ESPON

PURR
Potentials of Rural Regions

Targeted Analysis 2013/2/5

Re-submitted Interim Report

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List of authors

Neil Adams, London South Bank University

Hild-Marte Bjørnsen, Norwegian Institute for Urban and Regional Research

Dace Jansone, Vidzeme University of Applied Sciences

Steinar Johansen, Norwegian Institute for Urban and Regional Research

Phil Pinch, London South Bank University

Visvaldis Valtenbergs, Vidzeme University of Applied Sciences

List of abbreviations

CSP	Central Statistical Bureau of Latvia. *Latvijas centrālās statistikas pārvalde*.
EU	European Union
EDORA	ESPON project "European Development Opportunities in Rural Areas"
GDP	Gross Domestic Product
GVA	Gross Added Value
ICTs	Information Communication Technologies
IMF	International Monetary Fund
NGOs	Non Governmental Organizations
NUTS	Nomenclature of Territorial Units for Statistics.
PPP	Public-Private Partnerships
PURR	Potential of Rural Regions.
SWOT	Analysis of Strengths Weaknesses, Threats and Opportunities
TPG	Transnational Project Group (example)
VRAA	State Regional Development Agency in Latvia. *Latvijas Valsts reģionālās attīstības aģentūra*.
VZD	State Land Service of Latvia. *Latvijas Valsts zemes dienests.*

Table of contents

1. Executive Summary

This new Interim Report (IR) is a re-submission of the old IR supplied by the TPG on February 1st, 2011. The re-submission follows the comments from the ESPON CU, see Chapter 2.

PURR is a Priority 2, Targeted Analysis which was commissioned by ESPON. Priority 2 ESPON projects are based on stakeholder demand, in our case from five regions in the UK, Latvia and Norway. The overall theme of the project is the assessment of territorial potentials of rural regions, and the project is both aimed at assessing these potentials in the five stakeholder regions and at developing a methodology that can be applied for similar assessments in other (rural) regions in Europe.

Methodology

One of the major draw-backs of the old IR was, in ESPON's view, the lack of methodology. In this new IR we have tried to clarify the different aspects of the methodology developed (see Chapter 2). The proposed methodology has four steps:

- *Step 1 Benchmarking*: The main feature here is a two-stage Magnifying Glass Method, which aims at using existing information to benchmark the region in a European and national (and regional) perspective using data and typologies mainly from EDORA and national sources.
- *Step 2 The Regional Context and Stakeholder Perspective*: The purpose of this step is to gather supplementary information from the stakeholder regions. We have proposed a four-stage procedure to gather this information. This involves informal discussions (stage 1), a more formalised work-shop with guidelines (stage 2), a template for discussing the results of the benchmarking process with the stakeholders, which is supplemented with a questionnaire (stage 3), and a SWOT analysis (stage 4).
- *Step 3 Assessing the Territorial Potential*: The purpose of this step is to apply the information from the previous steps to discuss different regional development perspectives, and to discuss which of them best represents the region's territorial potential.
- *Step 4 Policy Options and Future Development*: The purpose of this step is to discuss what actions to take to reach the territorial potential, within the general framework of which options that exist. This step might include a discussion of *systematic scenarios*, which we will look into as a part of the Draft Final Report.

In other words, the proposed methodology combines a Top Down (TD) approach based on typologies of rural regions and national/regional data with a Bottom Up

(BU) approach based on stakeholder inputs. The stakeholders have been very important contributors in developing the methodology. Originally, we focused more on the "Template" and how to apply it when working with the stakeholders (the BU approach), but in the new IR we have included all four steps of the methodology explicitly.

The methodology is developed to be "guidelines" for the process of assessing the territorial potentials of rural regions. We do not believe that "black box" methodology, where inputs to the box automatically generate outputs in the form of territorial potentials and policy options, exist. The analysis, especially of Stage 3 and 4 of the methodology, is therefore based on dialogue with the stakeholder region representatives. On the other hand, the methodology secures that relevant information is gathered and ready to use in the assessment.

Case Studies in Stakeholder Regions

The methodology has been applied to the case studies in the five stakeholder regions (short version in Chapter 3, and five reports forthcoming in connection with the Draft Final Report). In addition, a more comprehensive discussion of the benchmarking of the five regions in a European perspective is included in Annex 2. We should underline that information from the stakeholders has been essential for the completion of the IR. The workshops generated a considerable amount of qualitative data and the fact that the workshops were organised according to the same structure means that commonalities and differences can be discussed. It became apparent that there is some diversity in terms of the specific emphasis between the different regions. To a certain degree the emphasis is influenced by the roles and agendas of the people that participated in the workshops, but also reflects the diversity of the regions. The diversity of the PURR regions is confirmed by the diversity of the rural typologies that illustrate the differences in terms of accessibility, economic performance, demographics and a variety of other characteristics. Such diversity is useful in the sense that one of the aims of PURR is to develop a methodology (Chapter 2) that can be applied to a variety of different regions. Applying the methodology to the PURR regions has been a useful learning process.

Second, the TPG found that the territorial capital of the five stakeholder regions is highly diverse. The emphasis in Notodden and Dumfries and Galloway appears to be on the role that the towns can play in driving regional development. There was considerable discussion with the regional stakeholders in Dumfries and Galloway about the differences between such regional development strategies that focus on towns as motors of development compared to rural development strategies that focus more specifically on rural issues such as upland farming. The stakeholders in Notodden (and Tinn) emphasised the fact that both the past and the future for the town and wider region are intrinsically linked to the industrial heritage. Stakeholders in all of the case study regions are understandably concerned about the impact of the economic situation, though the situation in Latvia seems to be

considerably more serious than in the other regions. The situation is likely to exacerbate the current challenging economic and demographic situation. In case of Vidzeme decline in population will have considerable effects in rural areas. One of such effects will be the unemployment risk in the education sector, in which currently considerable amount of people are employed.

Another impact of challenging economic and demographic situation appears to be that stakeholders are focusing much more on short-term survival rather than long-term strategic planning. The nature of the problems in Vidzeme contrasts with the challenges in North Yorkshire where stakeholders are concerned about their ability to be able to make their rural issues and challenges more visible. There is also considerable uncertainty in relation to the rapidly evolving governance landscape in England, though there is a clear desire to be proactive in capitalising on the opportunities offered by the new structures. The key task in the Cambrian Mountains appears to be building on the momentum of the ongoing Cambrian Mountains Initiative and to help strengthen the identity of the area as a brand.

In Latvia and the UK, the cuts (and proposed cuts) in public spending limit both development (employment, unemployment, population) and the local public sector's ability to be a driving force in regional development. Stakeholders in Notodden, on the other hand, are satisfied with the provision of local public services and are not to the same extent worried about future public spending. However, de-population might inflict local public sector income and the provision of public services also here, but this is not linked specifically to the general economic situation. This difference of course reflects the countries' different economic and political situations, which again have impacts on regional and local authorities' fiscal situation. It is interesting, in this sense, to notice that the Stakeholders in Latvia propose income tax cuts as a means for achieving more competitiveness and production in the region.

More generally, though, the governance structures seem to be in focus in all Stakeholder regions, but in different ways. The Governance structure is changing dramatically in England, and the extent to which this represents a re-centralisation or de-centralisation of power and the type of opportunities that the new governance landscape offers to local authorities is still unclear. Stakeholders in Scotland and Wales appear to feel that the devolved governments have increased their proximity to the levers of power, though significant challenges remain, with strengthening identity being a key issue in each region. In Latvia, there is a centralised system of governance, which, together with declining public financing limits local public sector's ability to contribute in developing the region. In Norway, the local public sector is an active participant in local economic development, through both formal and informal networks. The municipality of Notodden also has (limited) financial capabilities aimed at private sector

development and, of course, is a very important provider of public services directed towards the population.

Although endogenous economic development, or what the regional actor can do themselves, are in focus in our analysis, exogenous conditions have also been discussed among the Stakeholders. Their preoccupation with exogenous conditions correlates in a sense with the governance structure, where the Latvian Stakeholders seem to focus more on these than the others. However, certain Stakeholders in the Norwegian and UK regions also emphasised the importance of finding a balance between capitalising on endogenous assets and attracting and utilising exogenous resources.

Economic structures vary between the different Stakeholder regions, as does the focus on future development potential. All regions, on the other hand, have their economic base, which is also viewed an important part of their territorial potential. More specialisation of production, trying to capitalise from the regions' competitive advantages, is considered one direction to choose for the future, as is the interest for instance in developing tourism further. Stakeholders in all regions have discussed agriculture's role in rural development, but the importance of agriculture varies and its future potential in terms of employment remains limited in all regions. Infrastructure development is also regarded an important factor in developing the territorial potential. In addition to improving infrastructure, additional strategies for improving business competitiveness, such as promoting rural business partnerships, public-private partnerships and clusters, were seen as important opportunities for development in Vidzeme. Need for cooperation and coordination between business, education and public sector was also emphasised. It seems like economic recession has induced more active search for available options.

Some reflections from the TPG

In the TPG's view, the four steps of the methodology combine different needs in a coherent way. The methodology adapts research, typologies and data from previous ESPON projects, while it at the same time allows information from stakeholder to be an important part of the analysis. The analysis shows that ESPON data and research based on the European level (NUTS 2 or 3) are not sufficient information for the needs of small regions. However, this information provides an important starting point for the analysis, while it at the same time illuminates the individual stakeholder region in a European perspective. More detailed information is necessary however, both to isolate the stakeholder region from the rest of its NUTS region, and to get more detailed information about structures within the stakeholder region. In addition, the qualitative assessments made by the stakeholders also contribute to increasing the usefulness of the methodology.

We have also had feed-backs from the stakeholder representatives and their expectations connected to being a part of PURR. These feed-backs vary very much among the different regions. Unfortunately, the project had an unlucky start, as several years passed by from the stakeholder regions expressed their interest in the project and it was actually started. Because many stakeholder representatives had left their previous work, some of the regions didn't know that the project existed. Therefore, it took many months for the TPG to be assigned to contact persons in some regions. Because of the delay, some stakeholder regions in the UK expressed that the project's theme was out-dated when the project started. The financial and economic crisis, followed by major cut-backs in public spending after the new UK Government was in place, are important factors to explain the UK stakeholders' views.

Some of the stakeholder representatives also expressed the view that they themselves knew best what their challenges and potentials are, not some external researchers/consultants, and therefore were not interested in the project to start with. This view led to some difficulties, but these were overcome, and the project has now come a long way.

Most of the stakeholder representatives therefore have certain expectations regarding PURR. These range from relatively moderate (some representatives would like to see how the question of territorial potentials was discussed – and solved – in other rural regions) to relatively large (some wanted us to tell them how to solve their problems). This included to propose policy options to them and to tell them how to organise the provision of important services in times of population decline. In addition, some felt that the benchmarking of their region in a European perspective was important. Other representatives underlined the importance of benchmarking the region in a national (or regional) perspective as well. Finally, the representatives looked forward to receiving a "menu" (methodology) on how to assess territorial potentials.

Working towards the DFR

Some work remains towards the DFR (Chapter 4). This includes finalising five case studies and comparing the five case study regions. The methodology will be developed further, as we plan to develop an easy-to-use "menu" (Navigation Chart) based on the four steps of the methodology, that can be applied when regions want to assess their territorial potentials.

2. Outline of Methodology

PURR is a *stakeholder driven, targeted analysis*. The contents of the project are based on stakeholder demand. This means that the stakeholders have provided the project with a topic, which is based on their own experiences and requirements. In PURR, *the first objective is to look into and derive the territorial potentials* of the five rural stakeholder regions. The TPG's view is that the only way of doing this is in dialogue with representatives of the stakeholder regions, and that it is necessary to let the methodology as well as the applied contents of the project develop as a part of this dialogue (what the TPG called an "*inductive approach*"). This was an important baseline assumption laid out by the TPG in the application for the project as well in the Inception Report, in the TPG's reply to ESPON's comments to the Inception Report and in the work leading to the first[1] Interim Report (IR). By adapting this bottom-up (BU) approach, the TPG implicitly recognised the differences between the stakeholder regions and allowed the regions to be presented in slightly different ways in the first IR.

The *second objective of PURR is to develop a common methodology*, which can be adapted by other rural regions in their quest for assessing their potentials. ESPON's comments to the first IR, leading up to their requirement for re-submitting it, are to a certain extent focused on what they call a lack of methodology. In our view, a methodology was indeed elaborated (called *the Template*) as a part of the first IR. However, we agree that the methodology needs a more comprehensive explanation. The methodology developed is not a "black box", which given certain inputs returns the territorial potentials and policy options for any region automatically. We chose not to develop such a "black box" because we strongly believe that such a general tool does not exist, since the actual regions being analysed are very different in many aspects. These differences influence both the choice of analytical framework (methods) and empirical information adapted in each case. The regions are, in a sense, individuals. Therefore, stakeholder participation is required when the potentials of territories are to be developed. We do, however, believe that the contribution of PURR should be a methodology that can be applied when the territorial potentials and policy responses of regions are being analysed, helping the stakeholders in structuring both (external and internal) information and thoughts in an analytical manner, and helping them reach the level of knowledge required to assess their potentials. We also agree with ESPON that this could have been presented more clearly than it appears in the first IR.

Third, one of ESPON's requirements is that *the methodology developed in PURR should be based on previous ESPON research and data* (a.o. the large priority 1 projects), including typologies that were developed as a part of this research.

[1] The first IR was submitted to ESPON on February 1st 2011. ESPON has required a re-submission since the first IR in their view was not satisfactory.

ESPON was not satisfied with the way this European level information was applied in the first IR. Our response to ESPON's view on this is that we did apply existing ESPON information, where especially information (data and typologies) from EDORA, but also from other sources, was used extensively.

Finally, ESPON claims that that some of the key notions applied in the first IR are not well defined, imposing an unclear theoretical and scientific baseline for the project. To a certain extent, the TPG agrees with this comment and has tried to elaborate further the explanations of the key notions as well as the overall scientific quality of the methodology below.

We have chosen to meet the requirements from ESPON by re-formulating the methodology in four steps, of which all of them have been applied to the five stakeholder regions. These steps are:

1. Benchmarking the stakeholder region in a European perspective
2. The Regional Context and Stakeholder Perspective
3. Assessing the region's Territorial Potential
4. Policy Options and Future development

The four steps are elaborated further below. Together, they form a coherent methodology for assessing the territorial potentials of rural regions in Europe, based on a combination of BU and TD (Top Down) approaches. Although we consider the proposed methodology relevant and coherent for assessing territorial potentials, the methodology cannot be viewed a "black box" which automatically generates answers (territorial potentials) based on inputs. The methodology must instead be considered a way of sorting information from different sources, but aimed at assessing territorial potentials. In this sense, the methodology can be used for planning purposes as well as for more strategic analysis of stakeholder regions, but not without stakeholder representatives making the final step (including weighting different sources of information together) towards assessing the stakeholder region's territorial potential. Important features of the methodology are, however, that it points to what types of information from different sources that is relevant for assessing this potential and that it stimulates a process of grounded self reflection among stakeholders.

Some concepts: Development and potential

Regional (territorial) development can be defined as the development within a region (territory) over time. Books have been written on how to interpret the term "development". It might include a set of indicators, or a single indicator. An important indicator used for describing and comparing the situation in different regions is the GDP (which also can be interpreted as level of income). Economic growth (GDP growth) then becomes an important indicator of development

In our view, regional (territorial) development does not restrict itself to one indicator. It should involve different indicators, for instance like the ones applied in the EDORA project.

The term "region" ("territory") is also a blur concept, of which books have been written. It is applied for small spatial units, like a municipality or even a part of a municipality, but it is also applied for continents (like Africa). We have therefore chosen a pragmatic approach to this term, which is that a region (territory) is a sub-national spatial unit. In this sense, it becomes a part of a hierarchy, which starts on the local level, then the regional (territorial) level (of which there might be several tiers, for instance NUTS 3, 2 and 1), then the national level and then the supra-national level (the EU, Europe, the World). We have not, on the other hand, restricted the term region (territory) to administrative, territorial units. A region might cross administrative borders, and sometimes even national borders.

Rural development can be defined using the same concept. Here, we have therefore simply defined this as regional development in a rural territory. What we mean by "rural" then becomes the next question. Clearly, typologies have been developed by for instance the OECD, by the EU, by ESPON, by national governments and even by regional governments. All these concepts are, in one way or another, based on the urban-rural dichotomy. In this sense, rural could be defined as non-urban. However, the urban-rural typologies are normally much more refined in the sense that they are divided into different classes of urbanity (or rurality).

We have adapted different typologies when we have categorised the PURR regions according to the urban-rural concept (see Stage 1). This categorisation, which is a part of the benchmarking process, is of course helpful as a part of the analysis. However, the five regions of PURR have been pre-included in the project irrespective of their urban-rural placement. This also implies that these regions' development potentials have to be discussed within the framework of PURR, although their degree of "rurality" might be low or although their territorial potentials might lie in developing the most urban part of the region (see chapter 3).

The concept of **rural potential** takes the concept of rural development a bit further, in the sense that we put something more normative or positive into it. Where *rural development* can be viewed merely as an observation of how an indicator (indicators) change over time in a rural region, *rural potential* ranges one (or more) line of development before others. The potential of a region is, in this sense, what (maximum) development level the region might achieve. Of course, a region's ability to reach this potential highly depends on the actions of the actors within the region, the system of governance, the networks, their innovative capabilities, access to (different) capitals and so on. In a sense, the PURR methodology is about discussing which factors influence rural development, about discussing rural development outcomes, about discussing rural potentials,

and about discussing strategies and policies that can be applied to reach these potentials, the key question being how the stakeholders can utilise their assets in a way that maximises the outcome to reach the territorial potential[2] of the rural region. At the heart of a region's potential lies, of course, what makes the region genuine or original, or what contributes to generating the region's competitive or absolute advantages. The concern about revealing *rural* (as opposed to urban) potentials in PURR acknowledges the fact that in general rural regions seem to lag behind urban regions in development and thus have to be more preoccupied with utilising the regions' accessible resources to survive in a competitive world.

From a Modernisation Paradigm to a New Rural Paradigm

The emergence of a new rural paradigm based on endogenous potential to replace the previous modernisation paradigm that was dominant in rural development until the rise of neo-liberal ideologies in the 1980s and 1990s is well documented (Woods 2011). The modernisation paradigm was based on the modernisation of agriculture, the rural economy (usually in the form of economic diversification), infrastructure and social structures. As it became increasingly apparent that the modernisation approach was not only failing to achieve the desired results but in fact had a variety of negative consequences (over-production, environmental degradation, social inequality....), the increased emphasis on neo-liberalism determined that state led initiatives fell out of favour on ideological grounds as well as financial and resource grounds as governments sought to promote market solutions and reduce public spending.

The shift to a new rural paradigm involved a move away from focusing on inward investment to a focus on endogenous development. The characteristics of this new approach included focusing on the development of resources found within a rural region, a shift from a top-down to a bottom-up approach and a move away from a sector based approach to the approach based on the territorial capital or specific characteristics of an area, as promoted by Barca. This new rural paradigm has become dominant in Europe and this is reflected in the increased emphasis on the Leader Programme. More recently Ray (2006) has written of the need for endogenous potential to look outwards as well as inwards in order to not only harness local resources and actors but to sell these to external consumers and policy makers, what Ray referred to as neo-endogenous potential.

Despite the increased emphasis on the endogenous development paradigm in Europe, a number of critiques have emerged that are of relevance to rural regions in Europe. Woods (2011) summarises the main criticisms of endogenous potential as being:

[2] The concept "Territorial Potential" is based on Barca 2009, and discussed further in the Annex to the Inception Report.

- Limited capacity to tackle fundamental structural disadvantage in relation to locational, infrastructural, economic and human resources deficits;
- Uneven capacity of local communities to engage in endogenous development and bottom up initiatives due to uneven distribution of social capital;
- A tendency for endogenous development to exclude certain sectors of the community.

The realisation of rural potential is therefore likely to depend on the effective harnessing of an appropriate mixture of endogenous and exogenous factors as a means of strengthening rural viability and capacity. The specific territorial capital (see the Inception Report) of a region will determine the appropriate balance whereby rural spaces interconnect both with complex wider networks (economic, political, governance, financial.....) as well as localised capacity and resources.

Step 1: Benchmarking the Region in a European Perspective

By *benchmarking the region*, we simply mean comparing a stakeholder region and other regions. This can be done on different spatial levels, using different types of indicators and/or typologies.

The *European Perspective* is an important perspective to ESPON, but it should also be an important perspective to regions aiming at assessing their potentials. Benchmarking the region in a European perspective should then start with comparing the relevant indicators and typologies (see below) using information from European databases (ESPON data). Representatives from the stakeholder regions of PURR also underline the importance of benchmarking their region in a national and sub-national perspective. We therefore propose that this perspective is added to the European perspective during the benchmarking process.

Spatial Level of the Stakeholder Region

Before discussing what data and typologies to use, we have to discuss what we mean by a stakeholder region. Five stakeholder regions participate in the PURR project and are therefore defined as such. One of the aims of the project is to develop a methodology that can be applied by other regions in the future. In our view, a practical definition of a stakeholder region in this sense is a region which is interested in applying the PURR methodology in its quest for determining and reaching its territorial potential. This is a relatively wide definition, covering many different types of regions, but the PURR experience shows that the regions are very different indeed.

ESPON data and typologies are generally based on the standard territorial units for statistics in Europe on a fairly aggregated level (NUTS 2 and NUTS 3). These territorial units often coincide with national, administrative territorial units or are aggregates of such. Were all the stakeholder regions NUTS 2 or NUTS 3 regions, ESPON data and typologies could relatively easily be adapted directly. However,

these territorial units are not always the most relevant ones for territorial development. Lower administrative levels, or other, non-administrative spatial units (such as "planning regions"), might be more functional and therefore also more relevant for planning and development purposes.

In PURR for instance, we have analysed five very different stakeholder regions. They are not on the same (or similar) spatial level, nor are all of them administrative units within their national system[3] of governance. In addition, they differ in size, economic structure, demographic structure, rural structure and in many other ways. Benchmarking all of the stakeholder regions using only ESPON data and typologies, which are based on NUTS 2 and NUTS 3 territorial units, was not feasible, since ESPON data and typologies were not accessible at the relevant regional level.

Relevant Indicators, Data and Typologies

Many variables influence rural development. These variables can be divided into two main categories: external and internal (or endogenous and exogenous) factors. The internal (endogenous) factors are factors that can be influenced by the stakeholder region and are discussed more in detail in step 2 below. External (exogenous) factors might be defined as factors that are determined outside the stakeholder region's control. They range from natural given factors (like location and the climate) via structural factors (i.e. demographic and industrial structure, hierarchy of centres etc.) to factors that are determined fully outside the region (world market prices on commodities, national policies, European policies).

Variables were selected from several thematic areas such as demography, economy, energy, climate change, transport infrastructure, knowledge society and innovation. Key developments in each of these thematic areas have been examined in ESPON scenario building projects, such as ESPON 2002 Project 3.2 "Spatial Scenarios and Orientations in relation to the ESDP and Cohesion Policy" and ESPON 2013 Project 2013.2.6 "Spatial Perspectives at Nuts-3 Level" (SPAN) In addition, several thematic areas that are relevant for rural areas, were selected from EDORA project. While taking into consideration demography (structural factor) and climate change (external factor), EDORA also examines such thematic areas as rural employment, rural business development, rural-urban interactions, access to services of general interest, role of cultural heritage in rural development, institutional capacity, farms structural change and the role of agriculture in rural development. These thematic areas reflect endogenous character on rural development and are therefore important for determining rural potential.

[3] The Cambrian Mountains in Wales does for instance not correspond to any statistical or administrative are within the UK governance structure.

To provide description of territories in the context of existing research in Step 1, data from ESPON 2006 and 2013 projects[4] were used. Data about area types and accessibility, natural heritage and environments, demography, climate and natural hazards, cultural heritage, energy, the role of agriculture and governance were used to provide general description of PURR areas in Step 1. To take into account the diversification of rural economy, interaction with urban areas, and their economic performance, PURR areas were examined by more nuanced structural typology elaborated in EDORA project. EDORA data was used to describe and compare PURR regions with each other and also with other regions in respective countries.

EDORA typology distinguishes between four types of non-urban regions: (1) agrarian economies, (2) consumption countryside, (3) diversified (with important secondary sector), (4) diversified (with important market services sector). In agrarian economies agriculture is still significant. Agrarian economies are those where % employed in primary sector, % of GVA from primary sector, and Agricultural Work Unit as share of total employment exceed the EU27 mean for non-urban regions. Consumption countryside is defined by eight indicators relating to tourism capacity and intensity, access to natural areas, and small scale and diversified agriculture.

The remaining rural regions are denominated as diversified and divided into two groups – (a) regions in which secondary economic sector activities were important to market services GVA. These are diversified regions with strong secondary sector and (b) regions where market services have become dominant. These are diversified regions with strong private services sector.

After dividing regions according to their structural types and their urban-rural typology EDORA project also measured their performance by composite regional performance indicator which was derived from the following variables: (a) net migration, (b) GDP per capita, (c) average annual change in GDP, (d) average annual change in total employment, (e) and unemployment rate. The analysis of performance of rural areas show that depleting areas usually face demographic ageing, low economic activity rates, low human capital and structural problems. Depleting areas are usually found in remote rural areas and have a strong trend of rural-urban migration. Accumulating areas, on the other hand, show counter urbanisation trends. They have family dominated

[4] Specific projects from ESPON 2006 programme included: 1.1.2 Urban-Rural relations, 1.1.4 Demographic Trends, 1.3.2. Natural heritage, 1.3.3. Cultural heritage, ESPON study 1.4.1. Small & Medium Cities, and Policy impact projects, such as 2.1.3. CAP Impact and rural development policy, 2.1.4. Energy, 2.2.1 Structural Funds Impact, 2.2.2. Pre-Accession Aid, 2.3.2. Governance, 2.4.1. Environment, 3.2. Territorial futures and spatial scenarios. In addition data from applied research projects in ESPON 2013 programme were used. These projects included EDORA "European development Opportunities for Rural Areas", DEMIFER "Demographic and Migratory Flows Affecting European Regions and Cities", as well as targeted analysis project TeDi - "ESPON Territorial Diversity in Europe." Intermediate report of ESPON typology compilation (2013/3/022), and Territorial Observations were used as quick reference to maps and summaries of relevant typologies.

demographic structure, diversified rural economy, higher human capital, higher economic activity and lower unemployment (EDORA Final report, 2010: 10).

In cases where comparable European level data was missing, data on national and regional level was taken into account, but since different countries use different typologies and ways of collecting statistics, comparisons across typologies in national and European level are not always meaningful. The nature and diversity of the themes and the availability of statistics mean that it is more appropriate to use quantitative indicators in some cases whereas in others qualitative data is more appropriate.

The Magnifying Glass Method

To overcome this problem, the TPG and the Lead Stakeholder of PURR (Notodden municipality) developed what we called *the magnifying glass method* for benchmarking the regions. The main purpose of this method is to apply ESPON data and typologies to the stakeholder regions even if the data and typologies are not available directly from ESPON projects and databases. This involves a two-stage process:

- *The first stage* is to locate each stakeholder region within its corresponding NUTS 2 and NUTS 3 unit. In some cases, a stakeholder region might be a part of more than one NUTS 2 and/or NUTS 3 unit. Data and typologies are extracted from ESPON projects and databases using the information relating to the corresponding NUTS units. The extracted information (data and typologies) is then compared to the European level. In the case of Notodden municipality, Telemark is the relevant NUTS 3 unit, while South-East Norway is the relevant NUTS 2 unit.
- The stakeholder region will normally be smaller than a NUTS unit. NUTS 2 and NUTS 3 data and typologies will therefore normally contain too much information to benchmark the stakeholder region itself. *The second stage of the magnifying glass process* is therefore to collect information that only covers the stakeholder region. National or regional statistical offices (where they exist) should be the first sources to gather information from. If relevant information does not exist there, other sources of existing data (existing surveys, reports, consultancy analyses and other sources of information) should be applied. Local authorities or other agencies might also be able to provide relevant information. If all potential sources of secondary (or existing) information have been emptied, and not all relevant data have been found, one has to look into the possibility of creating primary information (collecting information directly). There are several ways of collecting information directly. They are normally expensive (for instance collecting the relevant information for an indicator by asking all relevant actors) or uncertain (like surveys and/or using

experts), and the relevance and importance of the missing information has to be assessed in this perspective. This is discussed more below.

We apply data, indicators and typologies from European sources in stage one. Stage two focuses on data which can be used to construct similar indicators and typologies on the stakeholder region level, and thus can be used to benchmark the stakeholder region in a European perspective. We would, however, also like to point out that if they exist, national or regional typologies might be very relevant for a stakeholder region. Therefore, and depending on an assessment of the relevance of national and regional typologies, we think that benchmarking a stakeholder region in a national (regional) context in many cases could provide a necessary supplement to the European benchmarking.

The magnifying glass method involves looking more closely into the stakeholder region than European data allows us to. It is therefore difficult to limit the magnifying glass method clearly to Step 1 of the general methodology, as Step 2 is a continuum of Step 1.

Step 2: The Regional Context and Stakeholder Perspective

The benchmarking process, as it is outlined in Step 1, is not sufficient to assess a stakeholder region's territorial potential. As stated in all previous PURR documents, stakeholder participation is a very important part of the assessment. This was also an important prerequisite in ESPON's Tender for the project. Stakeholder participation has also been essential when developing the methodology, as well as for assessing the territorial potentials of the five stakeholder regions in chapter 3, based on the methodology developed in Step 1 through Step 4.

There are many reasons for involving the stakeholders in the process of harnessing the regions territorial potential. The first and foremost is of course that the New Rural Paradigm leaves much of the responsibility for regional development to the regions (or rather: to actors within the regions) themselves. Therefore, they have to do the work. In our view, the information provided from European databases like Eurostat and ESPON is useful in Step 1 of the process (the benchmarking), but it does not apply to each stakeholder region specifically. European data and typologies are found on the level of pre-defined territorial units (NUTS). This problem has hopefully been overcome in stage two of the Magnifying Glass Method. Still, the challenge remains to find the relevant information for the stakeholder region. When we apply data and typologies on the regional level, we move from benchmarking the region (which is necessary) to analysing the region. Analysing regional development and potential therefore requires region-specific information.

- First, data and indicators from Step 1 are not necessarily *detailed enough* to address the challenges and/or the potentials of the stakeholder region. Therefore, more relevant and detailed information has to be gathered from

the stakeholders directly. This includes more detailed structural statistics (or alternative information) as well as an overview of the "territorial capital" (natural resource capital, human capital, financial capital etc.), including traditions and history.

- Second, there might be *on-going processes in the region* that are not publicly known (networks, initiatives and so on). These processes have to be brought into light.
- Third, there might be *strong (individual) actors* (businesses, people, organisations or politicians) that influence the region's potentials. This might be viewed under the headline "human capital", but at the same time reflects something more.
- Fourth, there might be specific *governance factors* including factors connected to planning that are important in the stakeholder region.
- Fifth, there might be other factors specific to the region that at the same time are important to regional development and potential.

To access this information, we have proposed a four-stage procedure:

1. Discussions with relevant stakeholders throughout the time the project is running. This includes a discussion of what they expect the outcomes of the project will be. In PURR, the stakeholders wanted quite different things (see chapter 3), which implies that the methodology should be flexible regarding anticipations and thus contents.
2. A workshop where representatives from the TPG and the relevant stakeholders discuss questions regarding conditions for development, potential (negative or positive) development opportunities, territorial potential and the road (including measures) towards reaching the territorial potential. Guidelines for this workshop have been developed.
3. A template of questions based on the benchmarking process. The purposes of using the template are to get the stakeholders to relate their view of the region to the results of the benchmarking process and to stimulate a process of grounded self reflection among stakeholders.
4. A SWOT analysis, where the stakeholder representatives on a "free" basis are asked to define the regions strengths, weaknesses, opportunities and threats.

This four-stage procedure is designed to secure that the stakeholders contribute freely with their own inputs to the analysis as well as relate their own views to the benchmarking done by the TPG in Step 1. In this sense, Step 2 is the part of the methodology where mainly "soft" information, but also "hard" information supplementary to the benchmarking, is gathered from the stakeholders. Step 2 is necessary to be able to continue the analysis in Step 3 and Step 4.

Step 3: Assessing the Region's Territorial Potential

Step 1 and 2 are the necessary information gathering steps of the methodology. In Step 3, we aim at assessing the region's territorial potential. Step 3 is therefore where the information is analysed, with the aim of assessing the region's potential.

When analysing the information gathered, we should aim at discussing *different regional development perspectives*, given the structures of the region as well as the framework conditions for development. The different perspectives will provide the stakeholders with a range of development possibilities. When trying to determine the territorial potential, which one might say is the highest ranking possible development perspective, one has to take into consideration the region's competitiveness. Generally, the region's competitiveness increases with its competitive advantages. In order to determine the region's competitive advantages, one has to look into the region's distinctive features. These will, by definition, vary between regions. Typically, a region's distinctive features might be related to its capitals (human, resource/nature, history, financial), its structures (demographic, industrial), its accessibility, governance etc. Therefore, the benchmarking process is an important part of the methodology. The territorial potential has to be derived as the cross section between the gathered information, the development perspectives and the competitive advantage of the region.

One of the aims of PURR is that the methodology can be adapted by regional stakeholders. Above, we stated that due to the differences between regions, the methodology cannot take the shape of a "black box" where inputs are fed into the box and results in the form of territorial potentials automatically come out of it. Instead, we want the methodology to be a systematic gathering of information, where both benchmarking information and information from the regions are used to assess the territorial potential of a stakeholder region. In chapter 3, we have given a brief overview of how the methodology was adapted for the five PURR regions and the resulting potentials. The results for the five regions are an important part of PURR and as such interesting by themselves. At the same time, they also serve as examples regarding how to apply the derived methodology for these analyses. Towards the draft Final Report, we aim at developing the methodology further by describing it in a "menu" that preferably can be read and used by non-scientists.

Step 4: Policy Options and Future Development

The final step of the methodology is to discuss the relationship between a region's territorial potential and future development. This involves discussing the probability of reaching the territorial potential without local action, which is a sort of "free-market" view on development. Can the potential be reached in this case? Or is local action necessary to reach the potential?

Probably, some sort of local action will be needed. A range of actions can be taken. These actions can also be named policy options. The important thing is to choose the right policy options for the region in question. If the policy action involves public spending, the local (regional) authorities have to find the "right" way of spending money. Another question is whether the local authorities have money to spend, or if national or EU measures can be applied in a way that fits the region's territorial goals. This, of course, depends on the access to means, the system of governance and what type of policy measure one wishes to use. Other policy measures can be for instance to use land use planning as a part of the development process, to establish networks between different actors and so on. The main question is of course how to utilise the region's resources better as a part of a strategy towards reaching the territorial potential. Again, such strategies per definition have to be made individually in each region, depending on Step 3 and on the possibilities for policy actions that exist in the region in question. In chapter 3, we have discussed this for the five stakeholder regions in PURR. Below, we present some general views on the systematic use of scenario techniques, which might be adapted as a part of Step 4. We have already applied parts of this technique in Chapter 3, but will look deeper into the question of doing it in a more systematic way as a part of the work towards the draft Final Report.

Scenarios

A variety of development paths for rural regions are possible. First, these paths depend on the very nature of changes that stakeholders are trying to promote. In so called pro-active scenarios stakeholders have full perception and even anticipation of change which may soon be under way or is already happening. In pro-active scenarios policy makers actively consider new policy goals and styles and are active in pursuing them. In trend scenarios (sometimes called – status-quo scenarios) stakeholders are not active in pursuing new policy goals and styles. They might not be aware of the change to come. In some cases, costs for changing the status-quo are seen as too high and the status-quo is retained. Though, the usual way of doing things is accepted in trend scenarios, several external factors, such as climate change, economic turbulence, energy paradigm, large scale natural disasters, can give rise to sudden breaks, which stakeholders are not ready for. In some cases, stakeholders show very weak reactivity to changing internal and external context and are explicitly opposing policy innovation, new technological opportunities and new markets. This scenario has been described as defensive scenario in ESPON Span-3 project (ESPON SPAN-3, 2010).

