
Remote Rural Areas: Stimulating and Managing New Firm Creation and Entrepreneurship through Local Action



A Third Thematic Report of the IDELE Project

ECOTEC
Research & Consulting Limited

Priestley House
12-26 Albert Street
Birmingham B4 7UD
United Kingdom

Tel: +44 (0)121 616 3600
Fax: +44 (0)121 616 3699
Web: www.ecotec.com

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PAPER THREE: REMOTE RURAL AREAS: STIMULATING AND MANAGING NEW FIRM CREATION AND ENTREPRENEURSHIP THROUGH LOCAL ACTION

1.0 INTRODUCTION

Rural areas present particular challenges for policy-makers. They consist of 80% of the European Union's territory and are home to around a quarter of the population but show considerable diversity in their geography and landscapes and in the problems they face. The lack of homogeneity of rural areas across and within Member States presents problems in the development and design of European and national rural development policies and programmes which must take into account this diversity.

In this paper we focus in particular on the more remote rural areas, whose peripherality presents even greater problems and whose remoteness and low population density can place them at the edge of political influence and priorities. Despite diversity there are a range of common problems that rural areas face to a greater or lesser extent. Although differing economic, social and cultural histories affect the precise 'mix' of problems there is still enough commonality to explore individual responses and from these help develop solutions.

This paper is one of four Thematic Reports¹ produced during the first year of the IDELE project.

2.0 KEY FEATURES AND PROBLEMS OF THE REMOTE RURAL REGION

A definition of remote rural areas requires more than establishing the population density and settlement size. While these are important characteristics of rural areas, the key determinant of remoteness is the relative accessibility of rural communities to key services and facilities such as health and social care, education and governance institutions. Here, the problems of absolute distance can be compounded by geographical peripherality and characteristics, as in mountainous or island regions, or by an underdeveloped transport and communications infrastructure, as often affects the New Member States². Additionally, the concept of remoteness is affected by the national context and varies between Member States. For

¹ The other three reports are available from www.ecotec.co.uk/idele:

- First Thematic Report: *Old Industrial and Mining Areas: The Added Value of Local Employment Development*;
- Second Thematic Report: *The Metropolitan City: Seeking Competitive Advantage through Local Actions to Integrate Immigrants and Minority Groups*;
- Fourth Thematic Report: *Successful Local Milieux and the Lisbon Process*.

² Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

example, the concept of a remote rural area differs significantly between a small densely populated and highly urbanised country such as the Netherlands and a large country with a large rural sector such as Poland.

Europe's rural areas are faced by a number of general challenges including a higher share of employment in declining sectors than the Community average, distance from main centres of business and employment, a less entrepreneurial and risk-taking culture, an inability to participate in the main economic channels and networks and poor education levels.³ There are also several other major problems affecting these areas.

2.1 Population Change and Ageing

Firstly, in rural areas the local population is often in decline numerically and the average age is often increasing. This is particularly so in small communities as the working age population migrates to larger regional settlements or leaves the region entirely to access education and / or employment opportunities. Recent research has highlighted this continuing problem in the Nordic countries⁴ which is particularly apparent among the younger, more mobile age group. In some areas there is a risk of people deserting the countryside en masse, leaving virtual ghost towns behind.

In some other areas a different population dynamic can be found, with new arrivals coming into rural areas, bringing with them a variety of values and objectives. Whilst in many cases this may be positive, with increasing numbers making service delivery more viable and bringing new sources of income to the area, it may also be disruptive and lead to potential for dispute and tensions between 'new comers' and the existing population.

2.2 Natural Environment Conservation constraints on rural development

Environmental protection laws can have major impacts on capital development schemes, such as transport infrastructure improvements, housing schemes or new business premises, by increasing building costs. In contrast many urban brownfield site developers can receive grants or incentives. The most important EU laws on nature conservation are the Birds Directive (1979) which focuses on the long-term preservation of all wild bird species in the EU and the Habitats Directive (1992) which aims to protect wildlife species and their habitats. Under the Birds Directive Member States are responsible for designating special protection areas (SPAs) and under the Habitats Directive for identifying special areas of conservation (SACs) and drawing up management plans combining their long-term preservation with people's economic and social activities in a sustainable development strategy. Together, the SPAs and SACs form the Natura 2000 network which is the cornerstone of EU nature protection policy.

³ **European Commission (2000)**, *Acting Locally for Employment, A Local Dimension for the European Employment Strategy*, COM (2000) 196 final, Brussels, p7.

⁴ **Nordregio (2004b)**, 'New Policy Measures for Stronger Labour Markets?' in *Journal of Nordregio*, volume 4, number 3, pp10-11; **Nordregio (2004c)**, 'Aging in the (Eastern) Nordic Periphery' in *Journal of Nordregio*, volume 4, number 3, p12.

Although these Directives do place considerable constraints on physical and agricultural development assistance is available for affected farmers under DG Agriculture's Agenda 2000 rural development policy. Under this policy there is scope for farmers from these so-called Less Favoured Areas to receive payments to compensate for the costs and income losses incurred through the implementation of EU measures on environmental protection.⁵

It is not clear whether these guaranteed payments, such as those given through the Countryside Stewardship scheme (CCS) in the UK, hinder entrepreneurship by removing an incentive to take risk or stimulate it by providing a minimum income guarantee.

2.3 Lower levels of public service provision

The low population density of these areas can lead to major increases in the cost of delivering basic public services such as transport, healthcare and education. The large distances and low demand make public transport services expensive to operate leading to infrequent or non-existent provision.

Local people often find it difficult to travel to healthcare centres due to the distance and time involved, or because they are reliant on infrequent public transport. Alternatives such as state provided transport bringing people to healthcare centres or mobile health services taking the service to people increase the overall cost of the service.

While primary education provision can often be provided fairly locally there may be a low pupil to teacher ratio but with wide age ranges within the classrooms. At secondary education level pupils will often have to travel significant distances using expensive school transport or, if the distance is too great, enrol in a residential school. In any case, there is likely to be limited choice of primary or secondary education institutions available and parents may choose to relocate in order to access a better education for their children.

In many areas there is a low employment rate among women and this is often linked to a lack of suitable childcare facilities, which is often a deciding factor as to whether many women with young children are able to work.

The problem of distance also affects the provision of sports and leisure facilities which can suffer from under-use and therefore underinvestment.

