

# PURR

## Potentials of Rural Regions

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## List of abbreviations

<b>BBR</b>	Federal Office for Building and Regional Planning, Germany
<b>CAP</b>	Common Agricultural Policy of the European Union
<b>CC</b>	County Council
<b>CEEC</b>	Central and East European Countries
<b>CORINE</b>	Coordination of information on the environment
<b>CSP</b>	Central Statistical Bureau of Latvia. <i>Latvijas centrālās statistikas pārvalde.</i>
<b>CURS</b>	Center for Urban and Regional Sociology, Romania
<b>DEMIFER</b>	ESPON project "Demographic and Migratory Flows Affecting European Regions and Cities"
<b>DG Agri</b>	Directorate-General for Agriculture and Rural Development of the European Union
<b>DG Regio</b>	Directorate-General for Regional Policy of the European Union
<b>DFR</b>	Draft Final Report
<b>EDORA</b>	ESPON project "European Development Opportunities in Rural Areas"
<b>FR</b>	Final Report
<b>ESDP</b>	European Spatial Development Perspective
<b>ESPON CU</b>	ESPON Coordination Unit
<b>ESPON 1.3.2</b>	ESPON Project "Territorial Trends in the Management of Natural Heritage"
<b>ESPON 2.3.2.</b>	ESPON Project "Governance of Territorial and Urban Policies from EU to Local Level"
<b>EU</b>	European Union
<b>Eurostat REGIO</b>	Eurostat statistics on regions and cities
<b>FOCI</b>	ESPON Project "Future Orientation for Cities"
<b>GDP</b>	Gross Domestic Product
<b>GVA</b>	Gross Added Value
<b>ICTs</b>	Information Communication Technologies
<b>HDI</b>	Human Development Index
<b>HPI</b>	Happy Planet Index
<b>IMF</b>	International Monetary Fund
<b>INTERCO</b>	ESPON Project "Indicators of Territorial Cohesion"
<b>IOM</b>	International Organization for Migration
<b>IR</b>	Interim Report (referring to the PURR re-submitted IR)
<b>IRPUD</b>	Institute of Spatial Planning, Dortmund University
<b>LSBU</b>	London South Bank University
<b>Natura2000</b>	Ecological network of protected areas in the territory of the

	European Union.
<b>MEGA</b>	Metropolitan European Growth Area
<b>NGOs</b>	Non Governmental Organisations
<b>NIBR</b>	Norwegian Institute for Urban and Regional Research
<b>Nordregio</b>	Nordic Centre for Spatial Development
<b>NSI</b>	National Statistical Institute
<b>NUTS</b>	Nomenclature of Territorial Units for Statistics.
<b>PPP</b>	People, Place, Power (as used in the PURR methodology)
<b>PPP</b>	Public-Private Partnerships
<b>PPP</b>	Purchasing Power Parity
<b>PPS</b>	Purchasing Power Standard
<b>PURR</b>	Potential of Rural Regions.
<b>R&amp;D</b>	Research and Development
<b>ReRisk</b>	ESPON project "Regions at Risk of Energy Poverty"
<b>SMEs</b>	Small and Medium Enterprises
<b>SWOT</b>	Analysis of Strengths, Weaknesses, Threats and Opportunities
<b>TeDi</b>	ESPON Project "Territorial Diversity in Europe"
<b>TPG</b>	Transnational Project Group (example)
<b>UK</b>	United Kingdom
<b>VUC</b>	Vidzeme University College
<b>VRAA</b>	State Regional Development Agency in Latvia. <i>Latvijas Valsts reģionālās attīstības aģentūra.</i>
<b>VZD</b>	State Land Service of Latvia. <i>Latvijas Valsts zemes dienests.</i>
<b>WGI</b>	World Governance Indicators developed by World Bank

## Foreword

PURR (Potentials of Rural Regions) is a Priority 2 Targeted Analysis commissioned by ESPON and based on stakeholder demand. The five stakeholder regions are Notodden (Norway), the lead stakeholder, Dumfries and Galloway, North Yorkshire, and the Cambrian Mountains (three UK regions) and Amata and Vidzeme (one Latvian region), who developed the project specifications ("Tender") together with ESPON.