Secondly, development options can be chosen with respect to specific values that shape policy concepts. The distinction between equity and efficiency oriented policies is often made to reflect broader debate about territorial cohesion and competitiveness considerations in national and EU level. Both considerations are

very important in policy making, and have been accompanied by extensive debate since the last half of the 20th century. Equity oriented policies aim at mitigating internal social, economic and territorial diversities in development and income, whereas efficiency oriented policies aim at boosting faster economic growth, via improved efficiency and competitiveness. Cohesion-oriented options policy options place with social, economic and territorial cohesion as top priority in all areas. Priority is given also to environmental and health related concerns. In cohesion scenario policy rural diversification is active, and opportunities for SMEs, tourism and residential functions are encouraged. Reducing disparities between different levels of development among the regions and reducing backwardness of the least favoured regions has been one of EU's key ambitions (see, Treaty on European Union and of the Treaty Establishing the European Community Treaty, 2006: Art 158) Over the past few decades the relevance of cohesion type policies has grown. Regional policy has became one of the most important policies of the Union and now represent over 35% of the Community's budget expenditures.

In the same time, it has been recognized that Europe lags behind America and Asia in terms of lower expenditure to R&D, smaller amount of venture capital, lower level of labour and capital mobility, and innovation. Lisbon Strategy marks a point of departure for more decisive orientation of EU's economy towards most competitive knowledge-based economy in the world. Competitiveness oriented policy options places competition as the key objective of all policies. It offers to invest in areas and sectors with more potential to guarantee higher returns in the future. Free market solutions, innovation based strategies and investments into competitive industries and territories are seen as key strategies for reaching optimal development solutions.

The debate about equity vs. effectiveness stretches across different levels of policy making, but ultimately come down to the question: what share of budget should be spent on specific purposes? How different territories and sectors benefit from specific measures? How should governance, economic and social sectors be reorganized to reflect certain values.

Recent financial and economic recession not only exposed vulnerabilities of previously fast growing economies in East and Central Europe but also increased discrepancies between more developed and less developed regions in Europe. In response to financial and economic recession EC proposed 10 year strategy for reviving the economy - Europe 2020. It set three mutually reinforcing priorities for increasing Europe's competitiveness in the world, such as smart growth (developing an economy based on knowledge and innovation), sustainable growth (promoting a more resource efficient, greener and more competitive economy) and inclusive growth (fostering a high-employment economy delivering social and territorial cohesion). Fifth Cohesion Report was launched to support the Europe 2020 strategy and highlight the contribution that European regions can make to meet these objectives. It was emphasized that Europe 2020 headline targets

cannot be achieved only by policies formulated at EU or national level alone. This agenda could only succeed with strong national and regional participation and ownership on the ground. Therefore it was necessary to strengthen connections between European and local perspective. To achieve this objective territorial diversity first had to be acknowledged and then turned into strength, as the Green Paper on Territorial Cohesion stated (Green Paper on Territorial Cohesion, 2008: 616) This stance symbolized departure from traditional approaches which focused on remote rural areas as "permanent handicaps" and "additional costs." (ESPON TeDi, 2010: 16) Instead endogenous development strategy of development was advocated. In this strategy regions had to increase competitiveness of their local assets and capitalize on existent potentials. However, a risk associated with the focus only on endogenous potentials is that by focusing only on individual territories and cases, rural areas can fail to consider opportunities for external territorial cooperation. In fact, such cooperation takes place inside and outside national borders.

In post-recession economy, policy options in PURR rural regions are to large extent influenced by interventions in public sector. These interventions have already changed economic and political landscape, especially in Latvia and the UK. ESPON SPAN-3 project distinguishes between two fields of policy making. Demand generating policies provide exit from the present deficit of Member States budgets in form of indirect public expenditure or appropriate regulatory policies, creation of new sources of aggregate demand, like the opening up of new markets, launching of new production paradigms, the conquest of new internal and international markets through enhanced competitiveness of local production and smart utilization of public procurement of goods and services. Supply generating policies involve provision of internal infrastructure, far looking regulatory policies, structures of economic incentives and regional policies (ESPON SPAN-3, 2010: 37)

Since these policies are in fact policy packages, they largely depend on successful planning and implementation in local, regional, national and EU level. This is the role of governance. In today's world of growing interdependency and vulnerability to external risks and opportunities governments must not only provide effective administration and re-distribution of resources, but also encourage strong cooperative behaviour and knowledge sharing among institutions and various social groups. Therefore important catalysts of successful policies are not only government structures but also established relationships. Cooperation and coordination capacity of governments are important determinants of policy outcomes. Unlike traditional styles of governance which emphasize hierarchy, multi-level approach to governance emphasizes involvement of many stakeholders in each level of authority (Böhme et. al., 2004). In addition to multi-level approach, policy making should address issues of different sectors (multi-sector governance). Finally successful territorial governance combines the

strengths of multi-sector governance and multi-level governance and leads to strategic vision and policy making for the territory.

Central to design of policy options and the assessment of policy impacts is the notion of balanced development of territorial capital. ESPON TeDi project has found, that in some areas development difficulties might be not so much because of the lack of development assets but more because of insufficient coherence of economic, social and ecological dimensions of development. This makes future development unsustainable. In this sense, potentials of rural regions can be seen as possibilities of improving coherence between the components of territorial capital. ESPON TeDi examines local development by combining three main components of territorial capital. These are human capital, natural resources and territorial positioning, and institutional context & governance structures (ESPON TeDi, 2010: 21-22)

Summing Up

We have proposed a methodology in four steps. Step 1 and 2 are mainly about gathering information, while Step 3 and 4 are mainly about analysis. Each of the four steps might involve more than one stage.

Step 1 Benchmarking: The main feature here is the two-stage Magnifying Glass Method, which aims at using existing information to benchmark the region in a European and national (and regional) perspective using data and typologies mainly from EDORA and national sources.

Step 2 The Regional Perspective: The purpose of this step is to gather supplementary information from the stakeholder regions. We have proposed a four-stage procedure to gather this information. This involves informal discussions (stage 1), a more formalised work-shop with guidelines (stage 2), a template for discussing the results of the benchmarking process with the stakeholders, which is supplemented with a questionnaire (stage 3), and a SWOT analysis (stage 4).

Step 3 Assessing the Territorial Potential: The purpose of this step is to apply the information from the previous steps to discuss different regional development perspectives, and to discuss which of them best represents the region's territorial potential.

Step 4 Policy Options and Future Development: The purpose of this step is to discuss what actions to take to reach the territorial potential, within the general framework of which options that exist. This step might include a discussion of *systematic scenarios*, which we will look into as a part of the draft Final Report.

These steps together represent the methodology that has been applied to the five PURR regions in chapter 3, but also the methodology proposed by the TPG as the framework for analysing the Territorial Potentials of Rural Regions. Our view is that the stakeholder representatives in PURR have had an important role in

developing this methodology, which has been developed in dialogue with them. However, the stakeholders are also an important part of the analysis. Especially in Stage 3 and 4, we think that the analysis cannot be done without stakeholder participation. When we have developed the "menu" as a part of the final report (see Stage 3), we hope that the methodology will help future stakeholders assessing their potentials without expert assistance. Our methodology represents a systematic way of gathering and processing information, but it cannot be applied without some analytical capacity in stage 3 and 4.

3. Main Results so far

In this chapter, we present the main results of the project so far. The results have been derived by applying the methodology in Chapter 2 to the five stakeholder regions in PURR and are based on European data, National and Regional data, and on data from and discussion with representatives from the stakeholder regions.

3.1 Notodden

The stakeholder region of Notodden (see Map A1 in Annex 3) is a municipality located in the eastern part of Telemark county. Telemark is a NUTS 3 region and is also a part of the NUTS 2 region Sør-Østlandet. Notodden is, in other words, categorised below NUTS 3, but is an administrative unit (municipality) within the Norwegian three-tier government structure (which consists of the state, 19 counties, and 430 municipalities). It is located within all of an hour's drive from Oslo (using standard travelling speed, 60 km/h, the distance is estimated at 115 minutes).

Notodden is a part of the Kongsberg region. Kongsberg is a city region, located in Buskerud county east of Notodden, on the way to Oslo. Notodden's neighbour, Tinn, is also a part of the Kongsberg region. Notodden and Tinn share many similarities, both regarding economic structure and regional development, and the two municipalities cooperate on many levels. Although Tinn is not a stakeholder in PURR, the development perspectives of Tinn are also touched upon below.

Step 1: Benchmarking the region

If we accept that all PURR regions are rural by definition (chapter 2), then Notodden of course is also a rural region. The EDORA project uses several typologies for classifying European NUTS III regions (annex 2). The following table presents these for Telemark:

Code	Label	Value
DTP Type no	Urban-rural typology (Dijstra Poelmans types)	Predominantly rural remote
Stype	Structural typology for non-urban regions	Consumption countryside
A-Dtype	Performance typology for non-urban regions	Accumulating
Comptype	Combining urban-rural typology	PRR consumption accumulating

Source: ESPON database

The table shows that Telemark is *a rural and remote, countryside* region when we look at the population density and distance to a centre of more than 45,000 inhabitants (DTP Type). Telemark is at the same time structurally classified as a *"consumption countryside" region* (Stype) which is defined by eight indicators relating to tourism capacity and intensity, access to natural areas, and small scale and diversified agriculture. This implies that the economic structure is nature

based and not very diversified, but it is not an agrarian economy. One might argue that this structural typology is coherent with the fact that Telemark is a rural region where agricultural domination is relatively low. Based on indicators on net migration, GDP per capita, change in GDP per capita, unemployment and change in unemployment, Telemark's performance is good. Telemark is defined as an *accumulating region*. The classifications for Telemark in the table are the same as the classifications of 10 (out of 18) regions (counties) in Norway.

Benchmarking Notodden and Tinn using national statistics reveals that these two municipalities' scores are quite similar to Telemark's (detailed data can be found in the forthcoming case study report on Notodden, see chapter 4 below). This implies that both Notodden and Tinn can be categorised within the same typology as Telemark (see table above). However, in a national context, Tinn would be categorised as more of a rural region than Notodden. This is mainly due to lower accessibility, as the distance to a major centre is significantly higher. The lower accessibility of Tinn also reflects that the distance to Oslo is greater (160 minutes using standard travelling speed) than from Notodden. The accessibility is also weighted together with other indicators in the national Periphery Index (PI), reflecting that Notodden is ranked 169 and Tinn 323 on a centre-periphery scale out of ca 430 Norwegian municipalities (Johansen et al 2006).

Step 2: The Regional Context and Stakeholder Perspective[5]

Notodden and Tinn are by definition rural municipalities, Tinn more than Notodden. However, the settlement structure in both municipalities is centralised to Notodden and Rjukan, respectively, and regional development in these municipalities is centralised. This fact also dominates the stakeholders' perspective on regional development. The discussion below focuses on the municipalities as a whole, although many of the comments relate more to the central than to the rural parts of them.

Both Notodden and Tinn are energy and water producing communities. The access to water was imperial when these municipalities developed from agrarian to industrial economies in the early 20th century. Hydro electric power was used for developing high-energy consuming industrial plants located close to the energy source. Intermediates, as well as the finished products, were transported from and to the coast on inland waterways. Later, roads and railroads were used for transporting the goods. During the 1900s, both Notodden and Tinn were prosperous towns, and their economic base was these large plants. In the 1980s, the large plants were shut down with a following economic recession (especially in Notodden) and re-structuring of the local economy in both municipalities. Since the 1990s, restructuring contributed to growing economies in both municipalities, although the recession of the late 1980s and the early 1990s hit them more

[5] Based partly on the forthcoming case study for Notodden, see chapter 4.

severely than the rest of Telemark and Norway as a whole. Today (2009), the number of employed people is about the same in both municipalities as it was in 1986 (in the same period, the number of employed people grew by more than 30 per cent in Norway as a whole and around 15 per cent in Telemark). In this sense, the re-structuring process in Notodden and Tinn was not enough to prevent these municipalities' economy to be hit harder than the national and Telemark averages, probably due to the one-sidedness of the economy.

Today, both municipalities emerge with a re-structured economy which still is dominated by the secondary sector, but which is much more diverse than before. This implies that future development will not depend as much on the development of one company as before. The secondary sector is a relatively larger part of the economy in Tinn (12 % of employment) than in Notodden (10 % of employment). Energy and water is still an important sector, relative to its importance in Norway as a whole. In addition, building and construction is important in Tinn. The public sector is very important in Notodden (45 per cent of employment) and Tinn (40 per cent of employment, equal to the Telemark average), well above the national average of 38.4 per cent. This might be explained by the fact that a hospital as well as an institution of higher education are located to Notodden, and that Notodden is regarded a regional centre for East Telemark. Borh municipalities seem underdeveloped within more advanced (or specialised), for instance financial and business, services. The same applies to hotels and restaurants.

Notodden is twice the size of Tinn (12,000 vs 6,000 inhabitants). Both municipalities have seen the population decrease since 1980, more in Tinn (15 % decrease) than in Notodden (a couple of per cent decrease). The population of Tinn has decreased continuously during this period, while the population figure of Notodden has been relatively stable. Both municipalities show an ageing population, with relatively few people up to the age of 45 compared to the national average. The share of population above 50 is, on the contrary, high. This means that population projections are negative in both municipalities, unless in-migration among younger age groups commences. In Notodden, there has been an excess in-migration for three years leading up to 2009, but we cannot observe the same change in Tinn.

In the 1990s, in- and out-commuting was quite balanced. This has changed. Today, both municipalities provide other areas with labour. At the same time, unemployment was reduced from well above the national average in the 1980s to about the national average and is today around 2 per cent (Notodden) and even less in Tinn.

In other words, the population of Notodden and Tinn has adapted to the changing conditions following the de-industrialisation in many ways. Today, almost everyone (who wants it) has a job, although some parts of the labour force commute to other areas.

The supply of public services is good in both municipalities. The local authorities claim that there is excess capacity in the schools and in the kindergartens, and that they therefore are ready to receive more families with children. There is an access to relatively inexpensive houses and to areas for building new houses.

Norwegian regional policy aims are to preserve the settlement pattern (population) and to develop viable regions all over the country. Although these aims are national, they are also important within the regions. The financing of the local (and regional) public sector depends partly on taxes and thus on income levels locally. In addition, there is a national system for re-distributing income between municipalities. Demographics are very important in this system. Therefore, demographic development influences municipal income both via local taxes and via the income system. Municipalities loosing people will also loose income, which will have impacts on the supply of services. Therefore, it is very important for the local authorities that the number of inhabitants does not decrease.

Generally, the responsibilities for carrying out development policies are divided between three tiers of government. *The state level* is responsible for the overall provision of welfare services, for legislation, for infrastructure development and for policies in general. One ministry has the overall responsibility for regional development policies, although many ministries' policies influence regional development. Some of the responsibilities for regional (industrial) development have been delegated to *the county level*, which is encouraged to establish regional partnerships to promote development. The county level also has some money to do this. *The local (municipal) level* is responsible for local development. Local authorities normally control only limited funds allocated for business development. These funds are normally allocated via the regional (county) level directly to projects, after applications. Local authorities are responsible for producing local welfare services (child care, primary education, primary health care, old people's care, technical infrastructure, culture and so on). The three-tier system of governance implies that there are many government agencies involved in regional development. Although the division of labour between the tiers is relatively clear, regional development is influenced by decisions taken at all three tiers, and sometimes there will be conflicts of interests between them. In addition, there are different agencies, public, semi-public and private, that have formal and informal sayings in these processes. Therefore, and especially within the area of regional development, the system of governance might contribute to the situation being a bit blur.

If we turn to the stakeholders' views (see also the SWOT results in Annex 3), there is an agreement between different actors in both communities that the *industrial heritage* is an important part of their past and also will be of their future. There are, however, disagreements about how this asset should be used. Some feel that developing more industry should be the way to go, while others

think that tourism based on the industrial heritage is more modern and directed towards the future. Therefore, and because of the natural beauty of the area, developing *tourism* is thought to be an important strategy to follow. Notodden and Tinn have applied to become listed at the World Heritage List (WHL) as pioneer industrial areas. The industry fraction also thinks that local networks of SMEs can continue to provide the Kongsberg area with *sub-deliveries*, which might be an important future development perspective for Notodden. Both Notodden and Tinn want to develop more *knowledge-based* industries in the future, and think that it is important to utilise also informal knowledge, or the industrial traditions of the area, in this. Finally, Notodden wants to continue developing as *the regional centre* for Eastern Telemark. Secondary and tertiary education, as well as a regional hospital, have been important factors so far. Developing the town centre and the outskirts of the town with shops, shopping centres and warehouses are examples of ongoing and planned activities to strengthen this. In addition, Notodden is a hub in the *regional transport infrastructure*, which they try to contribute to develop further.

Generally, there are two main challenges for the region, which can be elaborated deeply and in many directions. First, the challenge of demographics, the age structure and (future) de-population, and second, the challenge of industrial development, economic and labour market growth in the area. Notodden wants to develop in a positive direction regarding both these factors.

First, the provision of local public services is good in Notodden (and Tinn). They "produce what they need", and the capacity of adding the demand for such services from potential new inhabitants is good. In addition, the housing market is good, with a good supply of houses as well as of land to build houses. One might on the other hand argue that there is a lack of smaller flats, aimed at new single-person households. Notodden is located quite centrally, in the middle of Eastern Norway and close to Kongsberg and Oslo, which might contribute to making the town attractive for commuters. They also have a couple of large, public employers (schools, hospital). However, the "reputation" of the town is probably not so good, connected to both industrial decline and some social issues.

In this sense, it is important to develop the town further. To do this, several *local networks* have been established under the guidance of the local authorities. There is an incubator and a local fund (with some money, but restricted access) for industrial development. A semi-public company (PPP) works with industrial and place development. There are several local organisations interested in local development.

There is, on the other hand, a *lack of financial capital* in the region. This is an important factor when local politicians try to increase access to national capital and funds for rural development. National means are not directed towards large enterprises, but towards SMEs, which might be restrictive in a town used to large companies.

Locally, there is a great deal of optimism towards the future. Notodden is an active municipality, with many active citizens, and they are more than aware of the challenges lying ahead of them. They have organised many formal and informal activities aimed at planning the future, and this territorial capital might substitute some of the lacking financial capital in the region.

Step 3: Assessing the Region's Territorial Potential

The territorial potentials of Notodden and Tinn are tightly connected to the industrial heritage. Their potentials lie first in developing tourism connected to the industrial heritage, and they have already taken steps towards becoming listed on the WHL. This involves the waterways as well as the old factory buildings and areas. Second, the industrial heritage has been an important part of the re-structuring of the local economies. Today, the manufacturing sector is still very important, but now each company is smaller and less dominating. This means that the economic development of the region to a lesser degree depends on the development of one company. The proximity to the Kongsberg milieu is also an important factor in developing the manufacturing sector further. The knowledge connected to the industrial heritage might be utilised for developing knowledge-based industries further in the future.

Both towns of Notodden and Rjukan are tightly connected to the industrial heritage. The municipalities are also areas of natural beauty outside the towns. Therefore, tourism's second "foot" in these municipalities is the natural beauty for forest and mountain hikes, both at winter and summer time. There are many holiday homes of different sizes and qualities, where the relative proximity to the densely populated area around Oslo, Drammen and Kongsberg makes the area accessible for many people.

One important potential for Notodden is to develop the function as a centre for East Telemark further, serving the population in neighbouring municipalities with public (especially public offices, the hospital, secondary and tertiary education, and transport infrastructure) as well as private services. There is clearly room for developing especially specialised private services further, although the market for some specialised services is limited.

There is clearly a potential for increasing the population in both municipalities. Young families need a house, two jobs and good public services. We have already pointed at the relatively affordable houses and areas for building new houses that are accessible today. The provision of public services is also good, and so is the capacity for admitting new children into both kindergartens and primary schools. At the same time, Notodden and Tinn can offer clean air and natural beauty. Therefore, the main challenge for attracting new families is probably connected to the labour market. Although unemployment is low, the employment growth has been lower than the Telemark and much lower than the Norwegian average, resulting in moderate population decline in Notodden and strong population

decline in Tinn, and increased out-commuting from both municipalities. Further population decline will via income reductions influence the ability to produce good public services, which again might lead to reducing the attractiveness to new families. There is, in other words, a potential for increasing the speed of the negative population spiral. Whether the "bad reputation" that Notodden has, really matters when it comes to attractiveness, is a question of dispute. According to the attractiveness barometer developed at Telemark Research Institute, the "bad reputation" doesn't matter. Whether they are right or wrong is one question, but it is probably better with a good reputation than a bad reputation.

To conclude, there are potentials for developing Notodden and Tinn further. We do think it is important that the industrial development perspectives discussed above result in new jobs. If there is demand for labour, people will probably follow. Therefore, priority should be given to job creation in the sectors above.

Step 4: Policy Options and Future Development

There are several directions Notodden and Tinn might take in the future. We have discussed the potential for further population decline. There are many places potential new inhabitants can move to in Norway and in Telemark. Therefore, it is important what Notodden and Tinn can offer. Our view is that the area has natural beauty and fresh air, it has affordable housing and areas to build new houses, and it can offer potential inhabitants good public and private services. The (interesting) jobs are missing, and they should be developed to try to attract new inhabitants. Before discussing how this can be done, we will discuss *who* the new inhabitants might be.

In our view, there are two main categories of new inhabitants. One is the category of people that has some sort of connection to the area (they have a family there, they have grown up there and taken work or education elsewhere, or they have other ties). Experience shows that some municipalities have succeeded in promoting the area to these people. This can be done for instance by inviting them back to see what the region has to offer or in other ways telling them why they should come back. A positive growing up environment is important in the longer run, as they will rather have their children grow up grow up there if their memory of the place is good. The other category is the people who have no connection to the area. They are probably more difficult to attract in competition with other regions. The question is what Notodden and Tinn have to offer, which of course has to meet the taste of the potential newcomers. Notodden and Tinn have plenty to offer, but not so much work.

Therefore, we think that the steps that already have been taken towards developing the region along the industrial heritage, tourism, the manufacturing sector and centre for East Telemark are important steps in the right direction. However, more has to be done.

First and foremost, infrastructure development is very important. Here, we think especially about infrastructure connected to tourism. As previously noted, there is a lack of hotel and restaurant services. Although an important hotel (Bolkesjø) was shut down in the near past, there should be a market for more hotels if the tourism industry is developed further. In addition, the things people come to experience could be developed further. Being listed in the WHL will help, but Notodden and Tinn should cooperate to develop this into a tourism product. Similarly, and probably more in Notodden than in Tinn, one could develop the experience of being a nature seeker further by developing infrastructure to increase this experience. This might actually involve the construction of skiing slopes and so on.

Other infrastructures could also be developed. Although Notodden is a transport hub, the infrastructure is not satisfactory. Especially the road to Oslo is underdeveloped, the railroad is in danger of being closed (too few passengers) and the airport, which recently was upgraded, needs more traffic.

When it comes to developing Notodden town further as a centre for East Telemark, to attract visitors for shopping and utilising public services, the question is what strategy to choose. There is a dispute in Notodden whether to develop the town centre or to develop shopping centres outside the city centre. To create jobs, it is important to choose a strategy that will attract people to spend money in Notodden.

Notodden and Tinn are aware of the challenges they face in developing the regions further. They have, though, pointed in some directions. The lack of financial capital is a draw-back. However, there is a development fund in Notodden, which has some money, but restricted assets. An incubator also exists, which offers some services to small enterprises. In addition, local networks under the guidance of the local authorities have been established. They work with development issues. All these resources should be mobilised together under the guidance of the local authorities. Local resources can, to a certain extent, replace the lacking financial capital in developing the region further. Focus should be on job-creation within the areas proposed by the local stakeholders. This will contribute to attracting more people, and to creating more optimism in the region more generally.

3.2 Dumfries and Galloway

Step 1: Benchmarking in a European Perspective

The stakeholder region of Dumfries and Galloway is local government administrative area in the South West of Scotland which has had unitary powers since 1996.

The classifications of the stakeholder region according to various typologies developed from the ESPON database given in the table below. Though such

typologies tend to be static rather than dynamic, they do provide an insight into some of the characteristics of a region at a particular point in time.

Dumfries and Galloway (Code UKE 22) set against Edora Classifications using Nuts 3 data

Code	Label	Value
DTP Type no	Urban-rural typology (Dijstra Poelmans types)	Predominantly rural accessible
Stype	Structural typology for non-urban regions	Diversified (with important market sector)
A-Dtype	Performance typology for non-urban regions	Above average
Comptype	Combining urban-rural typology	PRA diversified above average

Dumfries and Galloway is classified as predominantly rural accessible (PRA) area according to the Dijstra Poelmans typology (as opposed to predominantly urban, intermediate remote / accessible or predominantly rural remote). PRA regions are generally sparsely populated but the majority of the regional population live within a 45 minute drive of a major city. Such regions generally tend to be losing population and economic activity though not to the same extent as predominantly rural remote regions. According to the structural typology for non-urban regions Dumfries and Galloway is classified as diversified with important market sector (as opposed to agrarian or consumption countryside). The ratio of secondary sector to market services GVA is used to distinguish between those where the secondary sector is dominant and those where the market services have become dominant. According to the performance typology Dumfries and Galloway is characterised as above average in terms of economic activities and demographic trends.

Rural typologies are considered by the Scottish Executive to be valuable in informing policy development and development control and to communicate the diversity of different types of rural areas for which diverse policy responses are required. Within the UK context it is often argued that Scotland and Wales are 'more rural' than England and clearly rurality and extensive rural areas are among the key characteristics of Scotland. The Scottish Government's (2010) *Urban/Rural Classification 2009-20013* uses population and accessibility criteria to distinguish between urban and rural areas to generate a 6-fold classification which distinguishes between urban, rural, and remote areas through six categories, and an 8-fold classification which further distinguishes between remote and very remote regions. According the 6-fold classification most of Dumfries and Galloway (in-fact most of Scotland) is classified as 'remote rural',

with areas of 'accessible rural' around the towns of Dumfries and Stranraer. The 8-fold classification further distinguishes the more remote areas between 'very remote' (primarily in the vicinity of the New Galloway Forest and the highland areas in the north of the region) and 'remote'.

The *South of Scotland – Economic Review 2009* (Scottish Enterprise, 2009) compared the performance of the South of Scotland (an economic planning region which includes Dumfries and Galloway) against a number of other rural benchmark areas in the UK including the Scottish Highlands and Islands, Cornwall and the Isles of Scilly, Cumbria and Northumberland. It used headline data in the areas of GVA Growth, Productivity, Labour Market Participation, Population, Wage Levels and CO^2 Emissions to conclude that the South of Scotland in terms of the key indicators in the National Performance Framework for Scotland:

> "…has underperformed relative to the national averages across the key economic indicators of GVA growth and productivity. However, the region compares favourably on these measures relative to other rural areas within the UK that have similar industrial structures. Similarly, despite being lower than across both Scotland and the UK, wage levels in the South of Scotland are around average for a predominantly rural economy." (p.54)

Step 2: The Regional context and stakeholder perspective

A wealth of data is available to provide more microscopic and forensic description of the stakeholder region. Key sources include the labour market and economic profiles produced by the Office for National Statistics and the Scottish Government, the General Registrar Office for Scotland's *Council Demographic Fact Sheets,* in addition to local studies by organisations such as the Dumfries and Galloway Employability Partnership and Scottish Enterprise.

Setting the region within the context of the UK and Scotland a number of features are revealed by key statistics drawn from these data. In 2009 its population was estimated at 148,510, which accounts for 2.9 per cent of the total population of Scotland. Across a total area of 6,426 sq km it has a dispersed settlement structure with only two towns with a population over 10,000: Dumfries, 31,600; and Stranraer, 10,380. Average population density is 23 persons per sq km. It has a stable but aging population. Distance and travel times to Scotland's major urban centres from Dumfries, the largest urban centre, are Glasgow (124 km, 1hr 28mins) and Edinburgh (127kms, 1hr 57mins).

The region has an above average retired population, projected to increase on current trends still further by 2033. People aged 16-64 account for 61% of all people in Dumfries & Galloway which is lower than for Scotland as a whole.

The economy of the region generally lags behind that of the UK and of Scotland. Whilst data from 2010 shows unemployment across the region is relatively low at 3.6% (compared to the national average of 4.8%) the region has below average wage and household income levels. The area has a relatively low GDP per head,

73% of the Scottish average in 2001. The economic structure has a number of distinctive features. Compared to Scotland, there are a higher per cent of jobs in the primary sectors of agriculture, forestry and fishing (15.0% compared to 5.5% Scottish average), with significant specialisation in a number of key sectors including food and drink, tourism and forestry industries. However, business and financial services employment is much lower, accounting for only 8.2% (Scotland 17.9%).

SMEs in Dumfries & Galloway employ a significantly greater proportion of all workers compared to Scotland as a whole. Small businesses account for 93% of businesses and 53% of business employment (Scotland is 96% and 35% respectively) and 27.5% of employees are in workplaces under 10 people (Scotland is 18.8%). Self employment at 15.8% of the economically active population is also above the Scottish average of 10.6%. Only 17.1% of employees are in businesses of over 200 staff (Scotland 33.6%). Public sector employment is an important element of the local economy with 31.2% (approx. 18,400 people) of employees accounted for by public administration, education and health care, compared to 24% for Scotland as a whole.

Economic strategy and policy development in Dumfries and Galloway sits within an extensive and nested hierarchy of policy advice and tiers of government and associated agencies and networks. These establish important policy discourses and development objectives which in turn have important consequences for local stakeholders and their access to funding streams. At the Scottish government level these include the: *Scotland Rural Development Programme (SRDP) 2007-13*; the 2007 *Economic Strategy*, which embodies five strategic priorities for economic growth; and the 2008 *National Planning Framework (2)*. The latter of the above, for example, suggests that a 'positive sense of place' is an important part of rural areas and that as the rural economy changes:

> "…a high quality environment and a strong cultural identity will be key assets in promoting sustainable growth, economic diversification and community development. Key attributes of a competitive rural area include a diverse employment base and high activity rates; good physical and digital connectivity; high quality higher and further education provision; good public and private services; and strong, outward-looking communities with confidence in the future." (2009, p.?)

The Scotland National Rural Network at http://www.ruralgateway.org.uk/ aims to promote co-operation and best practice between schemes and programmes operating under the Scotland Rural Development Programme. Scottish Enterprise, Scotland's national business development agency, acts through its regional offices as an intermediary to the efforts of more localized economic development agencies and strategies. For Dumfries and Galloway this includes the 'South of Scotland Alliance' and its 2006 South of Scotland Competitiveness Strategy.

The input of local community planning partners into local rural development strategies is to be found in the 2008 Dumfries and Galloway Regional Economic

Strategy approved by Dumfries and Galloway Local Economic Forum and seeking to provide a six year strategy to create an innovative and sustainable rural economy. Leader Programme Projects 2007-2013 in the region are also an important and innovative source of community participation and development (see Building Resilient Communities, Leader Good Practice Guide, Dumfries and Galloway 2008-2010). The strength of multi-partner organisational cooperation is shown through the Dumfries and Galloway Regional Tourism Strategy 2011-2016 which involved the work of Dumfries and Galloway Council, 'destinationdumfriesandgalloway' (DD&G) and Visit Scotland.

The above policies detail not just broad policy ambitions but comments on a range of specific projects, delivery mechanisms and monitoring strategies. Drawing upon these, in combination with the qualitative outputs of stakeholder engagement workshops, the SWOT analysis below signals some key features of local territorial capital, important governace features and on-going processes, initiatives and networks in the region that are important to regional development and future potential.

Table: SWOT analysis of the challenges and opportunities influencing the territorial potentials of the region

Strengths	Weaknesses
Considerable territorial capital and natural asset base. High quality highland and coastal landscapes, heritage and cultural assets. Extensive renewable energy capacity. 30% of the Scottish dairy industry is concentrated in the region.	Economy of the region lags behind that of the UK and of Scotland. An aging and geographically dispersed workforce, with low average earnings, low skill levels and low productivity. Low-wage economy characterised by part-time and seasonal work.
Growing presence in a number of developing markets such as renewable energy.	Lack of diversity, critical mass and capacity in private sector (94% employ below 50 employees). Relatively low value added companies with GVA per head below the national average across almost all industry sectors.
Industrial land and business premises are relatively cheap. Dominance of small and micro-businesses provides flexibility and adaptability in labour market.	Economy reliant than on traditional manufacturing and land-based industries such as agriculture, forestry food processing, retailing and tourism. Few jobs in knowledge intensive companies and new growth sectors.
Much of the region is strategically well placed on major road and rail routes between Scotland and England.	Shortfalls in physical infrastructure, such as road and transport links and need for rapid in water and sewerage capacity inhibit development and potential barrier to growth and competitiveness.
Private housing stock attractive to retirement, second home and holiday let investment.	Shortages and need for better quality affordable and social housing.

Public sector employment has provided secure work and its income multipliers have helped stabilize the regional economy. Past record of public sector office re-locations to the region (e.g. NHS Central Registrar to Dumfries).	Ageing population places pressure on public services and contributes little to regional economic output. Dispersed settlement structure of the region a challenge for service provision.
Good track record in early and in secondary education and developing track record in local Further Education and Higher Education provision.	Declining numbers of young people affect viability of schools and children's services.
Diverse tourist product: passive and active recreation, natural beauty, culture and event based tourism.	Seasonal nature of tourist product.
Opportunities	Threats
High quality environment and territorial capital offering good opportunities to attract skilled people to the area for living and work-life balance.	Need to ensure existing residents benefit from economic development and are supported to ensure that their contributions are made effectively.
Further development of the new rural economy. Common Agricultural Policy reforms in Scotland now provide more clarity and confidence to farmers to progress diversification and adjustment strategies.	Diversification initiatives so far had limited impact despite extensive resources. Farmers arguably should take relatively small step into food processing and local food chains rather than diversifying into completely new areas.
Agriculture, forestry and food processing industries will remain an important economic and employment driver for the region if value can be captured and added locally. Many sectors have a strong reputation for excellence. May capture large employers.	Vulnerability of public sector to spending cuts could have a serious impact on regional employment, wages, local supply chains and income multipliers.
Further develop diversity of tourism sector, including new 'creative tourism initiative' and capitalise on specific regional qualities.	Lack of coherent branded tourist identity compared to key UK tourist competitors such as Lake District in England and the Highlands and Islands in Scotland.
Roll out of broadband infrastructure and technology through a range of initiatives including South of Scotland Broadband Pathfinder project	Potential closure of more 'marginal' service provision in geographically peripheral areas a threat to low density regions such as Dumfries and Galloway.

Further development further and higher education at Crichton Campus to (which houses parts of the University of Glasgow, the University of the West of Scotland and Dumfries and Galloway College) to increase local skills base and knowledge transfer partnerships with local industry.	Student recruitment totals subject to capping and new student borne financing arrangements
Further transport infrastructure, service improvements and major projects (Prestwick airport and Loch Ryan port development) as identified in national planning documents.	Tensions between retaining the integrity of place whilst also developing the necessary infrastructure for tourists and economic development.
Further development of renewable energy technologies and associated support industries. Important to capture local value and employment growth.	Potential tensions between the development of externally controlled and driven renewable energy initiatives and the natural heritage of the region.
Capture local benefits of Scottish 'City Region' agenda through relieving cost pressures in the urban economy and offering quality of life benefits.	National economic development policy currently prioritises City Regions and other non-local priority industries as the main drivers of growth. Likely to be reflected in Scottish Executive funding decisions.
Strategic "City Axis" position offers potential re-location of Small and Medium Sized Enterprises (SMEs) and "back room" services for larger companies. Potential cross-border co-operation with neighbouring rural economies of the north Northumberland and Cumbria and Carlisle and Belfast urban centres.	Economic dependence on small businesses with only a limited number of large employers limits potential to make 'step-changes' to the regional economy. Many existing large employers pursuing low wage labour and still struggle to recruit at peak periods.
Relative accessibility of devolved powers within Scottish Executive. South of Scotland Alliance and South of Scotland Forum important role championing the needs of the area.	Compared to other rural areas in Scotland, with more long standing policy profiles and lobbying mechanisms - such as the Highlands and Islands - rural character and associated problems less well recognised.
Track record in partnership, delivery both among public sector organisations and between the public, private and 3rd sectors.	Absence of a networked collaborative culture within and across small businesses.
High quality and innovative Leader based projects. Community organisations, voluntary sector and social enterprises may provide services where the public sector withdrew from provision. Retired population potential resource for voluntary organisations.	Region has volunteer organisations but few social enterprises. Community skills unevenly distributed.