Taken together, these problems place increased financial and organisational burdens on the local administrations compared to their counterparts in more urban settings. If these burdens prove too difficult to overcome and public services are delivered at a reduced level compared to urban areas, this can contribute to net migration as local people leave the area to access better or more extensive services.

⁵ **European Commission (2003)**, *Rural Development in the European Union*, Directorate-General Agriculture, Luxembourg: Office for Official Publications of the European Union, p 6.

2.4 *Low levels of private sector activity*

Private enterprise is affected in a similar fashion as public service provision. The low population density places a natural limit on demand for products or services and the large distances make it difficult for businesses to expand their market. As a result in some cases it is not economically viable to provide particular goods or services, and where a business is viable a 'natural check' on the size of the business may be imposed by the limited local market.

Inward investment can also be negatively affected. Due to population migration, often of the young and highly educated sectors of the workforce, there is a limited and dispersed pool of labour that may lack the specialised skills required by a new business. Despite potential cost savings in terms of reduced wages, underdeveloped adult and vocational education facilities may mean that it is difficult for staff to acquire new skills and the additional transport costs to markets could prove prohibitive.

A paucity of locally orientated financial instruments may also mitigate against the retention of local savings in the local economy which flow out of the area via national financial institutions.

2.5 *Scale and Density*

Essentially, many of the issues considered above are concerned with generating effective scale. Therefore, the key question is:

How can the distance factor inherent in areas with a low population density be overcome in order to create the minimum effective scale for public or private activity?

Traditionally capturing the minimum scale for an enterprise or activity was achieved by a number of means including:

- 'Putting out' moving the materials to be processed around a dispersed but competent labour pool, e.g. home based proto-industrial craft industries;
- Gathering concentrations of labour at natural resource sites, e.g. in the mining and oil extraction industries;
- Gathering mobile and seasonal labour often following natural resources, e.g. hunting, trapping, logging, fishing and tourism;
- Mobile services provision: consolidating a market by taking services around remote regions, e.g. mobile stores, libraries, education and health facilities such as the Australian flying doctors service;
- Hub and Spoke service provision where a small number of pivotal centres provide the highest order services (e.g. hospitals, major retail outlets, public administration etc) while at the other extreme larger numbers of small centres deal with day to day needs.

These problems of population potential and accessibility have configured the economic geography of remote regions with respect to settlement patterns and the way labour can be

applied to the productive process. While these still define the basis for derived patterns of settlement and activity, the advent of new transportation modes and information and communication technologies have opened up new possibilities for remote rural regions. Indeed, remoteness itself has become a *property to be valorised* by people willing and able to travel to these regions – bringing the entire “wilderness experience” into play as a new resource and source of employment opportunity and motivation for resettlement.

In order to create sustainable communities it has been argued that a critical population mass is needed in order to make economically viable public and private services delivery possible. Creating critical mass does not necessarily involve population relocation into larger settlements, rather, it means overcoming distance through improved transport or communication systems that can support and promote larger social and business networks.

3.0 CURRENT POLICY

3.1 *The Local Dimension of European Employment*

Although the local development of employment was long considered marginal compared with macro-economic and structural strategies, it is now increasingly accepted. The local dimension of the European Employment Strategy is increasingly important because:

- Employment policies are more often than not designed centrally but implemented locally;
- Increasing and increasingly global competition forces local players to develop strategies based on their specific strengths - local actors from SMEs to local authorities can significantly contribute to regional cohesion, innovation, and entrepreneurship, and introduce new forms of employment;
- The promotion of social inclusion, equal opportunities and gender equality requires social support and democratic participation at the local level.

Although the EU policy on promoting an increasing role for the local level in employment has led to the creation of regional and local action plans and partnership, the concept of partnership at the local level is still not well defined in many European countries.⁶ Particularly the role of local policy-makers and administrations in creating and managing partnerships is still not clear.

3.2 *Rural Development Policy: Agenda 2000*

The Agenda 2000 rural development policy seeks to establish a sustainable framework for the future of the EU’s rural areas. The policy aimed to decentralise responsibility and to introduce flexibility into the programme via a suite of actions that can be targeted according to the specific needs of each region.

⁶ **European Commission (2001)**, *Strengthening the local dimension of the European Employment Strategy*, COM (2001) 629 final, Brussels.

The new policy also aims to improve the integration between the different types of EU assistance to increase the focus on supporting all dimensions of rural areas and not just farming. Ultimately the policy intends to:

- strengthen the agricultural and forestry sector;
- improve the competitiveness of rural areas and;
- maintain and preserve the environment and rural heritage.

3.3 2003 Common Agricultural Policy (CAP) reforms and rural development

The September 2003 CAP reforms seek to strengthen rural development by transferring funds to and expanding the scope of current rural development instruments promoting food quality and high standards of environmental and animal welfare management. The effects of the reforms are to:

- increase the number of rural development 'menu' measures from 22 to 26;
- strengthen animal welfare standards;
- increase support for young farmers;
- widen the existing support measures for forestry;
- increase the maximum payments of compensatory allowances in Less Favoured Areas;
- increase co-financing for agri-environmental and animal welfare actions and;
- targeting aid in areas with specific environmental restrictions due to requirements for implementing the Birds and Habitats Directives (Natura 2000).

The CAP is financed through the European Agricultural Guidance and Guarantee Fund (EAGGF) which also supports other rural development expenditure such as Objective 1 programmes encouraging restructuring and diversification of rural areas.

3.4 Leader+

Leader+ is the third generation of the Leader rural development policy programme that started in 1991. It aims to help rural actors to improve the long-term potential of their local region by encouraging sustainable development. It has a strong focus on the bottom-up approach, partnership and networks for exchanging experience. A key feature of the programme is the implementation of integrated development programmes for local rural areas that are drawn up and implemented by Local Action Groups (LAGs).

Programme objectives are to enhance natural and cultural heritage, reinforce the economic environment in order to create jobs and to improve the organisational capabilities of their community. During the period 2001-2002 a total of 73 programmes have been approved of which 9 are national, 61 regional and 3 are national network programmes.⁷

⁷ DG Agriculture (2003), *Leader+ Programming and Implementation September 2003*, <http://europa.eu.int/comm/agriculture/rur/leaderplus/publi/imple.pdf>

In the next programming period (2007-2013) Leader+ will be mainstreamed but it has been proposed to retain it as one of the various measures that exist in the mainstream programmes, forming part of a Rural Development Programme at region and/or country level.