Three institutes constitute the TPG, and the FR is the result of extensive cooperation between them. The LP is NIBR (Norway), while VUC (Latvia) and LSBU (the UK) are project partners. The concepts applied in each region were developed by the institutes together. Each of the TPG partners has been responsible for working with the stakeholder regions in their country, respectively. Although the resulting FR is a cooperative effort, each TPG partner was given the main responsibility for different parts of the project; Theories and "the Stakeholder Template" for assessing rural potentials (LSBU), the Methodology (NIBR) and the Use of ESPON and other "external" information (VUC).

PURR was of course based on the original Tender from ESPON, where the stakeholder driven project was presented in some detail. By being quite detailed, ESPON left little room for interpretation by the applicants. Even so, there was still some debate about methodological issues and approaches. The discussions focussed on the balance between the use of information from existing ESPON projects (data, indicators and typologies, as well as other results), or the European perspective, and information from the PURR stakeholders and other regional information in the presentation. On the basis of this dialogue the methodology was revised to more fully integrate the Top-Down and Bottom-Up approaches. The methodology, as well as the analysis of each stakeholder region (the case studies), are presented in detail in the report below.

The TPG wishes to thank everybody who has participated in the project, and in commenting upon the concepts, the analysis and the different documents that have sprung out of the project. First and foremost there has been extensive contact with representatives from the *stakeholder regions*. Despite some initial problems the TPG are satisfied with the results of the project. *Lowie Steenwegen* contributed significantly to securing the quality of the workshops, both regarding their contents and their efficiency. Finally, ESPON and the ESPON CU have contributed with very useful comments, of which their comments to the original Interim Report had significant influence on the contents of the IR, the DFR and finally the FR.

The FR is, in this sense, based on inputs from many contributors. The TPG has tried to put everything together in a satisfactory manner. Hopefully, the resulting product is somewhere in the vicinity of what the stakeholders and ESPON wished

it to be, and at the same time useful for analysis of potentials of other (rural) regions. The TPG is, however, responsible for the contents of the report, including its scientific quality. Any shortcomings therefore rest on them.

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## A. Executive summary

PURR (Potentials of Rural Regions) is a Priority 2, Targeted Analysis. This means that the project is commissioned by ESPON, and that it is based on stakeholder demand. In the PURR case, five stakeholder regions in the UK, Latvia and Norway participated in the project and were, together with ESPON, responsible for developing the project specification. The TPG interpreted the project specification in its application to ESPON and won the bid for the project. Together, the project specification, the application and the subsequent Inception Report, Interim Reports, and DFR, including important comments from the ESPON CU and the stakeholders, form the framework for this FR.

The overall subject of the project is to assess territorial potentials in rural regions, or rural potentials. On the one hand, the stakeholder regions are of course interested in the project contributing in the assessment of *their* rural potentials, in applying the assessment in their regional development strategies and plans, and in developing a set of policy measures that can be used for supporting these strategies and plans. This is probably why they found the subject of rural potentials interesting in the first place. ESPON, as a representative of the whole of Europe, is on the other hand probably just as interested in the project's contributions for developing a more general *methodology* that can be applied when assessing the territorial potentials of all (rural) regions. They are also interested in the question of how existing ESPON data, typologies and research projects can be used as a part of the methodology for assessing rural potentials.

In other words, there are two perspectives or directions that have been followed during the project. One is the *general perspective*, where we have tried to develop a generic methodology for assessing territorial potentials that might be applicable in all types of (rural) regions in Europe. The other is the *stakeholder perspective*, where we have tried to assess the rural potentials of the stakeholder regions. These two perspectives were equally important throughout the project, and the final result has depended upon feedback between the two perspectives. In our view, assessments of rural potentials cannot be made without inputs from local actors (stakeholders). They know their region and are able to provide information that is not accessible in statistics or elsewhere, but is crucial for assessing the potentials. At the same time, local actors are also the ones that have to make the strategies and plans into which the rural potential assessments are to be applied. On the other hand, these assessments cannot be made without a methodological framework or insights into the broader perspective.

PURR is not primarily about generating new data, maps and typologies for the ESPON database. In this sense, PURR deviates significantly from the ESPON priority 1 projects. Instead, information (data, indicators, maps and typologies) from existing ESPON projects have been applied, together with information from other sources (including national and regional statistical information, and "soft"

information from the stakeholders), to form the basis for this priority 2 project. The findings of PURR, therefore, first illustrate how information from ESPON priority 1 projects can contribute to analysing selected European regions and benchmarking them in a European perspective. Second, they illustrate that information from selected priority 1 projects has been important in developing the methodology. This means that the contribution from PURR to the ESPON database relates to the application of existing ESPON results to case studies and in developing methodologies, rather than generating new statistical information. An important result from PURR is also that the stakeholder perspective (and “soft” information) as well as ESPON data (and other “hard” information) are equally important in assessing territorial potentials of (rural) regions.