Step 3: Assessing the region's territorial potential

The Dumfries and Galloway stakeholder region is extensive both in geographical and landscape terms as well as the diversity of its economic sectors and socio-cultural character. This diverse structure means that concepts and features of territorial potential are equally varied, with a range of perspectives on development possibilities, some of which are contradictory and generate tensions and paradoxes that call for sensitive processes of negotiation through land-use, community and related political forums.

One such tension, for example, is that between a focus on regional development of rural areas as opposed to the more specific rural development. The former involves exploring how urban centres could be developed to drive the development of the wider region, whereas the latter would focuses more specifically on rural issues such as upland farming. Traditional regional development approaches have focused on dynamic strategic (and predominantly urban) areas and infrastructure, rather than rural areas that remain as 'white spots' on strategy maps.

As the preceding Step 2 discussion has indicated, in structural terms the demography and economy of the region is problematic, presenting a challenging framework condition for future development. Contemporary structures of human and financial capital do not provide a strong basis for regional competitiveness. It has a low-wage economy characterised by part-time and seasonal work with, low skill levels and low productivity. The economy is reliant than on traditional manufacturing and land-based industries such as agriculture, forestry food processing, retailing and tourism. There are few jobs in knowledge intensive companies and new growth sectors. The region has an ageing population which places pressure on public services and contributes little to regional economic output. The dispersed settlement structure of the region provides a challenge for service provision, with weak markets for private sector services and high costs for those provided publicly.

However, the region has a range of distinctive assets which, if not necessarily always providing outright competitive advantage to other areas, do nevertheless provide a platform for future growth and economic development. For example, it has extensive natural resource capital, with high quality highland and coastal landscapes. This offers opportunities to attract skilled people from Scotland's major conurbation as they seek better work-life balance and improved wellbeing. The tourist potential of these landscapes remains underdeveloped, despite a range of innovative recent investments and tourist attractions, such as the internationally renowned 7 Stanes mountain bike trails. It offers the potential for a diverse tourist product of passive and active recreation, natural beauty, culture and event based tourism. Natural resource capitals also underpin traditional food and drink production in the region and the areas extensive forestry sector. There are many potential synergies involving the linking of tourism to local food

production, organic agriculture, sustainable forestry and leisure. Common Agricultural Policy reforms now provide more clarity and confidence to farmers to progress diversification and adjustment strategies. The region's extensive land mass and coastline also provide a potential to pioneer and develop new renewable energy technologies and associated support industries, as well as a platform for future eco-system services delivery, notably carbon sequestration.

The strategic geography and accessibility of certain parts of the region are an important territorial potential. As signalled in national economic planning and land-use strategies, expansion of port facilities at Loch Ryan and airport services at Prestwick to the west of the region, combined with improved rail and road access routes, will enable new commercial and tourist connections between Ireland, Scotland and continental Europe as well as the expansion of local freight processing and distribution industries and services.

However, as signalled above, developing a range of territorial potentials across a diverse regional socio-economic space generates tensions and paradoxes that need careful negotiation. These include, for example, the tension between retaining the environmental integrity, heritage and uniqueness of landscape and place - which underpin local identity, lifestyle and wellbeing - whilst also developing new physical infrastructures for tourism and economic development. Landscapes futures built on a new green economy and strategies of locally owned and embedded eco-system services may conflict with more traditional growth strategies premised on large scale exogenous capital investment. Similarly, a rhetorical attachment in policy discourses concerning regional territorial potential and competitiveness to attracting new 'high-road' knowledge based industries through a re-skilled population, need to confront the intractable character of skilled out-migration and a low skilled local labour market and service based economy.

Step 4: Policy options and future developments

This region has been less successful in securing structural funds and support compared to other rural areas across the UK (such as the Scottish Highlands and Islands, West Wales and Cornwall). This has made it less more difficult for local stakeholders to establish recognition of the Dumfries and Galloway's rural problems and the necessary funding to make a 'step change' to the local economy which will more fully realise its regional potential.

Policy discourses of rural development in the Dumfries and Galloway region understand it as a dynamic process, contingent upon complex combinations of local and extra-local actors, funding streams and investment opportunities, and subject to shifting political circumstances and the vagaries of changing economic circumstances. Stakeholders understand that there is no magic blueprint to some 'modernized' rural future. Rather, rural futures and representations of community needs involve continual negotiation and contestation.

The leverage and lobbying power of local stakeholders on higher funding sources remains crucial to the region realising the ambition of a diversified and growing rural economy which adds value to the primary assets, services and other goods produced in across the area. In this respect, there remain considerable benefits from the devolved structure of UK governmental powers to the Scottish Parliament for the political and economic potentials of the Dumfries and Galloway. It has established more direct lines of communication with higher tiers of national and EU government, as well as networks of influence commercial investors. However, compared to other rural areas in Scotland, with more long standing policy profiles and lobbying mechanisms (such as the Highlands and Islands) the region will have to work continuously to project the character of its rural challenges. In this respect there are important lobbying mechanisms through which the area is projecting its concerns, notably the South of Scotland Alliance and the South of Scotland Forum, which was established in 2009 as an additional way of working and communicating with the Scottish Government and to assist the implementation of regional economic strategy.

At the Scottish Government level (end beyond) certain policy discourses have become dominant, notably the 'City Regions' construct for national planning and economic development. Whilst in regions such as Dumfries and Galloway there may be less of a local sense of ownership of these policy discourses and a concern that they underscore rural needs, they will inevitably play an important role in policy terms and the kinds of options and mechanisms through which the regions potentials will have to be negotiated.

The probability of the region realising its potentials, and the structures, assets and means of achieving this, will also need to negotiate the consequences of contemporary processes of state restructuring and fiscal austerity. Whilst the ambition of much of the spatial planning rhetoric of sustainable development emphasises the importance of localising service provision, the reality may be of increasing centralisation in service provision. The drive for cost savings is likely to lead to the closure of more 'marginal' service provision in geographically peripheral areas, and this will not benefit a low density region such as Dumfries and Galloway. As noted above, public sector employment is vital to the region. It has in the past provided secure and stable work and its income multipliers have benefited the whole region. Centralized service work takes money out of smaller centres and removes their sense of purpose, identity and function.

The extent to which the voluntary sector and social enterprises can step in and provide services where the public sector withdraws from provision remains debatable. Dumfries and Galloway has many volunteer organisations but very few social enterprises and like the structure of the private business sector these organisations tend to be small. Services will need to be provided at some kind of market rate for social enterprises to be successful, unless they take disproportionate advantage of volunteer labour, and if funding is cut then services

futures become problematic, undermining quality of life and territorial potentiality.

3.3 North Yorkshire

Step 1: Benchmarking in a European Perspective

North Yorkshire comprises the area within the administrative boundaries of North Yorkshire County Council and is located in the north of England, forming the northern most part of the former Yorkshire and Humber Region. The region covers over 8000 square km making it the largest administrative county in England though it is relatively sparsely populated in the English context with a population density of 74 persons per square km and a population of 591,500 in 2007 (EUROSTAT). The area is classified as a NUTS III region. In order to benchmark the region in its European context existing data from ESPON and Eurostat have been used. A useful place to start the benchmarking is to consider the various rural typologies that have been developed in the context of the EDORA project (EDORA 2011), the Dijstra Poelmans typology, a structural typology and a performance typology. The classification of North Yorkshire according to each of the three typologies as well as the combined typology is given in the table below.

Classification of North Yorkshire according to EDORA typologies

Code	Label	Value
DTP Type no	Urban-rural typology (Dijstra Poelmans types)	Intermediate accessible
Stype	Structural typology for non-urban regions	Consumption countryside
A-Dtype	Performance typology for non-urban regions	Accumulating
Comptype	Combining urban-rural typology	IA consumption accumulating

Source: ESPON database

Rural areas within an English context are not necessarily considered rural within a European context and this is illustrated by the fact that no part of England is classified as predominantly rural according to the Dijstra Poelmans typology. In comparison it is interesting to note that within the English context large parts of North Yorkshire (primarily corresponding with the National Parks) are classified in the most rural category according to typologies put forward by the Department for Environment, Food and Rural Affairs (DEFRA) and the FARO Project (Talbot and Thompson 2009).

Despite being perceived as one of the most rural parts of England, North Yorkshire is thus classified as an intermediate accessible (IA) area according to the Dijstra Poelmans typology (as opposed to predominantly urban, intermediate remote or predominantly rural accessible / remote). IA regions tend to be characterised as experiencing counter-urbanisation both of population and

economic activities, an increasing divergence with urban areas in terms of economic structure, an influx of population putting pressure on local services and house prices, intensification of commuting patterns and declining public transport services (EDORA 2010). 32% of all NUTS III regions in Europe are classed as IA regions and this rises to 47% if the predominantly urban regions are discounted. In the UK and particularly in England the concentration if IA regions is even more pronounced with 75% of UK regions and 96% of English regions classed as IA regions if the predominantly urban regions are discounted. This implies that North Yorkshire shares similar characteristics with a large proportion of other NUTS III regions throughout Europe in terms of proximity to a city and population density. Large parts of Western Europe are classified as IA regions with the rural regions becoming more dominant in the geographical periphery. Any typology at the NUTS III level will find it difficult to capture the diverse levels of accessibility experienced by different parts of North Yorkshire. There is a significant difference between the accessibility of the lowland areas close to the north – south oriented national road and rail infrastructure and parts of the upland and coastal areas.

According to the second typology, the structural typology for non-urban regions, the region is classified as part of the consumption countryside (as opposed to an agrarian or diversified economy). The structural typology provides a more nuanced assessment of the non-urban regions of Europe taking into account of the extent and nature of diversification of the rural economy. The consumption countryside implies the commodification of the countryside (Woods, 2011), which generally means an increase in multi-functionality in the context of both traditional rural activities and more recently evolved activities often related to tourism and leisure. North Yorkshire clearly demonstrates many of the characteristics of the consumption countryside. The tourism infrastructure is well developed and the area receives a considerable number of tourists attracted by the attractive market towns and the high quality natural and cultural heritage. In addition, peri-productivist agriculture is evident as the diversification into new forms of on and off farm employment and income has become a survival strategy for many farmers. The consumption countryside is particularly dominant in the UK (69% of all non-urban regions), Ireland, Sweden, Norway, Finland and large parts of Central Europe and in total almost half of the non-urban regions in Europe fall into this category. The other categories in the classification tend to be more fragmented throughout Europe with the exception that France is dominated by regions classified as having a diversified economy with a strong private services sector and southern and eastern Europe tend to be dominated by regions with an agrarian economy.

The third typology is the performance typology for non-urban regions, according to which North Yorkshire is classified as an accumulating region (as opposed to a below average, above average or depleting region). This typology is based on a composite of five variables including net migration, GDP per capita, average

annual change in GDP, annual change in total employment and unemployment rate and indicates that the region is attracting population and economic activities. Approximately 18% of the non-urban NUTS III regions in Europe are classified as accumulating regions with a concentration of such regions in the UK (where approximately 50% of the non-urban regions are classified thus), Ireland, Norway, parts of southern-central Europe and the south of France and north of Spain. The typology appears to reflect some of the characteristics of North Yorkshire, which statistically appears to be a relatively prosperous region at the NUTS III level in a European context. The typology implies that in comparison to many other non-urban regions throughout Europe that North Yorkshire is not experiencing significant problems and fails to recognise the complexity of some of the underlying processes and the negative implications of processes such as counter-urbanisation.

The combined typology for North Yorkshire is shared with sixty European NUTS III regions, fifteen of which are in the UK (12 in England and 1 each in Scotland, Wales and Northern Ireland). The majority of the comparable European regions are situated in Germany (10), Italy (9), Spain and France (7 each).

The European data are primarily from EUROSTAT statistics. North Yorkshire County is a NUTS III region but statistics are also available at NUTS II (North Yorkshire County plus the city of York) and NUTS I (Yorkshire and Humber Region) levels. The NUTS III region had a population of 591,500 in 2007 and the population grew by 6.1% between 1997 and 2007. GDP per capita has been rising steadily at all three NUTS levels, though the figure for North Yorkshire County is lower than the other two. The Yorkshire and Humber Region is 9th out of the 12 NUTS I regions in the UK, while North Yorkshire is 18th out of 37 UK NUTS II regions and North Yorkshire County 66th out of 133 UK NUTS III regions. With a GDP per capita of 111% of the EU average North Yorkshire County ranks 422nd out of 1303 NUTS III regions in the EU. Total GVA grew by 106.5% between 1996 – 2007, well above the EU average of 66% but below the UK average of 112.1%. North Yorkshire County has experienced a growth rate in employment of 1.1%, below the UK average and well below the average for Yorkshire and Humber (5.8%). In absolute terms, the County is in the top 1% of all NUTS III regions in the EU for the number of campsites and the number of hotels and the top 10% and top 2% respectively for the number of hotel beds and campsite beds and this clearly indicates the importance of the tourism sector.

Step 2: The Regional context and stakeholder perspective

There is considerable data available relating to the stakeholder region to be able to apply the magnifying glass method as outlined in the methodology. A wide range of socio-economic data is available from the Office for National Statistics and North Yorkshire County Council as well as data in the context of the Indices of Multiple Deprivation for England. In addition a wealth of data is available via the Yorkshire and Humber Regional Observatory (Yorkshire Futures) who were

responsible for providing much of the evidence base for various regional strategies, the York and North Yorkshire Partnership Unit and various documents prepared in the context of the Rural Development Programme England and the various Leader initiatives in North Yorkshire.

In terms of economy and employment the region has a number of defining characteristics. The Annual Business Inquiry reveals that over half of the jobs in York and North Yorkshire are in either distribution, hotels and restaurants or public administration, education and health, both of which provide 27% of the sub regions jobs. Public sector employment remains central to the economy, providing approximately 95,000 jobs in total, and of these 25,000 are employed by North Yorkshire County Council, making it the largest employer in the area. The banking, finance and insurance sector is also an important employer accounting for 17% of all jobs. Over 34,400 people are employed in manufacturing (10% of all jobs), though this analysis does not include self employment or farm based agriculture and therefore does not recognise the level of agricultural employment in the sub region, which is estimated at around 20,000. Manufacturing is generally concentrated in the larger towns in the south of the region and in Scarborough on the coast (see appendix).

York and North Yorkshire Partnership Unit (2010) identify the following structural features of the economy of York and North Yorkshire:

- Manufacturing (both food and non food);
- The service economy (economic driver services, producer services and local services);
- The visitor and cultural economy (identified as a future driver of the economy);
- The land based and agricultural sector;
- The Science, knowledge based and higher education sector; and
- The low carbon economy (another future potential driver for the sub regional economy).

As mentioned in the previous section, North Yorkshire had a population of 591,500 in 2007 and the current trend of an increasing and ageing population is expected to continue in the coming years. The spatial distribution of the expected population changes are less clear, though it appears likely that the growth will primarily be experienced in the more accessible rural areas. Much of this growth is driven by counter-urbanisation processes and older people moving into the area for reasons related to the perceived quality of life. These trends exert pressure on the existing populations in terms of housing and house prices as well as diluting what the existing population perceive to be their local identity. North Yorkshire County appears to perform fairly well in terms of employment with unemployment rates consistently below both national and regional averages and economic activity rates above these averages. However, such figures do not take full account of the type of jobs that are available and the economic structure of

North Yorkshire, with a heavy reliance on agriculture and tourism in certain areas, implies that a significant proportion of jobs are low wage, part-time and seasonal.

In terms of local resources capital the region possesses a number of characteristics that provide challenges for future development but also possesses considerable assets that can potentially provide a focus for potential development. The urban structure of the region is relatively weak and except for the two largest centres of Harrogate (76,000) and Scarborough (50,000), only three other urban centres have populations over 15,000 (http://www.northyorks.gov.uk/index.aspx?articleid=2874). 36 market towns have been identified (Yorkshire Forward 2007) with the rest of the population living in small villages, hamlets and dispersed dwellings. In terms of connectivity the region is dominated by north-south oriented transport infrastructure with only limited east-west connections. The nationally important north-south oriented road and rail infrastructure located in the Vale of York, a lowland belt between two upland areas, divides the County. The upland areas contain two national parks, the Yorkshire Dales in the west and the North Yorkshire Moors in the east. Both of these areas are sparsely populated with numerous dispersed small market towns and villages located within and on the perimeter of the two national parks. The majority of the region falls within the Remote Rural, Vales and Tees Link and Coast sub-regions identified in the now rescinded Regional Spatial Strategy. Local stakeholders emphasised the importance of strategic documents prepared at the level of the former Yorkshire and Humber Region as potential knowledge resources despite the fact that they have been rescinded.

Despite the dispersed settlement structure and limited size of the urban centres, there are a number of major urban centres located in close proximity that have a significant impact on the spatial development of the region. Newcastle and Middlesbrough to the north, Leeds and Bradford to the south-west and York and Kingston upon Hull to the south-east have populations ranging between 138,000 (Middlesbrough) and 777,000 (Leeds). The characteristics of North Yorkshire mean that a variety of designations cover different parts of the region (including two national parks, heritage coast, areas of outstanding natural beauty, sites of special scientific interest....), making it one of the most densely designated areas in England.

The final aspect of territorial capital discussed here is institutional landscape and governance structure and this is of particular relevance for North Yorkshire given the recent dramatic changes to the institutional landscape in England following the election of the Conservative-Liberal democrat Coalition Government. In order to place the recent changes into context a brief explanation of how the governance structure emerged is provided. The UK has a complex governance structure, referred to as a regionalised unitary state (ESPON 2.3.2). Power was devolved to a new Scottish Government and new assemblies in Wales and Northern Ireland as well as an elected Assembly for London shortly after Labour

Government came to power in 1997. Despite elected regional assemblies being proposed for the eight English regions outside London, these bodies were never established. Regional development agencies (RDAs) and regional assemblies made up of representatives appointed by central and local government were established and the RDAs were responsible for developing regional economic strategies while the regional assemblies were responsible for preparing regional spatial strategies.

North Yorkshire formed part of the Yorkshire and Humber Region, within which 24 planning authorities were located including a complex diversity of unitary authorities6 (both metropolitan and district) and the seven districts (Craven, Harrogate, Selby, Ryedale, Scarborough, Hambleton and Richmondshire) and two national park authorities (Yorkshire Dales and North Yorkshire Moors) within the boundaries of North Yorkshire County Council. The County Council has a variety of functions, invariably in partnership with other tiers or organisations, in relation to education, health, social services, leisure and culture and transport and highways. The Council also has some planning powers (primarily for minerals planning), though planning is predominantly the responsibility of the district councils and national park authorities. This complex governance landscape was under review just prior to the last UK General Election in 2010.

The new Coalition Government came to power amongst rhetoric of localism and decentralisation and the governance landscape in England has become highly fluid due to the dissolution of the regional tier and a number of thematic QUANGOs with power being passed down to the local level or more often back up to the central level. This has had a significant impact on North Yorkshire due to the associated disintegration of governance and knowledge networks and the uncertainty surrounding the new funding and governance arrangements. The regional stakeholders felt that despite being primarily urban focused the former RDA provided a useful focal point for rural development in terms of knowledge and funding.

The Government has introduced proposals for the regional development agencies to be replaced by voluntary partnerships called local enterprise partnerships (LEPs). The new LEPs will have an economic development agenda but will not have strategic planning powers or responsibilities. The new arrangements for Local Enterprise Partnerships (LEPs) have been criticised for being profoundly anti-regionalist and centralist (Bentley et al 2010) and despite feeling that the new arrangements potentially offered some opportunities for North Yorkshire, regional stakeholders seem concerned that the abolition of the regional tier will

[6] Traditionally England had a two tier system of local government with county councils being the upper level. Since the 1980s, a series of re-organisations have resulted in the abolition of many county councils, which have been replaced by single tier unitary authorities. County Councils have survived in certain areas, such as North Yorkshire, which last survived such a Central Government proposal to abolish it and replace the County and district structure with a unitary authority in 2007.

reduce the potential to plan and act strategically and also to utilise EU funding effectively. There is also a danger that the new LEPs will favour the parts of North Yorkshire that form part of the Leeds and Tees Valley city regions to the detriment of the more remote parts of the region.

The overarching strategy and funding arrangements for rural areas in England are uncertain due to the fluid governance arrangements and the lack of clarity about future funding arrangements particularly in the context of the climate of austerity that is likely to remain a dominant force for the foreseeable future. The Rural Development Programme for England is currently the primary implementation instrument for rural development initiatives and provides a framework to integrate EU and domestic funding regimes. The Leader Programme remains influential in terms of promoting rural governance and initiatives in North Yorkshire. There are three Leader local action groups active within the region: Yorkshire Dales, North York Moors, Coast & Hills and the Coast, Wolds, Wetlands & Waterways. The implementation of Leader in England has been varied due to different operational cultures between the various RDAs after they took over responsibility for management of the Leader Programme. This potentially offers opportunities for North Yorkshire to learn from experiences in other parts of England as well as from experiences in Wales and Scotland.

As a consequence of the abolition of the regional tier in England the UK Coalition Government has also rescinded the various regional spatial strategies and abandoned plans to elaborate integrated regional strategies incorporating the regional spatial and regional economic strategies and this has resulted in something of a policy vacuum. It remains unclear the impact that this will have on local spatial policy, which by definition is fragmented due to the division of responsibilities between seven district authorities and two national park authorities. There seems to be a general consensus amongst regional stakeholders that many of the levers of power influencing rural development are located outside the direct control of the local level.

The challenges and opportunities influencing the territorial potential of North Yorkshire are best summarised in the form of a SWOT analysis as illustrated in the table below. The SWOT is relatively strategic and has been developed on the basis of existing documents and the discussions with regional stakeholders. The key challenges require the weaknesses and threats to be addressed and the main opportunities require the strengths and opportunities to be capitalised upon.

SWOT analysis of the challenges and opportunities influencing the territorial potential of the region

Strengths	Weaknesses
Positive overall population trends	Ageing population and lack of opportunities for young people (education, employment, housing...)
Strong identity / identities and extensive informal social networks	Reliance on public sector employment

Low unemployment and high economic activity rates	Limited opportunities or employment growth in key sectors (agriculture, tourism and micro-businesses / SMEs)
Extremely diverse territorial capital with lowland, upland and coastal areas	Predominantly low wage economy (particularly in upland areas) and existence of hidden deprivation and pockets of concentrated deprivation
High quality assets in terms of landscape, heritage and natural environment	Limited investment capacity of agricultural businesses and SME's
Attractive and traditional market towns and villages with a quintessentially English rural character	Limited east – west connectivity
Nationally important north - south transport links with good connections to Scotland and the south	Limited infrastructure in more remote areas
Well established and diverse tourism infrastructure	Limited local control over the power and means to steer rural development, potentially exacerbated due to the current further centralisation of power
Considerable knowledge and expertise within existing governance networks	Limited capacity exacerbated by dissolution of regional knowledge networks and resources
Opportunities	**Threats**
Facilitating the evolution of appropriate and dynamic knowledge networks, communities and arenas and stimulating the production of relevant knowledge resources	Increasingly unbalanced demographic structure and outmigration of young people seeking higher education or better housing and employment opportunities
Stimulating the dynamic and resilient SME sector	Counter-urbanisation processes diluting local identities
Exploitation of high quality territorial capital and increased promotion of regional identity and assets	Increasing economic and social disparities between communities in upland and lowland areas
Development of market towns as competitive economic drivers and centres for service provision	Reduction in public sector employment
Utilising the proximity to major urban centres and the good connectivity to Scotland and the south	Limited opportunities for employment growth in key sectors (agriculture, forestry, tourism, SMEs....)
Further development of the new rural economy	Overreliance on tourism and agriculture in upland areas
Further developing funding and support mechanisms for landscape and nature development, particularly in upland areas	Potentially negative influence of external factors such as commodity prices, post-oil economy
Development of rural Broadband NYNet	Increasing cost of living due to fuel and energy prices
Promoting renewable energy, energy crops and the low carbon economy	Uncertainty regarding governance and funding arrangements particularly in relation to CAP reform
Optimisation of new governance arrangements	Finances / funding support post 2014 in climate of austerity
	A potential lack of long-term strategic planning

Step 3: Assessing the regions territorial potential

There are various dimensions to the diverse characteristics of the territorial capital of North Yorkshire. The population is growing but ageing primarily due to migration trends, the outmigration of young people in search of better opportunities relating to education, housing and employment and the in-migration of older people approaching retirement age or people of working age who then commute into the larger urban centres outside the County for work. There is a tendency for many of the in-migrants to retain close contacts with urban areas outside the County, particularly those commuting outside the area for work. Trips to work can often be combined with trips to shops or other services which do little or nothing to support local businesses and services in North Yorkshire. In addition the in-migrants have a significant impact on house prices so that young local people are often priced out of the housing market. There is a danger that the loss of young people will undermine the pursuit of regional competitiveness if allowed to continues. The potential of the County will be enhanced if, on the one hand benefit can be gained from the influx of older and often wealthier people and on the other hand more opportunities can be created for young people to retain them in the area. The latter will require effective targeted policies to provide education, housing, employment and other personal development opportunities.

Potential future employment strategies are unclear. The existence of two distinct types of agriculture in the County (lowland and upland) provides particular challenges for North Yorkshire. Employment in agriculture remains important but is in long-term decline, the tourism sector is approaching saturation, micro-businesses and SMEs are unlikely to have potential for significant employment growth and employment in the public sector is also under significant threat. However, possible redundancies in the public sector are likely to create a pool of people with funds to invest and there may be potential for some employment creation as a result.

The characteristics of the area with high quality landscapes and natural areas, an attractive coastline and picturesque villages and market towns offer significant potential for tourism. The importance of tourism to the local economy cannot be underestimated, particularly in more remote rural areas where tourism and agriculture dominate the economy. Such a narrow economic base in these areas emphasises the fragility of the local economy and steps to reinforce and / or broaden this economic base would be beneficial. A combination of funding and support mechanisms to support diverse forms of land management and activities as well as infrastructure development in relation to broadband will help to facilitate diversification opportunities. Both tourism infrastructure and the tourism product are well developed. Evidence suggests that the vast majority of tourists visiting North Yorkshire come from within the wider Yorkshire and Humber region or from the rest of Northern England, implying that there may be potential to attract visitors from further afield both from other parts of the UK and

international visitors. Both the characteristics of the region mentioned above and the relative accessibility due to the proximity to Leeds-Bradford Airport and to the nationally important north-south rail and road corridors are important competitive advantages that can potentially underpin this potential.

One of the key themes to emerge from the workshop and other discussions with regional stakeholders is that the character of the rurality of North Yorkshire and its problems is not made visible by current statistical categorization, both in the European and the UK / English contexts. As mentioned previously this is primarily due to the fact that none of England is categorised as predominantly rural according to the OECD classification employed by the EU and the allocation of funds according to high concentrations of deprivation in England. In other words the core challenge from a policy point of view is combating this view and making the interstices of rural socio-economic problems visible. In areas which might otherwise look quite affluent such interstices and how they are negotiated by disadvantaged social groups should not be neglected.

The currently fluid and rapidly evolving governance context in England mean that new and emerging geographies and spatial scales of governance are highly complex and it is unclear where power and influence lies and what impact that this will have on North Yorkshire. The abolition of the regional level, and the RDA in particular, has left a gap and it is as yet unclear what impact that this and the new LEPs will have on the County. Effective regional development requires not just ideas, but also requires funding, structures, organisation and management. The physical and epistemic distance between North Yorkshire and the UK Parliament in London contrasts with the relative proximity of the Purr partners in Scotland and Wales to their respective governments in Edinburgh and Cardiff.

The question of power and influence is crucial here and this has a variety of dimensions. At one level, much rural policy is decided at the EU or national level leaving local authorities little scope for influencing development in rural areas. External factors such as commodity prices and CAP payments have a huge influence in ultimately determining prosperity levels in rural areas. In this context, the reform of CAP is crucial to the future of North Yorkshire. Another element of this external dimension relates to the influence of larger urban centres outside the County on different parts of the County (Leeds / Bradford, Middlesbrough / Teeside, York). One challenge is to ensure that the rural areas of the County are not left behind by the increased focus (over emphasis?) on large urban centres and the city region agenda. Understanding both the inter- and intra- urban – rural interactions at different spatial scales (from the metropolitan areas outside the County to the market towns within) is clearly an important challenge.

North Yorkshire clearly possesses a diversity of potentials, underpinned primarily by the high quality environment and landscape. A number of challenges remain

however, if the competitive advantages of the region are to be optimised and the various constraints to a competitive regional economy are to be addressed.

Step 4: Policy options and future developments

A key issue for North Yorkshire will be to find means of demonstrating its rurality in order to be able to lobby and attract funding to address some of the issues identified in the SWOT above. Enabling North Yorkshire to achieve its regional potential will be particularly challenging within a context of uncertainty and continuous change in terms of governance and funding arrangements, a situation which is exacerbated by the era of austerity that is likely to endure for the foreseeable future.

Despite the uncertainty regarding governance structures and funding, regional stakeholders recognise the importance of capitalising on the opportunities that new arrangements will offer. A proactive and strategic approach to emerging formal governance structures such as the LEPs will need to coincide with an equally proactive and strategic facilitation of existing and emerging knowledge communities and knowledge arenas (Adams et al 2011). This will be particularly important in the context of the abolition of regional structures such as the RDA and the Regional Observatory and national independent bodies such as the Commission for Rural Communities and the resulting recentralisation of power and potential marginalisation of rural issues in light of the climate of austerity. Any lack of long-term strategic planning will potentially hamper the ability of rural areas to face long-term challenges relating to, for example, climate change and the post-oil economy.

One of the key issues for North Yorkshire appears to be the character of the rurality of the region and its problems and the fact that these do not seem to be made visible by current statistical categorization, both in the European and the UK / English contexts. A second key issue relates to the currently fluid and rapidly evolving governance context in England, which means that new and emerging geographies and spatial scales of governance are highly complex and it is unclear where power and influence lies and what impact that this will have on North Yorkshire. In such a rapidly evolving landscape it is essential that both formal and informal governance structures are proactive and dynamic in terms of learning (from others both within and outside the region) and in terms of capitalising on opportunities as they arise.

3.4 Cambrian Mountains

Step 1: Benchmarking in a European Perspective

The Cambrian Mountains is a functional area situated in the western part of Mid-Wales and does not correspond to any administrative or statistical area, posing challenges for data collection. There are two areas identified as comprising the Cambrian Mountains, one based on the classification of the Landscape Character

Map for Wales and a smaller area identified as the Core Area by the Cambrian Mountains society. The discussion here focuses primarily on the larger area. The population of the region was approximately 16,700 in 2001 and the highly dispersed settlement structure is reflected in an extremely low population density of approximately 7 persons per square km compared to an average of 140 per square km for Wales and approximately 100 per square km for Europe. The population of the core area is approximately 7000. Discussing the region in the context of the EDORA typologies is complex due to the fact that the area is situated within two different NUTS 3 regions, South-west Wales and Powys.

Classification of Welsh NUTS 3 regions according to EDORA typologies

Typology	South-west Wales UKL14	Powys UKL 24
Urban-rural typology (Dijstra Poelmans types)	Intermediate accessible	Predominantly rural accessible
Structural typology for non-urban regions	Consumption countryside	Consumption countryside
Performance typology for non-urban regions	Below average	Below average
Combining urban-rural typology	IA Consumption Below average	PRA Consumption Below average

Source: ESPON / EDORA database

The high proportion of these areas located outside the study area means that care must be taken when using these typologies to identify the characteristics of the Cambrian Mountains. The main value of the Dijstra Poelmans typology is that the classification of part of the area as Predominantly Rural emphasises the rural nature of the area in a UK context. The vast majority of the UK is classified as predominantly urban or intermediate and predominantly rural areas are only found in parts of Wales and Scotland. However, despite both of the NUTS 3 regions being classed as accessible, the study area is arguably the least accessible and most isolated part of Powys and South-West Wales in terms of proximity to urban centres and sparsity of population.

Care must also be taken when considering the other two rural typologies adopted in the EDORA project. According to the structural typology for nun-urban regions both NUTS 3 regions are categorised as consumption countryside. The consumption countryside implies multi-functionality combining traditional rural activities and land uses with more recent activities particularly in relation to recreation and leisure. The relevance of this classification to the study area is again debatable as even though there are some tourism related activities they are not as well developed as they are in other parts of the wider region such as the Brecon Beacons National Park in Powys. Multi-functionality is limited in the Cambrian Mountains and the area is dominated by upland farming. According to the Performance Typology both Powys and South-West Wales are classed as below average. Due to the scale of the EDORA typologies, the rural typology at

the level of Wales is more relevant in terms of describing the characteristics of the region. The Welsh Assembly Government have adopted the Office of National Statistics classification of rural areas that applies a combination of sparsity measurements and settlement size to distinguish between town and fringe (less sparse / sparse), urban less than 10,000 (less sparse / sparse) and village, hamlet and isolated dwellings (less sparse / sparse). The vast majority of the Cambrian Mountains area is classified in the most rural category village, hamlet and isolated dwellings sparse.

The nature of the Cambrian Mountains as a functional region or soft space rather than an administrative or statistical region means that any attempt to benchmark the region in quantitative terms in a European context will encounter difficulties in relation to data availability and data comparability.

Step 2: The Regional context and stakeholder perspective

The Cambrian Mountains is an upland area that has often been described as the backbone or heartland of Wales (Land Use Consultants 2007). The area runs from the Brechfa Forest in the south to the Snowdonia National Park in the north and is characterised by sparsely populated upland farming areas with a high quality landscape comprising extensive undulating hills rather than a harsh mountainous area. Connectivity is generally very low by UK norms due mainly to the limited extent and quality of transport infrastructure. The settlement structure consists primarily of dispersed hamlets and individual dwellings within the area with a necklace of market towns and villages along or just beyond the boundary of the region (Land Use Consultants 2007). The populations of these settlements are small, ranging from a few hundred up to 2,000 with an associated low level of service provision. For higher level services the population of the region rely on an outer ring of larger settlements (such as Aberystwyth, Welshpool, Newtown, Llandrindod Wells, Llandovery, Builth Wells, Carmarthen, and Lampeter), which have populations ranging between 2,500 and 15,000.

The nature of the region means that similar problems of data availability and comparability are encountered when assessing the region within a UK and Welsh context. Data from the Welsh Assembly Government is predominantly available at the local authority level and what data there is published by the Wales Rural Observatory, while providing useful insights, is rarely available at the level of the Cambrian Mountains. Some data is available based on statistics that are aggregated up from small area statistics from the 2001 census and the Welsh Index of Multiple Deprivation. Compared to the averages for Wales and the counties of Powys, Ceredigion and Carmarthenshire, the region is characterised by an ageing population with a high proportion (19%) employed in agriculture and forestry. Employment rates in sectors such as retailing, manufacturing and the public sector is lower than the average for Wales and the three counties. Another significant characteristic of the region is the high levels of second homes and empty properties (5.1 and 4.4% respectively) which are double the rates for

the three counties. According to the Welsh Indices of Multiple Deprivation 2008, some sections of the community in the Cambrian Mountains suffer severe deprivation in terms of the quality of housing and access to services. Employment and business data suggest a higher level of independence from larger urban centres compared to more accessible parts of the UK. Agriculture remains central for many of the communities in the region with the majority of farms focusing on sheep or beef cattle.