3.5 SAPARD (*Special Accession Programme for Agriculture & Rural Development*)

SAPARD is the EU initiative supporting sustainable agricultural and rural development in the central and eastern European applicant countries during the pre-accession period. The programming period runs from January 2000 until the end of 2006 and candidate countries only benefit through SAPARD between the year 2000 and the time they join the Union.

3.6 *The Rural Partnerships Programme for Sustainable Rural Livelihoods (RRP)*

The RRP was a three-year programme for Estonia, Latvia and Lithuania financed by the UK Department for International Development (DFID). The goal of the project was to reduce poverty and social exclusion in the most disadvantaged areas of the three Baltic States. The aim was to have local people work in partnership with national, regional and local authorities to identify local needs, prioritise actions and manage strategies.

In the New Member States of Central and Eastern Europe there is a real risk of a further widening of the gap in opportunities and income between rural and urban areas. As a result the creation of employment opportunities in rural areas is especially important. Agriculture is still a major employer but there is a divide between commercial farming and semi-subsistence farming. Semi-subsistence farming will continue to be very important for the coming years for many older people as, apart from a small pension, it is their major or only means of income.

3.6.1 *Entrepreneurship Policy*

European enterprise policy and entrepreneurship is well developed, but it focuses on supporting SMEs generally and not specifically in areas defined by their geographical characteristics.

Entrepreneurship has a key position in the European Employment Strategy. The EES guidelines indicate that Member States should seek to stimulate and manage new firm creation and entrepreneurship. In particular, the guidelines encourage Member States to:

- foster entrepreneurship, innovation, investment capacity and a favourable business environment for all enterprises - policy initiatives should focus on simplifying and reducing administrative and regulatory burdens for business start-ups and SMEs, and on promoting education and training in entrepreneurial and management skills;
- support the potential for job creation at the local level, including in the social economy, and partnerships between all relevant actors should be encouraged in order to address regional employment disparities;
- regional and local actors should participate in the development and implementation of employment guidelines through local partnerships.

As a part of the EU's Enterprise policy, DG Enterprise has produced an Action Plan to Promote Entrepreneurship and Competitiveness focussing on factors most important to SMEs. These include:

- developing a spirit of enterprise in education;
- training and improved visibility of support services;
- easier access to finance and innovation support;
- better public administration.

The European Charter for Small Enterprises, established in 2000, supports and encourages small enterprises in ten key areas at European, national and local level:

- Education and training for entrepreneurship;
- Cheaper and faster start-up support;
- Better legislation and regulation;
- Availability of skills;
- Improving online access;
- Getting more out of the Single Market;
- Taxation and financial matters;
- Strengthening the technological capacity of small enterprises;
- Making use of successful e-business models and developing top-class small business support;
- Developing stronger, more effective representation of small enterprises' interests at European Union and national level.

The charter has led to improved co-operation between services involved in policies affecting small businesses. The initiative has been further reinforced by the appointment of the SME Envoy and the recent creation of an SME network inside the commission. The SME Envoy is a director appointed by the EUs DG Enterprise whose task is to step up exchanges between SMEs and their representative bodies and to ensure, together with the SME Network, that the specific interests and needs of SMEs are taken into account in EU policies and programmes. The SME Network is becoming an increasingly important tool for developing "SME-friendly" approach for all European programmes.

The Multi-annual EU Programme for Enterprise and Entrepreneurship is also in operation between 2001 and 2005. It is targeted at SMEs in particular and it aims to:

- Enhance the growth and competitiveness of business in a knowledge-based internationalised economy;
- Promote entrepreneurship;
- Simplify and improve the administrative and regulatory framework for business so that research, innovation and business creation in particular can flourish;
- Improve the financial environment for business, especially SMEs;
- Give business easier access to Community support services, programmes and networks and improving the coordination of these facilities.

Taken together, it is clear from the various policies and programmes described above that throughout the EU there exists a variety of both generic and rural specific measures aimed at tackling the sorts of issues which affect rural areas. However, despite these there is relatively little evidence to show that significant improvements in the key issues are being achieved, even before CAP reform has been carried through and the New Member States are fully integrated with the rest of the Union. There is little doubt that the pressures on rural areas, and the competition for externally sourced resources will only increase. Therefore, it is all the more important that responses which have been found to be effective in remote rural areas are identified and disseminated more widely. As noted above, the diversity of remote rural areas is extreme across a wide variety of measures, and the importance of locally appropriate responses correspondingly that much higher. The opportunity to identify generic lessons is also more of a challenge, and it is to this task that we now turn.

4.0 TACKLING THE BARRIERS – OVERCOMING REMOTENESS

There are a variety of options available to tackle the problems posed by remoteness and these are discussed in the following sections. The good practice examples identified display innovative thinking, leadership but above also a deep understanding and sensitive treatment of specific local and regional issues. In this respect, the good practice examples demonstrate the importance of *local* project ownership and development as a key success factor alongside flexible regional/national support systems, strategies and policy frameworks.

The examples have been grouped under the headings below, although the options below are not mutually exclusive:

- networks
- intermediate support structures
- local or regional uniqueness
- developing regional infrastructure
- land and resources ownership and access to credit
- changing rural demographics

4.1 Networks

Networks of producers, consumers, information and service providers, families and social groups are particularly vital to the life of these regions. They are often close-knit and historically and culturally embedded, and the strong trust relationships that they generate and sustain mean that they constitute a valuable resource. An example of this can be found in the Isle of Eigg Heritage Trust, where residents participate in decision-making directly via regular meetings of the Residents Association. And, as four of the nine Trustees are directly elected residents themselves, the community has a high level of confidence in the actions of the Trust.

As mentioned earlier, new information and communication technologies have transformed the capacity for network connections and have the potential to remove some of the disadvantages of ‘remoteness’. If a suitable ICT infrastructure is in place, individuals and

organisations in these regions can now be linked to each other and the wider world economy as never before. Calder Connect Co-Operative Ltd was established by the community for local individuals and the large number of home-based businesses to take advantage of new ICT.