### A1. Analysis, Key Messages and Findings

Regional development is influenced by many factors. Globalisation, international development, policy trends and so on are examples of such (exogenous) factors. Regional assets, and regional actors’ adaption to these conditions, are of course also very important (endogenous) determinants behind regional development. Regions therefore develop differently, according to how they are influenced by exogenous factors (which again depends on how they compare to other regions structurally and in other ways) and to how they themselves can utilise their resources endogenously. In section B and C, we have discussed the shift in the view (paradigm) on regional development. Regional assets and how the regions utilise them (endogenous factors) are now considered the most important factors behind regional development. Earlier, exogenous factors and the regions’ responses to them were considered more important. This shift from a Top Down (TD) to a Bottom Up (BU) view on what determines regional development can also be seen as a part of the neo-liberalist and individualistic paradigm we are in today. This does not mean that the concept of competitiveness (between regions) and laissez-faire is the only guideline. There are still interventions, but in a different way. Today, interventions are more directed towards promoting endogenous development.

Endogenous development also means that regions will develop differently, since their assets and actors differ. In general, rural regions will face more and different challenges compared to urban regions. Therefore, the question of how to promote regional development in rural areas (based on their assets and actors, rather than on exogenous factors) is very important. This, again, is of course a question of utilising existing resources in rural areas in a way that ensures that the region develops positively. The concept of *rural potential* is used for describing desirable regional development perspectives in a rural region. The rural potential depends on which features the region possesses, and how these features can be utilised.

The concept of *territorial capital* suggests that all regions are unique and refers to the specific characteristics or talents of a region, including both tangible and in-

tangible factors. This concept has increasingly been promoted, both within recent EU policies and within the academic discourse, as a means of strengthening regional competitiveness in regions where the market fails to optimise the area's potential. Therefore, the concept has become particularly attractive to rural regions, especially in geographically peripheral locations that by definition tend to have more limited potentials and therefore face greater development challenges.