A significant amount of useful data on the Cambrian Mountains is contained within the Pilot Project Report undertaken by Land Use Consultants in 2007. According to this data, the population is ageing and is characterised by a smaller proportion of young adults and higher proportion of older people of working age (45-65 years old) than the averages for Powys, Ceredigion and Carmarthenshire. Similar to other rural areas in the UK this is likely to be partly due to young people leaving the area in search of better opportunities in terms of education, employment and housing. In addition, a much higher proportion of the population are employed in agriculture and forestry (19%) than the averages for the surrounding areas (11% in Powys, 9% in Ceredigion, and 5% in Carmarthenshire), for Wales and for the UK as a whole. A total of 49% of the working population living in the study area also work in the area, partly reflecting the limited accessibility and transport infrastructure in the area. However, this represents a high degree of self-containment compared to the average of 17% for rural villages in England. Another 30% of the population commute daily to the necklace settlements for work with the remainder commuting further afield. Main road connections within the area are limited though some areas are accessible by train on the east-west Shrewsbury to Aberystwyth line.

Agriculture and particularly sheep farming are central to the economy as well as to the culture of the communities living in the Cambrian Mountains. However, numbers of sheep have been in decline in recent years while numbers of cattle have been rising, partly due to the availability of subsidies available via the Welsh Assembly Governments Agri-environment scheme to promote landscape conservation through cattle grazing. Tourism is not as central to the economy of the Cambrian Mountains as it is in other parts of Wales. Land Use Consultant estimate that approximately 870,000 tourists visit the Region annually and that the tourism sector directly employs 770 full-time equivalent jobs. In terms of environmental resources the Cambrian Mountains have substantial resources in terms of landscape, water (the sources of the seven main rivers in Wales are located in the study area), wind and forests which cover 26% of the area. The area is also rich in terms of cultural heritage.

Wales forms part of the asymmetrical devolution of the UK that followed the election of the New Labour Government in 1997. Wales is divided into 22 unitary authorities for the purposes of local government and the Cambrian Mountains study area is primarily located within Powys, Ceredigion and Carmarthenshire.

There are also two national parks in Wales, Brecon Beacons to the south and Snowdonia to the north and despite discussions in the 1970s it was decided not to award this status to the Cambrian Mountains. The governance landscape relevant to the Cambrian Mountains is therefore highly fragmented. Statutory functions are divided between the three county councils and the Welsh Assembly Government. There are a number of other structures and networks that to greater or lesser degree have an influence on the Cambrian Mountains including the Wales Rural Network, the Campaign for the Protection of Rural Wales, the Countryside Council for Wales, the Welsh Local Government Association (and its associated Rural Forum), the Central Wales Regional Partnership Board. More specifically focused on the study area is the Cambrian Mountains Initiative (CMI) and the associated Cambrian Mountains Company Limited, who are charged with strengthening the identity of the region and promoting sustainable rural communities throughout the Cambrian Mountains. A partnership was formed in 2007 between the county councils of Powys, Ceredigion and Carmarthenshire, the Countryside Council for Wales, the Welsh Assembly Government and the Prince of Wales Charities. A steering group and a limited company have been formed and these offer potential delivery vehicles for a variety of development initiatives. CMI are developing actions in relation to four thematic sub programme groups that have been established focusing on:

1. Ecosystem Goods and Services
2. Product Marketing and Branding
3. Tourism / visitor development
4. Sustainable Communities

In terms of the policy context there are a number of documents developed by the Welsh Assembly Government including Starting to Live Differently – *the Sustainable Development Scheme* (2000), and the Sustainable Development Action Plan 2004 – 2007, Farming for the Future (2001), People, Places, Futures: the Wales Spatial Plan (2004), Environment Strategy for Wales (2006), Making the Connections: Delivering Better Services for Wales (2004) and Delivering Beyond Boundaries – Transforming Public Services in Wales (2006). The key delivery and implementation instrument is the Rural Development Plan for Wales 2007-2013 and there are 18 Leader local action groups in Wales, corresponding to the 18 counties, with four of these active within the study area.

The challenges and opportunities influencing the territorial potential of the Cambrian Mountains are best summarised in the form of a SWOT analysis as illustrated in the table below. The SWOT is relatively strategic and has been developed on the basis of an analysis of existing documents and data and discussions with regional stakeholders. The key challenges require the weaknesses and threats to be addressed and the main opportunities require the strengths and opportunities to be capitalised upon.

SWOT analysis of the challenges and opportunities influencing the territorial potential of the region

Strengths	**Weaknesses**
High quality landscapes and rich cultural heritage assets	Ageing population exacerbated by out-migration of young people
Strong sense of community and strong social networks	Economic and employment structure dominated by primary sector
High quality ecosystems and environmental assets and abundant natural resources	Many marginal farms and other businesses
Established market towns and villages in necklace around the area	Lack of coherent branding and marketing
Relatively high level of self-containment in terms of employment	Limited opportunities in relation to education, housing (affordability) and employment
Strong culture of local produce and local food and drink	Resource deficit due to difficulties calculating a value for ecosystem goods and services from which other areas benefit and lack of effective transfer mechanism
Diverse tourism product for passive and active recreation and established niches and activities in certain areas and towns	Low skills levels and professionalism and lack of business support
Proximity of different universities and research bodies	Lack of critical mass in terms of population and businesses
Perceived high quality of life	Limited access to services
Numerous projects and initiatives including the Cambrian Mountains Initiative and associated knowledge and governance networks	Poorly developed tourism infrastructure
	Limited accessibility due to limited transport infrastructure and limited integration between transport modes and between provision and needs of public transport
	The geography and fragmented administrative structure of the area
Opportunities	**Threats**
Strengthen marketing and branding and develop Cambrian Mountains brand based on quality and local supply chains	Further weakening of human resource base due to ageing population and particularly out-migration of young people
Developing the environment as a product linked to farming and land management and as an economic driver	Ageing structure in agricultural industry and loss of the knowledge of place as families stop farming
Provision of ecosystem goods and services for a wide catchment area	Loss of agricultural support services
Promotion of area as laboratory for environmentally sustainable rural initiatives	Uncertainty relating to CAP reforms
Promote small-scale and community led renewable energy initiatives	Fluctuating external commodity prices and increased cost of farm inputs and

	increased cost of living due to increased fuel costs
Developing tourism niches that are appropriate to the specific characteristics of the area (active recreation, food, healthy living, heritage, local storylines....)	Impacts of agricultural under and over grazing on the landscape
Re-establishment of link between rural areas and necklace market towns and villages and develop them as gateways to the region	Conflicts between different types of land-use
Funding opportunities for new forms of land and environmental management as a result of CAP reforms and WAG's Agri-environment initiatives	Added value from potentially beneficial activities (renewable, ecosystem goods and services) flowing out of the region rather than being captured and retained for local communities
Creation of innovative and flexible territorial governance and implementation arrangements	Centralisation of local services of general interest
Establishing links to towns and activities in the surrounding area	Loss of the Welsh language and local community roots being eroded
Establishment of appropriate designation to facilitate and stimulate initiatives	Loss of land to external institutional investors
Promotion of sustainable construction techniques and a low carbon economy	Establishment of grant dependent culture particularly in agriculture
Capitalising on cultural heritage assets	Competition from other well established areas such as the Brecon Beacons and Snowdonia National Parks)
	Insular attitudes hampering co-operation and urban-urban and urban-rural interactions

Step 3: Assessing the regions territorial potential

The characteristics of the Cambrian Mountains are highly diverse in terms of landscapes, though less so in terms of economic structures and employment with the primary sector (particularly agriculture), the public sector and to a lesser extent tourism dominant. The potential of the Cambrian Mountains is linked strongly to the natural environment and landscape of the area. The diversification of activities in the area will lead to tensions between alternative and potentially conflicting land-uses as the competitiveness and profitability of traditionally dominant land based industries come under further pressure. The importance of agriculture to the area is emphasised by the strength of the economic links but also the socio-cultural links with local communities.

The territorial potential of the Cambrian Mountains is intertwined with the importance of a clean environment, renewable energy, tourism, local sustainable food production, wood futures, landscape aesthetics and management and the adaptation and mitigation of climate change. Whatever the actual mix of such opportunities, the challenge remains to specify and deliver a 'best' economic

value and employment impact that is consistent with community well being and landscape protection. A clean environment is essential to the future of the Cambrian Mountains and forms a central element in the identity and image for the area. Renewable energy is frequently identified as a sector with significant development potential in rural areas, though the reality is more complex. The negative impacts of wind farms in terms of the landscape have received an increasing amount of attention though potentially of more concern is the limited local employment opportunities and the tendency for host regions to be passive recipients of wind farms with the benefits flowing out of the region. The key challenge therefore is to harness the benefits for local communities and there are an increasing number of community companies that generate renewable energy and reinvest the profits into the local area and community. Initiatives undertaken in Powys where the County Council has supported schemes by paying initial capital costs (risk capital), which is later paid back, can offer some inspiration. The isolation of many areas from the necessary grid connections is another significant constraint that will need to be addressed. The characteristics of the area also determine that the forestry and timber sectors have promising development perspectives that offer a number of potential benefits. Careful management will provide wood for a variety of uses including local fuel, construction (local and export) and carbon abatement and careful consideration is required to develop systems to create maximum local benefits. The provision of high quality timber for sustainable construction also offers potential for the development of expertise in the region and the strengthening of regional identity.

Landscape is another essential element of the territorial potential of the region. If the landscape strategy can be linked to the needs of local communities then it has potential to deliver socio-economic benefits and help to strengthen community cohesion. When activities and interventions can demonstrably be seen to add value to such communities then consensus formation and decision making can become easier. Stronger local communities can better be positioned to engage in the work of landscape management alongside existing farming and forestry interest. A major task will be to define and justify the kinds of work that can be done in the Cambrian Mountains. Much however, will depend on the development of widely applicable mechanisms for calculating an appropriate value for things that cannot necessarily be sold at market prices, and landscape is one of a variety of issues for which this is relevant.

Like many rural areas the Cambrian Mountains benefits from public sector work. It has traditionally provided durable incomes and therefore has in many ways anchored the well being of local communities and economies. Moreover, the viability of farming is largely dependent upon incomes from farm payment subsidies and transfer systems. It is likely that many without work in rural communities will continue to rely on social benefits and welfare payments. Processes of state restructuring and financial austerity will present considerable

challenges to these mainstays of the rural economy. However, whilst the rhetoric of rural subsidy cultures and dependencies will loom large over this period, opportunities for self sustaining growth and new markets will be limited and slow to develop. It will be important to reposition discussion towards how public money is best spent and the environmental and socio-economic benefits that arise from such financial flows and valuations. In addition, it will be more important than ever to ensure that community initiatives are given a context within which they can flourish and that the various communities in the area buy into the vision adopted to pursue the desired regional future.

Step 4: Policy options and future developments

Eligibility for structural funds is an issue due to the way that funding is allocated according to the NUTS II level statistical regions. At the NUTS II level, Wales is divided into two distinct regions West Wales and the Valleys, and East Wales. The former is qualifies for convergence funding (formerly objective 1) whereas East Wales is eligible for funding under the regional competitiveness and employment priority. The boundary between the two areas divides the Cambrian Mountains thus creating problems for attracting EU funding for projects over the whole area. This situation appears to further reinforce the sense of the Cambrian Mountains being a so called soft space that does not correspond to administrative areas and therefore requiring innovative territorial governance and funding approaches.

Though a significant proportion of the Cambrian Mountains are covered by diverse national and international designations, the area is potentially at a disadvantage compared to the neighbouring national parks due to the lack of a unified designation to reinforce the identity of the entire area. Discussions are ongoing about the nature of such a designation and the potential benefits in terms of providing focus, attracting and justifying funding and other resources and strengthening identity. In relation to the latter point about identity the national park designations in Snowdonia and the Brecon Beacons have become tourism development drivers in their own right. However, the suitability of existing designations such as National Park or Area of Outstanding Natural Beauty may not be appropriate to the contemporary issues being faced and the identity that the CMI wished to promote. The national park designation process is extremely complex and the designation is restrictive in terms of the activities that are permitted. There is also a potential conflict between establishing a landscape designation and the renewable energy targets promoted by the Welsh Assembly Government. Two options are currently being discussed and considered:

1. Explore whether there were any internationally recognised designations that were appropriate (such as the UNESCO designation awarded to Biosphere)
2. Discuss with WAG the possibility of creating a new designation, which would require the identification of a list of transferable criteria.

A new designation could be designed that was appropriate to the contemporary sustainability agenda just as the national parks designation had been appropriate to the conservation agenda at the time. There are potential models for inspiration in the German Naturparken, the French Parcs Naturels Régionaux and the Flemish Regionaal Landschappen. All of these models seek to combine ecology and nature with economic development and embed environmental sustainability principles into the ethos for a working landscape and the desirability of the bottom up and process oriented approach. A Cambrian Mountains variant of this model could involve a voluntary scheme whereby community councils each made a five year plan outlining vision and possible actions. Such an approach could be useful in providing the necklace towns with a shopping list of priorities and they could then choose what they considered to be appropriate for them. The Cambrian Mountains Trust, as a bottom-up grant giving charity, could play an important co-ordinating role in terms of delivery. As mentioned previously however, one of the key challenges will be to establish an economic value and transfer mechanisms for ecosystem goods and services.

The work being done by the Cambrian Mountains Initiative and the discussions raised at the PURR workshop point to a range of key issues relevant to regional strategists in other locations. In many ways the Cambrian Mountains can be seen as a pioneering laboratory for environmentally sustainable rural initiatives and it is clear that a rural environment needs to be far more than simply an agricultural economy. Perhaps the foremost of these is the concept of Ecosystem Goods and Services (EGS) and what it might offer in terms of the well being of landscapes, economies and communities of rural areas. The Convention of Biological Diversity defines an eco-systems approach as '…a strategy for the integrated management of land, water and living resources that promotes conservation and sustainable use in an equitable way'. DEFRA, however, argue the need to move beyond biodiversity perspectives and to put emphasis on maintaining the health of ecosystems as well as the sustainable human use of the environment, for present and future generations (see Parliamentary Office of Science and Technology 2007). In many ways the EGS approach is broad and philosophical, concerned with defining society as part of nature and elaborating how all social actions effect natural ecosystems, which in turn impact back upon those societies. Land use, landscape and ecosystem are interrelated and a better understanding of the natural consequences of social actions, and how social systems benefit from the natural world, can mean that a truer picture of the value of nature and the goods and services it provides can be achieved.

The CMI, however, moves this understanding on to identifying practical interventions involved with the EGS approach. For example, the Adaptive Landscapes Project seeks to develop a tool for identifying areas where landscape-scale adaptation measures, such as tree planting or re-wetting of blanket bog, can be most effective, whilst taking into account existing agricultural uses. It

should help pinpoint areas that deliver environmental benefit and value for money and help define and create a market place for EGS by demonstrating the tangible benefits that can be secured by such land management measures. In addition it will provide insights into the opportunity costs that result from specific land management choices and it is important that these are more clearly understood. More generally, the CMI's EGS approach raises the issue of how to extract, capture and retain the value and benefits of EGS within local communities. Partly this relates to the incomes of those that might be involved in managing the special landscape features of the area, but also through the value of services provided to others by the area, for example in the form of water storage and improved water quality, carbon sequestration and storage and so on. Not only designing but spreading understanding of such integrated environmental markets remains an important role for policy practitioners. An understanding of the inter-connectedness of economy, community, landscape and ecology is essential if the potential of the area is to be achieved.

In addition to having the potential to act as a pioneering laboratory for environmentally sustainable rural initiatives, the Cambrian Mountains area also raises some interesting issues concerning structures and spaces of governance and spatial planning. In this sense it also has potential to act as a laboratory for new governance arrangements and implementation mechanisms. Convincing actors of the added value of working together towards shared goals in such a soft governance space is extremely challenging. Actors need to be convinced to buy into a shared vision by identifying and mapping synergies, interactions and interdependencies, both spatially and thematically. In spatial terms this would help convince actors in different parts of the Cambrian Mountains of the benefit of rural – urban, urban – urban and rural –rural co-operation. In thematic terms the potential synergies between different cross-cutting themes need to be demonstrated, such as how local food contributes to tourism, healthy image, identity and economy in the area. The key challenge here will be to translate the ability of the CMI to act as an arena for debate into an ability to influence policy and achieve action and this could be a useful test of the value of the increased proximity of the devolved Government in Cardiff.

3.5 Amata and Vidzeme

Step 1: Benchmarking in a European Perspective

PURR case study region - Amata municipality and six surrounding municipalities are located in Northern Part of Latvia in Vidzeme region which is one of five planning regions being also a statistical unit at NUTS III level. The area of PURR case study area in Latvia (further referred to as PURR sub region) encompasses seven municipalities[7] (*novads*) located in Southern-Western part of Vidzeme

[7] Municipalities included in PURR case study with the exception of Cesis were selected for study. Until July 1, 2009 these municipalities were all part of one of 26 district local governments – *rajons.* The

region. Rural areas of PURR sub region in Latvia covers area about 2802 square km and has a population of about 45,000. Together with town of Cesis PURR sub-region takes 2975 square km and has a population of about 56,000. Population density is about 16 persons per square km (28 persons per square km if Cesis is included).

To provide initial benchmarking of this PURR region in European perspective, statistical information collected in the NUTS III level for Vidzeme planning region is used, since most comparable data is available at this level. Subsequently, national, regional and local data is used to provide more detailed assessment of PURR sub region area in steps 2 and 3.

Vidzeme region is located in the East of the EU and in the Northeastern part of Latvia. The region has borders with Estonia in the North and Russia in the East. Inside borders of Vidzeme include the region of Latgale in the South-East, Zemgale in South and Riga region in the West. Tangible capital assets in Vidzeme are it's forests, vacant territories for manufacturing industries, free agricultural areas for introducing energy crops, diversity of natural resources, scenic landscape. Vidzeme also has developed network of transport infrastructure - two international motorways and railway cross the region. It's key industries are: forestry, wood processing industry, milk processing, tourism. Important knowledge based development capital in the region is Vidzeme University of Applied Sciences. Vidzeme also has active cultural and historical traditions and cultural heritage that can be transformed into asset for development. There are 2 larger, and several smaller towns in Vidzeme. Largest town is Valmiera with population of 27,323 followed by Cesis with population of 19,861.[8] Most economic activity in the region is concentrated in these towns and within two functional networks highlighted in *Vidzeme Spatial Development Plan (2007).* Northern functional network encompasses Valmiera, Valka, Smiltene, Cēsis. Southern functional network encompasses Alūksne, Gulbene and Madona. These are also towns of important regional significance.

On European scale landscape of Vidzeme is characterized by low percentage of built-up, and high the area cover for semi-natural areas is higher than in other PURR areas. CORINE land cover survey shows, Latvia has highest percentage of forest coverage among all PURR areas. In Vidzeme 57% of territory of Vidzeme is covered by forests, but 34% of land can be used for agriculture.[9] Although

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administrative criteria for selecting PURR regions was maintained because Amata municipality and 6 other municipalities (Rauna, Jaunpiebalga, Vecpiebalga, Ligatne, Priekuli, Pargauja) continued cooperation within PURR project after reorganization of Cesis District. Before the administrative reform considerable amount of statistical information was collected in the level of district local governments.

[8] Data from Latvian Central Bureau of Statistics for the beginning of 2010.

[9] Data from data base of Latvian State Land Service. VZD (2009). Zemes lietošanas veidu struktūra Vidzemes plānošanas reģionā 2009. gadā, %. Retrieved: 04.09.2010. Available: http://www.vzd.gov.lv/sakums/publikacijas-un-statistika/statistika-par-vzd-registros-uzkrato-informaciju/.

Vidzeme is the largest planning region in Latvia, it also least populated. Vidzeme covers 15,246 square km (23,6% from the territory of Latvia), and has about 234,000 inhabitants (10,4% from the population of Latvia).[10] Density of population is low compared to European average – only 15 people per square km. If one excludes the largest city Valmiera with 27,323 inhabitants, density decreases even more and becomes only 13,6 people per square km[11] In comparison, average population density of EU countries in 2009 was more than three times higher – 115 square km. 58% of Vidzeme population is living in rural areas, and 42% are living in towns.

According to EDORA typology whole Vidzeme is described as predominantly rural and remote, agrarian and depleting.

Classification of Vidzeme according to EDORA typologies

Code	Label	Value
DTP Type no	Urban-rural typology (Dijstra Poelmans types)	Predominantly Rural. Remote
Stype	Structural typology for non-urban regions	Agrarian economy
A-Dtype	Performance typology for no-urban regions	Depleting
Comptype	Combining urban-rural typology	Predominantly Rural. Remote. Agrarian. Depleting.

Source: ESPON database.

Vidzeme is described as predominantly rural and remote region because more than half of it's population is living in rural local units and less than a half of it's population can reach a city with at least 50,000 inhabitants within 45 minutes. This is because there are no cities of this size in Vidzeme. Some areas in the Western part of Vidzeme near central roads can be reached in 45 from Riga. Among these areas are some pockets from the PURR sub region, such as the municipality of Ligatne, yet most of PURR sub region is located outside 45 minutes reach. Similar rural regions are found in Nordic countries (Finland, Sweden and Norway) as well as in parts of Ireland, Austria, rural areas of France, Central Spain, Portugal, and Greece. There are several predominantly rural regions also in Bulgaria and Romania. Overall 161 (11,2%) predominantly rural and remote regions have been identified by EDORA The analysis of urban-rural relations in ESPON 1.1.2. show that territory of Vidzeme has low degree of urban influence and low degree of human intervention which is common in Nordic regions, Norther Scotland, Greece, Northern parts of Spain and Portugal. It shares similar characteristics also with other PURR regions, such Dumfries and

[10] Data as of the beginning of 2010. VRAA (2010). *Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra. 17. lpp.

[11] VRAA (2010). *Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra. 18. lpp.

Galloway, Gwynedd, and Telemark regions. Peripheral areas with low population density are common in Nordic countries, Scotland, parts of Ireland, most of rural areas of central Spain and Greece (ESPON 1.1.1) Vidzeme is different from PURR areas in UK which have stronger agglomeration tendencies, especially - North Yorkshire. Regional remoteness is directly linked to lower accessibility. Potential accessibility of Vidzeme by air was the lowest among PURR territories. This is similar to most rural regions outside agglomerations in Eastern Europe. Highest level of accessibility by air and combined accessibility was in North Yorkshire (75,1-100), followed by Dumfries and Galloway, Cambrian mountain areas and Telemark in Norway. Although Vidzeme shows significant improvement in combined accessibility, it still, like most rural areas in Eastern Europe, lags behind the average European accessibility.

Economic structure of Vidzeme is agrarian according to EDORA typology. This means that relative importance of it's agriculture (% employment in the primary sector, % of GVA from primary sector, and agricultural work units as a percentage of total employment) exceed the EU27 mean for non-urban regions. Overall, there were 278 agrarian regions in EDORA data set which make up 19,4% of all mapped rural regions in ESPON space. Agrarian regions occupy an arc on the Eastern border of Europe, from Finland, South through the Baltic States, Poland, Slovakia, Romania, Bulgaria and Greece, and then through Southern Italy, South West France, and into the Southern and Western half of the Iberian peninsula. Among PURR areas Vidzeme is the only agrarian region. According to EDORA methodology, no agrarian regions exist in the UK. Only two agrarian regions exist in Norway. Although in Latvia GVA in agriculture is higher than it is in other PURR countries, agricultural labour productivity is lower. Labor productivity is strongly influenced by farm structure. In Eastern Europe, including Latvia, average farm sizes are typically smaller and the level of mechanization is lower. Therefore significant part of production is for on-farm consumption.

Depletion of Vidzeme economy is reinforced by substantial decline of economy during economic recession. Among EU member states Latvia experienced sharp drop of GDP and large growth in unemployment. Therefore Vidzeme is the only PURR region which is showing signs of economic and demographic depletion. Depleting areas are characterized by negative net migration, negative trends in total employment and increasing unemployment rate.[12] There are total of 248 (17.3%) depleting regions in EDORA data set They are found in Eastern New Member States, the New German Lander and Turkey. Areas with scores below average performance are also found in Southern Italy, Western Spain, Portugal, Central and Northeastern France, the Northern parts of the Nordic Member States

[12] In EDORA data about these trends is combined to construct synthetic indicator, which is converted in four ranges - "depleting", "below average performance", "above average performance", and "accumulating". The range is defined by the mean, and 0.5 standard deviations above/below the mean in EDORA data set.

and UK. Population development trends in Europe between 2001 and 2005 show that all PURR areas experience negative natural balance though population decline is compensated by positive migratory balance. Vidzeme, on the other hand, shows annual population decline by 1% since 2005 including negative migratory balance and negative natural balance. Territories with a challenge of demographic decline are found in Eastern Germany, most of Bulgaria and Greece. DEMIFER estimates that by 2050 Latvia's population will decrease by 20%-50% whereas other PURR areas will either gain population or lose a bit less depending on scenario. Overall, 23 regions (1.6% from EDORA data set) share similar combined characteristics with Vidzeme. 7 of them are in Romania, 6 in Bulgaria, 5 in Greece. Single rural regions similar to Vidzeme are located also in Hungary, Italy, Lithuania and Poland.[13]

The future of Vidzeme and PURR sub region in European perspective will be shaped by global drivers, including globalization, technological breakthroughs, European and national territorial policies, energy policy and climate change. Vidzeme and Norway belong to a group of Northern European territories in which climate change is likely to bring increase in annual temperature, and mean precipitation. In future there are going to be more days with heavy rainfall, more evaporation, but decrease in frost and snow cover days (ESPON Climate) This will increase the risk of river flooding. Rising sea levels and erosion of coastal areas is also a serious risk brought by climate change in Vidzeme. The appearance of new invasive species of weeds may have negative effects. In terms of natural and man caused hazards the hazard level in Vidzeme is rather low. Among all PURR areas, future energy challenges are more relevant for Latvia since it is one of the countries with low energy self-sufficiency and high price sensibility. Lithuania, most of France, Bulgaria, Hungary, Cyprus share similar context. In Latvia and other two Baltic states – Estonia and Lithuania large share of employees (6,22-9,72%) are employed in industries with high energy purchases. In the same time Latvia has significant portion of electricity generated from renewable sources and it has significant unused potential of renewable energy including biomass and wind potential (ESPON 2.1.4).

Step 2: The Regional Context and Stakeholder Perspective

PURR sub region is located in central part of Vidzeme region between two main motorways: Rīga – Pskov (Russia) and Rīga – Valka (Estonia) – Saint-Petersburg (Russia). The region is also crossed by the international railroad Riga (Latvia) – Valga (Estonia). PURR subregion is located approximately 87 kilometers from Latvia’s capital Rīga within the driving time which exceeds 45 minutes. There is a

[13] According to EDORA data base, regions which share similar combined characteristics with Vidzeme are located in Romania (Maramureş, Sălaj, Harghita, Botoşani, Tulcea, Teleorman, Caraş-Severin), Bulgaria (Монтана, Враца, Силистра, Търговище, Смолян, Кърджали), Greece (Καστοριά, Θεσπρωτία, Πρέβεζα, Λασίθι , Ρεθύμνη), Hungary (Bekes), Italy (Enna), Lithuania (Tauragės apskritis) and Poland (Bialski).

small regional airfield. In terms of territory PURR sub region constitutes about 20% of Vidzeme's territory. Most of PURR sub region is located in the uplands of Vidzeme. The topography of the region is uneven with mosaic landscape which is attractive for tourism. Forests take about 57% of the territory. 34% of land can be used for agriculture. In agriculture it is and more suitable for growing grassland than for crop farming and cultivation. Due to uneven terrain dairy cattle farming has historically been important in this area. Northern part of PURR sub region is more suited for crop farming and vegetable farming. Due to short vegetation period, frequent rainfalls and early frost, growing of fruit is less widespread. There are 2 larger towns in PURR sub region – Cesis and Ligatne. The region consists of 7 municipalities - Amata, Cesis, Jaunpiebalga, Ligatne, Priekuli, Pargauja, Rauna and Vecpiebalga and 25 rural municipalities (*pagasts*). The region has polycentric structure although the economic importance of Cesis town is growing. About 40% of residents are living in two and three largest towns (Cesis, Ligatne, Priekuli) whereas remaining population has settled in larger and smaller villages, many of which are rural administrative and economic centers of former collective farms created in the Soviet era. The area is also known for many single homesteads, of which several have disappeared over the years. In territory of Amata new village "Amatciems" has been developed by private investors. This village is enclosed by forest and several manmade lakes and ponds. It was built for people with particular lifestyle who are looking for places of natural beauty and eco-friendly living. Wooden houses with or two floors are connected to electrical, sewage, water and internet supplies. This kind village is unique in the region and in the Baltic States[14]

According *Vidzeme Region Territorial Plan 2005-2025* areas of PURR sub region are designated for mixed use. Valuable landscape areas include territories around Ligatne, Cesis and Rauna, as well as rural municipalities of Priekuli, Vecpiebalga, Dzerbene, Taurene, Drusi, Jaunpiebalga and Inesi. PURR sub region is also crossed by river "Gauja" which is favorite river tourism route and popular among fisherman. Other natural and tourist attractions include Cesis old town complex with castle, Ligatne nature trails and many other tourism attractions. The territory of the national park covers about 20% of all PURR sub region. Large scale farming industry and other economic activities including tourism are restricted in several areas of the park which is considered problematic by some local entrepreneurs. Natural deposits in PURR sub region are found in Priekuli municipality near Bale. Clay is also found in Priekuli municipality. Clay is used locally for producing finishing bricks and other ceramic articles. Sand is excavation is practiced in Rauna municipality.

According to EDORA typology Latvian regions show different degrees of remoteness and economic structure. Among Latvian regions only Vidzeme can be

[14] Amatciems, http://www.amatciems.lv/eng/ . Retrieved: 05.05.2011.

described as predominantly rural, remote region and agrarian depleting economy. Other regions in Latvia show slightly different characteristics. In Latvia measure of infrastructure accessibility is used, according to which about one third of PURR sub region including largest part of Amata municipality, parts of Jaunpiebalga, Rauna and pockets in Pargauja municipality are located more than 5 km away from paved roads.

Vidzeme region is experiencing higher population decline than national average From 2005-10 Latvia experienced -2.1% population decline whereas in Vidzeme it was -4.6%, which was the second largest decline after Latgale region which experienced high -6.4%. Areas with severe population decline are located in Northern and South Eastern part of Vidzeme region. Vidzeme also has lowest population density, which is 15.3 people/km2 (13.6 if not including city of Valmiera). All regions in Latvia also experience signs of ageing population. Since 2005 average age in Vidzeme has increased from 39.3 to 40.3 which is slightly below the national average 40.7.[15]

PURR sub region historically has experienced stable level of population. From 1946-2004 it was one of few rural area which experienced population growth, whereas after 1990 the population decline was smaller than in other areas (Grīne, 2008:133). Since 2000 region is experience higher population decline. In 2010 population decline was more than national average (-1.6%) in three municipalities (Ligatne, Rauna and Jaunpiebalga) which lost more than 5% of population from 2005-2010. Small decline is observed in Amata and Cesis rural municipalities. PURR sub region scores significantly lower than national average of population density for rural municipalities – 17.3. Highest population is in areas with larger towns such as Cesis, Priekuli and Ligatne. Lower population density is in Amata, Vecpiebalga and Pargauja (1-5 people per square km). Municipalities of Rauna and Jaunpiebalga rank in the middle (5-10 people per square km). Though there are significant internal differences in population size and density in these territories, they are all experiencing population decline at different rate.

In general, GDP / capita regional differences in Latvia are considerable between Riga and the regions. Although latest regional GDP figures are not yet available, Vidzeme regional GDP / capita in pre-recession economy was below the national average. Higher regional GDP / capita levels were in Riga region, Kurzeme and Zemgale region. Only Latgale region lagged behind Vidzeme. Note, however, that these were per-recession assessments. Infrastructure and the network of roads has been important for development levels of rural areas in Vidzeme and PURR sub region. Main industries in Vidzeme region are concentrated near the infrastructure – main roads, railway and gas line. Most people who are employed by industry work in triangle area between Valmiera, Cēsis and Smiltene. In 2009 most people in Vidzeme were employed in education, following by downstream

[15] VRAA (2010). *Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra.

sectors, wholesale and retail health care, and in public administration, agriculture and forestry.[16] Construction also used to be a booming sector with substantial impact on economic situation in times of growth during 2004 to 2007. However, during economic recession many people who worked in this sector became unemployed, and the sector went into steep decline. Largest share of GVA in Vidzeme was accumulated in manufacturing industry, wholesale and retail, agricultural production, huntsmanship and forestry. In agriculture leading industry in Vidzeme is dairy cattle farming. About one quarter of total milk volume in Latvia is produced in Vidzeme region. There are several large timber producing companies. Two companies which produce non-metallic mineral goods (glass fiber products and ceramic building materials) are among Latvia's top exporting enterprises. Over the years these companies have accumulated large capital investments, and expanded their export markets. Another important exporting company located in PURR sub region is one of oldest paper producing factories in the Baltic States.

Vidzeme region was hit hard by the unemployment during economic recession. Beginning of 2010 unemployment level in Vidzeme (12.6%) was higher than national average (12%). Highest unemployment level was observed in Latgale region. Average unemployment level in municipalities was 13.4% In Northern Vidzeme it was higher (15-20%), whereas in Southern part of Vidzeme where PURR sub region is located, the unemployment levels were lower. In PURR sub region lower unemployment was registered in Rauna (7.5-10%) but higher in Amata and Ligatne (10-12.5%). Other municipalities ranked in the middle (10-12.5%).[17]

To summarize performance of the PURR sub region areas, Regional Development Index (RDI) data can be used. RDI synthesizes several performance indicators, and it is widely used in Latvia as criteria in policy making.[18] According to RDI data PURR subregion can be divided into two groups. Rural areas closer to larger towns, such as Pargauja, Priekuli, Ceis, Rauna show slightly positive RDI scores whereas areas in Southern part of PURR subregion, such as Ligatne, Amata, Vecpiebalga and Jaunpiebalga show negative scores. Overall there seems to be a strong positive relationship between better developed transport infrastructure and economic activity in PURR subregion. This explains differences between rural municipalities near Cesis, such as Rauna and and Priekuli with higher performance and areas in the Southern and Southern Eastern part of the subregion.

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[16] Central Statistical Bureau of Latvia. CSP. (2009). Nodarbinātības struktūra pēc NACE iedalījuma Vidzemes plānošanas reģionā. Retrieved: 05.11.2010. Available: http://data.csb.gov.lv.

[17] VRAA (2010). *Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra.

[18] Regional development index used in Latvia is composed using performance indicators, such as GDP/capita, unemployment level, the share of income tax per capita in municipality budgets, non-financial investments per capita, demographic load, the number of economically active individuals and enterprises per 1000 inhabitants, population density, and changes in population.

Stakeholder perspective about challenges and opportunities influencing territorial potential of the region are summarized in form of a SWOT analysis as illustrated in Table below. Original SWOT for Vidzeme was performed in 2007 as part of Vidzeme Development Strategy drafting process. Since then key strengths, challenges and opportunities of the region have generally remained the same. After SWOT analysis, additional insights into more recent challenges and means of territorial development for PURR sub region are provided. These insights are based on analysis of planning documents, preliminary conclusions of *Vidzeme Economic Profile* draft document (2010-2011)[19], outcomes of regional workshop in Amata (15.10.2010) and informal consultations with local stakeholders. Subsequent assessment of region's territorial potential and development options is done by synthesizing key findings.