Thus, community and social networks can have a strong influence on development, contributing direction to activity and conferring legitimacy on representative strategic groups. The Trångsviken example from Sweden provides a clear illustration.

Life Environment in Trångsviken (Jämtland, Sweden)

Trångsviken is a small community in the in the region of Jämtland situated between the town of Östersund and the alpine centre of Åre, at the shore of the great lake Storsjön. In 2000 the community established Trångsviksbolaget AB, a market based but largely community-owned company to act as a partner in the development of the village and its surrounding area.

Trångsviksbolaget operates the 'Life Environment in Trångsviken' project which runs village meetings, distributes a community newsletter, organises seminars, and among other things has built a restaurant and a museum.

Key lessons

- The Life Environment project provides a means for the community to discuss common problems and their proposed solutions. As meetings are widely publicised and open to the whole community, decisions made at the meetings are well respected.

However, community or social networks are considerably different to business networks. The importance of cooperation networks and clusters of activities are emphasised in the Third Report on Economic and Social Cohesion.⁸ The perceived benefits of SME cooperation are substantial but as research by the European Observatory of SMEs has established, almost half of European SMEs do not cooperate and that there are several barriers to cooperation,⁹ as shown in table 1 overleaf.

⁸ **European Commission (2004)**, *A New Partnership for cohesion: convergence, competitiveness, cooperation*, Third report on economic and social cohesion, Luxembourg: Office for Official Publications of the European Communities, p37.

⁹ **Observatory of European SMEs (2003)**, *SMEs and Cooperation*, 2003, No. 5, Luxembourg: Office for Official Publications of the European Union, p 19, 23 & 36.

Table 1 Perceived Benefits and Barriers to SME Cooperation

Benefits of cooperation	Barriers to cooperation
<ul style="list-style-type: none">• Access to new and larger markets• Broader supply of products• Access to know-how and technology• Additional production capacity• Reduced costs• Access to labour• Access to capital	<ul style="list-style-type: none">• Wish to maintain independence• Lack of information with whom to cooperate• Do not wish to disclose sensitive information to other SMEs• Legal or taxation regulation restrictions• High risk involved• Language and cultural barriers

Source: adapted from European Observatory of SMEs (2003), SMEs and Cooperation, p19 & p36.

A major problem of any network, social or business, is securing the involvement of the community it intends to represent. Despite the practical issues of distance and time, there is also the challenge of overcoming the reluctance of potential members to participate. The Trångsviken and Eigg communities both publicise meetings and issues via regular newsletters delivered to the whole community. These newsletters provide an important means of informing and involving those who do not normally attend community meetings, encouraging them to contribute in the future and keeping them aware of new developments. In remote rural areas this is likely to be more important than in other areas, firstly because there are fewer alternative sources of support or ‘escape’ from decisions taken which affect the community as a whole. Secondly, the distinction between local businesses (SMEs) and other social groupings – the family, friendship networks, community organisations, even local authorities, may be less distinct than elsewhere. Actions aimed at supporting entrepreneurship for example, need to recognise the more intertwined social relationships between employers, producers and consumers, and the different motivations which may affect their propensity to embrace the advantages of cooperation or overcome the barriers to them. In fact it is important to recognise the ‘resource value’ (social capital) inherent in networks in remote rural areas, which may be historically long lasting and deeply rooted. It is also worth noting the nature of networks in remote rural areas in many cases illustrates the possibilities of communications and social relationship across considerable distance – dispersed networks make social life possible and sustainable in many remote rural areas and, whilst under pressure, nevertheless provide a model for a type of network society which new ICTs can greatly enhance.

It has been suggested that a business network aiming to support and develop its members is not attractive to the large proportion of SMEs who have no wish to develop and grow further. However, a similar proportion of SMEs are responsive to the concept of cooperation and these organisations can form the basis of an initial network that could ultimately grow to include initially sceptical businesses. The Spanish Rural Tourism Association provides a good example of the potential benefits of a business network.

Spanish Rural Tourism Association, Country Cottage Website (Spain)

The Spanish rural tourism association (Asetur) has launched a website to make it easier for people to book holiday cottages. The aim is to promote rural tourism over more conventional holidays and the website will facilitate direct contact between the cottage owner and the client and contain a room availability and reservation function.

The 16 regional member federations of Asetur ensure that all of the 2,800 cottages currently on the site are legitimate and maintain certain quality standards. Eventually it is expected that the total number of holiday cottages on the site will rise to over 4,500. Web: www.ecoturismorural.com

Key lessons

- Intermediary bodies can be crucial in supporting small enterprises - in this case the support is in building cluster strength to market the industry as a whole and facilitating contact between the sector and potential customers.

A further issue that networks involved in local employment development may have to overcome is cultural resistance to the concept of LED - the view that responsibility for economic development lies entirely with central government or local authorities and that business and the community has no moral or legal role to play. Examples which highlight the legitimacy and effectiveness of local cooperation, information and risk sharing, and which are rooted in locally initiated networking can be particularly powerful here.

4.2 Intermediate Support Structures

More than elsewhere remote rural areas demand enabling intermediate support structures (ISSs) to overcome the scale/density problem. ISSs can help communities and businesses connect to achieve a critical 'network strength', to increase the scale and scope of products and services and to overcome the problems of distance and accessibility. Good examples are found in the Orkney Marketing Scheme and the Catalan Crafts Centre which both help promote regional products nationally and internationally.

The Orkney Marketing Scheme (Scotland, United Kingdom)

In 1993 a group of local firms started Orkney Quality Food and Drink (OQFD) with support from Orkney Enterprise (OE), a business development agency and the Orkney Islands Council (OIC) for joint marketing purposes. To help support OQFD and other similar marketing initiatives OE and OIC established the Orkney Marketing Scheme (OMS), which was originally jointly funded by themselves and the EU Highlands and Islands Objective 1 programme. The OMS targets key firms with growth potential and industry associations, exhibiting branded Orkney products at major EU and UK trade shows. OQFD also promotes the use and sale of local produce in Orkneys restaurants and shops.¹⁰

Centre Català d'Artesania (Catalonia, Spain)

The Catalan Crafts Centre was created in 1985 by the Government of Catalonia:

- to promote the commercialisation of Catalan craft products
- to spread craft knowledge
- to accredit the authenticity of craft activities and
- to give a response to the needs of craft companies so as to improve their competitiveness

The centre has physical premises in the centre of Barcelona with a craft shop, exhibition space, a lecture and workshop programme and an information centre. The website hosts an online searchable database of Catalan craft companies and products. The centre also operates a Mobile Crafts Exhibition at major national and international trade fairs.

