical indicators. Favourable indicators shown by statistical data are a reflection of the city of Ljubljana and not the whole region. As a saying goes "No village is like the other one", and Osrednjeslovenska region is a typical picture of that: it represents a

'patchwork' of diverse rural scenes (Marini and Mooney 2006) or a 'differentiated countryside' (Marsden 1998) with characteristics ranging from those of very remote rural areas to suburbanised areas and even to highly urbanised areas.

4. IMPLICATIONS FOR POLICY

Osrednjeslovenska region has relatively good prospects to develop into a successful multifunctional rural space. However, in the future more efforts of policy makers will be needed to encourage and stimulate local people to take part in projects of rural and regional development. Namely, regional programmes are based too strongly on personal preferences and judgments of policymakers and their considerations of EU recommendations and standards. But this is not a sufficient guarantee for successful accomplishment of development aims and rational spending of financial resources. In the author's view, the procedures of programme applications and tenders are too demanding and mostly too unrealistic to be prepared and submitted by an average rural dweller, especially a farmer (older, weakly educated, insufficiently informed, and without adequate initial financial resources). Programmes are written according to the EU requirements and knowledge that in practice do not necessarily fit well to Slovenian circumstances. Therefore, more attention in rural and regional development in Slovenia and Osrednjeslovenska region should be devoted to the development of supporting agencies and social capital ('bonding' and 'bridging' one). Thus, more research of the social dimensions of rural and regional development is needed since due to the special circumstances of rural development in Slovenia in the past no direct transfer of good practices from other more developed EU countries is justified. Analysis of statistical data is a good starting point, but considering great variability of the rural scene even within one single region, as in Osrednjeslovenska, case studies are recommended. Rural studies in Slovenia from the point of view of rural development, especially related to the needs, interests, motivations and capacities of their dwellers to take part in development endeavours, are an unjustifiably neglected subject. But, reflections and responses to processes of rapid changes in rural areas and the new opportunities related to the inclusion of Slovenia in the EU unquestionably need that kind of new knowledge.

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EXEMPLAR REGIONS REPORT: ZASAVSKA REGION, SLOVENIA

Majda Černič Istenič
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1. INTRODUCTION TO THE REGION

The Zasavska region situated in the Posavje hills is the smallest region in the country (264 km²) that covers 1.3 percent of the Slovene territory and has the lowest number of population: 45.311 inhabitants in three municipalities which is 2.3 percent of the total Slovene population. However, it ranks second in terms of population density. This region is classified as a traditional industrial and mining-energy production region with an old industrial structure, a low level of farm population, a high degree of unemployment and a highly degraded natural environment especially in and around its three towns Zagorje, Trbovlje and Hrastnik. The whole regional development of the last twenty years was basically marked by the mining of brown coal, production of electric energy in a thermal power plant and industrial development (Vrišer, 1963). Numerous regional and municipal pollution indicators for individual environmental components that result from the long-term persistence of environmental pollution rank Zasavska region among the regions with the heaviest landscape degradation in Slovenia in the 1975-2000 period. Of the 12 Slovenian statistical regions, it is one of the most heavily landscape-affected and polluted ones, with long-lasting and intensive multi-level pressures on the environment. Regarding comparable indicators of the 1990s, the rivers and air in Zasavska region were still among the most polluted, and vegetation was quite heavily damaged, too, even in this period (Plut 2002). Such environmental and landscape degradation endangers the developmental capacity of the region because a healthy dwelling environment and well preserved and vital natural resources in the region are ever more decisive locational factors for development. The environment is more heavily polluted in Zasavska region than anywhere in Slovenia, its two biggest sources of pollution being industry and energy sector.

Figure 1: Zasavska region among other Slovenian regions



2. PROCESSES OF CHANGE

2.1 *General developmental paths of the region*

Coal-mining deeply marked the region's development for more than 200 years, however, in 1990 the region found itself in a completely new, unfavourable position due to the process of closing down majority of the coal-mines. A once wealthy and economically strong region with plenty of employment has become one of the least developed regions in the country burdened with numerous demographic, economic, social, health, spatial and environmental problems. The index of development risk for the period 2007-2013 is 113.9 in this region which ranks it as the 3rd most jeopardised region among the twelve Slovenian regions (Regionalni center za razvoj 2007). However, today the natural and geographic features of this region create conditions for industrial activities since a third of gross value added is still created by mining and manufacturing. In 2006 Zasavska region invested more than a third of gross fixed capital formation for environmental protection, which was the highest share compared to other regions (SURS 2009). The fact that a half of enterprises in industry, manufacturing and some service branches were innovation active has an important development potential.

2.2 *Population dynamic*

Due to its strong industrialisation in the past Zasavska region used to be the second most densely populated region of Slovenia. However, the decline of the population in this region (in the period 2001-2005 it has decreased for 2%) is the most distinctive comparing to all Slovenian regions due to negative natural growth (-0.1 in 2007) and even more due to negative migration flows (-0.4 in 2007) - constant migrations out of the region have caused the significant brain-drain of the region. Additionally the ageing index in the region is for 17 points above the Slovenian average (116.3 in 2007) which will be a challenge to the welfare institutions of the region in the future. Additionally, Zasavska region reached the highest infant mortality rate in 2007 (7 per 1,000 live births) and very high premature mortality (SURS 2009).

2.3 *Employment and education*

The Zasavska region, dominated by mining decades ago, has been struggling with a high jobless rate after the industry was slowly abandoned and restructuring called for substantial job-cuts. The registered unemployment rate in this region is among the three highest in the country; it is twice as high as in regions with the lowest rate even though a large share of the population commutes to work to other regions because of the lack of jobs. However, in 2005 the employers reported 32.4% more job vacancies than a year before. A favourable employment trend is continuing till recently: in 2003 the employment population ratio in Zasavska region was 52% while in 2007 it increased to 58% (SURS 2008). Additionally, registered unemployment rate decreased from 14.6% in 2001 to 9.7% in 2007, whereas in the whole country the corresponding values were 11.2 for 2001 and 7.7 for 2007 (SURS 2008). In this

period the indicators of structural employment show favourable picture with the exception of an increase of registered unemployment among highly educated persons from 4.4 in 2004 to 7.3 in 2007, the corresponding values for the Slovenia are 7.3 in 2004 and 10.1 in 2007 (SURS 2008).

The educational attainment levels in Zasavska region also improved in recent years. In 2002 27.1% of the population aged 25-64 had not completed an elementary school education or had only completed an elementary school education whereas in 2007 this value dropped to 17.3% (Slovenian average is 18.2%). In 2002 60.1% of the population in Zasavska region had upper secondary education whereas in 2007 this share increased to 63.7% (Slovenian average is 59.6%). In 2002 the share of university and post university education was 9.1% while in 2007 this changed to 18.9% (the Slovenian average being 22.2%) (SURS 2008).

2.4 Economy and business

With gradual abandonment of energy production a big part of industry connected with mining has become a victim of a crisis. In the last ten years this transition has affected many companies that were successful before. With regard to the number of companies per 1,000 inhabitants the lowest rank in Slovenia is today occupied by the Zasavska region. To stop the stagnation and regression of technological development and to encourage the restructuring of industry in Zasavska region in recent years some programs were initiated on a level of the region (Strategy Zasavje 2000+) and on the level of the country (Act about gradual closing down of mine Trbovlje-Hrastnik) (Regionalni center za razvoj 2007). Taking into account the long industrial tradition of the region it is expected that technological entrepreneurship is one of the most promising opportunities of regional future economic development.

The Regional Technological Centre Zasavje was established in 2001 in the frame of Regional Development Programme 2001-2006 in order to facilitate research and innovations in the region. In 2005 the research project Facilitation of Innovative Activities in Zasavje was successfully accomplished on the basis of the best practices. As a result trends in investments and establishment of businesses were improved: 30 enterprises per 1000 inhabitants in 2005 and 41.6 enterprises per 1000 inhabitants in 2007 (SURS 2009).

Although enterprises in Zasavska region contributed only a minor share to the net profit and net added value in Slovenian economy in comparison with other regions this region shows high indexes of growth. Considering the pure net profit the Zasavska region was on the fifth place and only just lagged behind the average growth of Slovenian pure net profit which was 41 percent. However, in spite of these improvements Zasavska region still strongly lags behind the other regions with respect to GDP per capita in EUR which was 10 497 in 2006 while the Slovenian average was 15 446 (Regionalni center za razvoj 2007).

One of the strategies for coping with climate change is transition from coal to gas in electricity production. In 2008 the Slovenian Government started with investments in

gas-steam aggregates in one of the remaining thermal power stations in Zasavska region since it considers this region as a traditional energy producer and sees its future prosperity in this activity.

2.5 Traffic infrastructure

In Slovenia in the field of transport there is local and state traffic infrastructure and investments are performed according to that: local traffic investments are done by the municipalities and investments in state traffic infrastructure is done by the state institutions. Less developed and in general more peripheral Slovenian regions have bad access to the networks of the main roads and local road networks and other local infrastructure are challenged by difficult geographical relief. This holds true also for Zasavska region which is actually a passable region, but in respect of traffic accessibility ranks as underdeveloped. Many of the roads in this region are in bad condition and inter-regionally poorly connected. Railway does exist, but there has been an absence for decades any major investments or modernisation. Until recently these deficiencies seriously reduced possibilities of the region to develop. One of the main aims of the Regional Development Programme 2007-2013 is the improvement of road connections in the region. Partly this goal – some new investments - was already achieved, the other is planned to be realized in the next few years. Closeness to the new highway is a strength of the region. All this can give new opportunities to the region.

3. ANALYSIS OF CHANGE BY 'GRAND NARRATIVES'

3.1 Agri-centric Narrative

Slovenia is one of the countries in Europe with the most unfavourable space conditions for farming. Its main features are very high degree of forested areas and small share of farm land in the whole amount of land, unfavourable terrain and in relation to this high share (2/3) of farm land on less favoured areas for production. Due to these conditions the production of Slovenian agriculture is less flexible, more expensive and hence less competitive.

Unfavourable characteristics of agriculture in Slovenia are typical for Zasavska region as well. According to Agricultural Census 2000 there were 1.047 active farms in the region with altogether 6.131 ha of farm land in use. The great majority of them are situated on less favourable areas with split-up estates, 4.5 ha of land on average and are situated between 300 to 900 m height above sea level. Their main activity is livestock production arable farming does not exist at all (Regionalni center za razvoj 2007).

The age structure of farm holders is very unfavourable. The highest share of farm holders (30 percent) is aged 64 and over, only 5.6 percent of farm holders are younger than 35 years. Educational structure of farm population is also unfavourable: 56 percent of farm holders have just primary level of education or even no education, 29 percent attained secondary education and only 15 percent of farm holders have a university degree (Regionalni center za razvoj 2007).

It is anticipated that future development of agriculture in Slovenia will most probably be denoted by concentration and industrialization of production on farms where all their income will derive from farming. It is estimated that only 5 percent of farms will manage to make a living just with farming (Kovačič and Udovč 2003). On farms, where farming will not be the most important source of income it is expected that ecological, self-sufficient farming oriented to special needs of consumers (covering of special niches) will prevail.

Most of the farms in Zasavska region are not able to survive without additional non-farm sources of income. Therefore, the most promising farm activity in the region seems ecological farming. In the period 2003-2006 the number of farms included in ecological farming increased by 20 percent and in 2006 more than 45 percent of all farms in the region were included in one of the forms of sustainable farming.

Over all agriculture in Zasavje region has a lot of characteristics of post-productivistic model. However, due to its small extent and low economic importance it is not expected that it is going to follow a sustainable rural development model. Nevertheless, it might contribute significantly to the development of the region as an additional offer in terms of tourism.

3.2 Urban-Rural Narrative

Zasavska region, except for its three towns Hrastnik, Zagorje and Trbovlje, is a sparsely populated and predominantly upland rural area. As already mentioned this region was in the last twenty years dominated by emigration, (especially of young and well educated people from the towns and upland farm population) that worsen the amenities of its cultural landscape due to abandonment of farming. Thus, any signs of increased urbanisation or suburbanisation are absent in this region. It is also not expected that this would happen in the future due to environmental and space problems of this region: numerous old environmental loads (polluted water and air, presence of heavy metals in the soil, plants and animals due to mining and industry), narrow valleys and surrounding hills prevent major further settlement as well as the extension of new development zones. However, with gradual improvement of the environment (in 2006 Zasavska region invested more than a third of gross fixed capital formation for environmental protection, which was the highest share compared to other regions (Regionalni center za razvoj 2007)) new opportunities for development of tourism in the region can be developed. Some beginnings of this process are already taking place. In 2003 the Ministry of Agriculture, Forestry and Food started with rural development programmes (RDP) for the period 2003-2004. One of its priorities was the creation of rural development projects. In this framework also the project 'Paths of Heritage' was created in collaboration between the Zasavje municipalities of Zagorje, Trbovlje, Hrastnik and several mainly rural municipalities from the eastern part of Osrednjaslovenska region (Center za razvoj Litija 2004). One of the main characteristics of this common area is a very rich natural and cultural heritage which was recognized as a valuable potential for development of tourism and marketing of various products.

The project went through several phases: examination and recording of available and unutilised natural and cultural resources, tourist potentials and capacities of the region, selection of heritage for rural tourism and the presentation of results to members of communities. Local people, representatives of local institutions and professionals were involved in all its phases. Much useful information was obtained through workshops with locals. An investigation of the countryside's high quality and amenity points for attracting visitors seemed to all participants the most important element of the project. Today the project is defined as a tourist offer of heritage combined with various farms' hospitality services, their products and produces (Regionalni center za razvoj 2007).

In parallel with the project a group of people (local coordinators) has been formed that gained a lot of experiences, new knowledge and skills during the implementation of the project, which is a very useful basis for successful continuation of the project. In this regard additional activities in the new RDP 2007-2010 are planned.

In the past Zasavska region was not developed in terms of tourism due to its orientation towards mining, heavy industry and electricity production which severely deteriorated the environment. This and similar projects present new opportunities to

this region's economical restructuring and for creation of more intensive urban-rural relations.

3.3 Globalisation/Capitalist Penetration Narrative

Considering its deteriorated environment and still not very well functioning entrepreneurship structures and condition of human capital Zasavska region definitely is not a region that would be attractive to global capital. However, some already above mentioned activities that are taking place in respect to improved traffic connections, establishment of technological centres and development of tourist and cultural heritage plans indicate that this region might be competitive and attractive for domestic and foreign investments in the future. But first its environment must be improved considerably especially as regards to broader development of tourism.

3.4 Other Significant 'Grand Narratives'

Zasavska region is a typical remnant of the post-socialist period with its collapsed economy and deteriorated environment. In some ways it could be categorized as 'clientelistic countryside' in Marsden's typology of rural areas (Marsden 1998); a region that is economically dependent on transfer payments to support the unemployed and the declining labour force (old and uneducated miners and industrial workers). Such policy, present till now, hinders the innovativeness and self-motivation of Zasavska region dwellers and prevents faster development of the region.

4. IMPLICATIONS FOR POLICY

On the basis of the identified opportunities and weaknesses of the Zasavska region the following activities should be taking place in order to improve the social and economic situation of the region: a continuation of improvements of the natural environment, further development of urban centres and traffic infrastructure, restructuring of the economy, development of new educational programs and professional qualifications, support to development of small and medium enterprises, development of social capital through support for non-governmental organisations, development of cultural tourism with inclusion of cultural heritage, creation of a network of therapeutic farms and other basic social services. Irrespective of its unfavourable geographical characteristics this region could become a successful multifunctional rural area in this way.

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EXEMPLAR REGIONS REPORT:

JÖNKÖPING, SWEDEN

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Nordregio

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1. INTRODUCTION

Jönköping County is located in the middle of three Swedish main metropolitan regions; Stockholm, Göteborg and Malmö are all within easy reach, and 80 per cent of Sweden's population lives within a 350 km radius. Jönköping is one of Sweden's most industrious regions. A third of the workforce is employed in manufacturing industry, usually in small businesses, which is the highest proportion in Sweden. The county has a structure of businesses of all sizes and types, and it has long been the heart of the Swedish timber industry. Three quarters of the Sweden's woodworking businesses, leading producers of wooden houses, furniture manufacturers and many sawmills are located in the county and the surrounding region. Agriculture and agriculture related entrepreneurship is a relatively important source of income in the Jönköping County. The food production capabilities are rather good in the county in comparison to other regions in northern part of Sweden.

The living environment in Jönköping ranges from the more densely populated urban areas (mostly the City of Jönköping) to smaller towns, and rural municipalities and villages. The county is famous for its lakes and watercourses lined with green areas that set good opportunities for tourism and recreation. Forest areas cover approximately 63 per cent of the land area in the county.



Map 1: The Location of Jönköping

Rural areas in the Jönköping County have developed in contradictory tendencies. On the one hand, many rural parts of the county are becoming more and more popular as residential areas. On the other hand, agriculture in the county is becoming more efficient, which means less work opportunities in agriculture. Today in the county, less than four per cent of rural population is employed in primary sector industries.

Although rural areas in the Jönköping County have relatively easy access to urban centres both within and outside the county some areas are suffering from out-migration especially of young people. However, the tradition of entrepreneurship is high in most parts of the county and rural enterprises have rather easy access to markets. Jönköping County has a large area of semi-natural grassland that is significant for biodiversity and its mosaic of arable land adds value to the landscape. The remaining area of agricultural land in Jönköping County is considered to have high cultural and biological value “that should be preserved”.

2. MAIN CHANGES

2.1 History of development

During the 20th century the outlook on rural areas changed in Sweden. As larger parts of the population settled in urban areas rural policies came to be more mainstreamed in to regional policies. Problems arising in the countryside have gradually come to be solved to a larger extent through active regional development policies (SOU 2006:101).

The landscape of Jönköping County has undergone significant change since the industrialization of agriculture. The structural trend in the region shows a reduced area of arable crops that tend to be converted to grassland, and land in peripheral areas being abandoned to forest (Brady, Kellermann, Sahrbacher, Jelinek, Lobianco, 2007). Holdings with small areas of arable land are the ones that have shown the most drastic reductions in numbers, while larger holdings have increased in numbers during the 20th century (Swedish Board of Agriculture, statistical report 2005:6).

The Swedish government has conducted environmental protection and preservation of distinct nature zones for almost a hundred years and the motives for doing this has changed over time. Primarily the work was carried out mainly on the basis of trying to save areas of high nature value for scientific reasons. In the 1950's the outdoor life came in to focus and preserving nature areas for human outdoor life started. In the 1980's the focus shifted again and now the arguments for preservation and protection of nature put forward the importance of biological diversity. Around the shift of the millennium outdoor activities was again forwarded as an important reason for nature protection, an aim with the policies was to make the diverse and valuable nature accessible to the whole of the Swedish population (Swedish Environmental Protection Agency 2005, report 5504). In recent years the environmental protection has also been related to the sustainability of the social and economic development (The Swedish Government, Regeringens skrivelse 2002, 2001/02:173).

2.2 Population change

The population of Jönköping County is growing, however at a slower rate than in the country as a whole. At the same time the county has a negative domestic migration trend. Not all municipalities in the county are experiencing a positive growth, since the year 2000 the population declined in almost half of them. The increase in population has primarily been concentrated to the larger urban areas and their surroundings (The regional Council of Jönköping County 2008a). Parts of the region suffer from high outmigration of women and young adults creating demographic imbalances (Andersson and Friis 2002). Today about 30 % of the population live in rural areas and outside the larger towns. To stop the outmigration trend from these areas the region tries to create an attractive regional center in the city of Jönköping, and at the same time strong centres in each municipality. Good communication to facilitate commuting to larger towns, a vital countryside and well functioning local communities are also seen as crucial. In Jönköping County the question is more about getting the population growth of cities and towns to spread to the accessible countryside, than about dealing with negative consequences of urban sprawl. In the regional development strategy the attractiveness of the region is seen to coincide with a growth in the population, and connecting urban areas with the surrounding rural ones is seen as a step towards growth in rural areas (Regional Council of Jönköping County 2008b).

Along the lakes and watercourses where pressure on land is sometimes high, the national law has until June 2009 regulated the location of buildings, preventing settlements from appearing too close to the water. In an effort to help develop rural areas by the waterside, these regulations is now differing between regions and in some rural areas of Jönköping County the possibility of building by the waterfront might appear (Swedish Environmental Protection Agency 2009). In general the use of land is determined at local level by each municipality.

As in many other parts of Sweden the county is facing an ageing population and a future where a large group of elderly will be supported by the working population, which is a considerably smaller group (Regional Council of Jönköping County 2008b).

The general trend to be seen in Sweden; a concentration of the population in urban areas, has made parts of the rural areas more sparsely populated and the provision of services of general interests harder in these areas (SOU 2006:104). A number of smaller grocery stores, schools and gas stations have closed all around the country and a lot of the services are becoming more concentrated to urban areas (Swedish National Rural Development Agency 2008). As stated above some areas in Jönköping are becoming more sparsely populated, the region is however not among the most sparsely populated counties in Sweden (SCB 2009a).

2.3 Labour market

Since the later part of the 20th century the employment rate has been relatively high in Jönköping County (Jönsson and Aitola 2006). It has even been considered if the region would face a problem of labor shortage in the years to come. This issue is related to the restructuring of the economy into more knowledge intense businesses and the relatively low levels of education in the regional work force (Regional Council of Jönköping County 2008b). The share of the population in higher education is growing in Jönköping, but the share is lower and the growth rate is smaller than the national average. In combination with the restructuring of the industries into more knowledge intense businesses this could result in a shortage of educated labor primarily in the manufacturing industry. However, according to Andersson and Friis this was not the case in the region a few years ago, and typical knowledge intense growth sectors such as IT and telecom where quite small in the county (Andersson and Friis 2002). Meanwhile, in the wake of the current economic crisis the region is experiencing an overall growth in unemployment (Regional Council of Jönköping County 2009b).

The recession has hit the labour market of Jönköping County relatively hard. In the beginning of June 2009 the county unemployment figures where 161 percent higher than the figures for the same period last year. This can be compared to the national average that rose with 74 percent in the same period. Taking the initial low unemployment level of Jönköping in to consideration it needs to be said that the development in the county has brought Jönköping close to the national unemployment average; 3,9 percent in Jönköping compared to 3,8 percent in the country as a whole. In the municipality of Jönköping which is the largest municipality population wise and also contains the largest city in the county, the percentage increase in unemployed is the smallest (Regional Council of Jönköping County 2009b).

The number of agricultural businesses of all sizes is now decreasing in Jönköping County (SCB 2009b). Both the barley yield and farm size in the county are below the Swedish average (Brady et al 2007). According to Brady et al the relatively low yields and the dispersal of agricultural land over such a wide area make Jönköping a high-cost region compared to the most fertile and prosperous agricultural areas of Sweden. They conclude that this reduces the competitiveness of the agricultural activities in this region and hampers farm expansion (Brady et al 2007).

As the agricultural sector has decreased in importance in the County of Jönköping the entrepreneurial spirit of the region has gained more attention. The county has a long tradition of enterprising, creativity and diversification (Regional Council of Jönköping County 2008b). Some of the municipalities in the county are known for being part of the famous "Spirit of Gnosjö", characterizing the enterprising and networking culture of the region. According to Wigren (2003) the Spirit is known all over Sweden for representing profitable businesses that are privately owned, formal and informal cooperation in networks between owner-managers, helpfulness and

solidarity between employers and employees, and positive envy among entrepreneurs. The roots of this “Spirit” can be traced back to the late nineteenth century and Wigren has identified the religious values, family values and historical values of the region as playing a prominent role in the emergence of the strong entrepreneurial tradition (Wigren 2003).