It is first necessary to list several external drivers that influence region's development in general. These are:

- Proximity of Estonian and Russian border
- Proximity of the Sea - small ports and beaches
- Interest of foreign investors who are willing to cooperate and increase their investment;
- Growing international tourism in Baltic States
- EU support for territorial and sectoral development
- Growing demand for eco-products and locally grown and produced products
- The use of ICTs for remote work and communication

SWOT analysis of the challenges and opportunities influencing the territorial potentials of the region

Strengths	Weaknesses
• Developed milk and meat processing industry • Some farms have long experience in traditional agriculture • Developed logging and wood processing industry. High capacity of lumber mills • Tourism potential which stimulates rural entrepreneurship • Growing use of ICTs in education and governance • Growing availability of education opportunities • Improving quality of professional education • Vidzeme University of Applied Sciences	• Small number of private enterprises per population • Lack of knowledge-based industries (lack of technological centers, innovation centers) • Insufficient cooperation between entrepreneurs • Infrastructure and services of tourism insufficiently developed • Depleting demographic situation. • Lack of qualified workers. • Outer migration of qualified workers and active people to urban centers and capital • Insufficient use of ICTs • Uninhabited and economically undeveloped border area

[19] Vidzemes plānošanas reģions. (2010-11) *Vidzemes ekonomiskā profila projekts.* Retrieved: 13.01.2011. Available: www.vidzeme.lv

• Balanced poly centric habitation structure • Extended network of roads that can stimulate development of remote areas • Vidzeme Region is crossed by important transit infrastructure (motorways, railway, gas pipe) • Territories available for industrial production, including former soviet military bases • Diversity of natural resources (forests, habitats, renewable natural resources, recreation resources) • Protected natural sanctuaries • Natural landscape not transformed. • Picturesque landscape • Rich traditions of cultural history memorials of cultural history	• Poor quality of roads • Potential of railway not used • Ageing material infrastructure of social, health, education and sport services • Ageing water infrastructure in small towns • Agricultural lands not used enough • Poor housing management system • Ineffective use of energy resources in heat supply
Opportunities	Threats
• Development of industries that use scientific potential • Cooperation among larger Latvian and foreign companies • State supported business clusters • Creating joint companies to attract investments • Growing demand for organic farming products • Development of tourism in Baltic Sea Region • Development of businesses which use ICTs while people can stay and work in rural areas • Good opportunities to develop cross border cooperation with Russia and Estonia • Seaside ports and beaches are close • Using existing transit infrastructure to boost business development • Using EU financing for regional development	• Unfair competition in agriculture. No market for locally produced goods. • Unclear division of functions between the State and local municipalities • Small economy which is very dependent on world economic fluctuations • Decline in quality of roads • Flight of human and intellectual capital (youth, qualified workers) to other regions and abroad. • Rise in alcoholism and drug habits • Dependency on external energy sources • Mismanagement of housing can lead to further depreciation of it's value

Based on: Vidzeme Planning Region. (2007) *Vidzeme Development Strategy.*

Step 3: Assessing the region's territorial potential

Territorial potential in case of Amata and surrounding rural regions can be assessed by convergence of three important components of the territorial capital, such as natural resources and territorial positioning, human capital, institutional context & governance structures. Such approach has been suggested by ESPON TedDi project which examines comparative advantages and development capacities of different regions with different geographic characteristics (ESPON TeDi, 2010: 21-22).

Natural resources are important tangible capital assets of the PURR sub region in Latvia. Scenic landscape and rivers are important for developing tourism. There are vacant territories for development of manufacturing industries and agriculture. The area has developed network of transport infrastructure - two

international motorways and a railway. Shorter travel times and physical distances to and from larger towns are considered important for development opportunities also by local stakeholders. Key industries of the region are forestry, wood processing industry, milk processing, and tourism. Low fertility of soil in the region does not promise to yield high returns from lucrative cultures, like cereals, canola, potatoes and vegetables.

Though region has several assets for territorial development, it does not always have means of transforming these assets into development opportunities. Depletion of human capital in region will have negative impact on all components region's territorial capital. Population decline due to negative natural growth, ageing and out-migration are perceived as the most important challenge in the region. It is very likely that population decline will have to be compensated by immigration if current level of economic well being is to be maintained. Important to improving the quality of human capital in the region is Vidzeme University of Applied Sciences. Vidzeme also has active cultural and historical traditions and cultural heritage that can be also be transformed into asset for development. Key cultural assets of the region are castles, manors, protected cultural landscapes, museums and galleries, events, cultural diversity, cultural professionals, intellectual capital and various forms of non-material cultural capital. This suggest the centrality of knowledge and identity platforms of territorial development in the region.

Essential component of territorial capital is that of governance. The role of the governance is essential not only in administration of territories but also in providing the services of general interest, coordinating different initiatives, and harnessing territorial potential in strategic way. The context of territorial governance in Latvia has been shaped by conclusion of territorial reform of municipalities and economic recession which severely affected Latvia. Formal structures of government are centralized in Latvia and therefore local governments are highly dependent on central government, especially for financing which is drying out because of central government's austerity measures. In these circumstances smaller local governments are more concerned with immediate survival strategies such as providing critical services to remaining population and are less capable of planning ahead.

The interaction between urban and rural networks is very weak in the region. Rural and urban business networks do not overlap. Although some political cooperation exists among rural municipalities, cooperation between rural municipalities and more urban Cesis area is limited mostly to service delivery. For historical and cultural reasons horizontal networks are weak also among businesses who perceive each other as rivals and fear competition. For historical and cultural reasons entrepreneurship clusters have not taken root. There is little awareness about the clusters and their usefulness among entrepreneurs. Many entrepreneurs lack administrative capacity and skills to organize such networks.

In regional level, the projects carried out by Vidzeme planning region are focused on current regional development priorities, due to limited powers and capacity of planning regions in Latvia, their efforts are not sufficient to bring critical mass for region's development. Since institutional capacity of smaller rural municipalities is insufficient for steering development, an alternative could be to increase coordinating capacity and authority of Vidzeme planning region. However, in the light of declining government financing, it is difficult to predict what turn regional administration structures will take. In addition to regional administration structures, EU funding is seen as important catalyst for development. Local actors stress the importance of lowering application and financial reporting requirements for European funds and urge to strengthen regional principle in awarding these funds.

Step 4: Policy options and future development

Variety of strategies can be formulated for PURR sub region in Latvia so that it can better come with challenges of decline. In addition to strategies which aim at stimulating material forms of territorial capital, such as productive use of natural and human resources, parallel strategies aimed at increasing place attractiveness, building social capital and cultural capital, also have to be pursued. It should be emphasized that integral rural development in Latvian case is not possible without renewing the trust to government institutions and local and national policy makers.

In regional economy two complementing strategies can be identified. First strategy focuses on developing of territories and economic sectors who already have potential for development. The structure of region's local economy suggest that several key industries, such as forestry, wood-processing and dairy farming need to achieve necessary resource combination to develop further. Wood-processing industry already has significant impact on regional economy, but it requires access to knowledge and expertise to develop higher value added products. Currently this knowledge is lacking in the region and has to be developed. Second strategy place focuses on supporting newly emerging potential industries, such as extraction of non-metallic mineral materials (clay, sand, gravel peat etc). Development of corresponding secondary sector industries, like chemical industry are necessary to support these newly emerging industries.

One of general development strategies for small economies is specialization and niche-based development. In case of PURR sub region this strategy could result into specialization in secondary economic sector with small businesses specializing in processing locally grown products. Minimization of mismatch in labor market, incremental innovation strategies, involving local companies and educational sector are important supporting elements for this strategy to be effective. In addition, economic clusters supporting production and processing of agricultural products, extraction and processing of mineral deposits, and

processing of forestry products should be developed. Both formal and informal business services and networks are very important for promoting cooperation among different stakeholders. Informal networks, such as local woman's clubs are emerging as perspective alternatives to formal cooperation networks in the region.

In agricultural sector one can observe polarization in rhetoric between larger and smaller farms and different types of agricultural activities. In some instances agriculture has become a bad bargain for small sized farms. Because of increasing influence of large agricultural firms, disadvantageous deals offered by foreign-owned supermarket chains, rising energy costs, lack of qualified workers, high production quality standards, and lower EU subsidies, many small scale farmers abandon agricultural activities and hand over their lands to larger agricultural companies which in many cases are foreign owned. Many former farmers have also became couch-farmers who rely on EU subsidies instead of using their land productively. In the same time home based production and self-subsistence farming become popular survival alternatives survival for many small farm owners. In addition the introduction of energy crops, alternative energy production infrastructure, farmer cooperation, diversification of agriculture, and improving quality of cattle can be identified as opportunities for agriculture.

Discussion about regional scenarios for governance is focusing around narrative of decentralization Local actors support decentralization of power to regions and local governments. With declining central government subsidies, local actors feel that central government should provide more autonomy. Therefore principle of *more autonomy, and less regulation* is advocated. If central government provides less financing, it's agencies should also impose less control, and lower accountability requirements. In addition to administrative decentralization, financial decentralization incentives in tax policy are advocated. Currently there is single income tax rate for individuals and companies. But due to considerable inequalities between the center and periphery, lower personal and business income tax rates for rural and urban municipalities can be introduced, because start-up and operation of businesses in Latvian rural areas is more difficult. General consensus seems to be that spatial planning has to aim at creating balanced poly centric development and positive rural-urban interactions with smaller towns as important secondary development centres.

Policy options supporting horizontal cooperation and coordination in governance and business are also relevant for the region. In some instances cooperation and coordination patterns between local actors are already present. These cooperation initiatives involved municipalities, schools and NGOs. Cooperation between PURR sub region municipalities is common in attracting EU funding and working on tourism products. However, it is suggested that local businesses should be more involved in these cooperation opportunities. Since population in rural areas is declining, rural municipalities have to cooperate more in providing access to

better quality services. Rural development centers should improve physical infrastructure and concentrate resources. There is a support for concentration and coordination of service provision and combine several types of services in one location/facility. Municipalities should support increased transport mobility to access services in other locations. Mobile service buses could be useful alternatives. Accessibility of services can also be increased through investments in telecommunications infrastructure.

The role or local governments are also important through smart utilization of procurement of goods and services to simulate demand in local economies. In the same time local entrepreneurs also have to work harder to deliver better deals that win tenders.

3.6 Discussion based on previous paragraphs

The presentation in the previous paragraphs is preliminary, in the sense that it is based on preliminary results from the case studies. Comparing the stakeholder regions will be an important task towards the deadline for the Draft Final Report, together with finalising the Methodology outlined in chapter 2. In Annex 2 below, a comparison between the regions has been made using different typologies.

First, the TPG found that the workshops were successes in terms of generating valuable data and insights into the regions. The nature of a stakeholder driven project is such that it is essential to gain these insights and to discuss with a range of stakeholders what their hopes and fears are for the project. The workshops generated a considerable amount of qualitative data and the fact that the workshops were organised according to the same structure means that commonalities and differences can be discussed. It became apparent that there is some diversity in terms of the specific emphasis between the different regions. To a certain degree the emphasis is influenced by the roles and agendas of the people that participated in the workshops, but also reflects the diversity of the regions. The diversity of the PURR regions is confirmed by the diversity of the rural typologies that illustrate the differences in terms of accessibility, economic performance, demographics and a variety of other characteristics. Such diversity is useful in the sense that one of the aims of PURR is to develop a methodology (Chapter 2) that can be applied to a variety of different regions. Applying the methodology to the PURR regions has been a useful learning process.

Second, the TPG found that the territorial capital of the five stakeholder regions is highly diverse. The emphasis in Notodden and Dumfries and Galloway appears to be on the role that the towns can play in driving regional development. There was considerable discussion with the regional stakeholders in Dumfries and Galloway about the differences between such regional development strategies that focus on towns as motors of development compared to rural development strategies that focus more specifically on rural issues such as upland farming. The stakeholders in Notodden (and Tinn) emphasised the fact that both the past and the future for

the town and wider region are intrinsically linked to the industrial heritage. Stakeholders in all of the case study regions are understandably concerned about the impact of the economic situation, though the situation in Latvia seems to be considerably more serious than in the other regions. The situation is likely to exacerbate the current challenging economic and demographic situation. In case of Vidzeme decline in population will have considerable effects in rural areas. One of such effects will be the unemployment risk in the education sector, in which currently considerable amount of people are employed.

Another impact of challenging economic and demographic situation appears to be that stakeholders are focusing much more on short-term survival rather than long-term strategic planning. The nature of the problems in Vidzeme contrasts with the challenges in North Yorkshire where stakeholders are concerned about their ability to be able to make their rural issues and challenges more visible. There is also considerable uncertainty in relation to the rapidly evolving governance landscape in England, though there is a clear desire to be proactive in capitalising on the opportunities offered by the new structures. The key task in the Cambrian Mountains appears to be building on the momentum of the ongoing Cambrian Mountains Initiative and to help strengthen the identity of the area as a brand.

In Latvia and the UK, the cuts (and proposed cuts) in public spending limit both development (employment, unemployment, population) and the local public sector's ability to be a driving force in regional development. Stakeholders in Notodden, on the other hand, are satisfied with the provision of local public services and are not to the same extent worried about future public spending. However, de-population might inflict local public sector income and the provision of public services also here, but this is not linked specifically to the general economic situation. This difference of course reflects the countries' different economic and political situations, which again have impacts on regional and local authorities' fiscal situation. It is interesting, in this sense, to notice that the Stakeholders in Latvia propose income tax cuts as a means for achieving more competitiveness and production in the region.

More generally, though, the governance structures seem to be in focus in all Stakeholder regions, but in different ways. The Governance structure is changing dramatically in England, and the extent to which this represents a re-centralisation or de-centralisation of power and the type of opportunities that the new governance landscape offers to local authorities is still unclear. Stakeholders in Scotland and Wales appear to feel that the devolved governments have increased their proximity to the levers of power, though significant challenges remain, with strengthening identity being a key issue in each region. In Latvia, there is a centralised system of governance, which, together with declining public financing limits local public sector's ability to contribute in developing the region. In Norway, the local public sector is an active participant in local economic

development, through both formal and informal networks. The municipality of Notodden also has (limited) financial capabilities aimed at private sector development and, of course, is a very important provider of public services directed towards the population.

Although endogenous economic development, or what the regional actor can do themselves, are in focus in our analysis, exogenous conditions have also been discussed among the Stakeholders. Their preoccupation with exogenous conditions correlates in a sense with the governance structure, where the Latvian Stakeholders seem to focus more on these than the others. However, certain Stakeholders in the Norwegian and UK regions also emphasised the importance of finding a balance between capitalising on endogenous assets and attracting and utilising exogenous resources.

Economic structures vary between the different Stakeholder regions, as does the focus on future development potential. All regions, on the other hand, have their economic base, which is also viewed an important part of their territorial potential. More specialisation of production, trying to capitalise from the regions' competitive advantages, is considered one direction to choose for the future, as is the interest for instance in developing tourism further. Stakeholders in all regions have discussed agriculture's role in rural development, but the importance of agriculture varies and its future potential in terms of employment remains limited in all regions. Infrastructure development is also regarded an important factor in developing the territorial potential. In addition to improving infrastructure, additional strategies for improving business competitiveness, such as promoting rural business partnerships, public-private partnerships and clusters, were seen as important opportunities for development in Vidzeme. Need for cooperation and coordination between business, education and public sector was also emphasised. It seems like economic recession has induced more active search for available options.

This discussion will be elaborated further in the Draft Final Report (DFR). As we have stated earlier (for instance in the Inception Report), the *similarities* and *differences* between the Stakeholder Regions are very important when trying to develop the concept of *territorial potential* further. This will, together with finalising the Methodology and the Case Studies, be the main focus of the TPG before the DFR.

4. Further proceedings

We refer to the time schedule of PURR, which still is the time schedule of the project. Due to priority being given to the work on re-writing the Interim Report (IR) since the Midway seminar in Latvia late in March, the time schedule has become somewhat tighter. This has also resulted in the IR being somewhat longer than we had planned, and the contents of the IR and the DFR will for this reason probably also become more similar than we had planned. At the same time, the delay has made us able to complete the Workshop also at the Cambrian Mountains, so the information applied in the new IR is more complete than it was in the old one. The work towards the DFR will be focused mainly on the *Methodology* and the *Case Studies*, in addition to finalising the DFR itself. We plan for the DFR to be more comprehensive than the new IR, however.

Concepts

In Chapter 2, we have tried to define the concepts we have applied in the work. We probably have to work more with definitions, so that they become clearer for the readers of the DFR.

Methodology

The question of the methodology has been an important reason for the re-submission of the IR. Our view has been, and is, that the methodology developed in PURR has to be inductive (bottom up – BU). For this reason, we developed the so called "Draft Template for Assessing Territorial Potentials" (Annex 1). We do, however, agree with ESPON that there is more to the methodology. Therefore, we developed a four-step methodology (Chapter 2) that in a clear way comprises other factors into the methodology. As a result of this, the focus we had on the Template has been reduced significantly compared to the old IR.

We do, however, still think that it is important to develop some sort of guidelines for assessing the territorial potentials of rural regions. These guidelines should be based on the four-step methodology, including the draft Template. In Chapter 2, the guidelines are referred to as a "Menu", but they could rather be called *A Navigation System for Rural Potentials* or *A Rural Barometer*, as one of our stakeholders proposed. It is not that important what they are called. More important is what they comprise. In our view, they should comprise a step-by-step tool, enabling stakeholders in (rural) regions in Europe to assess their territorial potentials using the methodology developed in PURR. We are still uncertain to what extent external experts will have to be included in the process on regional level, or if we should aim at designing the tool primarily for stakeholder use. Developing this tool will be the important methodological task towards the DFR.

Case Studies

The new IR is based on information about and from the five PURR regions. This information has not yet been presented in detail elsewhere, but has been used as reference information in the new IR. An important part of the work towards the DFR will therefore be to finalise one case study report for each stakeholder region. These reports will have similar outlines and will be much more detailed than the info presented in Chapter 3 and the Annexes to the new IR. The case study reports will serve as reference reports for the each study region and presented as annexes to the DFR.

Since the reports will have similar outlines, we anticipate that the comparison between the regions will become easier. We aim at focusing on the factors that are general as well as the region-specific factors when we compare the results for the regions. Hopefully, the case study experiences can also contribute to enriching the methodology.

In Chapter 2, we have promised to look into systematic scenario techniques as a part of finalising the case studies. We have already used scenario techniques in Step 4 in Chapter 3, but not in a very systematic way. If we choose to apply the systematic techniques outlined in Chapter 2 as a part of the case studies, we will have another point of comparison between the PURR regions.

Rest of Timetable

The Draft Final Report (due ultimo July) and the ESPON CU comments to this, will be discussed at a TPG meeting in Oslo September 20th. The project's Final Report will be submitted to Espon by the 30th of November.

The time schedule towards the DFR is very tight. Delaying it will have impacts for the rest of the project's time schedule as well. Therefore, we do not wish to delay the DFR. Unforeseen circumstances might, however, influence our ability to deliver the DFR on time. If so, ESPON will be alerted at once.

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Annex 1: PURR Draft Template for the Assessment of Rural Potential

The draft Template consists of three main parts:

- Regional benchmarking: including rural typologies at the European and national levels
- Thematic benchmarking (including quantitative indicators and qualitative reflections)
- Framework for identifying potential regional futures

The template is not intended to provide definitive answers to the problems of a particular region. Rather it is intended to be an instrument to encourage grounded self-reflection by regional stakeholders seeking to identify and assess the potential of their rural region.

Regional benchmarking

The starting point for benchmarking the region is ESPON data, in particular data from the EDORA project, and this will be supplemented with various national and sub-national data as appropriate. In this way the PURR project applies a magnifying glass to zoom in on specific regions in relation to the rural development potential that was explored throughout the ESPON area in the context of EDORA.

PURR has made considerable use of the EDORA project due to the focus of both on development opportunities for rural areas in Europe. The nine themes identified by EDORA have been adopted as a means of structuring the PURR template. The nine themes are as follows:

1. Demography
2. Rural employment
3. Rural business development
4. Rural-urban interactions
5. Access to services of general interest
6. Role of cultural heritage in rural development
7. Institutional capacity
8. Climate change
9. Farm structural change and the role of agriculture in rural development

In addition to the themes the template also makes use of the various rural typologies discussed in the context of EDORA in order to ensure that the PURR regions can be compared to regions with similar characteristics so that these comparisons are meaningful. A brief explanation in relation to the various typologies is included in Appendix 1. The nature and diversity of the themes and the availability of statistics mean that it is more appropriate to use quantitative indicators in some cases whereas in others qualitative data is more appropriate.

Rural typologies

A variety of typologies to characterise rural areas have been developed in different contexts and for different purposes. Though such typologies tend to be static rather than dynamic, they do provide an insight into some of the characteristics of a region at a particular point in time. The templete employs the typologies that have been used in the context of the EDORA project and these are supplemented by typologies that have been developed in the various national contexts.

European level typologies

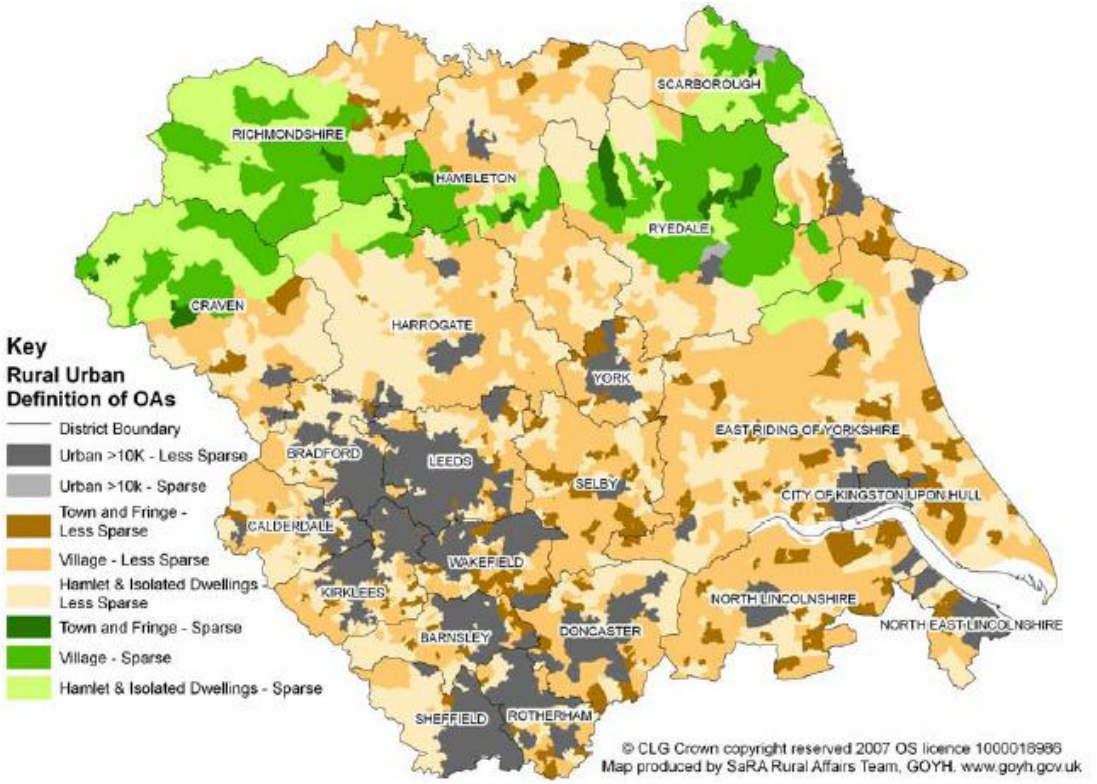
Figure 1: Rural typologies for North Yorkshire County, NUTS 3 level UKE 22

Code	Label	Value
DTP Type no	Urban-rural typology (Dijstra Poelmans types)	Intermediate accessible
Stype	Structural typology for non-urban regions	Consumption countryside
A-Dtype	Performance typology for no-urban regions	Accumulating
Comptype	Combining urban-rural typology	IA consumption accumulating

Source: ESPON database and own calculations

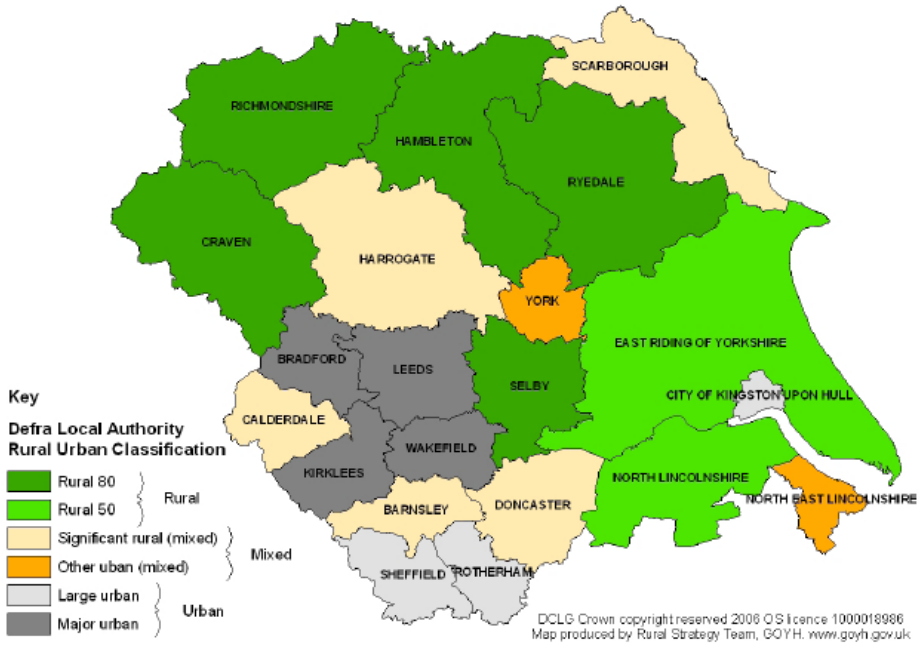
National typologies:

Figure 2: DEFRA output area rural urban definition, 2004



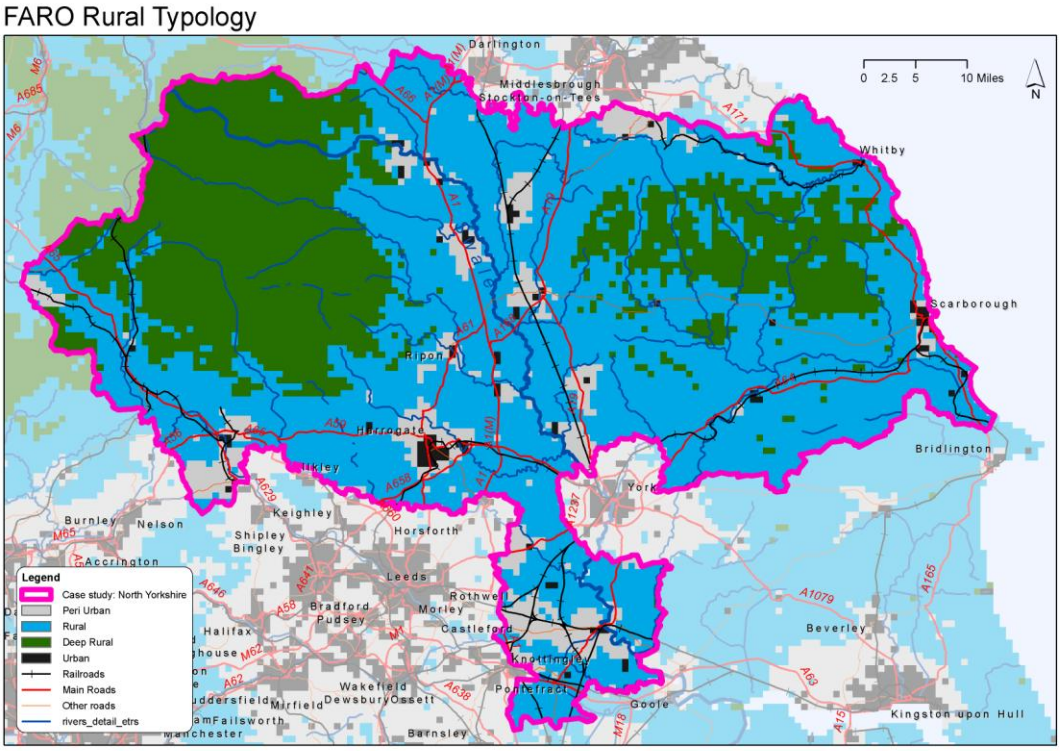
Source: Yorkshire and Humber Rural Observatory (2008)

Figure 3: DEFRA classification of unitary and district local authorities 2005



Source: Yorkshire and Humber Rural Observatory (2008)

Figure4: FARO rural typology



Source: Talbot, H. And Thompson, N (2009)

Demography

The demographic characteristics of the region are best illustrated by a combination of quantitative and qualitative data. The quantitative data provide a snapshot of data from a specific point in time whereas the qualitative aspects take the form of a series of questions aimed to stimulate grounded self reflection amongst the regional stakeholders.

Quantitative indicators

	Espon average	Macro-region / National average	Intermediate accessible average	PURR region
Population growth (year by year)				
Stucture (age, sex)				
Population density (inh/sqkm)				

Key qualitative issues for reflection:

- What are the key demographic profiles and shifts in this region and what are the consequences for spatial development strategies?
- What are the geographies of population losses/gains between urban/suburban/small settlements/rural areas? What are the implications for community cohesion? Are there new geographies of social division and segregation?
- What are the key drivers of these shifts? (e.g. lack of jobs lack of services, house prices v commuting, rural gentrification, new employment growth, seasonal tourist flows etc)
- Are these demographic shifts problematic or do they offer new rural potentials?
- Which areas should be prioritized to accommodate population growth and what patterns of development are most appropriate?
- Which areas should be prioritized for actions to mitigate population decline? What might these actions be?
- What impacts are demographic changes having upon social cohesion within and between the regions?

Rural employment

The employment characteristics of the region are best illustrated by a combination of quantitative and qualitative data.

Quantitative indicators

	Espon average	Macro-region / National average	Intermediate accessible average	PURR region
Unemployement (%)				
Participation rates (by sex)				
Employment by sector				
GVA per sector				

The figures below are taken from the English Indices of Multiple Deprivation (IMD). The IMD are used throughout the UK as a means of identifying different aspects of deprivation to a small area level. Seven domains of deprivation are identified and the scores of these are then combined to provide an overall score for multiple deprivation. The figures for income and employment deprivation are aggregated up from the small area level to provide a total number of people experiencing these types of deprivation and a rank compared to other counties and districts in England.

Income and employment deprivation

	Income deprivation		Employment deprivation	
	Number	Rank	Number	Rank
County level				
Craven				
Harrogate				
Selby				
Ryedale				
Scarborough				
Hambleton				
Richmondshire				

Source: Indices of Multiple Deprivation England 2007

Key qualitative issues for reflection:

- What are the characteristics and geographies of current rural employment structures across the region?
- What are the key sectors, geographical assets and geographical areas which offer the greatest potential for future rural employment opportunities in this region?
- Which sectors and areas are at greatest risk? What are the ownership structures of local employment opportunities?
- Which areas within the region should be prioritized for future employment growth?
- What at is the best route toward sustainable and stable rural employment: economic diversification or specialization?

Rural business development

The employment characteristics of the region are best illustrated by a combination of quantitative and qualitative data.

Quantitative indicators

	Espon average	Macro-region / National average	Intermediate accessible average	PURR region
New and closing businesses (number)				
Number of businesses (number, employment)				
Structure of businesses (proportion of large to SMEs)				

Key qualitative issues for reflection:

- What impacts does accessibility to business services and institutions required for economic activities have on future rural employment potential?
- How important are local business networks seeking to facilitate the flow of products, people, information, knowledge, financial resources and labour to local employers?
- To what extent are formal and informal business structures, networks or clusters influential in your region in terms of supporting innovation?
- What is the likely impact of reductions in public sector budgets and employment in the context of the recession?

Rural-Urban interaction

The main interactions between urban and rural areas consist of the following:

- 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 interactions between rural and urban areas will be highly diverse in different parts of the region and also for the different types of interactions in the list above. Such interactions will occur both internally within the region and externally outside the region.

Quantitative indicators

Potential quantitative statistics could include:

- Travel to work and commuting patterns
- Average distance to access key services
- Distance to administrative centre
- Proportion of households with fast broadband connection

Key qualitative issues for reflection:

- What are the main geographies of migration and movement within and across the region?
- How important are travel times and physical distances to the development potentials of this region?
- What are the main characteristics of the region in terms of internal (within the region) and external (outside the region) connectivity and transport infrastructure?
- What is the nature and extent of urban – rural interactions in terms of economic linkages, travel to work patterns, service access and provision, business and social networks, amenity leisure and recreation, governance partnership and civic society, migration and lifestyles and physical infrastructure and resources on different parts of the region?
- How should issues of accessibility be dealt with by spatial planning strategies?
- Will increased accessibility by road and transport infrastructure benefit your area?
- What is the current state of telecommunication infrastructure in the region and how important will new electronic and other communication media be to rural development?
- What strategies should underpin the geographies of service provision between urban and rural areas?

Access to services of general interest

Services of general interest (SGI) mean services provided to everyone. There is currently an ongoing ESPON project examining this issue and elaborating definitions, which vary from country to country across Europe, and the regional differrences between countries regarding these services. SGI consist of a wide diversity of public and private services including retail (food and non-food), post offices, banks and financial services, education, medical and library and leisure services.

Quantitative indicators

Potential quantitative statistics could include:

- Proportion of population owning a car
- Proportion of super output areas with rank and score in 10% most and least deprived areas in Yorkshire and in England for the barriers to housing and services domain (source: English Indices of Multiple Deprivation).
- % of households with internet access / broadband access
- Number of doctors per thousand inhabitants

Key qualitative issues for reflection:

- What are the key challenges facing access to services in this region? Which areas, sectors of the population and services are worse affected?
- What kinds of mitigation and adaptation strategies have been developed/might ameliorate deficiencies in service provision?
- In many instances rural markets struggle to provide a critical mass to sustain many services. What kinds of services are crucial to the social, economic and cultural character of this region?

- 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?
- Which parts of the region have already (or are likely in the future) to reach alarmingly low SGI levels? What are the likely consequences for the development of these areas? What are their response capacities?
- To what extent is it feasible to ensure access to critical/minimum threshold levels of service provision in all parts the region?
- What are the main coping strategies available to the regional population where accessibility to SGIs is poor?

Role of cultural heritage

Reliable, meaningful and comparable statistics relating to cultural heritage are notoriously difficult to find. A variety of qualitative statistics and reflective questions will seek to provide an overview of the extent of cultural heritage assets in the region. This data will seek to encapsulate the extent and nature of cultural resources (population characteristics, landscape and environmental characteristics), the extent to which these resources can be mobilised (number of projects and groups active in cultural sphere) and the cultural capacity of the region (tourism data).

Quantitative indicators

Potential quantitative indicators could include:

- Number and type of designations and / or percentage of territory under designations
- Number of UNESCO World Heritage areas
- Density of registered monuments
- Number of EU structural funds and interreg projects with cultural heritage focus
- Number of Leader Local Action Groups
- Number of tourism establishments and beds

Key qualitative issues for reflection:

- What are the key cultural and landscape assets of this region? What functions to they currently perform in terms of the socio-economic well being of the region? What is their future potential?
- Are there emergent new and alternative cultures in the region and how might they contribute to future regional development?
- Do existing cultural attributes constitute a barrier to future regional development potentials?
- What kinds of issues need to be faced when balancing patterns of future economic growth with the character of local cultures and landscapes?
- Are (additional) branding and marketing strategies needed to give cohesion and purpose to local culture?

Institutional capacity

Institutional capacity is another area for which it is notoriously difficult to identify meaningful quantitative data that capture the complexity of the diverse processes involved. Though it is possible to identify the number of structures and organisations active in the region, it is much more complex to assess their

performance in a way that can be meaningfully captured by quantitative indicators.