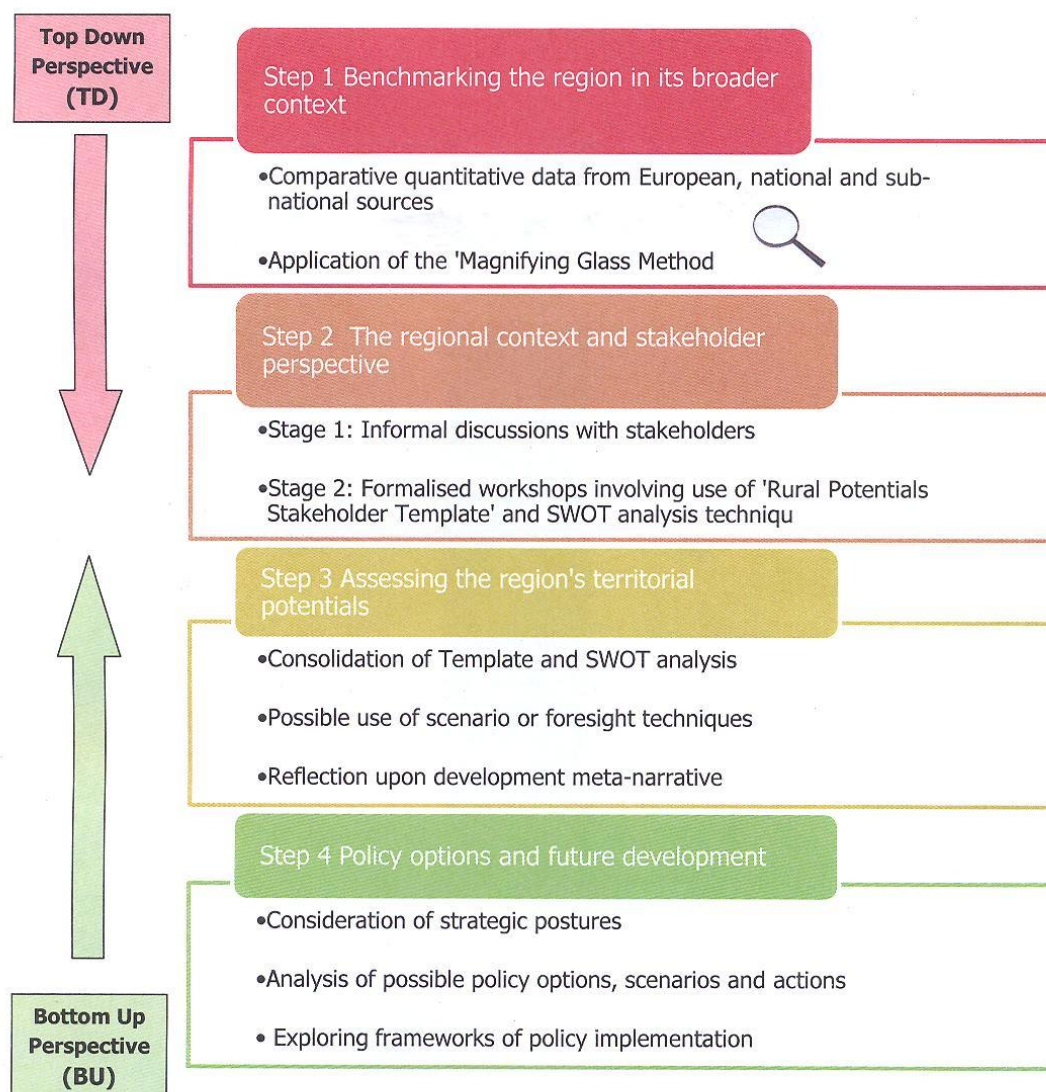
Territorial capital is a complex concept that is challenging to identify and to measure, due to the intangible and qualitative nature of some of its elements. TD quantitative methods and data are therefore unlikely to be able to identify territorial capital accurately on their own. Recent research suggests that intangible assets have become the key to enabling each rural region to fulfil its potential. These assets are frequently hidden from external observers and "they can only be captured on a region to region basis by some form of qualitative auditing" (Copus 2010: 58). The PURR project contributes to the development of an auditing methodology to assist with the identification of intangible assets.

Despite this however, a strong emphasis on quantitative data remains when seeking to identify a region's territorial capital and inform policy decisions, probably mostly due to the relative ease with which such data can be obtained and analysed. There has been much discussion in the context of ESPON and other knowledge arenas about the need to find a means to identifying the intangible assets of territorial capital and this will involve accessing the more qualitative and tacit types of rural knowledge often possessed by regional and local stakeholders.

### **Proposed methodology**

The concept of how to combine existing (macro) information with information from stakeholders with the aim of revealing a region's territorial potential has been a baseline concept for PURR. One might argue that the question of *how to do this* is at the core of the methodology proposed by the project. A four-step methodology, which addresses this question, was therefore developed (see section B2 and C3) within PURR, as summarized in Figure 1 and elaborated below:

Figure 1: The PURR Methodology for Assessing Rural Potentials



Source: authors

- *Step 1 Benchmarking the region in its broader context:* 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 ESPON and Eurostat and national sources. In chapter C4, the European benchmarking has been done. The Magnifying Glass method is explained in chapter C3.
- *Step 2 The Regional Context and Stakeholder Perspective:* The purpose of this step is to gather information and insight from the stakeholder regions. We have proposed a two-stage procedure to gather this information. Stage 1 involves informal discussions with key regional stakeholders and policy makers, whilst Stage 2 involves a more formalised and interactive

set of organised workshops with participants drawn from across the region. In order to provide an analytical and conceptual underpinning for these workshops a Stakeholder Template for assessing rural potentials has been designed (see annex D3 and discussion to follow). This Stakeholder Template helps facilitate discussion of the results of the Step 1 benchmarking process with stakeholders. It also provides a structured means of exploring the knowledges, skills, expertise and insights of regional participants regarding rural futures and potentials. SWOT analysis techniques are also advocated at this stage to organize and systematize findings. These Bottom-Up understandings are then combined with Step 1 and carried forward and consolidated in Steps 3 and 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 also include *scenarios* to aid in assessing the potentials as well as in suggesting policies.

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. A "black box" methodology, where inputs to the box automatically generate outputs in the form of territorial potentials and policy options, does not exist. In this sense there is no easy way to assess potentials, for example in the form of simulation models. Instead, the proposed methodology can be seen as "guidelines" for the process of assessing the territorial potentials of rural regions.