The Tourism sector is of growing importance in the county and the nature and the culture of the region in combination with the good possibilities for outdoor activities is said to contribute to this growth (Regional Council of Jönköping County 2008b).

During the last years work has been carried out in Sweden to enlarge the functional regions by connecting and strengthening local labor- and service markets. This is done through improvements in communications to facilitate for commuting and better access to flexible forms of education and work. The aim is to give people a chance to live in one place and work, study, do their shopping or spend their free time in other places. Regional enlargement has also been given attention in Jönköping and it has come to be seen as a way of making use of the increase in mobility among the population, in a way that also increases the attraction and competitiveness of the county (Regional Council of Jönköping County 2008b).

As in other countries the awareness of climate change is rising in Sweden and this is also the case in the County of Jönköping. The County Administrative Boards were recently assigned the responsibility of the development of Regional Climate and Energy Strategies. In Jönköping the big potential for energy saving, primarily within the industry, but also in agriculture has come to the attention of the County Administrative Board and the municipalities. Work to decrease the energy consumption is now being carried out (Jönköping County Administrative Board, 2009).

2.4 Governance structures

The studied region of Jönköping is one of 21 counties (NUTS 3) in Sweden and constitutes of 13 municipalities (Regional Council of Jönköping County 2009a). All the counties have County Administrative Boards, which are government authorities for supervision, service, and development of the county and for safeguarding of the rule of law at the regional level. Each county does also have a regionally elected County Council in charge of health and regional development. At the local level the municipalities provide for most of the services of general interest (County Administrative Board 2009a). A lot of decisions regarding rural areas in the county of Jönköping are therefore taken by the municipalities, many of which are primarily rural in scope. During the later half of the 20th century the Swedish municipalities have decreased in number and grown in size. In Jönköping County the number of municipalities today is less than a third of the number in the 1950's (SCB MIS 1986:5).

At the regional level in Jönköping a new platform for creating sustainable development and growth came to life in 2005; the Regional Council of Jönköping

County. This council consists of the municipalities and the County Council and is to make the region more competitive and at the same time increase the political influence. Responsibility over regional development and growth, which used to be in the hands of the regional government authority, does now lie with the elected representatives of the Board of the Regional Council of Jönköping County. They are also responsible of designing the regional development plan of the area (Regional Council of Jönköping County 2007).

Rural development is explicitly attended to in the rural development programme which is mainly designed at the national level, but the County Administrative Board design a regional strategy for the implementation of the national programme (County administrative Board 2009b).

At the national level the interests of rural areas have until this year been guarded by the National Rural Development Agency, specializing in rural issues. As a result of restructuring this agency has, among with others, however been transformed into two new ones; the Swedish Agency for Economic and Regional growth and the Swedish Agency for Growth Policy Analysis (National Rural Development Agency 2009). This implies a shift in focus from strictly rural, to regional development.

Social changes due to globalisation, EU membership and regionalization have created new structures in the democratic system. New decision-making levels have been added at the same time as sectorisation and specialisation present obstacles to the application of a holistic perspective to important social issues. In central government there is a centralising tendency that results in different functions being brought together in fewer organisational bodies. One important part of a strategy for sustainable economic, social and environmental development is to draw on people's commitment to their local community (SOU 2006:101).

Actors at the local level have gained more attention recently and municipalities, County Councils and County Administrative Boards have noticed an increasing number of citizens engage in community action (SOU 2006:101). Regionally a strong focus has been upon regional enlargement and commuting instead of developing the strengths and possibilities of the rural areas. This results in small local labor markets being overlooked and might also result in a neglect of the local rural potentials for development and growth. During recent years the need for support to the rural areas has been given more political attention (SOU 2006:101).

Locally the village action movement is strong in Sweden. This movement emerged in rural areas as a reaction to regional disparities and municipal merges. A few local initiatives in the beginning of the eighties provided good examples for others. By the end of the decade a network of NGOs together with the government started the rural campaign All Sweden shall live. The focus was on mobilization of local people, changing attitudes among the public and decision-makers and improving the national rural policies. The most important result of the campaign was all the local initiatives that showed the capacity of village people. Today there are about 4500 village action groups engaged in rural development in Sweden. They are spread all over our

country and operating under the municipal level. About 100 000 persons are estimated to be directly engaged in village action groups and about a third of the Swedish population are estimated to be affected (The Village Action Movement 2009).

2.5 Future priorities

In the Regional Rural Development Programme (RUP) 2008-2020 developed by the Regional Council of Jönköping County regional future priorities are outlined. In a long-term perspective the objective is to create a “faster, more open and smarter Jönköping County” (own translation). According to the RUP the county is to become “faster” by being flexible and accessible. It is to become “more open” by working together both within the region and across the borders, and at the same time welcoming differences and different requirements. It is to become “Smarter” by investing in technology, education and research (Regional Council of Jönköping County 2008b).

Four factors determining the future sustainable development and growth of the county are emphasized in the RUP; strengthening of the region, entrepreneurship, attractiveness and cooperation. In the programme it is stated that the region needs to be strengthened and enlarged without limitation of the administrative borders in order to take advantage of the increased mobility among the population. A need to facilitate living in one place and working or shopping in another is seen as crucial for the future development. Secondly the ability and the driving force among individuals to be innovative and to develop and implement ideas and activities are stated vital for the county's sustainable development and growth. With the third factor, attractiveness, in mind it is declared in the RUP that competitiveness and attractiveness together will help create a sustainable development. Finally an effective interaction between political institutions, public sector, research and industry is seen to build creative environments for business and people. According to the RUP, collaboration and the establishment of networks between business and the interaction with actors outside the region strengthens regional competitiveness and is a driver behind the development of society (Regional Council of Jönköping County 2008b).

3. EDORA GRAND NARRATIVES

3.1 An agri-centric narrative

The agro-industrial model and post-productivist models are both receptive models to explain and interpret rural development and changes in agriculture in Jönköping. The development of agriculture in the region has been characterised through more efficient approach into production and through advancing the competitiveness of agriculture in markets. Moreover, rural areas have been more and more characterised as places for consumption, i.e. recreation and different kind of free time activities. Much of the open space in Jönköping has disappeared during the last years. Now the question is that should non-profitable agriculture preserve the

landscape in order to sustain open landscape, i.e. the social management of rural nature.

Jönköping County has in the middle of the triangle of three Swedish major cities perfect connections to both national and international market areas. Local food supply chains are to a degree important part of agricultural production in the region, but the usage of these chains has not been most efficient. The local village action movement is strong and local action groups are relative active in the region, however, they have not been able to develop local food supply chains effectively. One reason behind these difficulties is that any considerations to develop a chain have to cover the entire chain.

The concept 'consumption of countryside' appears to turn out to be more and more appreciated in Jönköping, and the general intention is to preserve natural environment instead of promoting traditional agriculture in the region. Major part of the rural policy issues are implemented in a way that it will sustain the collective values in the countryside rather than reinforce traditional agriculture. Most important theme in the focus is environmental protection and preservation and assurance of free access to have the benefit of rural environment.

3.2 An urban-rural narrative

Regional enlargement influenced by extending labour market area and growing mobility of people may assist to manage population growth in Jönköping rural areas. The outcome of urban growth will be positive for some of the rural residential areas depending mostly on their accessibility from the city. Key issue in Jönköping in order to develop urban-rural interactions is to have sufficient road structure.

The urban-rural interaction does not solely refer to functional issues in and around the city-region. Administrative connections and municipal amalgamations have reinforced direct formal connections between rural and urban areas. This produces new kind of management style, in which rural issues are stronger linked up with broader regional development for the course of the whole region. The question in this kind of situation is universal, i.e. does the rural question receive sufficient attention or will it be detached from its own policy approach.

In the case of Sweden, Jönköping is not located in the periphery nor it is remote, but within the region there are also areas, which are located, further way from region's centre. It is challenging to sustain an adequate service structure in these areas. The intention of the county administration is to build a vital regional centre so that surrounding rural areas will offer attractive residential areas for new dwellers.

In Jönköping the population is unevenly distributed in terms of both geography and skills. Some small and medium-sized villages and towns grapple with a decline in population and young people choose to move out of the county. This, in combination with the ongoing restructuring in business, the relatively low level of formal education and the labour market segregation, means that the county may face a shortage of labour with appropriate skills in large parts of the county.

3.3 A narrative of capitalist penetration

Local capital is to a larger extent a basis for Jönköping's growth and development that is apart from the development and capital formation of the region's rural areas. On the other hand, surrounding rural areas have specific assets for recreation and interests that are utilised while selling the region for consumption of the urban residents. Thereby, capital formation in the urban centre meets also the countryside.

However, most of the interest in developing the region is laid on region's capabilities to sustain and promote development capacities and competitiveness. This is regarded as vital for the whole region in order to compete at global level about the economic factors and efforts. This strategy does not totally neglect the rural dimension. Emphasis is also laid on developing rural areas as a 'public good' and as an asset for balanced regional growth. The development policies have in Jönköping a clear approach that the focus has to be both on rural and urban areas and also on different sectors.

4. IMPLICATIONS FOR POLICY

The major challenge for current policy approach is how to meet future labour needs of the county's labour market, i.e. high level of employment, relatively low unemployment and quality of life. The biggest challenge in the county is undeniably the formal educational attainment, which is among the lowest in the country. These challenges will meet both urban and rural areas.

The county's labour force is partly recruited in relatively low skilled industrial processes that make the employment situation rather vulnerable in the case of economic recession. Another structural problem is that labour in some branches of industry, which are not specialised in their production, are threatened in the case of rationalisation of the production. These risks towards labour intensive industries will also have influence on rural areas in the county, because most of the plants are located outside the urban centre. The county administration has continuous policy approach to increase in the level of competence in the county and thereby increase the value in the production.

There is a systematic way in county administration to develop even population distribution in the county, although the population is unevenly distributed. The attractiveness between places differs as the larger urban centres are most attractive ones in general. The approach is to develop a strong regional urban centre, strong municipal centres but also viable villages and communities in order to sustain a living countryside. In the work to strengthen the urban centres and towns and in improving connections to the surrounding rural areas, the population growth of the more urban areas might spread to accessible rural parts. This could though be problematic for the distribution of the population, if the growth of these areas is due to internal migration and made up of people moving out of more remote rural areas.

A viable countryside is also important for the support of strong engagements in village actions movements that has positive implications on the social economy and for the positive development of society, enterprise and employment in the countryside. The village action movement takes a lot of responsibilities among local action groups of the local development work in the countryside. Therefore it is vital that this approach has also received attention in county's development strategy.

The remaining area of agricultural land in Jönköping County is considered to have high cultural and biological value that should be preserved and considered as a public good. The county's strategy has involved this approach and highlights importance of natural and cultural environments for recreation and interests, and also for tourism.

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EXEMPLAR REGIONS REPORT:

SOUTH SAVO, FINLAND

Petri Kahila,
Nordregio

2010



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1. INTRODUCTION

South-Savo region is located in the Southeastern part of Finland 230 km from the capital Helsinki. The region has approximately 162 000 inhabitants, three major towns (Mikkeli, Savonlinna and Pieksämäki) and 17 other municipalities. Of the three major towns Mikkeli is with its 46 200 inhabitants the largest. Half of the population lives in rural areas and small towns. The out-migration is strong from the region and mostly young people and females migrate to study and work. Population is steadily declining by 800 persons per year. South-Savo region covers approximately 20 000 km². With more than 7 000 lakes 25 % of the region is covered by water. Of the land area 85% is covered by forest. Because of the high amounts of lakes the habitation outside the urban areas is dispersed all over the region.

The economy is based on public services but also the forest industry plays a great role. With the unspoiled nature and more than 40 000 summer cottages also tourism plays an important role for the regional economy. Many of the region's local districts experience the doubling of their population when people take their summer holidays. During the recent years more effort and resources have been put into the development of the all year round tourism.

Agriculture continues to provide a source of income for many people living in South-Savo. Approximately 9 per cent of the labour force is employed in primary sector. In the region, the product activities such as food processing from agricultural, forest and fish products could gain of the image of ecologically sustainable, clean diverse surroundings from where the products are collected. South-Savo region is way ahead of other areas here by systemically introducing organic production as the strategic choice for agricultural production and processing in the region.

The Second World War led in Eastern Finland, as in many other regions in Europe, to a considerable relocation of people. More than 400 000 persons moved from the ceded areas to the present Finnish territory, and they were resettled mostly to rural areas of Finland. This transfer of people delayed industrial restructuring in Finland, and it was not before 1960 that the mechanisation of agriculture and forestry started the so called Great Move from rural areas to cities in Southern Finland (Oksa 1995). This was a resulted for a fast reduction in the rural population also in South-Savo. The followed industrial decline in the 1970s did not strike towns in South-Savo so severely because of the stronger rural character of the region. Rural transformation has in South-Savo been severe because the region is on the most agriculture-dominant in Finland. The region is geographically not the most peripheral, but it is economically underdeveloped and growing slower than the national average.

On the other hand, regional economies of South Savo were thirty years ago still very much dominated by the agricultural sector, and the manufacturing base mostly contained processing plants of local raw materials. The diversification of the economic base in the region that was boosted by earmarked regional policy

measures and improvements in the infrastructure networks from the 1960s onwards had typical characteristics of rural industrialisation. However, parts of the traditional sectors managed to diversify their activities and develop subcontracting networks in the region.

2. PROCESSES OF CHANGE

2.1 Population development

The population of South-Savo is 157 000 inhabitants. The population trend has long time been decreasing, and from 1995 to 2007 population fell approximately with 14 000 persons (Regional Council of South-Savo 2006). South-Savo region is typical example of a region where both out-migration and natural population growth influences strongly to development because approximately two thirds of the decrease of population is caused by out-migration. People migrate especially from rural municipalities but towns in the region have also downward development in population growth. The out-migration is especially concentrated on working age young people and women to whom rural municipalities in the region do not have possibilities to offer employment.

Persons who moved from the South-Savo rural municipalities and towns are for the most part young from 15 to 24 years old that also decelerates the increase in natural population growth and relatively increases the share of older people. The rural municipalities in the region will not experience increase in population anyway because fertility rate in these municipalities is higher than death rate. However, there is a slight growing amount of people aged from 55 to 65 moving to the region. The explanation for this development is the growing number of retired persons who have their second homes in South-Savo, and who in most of the cases were also born in the region. Their share will certainly grow in the future but they will not totally revolve to direction of the migration movement. Certainly their importance will be important for developing new services and new sources of livelihood in rural regions of South-Savo.

The age structure in rural municipalities in South-Savo is quickly changing and number of people over 65 year will grow rapidly. Ageing causes a lot of pressure on development of rural services in South-Savo rural municipalities. The continuation of out-migration will not change this situation and rate of employed in relation to retired people will grow rapidly in the future (e.g. Nivalainen & Volk 2002). Most of the persons 65 years and over live in South-Savo sparsely populated regions in small villages; although during the last few years the concentration of people in the municipal centres has been visible (Regional Council of South Savo 2008). The decline in the share of working-age population will also weaken economic growth significantly that again will worsen the capabilities to sustain sufficient service structure.

2.2 Regional structure

Regional structure of South-Savo is characterised by three main centres Mikkeli, Savonlinna and Pieksämäki. Lakes split the regional structure in the region, thus settlement structure is spread evenly across the region. Nevertheless, built-up area of the region's total area is lowest (67.8 %) in Finland. In the Finnish classification of rural areas most of the municipalities in South-Savo belong to sparsely populated rural areas. Sparsely built-up area is changing not only because of the out-migration, but also, because of the falling number of farms, which have formed the main sustaining structure in sparsely built-up area in the region. The outcome is that functional structure, e.g. services and roads cannot be maintained, and some of sparsely built-up areas will remain as partly abandoned. Future development in South-Savo is leading to continuation of concentration process of people and also service structure.

South-Savo has the lowest population density in Southern and Central Finland and the lowest rate of urbanisation. The number of people living in the county is decreasing and the trend is expected to continue.



Figure 1: Regional structure of South-Savo

Living environment in South-Savo is relatively pleasant characterised vast lake area. Therefore, the scenery can be considered as unique. Most of the lakes have excellent water quality, and nutrient emissions into them have decreased (Panula-Ontto-Suuronen 2005). The environmental issues in South-Savo are advanced and implemented through the Environmental Programme 2005-2010 for South-Savo, which is completed by South-Savo Regional Environment Centre (South-Savo Regional Environment Centre 2005). The purpose of the programme is to plan future of the region according to principles of sustainable development. The programme will closely be adjusted with Regional Development Programme.

Environmental issues have special position in South-Savo regional development, because of the natural characteristics and promotion of ecological agriculture in the region. Environment is also a basic for the promotion of tourism related businesses in the region. Regional policies, now and in the past, have in South-Savo included strong connection to promotion of environmental aspects. The program comprises the protection and maintenance of diversified agricultural land and is thereby also closely designated to Rural Development Programme. The objective is to increase the share of ecological agriculture of the total agricultural production in the region.

Second homes are closely related to environmental issues in South-Savo. Natural characteristics have created and influenced to the strong growth of second homes in South-Savo. People living in their second houses in the summer time will increase number of inhabitants and also regional purchasing power by one third of the normal amount. There are at the moment 44 000 second houses in the region and annual growth is 700 second homes. Second homes have traditionally been something important for their owners, and actually the surrounding rural communities have not paid so much attention to second house owners. However, during the last twenty years situation has undoubtedly changed as rural dwellers need new sources of livelihood and at the same time second homes are renovated or new ones built for round-the-year purpose. This development has important influences on new rural businesses and inventing new services for new round-the-year residents in rural areas.

2.3 *Economic development*

Rural tourism has an important position in the regional economy of South-Savo. Rural tourism is in South-Savo and in Eastern Finland lake region in most of the cases based on micro-businesses which do not really have growth prospects. The entrepreneurs are lifestyle-oriented owners and they are reluctant to growth oriented business, and they connect growth within environmental context, i.e. growth in quality but not in volume (Komppula 2004). Almost all rural enterprises in the rural tourism business can be included in the micro-business category. In South-Savo, there are approximately 1200 tourism entrepreneurs, most of which are included in the small and micro tourism enterprise category (Regional Council of South-Savo 2001).

Public investments play an important part for the development of infrastructure necessary for the tourism industry. In South-Savo region, public sector has been responsible part to invest in lake tourism infrastructure (Lehtolainen 2003). Broadly defined tourism related infrastructure contains accessibility, maintenance of natural resources and provision of tourist and recreation facilities as well as basic infrastructure.

South-Savo is one of the poorest regions (NUTS3) in Finland. The Gross Value Added per capita in 2002 was 16 330 €, while the national average was 23 371 € (Statistics Finland 2004). The deep national economic crisis treated the region very badly and unemployment rose up to 20 % and the value of production was 11 % lower in 1994 than four years before. Because of the structural problems in the region the recovery in the region has been much slower, and there are still marks to be noticed of the economic recession. For instance the unemployment situation has partly been recovered in the rural municipalities, but the number of long-term unemployed is still rather high in comparison to national average.

2.4 *Agriculture and forestry*

Finnish agriculture has during the last twenty years gone through major changes due to increased efficiency and new technology, liberalisation of agricultural world trade and reformed European Union agricultural policy. These changes have caused critical socio-economic changes in Finnish rural areas. South-Savo region has faced most severely this ongoing process of agro-industrial change, as agricultural production is geographically shifting to Western and Southern Finland, where there is more agricultural land for rent. The region is suffering from the loss of agricultural employment and centralising of food processing industry. The future of regionally important milk production is now seen especially uncertain because of the decreasing subsidies. This is more or less a fatal question for many farms in the region, since they have given up grain growing and concentrated on milk production. The prediction is that two out of three milk farms in Finland will be out of business by the year 2020 (MTT 2004).

Another important source of livelihood in the region is forestry, as the income from forestry per farm is in relation to national average highest in South-Savo (Niemi & Ahlstedt 2008). However, most of the farms are not from their size developed to be viable in forestry. In South-Savo, farms are mainly rather small, although the size of the farms is rapidly growing due to ongoing structural change in agriculture. Many of the farms are changing their activities from agriculture towards forestry but also towards more diversified enterprises, combining farming and forestry to small-scale industry, tourism and other business activities.

Forest industry plays a relatively important role in the whole Eastern part of Finland and paper industry plants are among the greatest in Europe. Neighbouring regions to South-Savo, Kymenlaakso and South-Karelia, are dominated by the biggest forest companies. In South-Savo, the forest industry is more based on plywood production

and mechanical wood processing. The region can more be regarded as a source of raw material for forestry industries. In 2006, the shares of domestic and imported roundwood of the total wood use were 58 and 42 percent, respectively. This dependency of forest industry on imported raw material creates immediate risk factors, which could cause serious disturbances on forestry production in Eastern Finland. The domestic log procurement does not compensate the amount of imported wood. Possible increase on demand of domestic wood would also increase the prices that will make production unprofitable and unsustainable.

South-Savo is suffering not only from structural change in the agriculture and forestry but also from the general loss of agricultural employment and the centralising of food processing industry. Mostly all agricultural inputs have been imported to the region. The food processing industry does use locally produced raw materials but inputs for the processing are also imported. The main food manufacturing plants are logistically located near major urban centres that indicate that demand of food products have become the main concentration motivation of the enterprises. This has changed the locations of the food processing industry outside the region. The specific feature of South-Savo agriculture is the commitment to ecological production which has been a systematic feature of the regional policy since the late 80s. There have been a number of development projects to develop the organic food chain and food processing facilities.

South-Savo is one of the main pioneering regions for promoting and intensifying organic food productions in Finland, and in the 1980s the region defined itself as an 'eco-province' in which organic farming was one of the main ideas (Käkriäinen 2004). The use of local food in different parts of the food chain is increasing, which creates market potential for local food suppliers. Yet the local products are so far mainly regarded as supplementary products. Retail stores may use local food products to create a positive image to consumers. The local food system is regarded as a novelty for the development of the agrifood sector, although it can be considered as a mean to survive but not necessary a main issue to create meaningful economic growth (Käkriäinen 2004). South-Savo is way ahead of other areas here by systematically introducing organic production as the strategic choice for agricultural production and processing in the area.

2.5 Governance structures

Governance structures in South-Savo are based on strong traditions Finnish municipal administration. Municipalities are responsible for arranging the provision of services and sustaining the basic infrastructure in their area. Municipalities provide services to residents in different ways, and, if they do not manage tasks by themselves, they may provide services jointly with other municipalities, communities and enterprises. In South-Savo, community participation (the village action movement) has long traditions and is in many ways involved in local development work mainly through local action groups. During the last years village action

movement is also activated in provision of simpler welfare services in close cooperation with municipalities.

Due to regionalisation the borders between municipalities become partly meaningless. In many urban areas the inflexible municipal borders cause problems to the infrastructure. This has been the case in South-Savo, where two municipalities have earlier merged with the city of Mikkeli and one municipality in the beginning of 2009 with Savonlinna. The municipal amalgamations have taken place in South-Savo only in the urban centres but not between rural municipalities. However, there is a clear necessity to proceed with amalgamations also in rural areas.