Quantitative indicators

Potential quantitative indicators could include:

- A mapping of the number and type of public institutions actively involved in rural issues and rural development (including nature and extent of policies and funding, number of active employees)
- A mapping of other networks and structures actively involved in rural issues and rural development (including nature and extent of policies and funding, number of active employees)

Key qualitative issues for reflection:

- What are the key challenges for rural governance in the region and to what extent are current structures effective?
- To what extent does a collaborative milieu exist in terms of shared objectives between key agencies and stakeholders?
- What are the main barriers currently inhibiting rural governance in the region?
- In the current economic climate it is likely that funding will decline in many areas for the foreseeable future. As a result it has been implied that both local government and local communities need to be empowered to help themselves to solve complex spatial, environmental and socio-economic issues. What do you feel are the best options for rural governance to adapt to this challenging economic climate?
- What role can both formal and informal networks and communities of actors play to ensure effective governance?
- To what extent do such networks and communities already exist? What could or should be done to support the development and operation of such networks and communities?
- Is there a need to draw on external knowledges in relation to land management and community and economic development?

Climate Change

Climate change potentially offers a number of challenges but also opportunities for the region. The indicators and data seek to provide an insight into the various challenges that may occur and also to encourage stakeholders to reflect on the potential opportunities that climate change may create for rural development in terms of a new green economy aimed at combating the effects of climate change.

Quantitative indicators

Potential quantitative indicators could include:

Key qualitative issues for reflection:

- What adaptation and mitigation strategies and / or policy responses are in place to address climate change in the region?
- How is climate change perceived by regional stakeholders? Is it generally accepted as an issue of strategic importance?
- To what extent is the region equipped to respond to potential new markets for rural land management, ecosystems services provision and delivery (such as flood control, water storage, carbon storage and sequestration, biodiversity targets....) and a new 'green' economy?

- What opportunities are there for harnessing climate change as a vehicle to develop a new green economy?
- To what extent are local knowledge and research networks active in relation to the development of such opportunities?

Role of agriculture in rural development and farm structure

Though declining in many parts of Europe, agriculture remains important for a variety of reasons in relation to food production, landscape and habitat management, employment, social cohesion and identity. The indicators seek to provide an insight into the existing situation and future opportunities and potential for agriculture, and also for other primary activities such as forestry and associated value added activities.

Quantitative indicators

Potential quantitative indicators could include:

- Total employment
- Changes in agricultural employment
- Total farmed area
- Proportional contribution of GVA to regional economy
- Average size of farm holdings
- Proportion of farm holders over 55 years of age

	Espon average	Macro-region / National average	Intermediate accessible average	PURR region
Farm area and employment				
Farm products				
Development in farming				

Key qualitative issues for reflection:

- What have been the local impacts (in terms of landscape character, the nature of local agriculture....) of the shift in focus of rural policy away from production to a broader rural development focus? What rural potentials do they offer?
- How can value be added to local agricultural practices in terms of branding, new markets, new co-operative arrangements between farms etc? To what extent are such practices already underway?
- What have been the relative impacts of the recession on traditional rural economies and the new rural economy (NRE)? Is the recession an opportunity for accelerated restructuring of rural economies? If so, how can policy best stimulate and facilitate this?
- To what extent are different parts of the region, or different parts of the regional economy, moving along different development paths?
- Are there effective support structures, networks and communities in place to support a transition to the NRE?
- To what extent do local supply networks support local agriculture and is there potential to strengthen these networks? Who are the key actors and driving forces responsible for this?

Framework for identifying potential regional futures

The final section of the Draft Template builds on the previous two sections and aims to help the regional stakeholders build further on the insights gained from both the quantitative data and qualitative reflections. The questions seek to generate debate about potential regional futures with regards to specific themes but also in relation to the future development of the rural region more generally:

- What are the main drivers, opportunities and constraints in relation to this theme / the future development of the region?
- What are the possible regional futures in relation to this theme / the future development of the region?
- Which regional futures are the least / most desirable?
- What policy options are available in order to achieve the desired regional futures?
- What are the implications of the above for spatial development and spatial planning strategies?
- What new indicators would most useful to provide new insights into the future potentials of the region?
- What are the expectations and experiences of current and past strategies and initiatives?
- What are the most important factors and who are the most important actors / networks / communities with the potential to promote regional development and realise regional potential in this region?
- What synergies, barriers or challenges to effective participation and collaboration can be identified between different actors and areas within the region?

5. Appendix 1 to Draft Template: explanation of rural typologies

DPTypeNo

Urban-Rural Typology (Dijstra-Poelman Types)

This typology is a modified form of the well known OECD classification. It distinguishes regions according to both (i) the proportions of their population living in "rural" LAU2 areas (defined as those with a population density <150 persons per KM2) and (ii) the share of its population which can drive to a city of >150,000 inhabitants within 45 minutes. Five types of regions are defined:

1. Predominantly Urban (PU)

21. Intermediate Accessible (IA).

22. Intermediate Remote (IR).

31. Predominantly Rural Accessible (PRA).

32. Predominantly Rural Remote (PRA).

Stype

Structural Typology for non-urban regions

The EDORA Structural Typology is applied only to non-urban regions (i.e. all regions except those defined as Predominantly Urban (PU) in the Dijkstra-Poelman Typology).

Four types of "non-urban" region are distinguished:

1. Agrarian economies.

2. Consumption countryside.

3. Diversified (with important Secondary Sector).

4. Diversified (with important Market Services Sector).

A stepwise decision tree was used to define the types, as follows:

• "Agrarian" regions were first identified, (using a composite indicator of the importance of primary sector activity).

• Secondly, within the non-agrarian residual, regions in which "Consumption Countryside" development seem important were identified (using a composite indicator of access to environmental assets, tourism capacity, and farm diversification) [1].

• The remaining regions were denominate as "diversified", and, (using an indicator defined as the ratio of Secondary Sector to Market Services GVA) they were subdivided into;

o those in which secondary activities are important, and

o those in which market services have become dominant.

A-D Type

Performance typology for non-urban regions (%)

The EDORA Performance Typology is applied only to non-urban regions (i.e. all regions except those defined as Predominantly Urban (PU) in the Dijkstra-Poelman Typology).

Four types of "non-urban" region are distinguished:

1. Accumulating

2. Above Average

3. Below Average

4. Depleting

The methodology was based upon a composite regional performance indicator derived from the following variables;

(a) net migration,

(b) GDP per capita,

(c) average annual change in GDP,

(d) average annual change in total employment,

(e) and unemployment rate.

The individual indicators were first normalised (converted to z scores).

The composite indicator was then calculated as the mean of thes Z scores. Accumulating regions were defined as those with a composite indicator >0.5, above average 0-+0.5, below average 0--0.5, and depleting <-0.5.

CompType

Composite Type Code (Urban-Rural Typology, Structural Typology, Performance Typology)

Urban-Rural typology

This typology is a modified form of the well known OECD classification. It distinguishes regions according to both (i) the proportions of their population living in "rural" LAU2 areas (defined as those with a population density <150 persons per KM2) and (ii) the share of its population which can drive to a city of >150,000 inhabitants within 45 minutes. Five types of regions are defined:

1. Predominantly Urban (PU)

21. Intermediate Accessible (IA).

22. Intermediate Remote (IR).

31. Predominantly Rural Accessible (PRA).

32. Predominantly Rural Remote (PRA).

Structural Typology

The EDORA Structural Typology is applied only to non-urban regions (i.e. all regions except those defined as Predominantly Urban (PU) in the Dijkstra-Poelman Typology).

Four types of "non-urban" region are distinguished:

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3. Diversified (with important Secondary Sector).

4. Diversified (with important Market Services Sector).

A stepwise decision tree was used to define the types, as follows:

• "Agrarian" regions were first identified, (using a composite indicator of the importance of primary sector activity).

• Secondly, within the non-agrarian residual, regions in which "Consumption Countryside" development seem important were identified (using a composite indicator of access to environmental assets, tourism capacity, and farm diversification) [1].

• The remaining regions were denominate as "diversified", and, (using an indicator defined as the ratio of Secondary Sector to Market Services GVA) they were subdivided into;

o those in which secondary activities are important, and

o those in which market services have become dominant.

Performance Typology

The EDORA Performance Typology is applied only to non-urban regions (i.e. all regions except those defined as Predominantly Urban (PU) in the Dijkstra-Poelman Typology).

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3. Below Average

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(e) and unemployment rate.

The individual indicators were first normalised (converted to z scores).

The composite indicator was then calculated as the mean of thes Z scores. Accumulating regions were defined as those with a composite indicator >0.5, above average 0-+0.5, below average 0--0.5, and depleting <-0.5.

Annex 2 Benchmarking the Stakeholder Regions: Concepts, methods and data

Data availability and sources

In the process of presenting general characteristics of regions, some data availability issues had to be addressed. First, some territories did not correspond to NUTS3 administrative borders for which data was available. This was the case with Cambrian Mountains in Wales, which stretched across three NUTS 3 level administrative territories. After consulting with local stakeholders it was decided that Cambrian mountains territory will include administrative regions of Gwynedd, South-west Wales and Powys. In case of Latvia, rural areas including the stakeholder municipality of Amata and six other municipalities surrounding the town of Cēsis, used to be part of former administrative territorial unit – *rajons* which no longer exists. Territory covered by these municipalities is significantly (about five times) smaller than the area of Vidzeme region for which NUTS 3 level data is available. In order to present general characteristics of Latvian rural areas, NUTS 3 level data for Vidzeme region was used. NUTS 3 level data was also used to provide general description of rural areas in UK and Norway where possible. Several ESPON research projects provide NUTS 2 level data. In this instance, trends relate to larger territories than PURR areas. In case of Latvia, NUTS2 level data relate to the whole territory of Latvia.

To provide initial description of territories in the context of existing research, data from ESPON 2006 and 2013 projects were used. Specific projects from ESPON 2006 programme included: 1.1.2 Urban-Rural relations, 1.1.4 Demographic Trends, 1.3.2. Natural heritage, 1.3.3. Cultural heritage, ESPON study 1.4.1. Small & Medium Cities, and Policy impact projects, such as 2.1.3. CAP Impact and rural development policy, 2.1.4. Energy, 2.2.1 Structural Funds Impact, 2.2.2. Pre-Accession Aid, 2.3.2. Governance, 2.4.1. Environment, 3.2. Territorial futures and spatial scenarios. In addition data from applied research projects in ESPON 2013 programme were used. These projects included EDORA "European development Opportunities for Rural Areas", DEMIFER "Demographic and Migratory Flows Affecting European Regions and Cities", as well as targeted analysis project TeDi - "ESPON Territorial Diversity in Europe." Intermediate report of ESPON typology compilation (2013/3/022), and Territorial Observations were also used as quick reference to maps and summaries of relevant typologies.

Area types and accessibility

PURR territories were described using several typologies. This description helps to identify common patterns and highlight some differences among rural areas.

According to typology of regional types of urban-rural spatial patterns elaborated by GDR LIBERGEO / Study Programme on European Spatial Planning (1999) territory of Dumfries and Galloway as well as most of Highlands and Islands were rural areas with small and medium sized towns, whereas North Yorkshire is described as polycentric region with high urban densities. The same is true for Powies and Gwynedd in Wales. Telemark is rural area with small and medium sized towns. No data for Latvia and Vidzeme region was available from this typology. From the methodology of the project one can derive that parts of Vidzeme also fall into category of rural areas with small and mediums sized towns, whereas parts of it are remotely rural. Dumfries and Galloway is enclosed by regions with high urban densities. To the North of Dumfries and Galloway are South Ayrshire, East Ayrshire and North Ayrshire mainland, South Lanarkshire. They are all polycentric regions with high urban and rural densities. Other surrounding regions of Dumfries and Galloway, such as Scotish Borders, Northummberland, East Cumbria, and West Cumbria, also are polycentric with

high urban densities. Similar to Dumfries and Galloway in the UK are only a few regions in Northern Scotland and the region of South-West Wales.

There are more rural areas with small and medium sized towns in Norway. Buskerud region North of Telemark is also described as rural with small and medium sized towns, whereas regions to South, such as Aust Agder and Vest Agder are described as remote rural areas.

According to DG Agri typology (2004) which builds on OECD's measure of population density at the local level at 150 inhabitants / km2 and the share of local units of a certain type within region, Dumfries and Galloway, Powies, Gwynedd and Vidzeme can be described as predominately rural where more than 50% of population were living in rural communities. North Yorkshire and South West Wales is significantly rural with 15-50% of population living in rural communities.

No data for Norway was available in this project. However, similar regional typology used by OECD in 2005 identified Telemark also as predominately rural region (OECD, 2005). Most regions in Scotland and Norway are characterized as predominately rural according in OECD's typology.

CURS/ESPON 2006 project "1.1.2 Urban-Rural relations" offers urban-rural typology based on the two main dimensions, that is, *degree of urban influence* on the one hand, and *degree of human intervention* on the other hand. Urban influence is defined according to *population density* and *status of the leading urban centre* of each area. Land cover reflects both the degree of human intervention and actual land use. Degree of human intervention is determined by the relative share of land cover according to the main land cover. The main classes are *artificial surfaces*, *agricultural areas*, and *residual land* cover. The two classes of *urban influence* and the three classes of *human intervention* are combined into a six-type model. According to this typology the territory of Dumfries and Galloway, Gwynedd, Vidzeme and Telemark are described as low urban influence areas and low human footprint areas. North Yorkshire, South West Wales and Powies has low urban influence and medium human footprint.

Dumfries and Galloway is surrounded with areas which have medium human footprint in the East. Areas which are North to Dumfries and Galloway and closer to Glasgow and Edinburgh have high urban influence and high human footprint. Only Dumfries and Galloway and most of Highlands and Islands have similar characteristics in the United Kingdom. Most of regions in England have high urban influence and high human footprint. In ESPON 1.1.2. (2003) whole Norwegian territory with exception of Oslo and Sogn of Fjordane territory were described as areas with low urban influence and low human footprint. Vidzeme region in Latvia has similar characteristics. In this respect it is similar to Kurzeme region. Only areas near Riga have high urban influence and medium human footprint. Latgale and Zemgale both have low urban influence but medium human footprint. According to BBR typology "Spatial structure in Europe" (2007) which takes into account population density and accessibility, Vidzeme region, Telemark, Dumfries and Galloway, and Cambrian mountain territories are characterized as peripheral areas with very low population density. Western coast of North Yorkshire is described as peripheral area with agglomeration tendencies, whereas most of North Yorkshire falls into the category of intermediate area with agglomeration tendencies. BBR typology is based on population density and access to urban centres within 50 km.

In general measures of accessibility are based on population and the effort in time to reach that population. One of urban-rural typologies that is often used to measure accessibility and distinguish between rural and urban areas is the one developed by Dijkstra and Poelman (2008). This typology is modified version of OECD's urban-rural typology. It combines a classification of remoteness, based on

driving time to the closest city, with the OECD classification of regions into predominantly urban, intermediate and predominantly rural regions (Dijsktra & Poelman, 2008). In predominately rural regions, more than 50% live in rural local units. In urban regions, less than 15% live in rural local units. In intermediate regions, between 15% and 50% live in rural local units. A region is considered close to a city if more than half of its residents can drive to the centre of a city of at least 50 000 inhabitants within 45 minutes. Conversely, if less than half its population can reach a city within 45 minutes, the region is considered remote (Dijsktra & Poelman, 2008). According to this typology Dumfries and Galloway is described as predominately rural region that is close to a city. North Yorkshire is intermediate region which is close to city, but Vidzeme is predominately rural and remote region. No data for Norway was available for this typology. Dumfries and Galloway along with Scottish Borders and Powys in East Wales were the only predominantly rural regions close to city in the mainland. Only North Western part of Scotland is considered as predominantly rural and remote. In England most of other regions can be described as intermediate regions close to city. North Yorkshire is one of such regions, but it is surrounded by urban regions. North Yorkshire has two towns of more than 50,000 population, and it is close to a number of significant cities. However accessibility in North Yorkshire varies. Upland areas and costal parts are less connected (ESPON 2013 Synthesis Report, 2010: 43). Vidzeme has no towns with more than 50,000 population. It is the only predominately rural region in Latvia. Latgale region is described as intermediate region which is close to city, Rīga region and Zemgale region are described as predominately rural and close to city. Kurzeme region is described as intermediate, but remote.

In addition the extent of accessibility of PURR areas was assessed using data of Nordregio/ESPON 1.1.1. project (2004) which offers measures of accessibility of areas within 45 minutes by car from functional urban areas. The measures of ESPON 1.1.1. distinguishes between areas in 45 minutes reach from an urban center and areas which are more than 45 minutes from the nearest urban center. Urban center is defined, according to typology of ESPON 1.6. According to this typology Northern parts of Dumfries and Galloway are in 45 minutes form urban centre, whereas Southern parts are outside this reach. Most of North Yorkshire are within 45 minutes reach, excluding some pockets in the central and Western part. Also North-East part of Telemark are within 45 minutes reach from Oslo. Some areas near the network of roads in Vidzeme are also within 45 minutes reach from Riga (including also some pockets in PURR area), however most of Vidzeme territory is outside 45 minutes reach. Most of Cambrian mountain areas are more than 45 minutes from the nearest urban center.

Accessibility can also be measured in terms of minimum travel times between NUTS 3 region for rail, road and air, whereas the indicator of so called multimodal accessibility combines effects of three modes of transportation. Average accessibility is usually expressed as standardized value for EU 27 (100). Regions which are better accessible score more than 100. Regions which are worse accessible score less than 100.

According to *ESPON Accessibility update* (2009) potential accessibility by air for Dumfries and Galloway, Cambrian mountain areas and Telemark was in the range of 50,1-75,0. It was the highest for North Yorkshire (75,1-100), and lowest for Vidzeme (25,1-50,0). In case of Telemark the level of air accessibility was not significantly lower than for other regions in Norway. In case of Latvia, Kurzeme and Latgale scored lower. Potential accessibility by rail was lower in Vidzeme and Telemark (0-25,0), but higher in Dumfries and Galloway, Cambrian mountain areas and in North Yorkshire (50,1-75,0). The accessibility by road showed similar patterns. There has been general increase in combined accessibility level from 2001 to 2006 in all PURR regions with an exception of South West Wales.

Vidzeme region has experienced one of the highest increases in air accessibility among PURR regions from 2001-2006.

It is generally assumed that regional accessibility is important for economic and social opportunities. Therefore general accessibility levels can be combined with GDP-pps per capita figures. According to ESPON Accessibility update of 2009 Cambrian Mountain areas, Dumfries and Galloway and Vidzeme scored below ESPON average levels in potential multimodal accessibility and GDP-PPS per capita. Telemark scored above the average GDP-PPS levels but fell short of achieving average potential accessibility level. This situation was similar also in other parts of Norway and for Nordic Europe in general. It is possible to conclude that in case of Norway accessibility is not the only determinant of economic development. However, in North Yorkshire this relationship seem to hold. North Yorkshire scored well above the average in GDP-PPS and in multimodal accessibility.

One can expect that accessibility levels correlate with share of commuting workers and overall transport dependency. Eurostat data on commuting for 2005 aggregated in ESPON ReRisk project show that PURR areas in UK show average levels of commuting compared to other countries of available data (12,03-25,21%). This level of commuting is comparable also to Sør-Østlandet in Norway. The share of daily commuters is lower in South Western Scotland (5,09-12,03%). (ESPON 2013 Synthesis Report, 2010: 94).

Although data on areal typology and accessibility reveals some general features of PURR regions, one should assume that internal diversity of regions can be considerable.

Table 1: Rural typologies of PURR regions

Name of typology	Author, year	Dumfries and Galloway	North Yorkshire	Cambrian mountains			Telemark	Vidzeme
				South West Wales	Powies	Gwynedd		
Regional Types of urban-rural spatial patterns	GDR LIBERGEO / SPESP, 1999. Data for 1994	Rural area with small and medium sized towns	Polycentric region with high urban densities	Rural area with small and medium sized towns	Polycentric region with high urban densities	Polycentric region with high urban densities	Rural area with small and medium sized towns	No data
Rural Communities	DG Agri, 2004	Predominately rural	Significantly rural	Significantly rural	Predominately rural	Predominately rural	Predominately rural	Predominately rural
Urban-rural typology	CURS/ESPON 1.1.2, 2003	Low urban influence and low human footprint	Low urban influence and medium human footprint	Low urban influence and medium human footprint	Low urban influence and medium human footprint	Low urban influence and low human footprint	Low urban influence and low human footprint	Low urban influence and low human footprint
Spatial structure of Europe	BBR, 2007	Peripheral area with very low population density	Intermediate area with agglomeration tendencies	Peripheral area with very low population density	Peripheral area with very low population density	Peripheral area with very low population density	Peripheral area with very low population density	Peripheral area with very low population density
Urban-rural typology	DG Regio, (Dijkstra, Poelman), 2007	Predominately rural region. Close to a city	Intermediate region. Close to city.	Intermediate region. Close to city.	Predominately rural region. Close to a city	Predominately rural region. Close to a city	No data	Predominately rural. Remote

Table 2: Accessibility of PURR regions

Name of typology	Author, year	Dumfries and Galloway	North Yorkshire	Cambrian mountains			Telemark	Vidzeme
				South West Wales	Powies	Gwynedd		
Areas with 45 minutes to reach from urban centres	Nordregio/ ESPON 1.1.1, 2004	Northern parts in 45 minutes from urban centre	Most of territory within 45 minutes reach	Most of area is outside of 45 minutes reach from urban centre.	Most of area is outside of 45 minutes reach from urban centre.	Most of area is outside of 45 minutes reach from urban centre.	North-East parts are within 45 minutes reach from urban centre	Most of area is outside of 45 minutes reach from urban centre.
Potential accessibility by air	ESPON Accessibility update 2009. Data for 2006	50,1-75,0	75,1-100	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	25,1-50,0
Potential accessibility by rail	ESPON Accessibility update 2009. Data for 2006	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	0-25,0	0-25,0
Potential accessibility by road	ESPON Accessibility update 2009. Data for 2006	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	0-25,0	0-25,0
Multimodal potential accessibility	ESPON Accessibility update 2009. Data for 2006	50,1-75,0	75,1-100	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	25,1-50,0

GDP-PPS per capita versus potential multimodal accessibility	ESPON Accessibility update 2009. Data for 2006	Below ESPON average in GDP-PPS Below ESPON average in potential multimodal accessibility	Above ESPON average in GDP-PPS Above ESPON average in potential multimodal accessibility	Below ESPON average in GDP-PPS Below ESPON average in potential multimodal accessibility	Below ESPON average in GDP-PPS Below ESPON average in potential multimodal accessibility	Below ESPON average in GDP-PPS Below ESPON average in potential multimodal accessibility	Above ESPON average in GDP-PPS Below ESPON average in potential multimodal accessibility	Below ESPON average in GDP-PPS Below ESPON average in potential multimodal accessibility

Demographic trends

In terms of population Europe is still experiencing slight population growth but it is expected to slow down. Already today many regions face serious challenges, such as ageing, changes into labour force, and general decline in population. PURR regions were first described according to general population trends, such as natural balance and migratory balance. Scenarios elaborated in DEMIFER project are then used to describe each area.

General population development trends between 2001-2005 were similar in Dumfries & Galloway, North Yorkshire, Cambrian Mountains and Telemark. All regions experienced general population increase, but this was mainly due to positive migratory balance. Natural population balance in all these regions was slightly negative. Vidzeme, on the other hand, showed both negative migratory balance and negative natural balance.

Typology used in DEMIFER distinguishes between seven types of regions which are affected differently by demographic and migratory flows. It is based on four indicators (share of people aged 20-39, share of people aged 65+, natural population increase and net migration). The typology is available for NUTS 2 level. In case of Scotland, only data for the whole South Western Scotland was available. In case of Norway data for whole Sør-Østlandet region was available. In case of Latvia, only national level data was used, since the whole territory of Latvia corresponds to a single NUTS 2 area.

According to DEMIFER project, demographic situation in South Western Scotland and Wales is close to the overall population average of the ESPON space. The natural population balance is negative, but it is compensated by positive net migration rate. This is true also for North Yorkshire and Telemark region. Western parts of South Western Scotland, such as South Ayrshire experience more severe population decrease because of negative natural balance. In Latvia, one can observe a general trend of population decline. From 2001-2005 Latvia had both negative natural population balance and negative migratory balance. These trends will lead to depopulation accompanied by demographic ageing. In Latvia only Riga and Riga region is experiencing population increase, but this is only because of positive in-migration from peripheral regions.

In Western and peripheral regions of Norwegian population is younger than the average age in the country. It also has rather high natural population increase as well as positive migration rate. From 2001-2005 natural population growth in Norwegian Southern areas experienced 0-0,5% growth. According to DEMIFER this trend contributes to "family potential" which is also growing for some regions in Central England. However other regions in South West England also face challenges of ageing, where the proportion of he older age groups is significantly higher than in other parts of ESPON space. However these regions are also affected by positive migration rate and therefore experienced population increase. Overall, natural population development for 2001-2005 was slightly positive (0-0,5%) only in outer London and in some regions in North West England and North Eastern Scotland. Dumfires and Galloway has negative natural population development. So is North Yorkshire and Telemark region in Norway.

DEMIFER project also offers several scenarios for migration impact on population in the next 40 years (2005-2050) In status quo scenario demographic regime remains unchanged. In "No Migration" scenario population in region changes due to births and death only. In "No extra Europe migration" scenario population changes naturally and due to internal and international intra-ESPON space migration. The impact of migration on population is assessed as difference in

population in the "Status Quo" and "No Migration" scenario. The map of DEMIFER shows that by 2050 in Latvia population will decrease by 20%, but South West Scotland, North-Yorkshire and Sør-Østlandet region will experience population increase. The increase is forecasted to be especially high in North Yorkshire (+107%). In South West Scotland and Sør-Østlandet it will be moderate (+20%). However, coastal areas of Norway in the North will experience population decline by 10%. Population dynamics will also be influenced by different policies. Therefore DEMIFER project also presents four possible futures based on economic and distribution dimensions. In case of Growing Social Europe scenario with high economic growth enabled by technical and social innovation and moderate increase in migration, strong collectivism values, population growth will occur in all PURR areas except in Vidzeme. Population growth will also occur in Expanding Market Europe scenario which predicts high economic growth, growing individualism and high increase in migration. Population growth will be lower in Limited Social Europe scenario with growth limited by environmental constraints, moderate migration and collectivist values and Challenged Market Europe scenario with low growth which is limited by environmental constraints, low increase in migration and individualist values. According to all four DEMIFER scenarios only Latvia will experience population decline by 25-50% by 2050. Dumfries and Galloway are expected to experience population decline in Expanding Market Europe scenario (ESPON DEMIFER, Draft Final Report, 2010). Main population trends in PURR regions are summarized in Tables 3 and 4.

Table 3: Population trends of PURR regions

Data, typology	Author, data source	Dumfries and Galloway	North Yorkshire	Cambrian mountains, Wales			Telemark	Vidzeme
				South West Wales	Powies	Gwynedd		
Population development by components for 2001-2005	Eurostat (estimations). ESPON 2013 data base	Increase Positive migratory balance. Negative natural balance	Increase Positive migratory balance. Negative natural balance	Increase Positive migratory balance. Negative natural balance	Increase Positive migratory balance. Negative natural balance	Increase Positive migratory balance. Negative natural balance	Increase Positive migratory balance. Negative natural balance	Decrease Negative migratory balance. Negative natural balance
Natural population development for 2001-2005	Eurostat (estimations). ESPON 2013 data base. Annual change, base year 2000	Decline -0,5%-0,0%	Decline -0,5%-0,0%	Decline -0,5%-0,0%	Decline -0,5%-0,0%	Decline -0,5%-0,0%	Decline -0,5%-0,0%	Decline -1,0%-0,5%
Annual net migration development for 2001-2005	ESPON CU Eurostat (estimations). ESPON 2013 data base. Annual change, base year 2000	Growth 0,0% +0,5%	Growth +0,5% - 1,0%	Growth +0,5% - 1,0%	Growth +0,5% - 1,0%	Growth 0,0% +0,5%	Growth 0,0% +0,5%	Decline -0,5%-0,0%

Table 3 continued: Population trends of PURR regions

Data, typology	Author, data source	South Western Scotland	North Yorkshire (including York)	Cambrian mountains Wales	Sør-Østlandet	Latvia
Typology of the demo-graphic status	UNIVIE, DEMIFER ESPON 2013 Database. Eurostat, NSI, 2008-09. NUTS2 Data for 2005	Euro Standard*	Euro Standard	Euro Standard	Euro Standard	Challenge of decline
Impact of migration on popu-lation in 2050 (%)	CEFMPR, IOM, DEMIFER ESPON 2013 Database, Eurostat NSIs, estimation 2010. NUTS2.	Growth +10-20%	Growth +40-107%	Decline -20-30%	Growth +10-20%	Decline -20%-10%

Euro Standard* - close to average of ESPON space.

Table 4: Change in population in 2005-2050, in % in four DEMIFER Policy Scenarios

	Growing Social Europe	Expanding Market Europe
South Western Scotland	Increase +0.0 -25.0%	Decline -25-0.0%
North Yorkshire (including York)	Increase +25.0+50.0%	Increase +25.0+50.0%
Cambrian mountains	Increase +25.0+50.0%	Increase +25.0+50.0%
Sør-Østlandet	Increase +25.0+50.0%	Increase +25.0+50.0%
Latvia	Decline -50-25%	Decline -50-25%
	Limited Social Europe	**Challenged Market Europe**
South Western Scotland	Decline -25-0,0%	Decline -25-0,0%
North Yorkshire (including York)	Increase +0.0-25.0%	Increase +0.0-25.0%
Cambrian mountains	Increase +0.0-25.0%	Increase +0.0-25.0%
Sør-Østlandet	Increase +0.0-25.0%	Increase +0.0-25.0%
Latvia	Decline -50-25%	Decline -50-25%

University of Leeds, Demifer, 2010. Data source: ESPON 2013 Data base. Origin of data: Eurostat, NSIs Estimations.

Structural typology of PURR areas according to EDORA project

To avoid general stereotypes about rural regions and take into consideration diversification of rural economy, interaction with urban areas, and actual economic performance of rural areas, PURR areas were examined by more nuanced structural typology elaborated in EDORA project. In this report EDORA data is used to describe and compare PURR regions with each other and also with other regions in respective countries. After general description of rural regions according to EDORA typology, EDORA data set was scanned for rural regions with similar features.

EDORA structural typology is applied only to non-urban regions (i.e. all regions except those defined as Predominantly Urban in the Dijkstra-Poelman Typology). EDORA typology then distinguishes between four types of non-urban regions: (1) agrarian economies, (2) consumption countryside, (3) diversified (with important secondary sector), (4) diversified (with important market services sector). In agrarian economies agriculture is still significant. Agrarian economies are those where % employed in primary sector, % of GVA from primary sector, and Agricultural Work Unit as share of total employment exceed the EU27 mean for non-urban regions. Consumption countryside is defined by eight indicators relating to tourism capacity and intensity, access to natural areas, and small scale and diversified agriculture.

The remaining rural regions are denominated as diversified and divided into two groups – (a) regions in which secondary economic sector activities were important to Market Services GVA (Diversified regions with strong secondary sector) and (b) regions where market services have become dominant (Diversified regions with strong private services sector). GVA by sector figures was taken from Eurostat REGIO data, the number of farm holders data was taken from the European Farm Structures Survey (Eurostat REGIO data), number of farm holders with other gainful activities from the European Farm Structures Survey (Eurostat REGIO data) (EDORA Final Report, 2010: 15).

After dividing regions according to their structural types and their urban-rural typology, their performance was measured by composite regional performance indicator which was derived from the following variables: (a) net migration, (b) GDP per capita, (c) average annual change in GDP, (d) average annual change in total employment, (e) and unemployment rate. The individual indicators were first normalised (converted to z scores). The composite indicator was then calculated as the mean of the Z scores. Accumulating regions were defined as those with a composite indicator >0.5, above average 0-+0.5, below average =-0.5, and depleting <-0.5. (EDORA Final Report, 2010: 15).

According to EDORA, depleting areas usually face demographic ageing, low economic activity rates, low human capital and structural problems. Depleting areas are usually found in remote rural areas and have a strong trend of rural-urban migration. Accumulating areas, on the other hand, show counter urbanisation trends. They have family dominated demographic structure, diversified rural economy, higher human capital, higher economic activity and lower unemployment (EDORA Final report, 2010: 10). Table 5 shows PURR areas according EDORA structural and performance typology.

Most PURR areas, like Dumfries and Galloway, Gwynedd, Powies, Telemark and Vidzeme are described as predominantly rural according Dijkstra-Poelman typology with exceptions of North Yorkshire and South West Wales which are described as intermediate. Most PURR areas are described as accessible with exception of Telemark and Vidzeme which are described as remote. In UK most rural areas are described as intermediate and accessible (close to a city) by EDORA. In Norway most rural areas are described as remote according to EDORA

project. In Latvia Riga and Zemgale region are predominately rural and accessible. Kurzeme is intermediate and remote but Latgale is intermediate and accessible.

In terms of economic structure, only Vidzeme is described as agrarian among all PURR regions. Most rural areas in UK and Norway are described as consumption countryside areas. This is true also for Cambrian mountain region, and North Yorkshire which are both consumption countryside areas, whereas Dumfries and Galloway show signs of diversified rural area with strong private services sector. Similar rural areas to Dumfries and Galloway are also found in Perth & Kinross and Stirling, as well as North of Northern Ireland. Diversified rural areas with strong private services sector are also found in central England near metropolitan areas.

Most of Norway's rural territory falls into the category of consumption countryside. Telemark can also be described as consumption countryside area. In Norway only regions Sogn og Fjordane and Nord-Trøndelag are considered as agrarian. Rural areas near Oslo are described as diversified with strong private services sector.

According to EDORA findings consumption countryside regions tend to be higher performers and have a tendency to grow demographically and economically. When it comes to performance Telemark and North Yorkshire are strong accumulating regions, South West Wales and Powys score above average performance, Dumfries and Galloway and Gwyned score below average performance, but Vidzeme is the only PURR area which is depleting.

In UK most rural areas are either above average or are accumulating. There are no depleting areas. In Norway most rural areas are accumulating. Severe signs of depletion can be observed in Latvia where three regions – Vidzeme, Latgale and Zemgale are depleting Kurzeme region showed below average performance, whereas only Riga region showed above average performance.

From 51 rural regions in UK about 30% (15) rural regions had identical characteristics to North Yorkshire. They were intermediate accessible with consumption countryside and accumulating. These regions were East Riding of Yorkshire, Worcestershire, Warwickshire, Cambridgeshire CC, Norfolk, East Sussex CC, Glucestershire, Wiltshire CC, Dorset CC, Somerset, Devon CC, Monmouthshire and Newport, Aberdeen City and Berdeenshire and East of Northern Ireland.

8 rural regions (16%) in UK had similar characteristics to South West Wales. They are Intermediate accessible, consumption countryside and above average in performance. These regions are Northumberland, East Cumbria, Lincolnshire, County of Herefordshire, Suffolk, Conwy and Denbigshire, Clackmannanshire and Fife.

Third largest cluster of rural regions is composed of 6 (12%) regions - Northamptonshire, Staffordshire CC, Buckinghamshire CC, Oxforshire, East Lothian and Midlothian, Perth & Kinkross and Stirling. They are characterized as intermediate accessible, diversified with important market services sector and accumulating performance.

There are 18 rural regions in Norway. 56% (10) of them had similar characteristics with Telemark region. They are predominantly rural and remote, consumption countryside with accumulating performance. These regions are Hedmark, Oppland, Østfold, Buskerud, Aust-Agder, Møre og Romsdal, Nordland,

Troms and Finnmark. Second cluster of rural regions in Norway is composed of 3 regions (17%) with intermediate access, consumption countryside and accumulating performance features. These regions are Rogaland, Hordaland and Sør-Trøndelag. Two regions (11%) are predominantly rural and remote with agrarian economy and accumulating performance. These regions are Sogn og Fjordane and Nord-Trøndelag.

According to EDORA, Latvian rural regions show more diverse features. In Latvia only Vidzeme can be described as predominantly rural, remote region and agrarian depleting economy. Other regions in Latvia showed different characteristics. Unlike Vidzeme, the region of Latgale showed higher accessibility to urban centre, but like Vidzeme it was also suffering from depletion. Region of Kurzeme was intermediate remote, but it's performance ranking was slightly higher than for Vidzeme and Latgale. Performance in Kurzeme was below average in EDORA typology. Rīga region was described as predominately rural, but accessible with consumption countryside properties and above average performance.