The centre plays an important role in quality assurance. It accredits the authenticity of craft activity in Catalonia by granting a Craftsman Card to tradespeople, it awards a Master Crafts Diploma to outstanding tradespeople and it issues the “PAQ” – Certified Craft Product kite mark.

Web: <http://www.artesania-catalunya.com/index.en.php>

Key lessons

- Coordinated local action can be successful at attracting support from regional or national government bodies.
- Networks of small producers can achieve economies of scale by working together to produce and market their goods.
- Distinct regional identities can provide a powerful brand around which to unite dispersed producers willing to sign up to a clear central identity – although maintaining the integrity of the brand and its core meaning can be challenging

¹⁰ **Bryden, J. and Hart, K. (2001)**, *Dynamics of Rural Areas (DORA), the International Comparison*, Aberdeen: the Arkleton Centre for Rural Development Research, p27.

Almost all European countries have a national policy framework that aims to improve or increase SME cooperation. These are either focussed on a particular objective or a type of service offered¹¹ and are summarised in Table 2 below.

Table 2 National Policy Frameworks Promoting SME cooperation

Objective focused Policies	Service focused Policies
<ul style="list-style-type: none"> • Technology Transfer and Research Network • Internationalisation • Innovation and entrepreneurship • Human Resource Management 	<ul style="list-style-type: none"> • Subsidies to reduce costs incurred by enterprises working towards the programme objectives • Counselling, advice and competence transfer • Provision of meeting space where enterprise can meet potential partners • Provision of operational floor space

Source: adapted from Observatory of European SMEs (2003), SMES and Cooperation, p46-47.

The Networking Innovators project, based in Finnish and Swedish Lapland, sought to develop and support a network of innovators through increasing skills levels and promoting links between inventors and potential partners. Prior to the project inventor organisations and support in Finland tended to be focussed in Helsinki – by creating an ISS to support entrepreneurs outside the mainstream economic and business channels the project has been able to generate 11 new companies and 34 new jobs stimulating regional economic growth by around €5,972,000.

However, national policies for SMEs are difficult to implement in a top-down manner and it is here that regional or local public bodies can have a significant role. For regions to succeed they must be able to harness their own mix of assets effectively and it is arguable that local or regional bodies, armed with a suitably flexible policy mechanism, are best placed to coordinate this activity.¹²

4.3 Local or Regional Uniqueness

Differing local or regional characteristics form a considerable problem for top-down central policy implementation as local factors often reduce the overall effectiveness of any national activity. However, in the context of LED these differences can be exploited to provide real employment and development opportunities to the communities involved. Many regions have recognised the tourism and leisure potential of their region and have implemented strategies to enhance and promote them. In Sicily, Italy, the Terre del Sosio GAL funded through Leader+ is developing the local archaeological heritage to improve information and facilities available to visitors. Many archaeological sites have been developed considerably but in other cases the problem to overcome was a lack of information available to visitors

¹¹ **Observatory of European SMEs (2003), SMES and Cooperation, pp 46-47.**

¹² **European Commission (2004), A New Partnership for Cohesion, p59.**

who rarely knew of these attractions inland away from the coast. An online map and database or heritage sites has been developed to publicise the attractions and they have also been incorporated into countryside walks.

The SENDA project in Galicia, Spain is successfully linking economic activity in the tourism, agriculture, craft and leisure sectors to the pilgrimage to Santiago de Compostela. In the town of Rovaniemi, Finland the Arktikum facility successfully exploits its far northern position to house the Provincial Museum of Lapland, conference and restaurant facilities and the University of Lapland's Arctic Centre which is a major international scientific, research and teaching facility.

Project SENDA (Galicia, Spain)

The SENDA project was initially funded by the Community Initiative ADAPT during 1995-1997 and brought together a range of local and regional actors to develop and promote the regional tourism industry. It used the pilgrimage to Santiago de Compostela as a unique selling point for its activities and brought together a network of regional craft businesses and rural hotels and hostels into a support network. Through the network the project provided training for SMEs, increased the use of ICT in the sector (e.g. online hotel reservation) and created a regional marketing strategy.

The project has brought many small hostels into the formal economy for the first time, making them eligible to receive state support. It has an online craft shop selling traditional products from the region website and established a honey production and testing centre for small regional producers to collectively improve and market their product. Web: www.artega.com

Key lessons:

- Exploitation of a key local asset, St James' Pilgrim route, has added value to the complementary local businesses – action at regional level has given the activity sufficient scale to create an integrated regional network.

The regional approach to developing unique regional assets has also been adopted successfully by the Lapland Centre of Expertise in the Experience Industry as explained in the box below.

Lapland Centre of Expertise in the Experience Industry (Lapland, Finland)

The Centre of Expertise Programme was launched in 1994 and currently there are 22 Centres covering 45 fields being funded from 2003-2006.

The 'experience' industry in Lapland has been growing by over 5% per year and is now the third most important industry in Lapland after the forest and metal industries and retail. Over the period 1994–2002 the number of people working in the industry has gone up by 1,450 to around 4,400 people – around 13 % of all employees in Lapland. Overall income from the 'experience' industry has increased by 90% between 1994 and 2002 and

the number of new businesses during the same time frame has increased by 30%. Most of the new SMEs in the remote parts of Lapland are in the experience industry.

In Lapland much of the 'experiences' are inspired by Lappish stories and tales, nature and culture which together form a unique image. Innovations and competitive advantage are created through co-operation and integration of the different 'experience' industries. By the summer 2004, the experience Centre had launched projects with a total value of approximately €60 million supporting the development of the 'experience' economy.

Successful examples include:

- the Aurora Borealis Testing Lab - the world's first testing environment for wireless experience and tourism services and mobile terminal devices and;
- promotion of the Christmas tourism product to strengthen the position of Lapland as the top Christmas tourism destination in Europe (see www.santaclaus.fi).

Key lessons

- Sensitively designed locally responsive national policy initiatives can be highly successful.
- Finding the appropriate level for action – local, regional or national – is important. Some initiatives may require a critical mass in order to be successful.
- Existing strengths and resources must be fully exploited – interaction with new industries or technologies can generate innovative new businesses and activities.