The City of Mikkeli is administrative centre of the South Savo-Savo region and holds a primary position in decision making processes dealing with rural areas. However, the municipal amalgamations in Mikkeli have modified the nature of the city towards rural and, therefore, the strategy of the city is to prepare a vision of rural municipality, which is formed of viable centres and living countryside around the city. Decision making structure will naturally remain unchanged, but intention is to activate people to participate and contribute to the development of new rural municipality.

Regional Councils are association of municipalities, of which responsibility is to draw up a regional plan and a regional strategic programme. Regional Councils outline the aims of regional development at NUTS3 level. However, the state has a major role in implementation of regional policy at NUTS3 level through The Employment and Economic Development Centres (T&E Centre). They work as a common regional office of Ministry of Employment and Economy and Ministry of Agriculture and Forestry. The T&E Centres develop rural industries and provide funding for development projects and is responsible for putting into action the EU's objective programmes with regard to rural development. The EU programmes are prepared for larger areas, but they have regional emphasis.

2.6 Future priorities

Future development in South Savo is, on the one hand, leading to even larger concentrations of people, jobs, action area and service structure, to seeking new operating models and networking for municipal, sub-region and population growth centres and in the sphere of influence of national trunk networks. As a result of this development, parts of existing densely populated areas, infrastructure and other structures of society may remain underutilised, which emphasises the support of service structures and the accessibility of such, the correct dimensioning of the infrastructures and community structures, and competitive quality and maintenance in accordance with actual needs and available resources.

The environmental values in South-Savo set a special need to safeguard naturally valuable areas, i.e. scenic landscape, biodiversity or ecotype values. In order to protect and sustain these areas, this has to be integrated in the normal productive activities related not only to agriculture but also to other sources of livelihood, like to rural tourism. In a region like South-Savo, the environment requires special attention

at policy and planning level, but also in rural businesses to avoid 'creative destruction' in undertaking business activities. Also other activities like food processing not only from agriculture but also from forest and fish products would obtain of the image of ecologically sustainable, unspoiled and diversified environment. South-Savo is generally outside the region itself connected to pure nature values. The region has so far relative successfully made use of these values in different occasions.

South-Savo region can be seen as a typical example of structural regional problems in Finnish peripheral regions. The region has suffered from population loss for decades and the net outward migration has accelerated again around the mid 1990s. Continuation of the decline in the share of working-age population will weaken regional economic growth significantly in the future, if especially the out-migration of younger people cannot be reduced. The Regional Council of South-Savo has therefore identified the reduction of out-migration as one of the most important challenges in the future. However, the number of people in the region is not only decreasing because of the out-migration but also because mortality is higher than fertility. The relative share of ageing people in South-Savo is higher than in other parts of the country. Out-migration is not solely a problem for rural municipalities but also for medium-sized towns in the region.

In a wider context, the peripheral character of South-Savo looks like stereotypical. The region is remote from the national and economic core of the European Union and suffers problems typical for peripheral regions, like loss of population, lower economic development, lower income level and higher unemployment. The region is also very much characterised by relatively important primary sector. Thus, looking the spatial and economic location of South-Savo in a national and European context, development trend in the region are in line with the view that geographic peripherality correlates with socio-economic peripherality. However, South-Savo has possibilities in the future to reduce some of the disadvantages of peripherality. The region is geographically located relative close to urban centres in Southern Finland, and has many close connections with these centres. One of the most important challenges is, how the region is able to reduce its accessibility from the main centres.

3. ANALYSIS OF CHANGE BY 'GRAND NARRATIVES'

3.1 *Agri-centric narrative*

South-Savo can be regarded as specialised region in traditional resource based industries as agriculture, forestry, and fishing. Peripheral regions like South-Savo are concentrated on a narrow scale of export-oriented resource based raw materials, with restricted inter-sector production and consumption linkages.

In South-Savo, an increase in demand for local foodstuffs is from the local level point of view likely to have a positive effect on the local as well as regional economy in terms of enhanced employment possibilities and tax returns. Simultaneously, using

local food stuff will also have a positive effect to sustainable development as decreased transport may lead to decrease in energy consumption.

It can be said that there has in South-Savo there has a notable trend for farms to get engaged in other gainful non-agricultural related activities. The accession to the European Union had a great influence to due to the decreasing economic development potential of the smallest farms, although a similar trend was ongoing already before the membership in the European Union. The development in the smallest farms in South-Savo was hastened after the membership. The only option to adapt the forthcoming change for farmers was to increase farm size and invest on new production, or alternatively, to find additional income. However, regional circumstances i.e. lack of suitable land for fields because of the nature of the region, set restrictions to enlarge the size of the farms. Therefore, in most of the cases new sources of livelihood were only possible solutions to secure living in the farm.

3.2 *Urban-Rural Narrative*

First, it has to be mentioned that agriculture has an important position in preserving the cultural inheritance and identity of Finnish people, which is very much rural oriented due to late urbanisation in Finland. This is especially the case in regions like South-Savo, which is very much rural from its nature and identity. The region has three urban centres, of which Mikkeli is administrative centre but not clearly bigger than other urban centres in the region. Hence this mosaic of urban and rural areas is different in relation to other remote regions in Finland.

In South-Savo, the three cities have more diversified production structure in relation to rural areas. It is also likely to generate inter-industrial demand within the region, which creates positive multiplier effects in the economy. Furthermore, labour released from a specialized industry is more likely to be reemployed by other industries. Furthermore, labour released from a specialized industry is more likely to be reemployed by other industries. It may be argued that specialization and economic diversity can successfully develop in parallel within a region providing the region has enough production bases. If not, specialization is likely to reduce economic diversity which might be risky for the long term economic performance and stability of a region. In South-Savo, this mode of urban-rural interaction is visible in minor aspect, as the urban centres in the region have also structural changes, which inhibit their growth.

Summer dwellers form a key question in relation to urban-rural relationship in South-Savo. Half of the summer cottages in South-Savo are owned by people outside the region and most of the built new summer residences are by built by same people. Traditionally people have brought only their summer holiday in the cottage but not visited the cottage regularly during the winter. However, most of the new summer cottages are equipped for round-the-year purposes, and people will spent more time in their cottages. This might even be a trigger for return migration or alternatively formation of people with double identity living flexible life both in urban and rural

environments. Many belonging to large post-war age cohorts in the western countries moved from rural areas to larger industrializing cities. They retire soon and can consider moving back to the childhood places.

The recent developments in spatial terms in South-Savo have been longer time the decreasing population growth and continuing process of urbanisation. However, the process of urbanisation in the South-Savo and whole Eastern Finland is ongoing, but at the same time weakening the permanent residential structures in rural areas. Population growth in Mikkeli is like in many other Finnish rural cities characterised by internal regional growth. Region is sparsely populated and there are no developments of corridors between the cities in the Eastern Finland. The main question for future growth of Mikkeli and South-Savo is how the region is able to make the most of economic growth in growth centres in Southern Finland.

3.3 Globalisation/Capitalist Penetration Narrative

Most of the flows of products and tourism in South-Savo are interregional or alternatively national. International tourism does not have such important position in relation to national one. Agricultural production is mostly directed to production plants near the national urban centres in the Southern part of Finland.

Under the present agricultural policy regime, there are in South-Savo very few farms, which are viable to compete in international markets. The problem in the future will not be just the transportation costs from the remote farm into the market but also the cost of collecting milk from fewer and fewer farms in remote regions. The harsh competition in the European Union market will in the future lead to a situation, where the farmer has to pay for the transportation cost. Without any targeted actions this will be fatal question for most of the farmers in South-Savo. Most probably the development will shift the milk production to more favourable regions in Southern and Western Finland.

The current policy of the European Union does not pay sufficiently attention to problems of northern location and expenses of scale enlargements in vast but sparsely populated country like Finland. The scale enlargement and concentration of production is not in a region like South-Savo a key to success. If the political motivation is to make agriculture possible in the future in all areas, there should a possibility for regions like South-Savo to tailor their agriculture in a way that people have possibility to combine scarce resources to the demand of open landscape and biodiversity. There is a need to invest and create a new kind of agriculture in regions like South-Savo that is above all tied to local rural economy and not to the chains of global food production.

4. IMPLICATIONS FOR POLICY

The policy which advances concentration process of agricultural production to fewer farms in more prosperous regions offsets from the point of view regions like South-Savo all attempts at balanced territorial development and cohesion. In the case of

Finland, most of received subsidises from the European Union cover LFA, environmental measures or national specific support on the basis of geographic difficulties. The underlying principle behind these measures is connected to regional balance and multifunctionality. The marginalisation process is, however, not to be stopped in regions like South-Savo with current agricultural policy. At the moment, there is for instance rather narrow room to manoeuvre in promoting local food production, which could remarkably act as an economic input for remote regions.

Since the image of local food relies also strongly on the viability of the countryside, local food policies in South-Savo should have an influence on the region's agriculture. However, more precise instrument than the general growth of foodstuff demand is required. Supporting local food chains with a certificate system could be one way to implement a food system localisation policy.

Rural policy is very much evident at regional level in South-Savo. The Regional Council and Employment and Economic Development Centre support rural policy through separate Regional Rural Policy Programme, which is connected to the national level Rural Development programme. In South-Savo, ecological food production and tourism are the main issues in developing businesses in rural areas, and besides these, important objective is sustaining the adequate service structure in the region's most remote areas.

Region's municipalities are all directly involved in agricultural policy through implementing some important controlling procedures in the farms. However, most important and visible municipalities' involvement in rural policy making is participation and financing the development work of local action groups in the region. Municipalities have from the very beginning participated the work of local action groups.

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EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 19

Scientific Working Paper No. 19

EXEMPLAR REGIONS REPORT:

LA RIOJA, SPAIN

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Instituto Interuniversitario de Desarrollo Local
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*Note: Page numbering is consecutive within the aggregated Final Report document
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1. INTRODUCTION TO THE REGION

In the northeast of Spain, Rioja is internationally recognized for quality label wine production "Rioja". La Rioja limits to the north with the Basc Country, to the west with Navarra, to the SE with Aragón and to the SW with Castilla-León. Geomorphologically, its northern part belongs to the Ebro valley (lowland, productive areas in which population and economic activity are concentrated), while the rest of the territory belongs to the domain of the Iberian Mountains. The communications and urban systems are organized according to these geographical features: the most important towns form a NW-SE line along the valley and the main roads cross the region in this same direction. The average population density for the region is 52 inhab./km², with extreme disparities between the mostly depopulated mountain areas of the south and the dense lowland areas of the Ebro valley in the north.

The current population of the region is 317,501 inhabitants (INE 2009) distributed in 174 municipalities. The regional capital, Logroño, has 150,000 inhabitants. There are only other 3 towns with more than 10,000 inhabitants (Calahorra 25,000, Arnedo 15,000, and Haro 12,000). These 4 cities concentrate more than 65% of the total population of the region.

The main socioeconomic features and trends of the region are:

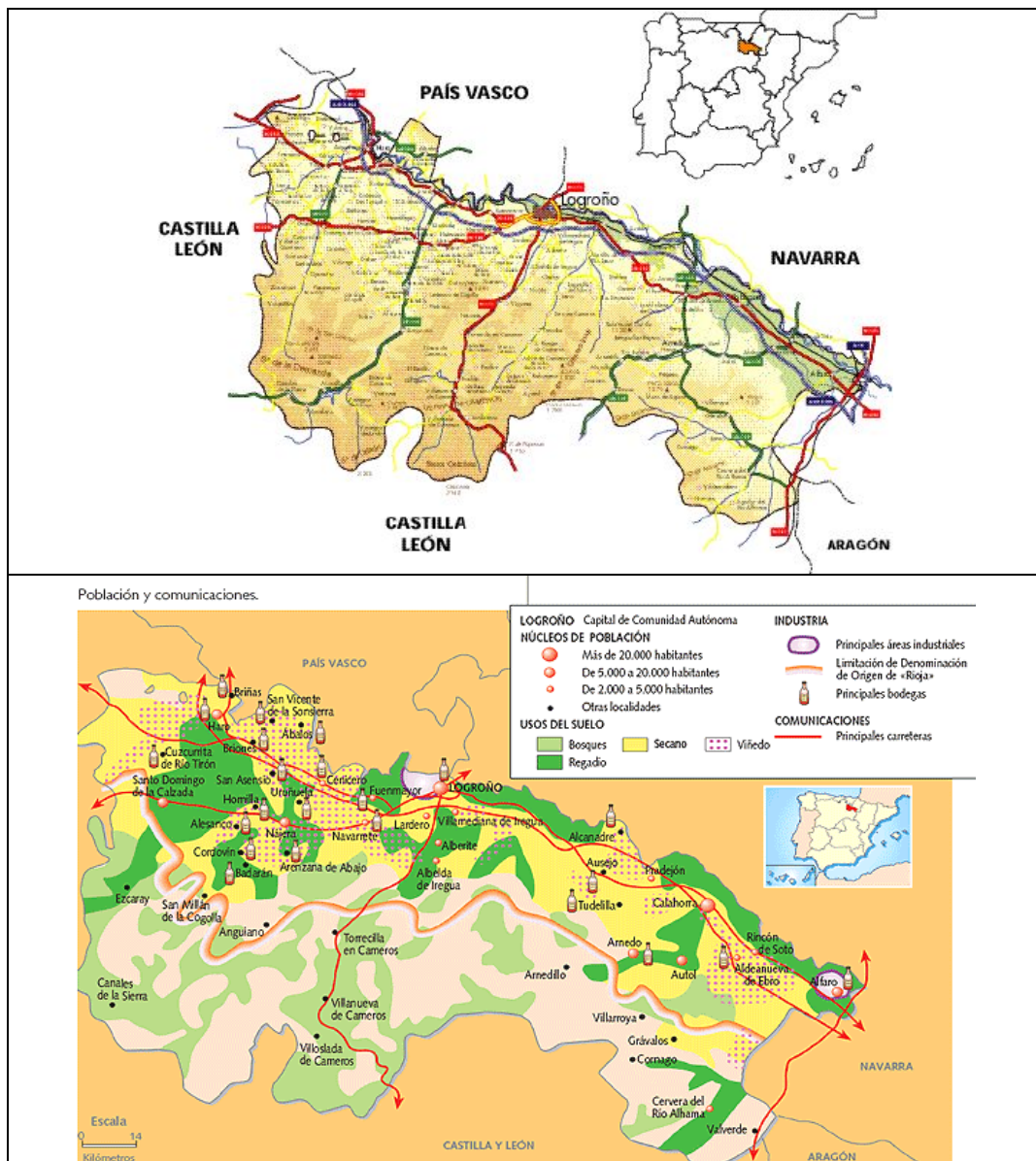
- The population growth for the period 1996-2007 (INE 2009). The population growth of the region (19.84%) is over the Spanish average (16.36%).
- Economic development between 1996 and 2007 slightly below Spanish average (less importance of building activities). Consequently, less impact of the current crisis.
- Economic structure: less relative importance of the services sector than Spanish average and more importance of industry and agriculture.
- Labour market: activity rate very similar to the Spanish average and unemployment below the average.
- Prices and wages growing more than Spanish average for the period 1997-2007.
- Reduced internationalization of the regional economy.
- Business fabric density over the Spanish average.
- Innovation and new technologies. Strong increase during the last years but still below the Spanish average.
- GDP over the Spanish average but converging.

The economic structure of the region is based upon two important industrial sectors: the wine production (including activities in all sectors like grape production, cellars, business services, transportation, etc.) and textiles-leather and shoe production. This is reflected in the distribution of employment by economic sector (Figure 1) that shows important differences with the Spanish average. Although most of the economic activities concentrate in the lowlands, the mountain areas are showing signs of new economic dynamism in activities associated to the new rural economy (rural tourism associated to heritage and paleontology).

Figure 1. Employment by economic sector, 2007

	Rioja	Spain
Agriculture	5.4	4.5
Industry	26.4	16.0
Building sector	11.9	13.3
Services	56.3	66.2

Figure 2. Location of NUT 3 Rioja, main towns and basic land use categories



Notes to Figure 2:

- Nucleos de Población: population settlements (size categories)
- Usos del suelo: land uses:
 - Bosques: Forest
 - Regadío: Agriculture irrigated
 - Secano: Agriculture non-irrigated

- Viñedo: Vineyard
- Industry:
 - Principales areas industriales: Main industrial areas
 - Limitación de denominación de origen “La Rioja”: threshold of quality label “La Rioja”
 - Principales bodegas: main cellars
- Comunicaciones: principales carreteras: transport infrastructures: main roads

For the purpose of this report, we will concentrate mainly in the valley lowlands to focus on the accessible and agricultural rural areas. Therefore, we will mostly “ignore” the remote depleting rural areas whose population and economic evolution and situation are very similar to those described for the case of Teruel (Working Paper 20).

2. PROCESSES OF CHANGE

The main factors explaining the current situation in the province of La Rioja are: firstly, the territorial features (geomorphology, soils and climatology) and its consequences on human settlement and activity; secondly, the history of the region and its political and socioeconomic implications; thirdly, the overall evolution of the region during the 20th century. The following subsections review each of these factors.

2.1 *Territorial features of La Rioja*

The Autonomous Community of La Rioja is located in the northeast quadrant of the Iberian Peninsula. It has an area of 5,045.27 km² which represents less than 1% of Spain.

There are two distinct geographical units: in the north, the valley of river Ebro, a territory of low altitudes (below 800 m) and plains, that contains the main towns and transport infrastructures; in the south, the domain of the mountain that separates the Iberian *Meseta* and Ebro valley. This mountainous area is composed of a set of hills that go down into the east in both elevation and slope, from Demanda (2,271 m) in the west to Alcarama (1,531 m) in the east.

In line with the geomorphological configuration, the region has two distinct climatic zones: one, the Valley, has a continental Mediterranean climate with low rainfall (400-600 mm annually) and summer water deficit. Summers are warm (21-22 degrees) and winters cold (4-5°); on the other hand, the Sierra mountain climate is characterized by higher rainfall and lower temperatures. Water availability is not a problem in Rioja (unlike what happens in other nearby Mediterranean regions) due to the presence of the river Ebro, the most abundant of the Iberian Peninsula, and the existence of a large number of aquifers. The availability of water resources (extremely important for one of the key economic activities of the region, wine production) largely exceeds the current and foreseen uses of water (see Figure 4).

Figure 3. Physical Geography, La Rioja



Source: Medioambiente en La Rioja 2000, http://ias1.larioja.org/apps/catapu/documentos/memoria_01.pdf

Figure 4. Water use and availability. La Rioja 1999

	AGRÍCOLA (Hm ³ /AÑO)	INTENSIDAD DE USO AGRÍCOLA	URBANO E INDUSTRIAL (Hm ³ /AÑO)	INTENSIDAD DE USO URBANO E INDUSTRIAL	TOTAL (Hm ³ /AÑO)	INTENSIDAD DE USO TOTAL	RECURSO NATURAL MEDIO (*)
Demanda 1995	240	0,28	60	0,07	300	0,35	849
Demanda prevista 2005	307	0,36	65	0,07	372	0,43	849
Demanda prevista 2015	366	0,43	73	0,08	439	0,51	849

(*) Hm³ de agua disponibles anualmente por término medio en La Rioja (generados únicamente en el territorio de la CAR).

Notes to Figure 4:

- Demanda: demand in different years shown in rows
- Agrícola (Hm³/año): Water used by agriculture in Hm³/year
- Urbano e industrial (Hm³/año): Water used by industry and domestic uses in Hm³/year
- Recurso Natural Medio: Hm³/year available in the region

2.2 Historical background

The location of Rioja at a historic crossroads (the Ebro Valley and the Sant James Way) favoured transit and settlement of different influences and domination (Celts, Goths, Franks, Saxons, Jews, Iberians, Romans and Muslims). The Roman occupation served to boost the urban organisation of La Rioja through the founding of the major cities in the regional urban system. Since S. VIII the territory of La Rioja passed into the hands of the Muslims. Muslims improved and expanded Roman irrigation systems through the construction of numerous irrigation ditches. From tenth century starts the period of Christian *reconquista* by the kings of Navarre and Castile. The Christian repopulation was based in part on the foundation of monasteries in the main valleys. For several centuries this was a territory in dispute between the Christian kingdoms.

During medieval times the main cities of the region were important points in Saint James Way, which stimulated urban development, trade and culture. Monasteries played a crucial role in medieval culture as major libraries and disseminating artistic techniques.

The current territory of Rioja did not constitute an administrative unit until the nineteenth century. Until then, the territory was fragmented into successive territorial divisions of modern times, mainly belonging to *Castilla (Soria and Burgos)*. Only after the 1833 provincial division does the province of Logrono coincide with the current boundaries of the region of Rioja. After 1982, La Rioja becomes one of the 17 Autonomous Communities in Spain, with extensive decision powers in a wide range of sectors, and exclusive competences in land-use planning, economic development, etc.

2.3 The socioeconomic evolution during the 20th century

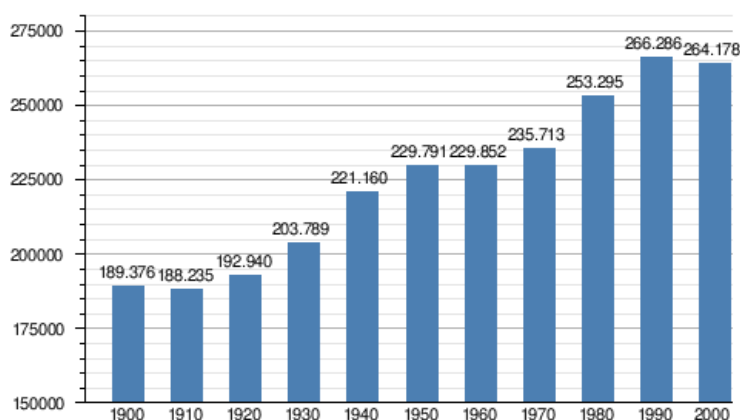
Towards the middle of the nineteenth century vine growing and wine production become important, aided by the phylloxera epidemic in France during the 1870s and 1880s.

During this period are founded the major wineries of the region that create the basis of capital accumulation and encourage the further development of an urban bourgeoisie. Already towards the end of the nineteenth century the majority of wine production is exported to France through a railway line, financed with French capital, linking Logroño with the port of Bilbao.

The twentieth century in Rioja is characterized by a moderate but steady population growth (Figure 5). This growth masks two distinct processes: on the one hand, the relative depletion and aging of the mountainous areas; on the other hand, a significant increase in the size of settlements in the Ebro valley. The cause of this dual process is the rupture of the historical balance due to mechanization of agriculture and the increased availability of agro-industrial, building and services jobs in the cities of the valley.