Table 5: PURR areas according EDORA structural and performance types

	Urban-rural typology	Structural type of economy	Performance	Code in EDORA data set	Areas with identical characteristics in the country
North Yorkshire	Intermediate Accessible	Consumption countryside	Accumulating	2124	15 of 51 rural regions in United Kingdom (30%). Identical regions: East Riding of Yorkshire, Worcestershire, Warwickshire, Cambridgeshire CC, Norfolk, East Sussex CC, Glucestershire, Wiltshire CC, Dorset CC, Somerset, Devon CC, Monmouthshire and Newport, Aberdeen City and Berdeenshire and East of Northern Ireland.
Dumfries and Galloway	Predominately Rural. Accessible	Diversified with important market services sector	Below average	3142	1 of 51 rural regions in United Kingdom (2%). No identical regions in the country.
South West Wales	Intermediate. Accessible	Consumption countryside	Above average	2123	8 of 51 rural regions in United Kingdom (16%). Identical regions: Northumberland, East Cumbria, Lincolnshire, County of Herefordshire, Suffolk, Conwy and Denbigshire, Clackmannanshire, Fife.
Gwynedd	Predominantly Rural. Accessible	Consumption countryside	Below Average	3122	No identical regions in the country. 1 of 51 rural regions in United Kingdom (2%). No similar regions in the country.
Powies	Predominantly Rural. Accessible	Consumption countryside	Above Average	3123	No identical regions in the country. 2% (1) of 51 rural regions in United Kingdom.
Telemark	Predominantly Rural. Remote	Consumption countryside	Accumulating	3224	10 of 18 rural regions in Norway (56%). Identical regions: Hedmark, Oppland, Østfold, Buskerud, Aust-Agder, Møre og Romsdal, Nordland, Troms and Finnmark.
Vidzeme	Predominantly Rural. Remote	Agrarian economy	Depleting	3211	No identical regions in the country. 1 of 5 rural regions in Latvia (20%). No similar regions in the country.

Source: EDORA Database, 2010. Based on Urban-Rural typology data for 2008. Economy structural type data and performance data for 2010.

Natural heritage and environment

Natural heritage is an essential part of the environmental assets in all PURR territories. This heritage must not only be preserved from hazards, but sustainably managed and used as part of integrated development strategy. Natural heritage also forms landscape which becomes part of cultural heritage.

ESPON 2006 Project 1.3.2 report on Territorial Trends in the Management of Natural Heritage addresses conflicting trends of agricultural intensification in some areas and agricultural abandonment in other areas, the role and impact of forestry, increase of the surface of urbanised land, growing impact of tourism and climate change effects.

The percentage of built-up is generally low in PURR regions, and the area cover for semi-natural areas is the highest in Vidzeme (>50% of area). PURR areas in UK have lower coverage of natural areas (20-50%). ESPON 1.3.2. project did not provide data on Norway. Semi-natural area is defined as natural areas with specific mix of cultural and natural values, since undisturbed natural area hardly exist anywhere in Europe. (ESPON 1.3.2. Pt. 2: 49). According to CORINE 1990 land cover survey, Latvia has the highest percentage of forest coverage (43%) among all PURR areas. Agricultural areas took 58% of land in UK, and 44% in Latvia. It is estimated that from 1991-2001 that agricultural area has decreased in UK by -7%. No such data was available for Latvia and Norway. However in case Latvia there has been severe trend of agricultural abandonment.

Important measure for natural resources is also land fragmentation. High land fragmentation in general is regarded as threat to biodiversity, because of impacts of proximity, disturbance and isolation of habitats. Fragmentation index shows the number of semi-natural area patches and the average size of patches for NUTS 3 regions. As expected, the fragmentation of land was lower in Vidzeme of which more than 50% are natural area with 10-30 patches per 10 km2. Fragmentation was higher in UK, especially in Cambrian mountain's region (20-50% of natural area and more than 30 patches per 10 km2) In North Yorkshire and Dumfries and Galloway the fragmentation was about 20-50% of natural area and 10-30 patches per 10 km2) (ESPON 1.3.2. Pt. 2: 98). In order to measure the impact of socio-economic factors on semi-natural areas, ESPON 1.3.2 project introduced indicator of urban pressure. This indicator combines four input indicators, such as population density, GDP2000/area, road density and bed density into four classes – low, medium, high and very high urban pressure (ESPON 1.3.2 Pt. 3: 164). No measures of urban pressure measure was available for Vidzeme and Telemark in ESPON 1.3.2 project. However, for UK areas urban pressure measure was available. According to ESPON 1.3.2, North Yorkshire and South West Wales had medium level of urban pressure, while Powies and Dumfries and Galloway had lower urban pressure in relation to semi-natural land cover. ESPON 1.3.2 also provides measurements of semi-natural areas in relation to population density in 2000. Here, again, Vidzeme had low population densities (0-50 people/km2). Similar situation is also in Dumfries and Galloway, whereas areas of North Yorkshire and Wales had smaller size of natural areas and higher population density. The availability of natural resources in ESPON 1.3.2 is also analyzed in relation to GDP change between 1995-2000, innovation index, road density etc.

Climate and natural hazards

It is likely that PURR areas will be affected and are already affected by climate change. The analysis of European patterns of climate change and resulting typology could be useful to provide general description of likely impacts in next

90 years. According to IRPUD, ESPON Climate Project, 2009 the impacts of climate change in Europe (1961-2100) will be different in Northern Europe, Northern-Central Europe, Mediterranean region, Northern-western Europe and Southern Central Europe (ESPON 2013 Synthesis Report, 2010).

PURR areas in UK belong to Northern-western European cluster where there is going to be more days of heavy rain, more winter rain, but less summer rain. Mean annual temperatures will be higher and there are going to be more summer days but fewer frost days. (ESPON 2013 Synthesis Report, 2010: 92). PURR areas in Norway and Latvia will experience strong increase in annual temperature, but also in annual mean precipitation. There are going to be more days with heavy rainfall, more evaporation, but strong decrease in frost and snow cover days (ESPON 2013 Synthesis Report, 2010: 92). This might increase the risks of river flooding and landslides (in Norway). Sea levels in coast are likely to rise during storms. That might cause problems for coastal infrastructure, households and businesses (ESPON 2013 Synthesis Report, 2010: 92).

ESPON 1.3.1 Project "The Spatial Effects and Management of Natural and Technological Hazards in Europe" (2005) focuses on potential and intensity of natural hazards, such as avalanches, drought, earthquakes, extreme temperatures, floods, forest fires, landslides, storms, tsunamis, volcanic eruptions, winter and tropical storms and technological hazards, such as air traffic hazards, major accidents, nuclear power plants, oil production, processing storage and transportation . According to aggregate hazard map, the highest hazard classes in PURR areas (75%-90% percentile) are located in UK (South West Wales, North Yorkshire). Hazard potential is lower in Powies, Gwyned, Dumfries and Galloway (25%-75% percentile). Telemark region meets hazard level of 10-25%, whereas Vidzeme scores the lowest hazard level among PURR regions (0-10%). (ESPON 1.3.1. Final Report, 10).

ESPON 1.3.1 project constructs typology of vulnerability which is based on GDP per capita, population density and proportion of fragmented natural areas to all natural areas. According to the vulnerability map PURR regions do not score high. The vulnerability potential for South West Wales, North Yorkshire and Vidzeme is rather low (category-2). (ESPON 1.3.1. Final Report: 13). For all other PURR territories the vulnerability is low (category-1) . The aggregated risk map combines vulnerability and aggregate hazard potential. According to this map most PURR areas have hazard intensity which is less or equal to ESPON average. These include Telemark and Vidzeme. For areas in UK the hazard intensity is higher, especially for North Yorkshire. See, Table 6.

Table 6: Hazard Risk Assessment of PURR areas

	Degree of vulnerability				
Intensity of hazard	**1 Low**	**2**	**3**	**4**	**5 High**
1 Low		3 Vidzeme			
2	3 Telemark				
3	4 Dumfries & Galloway Powies Gwynedd				
4		6North Yorkshire			
5 High					

Source: 1.3.1 Project "The Spatial Effects and Management of Natural and Technological Hazards in Europe" (2005). Final Report, p. 15.

Cultural heritage

Cultural heritage is significant development asset in post-industrial economy. It encourages social and economic development opportunities and is basis for creative industry tourist industry. In addition, cultural heritage is also relevant in globalized economy, since cultural assets and traditions are attraction not only for local population but also for people from other regions and other countries. ESPON project 1.3.3 project on "The Role and Spatial Effects of Cultural Heritage and Identity (2004-2006) offers measures of PURR areas according the set of indicators about different categories of cultural heritage in relation to spatial indicators, supply and demand. In addition, it also offers assessment of cultural infrastructure, intellectual capital and cultural diversity. Some of cultural heritage indicators were also used to describe PURR areas, since the significance of cultural heritage was stressed as important by local stakeholders. Cultural heritage is strongly affected by diversity of population with foreign nationality. This diversity can have deep historical roots, but it is also increasing because of temporary workers, students, retired people, refugees, migrants and also global elites of transient urban dwellers. Survey of PURR territories show very high national complexity in post-communist countries including Latvia. Also in Wales and Scotland national complexity is described as very high. In North Yorkshire national complexity is high, but in Telemark it is described as average. Data from the areas was acquired between 2000 and 2005. The share of active population engaging in cultural professions is also mapped in ESPON 1.3.3. project. The data from the most recent Labour Force Surveys of 2005 and is for NUTS 2 level only. Among PURR areas culture related jobs took the highest share in the UK - North Yorkshire, Powies, Dumfries and Galloway. In Southern Norway this level is described as average, whereas in Latvia, compared also to Estonia and Lithuania the number of culture related jobs is low compared to ESPON average.

When regions are compared regarding supply and demand of culture, in most PURR areas supply meets demand. However, in case of most of Norway (except for Southern Regions) there is lower density of cultural resources, and low potential use pressure from local residents for these resources. In this typology cultural resources were measured according to heritage areas, protected landscapes, museums and events (ESPON 1.3.3. Final Report:24). Thus, according to the density of monuments in PURR areas (2004-2006) North Yorkshire scored higher than other regions. The density of monuments was lower in Cambrian mountain areas, Dumfries and Galloway and Vidzeme. It was the lowest in Telemark.

In ESPON 1.3.3. report culture was also analyzed according to it's functional aspects. In North Yorkshire and most of Norway, except for coastal areas there was strong culture orientation towards conservation. In South West Wales the culture also has high level of orientation to conservation, but valorisation aspect is also important. In Latvia and Powies orientation of culture seems to be more oriented toward production and valorisation. In case of Dumfries and Galloway and surrounding regions cultural orientation has multiple functions. Culture there has high level of conservation, production and valorisation. (ESPON 1.3.3. Final Report:27). According to report, culture can be described having conservation orientation if culture is an ethic value and carrier of local identity, which needs to be defended against territorial and market trends which compromise the stability. In production orientation of culture, culture is seen as a "commodity" which needs to be (re)produced not only to reconstitute the cultural capital but also as a source of economic development (ESPON 1.3.3. Final Report:25). The valorisation of culture implies a set of social norms and capacities which enrich the local communities and that may be used by the latter to "make themselves known" to

the other communities in order to establish good relations for social and economic exchange. (ESPON 1.3.3. Final Report:25).

Energy

Future access to energy supplies is a growing concern in the world. European economy is highly dependent on energy. In the same time fossil energy resources are becoming scarcer and more expensive. Although Europe has become less dependent on imported energy, not all countries can produce sufficient amount of energy to satisfy their own needs. The changes in energy prices also significantly affect development potential of the countries and industries. The consumption of energy in turn depends on energy intensity of national economies and on the welfare level of countries. More developed countries typically have lower energy intensity per unit of GDP produced, but higher energy consumption per capita (ESPON 2013 Synthesis Report, 2010: 68) According to ESPON 2.1.4 project "Territorial trends of energy services and networks and territorial impact of EU energy policy", the share of industrial consumption of electricity is low in Latvia, and higher for Norway, followed by the UK. (ESPON 2.1.4. Final Report, 2005). ESPON ReRisk project "Regions at Risk of Energy Poverty" presents regional dependency on industries with high energy spending. The regions in which more people are involved in industries with high energy spending tend to be highly vulnerable to energy price fluctuations. ESPON ReRisk project distinguishes between four clusters of countries. Three Baltic States, Sweden, Finland and Northern Scotland and Ireland form a cluster of regions which are located outside European pentagon. This cluster is at disadvantage in terms of transport dependence, and it has high energy demand for heating. Southern Norway and PURR areas in UK belong to a cluster of regions where people have high disposable income and demand for heating is lower. According to ReRisk project, the share of employees in industries with high energy purchases is a vulnerability in fluctuating energy markets. This share is especially high in Czech Republic and Italy (9,72-14,23%). The number is also relatively high for Sweden, Estonia, Latvia in Lithuania. In Latvia the share of employees in industries with high energy purchases were among 6,22-9,72 %. In PURR areas in UK the averaged figures were lower (2,31-4,07) (ESPON ReRisk, Draft final report, 2010) But in case of Sør-Østlandet the figure was in between (4,07-6,22%). According to ESPON 2.1.4. which uses at NUTS 2 level data, South-West Scotland also had higher number of those employed in industries with high energy purchase (8-12%) than other UK areas. However, one has to remember that Norway and the UK both have higher level of energy sufficiency. Norway produces about 9 times more energy than it consumes, but in UK the level of self sufficiency is about (80-143%). Therefore, among all PURR areas, energy challenges seem to be more relevant for Vidzeme which has rather low energy self-sufficiency and high price sensibility. UK and most of Norway has low price sensibility and high self sufficiency (ESPON 2.1.4. Final Report, 2005). In Norway and Latvia high share of energy is generated from renewable sources. Latvia and Ireland also has considerable biomass potential, solar and wind energy potential.

Governance

Few would question the importance of governance for territorial development in local, regional and global scale. For analysis of governance in PURR areas findings of ESPON project 2.3.2 "Governance of Territorial and Urban Policies from EU to Local Level" (2006) were used. This project focuses on territorial concept governance which is a process of „territorial organisation of the multiplicity of relations that characterize interactions among actors and different, but non-conflictual, interests." (ESPON 2.3.2 Final Report, 2006: 12). The report links good governance with cohesion policy which aims at achieving more balanced development. Therefore it defines territorial governance as „process of

the organization and co-ordination of actors to develop territorial capital in a non-destructive way in order to improve territorial cohesion at different levels" (ESPON 2.3.2 Final Report, 2006: 13).

When describing state structures, countries are typically dividend into two groups - unitary or federal. Unitary states in turn can be divided into categories of centralised (Greece, Latvia, Estonia, Lithuania) decentralised (The Netherlands, Norway, Sweden, Finland), regionalised (France, UK, Italy) and composite (Spain). The report of ESPON 2.3.2. describes England as "regionalised unitary" state. State structure in Norway can be described as "decentralized unitary", and in Latvia as "centralized unitary." Territories of Wales and Scotland both have special constitutional status.

The report of ESPON 2.3.2 also provides complex typology of territorial governance systems based on two dimensions – structural dimension, which describes governance structures in different government levels (multi-level structure), and relationship dimension, which describes cooperation and coordination between government structures (multi-level relationship). Data is available for national level only (NUTS 0)

There are several indicators of multi multi-level dimension of territorial government. These indicators relate to type of political system, spatial planning powers, powers of sub national governments. Three categories of indicators are used to assess multi-level relationships - the extent and forms of cooperation between agencies, departments and authorities, extent for vertical cooperation and coordination, and the extent of integrated spatial planning. States of PURR regions were ranked according to these indicators in structural and relationship domains.

Latvia ranked significantly lower than average in structural dimension and below average on relationship dimension. Norway scored about the same level in structural dimension, but significantly above average on relationship dimension. This implies that the level of centralization in both countries could be about the same, but there is more cooperation and integration between different levels and sectors of government in Norway. Among three PURR countries, UK had the highest score for structures, but it was below Norway for multi-level relationships. Table 7 shows performance of PURR countries for the multi-level structure and multilevel relationships.

In the report countries were also analyzed regarding their horizontal co-ordination and relationships between policies, territories and actors. For analysing these relations, horizontal relationships have been divided into four categories: (1) pre-conditions to horizontal coordination and cooperation, (2) multi-channel coordination, cooperation and relationships, (3) the initiatives of horizontal co-operation carried out by the different governmental levels within a country and at the trans-national level, (4) cross-sectoral co-operation. (ESPON 2.3.2 Final Report, 2006).

All PURR countries scored similarly ranking below average for preconditions to horizontal co-ordination and relationships. However, UK scored significantly higher than Latvia and Norway in multi-channel coordination, cooperation and relationships. Latvia and Norway surpassed UK in actual initiatives of territorial cooperation. All PURR countries showed low results for cross-sectoral cooperation.

ESPON 2.3.2. report also mapped horizontal and vertical performance of government on one map. The results show that Latvia and Norway scored similarly below averages on horizontal and vertical performance, however Norway

showed higher performance on vertical dimension. UK scored higher on both vertical and horizontal dimension (see, Table 8) UK also seems to have more experience in working with partnerships in economic initiatives and state and civil society initiatives (NGOs, public cooperation).

The report of ESPON project. 2.3.2 uses several different indicators, many of which are qualitative and derived from consultations with national level stakeholders. Therefore for PURR regions governance indicators should be selected individually and validated in regional/local scales. Tables below provide summary of governance structures and performance in PURR countries.

The survey of PURR focus countries according combined World Governance Indicators of World Bank, such as Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, The Rule of Law, and Control of Corruption revealed that Norway ranked in the highest after all indicators (in top 90^{th}-100^{th} percentile). The scores for UK were similar with exception of political stability which was assessed lower (50^{th}-75^{th} percentile) with relative decline in 2009. Latvia scored in 50^{th}-75^{th} percentile range for all governance indicators with decline in the Rule of Law, and Control of Corruption but with an increase in Regulatory Quality and Government Effectiveness.

Table 7: Multi-level structure indicators in PURR countries

Category	Latvia	Norway	UK
Model of State	Centralised Unitary	Decentralised Unitary	Regionalised Unitary
Typology of regionalisation	Administrative regionalisation	Decentralisation through the existing local authorities	Administrative regionalisation Political regionalisation (Wales and Northern Ireland) Political regionalisation with special status (Scotland)
Constitutional reconnaissance of Regional and/or local levels	No	No	No written constitution, but regional and local guarantees through Parliamentary Acts
Allocation of spatial planning powers	Strong local Weak regional Strong national	Strong local Strong national	Strong local Weak regional Strong national
New spatial planning powers	No	No	Great London (directly elected Assembly) and Regional Assemblies
National territorial chambers	No	No	Senate but nor representing territories
Regular multi-level governmental meetings	No	No	No
Dependence of local governments on central government	Dependent	Fairly independent	Financially fairly dependent
Constitutional regions	No	No	Scotland, Northern Ireland and Wales
Devolution to 1st tier local authorities	Substantial powers have been allocated to local authorities	Substantial powers have been allocated to local authorities	Substantial powers have been allocated to local authorities

Source: ESPON 2.3.2 Final Report, 2006.

Table 8: Multi-level relationships

Category	Latvia	Norway	UK
Forms of cooperation between agencies, departments and authorities	Weak	Encouraged by central governments to establish linkages between local and regional partners	Bodies that act as frameworks for the co-ordination of the relationships at different levels Problems of relationships between different government levels
Approach for vertical cooperation and coordination	Positive attitudes	Positive attitudes Priority emphasis on vertical coordination objective Progress towards vertical cooperation partnerships	Weak attitude Progress towards vertical cooperation and partnerships
Integrated spatial planning	Strong vertical and horizontal coordination	Mainly vertical coordination at all or at levels with strong planning competency and weak horizontal coordination but at levels with the main planning competency	Mainly horizontal coordination at all levels or at levels with strong planning competencies, and weak or no vertical coordination

Source: ESPON 2.3.2 Final Report, 2006.

Table 9: Horizontal cooperation

Category	Latvia	Norway	UK
Priority emphasis on horizontal coordination	Weak	Weak	Weak
Partnership formation and cooperation • Barriers • Catalysts	Weak Catalyst for cooperation has been EU funding	Weak Barriers: Limitations on powers and activity potential of partnership Catalysts: National or sub-national legislation and policy	Catalysts: EU policies and funding National or sub-national legislation and policy Pressures to gain access to EU or national funding sources and economic interests of participants
Experience in working with partnerships	Limited	Limited	Extensive
Forms of cooperation	None	None	Urban development contracts, Local development / planning agreements and / or frameworks
Direction of progress	None	None	Public – private co-operation in economic initiatives State – civil society (NGOs, public) cooperation
Constitutional reconnaissance of territorial associations	None	None	None
Participation in projects under the Community Initiative Interreg IIIB	16.84 per 100.000 inhabitants (383 in total)	11.32 per 100.000 inhabitants (522 in total)	1.27 per 100000 inhabitants (763 in total)
National and / or federal agencies / councils / committees for spatial development	None	None	None
Policy packages	Intersectoral · Economic · Spatial Planning	No Policy Packages or missing info	Intersectoral • Spatial Planning

Source: ESPON 2.3.2 Final Report, 2006.

Table 10: Basic structures of governance in PURR countries according ESPON 2.3.2.

	Regionalization	Structure
Latvia	Centralized	Unitary
Norway	Decentralized	Unitary
Wales, Scotland	Special constitutional status	

Source: ESPON 2.3.2 Final Report, 2006: 32

Table 11 Performance of PURR countries for the multi-level structure and multilevel relationships according ESPON 2.3.2.

		Score of Multi-level relationships			
		1 Low	2	3	4 High
Score of Multi-level structure	4 High				
	3			United Kingdom	
	2		Latvia	Norway	
	1 Low				

Source: ESPON 2.3.2 Final Report, 2006: 36.

Table 12: Horizontal co-operation and relationships

	Latvia	Norway	UK
Territorial cooperation	Below average	Below average	Low
Multi-channel coordination, cooperation and relationships	Low	Low	High
Cross sectoral cooperation	Low	Low	Low
Total score of horizontal co-ordination and relationships	Below average	Below average	Below average

Source: ESPON 2.3.2 Final Report, 2006: 90-94.

Table 13: Performance of PURR countries for vertical and horizontal Dimensions of Governance

		1 Low	2	3	4 High
Score of Multi-level structure	4 High				
	3			United Kingdom	
	2		Norway Latvia		
	1 Low				

Source: ESPON 2.3.2 Final Report.

The role of agriculture

Agriculture has important role in rural economy. It is become highly diversified geographically and structurally and has undergone significant technological developments. According to ESPON Project 2.1.3 report „The Territorial Impact of CAP and Rural Development Policy" (2004) agricultural geography of Europe is becoming „highly complex." (ESPON 2.1.3. Final Report, 2004: 16). Agriculture is the basis of the food supply chain. It occupies a unique role as a traditional "way of life", from which rural identity is derived. Environmentally, large scale agriculture is becoming a major source of pressure on the environment. While GVA contribution of agriculture in European economy is relatively low, significant differences among PURR areas can be observed.

According to Eurostat, contribution of agriculture to GVA in 2007 by NUTS 2, was higher in North Yorkshire and Latvia (1,5-3%) and lower in South Western Scotland, Cambrian mountains and Norway (0,5-1,5%). When it comes to agricultural labour productivity (value added in agriculture per annual work unit), it is the highest in Norway (>40), followed by North Yorkshire, and South Western Scotland (20-40). For Cambrian Mountain areas agricultural work productivity was lower, but higher than for Latvia (5-10). Labor productivity is strongly influenced by farm structure. In Eastern European states, including Latvia, average farm sizes are very small and the level, mechanization is low, and significant part of production is for on-farm consumption. The share of crops in agricultural output is higher in Latvia than in other PURR regions (50-60%). In other PURR regions it was lower than 40%, which means that these regions focus more on animal production. The output in EUR for crops were higher in UK and especially Norway which seems to be explained mainly by the way in which subsidies are granted (Eurostat Regional Yearbook, 2010:218-220).

Future development of rural areas

Although potential of rural regions can be assessed in present time, their true properties will be better seen after some time has passed. Scenario building is one way how rural regions can prepare and adapt to future challenges. With scenarios they can engage in strategic thinking, open dialogues and aid complex decision making processes. ESPON project 3.2 "Spatial Scenarios and Orientations in relation to the ESDP and Cohesion Policy" (2006) has created a large number of scenarios for the future territorial development of Europe with a time horizon for 2030. Main drivers that will shape European futures is the impact of further enlargement, acceleration of globalization, knowledge society and innovation gaps, technological breakthroughs, growing external energy, renewable energy potential, population ageing, growing number of immigrants, individualization of lifestyles, governance, differentiation of accessibility levels, environmental challenges, further evolution of urban Europe. Twenty thematic scenarios of ESPON 3.2. offer possibilities to test their hypothesis on regional and local scale. In case of PURR, rural development thematic scenario is examined in more detail.

ESPON 3.2. scenario for rural development mostly focuses on the role of agriculture. It assumes that rural areas will continue to diversity in future. It also links rural development futures with the location of rural areas in respect to urban agglomerations, their natural attractiveness and tourism industry. According to the report there is going to be continuing and possibly also growing divide between agricultural rural areas with more productive agriculture and processing industry, and those in which economic productivity and socio-economic viability will be low. In these areas out-migration of young people will continue which will result in ageing and depopulation (ESPON 3.2. Final Report, 2006: 20). All rural scenarios assume global average temperature rise by one degree Celsius until

2030, an increasing consumption, not only of (agricultural and other) products and services but also of (landscape and other) experiences. Scenarios also assume downfall of European population after 2020 which will result into increases in retirement age, and wealthier elderly population settling in more developed rural areas.

The report presents integrated policy impact scenarios for rural development. Baseline scenario shows the probable evolution of the European territory in a situation of no major changes. In *baseline scenario*, rural development will be driven by further liberalization of international trade, progressive reduction of CAP budget and rapid industrialization of agricultural production. *Cohesion-oriented scenario* presents European future with social, economic and territorial cohesion as top priority in all areas. In this scenario there is going to be a shift in CAP from pillar 1 to pillar 2 with priority given to less developed regions. Priority will also be given to environmental and animal health criteria. The policy of diversification in rural areas will be active, and opportunities for SMEs, tourism and residential functions will be encouraged. Competitiveness-oriented scenario places competition as the key objective of all policies. In this scenario there is going to be rapid liberalization of CAP which will reduce tariffs, benefits and export subsidies. This scenario seems least beneficial to remote rural areas because in this scenario the support to their development is likely to decline.

According to rural scenarios, open market approaches will emphasize further intensification and scaling-up of agriculture. This will cause a fall in the number of small farms in CEECs and a substantial rise in the average farm size. Large scale farming in dairy farming will increase especially in CEECs, including Latvia, where land prices will be lower. Self-subsistence farming will also continue to play an important role. In open market scenario agrarian nature and landscape management will become more limited. Rural areas near more urbanized regions will became more and more urbanized. The same will be to true for rural areas that are now attractive for tourism and diversified rural areas. In open market scenario rural areas which are more remote, will not be very successful in commodifying their local resources. As a result, out-migration of young people will continue. These trends will undermine cohesion on various levels. On local scale, competitiveness scenario will increase dualisation of rural areas. In some areas large scale industrial agriculture will dominate. These areas will be densely populated and socio-economically viable. However other areas will be abandoned, eroded or naturally forested (ESPON 3.2. Final Report, 3:167-170).

In sustainable rurality approach there is more concern for ecology and economic sustainability. Most importantly there is closer integration of agricultural, regional, and different sectoral policies. Therefore spatial development policies will be important reference for integration and coordination policies in rural areas. Economic diversification of rural areas will be actively promoted in this scenario. Sustainable rurality scenario also includes some protectionist elements of the CAP. As in the open market scenario, the number of farms will decrease and average farm-size will increase, but more gradually. Consumers will prefer organic and regional products and services, thus encouraging farmers to specialize and professionalize. There is going to be growing demand for cultural landscapes. Rural areas attractive for tourism will flourish. Rural areas where agriculture dominates will become diversified and some remote rural areas will become successful in commodifying and marketing local resources. However, there are still going to be rural areas that lag behind due to low institutional capacity. In cohesiveness scenario rural and urban areas will became more economically, socially and culturally interlinked with one another than in the open market scenario. However, in some rural areas with low accessibility, particularly

those which were not successful in mobilising enough institutional capacity, territorial cohesion will decrease (ESPON 3.2. Final report, 3:171-177).

In case of PURR territories sustainable rurality scenario seems more viable development alternative. Therefore it's implications of PURR areas have to be analyzed in more detail. To offer more complete account of rural development potentials, thematic scenarios of transport, economy and energy should also be taken into consideration. It seems like institutional capacity and governance is emerging as important factor for stimulating cohesion in regional and local scales according to sustainable rurality scenario.

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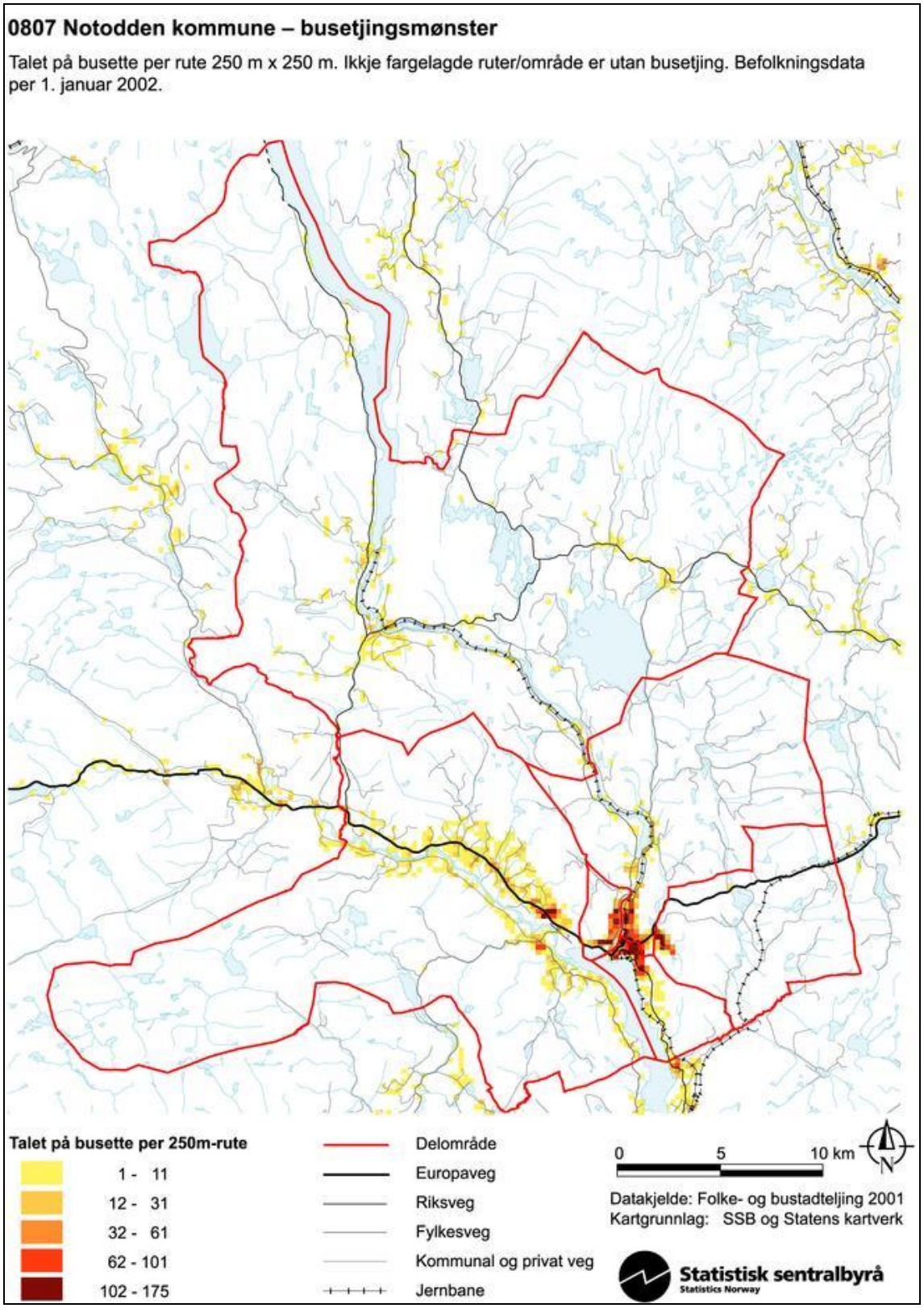
Annex 3 Maps and More

Map A1: The Settlement Pattern of Notodden Municipality



Source: Statistics Norway

SWOT for Notodden

Strengths

- Good living areas, variety with several smaller towns and attractive rural areas at the countryside
- Diverse business structure
- Active cultural life, many active NGO's and festivals
- Many attractive recreation areas without noise and traffic, not too crowded with people
- Easy access to wilderness, forests and waterways
- Good welfare system and public services holds a high standard
- A region with interesting history and traditions
- Good climate (compared with other Nordic regions)
- Established cooperation in the bigger Kongsberg region, that is, even if we also compete
- Good places to raise children
- Good communications to national and regional cultural scenes, opera and all services in Oslo
- Highlights: Roadmap to the roots of Norwegian industrialisation. Heddal Stave Church, Telemark Gallery, Norwegian Industrial Workers Museum. The story of "Heroes from Telemark" in WW II.