Although the four steps to a certain extent overlap each other, they can be viewed as the preferred order (or timeline) in which to conduct an analysis based on the methodology. The first two steps mainly represent the collection of information, while the two last steps mainly represent the analytical phase. The stakeholders are important actors in all four steps of the methodology. We would especially like to point to Step 3 and 4 of the methodology, which is proposed to be based on dialogue with the stakeholders, since we do not believe that the methodology can be used as a "black box". The methodology ensures that relevant information is gathered and ready to use in the assessment, by the stakeholders.

To aid the regional potentials assessment and the policy options discussion (steps 3 and 4), scenario techniques could be applied. The two main purposes of



applying such techniques are to illustrate different possibilities for future territorial development and to illustrate how different ways of adapting to each of these possible futures might influence the future outcomes. Several ESPON projects have contributed to developing future scenarios for territorial development across the European space, and how these influence different regional typologies differently. These ESPON scenarios are quite detailed, and they were developed for a significant number of indicators. Therefore, we have decided to apply so called *Meta-Narratives* developed in the context of the EDORA project, which are more general stories about future regional development. We have used three Meta-Narratives (the Agro-Centric, the Rural-Urban and the Globalisation narratives) in PURR, to frame a discussion about the potential futures for the stakeholder regions. We have also considered how to adapt to these futures (in one of three ways; No-Regrets Move, Options/Outcomes and Big Bets) to illustrate that the chosen strategy will influence the Meta-Narrative outcome. In sections C3 and C4, scenarios and Meta-Narratives, and different strategies to respond to the scenarios, are discussed in some detail.

We have to underline that the scenarios are not a central part of the proposed PURR methodology. They have been adapted for illustration purposes only, and relatively crudely. Scenario or foresight techniques have not been used. However, the regional stakeholders were asked to relate the development of their region to the three Meta-Narratives (which Narrative suits their territorial potentials the best) and to discuss how to respond to negative and strengthen positive future perspectives. In this sense, the Meta-Narratives and responses to them were parts of the PURR case studies.

### **Case Studies in the Five Stakeholder Regions**

The proposed methodology rests on scientific evidence implying that the *stakeholder perspective* is very important when it comes to identifying the intangible assets of territorial capital. Identifying this is crucial when it comes to identifying the development potentials of a region. This implies that the stakeholders have been very important sources of information for the individual case studies. At the same time, the dialogue between the stakeholders and the TPG has been very important for developing the four-step methodology in general, but especially when it comes to the contents of each of the four steps. Although the case studies primarily represent studies of the rural potentials of each of the five regions, they also represent a first test of the proposed methodology. The methodology itself relies on the dialogue between the experts (the TPG) and the stakeholders. In this sense, the methodology is dynamic and intensive, rather than static and extensive. Without the dialogue, it would have been impossible to arrive at reliable conclusions about territorial potentials. We would like to repeat that the conclusions (especially step 3, about potentials) also are based on dialogue, and that the methodology is meant to generate processes rather than providing one (and only one) "black box" based answer. We will not

go into the details of the individual case studies here (see section C5). Instead, we discuss the main conclusions from the five studies together.

The workshops in each of the five regions 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 it 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 (section B2/C3) that can be applied to a variety of different regions. Applying the methodology to the PURR regions has been a useful learning process.

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 any of the other five 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 these effects will be the unemployment risk in the education sector, in which a considerable number of people are currently employed.

Another impact of challenging economic and demographic situation appears to be that *stakeholders are focusing much more on short-term survival than on 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 introduced in the UK in 1999 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 to 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 actors 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, and 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 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. The need for cooperation and coordination between business, education and public sector was also emphasised. It seems like economic recession has induced a more active search for available options.

### **A Brief Assessment of the Process of Stakeholder Participation**

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 sufficiently detailed for the needs of small regions. However, this information provides an important starting point for the analysis, while it at the same time situating 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.

The TPG has also had feed-back from the stakeholder representatives and their expectations connected to being a part of PURR. The feed-back varied considerably between different regions. Unfortunately, the project had an unlucky start, due primarily to a significant time lag between the inception of the project idea among the stakeholder regions and the project actually starting. As a result, many stakeholder representatives had left their previous work and some of the regions were unaware of the project. Therefore, the initial months of the project involved the TPG searching for appropriate contacts in the stakeholder regions. Some UK stakeholder regions expressed concern that the project's theme was out-dated by the time the project started. The financial and economic crisis followed by major cut-backs in public spending after the election of a new UK Government exacerbated the situation and goes some way to explaining the views of the UK stakeholders.