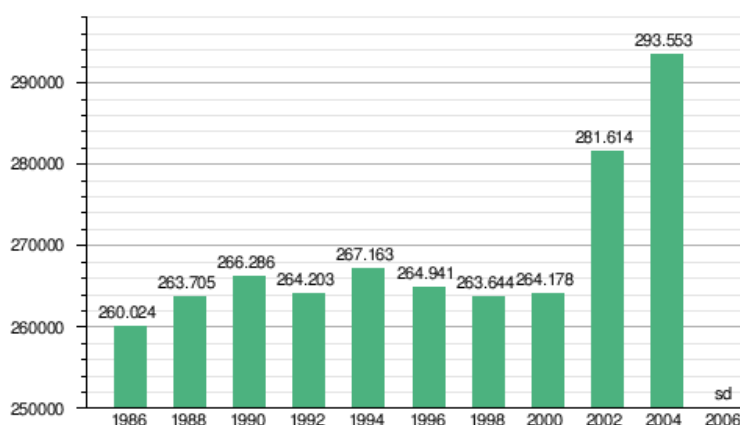
The trajectory of the regional economy during the twentieth century is also dual. Thus, mountain areas are characterized by specialization in livestock production, mainly sheep, and a relative contraction of the labour markets as a result of depopulation. By contrast, the lowlands of the Ebro Valley have a sustained economic growth and a more diversified economy. The valley is home to growing grapes with designation of origin, and agro-industrial plants for processing them into wine. Some of the major cities concentrate industrial employment (*Calahorra* and *Arnedo*). It is also in the cities of the valley in which are the main urban functions (services, administration, leisure) and wider labour markets.

Figure 5. Population evolution 1900-2000, La Rioja



Source: Instituto Nacional de Estadística (INE) (<http://www.ine.es>)

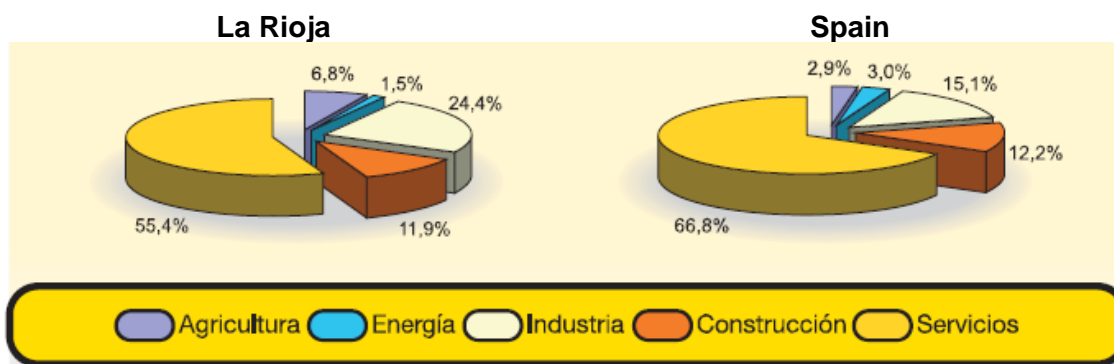
Figure 6. Population evolution 1986-2004, La Rioja



Source: Instituto Nacional de Estadística (INE) (<http://www.ine.es>)

In relation to the economic configuration of Rioja lowlands (“the valley”), agriculture plays an important role. Rainfed crops are dominant (75%) and, within it, the vine is the main crop. However, there is also an important production in irrigated orchards generating the raw material for canning (asparagus, vegetables, pepper). However the excessive fragmentation of agricultural plots hinders the competitiveness of this activity. As regards industry, it concentrates around the city of Logrono and is essentially agribusiness, processing of grapes into wine and vegetables into preserves. There are also textile products and footwear, furniture, rubber, plastics and other chemicals, and machinery and transport equipment. On the other hand, the service sector has growing importance in the region's economy but not as much as in other regions.

Figure 7. Contribution of regional and national gross added value of different economic sectors



Source: Instituto de Estadística de La Rioja (2009a)

Notes to Figure 7: Agricultura (Agriculture), Energía (Energy), Industria (Industry), Construcción (Building), Servicios (Services)

3. THE MAIN NARRATIVES OF CHANGE

Over the past 20 years, La Rioja maintains many of the processes described above. However, there is a variety of newer processes of change that will surely be part of future developments in this area. This section starts with a review of the region in the frame of the Narratives of Rural Change. Then, the new processes of change are reviewed.

3.1 *La Rioja in relation to the Grand Narratives of Rural Change*

Before entering the analysis of the processes of change, we try to situate the case of La Rioja in the frame of the three Grand Narratives of Change described in the EDORA project: agri-centric, urban-rural and capitalist penetration:

Agri-centric Narrative: Lowland Rioja has a clear agri-centric direction. The agribusiness wine complex has a central role in the economy, in shaping the land and landscape, in the labour market, and in society, culture and identity of the region. Over recent decades there has been a rapid modernization of this activity that has allowed for an increase in productivity and competitiveness. There has been an improvement in international markets penetration, largely outside subsidy. The keys to success of the model are the elements of competitive advantage held by the area (climatic and soil conditions, early bet on a geographical quality label, historic accumulation of know-how, winery-based production model, etc.).

Urban-rural Narrative: there has been a long established “urbanisation” trend drawing population and economic activity out of the more remote and mountain rural areas into urban and accessible rural areas (the valley). There is also a small-scale “counter-urbanisation” flow out of the main cities (Logroño, Calahorra) into the surrounding countryside (accessible rural areas). These two process together explain that the accessible rural areas of the region are “spaces of growth” as described by the SERA report (Copus et al 2005). In the same region, the remote rural areas (*la Sierra*) is still being depleted of population and economic activity through a cumulative cycle of decline. There are, however, a series of new interactions between the urban based population (including the “counter-urbanisation” inhabitants of accessible rural areas) and remote rural areas that include new demands and functions (leisure, quality products, landscape, etc.). Finally, the valley is a relatively accessible area. According to the “peripherality” reasoning included in the conceptual description of the Narratives (Shucksmith, 23-12-2007), easy accessibility from/to urban agglomerations provide “contingent” advantages (lower cost of service provision, higher rates of entrepreneurship, adequate infrastructure provision, easy access to advanced services, wider local labour markets, etc.).

Capitalist penetration Narrative: the region corresponds well to the affirmation in Shucksmith (23-12-2007) that local capital may underpin a successful local economy seeking to develop products (wine, quality canned vegetables, quality cultural tourism) which depend upon a local identity for their market niche, so “selling the local to the global”. La Rioja can do so (specially in the case of wine) thanks to the many singularities associated to the territory (conditions for wine production, heritage, etc.). In this case, reliance on agriculture does not constitute itself a “disadvantage”. There is, however, a clear internationalisation of the capital involved in the agribusiness wine complex that may imply a loss of “power” to control the future of the region. In any case, the risk of activity “delocalisation” is very reduced since the production is fully dependent on the geographical quality label.

3.2. Other typologies

Two types of accessible rural areas in the valley, with distinct socioeconomic evolutions

Following Arnáez (2002) we can differentiate two situations inside the rural accessible areas of the region:

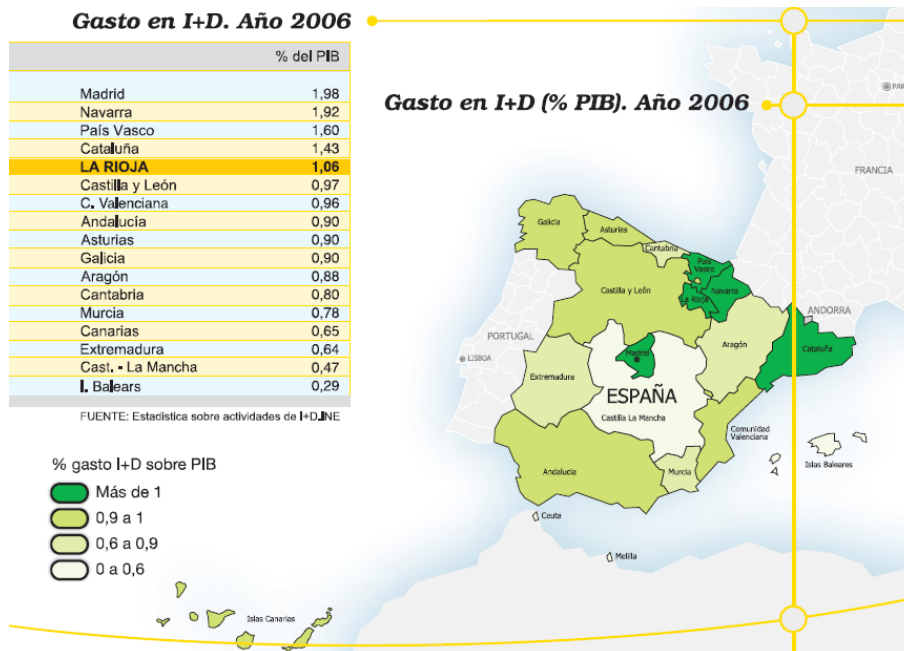
- On the one hand, small rural villages (less than 1,000 inhabitants) have experienced a significant fall in population since the 50s (-57.7%). The economy of these settlements is almost exclusively based on rain-fed agriculture and livestock. Most of them are located in the mountain foothills and the dry lands of Rioja Alta. The extension of irrigation has increased the diversity and production, but has failed to retain rural population.
- On the other hand, larger rural villages (over 1,000 inhabitants) have a more positive demographic evolution. This category includes three subtypes: first, lead villages retain a significant number of activities and services and are key for territorial organisation (Arnáez, 1985); second, peri-urban areas around Logroño that receive the “counter-urbanisation” flows and are affected by high competition for land uses (industrial, expansion of road networks, second homes, etc.). These peri-urban areas have managed to increase their populations by 37% between 1950 and 2000 to accommodate a portion of the population in Logrono and host a big percentage of immigrant labour in intensive agricultural activities. Finally, other “large” rural settlements (over 1,000 inhabitants) not in the peri-urban areas. These municipalities have had a moderate population loss (19.5% between 1950-2000) and are usually specialized in agricultural and/or agribusiness activities.

A competitive agro-industrial complex based on the production of wine of quality, with ability to penetrate in the international market

The agro-industrial complex on the production of wine is one of the most important and competitive in the region. The production of quality wine requires a series of conditions that limit the number of competitors and territories to enhance the competitiveness of Rioja. In this sense, the most important elements are (Lasanta 1999): (i) weather

conditions and specific soil types; (ii) a process of careful preparation of which essential parts are storage conditions and knowledge of the handling; (iii) the storage conditions and the know-how are also essential in the aging process that significantly increases the value of the final product.

Figure 8. R&D expenditure as percentage of GDP. Spanish regions



Source: Instituto de Estadística de La Rioja (2009a)

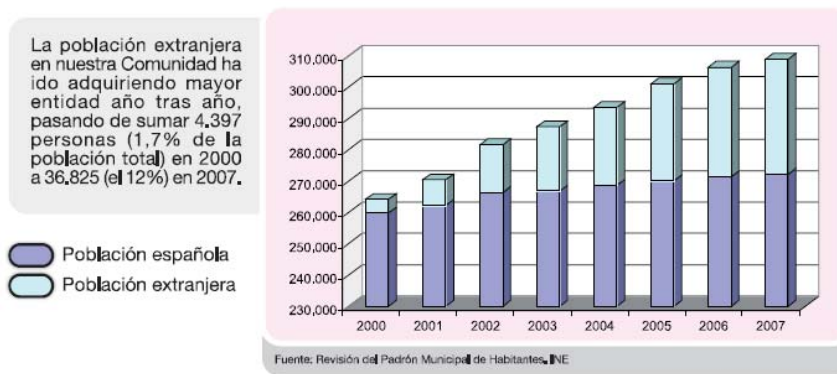
Prior to the accession of Spain to the EU in 1986, the Spanish wine from Rioja was mostly low-quality (bulk) and for domestic consumption. In this context, prices were low and there was little incentive to invest in improvements so that the sector was poorly capitalized and included obsolete structures. Under these conditions, its ability to compete in open markets was very low (Lasanta 1999). After incorporation into the EU and in a context of international trade liberalization promoted by successive meetings of GATT, there has been a significant increase in the production and sale of wine in Rioja in foreign and new markets. Only in the 1990s, the area under production increased by 36% and production value was multiplied by four, with a significant improvement in productivity per vine.

The model of wine production is also changing. There is a spatial concentration in Rioja Alta, while from the point of view of land ownership there is a tendency to concentrate in the hands of wine cellars. The model of production-packaging-marketing by cellars is clearly seen in the number of wineries that has gone from 60 in the late 80s to over 200 in mid 2000.

La Rioja has managed to have population growth over the 20th century. This trend has exacerbated during the current decade due to foreign immigration flows

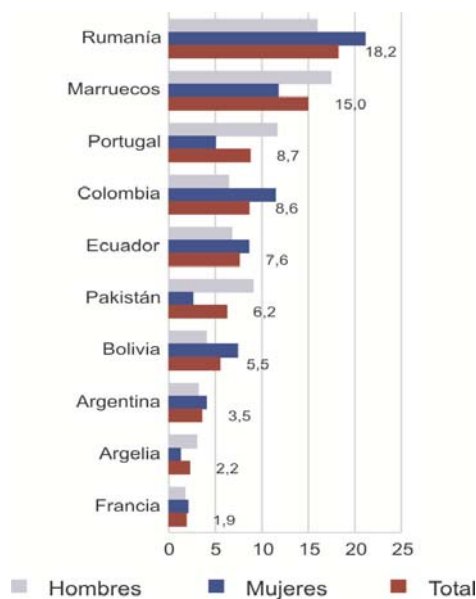
As in other regions and rural areas in Spain and other Mediterranean countries (mainly Italy), Rioja has gone from being a land of emigration to a land of immigration. Since the end of the 1990s, there is an important immigration flow into the region so that the percentage of migrants has increased from only 3% in early 90s to 12.6% in the mid-2000 (Fundación BBVA 2008). The origin of new immigrants is diverse, but it is consistent with the principal nationalities in other regions of Spain (Moroccans and Romanians). The main area of activity of the immigrants is the industry (26.5%), well above the Spanish average (10.7%). The building also has a significant (24.9%), above the national average.

Figure 9. Foreign population 2000-2007. La Rioja



Source: Instituto de Estadística de La Rioja (2009a)

Figure 10. Foreign population by country of origin. La Rioja 2007



Source: INE (www.ine.es)

4. IMPLICATIONS FOR POLICY

In rural accessible Rioja the problems to be taken into account in the implementation of a rural development policy are:

The need for a comprehensive and territory-based rural development policy that enhances the adequate orientation of economic development, the skills of local manpower, the land-use conflicts, empowering the business sectors for which there are comparative advantages, the conservation and presentation of land resources and landscape, etc.. This action must originate from the regional and national institutional levels, and requires an integrated effort by various departments and agencies with expertise and decision powers in different areas affected. There are some examples of good practice in this regard, like the recent Law for Sustainability of Rural Areas, of the Ministry of Environment and Rural and Marine Environment of the Government of Spain¹. The Act clearly reflects these principles of integrated development, rural and cross specificity. The law affects powers of, at least, 8 Ministries of the Central Government.

- ***Stimulating empowerment of rural communities.*** There is no need to invent a new policy. The example of the LEADER method, duly improved according to evaluation results available, is suitable for achieving the above objectives.
- ***A policy for land use management*** that helps to rationalise the use of territory beyond the scope of local urban planning, that allocates infrastructure, equipment and services in a more equilibrated way.
- ***Tackling the risks associated with intensification of agricultural production*** (diffuse pollution of soil and water, erosion in some cultivated soils, loss of quality of some landscapes). The high environmental and landscape value of many regional ecosystems, and their potential role in tourism development, require special attention to this problem (Arnáez 2002).
- ***Strengthening leading villages as places of centrality to rationalise and keep population in rural areas.*** This may include the promotion of service provision and delivery to individuals and businesses, the introduction of ICTs, the articulation of transport in appropriate ways to the immediate rural environment, the promotion of corporate networks, putting the value of tourism resources and the creation of quality local brands that include rural areas of influence.
- ***Promote territorial management in suburban or accessible rural areas.*** These are the areas subject to greater land use pressure. They are well equipped in terms of services, with good accessibility and with a labour market increasingly diversified. The living standards of the population are, on average, higher. However, rapid changes in land use and the absence of an effective planning at supra-municipal level are likely to jeopardize the rationality of the territorial model of

¹ http://www.mapa.es/desarrollo/pags/ley/ley_desrural_14_12_07.pdf

the future. At the same time, there must be ensured that the attraction that gave rise to processes of suburbanization is not lost. This means working on formulas for territorial planning in the long term to maintain the values and land resources and streamline the process of growth.

- The smaller municipalities, although accessible, suffer some degree of exhaustion. Given their easy accessibility from the regional urban areas and other surrounding areas, the focus should be on **empowering local resources** in these areas as key elements to boosting tourism (heritage, culture, cuisine, festivals, history, etc.) (Arnáez 2002).

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ANNEX: PICTURES OF THE REGION

Wine production area



Paleontologic tourism in La Rioja



Some examples of singular architecture of wineries and the associated enology tourism







The ESPON 2013 Programme

Applied Research Project 2013/1/2

EDORA

(European Development Opportunities
for Rural Areas)

Final Report Annex 1 Part 20

Scientific Working Paper No. 20

EXEMPLAR REGIONS REPORT:

TERUEL, SPAIN

Joan Noguera-Tur

M^a del Mar García-García

Instituto Interuniversitario de Desarrollo Local
Universitat de València

2010



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1. INTRODUCTION TO THE REGION

Located in the domain of the Iberic mountains the province of Teruel (NUT 3) extends over an area of 14,810 km² with a total population of 145,820 inhabitants (INE 2009). This gives a population density of 9. inhab./km², far lower than the Spanish (83.6 inhab/km²) and EU27 (16 inhab/km²) averages. During recent decades, as a consequence of a cumulative process (see figure 2) the province has witnessed an intensive depopulation process losing more than 40% of the population they had in 1950. Consequently, it shows one of the higher population ageing rates (27% of population is 65 or over, 10% over the Spanish average).

The urban structure suffers from the consequences of the intensive depopulation trend. There are only two settlements over 10,000 inhabitants (Teruel and Alcañiz) and 189 out of its 236 municipalities have less than 500 inhabitants.

Accessibility to major economic centres has been historically low. Zaragoza (about 200 km) and Valencia (about 150 km) are the closest urban centres. Both were accessible from the province's capital by one lane roads (time access of over 2 hours to Zaragoza and close to two hours to Valencia). During the last 5 years, accessibility has improved substantially with the construction of the "mudejar" highway linking Valencia and Zaragoza through the province of Teruel.

The economy depends to a large extent on the administrative and services sector in the capital, and on primary activities (agriculture, livestock and some mining) in the rest of the territory. Ham with geographic quality label is one of the main potentials. During the last 15 years, strategies of endogenous development have allowed the region to recover and develop tourism linked to rural activities. The increased accessibility from the two mentioned metropolitan areas (Valencia 1.5 million and Zaragoza 1 million) provides an opportunity to consolidate a strong rural tourism activity linked to the variety of resources (traditional landscape, mountain areas, gastronomy, quality products, etc.), including the presence of two ski resorts mainly fed by the Valencian market (next skiing areas are more than 300 km farther away).

Because the consideration of per capita income is the only criteria for classifying regions under priority objectives, the province, even though suffering from intense depopulation and economic deprivation was never considered under Objective 1. As a consequence, the intensity of EU structural and cohesion funding has been less relevant than in other areas of Spain.

In any case, the critical depopulation level, the destruction of the traditional economic basis and the lack of viability of many towns and villages in their current population level explains the persisting depopulation.

(1808-1812) the land of Teruel was a scene of strong resistance to French occupation. The expansion of agriculture in the second half of the nineteenth century remained outside the commercial and the cautious industrialization recorded in other territories (http://www.teruelirwal.es/teruel/historia_turolense.html).

2.3 The socioeconomic evolution during the 20th century

The historical population peak of the province of Teruel occurred during the nineteenth century. The population of the province, which was about 100,000 at the end of the 16th century and 150,000 by the end of the eighteenth century, reached 250,000 by the middle of nineteenth century as a result of growth of agriculture and the momentum of the iron and lignite mining (Mercadal and Lorente, 1998).

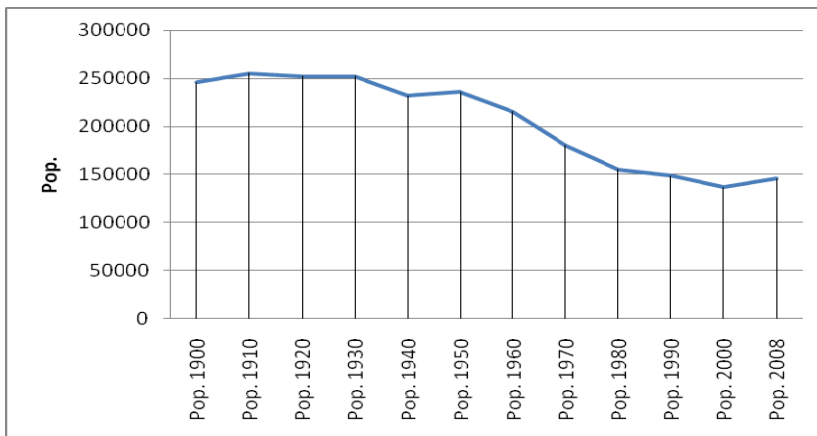
With the arrival of C20th came a continuous population decline until today. While the decrease started at the end of C19th, the process was accentuated especially after the 1950s. The causes for this dramatic decrease include the following factors:

- The handicaps associated with the territorial configuration (environment limiting the development of economic activities, low accessibility due to mountains, etc.), that have acted as a precondition for failure in the path of modernisation.
- The loss of territorial competitiveness associated with the development of transport infrastructures (ie. railway development during late nineteenth and early twenty centuries) that generated a sort of “isle effect” in relation to nearby, more dynamic territorial systems benefiting from an improvement of accessibility as industrial location factor (Rubio 2008).
- Productive specialisation in traditional activities for which location had provided competitive advantages (some agricultural products, cured ham production, mining, etc.). All these productions entered critical decline when competitive advantages diluted due to increased interpenetration with other territories.
- The lack of centres/areas in the province that could have consolidated attraction poles for population (ie. Industrial specialisation areas, strong administrative centres, etc.). The only small “attraction pole” is the capital of the province that holds about 40,000 inhabitants mainly in the administrative and service sectors.
- The phenomena of industrialization, urbanization and tourism development that occurred throughout the twentieth century, mainly since the 1950s, in the neighbouring provinces of Valencia, Zaragoza and Barcelona, which were an irresistible pull on people in Teruel.
- The modernisation of agriculture associated with the need to increase food production for the country's recovery after the Civil War and in the context of border closures and World War. The agricultural model shifted from self-consumption and local markets to intensive, specialised, market oriented and non-local focus. The main consequence was an intensive mechanisation and intensification of agriculture, and a progressive abandonment of marginal agricultural lands (ie. those less productive). This process resulted in a significant percentage of agricultural workers losing their jobs. Many of these workers will not find in their municipalities and, in most cases, the rest of the

province, alternative occupation. At the same time, the processes of urban growth, industrialization around cities (Valencia, Saragossa, Barcelona) were pockets of demand for labour. The leap towards emigration was served (Noguera 1999; Escalona and Díez 2004).

The consequence of the combination of the above factors was the outmigration of 50,000 persons from the province in a single decade (1960s) and a continued process of socioeconomic devitalisation that lasted to, at least, the middle of the 1990s (see Figure 3).