Weaknesses

- Even if public transport is good the main roads to markers and attractive locations is poor
- Train service is not reliable
- University College in Notodden is good, but threatened.
- There is still a lot to do to be better at governance
- Towns centres are not attractive enough, very much based on car transport
- Lack of accommodation services / hotel rooms
- Reputation is not very positive
- No coordinated visitor packages are developed
- Aesthetics and urban design is not very impressive, chaotic built environment
- Not so open-minded citizens, not welcoming immigrants and exploiting human resource potential
- Some key persons with power are not development oriented
- Drug abuse and violence an increasing problem
- Low educational level
- Small resources to development issues

Opportunities

- Strengthen cooperation between the municipalities, more holistic thinking and common goals at the regional level,
- Strengthen the cooperation on development issues and services
- Nature areas can become more valuable in the future
- Population growth gives more choices, positive impulses and better economy
- Be brave about what we already have
- Develop businesses which are more competence oriented
- Notodden will never be a tourist destination alone, but together with Tinn we might establish a win-win situation
- Build on entrepreneurial qualities and networks
- Develop regional meeting places, coordinate the will ”to go for the region”
- Better signposts
- Develop a more distinct/unique narrative for the region
- Variation and immigration give opportunities

Threats

- Others are more clever and smarter than us
- We keep being outside EU
- Lack on “hungry” entrepreneurs
- Housing policies can result in ”sleeping villages” and little engagement among citizens for city development
- Little will happen as for transformation and development and new urbanism
- Our region becomes unattractive for young people
- Municipality economy can be weakened from fasts immigration/growth
- Lack of actions towards immigrants can result in low identity feeling
- Lack of money and decisions
- Demographic threats – depopulation

North Yorkshire

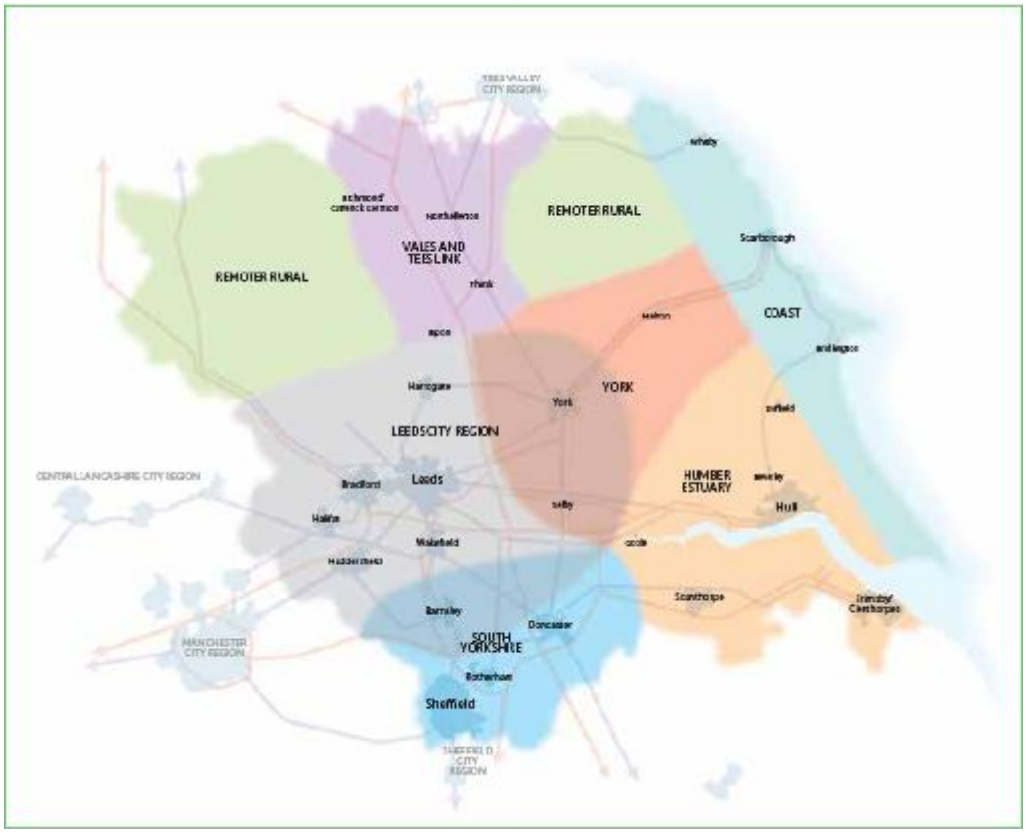
Map A2: North Yorkshire

Source: North Yorkshire County Council

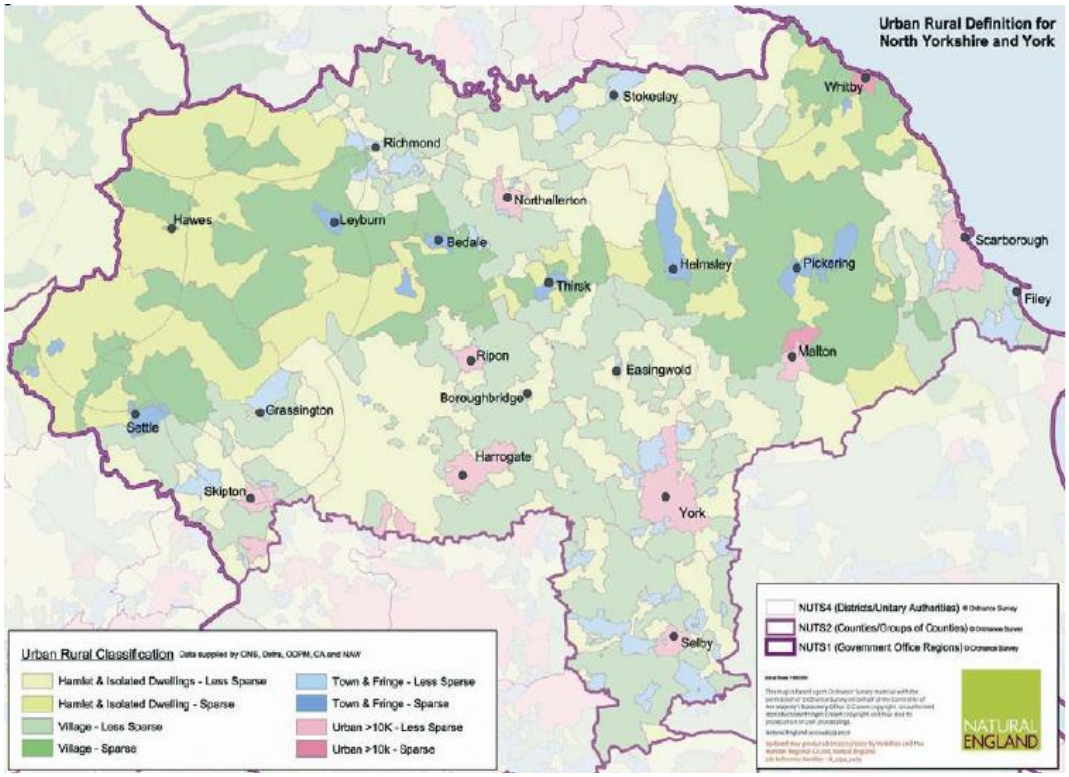
Map A3: North Yorkshire

Source: North Yorkshire County Council

Map A4: Yorkshire and Humber Sub-regions

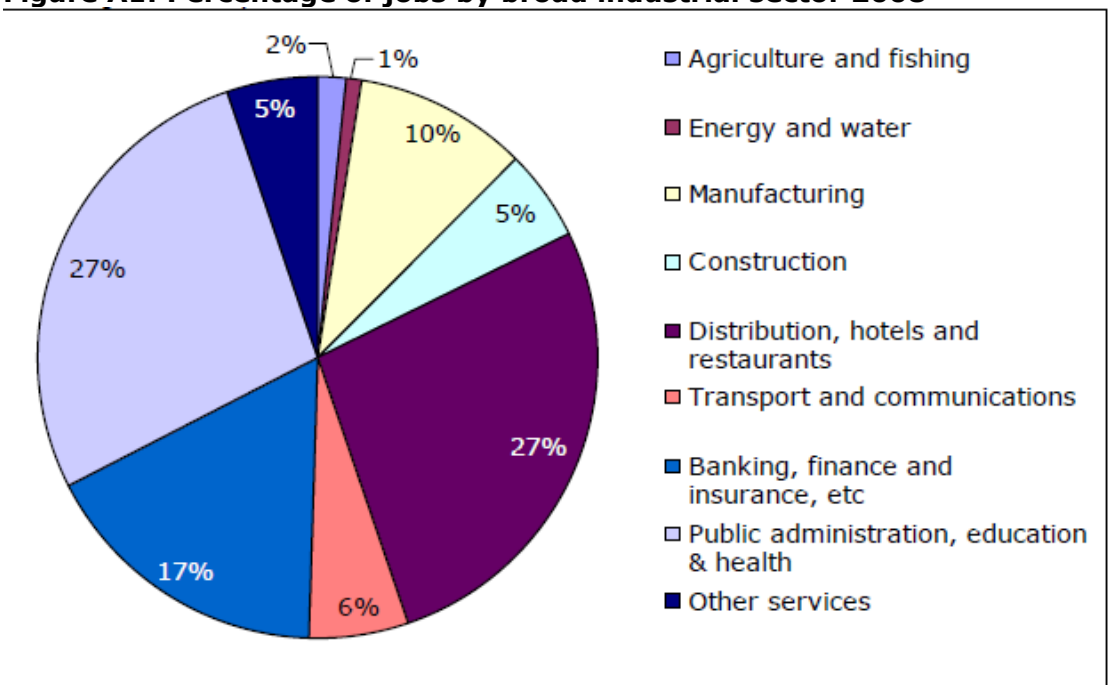


Map A5: Urban-rural classification



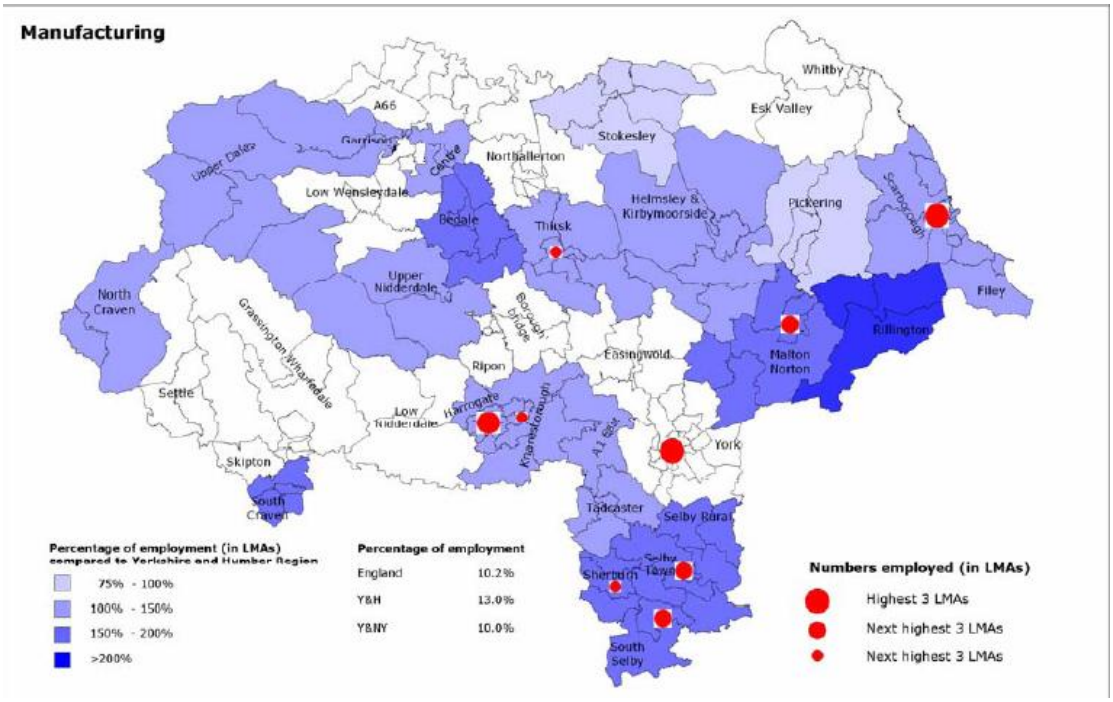
Source: Yorkshire Futures

Figure A1: Percentage of jobs by broad industrial sector 2008



Source Yorkshire Futures 2010

Map A6: Concentrations of manufacturing industry



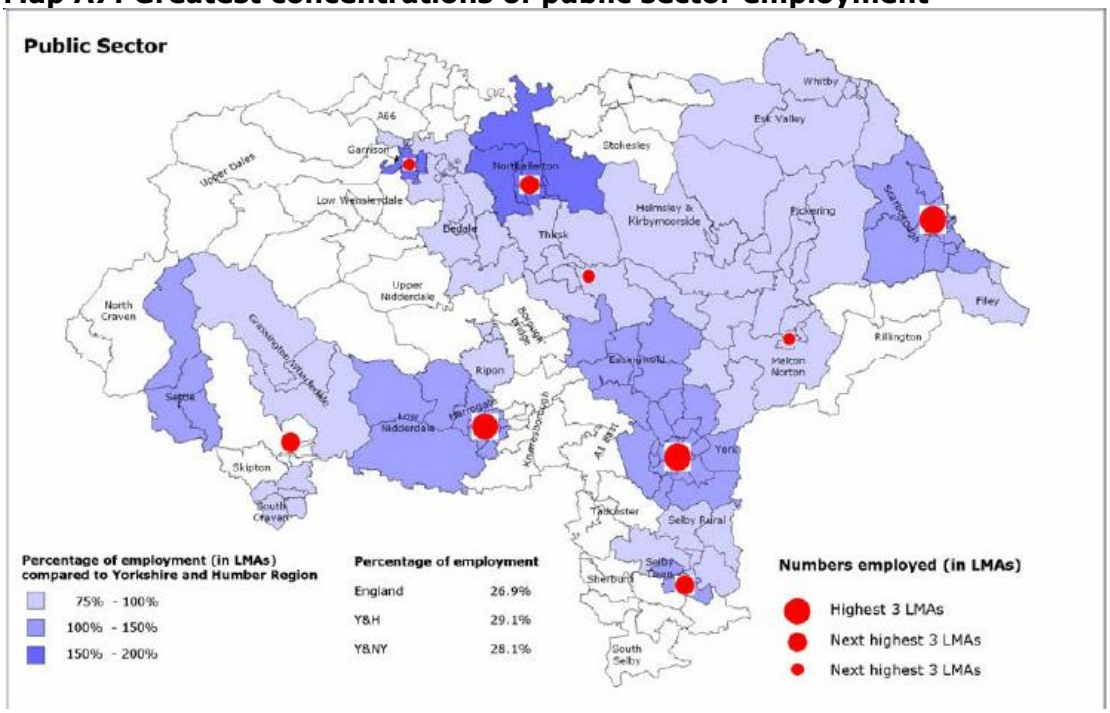
Source Yorkshire Futures 2010

Table A1: Structure of Businesses in the Service Economy

Businesses		Driver Services No.	Producer Services No.	Local Services No.	Total
York and North Yorkshire	**No.**	4,357	9,643	18,924	35,860
	%	12.2	26.9	52.8	91.8
North Yorkshire	**No.**	3,057	7,664	15,073	28,344
	%	10.8	27.0	53.2	91.0
York	**No.**	1,430	1,981	3,718	7,516
	%	19.0	26.4	49.5	94.9
Craven	**No.**	386	783	1,581	3,055
	%	12.6	25.6	51.8	90.0
Hambleton	**No.**	309	1,286	2,433	4,464
	%	6.9	28.8	54.5	90.2
Harrogate	**No.**	835	2,654	4,167	8,259
	%	10.1	32.1	50.4	92.7
Richmondshire	**No.**	222	554	1,289	2,264
	%	9.8	24.5	57.0	91.2
Ryedale	**No.**	239	656	1,555	2,780
	%	8.6	23.6	55.9	88.1
Scarborough	**No.**	870	774	2,286	4,317
	%	20.2	17.9	52.9	91.0
Selby	**No.**	167	959	1,791	3,205
	%	5.2	29.9	55.9	91.0

Source Yorkshire Futures 2010

Map A7: Greatest concentrations of public sector employment



Source Yorkshire Futures 2010

Dumfries and Galloway

Map A8: Map of Dumfries and Galloway

Map A9: Subregions

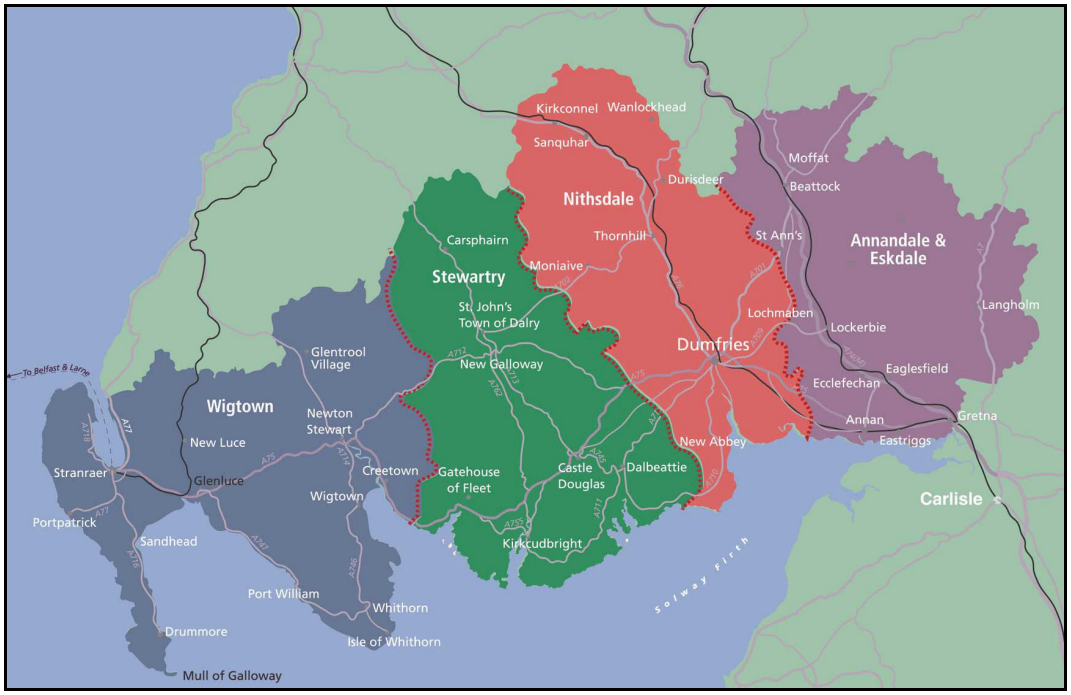


Table A2: Scottish population by age, 2009 and projected changes over time

	Dumfries & Galloway		Scotland	
	No. (000s)	%	No. (000s)	%
Total population	**149**	**100%**	**5,194**	**100%**
Below age 16	25	17%	912	18%
Age 16-64	91	61%	3,413	66%
Above age 64	32	22%	869	17%
Changes in population	diff since '01	diff to 2033*	diff since '01	diff to 2033*
Total population	**0%**	**-1%**	**3%**	**7%**
Below age 16	-10%	-7%	-6%	-1%
Age 16-64	0%	-18%	4%	-5%
Above age 64	14%	53%	8%	62%
** Takes into account change in state pension age*				

Source: General Register Office for Scotland, 2009

Table A3: Earnings April 2010. Full-time employees on adult rates (residence based)

	Dumfries & Galloway £	Scotland £	% difference from Scotland
Gross Average* weekly Earnings	449.7	486.9	-7.6%
Males	477.7	521.8	-8.5%
Females	404.5	430.1	-6.0%

* Median

Table A4: Employment July 2009 to June 2010

	Dumfries & Galloway		Scotland	
	No. (000s)	%	No. (000s)	%
In employment				
All	**68**	**71.6%**	**2,462**	**71.0%**
- full time work	47	69.6%	1,802	73.3%
- part time work	21	30.4%	657	26.7%
- employees	57	83.4%	2,178	89.1%
- self employed	11	15.5%	265	10.9%
Males	34	**73.8%**	1,275	**74.8%**
Females	34	**69.5%**	1,186	**67.4%**
Economically active				
All	**72**	**75.8%**	**2,663**	**76.9%**
Males	37	79.8%	1,401	82.3%
Females	35	71.9%	1,261	71.7%
People who want to work but are not in employment†				
All	**10**	**10.4%**	**398**	**11.7%**
Males	6	13.0%	210	12.6%
Females	4	8.0%	188	10.9%
People aged 16-64 with a degree level qualification				
With degree	15	16.4%	697	20.5%
Model Based Unemployment (Apr 2009 - Mar 2010)				
All	**4.2**	**5.7%**	**195.4**	**7.3%**

Table A5: Number and Porportion of Employee Jobs by Industry, 2008

	Dumfries & Galloway		Scotland	
Industrial group (SIC 2007)	No. (000s)	Percentage	No. (000s)	Percentage
All industries	**58.9**	**100%**	**2,420.4**	**100%**
Agriculture, forestry & fishing	**3.6**	**6%**	**36.5**	**2%**
Production & construction	**11.2**	**19%**	**407.4**	**17%**
Mining & Energy	1.3	2%	57.3	2%
Manufacturing	6.7	11%	199.0	8%
Construction	3.3	6%	151.1	6%
Services	**44.1**	**75%**	**1,976.6**	**82%**
Retail & wholesale & accomodation and food	15.6	26%	535.2	22%
Transport & comm	3.1	5%	162.0	7%
Finance and business	4.9	8%	444.9	18%
"Other" Services*	20.6	35%	834.4	34%

*Other services includes Public Admin, Education, Health and Other Services

Table A6: Corporate Sector: Scottish Employment & Enterprises by Size of Enterprises, March 2010

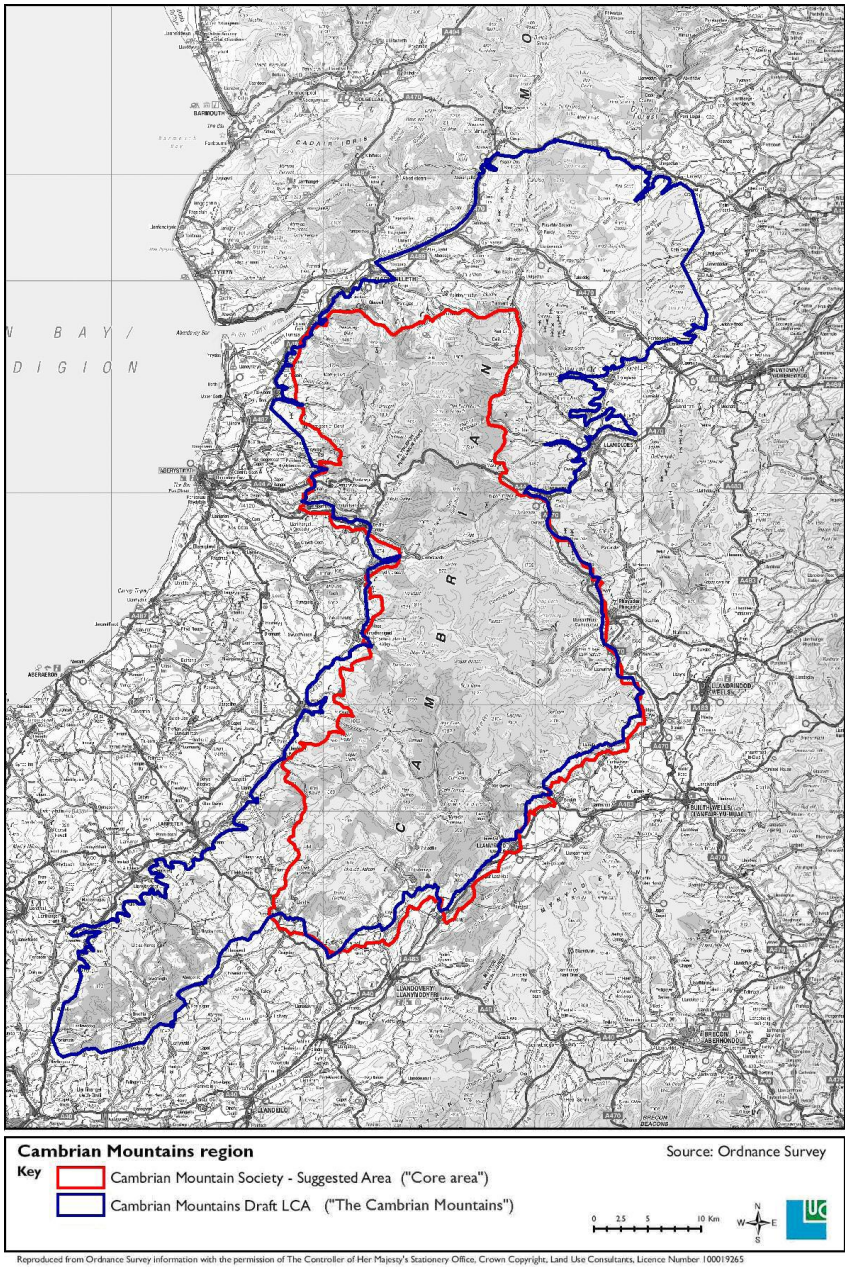
	Dumfries & Galloway		Scotland	
Size of enterprise	No. (000s)	%	No. (000s)	%
Total employment*	**48**	**100%**	**1,836**	**100%**
Small	26	55%	638	35%
Medium	6	12%	256	14%
Large	15	33%	942	51%
Size of enterprise	Number	%	Number	%
All enterprises	**6,780**	**100%**	**153,460**	**100%**
Small	6,330	93%	147,550	96%
Medium	130	2%	3,660	2%
Large	320	5%	2,260	1%

* Enterprises with geographical identity only

.. Data not available due to reliability or confidentiality

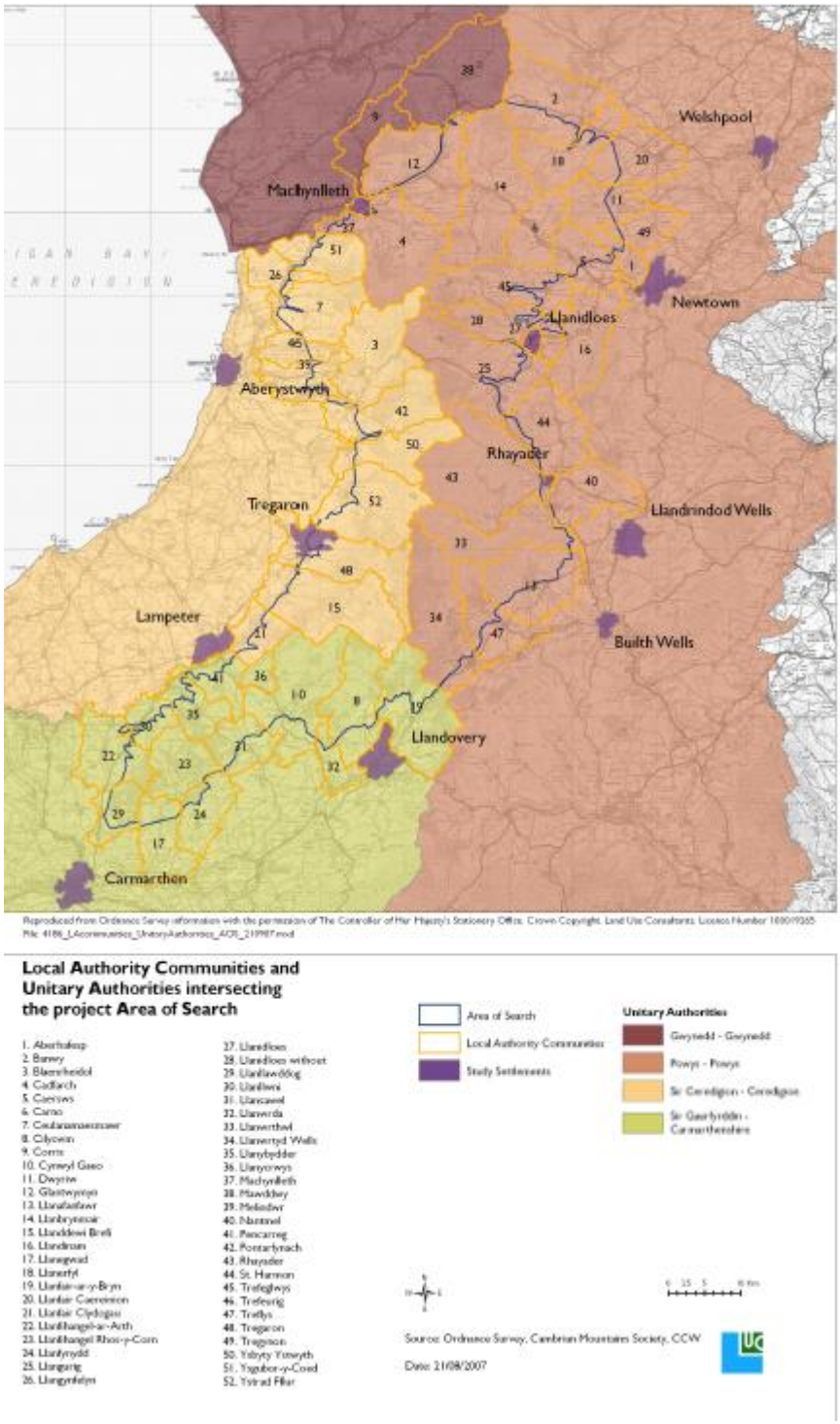
Cambrian Mountains

Map A10: Cambrian Mountains and Boundaries



Source: Land Use Consultants 2007

Map A11: Local authority boundaries



Source: Land Use Consultants 2007

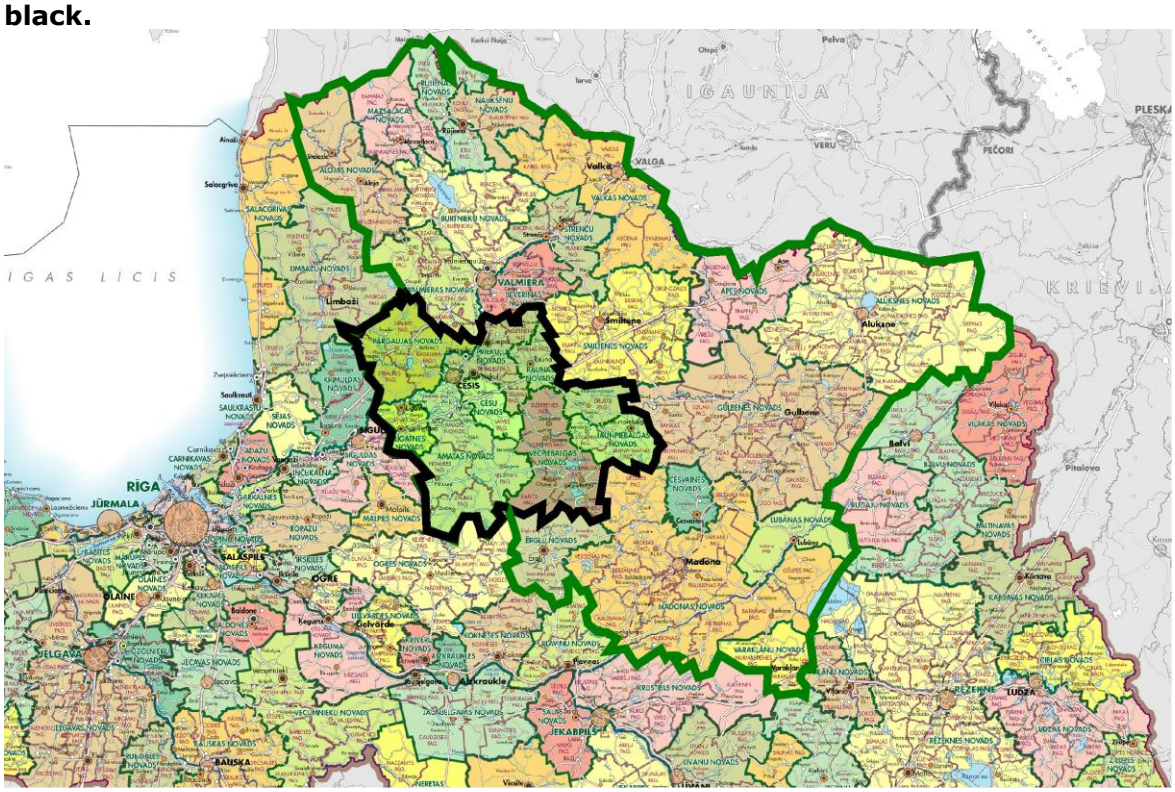
Table A7: Relative deprivation in Cambrian Mountains

Domain	Number of wards (out of 17) in the quartile	
	Most deprived 25% in Wales	Least deprived 25% in Wales
Overall IMD	0	2
Income	0	8
Employment	0	7
Health	0	8
Education	0	9
Child Poverty	0	6
Housing	12	0
Access to services	17	0

Source: Welsh Indices of Multiple Deprivation 2008

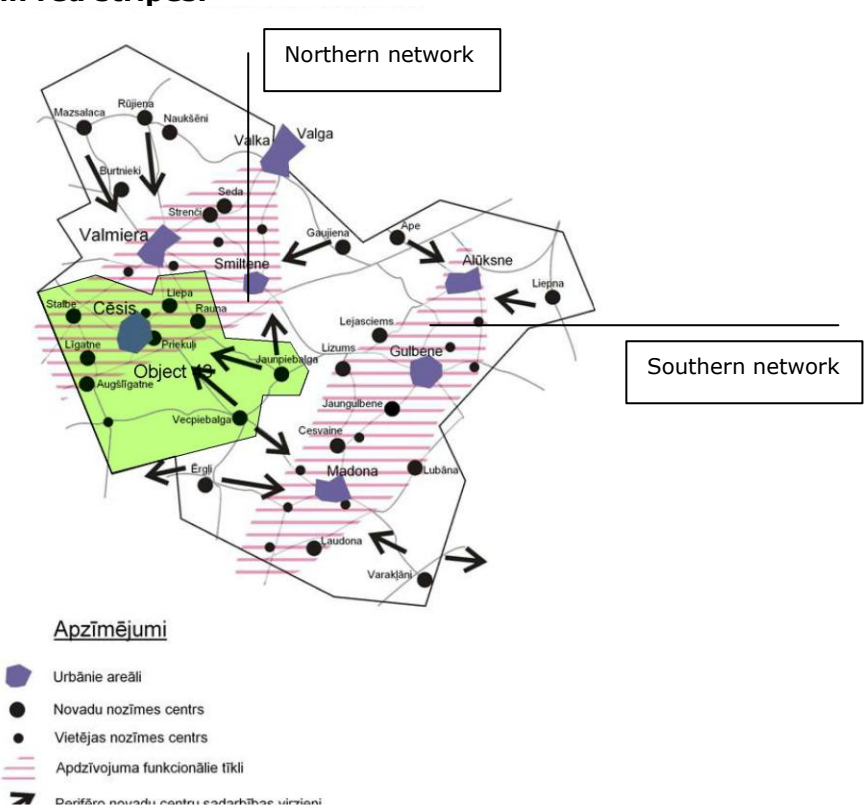
Vidzeme and Amata

Map A12: Vidzeme Planning Region. Borders of Vidzeme Planning Region (NUTS3 level) are coloured in green. PURR subregion area is marked in black.



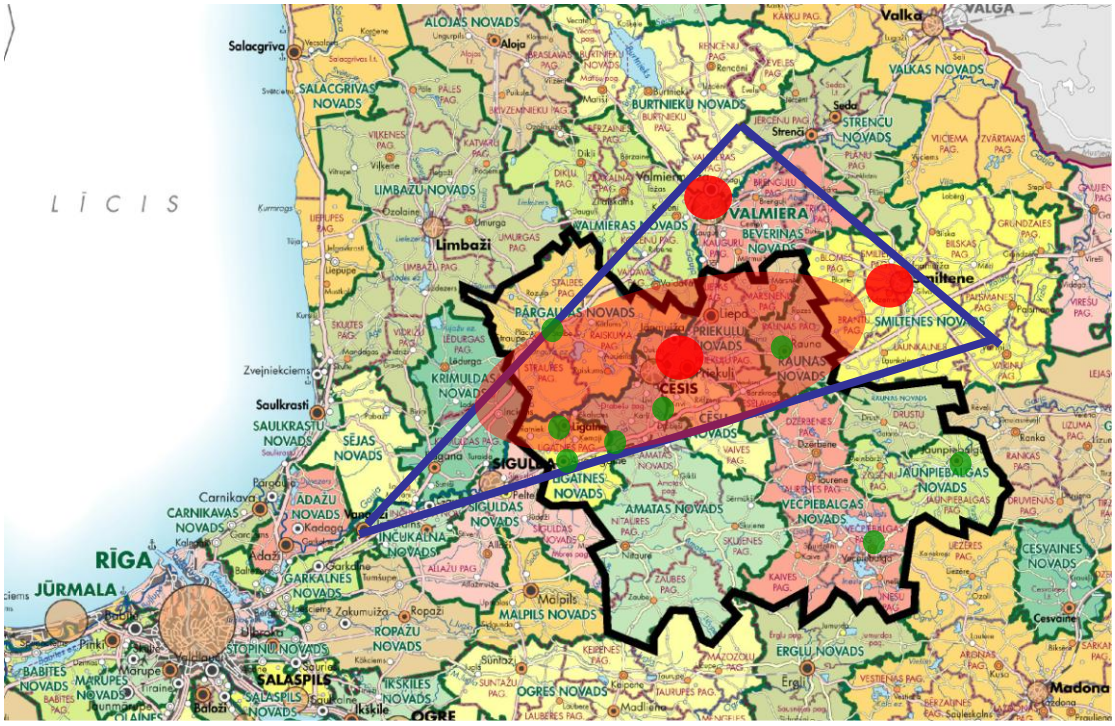
Map A13 PURR focus area. Rural municipalities around Cēsis.

Map A14: Urban areas and functional networks in Vidzeme region. PURR subregion is colored in green. Urban areas are colored in blue. Functional networks are colored in red stripes.



Source: Vidzeme Planning Region. (2007) *Vidzeme Spatial Planning Perspective.*

Map A15. Geographic area with most prospects for employment located in triangle area between Cēsis, Valmiera and Smiltene (shown as red dots). Secondary development centers marked as green dots.



Source: Assessment by regional workshop participants , Amata, Latvia, 15.10.2010.

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