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, which subsequently were overcome, and the project eventually generated significant stakeholder participation in all regions.

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 proposing policy options to them and to tell them how to organise the provision of important services in times of population decline and reduced public income. 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 “template” (methodology) on how to assess territorial potentials. This is presented in chapter C2 (the Template) and C3 (the Methodology).

## A2. Options for Policy Development – What Can PURR Teach Us?

There are several ways to discuss the options for policy development connected to PURR. We could look at the broader and international policies, or we could look at the options available to the individual region. There are no general answers to the question of whether a policy intervention works or not, and the answers to this question are a matter of debate both among politicians and in the scientific community. It will therefore not be addressed broadly here.

### **Cohesion and Competitiveness**

The balance (or imbalance) between the general EU policies of competitiveness and cohesion is of course an important factor, and a pre-requisite for the analysis of PURR. In this sense, PURR focuses on how rural regions can utilise their assets in a more effective way. If PURR can contribute to that, these regions might also become more competitive. This will, given that many rural regions are lagging, at the same time influence cohesion in the EU in a positive way.

However, PURR does not generate any general evidence to support a view that the weakest regions in Europe will be able to assess and utilise their potentials. The PURR regions cannot be considered among the weakest in Europe although some of them might have low scores on most competitiveness and cohesion indicators. The stakeholder regions of PURR were at least interested in identifying their territorial potentials, and in this sense also in utilising them. This also means that they have accepted their role in developing their regions, and these five regions are inhabited by actors that are interested in generating regional development. There are, in other words, certain strengths in these regions already, and the empirical evidence from PURR does not imply that the methodology for assessing rural potentials can be applied to all regions, including the weakest of the weak. This question is very interesting in itself. Do very weak regions, in the sense that the actors are not interested in assessing the rural potential, exist? Are regions with limited assets and territorial capital able to

utilise their potentials? Can assessments of rural potentials simultaneously contribute to territorial competitiveness and cohesion? We do not answer these questions. These questions are linked to the more general question of whether it is possible to find policies that simultaneously promote both cohesion and competitiveness of regions, or the extent to which policies have to be either directed towards the one or the other.

### **Regional Policy Adaptations**

If we look at the regional level, one might read out of PURR that *individual policies*<sup>1</sup> or context specific policies have to be important when it comes to harnessing the territorial potentials of a region. There are an array of policy options, which are limited by fantasy, and by the system of governance and the fiscal opportunities available. Here, we also focus on policies required for realising the potentials, not on other policy measures.

First and foremost, the assessment of territorial potentials has to be made. When the potentials are assessed, they are not yet realised. Realisation of these potentials requires that the regional assets are utilised *together* in the way necessary. Policy interventions should be directed at realising these potentials, or at making the assets work together in the way necessary. Given the goal, one has to create a strategy or plan on how to achieve this goal, proposing the best use of policy measures available. This also involves looking into the question of whether the "tool box" (the set of policy options) is sufficient for the goal to be reached. Then, one has to implement the best measures. For a policy measure to work, it has to be directed as directly as possible towards the problem. If all these steps are followed, and the policies actually work, it should be possible to utilise the assets in the best way possible and achieve a more desirable development path.

Much of the problem is in other words to make the regional assets work together (see section C2). When the assets are there, but they are not utilised in an optimal way, *non-fiscal measures* could be sufficient. Among the most important examples of such measures is to establish networks among regional actors representing different forms of assets, and contribute to guiding the actors of this network towards the best strategy for the region as a whole. If all actors benefit from cooperating, the establishment of the network becomes a guide for getting out of the 'prisoner's dilemma' (i.e. the often contradictory and self-defeating results of pursuing what appears to be self interest).

*Fiscal policy measures*, if they exist and are available to the local public sector, should be used for supporting individual actors and/or networks working towards utilising territorial potentials. The means could take the form of physical or social infrastructure support, support to new enterprises, support for innovation, or

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<sup>1</sup> By individual policies, we mean policies that are tailor made for each region, based on the assessments of their territorial potentials.

other forms. Some regional authorities have such measures readily available, while others do not. Fiscal measures might be very important for utilising the potential, and if measures do not exist, it might be necessary to discuss if it is possible to finance them locally, for instance in the form of Public-Private Partnerships (PPPs).