Figure 3. Population evolution 1900-2008. Province of Teruel



Source: INE (www.ine.es)

3. THE MAIN NARRATIVES OF CHANGE OVER THE RECENT PAST

During the past 20 years, the province of Teruel has maintained many of the processes that have been described above and have produced a socioeconomic deprivation over the past 150 years. However, there is a variety of newer processes of change that will surely be part of future developments in this area. This section starts with a review of the region in the frame of the Narratives of Rural Change. Then, the new processes of change are reviewed.

3.1 *Teruel in relation to the Grand Narratives of Rural Change*

Before entering the analysis of the processes of change, we try to situate the case of Teruel in the frame of the three Narratives of Change described in the EDORA project: agri-centric, urban-rural and capitalist penetration:

- **Agri-centric Narrative:** several factors combine to reduce the possibilities of the region to become a competitive agro-industrial area (high peripherality conditions of most rural areas, low productivity of agricultural lands due to altitude and resulting weather conditions, etc.). However, parts of the region have specialised in dried ham production that takes advantage of the same factors that are difficult agricultural production. Remoteness from potential markets partially reduces the possibility for full post-productivistic model, although there are some areas in the region that have developed functions associated to this model (skiing, rural tourism, quality products).
- **Urban-rural Narrative:** the region fits well to the typology of depleting remote rural area that keeps losing population and economic activity, through cumulative self-perpetuating cycles of decline (less population-less services-reduced labour market- less population....). However, during the decade of 2000s, the enormous immigration trend in Spain has begun to affect remote rural areas. Even if this new immigration has allowed for a certain socioeconomic vitalisation, it seems that in most cases, immigrants will stay only during a minimum necessary time to accumulate and will later start a new rural exodus circle.
- **Capitalist penetration Narrative:** much of the rural territory of the region is dependent on demands of urban population. The long trend of demographic decline and the strong reduction of local labour markets have contributed to reduce the possibilities of development. During the last two decades, however, certain public programs have promoted entrepreneurship, social capital, networks, strategic planning and local development in new and effective ways (LEADER, PRODER, etc.). There are some territories that have developed strategies based upon valorisation of local resources (heritage, gastronomy, landscape, ski, paleontology, etc.) and have achieved a degree of

endogenous development. In any case, the target markets are always out of the region (Valencia, Zaragoza, Barcelona).

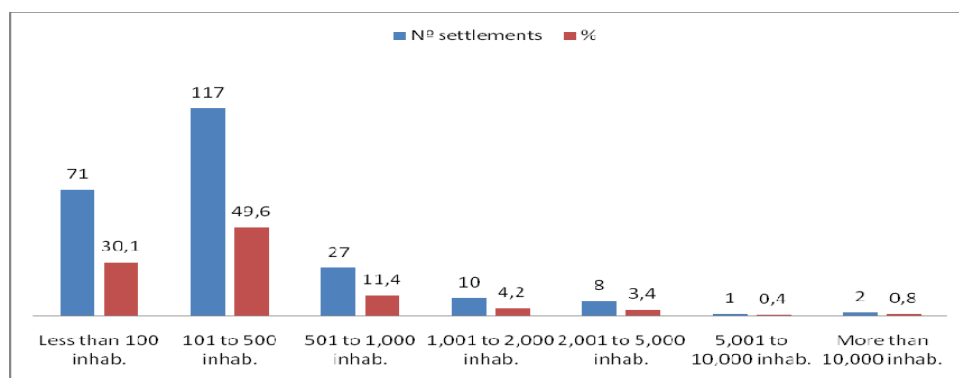
3.2. Other Narratives

Many villages have exceeded the critical threshold of depopulation needed to maintain viability

There is a direct relationship between the number of people and the number of companies in a particular territory (Revital - SUDOE INTERREG III-B (2007)). In many villages in the province of Teruel, the continued depopulation process during the last 150 years has led to population levels that are below the minimum threshold necessary to maintain the viability of the settlement (Figure 4).

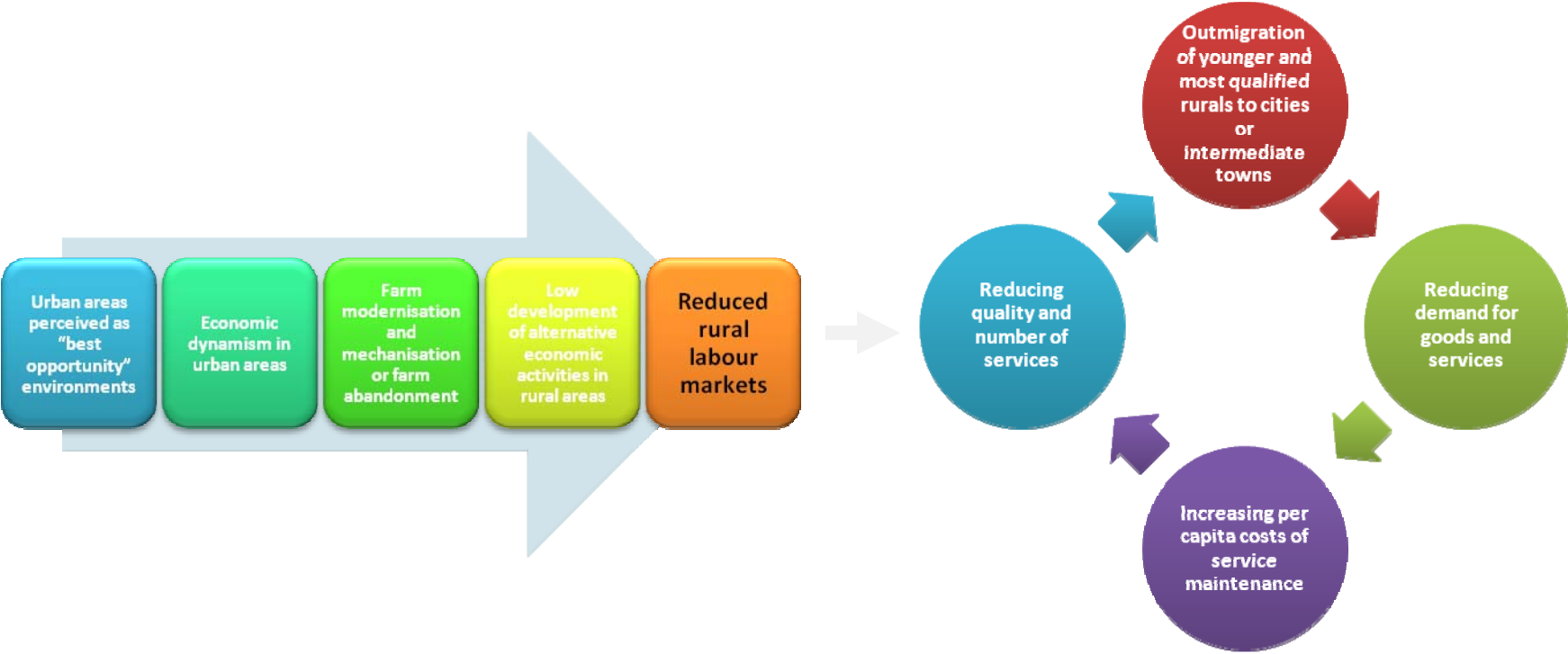
Once this critical threshold of population has been exceeded, it threatens a number of processes and key factors: first, it reduces the size of the local labor market and the number and quality of available jobs; secondly, it reduces the size of the local consumption market, which leads to lower profitability and viability of business and private services; third, the demographic constraint threatens the provision of even basic public services (education, health, public transport, etc.) due to the high cost per capita; fourth, the population decline reduces the size and capacity of public institutions and, therefore, the ability to attract and implement development policies; finally, this non-exhaustive list may also include the increasing average age of the population and the resulting ageing which is exacerbating the cycle of rural decline (Figure 5).

Figure 4. Settlements by population size. Province of Teruel, 2004



Source: Atlas de Teruel <http://interregvital.unizar.es>

Figure 5. Cumulative deprivation process of rural lagging areas. The case of Teruel

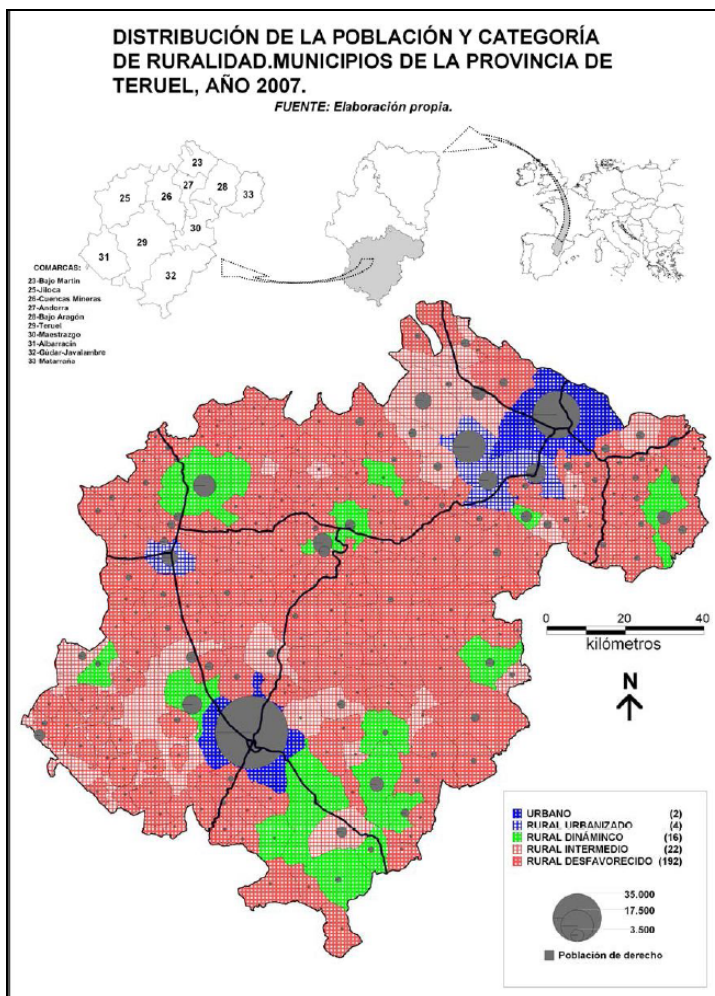


Source: adapted from Noguera 1999

The urban system lacks a network of intermediate towns that helps setting population

The urban system of Teruel is based on a network of micro-settlements that, in many cases, are still losing population. This is related to the absence of a true urban network able to structure and functionally organize the territory, to generate returns linked to the economies of urbanization and to activate new investments aimed at improving capital across the country (Rubio, 2008). Despite all efforts from both regional and local institutions and social and economic actors, the economic growth of Teruel is threatened in the medium term by the continuing decline in population, aging and uneven spatial distribution. Exceptions to this rule are the 2 biggest municipalities (Teruel and Alcañiz), and the mining area (*valles mineros*) that has more than doubled its population over the period 1990-2008. All in all, the province of Teruel has one of the 10th lowest population densities of all NUT 3 regions in the EU (9.2 hab/km²).

Figure 4. Population distribution and rurality. Municipalities of the province of Teruel, 2007



Source: Rubio, 2008

Key to Figure 4: Urbano (Urban); Rural Urbanizado (Urbanised Rural); Rural Dinámico (Dynamic Rural); Rural Intermedio (Intermediate Rural); Rural Desfavorecido (Rural deprived)

There is a certain demographic recovery due to foreign immigration since late 1990s but its impact on demographic and socioeconomic revitalisation is still unclear

Since the beginning of the twenty-first century, there is a change in the demographic trend characterized by a sharp slowdown of rural-urban migration and a parallel process of arrival of immigrants from abroad (Latin-America, Africa and Eastern European countries). This change in trend means that, for the first time in more than 100 years, the province of Teruel has a positive demographic balance. The slowdown of rural-urban migration is caused by depletion of the indigenous population potential (in practice there are no more population that might continue outmigration) and the reduced capacity of urban and industrial environments to continue to absorb rural population. Moreover, the relevance of the new wave of immigration is not so much the number of immigrants (only 5% of the total population in 2005) but the profile of the newcomers: young people of working age. This is the same demographic profile as the population that was leaving the region during the second half of the twentieth century and that can offset the huge population decline by encouraging natural growth.

Even if this new immigration is enabling a certain socioeconomic revival, the immediate challenge is to avoid a “second round” of rural-urban migration of current immigrants. It would seem that, in most cases, immigrants will stay only during a minimum necessary time to accumulate and will later start a new rural exodus circle.

Figure 5. % of immigrant workers by economic sector, province of Teruel 2005

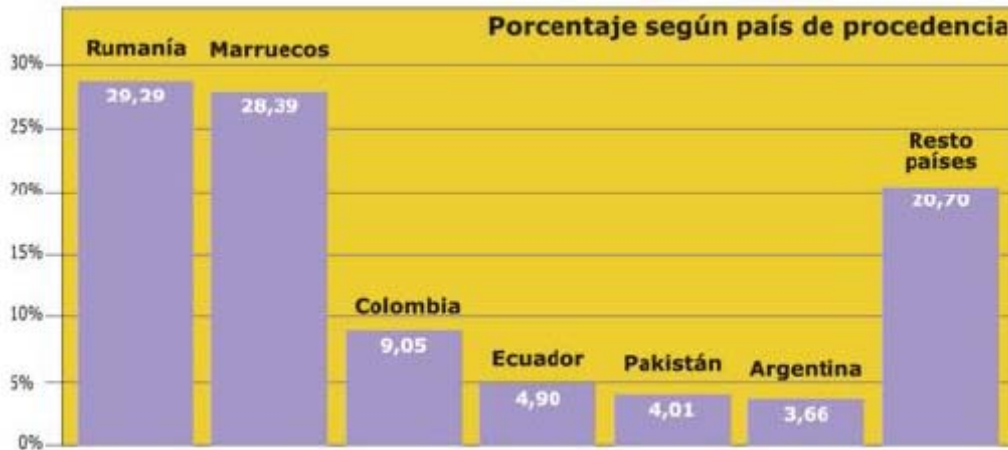


Source: Atlas de Teruel <http://interregvital.unizar.es>

Key:

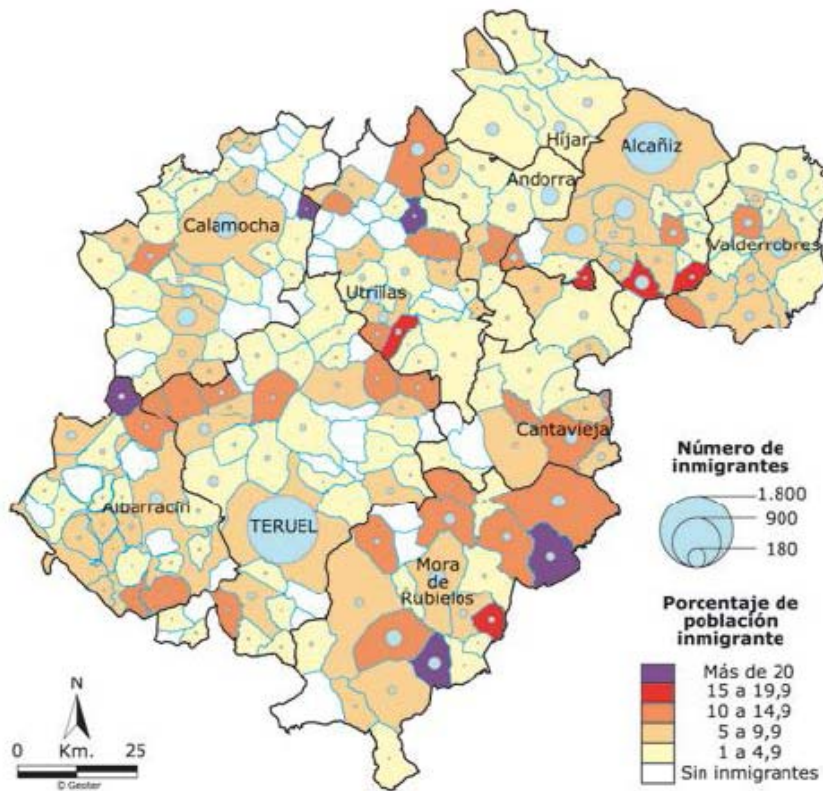
- Construcción: building sector
- Agrario: agriculture
- Hostelería: hospitality
- Personal doméstico: domestic care/services
- Agroindustria: agrobusiness
- Otras actividades: other activities

Figure 6. Percentage of immigrant workers by country of origin, province of Teruel 2005



Source: Atlas de Teruel <http://interregvital.unizar.es>

Figure 7. Immigration by municipality. Province of Teruel, 2005



Source: Atlas de Teruel <http://interregvital.unizar.es>

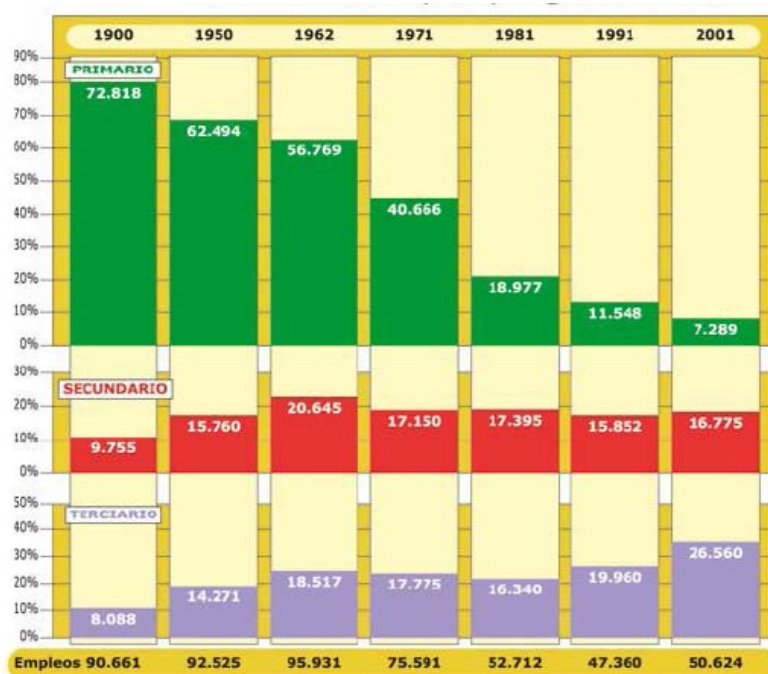
Key to Figure 7:

- Número de Inmigrantes: number of immigrants
- Porcentaje de población inmigrante: percentage of immigrated population

There has been an economic diversification and a contraction of the regional labour market

The regional economy has changed during the twentieth century from an agrarian specialisation (80% of employment in primary activities in 1900) to a clear specialization in service and administration activities (about 50% of employment by 2000). However, the distinguishing feature in relation to employment is a clear contraction of the regional labour market, parallel to the population decline, from more than 90,000 jobs in 1900 to just 50,000 in 2000. Intensive outmigration during the 20th century and the progressive ageing of remaining population are the main explanatory factors for this contraction.

Figure 8. Employment by economic sector 1900-2000. Province of Teruel



Source: Atlas de Teruel <http://interregvital.unizar.es>

Key to Figure 8: Primario (Primary); Secundario (Secondary); Terciario (Tertiary)

There are a number of processes and consequences behind this:

- An intensive loss of agricultural jobs over the last century, mainly since 1960, in relation to the mechanisation of agriculture and the rural-urban migration.
- A progressive abandonment of marginal agricultural lands, mainly in mountain and remote rural areas.
- Relative importance of agriculture even after the intensive agricultural job loss (about 15% of employment in 2000) in relation to the potentials of ham production.
- A tertiarisation of the labour market in relation to the general trend of advanced societies. In the case of Teruel, the percentage of service jobs is clearly below

average in relation to the reduced size of towns and the relative low development of urban functions (except for the capital)

- The contraction of most local labour markets in the region has provoked the reduction of available public and private services in extensive areas
- The region has witnessed an important tourism development. There has been a growing demand for accommodation and supply of hotel infrastructure and promotion of rural tourism. It is an activity that meets the demand of the urban population and increasing relations between rural - urban. This is also seen as a response to the diversification of farming, entrepreneurship and the incorporation of women into the labor market.

4. IMPLICATIONS FOR POLICY

As described throughout this report, depletion and the demographic consequences of this process on the territorial system, require specific attention and priority on the part of public policy. Future policy design and implementation for depleting rural areas should consider, at least, the following:

- ***The need for a comprehensive and territory-based rural development policy*** that enhances the diversification of the economy, the skills of local manpower, the fixing of the population, empowering the business sectors for which there are comparative advantages, the conservation and presentation of land resources and landscape, etc.. This action must originate from the regional and national institutional levels, and requires an integrated effort by various departments and agencies with expertise and decision powers in different areas affected. There are some examples of good practice in this regard, like the recent Law for Sustainability of Rural Areas, of the Ministry of Environment and Rural and Marine Environment of the Government of Spain (http://www.mapa.es/desarrollo/pags/ley/ley_desrural_14_12_07.pdf). The Act clearly reflects these principles of integrated development, rural and cross specificity. The law affects powers of, at least, 8 Ministries of the Central Government.
- ***Stimulating empowerment of rural communities.*** There is no need to invent a new policy. The example of the LEADER method, duly improved according to evaluation results available, is suitable for achieving the above objectives.
- ***A policy of land use management*** that gives value to the tasks associated with the maintenance of rural land resources, which often have no market value (landscape, water, air, etc..) beyond productive criterion.
- ***The identification and promotion of public and private services of strategic importance*** for the viability of local systems and local labour markets (healthcare, education, food, care for the elderly, security, transportation, IT, etc.).

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ANNEX. SELECTED PICTURES OF THE REGION

Note. pictures belong to the Atlas de Teruel of the Universidad de Zaragoza <http://interregvital.unizar.es> except otherwise indicated

Open oak forest



Carascal abierto. El Campillo.