There are however, risks in pursuing tourism and leisure based strategies for local development – whilst the market is continuing to grow, so is competition, and tourism income is highly vulnerable to global shocks. Local strategies in remote rural areas need not only to identify and deliver a clear and consistent product, but also need to be at one end of an information and transport chain able to deliver consumers to the (remote) area cost effectively and efficiently. It is of course, a defining feature of remote rural areas that they are distant from metropolitan and more developed areas, and are highly dependent on the availability of a communications infrastructure which is likely to be under the control of the regional if not national or international authorities. Local strategies may therefore be highly vulnerable to decisions taken elsewhere. One example of this is the growth of some tourist markets throughout Europe on the back of low cost airlines – the current boom could be highly dependent on competition decisions by EU authorities, or the Union's long term stance towards the environmental impacts of rapidly increasing air travel. Simply identifying and marketing a locally unique and attractive product is not the same as being in a position to deliver it to sufficient consumers to achieve real benefits. It is vitally important for local players to develop and maintain strong vertical links to the levels which control supply of the infrastructure needed if they are to follow such a strategy.

4.4 Developing Regional Infrastructure

ICT does offer new opportunities to firms and regions and access to broadband, which can provide a means for high speed access and transfer of information, enabling the delivery of new services online, and reduce communication costs considerably. But there is significant variation of access to ICT within Member States. In general the pace of ICT development, such as broadband internet provision, is higher in metropolitan areas than rural areas with a continuing trend for the least prosperous and most remote regions to have less access to it, thereby increasing the digital divide.¹³

However, it is still possible for local and regional actors to overcome this problem and implement their own solutions. In West Yorkshire, UK, the Calder Connect Co-Operative was set up by the community to provide access to broadband and wireless internet technology.

Calder Connect Co-Operative Ltd (3-C) (West Yorkshire, United Kingdom)

The rural community in the Calder area of West Yorkshire established 3-C in September 2003 in response to difficulties in obtaining broadband internet provision from national internet service providers (ISPs). A study commissioned locally highlighted that hundreds of small businesses were being run from home in the region and that these would benefit enormously from broadband provision.

As the local telecommunications companies were unresponsive to local demand residents teamed up with an ISP to establish the co-operative 3-C and provide their broadband and wireless internet access to the community. They are now the largest local supplier of broadband internet access. Web: www.3-C.CoOp

Key lessons:

- The market can be unresponsive to demand for improvements in local communications infrastructure – social enterprises are a viable alternative delivery mechanism for providing high technology infrastructure where the market fails.
- Small community organisations *are* able to compete successfully with large established firms in local markets due to the increased flexibility they can provide and by taking advantage of their local knowledge and status.

¹³ **European Commission (2004)**, *A new Partnership for Cohesion*, p55-57.

Development of an efficient transport infrastructure is essential but insufficient on its own. They will provide increased access to other markets but can also lead to other producers targeting the local market – although areas of weak, and low level local demand may not be attractive to competitors.¹⁴

4.5 Land and Resources Ownership and Access to Credit

Issues around property ownership have been a problem in the New Member States in the past and problems remain both there and in the EU-15. In comparison with urban areas there is often a low asset base in the form of property in rural communities which can cause problems in providing collateral in order to access credit. In some countries it can be difficult to obtain a mortgage to purchase a home in rural areas due to bank lending policies that give unfavourable credit ratings to rural areas.¹⁵

Aside from the problems of home ownership, limited access to loans at reasonable rates mean that entrepreneurs can find it impossible to secure start-up or development capital. As a result otherwise viable businesses do not flourish, leading to low rates of business start-ups in comparison to national averages.¹⁶ Research has shown the potential of community financial initiatives for regenerating disadvantaged communities by addressing finance gaps faced by individuals, micro and small businesses. Example models include credit unions, community loan funds, micro-finance funds, mutual guarantee societies and social banks.¹⁷

In Trångsviken, Sweden, the community-owned economic development company has been able tackle the problem of access to finance by offering loans to local businesses and entrepreneurs when the banks have refused. In Scotland, land reform on the Isle of Eigg has allowed the residents to establish several businesses that provide full and part time employment to several residents. The Scottish Land Fund has allowed other communities in Scotland to take the first steps towards developing their own area.

¹⁴ **European Commission (2004)**, *A New Partnership for Cohesion*, p 37.

¹⁵ **Nordregio (2003)**, 'Pia Enochsson – There is No Designated Rural Policy for Sweden' in *Journal of Nordregio*, volume 3, number 1, pp 15-16.

¹⁶ **Bryden, J. (2003)**, *Rural Development Situation and Challenges in EU-25*, Keynote Speech delivered at the EU Rural Development Conference, Salzburg, November 2003.

¹⁷ **Mayo, E., Fisher, T., Conaty, P., Doling, J. and Mullineux, A. (1998)**, *Small is Bankable: Community reinvestment in the UK*, York: Joseph Rowntree Foundation.

Isle of Eigg Heritage Trust (Scotland, United Kingdom)

The Isle of Eigg Heritage Trust is a unique partnership between the residents of Eigg, The Highland Council, and The Scottish Wildlife Trust. The Trust was created in 1996 to purchase and manage the Isle of Eigg for the benefit of the community, is a company limited by guarantee, and a registered Scottish charity. Web: <http://www.isleofeigg.org>

After gaining control of the Island the Trust was able to establish a variety of community ventures providing or supporting local services. These include:

- Eigg Trading Limited which owns and manages a community facility built with assistance from Highlands and Islands Enterprise to house the Trust office, the island shop and Post Office, a Tearoom, Craft Shop, waiting area with public toilet and shower facilities.
- Eigg Tearoom Limited runs the island tearoom, which is open daily from April to October. The tearoom is licensed and also opens for evening meals regularly throughout the summer. At the height of the season, the tearoom employs two full-time & up to eight part-time staff. During the winter months the tearoom is open to coincide with the arrival of the ferry (run by volunteers) and also provides a warm & comfortable venue for a variety of community events.
- Eigg Construction Limited is the newest of the three subsidiaries, and was set up to undertake renovation works on the Trust's properties. It employs three men full time and one part time supervisor. To date four properties have been renovated.