)

Juniper on abandoned agricultural terraces



Enebral sobre bancales de cultivo abandonados. Aliaga

River Jiloca lowlands



Depresión del Jiloca en Caminreal

River canyons in Cantavieja



Fuertes encajamientos fluviales en Cantavieja

New highway (Autovía Mudéjar) linking Valencia and France via Teruel and Zaragoza



Viaducto en la A-23

Thermal power plant of Andorra in the Mining Valleys of Teruel



Source:

http://4.bp.blogspot.com/Mo_3nmqphfA/SNkF9fwnu_I/AAAAAAAAAb8/w1zWi-bHyjM/s400/Andorra.teruel.jpg

Dinópolis (Interpretation Centre for the paleontologic remains in Teruel)



Town of Albarracín





The ESPON 2013 Programme

Applied Research Project 2013/1/2

EDORA

(European **D**evelopment **O**pportunities
for **R**ural **A**reas)

Final Report Annex 1 Part 21

Scientific Working Paper No. 21

EXEMPLAR REGIONS REPORT:

NORTH YORKSHIRE, UK

Hilary Talbot,
Newcastle University

2010



EUROPEAN UNION
Part-financed by the European Regional Development Fund
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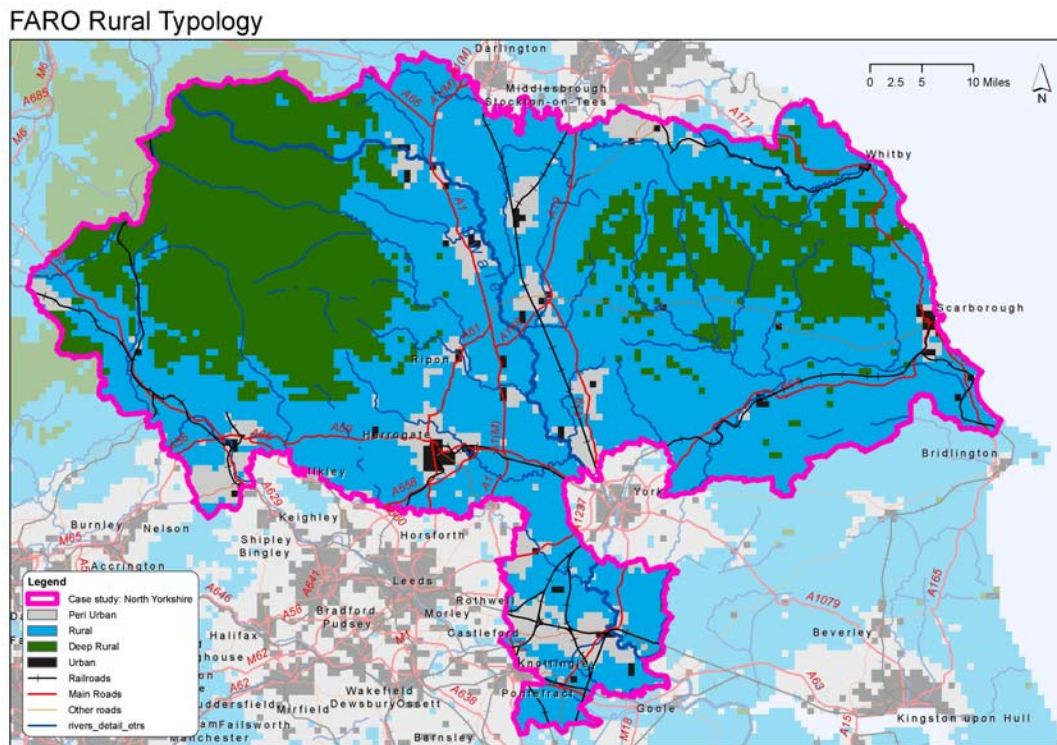
*Note: Page numbering is consecutive within the aggregated Final Report document
(Parts A, B and C)*

1. INTRODUCTION TO THE REGION

North Yorkshire is a large county in the North of England that forms a NUTS 3 region for EU statistical purposes. It covers an area of c8,000 km² (Butlin, 2003), and has low population density in UK terms, causing it to be described as a rural county. It includes two conurbations: Scarborough (49,400 population) and Harrogate (73,700 population).

Its population is about 580,000. It is adjacent to a number of major cities, and out-commuting to these centres is popular in those rural areas with good access routes. The map at Figure 1 is helpful in demonstrating the importance of city links for the adjacent parts of the county, and how the North/South major road and rail routes also link businesses and residents in this 'central belt' to Scotland (north) and London (south).

Figure 1: North Yorkshire Typology



Source: This map was produced as part of the EU Framework Programme FARO project, and details of the typology can be found at www.FARO-EU.org.

North Yorkshire as a whole now only employs about 3% of the workforce in agriculture. Service sectors account for more than half the employment. It has a mixed economy made up predominantly of businesses with less than 10 employees.

While the NUTS3 region as a whole might be captured as 'Intermediate Rural – close to a city' (Dijkstra and Poelman, 2008), Figure 1 demonstrates the range of rural types that this incorporates. The road and rail system has already been discussed in terms of access, but the absence of significant access routes in the 'deep rural' areas

and along the eastern coast is also noteworthy. While scrutinising the map, it is also worth highlighting that the two 'deep rural' areas also map roughly to the two National Parks in North Yorkshire, each of which also forms the core of a LEADER area.

The second world war forms something of a watershed in the recent history of North Yorkshire, and some of the history since that time forms a useful context for this study of change.

There was a strong post-war recovery of agricultural production, although employment in agriculture began to decrease in 1944 and has continued its downward trend ever since – between 1985 and 2000 there was a 27% decline in jobs in agriculture in North Yorkshire (Leigh, 2003). UK agriculture entered a new phase in 1973 with entry into the EEC and the CAP; milk quotas, in particular, had a significant influence on what was produced in North Yorkshire; subsidies became essential to keep farmers on the land. By 2000, 35% of farms were somewhat diversified. Leigh describes their new activities as “mainly temporary changes of normal farming patterns” (p.262) – farmers contract themselves to other farmers, use their farms or farmhouses as rural tourism destinations, for example. In more accessible areas, some start to do part-time non-agricultural work. These diversified activities do not have significant impacts, though, on farm incomes.

During the twentieth century, there has been growing public concern in the UK about the countryside and the protection of the natural environment. This culminated in the early post-war period in the Town and Country Planning Act of 1947 and the National Parks and Access to the Countryside Act of 1949, and the setting up in North Yorkshire of two National Parks – the North York Moors (1952) and the Yorkshire Dales (1954). By the 1980s, environmentalism was strong, and often in conflict with agriculture's practices that were destroying valuable landscapes in North Yorkshire, particularly in the lowlands. Farmers have been under pressure to 'green' their activities for a long time in North Yorkshire.

Some of this public concern can be attributed to the proximity of large conurbations to rural areas, and the fact that there has been a long term demand by urbanites for access to the countryside. The National Parks have a duty not only to conserve their areas, but also to promote public enjoyment; the 1949 act also formalised a network of public rights of way that cross private land. North Yorkshire has long been an outdoor recreation destination for day trippers and holiday-makers. (Its spa towns in Harrogate and Scarborough also give it a long history of more formal tourism). Those visiting for outdoor recreation and tourism often head for the remoter areas, and especially for the National Park; these visitors almost always arrive by car, making road congestion and parking on peak days a significant management issue.

The National Parks have influence over a significant land area in North Yorkshire, but manage, rather than own, most of this. In the 20th century, however, there was a public land owner in North Yorkshire that owned 7% of the land cover – the Forestry Commission. In the second half of the 20th century almost all of this was dense

coniferous forests; this is gradually giving way to more environmentally sensitive planting, and to major access projects.

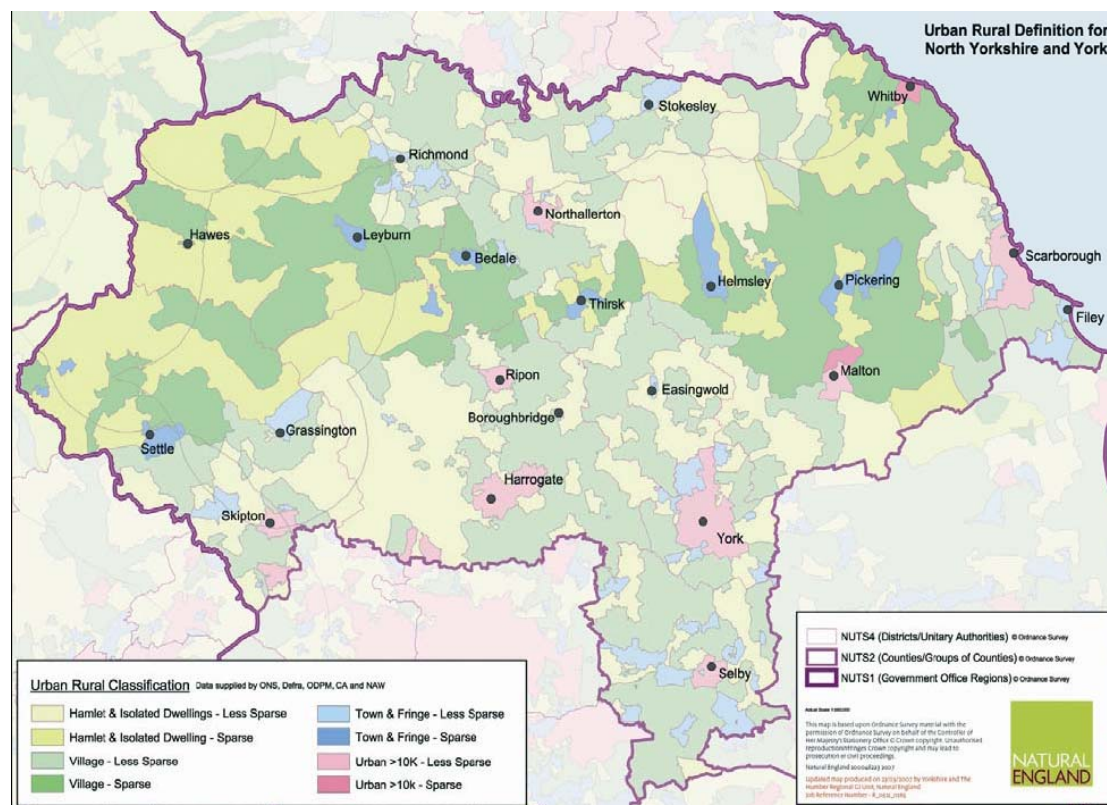
This brief history serves to emphasise the fact that in North Yorkshire how the countryside should be used has been argued over for a long time. Farmers' rights as landowners to do what they want has often been contested by environmentalists and by those wanting access to their land, and post-war laws began a process of formalising the rights of people other than farmers to decide how their land should be used.

2. PROCESSES OF CHANGE

2.1 Current change in North Yorkshire

The population of North Yorkshire is 580,000. About two thirds of the people live in rural areas under the 2004 government definition (see Figure 2); there has been an increase of 10.1% in the rural population over the last 25 years mainly reflecting the trend for people to move from the urban areas for the quality of life. (North Yorkshire has had little experience of immigration from overseas although there has recently been an increase of in-migration from eastern Europe). The population increase masks the fact that young people are migrating out of North Yorkshire, mainly for higher education and work.

Figure 2: Urban/Rural Classification of North Yorkshire



Source: York and North Yorkshire Rural Evidence Base (York and North Yorkshire Partnership Unit, 2007a)

The population is also ageing. Two trends are apparent within this: a significant growth in the over 75 age group, and the out-migration of young people. According to County Council calculations, by 2016 23% of the population will be over 65 (North Yorkshire County Council, 2007).

The 'quality of life' attraction of North Yorkshire is closely associated with its high quality landscape. It includes within its boundaries two of England's nine National Parks (the North York Moors National Park, and the Yorkshire Dales National Park),

and some of its sea boundary is designated as Heritage Coast. It also hosts a World Heritage Site: 'Fountains Abbey and Studley Royal'. The high quality of the landscape and its designations reflect both its environmental merits and its visual attractiveness. There is great demand for housing – both permanent and 'holiday' homes – in North Yorkshire.

The population overall is fairly affluent, but this masks the poverty experienced in some places, and by some social groups. Some geographic differences in levels of deprivation are discernible at high resolutions: household income levels are particularly low in the uplands and in the eastern coastal strip of the county where only 0-4% of the population have household incomes in excess of £50k (significant areas in the western lowland have 19 – 32%) (York and North Yorkshire Partnership Unit, 2007a). Scarborough Town, on the coast is identified as having high levels of income deprivation in a cluster of its neighbourhoods and is the target for various public sector deprived area development initiatives. In Scarborough male life expectancy is the lowest for the county, teenage pregnancy is the highest and death attributed to alcohol misuse is particular high.

Affordable housing is difficult to find for those on low incomes. The demand for housing from incomers, coupled with stringent planning controls on new developments has forced house prices very high. The demand in some areas is particularly high because properties are regularly bought as second homes or for holiday letting (in the Yorkshire Dales National Park in 2006 this accounted for 15% of the housing stock, and in one valley, for 46%) (Yorkshire Dales National Park Authority, 2006). The effect of these trends is a severe shortage of houses for sale at the lower 'affordable' end of the market, with the problem increasing over time. In practice, for those on lower incomes the options are limited: the local authorities in North Yorkshire own far less housing stock for subsidised renting than they did before the 1980s and their waiting lists are growing - one District had a 100% increase between 2001 and 2004, and another had a 75% rise (York and North Yorkshire Partnership Unit, 2007a). The lack of affordable housing is another reason for the exodus of young people.

The high quality landscape of North Yorkshire attracts not only new permanent residents, but also holiday-makers. Visitors to North Yorkshire are often attracted by the marketing of 'Herriot Country' (www.herriotcountry.com), based on a series of books about a rural vet in the middle of the twentieth Century. The marketing is as much about the market towns, villages and isolated dwellings of North Yorkshire as about the physical landscape – this is a quintessentially English rural image. There are 28 Market Towns in North Yorkshire (North Yorkshire County Council, 2007), with 27 marketed as historic Market Towns (www.northyorkshiretowns.co.uk). The uplands, in particular, are popular with tourists, who appreciate the traditional agricultural practices - such as extensive grazing, dry stone walls and stone barns – and the pretty villages with a church and a pub.

Rural tourism has become an important part of the local economy in remoter areas. North Yorkshire's proximity to major cities (Leeds (443,000 population); Bradford (294,000 population), York (185,000 population) and Middlesbrough (143,000 population)) make it an ideal destination for day visits and short breaks as well as longer holidays.

The attractive upland landscape, however, is a managed, rather than a natural one. Throughout history it has been formed and shaped by agricultural activity, and this continues to be the case. Farmers need to work the land in traditional ways – mainly through extensive grazing of the poor quality agricultural land. Much of the subsidy paid to these farmers is linked to their role as 'stewards' of this landscape. The two significant upland areas in North Yorkshire are designated as National Parks, which further regulates what development activities are allowed, and provides additional support for good management.

In these remoter upland areas, agriculture and rural tourism are still significant employers, to the extent that the over-reliance on such a narrow economic portfolio is seen as a risk (York and North Yorkshire Partnership Unit, 2007b). The need for farmers to diversify to survive is seen as essential, including by farmers themselves (North Yorkshire County Council, 2006a). Some diversification is to activities outside farming and the farm, but it can also be about specialising in traditional or organic methods, about adding value to the raw materials, or using the farm or its buildings as accommodation or an attraction for visitors.

Farmers in these remoter areas are thought to be much more dependent upon subsidies than in the more fertile lowlands. In the uplands there are fears that changes within the CAP will lead to land being left unmanaged: there is already one holding on the North York Moors that has been unmanaged for about 10 years, and the land is beginning to return to its more natural, vegetated state. The local economy in more rural areas is particularly sensitive to the spending of farmers. There are concerns that recent and anticipated changes to their support schemes could impact negatively on the wider local economy.

There is also significant farming activity on the more productive agricultural lands of the lowlands. Much of this land is used to grow crops – cereals being the most significant. The lowlands are thought to have far more potential to remain commercial without subsidies than the uplands, although their methods might pay less respect to the environment than at present if subsidies were reduced.

Over time there has been a decrease in the land area of North Yorkshire that is commercially farmed, and also in the number of farm holdings (Butlin, 2003). Farms are still generally owned by families or family partnerships. For North Yorkshire as a whole agriculture now employs only about 3% of the workforce.

Instead, people work in other sectors in North Yorkshire, or commute to the adjacent cities. Employment within the rural part of North Yorkshire is predominantly in the public sector (28% of the population); retail and distribution accounts for a further 15% of the employment, manufacturing for 12%, business services for 10%,

agriculture and land-based industries for 7%, construction for 7% and hotels and catering for 6% (York and North Yorkshire Partnership Unit, 2007a). However, this classification masks the importance of the tourism sector in rural North Yorkshire (employees are classified in a range of categories) and the creative industries.

The Gross Value Added (GVA) for North Yorkshire as a whole is lower than in England, but is growing; GVA in the more rural parts of North Yorkshire is lower than in more populated areas, but is forecast to grow (EKOS Consulting (UK) Ltd, 2006). Those rural Districts dominated by upland rural areas have far lower GVA than the rural Districts in lowland areas. Areas with limited access to large employment markets (the remote areas and the east coast) have significantly lower wages than nationally - Scarborough District's income rate is 79% of the national average (EKOS Consulting (UK) Ltd, 2006). Again, in rural upland and coastal areas, 30% or more of the adult population have no formal qualifications, although the educational performance indicators for children and young people are good for North Yorkshire as a whole (ibid).

The statistics suggest that the people of North Yorkshire are generally keen to work or find work (EKOS Consulting (UK) Ltd, 2006). Official unemployment rates are generally low, and economic activity rates are high. These figures need treating with caution as there is evidence of under-employment, high levels of part-time working because of a lack of full-time work, seasonal working and under-utilisation of skills.

There is some evidence of difficult-to-fill vacancies in rural areas, especially in the health and tourism sectors (York and North Yorkshire Partnership Unit, 2007a). It is also apparent (although not well-documented or analysed) that in-migration from eastern European countries (particularly Poland) is manifesting itself on certain industries in North Yorkshire: agriculture, food processing, hospitality, leisure and catering sectors, in the lowland rural areas.

The County's businesses are mainly microbusinesses (85% of businesses), or 'self-employed' firms (North Yorkshire County Council, 2007). More than half of the owners are in the 35 to 54 age range, and a significant number are aged 65 or over (York and North Yorkshire Partnership Unit, 2007a). Working from home is significant in the rural parts of the county – in one rural District 17.9% of the economically active are home-based compared with 13.5% of the North Yorkshire population and 9.2% of the English population as a whole (www.ryedale.gov.uk/PDF/Ryedale%20Profile%20July%202004.pdf).

Start up rates and business survival rates are good. Major crises in rural areas (e.g., floods and foot and mouth disease) have highlighted the resilience of many of these tiny businesses, but also the low level of knowledge about the motivations and interrelationships between businesses by governance institutions.

According to the Yorkshire and The Humber Regional Healthcheck on Rural Prosperity (Promar International, 2007), the constraining factors for business development are differentiated by geography: for the remote districts these were the number of economically active people, business profitability and investment levels,

and a lack of innovation. By contrast, for the accessible rural districts the lack of employment-related training, the level of business trading via the internet, and the decreasing propensity of businesses to trade outside the region were the problem issues. Growth of firms outside major settlements is sometimes constrained by the lack of appropriate premises, and stringent land use development policies.

To remain prosperous North Yorkshire needs to adjust to new business sectors. Engagement in the knowledge-based growth sector has been identified as a need/opportunity (York and North Yorkshire Partnership Unit, 2007a).

Commuting out of the county to work is important for many people, particularly the residents of the more accessible parts, with 26,800 people commuting westwards to the major conurbations, and one of the western Districts having two thirds of the working population out-commuting (North Yorkshire County Council, 2006b). North Yorkshire is also well-connected to more distant cities (including London) and to Scotland via its north/south motorway-standard road and its high speed train line. The areas around the road, particularly in areas of traditional industrial decline have been developed with depots and storage for the haulage industry.

The level of out-commuting in some parts of North Yorkshire raises social concerns. It turns some former vibrant 'communities' into dormitory villages and towns. In some cases a significant number of properties are also owned for holiday purposes leaving few permanent residents at home during working hours. The low numbers of daytime residents has two consequences for services: places lack the critical mass to keep public and private services viable; and it reduces the 'community spirit' and the number of people offering self-help and neighbourly services.

The lack of local services is usually of little consequence to those who out-commute using private transport: they can visit shops, banks, doctors, and so on near to their urban workplace, and deliver children to school on their way if they choose. Some of those who do not out-commute are not too severely inconvenienced by a lack of local services: they may travel to North Yorkshire market towns for work, and/or own a car, so making it relatively easy to travel to one of the local service hubs, typically the 28 market towns. The problems arise particularly for those without cars — public transport within more rural parts is 'often irregular' (North Yorkshire County Council, 2006b). The non-car owners are typically those on low incomes and the elderly (and North Yorkshire has an ageing population).

Statistics for North Yorkshire show that half the population has to travel more than 4 km to visit a bank, a cashpoint, a dentist, a doctor's surgery or a petrol station; 30% of young children have to travel more than 2 km to their primary school, and 75% of older children must travel more than 4 km to their secondary school (Commission for Rural Communities, 2008a). There are low expectations from the rural population of North Yorkshire about the quality and availability of services (North Yorkshire County Council, 2006a).

Ensuring that adequate local services are provided, especially to remoter and sparser areas for those who cannot travel easily is a perpetual, and largely

unresolved, problem for the public sector (North Yorkshire County Council, 2007). There is not much evidence yet of ICTs significantly reducing the necessity for travel to access services. The ‘third sector’ has a role to play, but the dwindling number of people around in the day reduces the number of people for neighbourly help or more formal voluntary work.

Development policy for rural North Yorkshire, as with the wider region, is geographically focused upon the ‘renaissance’ of the market towns (Government Office for Yorkshire and The Humber, 2006), and physical development outside these towns is highly constrained (Government Office for Yorkshire and The Humber, 2008). These centres are being developed as hubs for housing, for working and for services.

2.2 Changes in governance

This case study of a NUTS3 region maps exactly to the boundaries of North Yorkshire County Council. This is an elected ‘top tier’ of local government – North Yorkshire is sub-divided into 7 District Councils who share some of the local government responsibilities with the County Council, and 731 parish council areas (these are run mainly on a voluntary basis and have limited statutory powers). Simplifying slightly, until about twenty years ago these, together with the National Park Authorities, would have been the main decision-makers for North Yorkshire at the sub-national level.

The position now is much more complex, and still changing. The UK has undergone a process of devolution. North Yorkshire is now administratively located within the Yorkshire and the Humber region (NUTS1 level). At this level, the most significant institution for rural development is the Regional Development Agency (RDA) for Yorkshire and the Humber, which has an economic development remit and has also been given responsibility for the Rural Development Programme England (RDPE) 2007 – 2013 in the region. This means that the NUTS1 regional level is an important tier of rural governance for North Yorkshire. However, whereas the North Yorkshire tier has predominantly rural interests, the NUTS1 tier is dominated by urban concerns. Much of the ‘regional’ resourcing of rural areas in North Yorkshire is therefore determined by a distant, urban-dominated decision making forum.

The power of these unelected regional bodies has recently been reviewed, and their relative position vis a vis the local authorities has been clarified (Communities and Local Government and Department for Business Enterprise and Regulatory Reform, 2008). The governance structure of the RDAs now incorporates elected members of the local authorities, and local government has a formal duty to undertake economic assessments, alongside their public service provision duties. In North Yorkshire, the economic assessment duty is being carried out by the County Council.

There has also been a shift towards local government being the enabler, rather than provider, of services accompanied by a dispersal of responsibilities and powers to other agencies of government, the private sector, and the voluntary and community

sector, which come together as governance partnerships. Associated with this shift away from elected government making decisions on behalf of their electorate is the emphasis on 'participative planning', where local groups and individuals are involved in decision-making.

At the North Yorkshire level, alongside the County Council, there is an overarching Partnership, the North Yorkshire Strategic Partnership, which has the aim of promoting the economic, social and environmental well-being of North Yorkshire's communities, and responsibility for producing a 'community plan' (North Yorkshire Strategic Partnership, 2008a) and an associated agreement over action (North Yorkshire Strategic Partnership, 2008b) which is linked to central government funding. The Partnership is formed of organisations from the public, private and voluntary and community sectors, and works through six sub-partnerships, one of which is the York and North Yorkshire Rural Partnership – Stronger Communities.

This public/private/voluntary sector governance model is also used for many area regeneration initiatives (including LEADER) in North Yorkshire. The 'participation' of local people and of the 'third sector' can be problematic. There are issues over the lack of transparency about where and how decisions are made and that although processes of consultation take place the community view is then sometimes ignored. For the bodies that represent the community voice on the North Yorkshire Strategic Partnership, there are issues about having the capacity to send appropriate representatives to all the meetings, the cost in terms of staff time and expenses, the difficulty of representing the views of the wide range of tiny organisations, and of contributing to the decision-making process as a federation of independent organisations when the public sector organisations have much clearer corporate priorities.

Another recent phenomenon is that 'rural' institutions and policies are slowly giving way in England to more integrated structures and policies. There are two strands to these changes: the growth of 'city-regions' and the 'mainstreaming' of rural issues within all government policies.

The concept of the city-region has been embraced within England, particularly by the large cities that would form the core of these regions. At present, informal city-region partnerships have been formed; the government has now agreed to empower these further through Multiple Area Agreements (Communities and Local Government and Department for Business Enterprise and Regulatory Reform, 2008) which allows a city-region to bid for, and then allocate, government funds.

For North Yorkshire, there are two significant adjacent cities which form the core of city-regions. In terms of North Yorkshire the Leeds city-region partnership in the southwest already involves the adjacent District Councils of North Yorkshire (Craven, Harrogate and Selby) (see www.leeds.gov.uk/leedscityregion). To the north lies the Tees Valley city-region which could impact on parts of the north of the county, although there has been little contact to date with North Yorkshire. There are differences of opinion within North Yorkshire about the benefits of the city-regions. At

present city-regions do not have boundaries defined by central government, and choose which parts of their rural hinterland to work with. In North Yorkshire a concern is that deeper rural areas and the east coast could become residualised in this process.

In the UK, rural policy as a separate policy domain is gradually diminishing. Instead, rural issues are now 'mainstreamed' (Gardiner, 2007). This means that there are few, if any, dedicated rural policies and government structures: as far as possible rural issues should be integrated into all other policies, and be the concern of the whole of government. A government agency, the Commission for Rural Communities, has been set up as the rural advocate across government; as part of its work it ensures that all government policies have been 'rural proofed' (Commission for Rural Communities, 2008b), to ensure that they take account of rural circumstances and needs. The 'mainstreaming' agenda is also being applied in the Yorkshire and the Humber RDA, where the 'rural team' is only involved in the administration of the RDPE; rural issues are integrated into the various strategies produced by the RDA.

2.3 Future priorities

A workshop was held, as part of the EU FP 'FARO' project (www.faro-eu.org), with some key stakeholders in North Yorkshire in November 2008 to discuss future issues. A number of key issues were identified as of continuing concern for the near future (see Box 1). There were also concerns about governance and policy.

Box 1: Future Issues in North Yorkshire

Key Issues at Present/ Near Future	Related or Sub-Issues
High quality landscape	Future of Upland Farming; Tourism
Diversification	A diversified local economy; Diversification of businesses/farms <ul style="list-style-type: none"> • on-site diversification • off-site diversification • value-added products; Importance of microbusinesses
Social issues	Hidden deprivation; Ageing population; Lack of services
Viability of local places	ICT development

The participants were keen to explore the possibility that the more distant future would be determined more by 'shocks' than extrapolated trends from the present. The shock that they agreed would be most likely to drive the future of North Yorkshire was a lack of oil (climate change was also discussed but was expected to have

serious impacts further into the future than the lack of oil, and to be very difficult to conceptualise in terms of consequences for North Yorkshire's development). Various scenarios were constructed based around a lack of oil, broadly,

1. North Yorkshire would be radically different, and its primary functions would be the production of food, energy and water for the region (NUTS1 level). This could have one of two main results:
 - (a) It might be valued highly because of the dependency of urban areas,
or
 - (b) Subsistence-level living
2. North Yorkshire would not be dramatically altered because this would be politically unacceptable – ways would be found to mitigate the full effects of the lack of oil (and of climate change).

Although the practical consequences of climate change are still ill-defined and contested, the changes, according to the Climate Change Scoping Study for Yorkshire and the Humber (WS Atkins, 2002), is that the climate of the Yorkshire and the Humber region will become warmer, winters will become wetter and summers drier, and there will be an increase in the frequency of extreme events such as droughts and floods. It is anticipated that North Yorkshire will be affected by increased coastal erosion rates and tidal flooding; loss of heathlands and bogs in the uplands; and increased winter flood risks but problems of low river flow in summer.

3. ANALYSIS OF CHANGE BY ‘GRAND NARRATIVES’

3.1 *Agri-centric narrative*

North Yorkshire is clearly no longer significantly dependent economically on agriculture. However, it still is a major land use. The farming patterns split broadly into the lowlands with high quality productive land, used mainly for cereals; and the uplands which are used for rough grazing of sheep and cattle. Some of this present pattern of usage reflects not only the natural environment and market forces but also CAP regimes – milk quotas saw many lowland farmers abandoning dairying.

The uplands, in particular, are highly dependent on public sector support for survival. However, upland farming is particularly linked to the quality of the landscape in North Yorkshire, and paying farmers as stewards of this is generally thought acceptable. They maintain the cultural landscape that visitors value; some have also diversified into providing accommodation, or farm-based tourism products.

Lowland farming is more economically viable than upland farming, and more modernised. Again, diversification takes place, but this is not only on-farm, or farming-related: some farmers in accessible areas take part-time jobs in unrelated sectors.

In the more accessible areas, there are a number of important employers that have little connection to the traditional view of what rural work might be. In one area there has been a concentration of jobs connected with coalmining and power stations; in another the military is a major employer of civilians; another area is renowned for employment in financial services, research and development, and new technologies.

3.2 *Urban-rural narrative*

There are clearly important urban-rural linkages for North Yorkshire. This is particularly prominent in the more accessible areas where the urban-rural boundary is crossed daily by many people, mainly through out-commuting (there is also some in-commuting to the market towns in North Yorkshire). ‘Outsiders’ are also buying up properties for retirement and holiday homes and people visit regularly. This impacts on the remote areas as well as the accessible areas of North Yorkshire. These people tend to be from neighbouring parts of the region. There are advantages to the overall ‘critical mass’ of permanent migration, and potentially to the economy. However, these people often exacerbate the ageing population trends, make housing unaffordable for local people, and sometimes threaten the ‘community spirit’ of rural settlements by creating ‘dormitory towns’ where no one is at home in the day. The rural economy, especially in more accessible areas, has a very porous ‘boundary’, with trade and business networking crossing and linking to urban areas.

New governance arrangements are being put in place that cement the urban/rural linkage still further: the concepts of ‘mainstreaming’ rural policy, and of the ‘city

region'. The demise of clear 'rural' policies and demarcations are seen by some as empowering for rural areas – there will be benefits of having the rural included within the wider region. Others are concerned that rural issues and areas will be marginalised by this process. In North Yorkshire it is clear that at present one neighbouring city-region is working with the accessible parts of North Yorkshire adjacent to the core cities; the other, situated in a different NUTS1 region has not entered into effective dialogue with North Yorkshire. There is a fear from some that city-regions will amalgamate with the more affluent accessible parts of North Yorkshire, leaving a residue of remote and impoverished rural parts without effective formal links into the wider region.

3.2 *Globalisation/capitalist penetration narrative*

While there are many global linkages in North Yorkshire, there is only patchy evidence that the processes of globalisation have significantly disempowered the county. Market towns manifest some signs of globalisation, with branches of international retailers (especially supermarkets) and banks on their high streets, which presumably has been at the expense of more local retailers.

There are also some signs of local businesses retaining power while trading internationally. Some farmers are using overseas markets for their meat, but this seems to reflect farmer's decision-making rather than impositions by large supermarkets or multinationals. While the international business tourism sector is well-developed in Harrogate, the high quality accommodation does not carry the names of large international hotel chains.

Tourism could be an important factor in resisting a takeover by global forces in North Yorkshire. The attraction of North Yorkshire is its cultural heritage, which valorises the distinctiveness of place and the landscape, which is connected to traditional approaches. Appropriate development is small scale and locally sensitive, making it difficult to equate with global corporations. There is also significant emphasis in North Yorkshire on local participative planning, especially in the two LEADER areas, which again draws on notions of local capital rather than global capital.

3.4 *Other significant 'grand narratives': connexity*

What is prominent in North Yorkshire is its connexity both within its territory and with other places. Some of the day to day connectedness is with its urban neighbours as described in 3.2 above. However, much of its connexity is far less geographically specific, and mainly with places and actors at a distance.

Some of the flows of people, goods and services in and out of North Yorkshire are from various locations around the globe. Largescale tourism, including business tourism, is well-developed in one part of North Yorkshire, and draws an international clientele; some of the visitors experiencing more rural tourism also originate internationally. Recently there has been an influx of workers from CEECs, but until

this time North Yorkshire had very little experience of a non-British workforce. There is evidence of farmers exporting produce, including the export of live lambs from the uplands to Spain where the lambs are then slaughtered and sold as high price lamb joints. The position of North Yorkshire in relation to major North/South rail and road links (see Figure 1) means that it is well-connected. In some areas storage depots for the haulage industry have been developed.

Many policies and regulations that impact upon North Yorkshire emanate from outwith their boundaries. Economic development planning links to external ideas and possibilities: for example the Sub-regional Investment Plan for York and North Yorkshire (York and North Yorkshire Partnership Unit, 2007b) suggests development opportunities for parts of North Yorkshire in the digital sector, the business tourism sector, and new technology connectivity. The climate change being experienced in North Yorkshire links to global issues and sources.

4. IMPLICATIONS FOR POLICY

North Yorkshire is a NUTS3 region with relatively little discretion over the future of its rural territory. Major decisions affecting rural North Yorkshire emanate from tiers of governance well above North Yorkshire – WTO, EU, national and regional (NUTS1) governance are important regulators and resource providers to North Yorkshire. There are also tiers of governance lower than North Yorkshire that can make decisions over development in their territories such as the National Parks and LEADER areas.

A significant decision-making level for North Yorkshire is the NUTS1 regional level: Yorkshire and the Humber. At this level, North Yorkshire and rurality is not prominent. Some would see this as the positive outcome of rural ‘mainstreaming’, but others would claim that rural issues are being sidelined within an urban-orientated region. The move towards city-regions likewise generates contrasting opinion.

North Yorkshire is classified as an ‘intermediate – close to a city’ NUTS3 region. However, it contains contrasting rural areas as classified by sparsity, remoteness from centres of population, and/or settlement patterns (see figures 1 and 2). There are a number of ways in which stakeholders regularly contrast the conditions and needs of different parts of the county.

1. There is a clear upland/lowland split. The uplands broadly map to the ‘deep rural’ areas in figure 1; the lowlands to the rest of North Yorkshire. Contrasts include accessibility, the importance of farming, income levels, and landscape attractiveness.
2. There is something of an east/west split. The main concern is with the (eastern) coastal strip, which although not necessarily sparsely populated is relatively cut off from cities and access routes to further afield, and has relatively high levels of deprivation.
3. The place on the east coast with the highest deprivation (Scarborough) is sometimes singled out and targeted with a regeneration agenda.

It would seem appropriate for rural policy development to deliberate over not only the differences between rural types at the NUTS3 region level, but also how to address more local levels of difference. The County Council describes how North Yorkshire “is very diverse socially, geographically and economically. It offers a high quality of life to many but is still a low wage economy, with pockets of serious urban disadvantage and extensive but scattered rural deprivation. Size and diversity constantly shape our responses to improving delivery of public services” (North Yorkshire County Council, 2007, p.6).

One narrative of North Yorkshire and its people is of a well-connected and thriving place. However, this is not true of all parts of the county, or for all people. There are those who are relatively immobile in this world of connections and movement. For

those people and places scoring highly on a range of indicators of deprivation living in rural parts of North Yorkshire can be difficult. Access to services without a car, and the ageing population exacerbate the problems of already deprived people. North Yorkshire has a “strong sense of community” (North Yorkshire County Council, 2007, p.7) and a strong community sector which have been important in providing support in some areas. However, there are concerns about whether the influx of holiday home owners and commuters will be detrimental to this community spirit and therefore to the services that they provide to the more deprived people in rural North Yorkshire.

Another pressing policy issue is the future of upland farming, which at present is still a significant employer and is dependent on public support. Without subsidy upland farming will become unviable which will affect the quality of the landscape, so potentially reducing the tourism and visitor attraction. If the tourism industry in upland areas were to collapse at the same time there would be a strong possibility of abandonment of the uplands.

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EXEMPLAR REGIONS REPORT: SKYE & LOCHALSH, SCOTLAND, UK

Mark Shucksmith,
Newcastle University

2010



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(Parts A, B and C)*

INTRODUCTION

Skye and Lochalsh is located on the western side of the Highlands and Islands (H&I) region. The Highlands and Islands is in many ways a unique part of the United Kingdom (UK), covering 39,050km² (see figure 1), yet the region has less than 10% of the Scottish population with 373,000 residents, 96% of which live within 20 km of the coast. As a result, it has by far the lowest population density, with an average of 9 persons per km² compared to the UK average of 159 persons per km² and an EU average of 116 persons per km². The low population density is primarily attributable to the feudal structure of land ownership—a few large land owners controlling the vast majority of the land—and a scarcity of arable land. As the name suggests, much of the area is of relatively high altitude (up to 1,250m) including the famous Cuillin Hills on Skye. The region had a sudden and dramatic decline in population during the nineteenth century when tenants were dispossessed of their land in many parts of the Highlands and Islands. Very few communities have recovered their populations since that time and the region as a whole had approximately 115,000 fewer residents in 1991 than in 1851(HIE 2002). Highland residents were scattered throughout the world at that time and tourists wanting to explore their Scottish roots are significant.

Historically the Highlands and Islands economy has been dominated by agriculture, forestry and fishing in addition to public sector jobs and today the region is struggling to diversify out of these sectors. The small scale tenant farmers, or crofters, have never held enough land to support their households and particularly in the face of dramatically declining prices for sheep, rural households continue to rely on a diversity of economic activities. Tourism has been an important part of the economy for decades and continues to be one of the growth sectors. In the latter part of the twentieth century, oil exploitation and oil servicing industries were important around the Moray Firth area just east of Inverness, but are of minimal consequence in the western part. Recently, the region has had success diversifying into communications related sectors such as call centres and IT industries, in addition to pharmaceuticals. These have also been primarily concentrated around Inverness and the other parts of the H&I continue to struggle to diversify their economies (HIE 2002). In 2001 and 2002 renewable energy has become a focus in the H&I, with a large scale (250 turbines) wind project moving forward in the Outer Hebrides, and a smaller proposal for Skye (Staff-reporter 2002). It is within this context that Skye and Lochalsh has been comparatively successful at attracting new jobs and residents. Skye in particular has a 'magic' that attracts many tourists and in-comers, many of whom have established small businesses in the area.

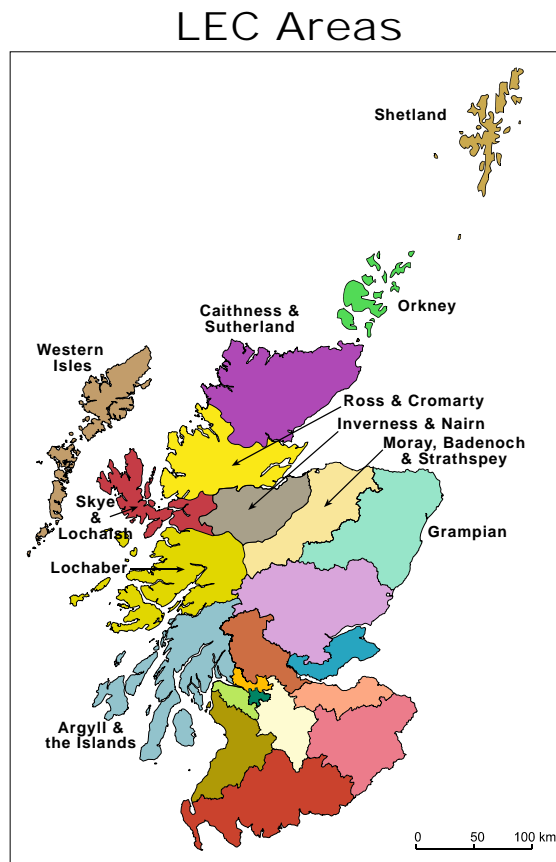
While the economy of Skye is growing, that growth is not necessarily occurring in sectors that provide long-term, non-seasonal and relatively high paying employment. The public sector is an extremely important source of professional jobs, particularly for women, but with the reform of local government in 1996, some of these jobs have been lost or moved to Inverness. In addition, the remote, rural areas of the H&I have difficulties retaining health professionals and there are moves to train local residents as nurse practitioners given the challenges of retaining doctors (Farmer 2002). The labour mar-

ket shows strong differentiation along gender lines with more men involved in the 'traditional' sectors based on natural resources (agriculture, fishing, forestry, etc), finance and manufacturing. Women dominate jobs in the tourism, public administration, education and health sectors, but men hold most of the leadership and management jobs with those sectors. Both tourism and natural resource based sectors are largely seasonal, and unemployment increases during the winter months for both men and women. Thus the labour market, while growing, may not be providing adequate jobs for full-time residents of Skye and Lochalsh. It is therefore critical that the kind of development promoted in the region is carefully evaluated, rather than simply focusing on producing more jobs through inward investment.

A pervasive influence throughout every aspect of life in Skye is the cultural heritage founded upon crofting and the Gaelic language. Gaelic is the ancient language of the Celts of Highland Scotland which has recently had a revival in the region. Crofts are smallholdings with a share in common grazings, associated with a particular form of land tenure and with an emotive history. They are typically very small, having been deliberately created (by landowners during the notorious Highland Clearances) too small to provide a full-time agricultural income, so as to ensure a supply of cheap, compliant labour for the capitalist landowners. Crofting continues to be a multi-economic strategy, with farm earnings augmented by a large variety of other jobs.

Skye and Lochalsh thus have been held up as a model of the potential remote, rural communities have for achievement. Yet, is a reliance on cultural traditions (which is not embraced by all residents), tourism and multiple economic strategies within households and by individuals adequate for promoting competitiveness? Can cultural identities foster economic development, or are they, like many brands, simply a passing fad? Skye residents value quality of life very highly, in most cases above all other factors and thus economic growth strategies must be consistent with maintaining the clean, safe environment and the 'magic' that currently characterises the area.

Figure 1: Location of Skye & Lochalsh in the Highlands & Islands of Scotland

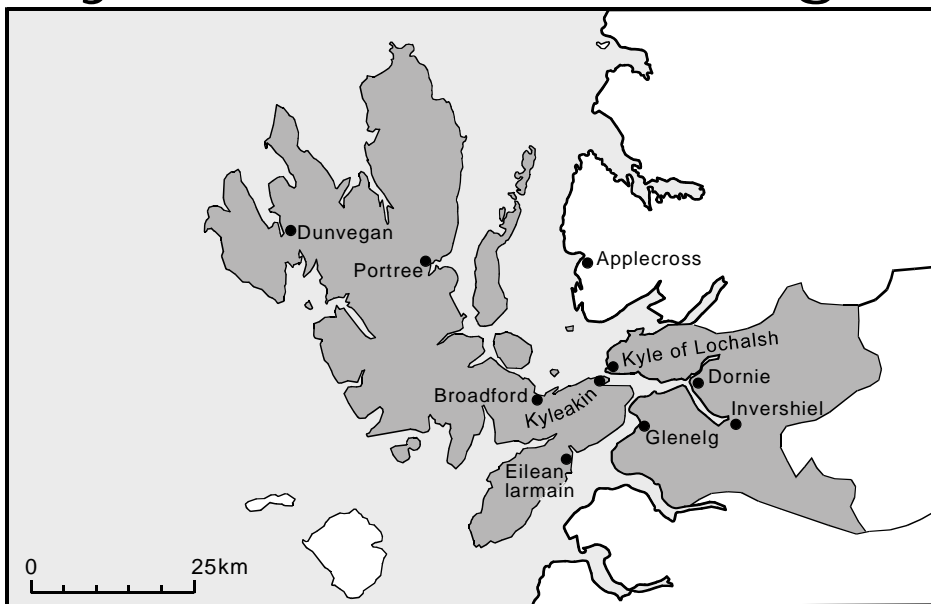


CHANGE IN SKYE & LOCHALSH

1.1 Introduction

Skye and Lochalsh is in many ways typical of remote areas in the Highlands & Islands of Scotland, but the area has been more successful at retaining its population and increasing jobs than other such areas have been. Figure 2 is a map showing Skye and Lochalsh in more detail. Crofting is an important activity but, particularly since decoupling of CAP support, livestock numbers and the revenues from crofting agriculture have fallen sharply. Area residents are accustomed to engaging in multiple economic activities to survive, but this strategy also promotes a dependence on seasonal, short-term and low-paying jobs. Besides crofting, jobs in natural resource based industries including fishing, fish farming, forestry and public sector conservation jobs (cf. Scottish Natural Heritage, Royal Society for the Protection of Birds among others) are important. New sectors include some IT development, particularly web design, horticulture and vegetable growing, cultural and tourist related events (music, Gaelic language) and alternative energy. There is a serious need, however, to promote more professional jobs to encourage educated young people to remain on the island after attaining uni-

Skye & Lochalsh Region



versity degrees and to attract in-comers of the same class.

Figure 2: Map of Skye and Lochalsh

1.2 Population Change and Migration

The population of Skye and Lochalsh has been growing slightly for the last twenty years, although that growth is primarily attributable to migration and not birth rates. Table 1 illustrates the change in the population numbers within Skye and Lochalsh. In 1998 the population of Skye and Lochalsh was estimated to be 11,980, representing a growth of 2.0% since 1991. This growth is 1.7 percentage points higher than the H&I area and Scottish growth rates of 0.3%. Skye and Lochalsh is one of six (out of ten) Local Enterprise Company areas to have experienced a population growth in this time. The population density of the area in 1998 was an estimated 4.4 persons per square kilometre. Because of changes in the collection of the data and preparation of the annual Population Estimates figures, it is no longer possible to provide analysis of population change for the Skye and Lochalsh area, nor is it possible to trace population trends further back.

Table 1 Resident Population

	1998	Change 1991-1998	% Change 1991-1998	Popn Density, (per km ²) 1998
Skye and Lochalsh	11,980	+240	2.0	4.4
H&I (HIE) Area	370,376	+1,058	0.3	9.5
Scotland	5,120,000	+13,000	0.3	65.5

Source: GRO(S) as cited in (HIE 1999)

However, Jim Hunter (2007) in his Henry Duncan Prize Lecture entitled “The Highlands: Scotland’s Great Success Story”, states that the population of Skye had fallen from 24,000 in the mid-nineteenth century to only 6,000 in the 1960s and that further decline seemed inevitable at that point. “In fact, the opposite has happened... Skye’s population is up by some 50% - and not just Sleaf but the whole island is awash with new-built homes.”

There has been a tendency for young people to move out of the area after finishing high school, alongside an increase in the 45-64 age group indicating that many people are choosing to move to Skye somewhat later in their careers or to retire. The population of Skye and Lochalsh is marginally older than the population of the H&I area with 44.2% of the population being aged 45 years and over, compared to 42.0% in the H&I area. (HIE 1999). Overall, the population of Skye and Lochalsh is still growing, although it is trending towards an older population.