Key lessons:

- If land ownership is highly concentrated it can act as a barrier to entrepreneurial activity and local development.
- Community ownership of local assets can help sustain vital public services and provide communities with an independent income to invest in local infrastructure or entrepreneurial activity.
- Community activities working with a strong local mandate can mobilise significant voluntary contributions of time and skills.

The Scottish Land Fund (Scotland, United Kingdom)

The Scottish Land fund was established in 2001 to contribute to sustainable development in rural Scotland by assisting communities to acquire, develop and manage local land or land assets. The £15 million National Lottery funded programme is administered by the economic development agencies Scottish Enterprise and Highlands and Islands Enterprise.

Since its launch the Fund has helped over 60 communities acquire land and develop land-based projects. Web: <http://www.hie.co.uk/scottishlandfund>

Key lessons:

- Building community assets can strengthen social capital within communities, enhancing trust relationships and giving impetus to existing or new local networks.
- Community assets do not have to be extensive – they can range from owning an island to investing in a small community building.

Wider individual and community land ownership is not without difficulties – there may be significant differences of opinion on how to develop land or property within the community particularly between new and old residents. There may also be tensions between the different priorities of conservation agencies and economic development agencies.

4.6 Changing Rural Demographics

Declining populations through fertility shifts (decreasing birth-rate), increased life expectancy and net migration can have a profound effect on the future prospects and strategic options available to a community. However, the changes in rural populations do not entirely conform to the prevalent stereotype of outward migration of young people leaving an aging residual population.

For example, in Sweden, although there is a trend towards rural depopulation, especially among young men and women, there are also positive trends of young couples with children returning to rural areas and significant population gains in rural areas near larger cities.¹⁸ Other potential immigrants could come from several sources and have widely different motivations: local people returning to the area to look after elderly relatives; the urban population or ‘hippies’ seeking to escape from the city; young families seeking a higher quality of life in which to raise their children or; non-native economic immigrants newly arrived in the country seeking somewhere to settle.

The arrival of substantial numbers of immigrants from any source can cause social tensions with the existing population but they can also bring real benefits. Many immigrants may arrive with a business idea, they may wish to invest in local ICT infrastructure in order to

¹⁸ Nordregio (2004a), ‘Male Exodus from Rural Sweden’ in *Journal of Nordregio*, volume 4, number 3, p 6; Swedish Rural Development Agency (2004), *2004 Yearbook*, Östersund.

work at home or their arrival may increase the quality and quantity of the local housing stock by bringing vacant properties back into use. They can bring a variety of new skills and provide access to new networks and other resources.

Immigrants may be able to help fill specific gaps in the local labour market. For example, bus companies in rural Wales reacted to a shortage of skilled bus drivers by recruiting among former British Army Ghurkha soldiers from Nepal. Many of the recruits had honed their driving skills while in the army and as people in the UK and Nepal all drive on the left of the road they did not have to adjust.¹⁹

To some immigrants the very remoteness of the area may be a valued commodity attracting them. The valorisation of remoteness, combined with wilderness areas can form the basis of a tourism industry that provides jobs to the area and can stimulate other activity, for example, restaurants, retail and leisure facilities.

The ANER 2 Leader+ GAL based in Guadalajara, central Spain is trying to tackle a 66% decline in the regional population between 1990 and 1998. The project aims to improve the infrastructure of the region and to promote the development of existing SMEs, the creation of new SMEs and to generate inward investment. It has funded many small scale development projects including the introduction of new technologies in the packing industry and creating a virtual community with local information and job opportunities.

Population dynamics in remote rural areas are therefore not a simple issue, and may display very different components and issues. Locally or regionally originating strategies need to make population structure a key component, and need to avoid stereotyping.

5.0 LESSONS FROM EXPERIENCE

“A competitive rural economy and a socially inclusive, confident rural society are core ingredients for a sustainable rural community and balanced development in the EU”

UK Department for International Development, Rural Partnerships Programme, 2003

The experience of the project examples highlighted in this paper show that local action can make a major contribution to the successful development of rural areas. Specific lessons are:

- Embedded local cultures are a key feature of the potential comparative advantage of rural communities as well as the particular properties of the environment. Long histories of cultural richness and diversity have the potential to be mobilised, and the valorisation of these attributes has become in many cases a source of new competitive edge in the global marketplace. It is at the local level that these values can be realised and harnessed where structures have been put in place to achieve it.

¹⁹ BBC News, 15th June 2004, http://news.bbc.co.uk/2/hi/uk_news/wales/south_west/3809743.stm (checked 25th October 2004).

- The appropriate level for action is not always the local. In the cases of the SENDA Project in Spain and the Lapland Centre of Expertise for the Experience Industry in Finland, a regional approach was appropriate. In both these cases the activities benefited from greater scale which allowed the creation of a regional strategic approach. However, each example retained enough flexibility to enable local people to participate by developing sub-projects and smaller-scale activities at their local level.
- Intermediary Support Structures (ISSs) can help support rural enterprise. In the case of the SENDA Project and the Catalan Craft Centre an ISS has been able to support regional craft businesses by collectively branding and marketing their products. This approach has opened new markets and allowed rural areas to maintain craft industries that are an integral part of their cultural heritage. The Orkney Marketing Scheme has taken the approach further by promoting local products generally.
- Facilitating the creation of business networks can improve quality and business performance. The Catalan Crafts Centre has introduced a quality standard into the craft sector. In Lapland, the Centre for Expertise has facilitated interaction between different industries resulting in several innovations in new products, services and the creation of new businesses and jobs. In Galicia, the network of small hostels established by the SENDA project has enabled the provision of targeted business support and training for the sector.
- Local assets must be maximised – prime examples are St James' Pilgrimage route in Galicia and the Santa Claus Christmas experience in Lapland. Both of these have taken unique assets and linked them successfully with other related activities and services in a mutually beneficial way. Other rural areas, such as the Island of Eigg have been able to valorise their relative remoteness and highlight it and their natural environment to increase tourism. The Terre del Sosio Leader+ GAL in Sicily is developing the regions archaeological heritage to promote tourism and stimulate feelings of a shared cultural heritage.
- Small scale local action *can* achieve improvements to community infrastructure. In the case of the 3-C cooperative, the community was able to implement commercial broadband and wireless internet services when the area was overlooked by the large telecommunications companies and service providers.
- Wider land and property ownership can increase entrepreneurial and creative activity. On the Isle of Eigg land reform has enabled the community to operate several community services, to renovate housing stock and generate an independent income for investment in community projects. In Trångsviken in Sweden the community owns its own community centre and community development company. This company has been able to provide guidance, mentoring and financial aid to existing and start-up companies where other public and private bodies have not been able or willing to help.