Population growth and decline is the result of a variety of factors: net civilian migration (the balance of in-migration over out-migration), natural change (the balance of births over deaths) and other change, which includes the movement of armed forces. Table 2 shows the breakdown of population change in Skye and Lochalsh compared to the H&I area and Scotland as a whole. These figures indicate the importance of in-migration for Scotland and Skye and Lochalsh in particular for increasing population. As mentioned earlier, population densities in the area are very low (4.4 persons per km²) and

thus, in-migration is welcomed. The proposed Land Reform will hopefully make more land available encouraging further in-migration.

Closely related to the issue of migration, is the extent to which 'incomers' are accepted. Regardless of issues of ethnicity or other forms of difference, incomers are a source of both hope and suspicion, and a major force for social change.

Table 2: Components of Population Change 1991-1998

	Change in Numbers	Natural Change	Migration (net)	Other Change
Skye & Lochalsh	240	-93	333	0
H&I (HIE)	1,058	-684	4,539	-2,797
Scotland	13,000	6,957	13,801	-7,758

Source: GRO (S) as cited in (HIE 1999)

1.3 Economy and employment

The economy of Skye and Lochalsh is characterised by smaller firms with the greatest proportion of people employed in firms with 11-24 employees. The main sectors on Skye are: agriculture, forestry & fishing, energy & water, manufacturing, construction, distribution, hotels & restaurants, transport & communications, banking, finance & insurance, public administration, education & health, other services (Table 3). There is a strong gender and seasonal component to employment rates like H&I in general (HIE 1999).

Skye and Lochalsh is characterised by highly seasonal employment and low-skilled jobs. The public sector, which includes health and education, is the largest employer with tourism a close second. The labour market also shows strong differentiation along gender lines with more men involved in the 'traditional' sectors based on natural resources (agriculture, fishing, forestry, etc), finance and manufacturing. Women dominate jobs in tourism, public administration, education and health sectors, but men hold most of the leadership and management jobs within those sectors. Women in general, however, have higher rates of employment, reflecting men's crofting activities and perhaps a greater propensity to be self-employed (which these statistics do not capture). Both tourism and natural resource based sectors are largely seasonal, and unemployment increases during the winter months for both men and women. Thus the labour market, while growing, may not be providing adequate jobs for full-time residents of Skye and Lochalsh. There were also 1,246 self-employed persons in the Skye and Lochalsh area, resulting in a self-employment rate of 22.7% (Robertson 1993).

Table 3: Employment by Sector, Skye & Lochalsh - 1997

	Male	Female	Total	Percentage
Agriculture, Forestry & Fishing	90	40	120	2.9
Energy & Water	30	0	30	0.7
Manufacturing	100	60	160	3.8
Construction	240	20	270	6.5
Distribution, Hotels & Restaurants	510	800	1,310	31.4
Transport & Communications	160	50	210	5.0
Banking, Finance & Insurance, etc.	420	300	720	17.3
Public Admin., Education & Health	220	1,010	1,220	29.3
Other Services	60	70	130	3.1
Total	1,820	2,350	4,170	100.0

Source: 1997 Annual Employment Survey (NOMIS) as cited in (HIE 1999)

The Annual Employment Survey does not include data from the Agricultural Census which shows that in 1997 there were 1,700 persons engaged in agricultural activity in Skye and Lochalsh. The output between 1995-1997 was £11.6 million, of which 39.9% was subsidy. As a result of this significant dependence on subsidies, the changing structure of the CAP and agricultural subsidies will have a dramatic impact on Skye and Lochalsh and is a source of much concern for crofting residents.

1.4 Social structure

Skye and Lochalsh is inhabited by people with a strong tradition of community alongside a significant proportion of incomers. Housing issues are very significant, particularly for long-time island residents who are being out-priced in land and rental markets by in-comers bringing wealth accumulated elsewhere. Thus there are serious questions about social exclusion and the extent to which there is increasing class stratification among island residents.

Historically, Skye is renowned as the place where the original small tenant farmer (crofter) uprisings occurred that led to a dramatic change in tenancy laws in the late nineteenth century. Crofting is the outcome of the infamous Highland Clearances when entire villages were thrown off their land as landlords invested in capitalist sheep farms and kelp processing. The dispossessed tenants were in some cases given small plots of poor land deliberately sized to prevent subsistence agriculture to ensure a supply of cheap labour to landlord enterprises. Others fled abroad. Tenants on Skye rebelled against the inhuman conditions and, as a result since the 1886 Crofting Act the area's original crofting tenants cannot be dispossessed of their land (Hunter and MacLean 1986). Crofting is subject to a myriad of regulations, but most significantly, croft-

ers are eligible for a variety of grants and subsidies that are not available to those who chose to purchase their land. Such policies have contributed to the current attitude among many crofters that renting from a benevolent landlord is far preferable to owner-occupation.

The structure of land ownership has produced serious housing shortages, however. The nature of crofting tenure makes financial institutions unwilling to lend money for house construction since they would have no security. Because of this, the Scottish Executive offers grants and loans (CBGLS) for house construction or house improvement to crofters, but the amounts available have not been updated with inflation for several years.

Attempts to build on non-croft land are frustrated by the concentration of land ownership on large estates and by the topography. Some families on Skye infamously live in caravans and wait for years for access to social housing. The Scottish Government has attempted to address these issues, both through funding building by the Lochalsh and Skye Housing Association and through its Rural Home Ownership Grant, but major shortages continue to exist. The tourist industry exacerbates the housing problem as those with surplus land or houses modernise them and then let them out by the night or week during the summer months as holiday lets. As a result, many local residents live in this kind of accommodation during the winter, but scramble during the summer when their leases are terminated in favour of the higher rents paid by short term lets.

One unique feature of the Highlands and Islands is the recent Land Reform legislation which promotes the community ownership of land. More than half of the neighbouring Western Isles is now under community ownership, and some communities in Skye and Lochalsh have also purchased their estates from private owners – they remain individual tenants of a community landowner. A key element is the management of common lands. Common property regimes have been extremely successful in many parts of the world, but they do require an adequate institutional structure to manage them. Crofters have experience of managing their common grazings, but the regulatory and institutional structures have recently come under severe pressure from market forces (high prices being offered by incomers to buy crofts for holiday use or for retirement). New legislation is proposed in 2009 to address these issues.

Another important ingredient in Skye's recent growth has been the Gaelic college, Sabhol Mor Ostaig, which was formed in 1983 by a merchant banker committed to the cause of Gaelic, Sir Ian Noble, and is now part of the UHI Millennium Project. It offers diploma courses in business studies, information technology and related subjects, with all courses taught in Gaelic. The college has been an important organisation for promoting the use of Gaelic language and providing courses on highland history and culture, including music and dance traditions. It is also the only opportunity for higher education on Skye. Its mission is to make Gaelic a language of the workplace and not just of the home, and thereby to ensure its future.

The UHI Millennium Project is a remote learning-based network of former further education colleges throughout the H&I . A few years ago it became a higher education institution and it hopes during the next ten years to become a University of the Highlands and Islands. It has benefited from substantial investments from the Government and the national lottery. Access to higher education and advanced training courses remains an issue for Skye and Lochalsh residents as many courses are offered only in Inverness or in Glasgow. Clearly there is a need for distance learning in the area.

1.5 Political structure and governance

As mentioned above, the Isle of Skye falls within the local authority, Highland Council (HC). This council covers the entire northern part of Scotland. It was reorganised in 1996 by consolidating district councils across northern Scotland. Prior to 1996 Skye was administered as part of the Skye and Lochalsh Council (note the Western Isles or Outer Hebrides had a separate council). Now only an Area Office of the Highland Council is based in the main town of Portree on Skye, with devolved responsibilities for delivering services. The area council distributes welfare benefits, provides for community education and sporting facilities (i.e. the Skye swimming pool in Portree) and works in conjunction with the Skye and Lochalsh Enterprise (SALE) to initiate and oversee development programs in the Skye and Lochalsh area.

1.6 Services, communications and their geography

Skye and Lochalsh suffers from poorly developed road and rail systems. Many of the roads apart from the main trunk roads are single track and are not appropriate for lorries. In terms of air travel, it is one of the furthest areas from an airport in Scotland, and in this sense it is more remote than the Outer Hebrides, Orkney or Shetland. In addition, cell phone coverage is uneven at best in the area and access to high-speed broadband is limited. High-speed communications access is critical for the development of IT and knowledge-based industries on Skye as well as being a priority for many residents wanting access to the internet. The HC, supported by HIE, have been pro-active about improving infrastructure and taking advantage of the latest technologies to improve communications. This is a priority for HIE as part of their "Smart, Successful Scotland" initiative, and hopefully improvements will continue.

Public transportation on the island consists of ferry and bus services. Rail service is available to Kyle of Lochalsh from Inverness and Glasgow. Reflective of the importance of tourism on the island, the ferries and buses run far more frequently in the summer months, and drop off steeply out of season. Cars are the most common form of transportation on the island and are required to reach most of the smaller villages. Ferry service are critical for the Western Isles and the smaller islands around Skye, but the building of the Skye bridge from Kyle of Lochalsh in 1997 has alleviated Skye's dependence on ferries for contact with the mainland.

Hospitals are located in Portree, Broadford and Kyle. There are an additional five medical practices and two dental practices. There are a large number of voluntary ser-

vices on Skye, many of which do receive some public funding, primarily from the Highland Council and other government sponsored funding groups.

One of the most important non-state organisations is the Scottish Crofters Foundation (SCF) that promotes Crofters' interests throughout the H&I but its main office is located on Skye. Others are the Council for Voluntary Organisations; the Gaelic College, Sabhal Mor Ostaig; the Skye and Lochalsh Horticultural development association which has been working to promote organic farming; two historical societies which have been working to catalogue and protect historical and archaeological sites; the Free church, the Catholic church and other Protestant churches are very active and importantly on Skye; and various arts and crafts groups that promote the arts on Skye (Robertson 1993). Skye is also served by two newspapers, one of which is published in Broadford on Skye, the West Highland Free Press. Radio na Gael, the BBC's Gaelic language radio channel, is listened to very widely. There are also plans for a local radio station.

1.7 Quality of life

Quality of life is extremely important to people on Skye. One interviewee indicated that he had returned Skye to open a business because of "... social capital... by that I mean: sense of 'home,' proximity to family and friends, good place to bring up children - safe, good schools, attractive, clean environment, wide-open spaces, peace and quiet. What price do you put on that?" (e-mail communication 3 Sept 2001). Other respondents also spoke of the beauty of Skye, the lack of petty crime (most people do not lock their doors or their cars) and the sense of community. Everyone I spoke to, including one man who had come in from England and indicated he would not be staying on Skye forever, said they were attracted to the environment; the 'magic' of Skye.

The landscape and quiet lifestyle of Skye are the main features that draw tourists and many incomers to Skye. Residents tend to highlight the closeness of their communities and the landscape as features they value most.

1.8 Gaelic language

Gaelic language has become one of the new symbols of Skye and Lochalsh and serves to promote tourism and cultural activities. Gaelic is the ancient language of the Celts of Highland Scotland, but this was in decline and generally regarded as backward and pre-modern. Stimulus to the renaissance of the language and its associated culture was given by the founding of numerous local history societies during the 1950s and 1960s, which built a pride in the Gaeltacht's cultural heritage, and subsequently by the establishment of Gaelic-medium playgroups, youth clubs, theatre companies, TV programmes, a very popular radio station (Radio Na Gael) community festivals and commercial and educational initiatives. The formation of Comunn na Gaidhlig (CNAG) in 1985 as a broad development association based on the needs of the Gaelic-speaking community was also of fundamental significance.

1.9 Identities

The most important cultural identity on Skye, however, is that of the crofters. Crofts are smallholdings with a share in common grazings, associated with a particular form of land tenure and with an emotive history. A critical part of the crofter identity is the history of the Highland Clearances when tenant farmers were dispossessed of their holdings which was eventually stopped by crofter uprisings that began on Skye. The crofters retain a strong sense of their history as 'fighters' and 'survivors'. Elsewhere in the UK, such small holdings have tended to be amalgamated into bigger holdings, and while this has happened to some extent in the crofting areas through farming multiple holdings, the system of crofting tenure has provided a brake on farm amalgamation through permanent tenancy rights. The 1886 Crofting Act and subsequent regulation of transfers of land prevented crofts from being traded on the market. In 1990, there were still around 9,000 active crofters and 17,671 registered crofts, of which around 14,000 would be classified as part-time or spare-time.

The key to the retention of the population in crofting and to the survival of small holdings is, of course, the willingness (and indeed the tradition) of crofters to find the majority of their income from off-farm employment (Carter 1974). The vast bulk of crofters' incomes are earned off the croft, despite the fact that they spend 40% of their time, on average, working on the croft. Thus crofters tend to farm for symbolic reasons, related to community and identity, rather than for primarily financial reasons: the return on their agricultural work of 35 pence per hour compares unfavourably with the return of almost £5 per hour on their off-farm work (Kinloch and Dalton 1990). This history of multiple economic activities is crucial for crofting families to maintain competitiveness in a globalising economy, but the question remains as to how to promote economic activities that are both lucrative and compatible with a crofting lifestyle.

The number of inactive crofts seems to indicate a split between crofting agriculture and crofting as a social and cultural identity. Both tend to engage in multiple economic activities, but the latter is less invested in farming as a livelihood.

1.10 Cultural activities

Music and dance are the most important cultural activities on Skye, as they are seen as central to the Gaelic heritage of most of the residents. Traditional dances and music are common, including festivals and other events, especially in the summer months when many events are also open to tourists. Two less formalised cultural activities are also worthy of note. One has been the growth in the last few years of the Feisann, the festivals which celebrate the Gaelic language and culture in many villages and townships throughout the Gaelic speaking areas. The other is the tradition of 'visiting' and its decline. Many local people lament the loss of the former habit of dropping in on one another unannounced which was widespread in the islands until television offered a more individualised entertainment. The word 'ceilidh' also had a less formal meaning in this context.

1.11 Recent development projects

Development projects in Skye and Lochalsh are difficult to fully catalogue as they are sponsored by a bewildering array of organisations. Some of the most important have been in the area of agriculture (specifically horticulture and organics), the LEADER program and various activities promoted by HIE.

The Skye and Lochalsh Horticultural Development Association consists of approximately 60 members who are small scale farmers growing food for local markets and catering. It has been important in helping crofters to diversify their production activities and in promoting local markets for local produce.

The LEADER programme has had various initiatives in Skye and Lochalsh. The LEADER1 programme in the Western Isles, Skye and Lochalsh from 1991-1994 employed community animators who provided a local contact point for the community and for the agencies, stimulated and facilitated local development initiatives and provided ongoing assistance for local development projects. The use of community animators in this LEADER programme was considered one of its strengths. In addition, the programme has assisted music groups and other community initiatives (Black and Conway 1996). The programme has since had a second (LEADER2) and third (LEADER+) phase.

SALE sponsors relatively large scale business set-ups but many local residents complain that they will not consider smaller proposals. In conjunction with HIE, they have also sponsored community development projects to revitalise declining communities (Duthchas) and to promote the development of a new one (Orbost) on the site of a township that was cleared in the nineteenth century.

Of concern is the fractured nature of these efforts. The proliferation of public, private and voluntary service providers means that it is difficult to ensure that efforts are not duplicated or to generate sufficient funds for more ambitious schemes without complex partnerships. The Highland Council has limited funds to promote development activities in contrast to SALE and HIE which seek to promote both social and economic development, but focus more heavily on the latter. The mission statement for HIE makes it clear that supporting communities is central to their aims, but they allocate a very small proportion of their total budget to this area. In contrast, the bulk of their expenditures are on economic activities, particularly encouraging inward investment. It is not clear, however, that inward investment promotes the kind of development desired by residents, nor does it promote sustainable communities in an age of globalisation and the rapid movement of global capital. Recently HIE themselves have acknowledged this and shifted their emphasis from attracting inward investment towards promoting the knowledge economy in the H&I.

EDORA NARRATIVES OF CHANGE

1.12 Explanations of Change in Skye & Lochalsh

Three main explanations for the transformation in the fortunes of Skye and Lochalsh - from population and economic decline for more than a century until the 1970s - tend to be put forward, the third deriving in large part from the first two. These are:

1. State intervention in the cause of Highland betterment
2. Cultural valorisation and renewed self-confidence
3. In-migration in pursuit of “the magic of Skye”

Hunter (2007, 10) regards “the longstanding willingness of successive governments – whether British or Scottish and irrespective of party – to involve the state in the cause of Highland betterment” as fundamental to this transformation. Acknowledging that this is a deeply unfashionable view during a period of neo-liberal hegemony, he nevertheless offers a convincing list of the contributions that the State has made, including

- The 1886 Crofting Act, granting security of tenure to crofters
- Establishment of a development agency in the 1890s
- Early twentieth century land reform and land settlement
- Establishment of a crofter housing grants and loans scheme
- Establishment of the North of Scotland Hydro Electric Board in 1943
- Establishment of the Highlands and Islands Development Board in 1965
- Further land reform in 2003 enabling community-owned estates.

That this commitment has extended across political parties may be largely because, following the Clearances, “for two hundred years the Highlander has been the man on Scotland’s conscience.” But this commitment remains today.

Hunter (2007, 12-3) also argues that renewed confidence and self-esteem has been another major factor. For most of the past two hundred years Highland poverty has tended to be put down to Highland failings, and specifically to the Gaelic culture. “When people are told, as Highlanders were told for generations, that everything about them, starting with their Gaelic language, is second-rate, of no account, those people can’t help but end up lacking self-esteem. And where there isn’t self-esteem there can’t be enterprise, initiative, advancement. That’s why a key contributor to renewal in the north has been the realisation... [that economic development policies] have had to be accompanied by a commitment to restoring our formerly demoralised population’s sense of worth.” Accordingly, Hunter argues that the growth of a movement of local history societies led to a growing appreciation of Gaelic culture and heritage, and that this in turn has led to a flourishing music scene, an improving business start-up rate and ulti-

mately to community initiatives and empowerment, such as community ownership of landed estates.

Of course, these two factors – State intervention and cultural valorisation are linked, for good or ill. The State, after the Jacobite rebellions and through to the 1950s, played a major role in diminishing Highlanders' self-esteem and the Gaelic culture; but in recent years and especially since the establishment of the HIDB in 1965, there has been support through investment in Sabhal Mor Ostaig, Gaelic playgroups, folk festivals, book festivals, community facilities and indeed in community development, and this has been continued by the LEADER programme in the Western Isles, Skye and Lochalsh.

The third explanation for the transformation of Skye and Lochalsh has been the attractiveness of the area to in-migrants, as noted above, drawn to "the magic of Skye". What attracts them is partly the natural beauty of the landscape and the environment, which of course is not a natural landscape at all, but hugely transformed by human activity (Arnason, Shucksmith and Vergunst 2009). But equally important has been the cultural heritage of crofting, Gaelic and so much more, along with the infrastructure of services and facilities in which the State has invested, so that again this third explanation may be seen to derive to a large extent from the first two factors. For example, thirty years ago Sabhal Mor Ostaig was a derelict farm steading, but following the vision and investment of Sir Iain Noble (a merchant banker with a commitment to the Gaelic language) and of HIE this is now a Gaelic College with more than 100 full-time students taking degree courses taught through the medium of Gaelic, and many more following short courses. It is also home to several spin-off businesses, together with which more than 85 full-time jobs and a similar number of part-time jobs have been created. The population of the Sleat peninsula as a result has grown rapidly and attracts many in-migrants. The case of Sabhal Mor Ostaig and Sleat illustrates the intertwining of these three factors in turning the longstanding decline of Skye and Lochalsh into a story of success.

This explanation, in terms of these three overarching factors, can also be related to the three 'grand narratives' hypothesised in the EDORA project.

1.13 *Agro-centric narrative*

The successful transformation of Skye runs directly counter to the agri-industrial model in so far as Skye and Lochalsh is characterised by a highly regulated structure of small farms in which amalgamation and capital penetration have been explicitly prevented in the interests of maintaining a population of pluriactive crofters on the land in these remote locations. Neither does this conform to the post-productivist model in which the countryside is shaped socially and morally to make it attractive and lucrative to ex-urban groups, even though such groups are now moving in to the area and marketisation pressures have emerged as in-migrants seek to purchase crofts and use them primarily for residential purposes. Rather Skye and Lochalsh may offer an instance of Marsden's (2003) claim that those peripheral rural regions least exploited by either the agro-industrial model or the post-productivist model offer hope for rural development

based on re-embedding local food supply chains. However, despite the establishment of various horticultural initiatives, the evidence suggests that Skye and Lochalsh's renaissance has little directly to do with food production and much more to do with non-food sectors, notwithstanding the importance of crofting in keeping people on the land.

1.14 Urban-rural narrative

Migration has been important to the revival of Skye and Lochalsh's fortunes, but its considerable distance from urban areas (well beyond commuting distance) makes this fit poorly with the urban-rural narrative in which regions such as this would be expected to be declining in economic and demographic terms. The experience of Skye and Lochalsh therefore cannot be explained by the urban-rural narrative.

1.15 Capitalist Penetration and Globalisation

Of the three 'grand narratives', it is this which best captures the experience of Skye and Lochalsh, provided that the important role of the state is factored in. The decline of the Highlands is often understood in terms of capitalist penetration and globalisation, as Highlanders were cleared from the land to make way for sheep ranching and wool production by landed capitalists. Hunter (2007) argues, in addition, that what truly marginalised the Highlands was not where the region is located on the map but the way they were governed for centuries from elsewhere (by absentee landlords and by the Scottish and British governments). Its resurgence in turn may be explained in terms of power being returned to the region, through the establishment of HIDB/HIE, through local government reforms, through land reform, through community development and most of all through discursive power restoring and reaffirming self-esteem and cultural worth. The experience of Skye and Lochalsh is principally about resistance to globalisation, seeking agency and empowerment, while also pursuing economic competitiveness, very much as envisaged in the OECD's *New Rural Paradigm* report.

CONCLUSION AND POLICY IMPLICATIONS

Skye and Lochalsh exhibits many of the outward characteristics of a vibrant remote, rural area: a growing population, an increase in jobs and new business start-ups, and numerous civil society organisations and networks. It is a success story within a predominantly rural remote region - the Highlands and Islands of Scotland - and is therefore of considerable interest and policy relevance.

Consistent with the rest of Scotland and the UK, development provision and innovation in Skye and Lochalsh has been fractured among a variety of state, voluntary and private organisations. Funding comes from the central government, the Scottish Executive, and the EU often passing through regional intermediary institutions. Skye and Lochalsh is similar to many parts of the Highlands and Islands in that it has an under-developed road and alternative transportation system. Communications are improving but continue to be a barrier to the development of IT and knowledge-based industries. Yet the state's role over several decades has been crucial to its resurgence, and the state's continuing investment in this infrastructure will be vital.

The area's history of crofting and strong Gaelic culture are very important aspects of the landscape and cultural identities. Most residents expect to be engaged in multiple income earning activities and to have a seasonal aspect to those activities.

The main turning point in the development of Skye, does seem to correspond with the resurgence of interest in Gaelic culture. It was previously seen as backward but now is actively promoted as a source of cultural pride, empowerment and positive identity. The natural heritage is also important, attracting tourists and in-migrants. The Cuillin Hills draw many people to Skye and some, at least, of them choose to stay.

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