- Communities can benefit from owning even small scale assets. The Scottish Land Fund has supported several large-scale land purchases but it has also financed many smaller acquisitions, ranging from small plots of land to a butchers shop. These comparatively small scale activities help maintain community services, support sustainable communities, raise the quality of living and provide local employment. The source of independent income for communities also means that further small-scale activities are possible without further intervention from public sources.
- Local action can take advantage of the strong social and trust relationships in rural communities to lever in voluntary donation of labour and skills. Higher levels of social capital and trust can also lead to increased entrepreneurial risk taking in the community. Acting locally has the potential to mobilise the trust embedded in local communities. Being able to predict others' responses in a partnership transaction can: reduce the costs of contracting and doing business; promote more risk taking where the loading of the risk is shared and induce more creative thinking through releasing non-defensive behaviours. Consensus building can mobilise additional "free or voluntary labour" to a venture and give it a cost-performance bonus. The potential conflicts that pervade the life of these regions (indigenous people/incomers: environmental sustainability/resources exploitation, etc) need vehicles to allow them to be discussed and worked out. New forms of flexibility and adaptability can emerge in local contexts where partnership and trust can give legitimacy to social relationships and can allow both conservationist and developmental positions to be mutually explored and strategies put in place to deal with them.
- Rural communities do not often suffer from the 'crowded platforms' and multiple interests present in urban areas. The relative lack of local action and locally engaged government agencies mean that there is significant scope for local partnerships to develop. However, in some countries, such as the New Member States, local partnership working can be underdeveloped and significant resources may be required to build capacity. In other countries there may be cultural norms to overcome concerning the role of the state, community and the individual, i.e. a debate over where responsibility for local development actually lies. In some cases there may be political resistance to the decentralisation of power and decision-making to the local level.
- Local action can often depend on the activity of individual community leaders to generate interest and sustain momentum. Leaders of this type are not common and need support, but local action must be based on community consensus – a balance must be struck between action and consensus even if activity proceeds at a slower rate as a result. Part of the development gain from acting locally is to give a degree of legitimacy to any strategic proposals for development: local people and interests can come to "own" the strategy giving it more chance of being actualised in practice. Acting locally in this way can offer the prospect of a more *sensitive reading* of local economy and society: strategies built on this base will have more value and legitimacy. Part of the intrinsic value of acting locally is that it enhances the prospects for promoting social inclusion. Significant economic and social benefits can accrue where strategies for

employment and development can be set in a context of local knowledge and cultural understanding.

- While in general local relationships in remote rural areas may be well developed from long-standing family and religious/cultural roots, these do not automatically enable communities to “act locally” for economic and employment development. Single issues may mobilise communities but the capacity and adaptability that is needed collectively to anticipate and respond to more abstract development challenges needs to be installed.
- Some areas may not possess existing capacity or culture to work in partnership locally. In these areas substantial time and resources must first be deployed to develop capacity, engaging people in partnerships and activity that generate social capital, trust and contribute to local employment and development. In these areas a partnership structure imposed in a top-down manner will not produce the dynamism evident in the best practice examples.
- Policy makers can support local partnerships and networks by providing Intermediary Support Structures (ISSs) for them to link into. ISSs such as the Networking Innovators and SENDA projects generated sufficient scale for efficient and effective operation of training, advice, finance and marketing services.
- In order to succeed in their development, rural areas need help to remove unnecessary barriers constraining their development. Policy-makers can help by supporting rural partnerships in campaigns for improved transport or communications infrastructure or by supporting community groups to implement improvements themselves, for example, promoting broadband access.
- In areas with average incomes generally lower than the national average part-time employment can have a major positive impact upon household and disposable income. There is significant scope for several part-time jobs to be combined into full-time jobs through job-matching schemes that can increase the ability of SMEs to expand their activity.

5.1 Recommendations

Practitioners

- Sustainable solutions are built upon local trust, involvement and consensus.
- Strong leadership is crucial but this can lead to over-reliance on individuals or make consensus building difficult.
- Successful local action is possible without large-scale financial from public authorities – focussed community activity can generate a large volume of voluntary activity.

- The trust relationships built up through local action can encourage greater entrepreneurship and risk-taking.
- Well-developed local relationships and networks may exist but they may not be appropriate for strategic local partnership working and capacity must be developed.

Local and Regional Policy Makers

- A supportive and flexible policy and funding framework is essential to allow the development of activity tailored to local needs.
- Local and regional assets, such as culture, must be maximised. Local or regional [policy makers can help by facilitating intra-regional or cross-national cooperation.
- Community finance initiatives should be supported to overcome financial barriers to local action and development.
- Intermediate Support Structures provided at local or regional level can help facilitate sufficient scale for multiple local initiatives to thrive.
- Local or regional community or business networks should be encouraged to support and promote local businesses.
- Local and regional public bodies should help address transport and communication infrastructure needs by supporting local action and lobbying national government for financial or legislative assistance.

National Policy Makers

- A degree of strategic and financial autonomy at local and regional level is conducive to successful local action. Overly centralised policy can prove inflexible and unsuitable for local development needs.
- Community finance initiatives should be supported to overcome financial barriers to local action and development.
- Intermediate Support Structures should be encouraged and / or supported at national level through a flexible policy framework.
- Conservation legislation can prove a barrier to rural development – rural communities should be supported to seek alternative development opportunities or to meet the extra costs imposed by environmental and conservation regulations.

- Community ownership of local assets should be promoted as a means of building capacity and a culture of community activity. Community assets can also provide valuable sources of income for further community activity.
- Due to a smaller number of public agencies and initiatives there is often considerable scope for local action in rural areas. However, communities may require considerable support to build the capacity and skills required.
- National policy makers should promote the development of transport and communications infrastructure.

European Level Policy Makers

- Where Member States do not have a history of local partnership working for development, support should be available to develop capacity at national, regional and local levels and to encourage a culture of partnership working.