### **Fiscal Policy Measures and Governance Structures**

Most regions are parts of a system (or tiers) of governance. There are often fiscal measures available that can be used by or within a region, but which are financed outside the region. The EU, and/or national authorities often offer such measures. The Leader programme is one example (the EU), while regional support directed at businesses, networks and local municipal development funds is an example from Norway. There is competition among actors to access these measures and resources. We think that regions that have made an assessment of their potentials, including a strategy/plan towards utilising them, will benefit when it comes to competing for such measures and resources.

### **Conclusions**

There are many different ways to utilise territorial potentials. The use of fiscal and non-fiscal policy measures is probably necessary. To select the best package of policy measures, the package has to be tailor made for each region. The characteristics, assets and actors of the regions differ and therefore their potentials differ. Therefore, a universal set of policy measures is not sufficient. In the worst case, such a set might lead to regions going in the wrong direction, since the policy measures themselves represent incentives. If a universal set of measures directed at utilising rural potentials is developed, it should be designed in a way that allows regions to use it in the way most appropriate to their specific context.

## **A3. Need for Further Analysis and Research**

PURR is of course a project that, to some extents, rests on its own. A methodology for assessing territorial potentials has been developed, and case studies in five stakeholder regions have been produced. There are, however, some points we would like to underline when it comes to further analysis and research.

### **The Application of the Methodology**

The PURR methodology has only been applied to the five stakeholder regions. These regions are different, as we have commented upon, but at the same time they possess certain similarities. The similarities are connected to the fact that all these regions were among the initiators of PURR, and in this sense have shown an active interest in assessing territorial potentials. All five regions are also rural in one respect or other, at least in their own views. The differences, on the other hand, are connected to structural conditions, systems of governance, size, location, nationality and so on. In this sense, we have shown that the

methodology can be adapted to five quite different regions that (at least in their own view) are rural. This implies that the methodology can be applied more generally. On the other hand, the methodology was developed together with the regional stakeholders, focusing on the specific characteristics of the five regions. Although one could argue that this might reduce the wider applicability of the methodology, the TPG thinks that the methodology actually is quite general and could be applied elsewhere if adapted to local contexts. This provides flexibility for regional stakeholders throughout Europe to adapt specific elements of the methodology in a way that is appropriate to their specific aims and to the specific characteristics of their region. This can only really be tested by applying the methodology in other rural regions, and also to other types of regions.

#### *Further Testing in Rural Regions*

In order to *test the methodology* further, we think it would be useful to apply it to more regions. The methodology was developed for rural regions. Therefore, we think that testing the methodology on more rural regions would be a good first step. This becomes even more important because the methodology was developed by the TPG *together* with the stakeholders. Given this testing, changes to the methodology should be discussed.

#### *Other Types of Regions*

The TPG feel that the methodology has potential to be adapted also to be applied in more urban types of regions. At least when we look at the range of urban-rural typologies developed by ESPON and others, the methodology could also be applicable to regions that are "less" rural than the five stakeholder regions, and perhaps even in large, metropolitan regions. The main problem is perhaps the size and complexity of urban regions, where the territorial potentials might be harder to assess and identify, and where there might be several reciprocal types of potentials. Therefore, it might be harder to achieve consensus about what the territorial potentials are, and even about what factors that are important to pursue to utilise the potentials.

#### *Who Can Use the Methodology?*

The methodology has been developed for use by stakeholders. We think that the initiative to assess territorial potentials has to come from them. In addition, the methodology requires that stakeholders provide the analysis with information in all four steps of the process, especially in steps 2 to 4. This also includes contributions in assessing the territorial potentials, including in some cases making priorities between different regional development perspectives. In a sense, the stakeholders are in the core of the methodology. This implies that it is difficult to assess the potentials of a given region using only information that is available in (all sorts of) databases. Outsiders will therefore not be able to assess the territorial potential without the aid of regional stakeholders. This is a central part of the methodology, and we more generally do not think that desktop



analysis of territorial potentials is possible. Any methodology claiming that this is possible is in our view inadequate.

Given that this is a stakeholder initiative, who should be responsible for carrying out the analysis? Should an external expert do it? The PURR methodology has been developed by experts. These experts have also been responsible for the analysis (but in strong cooperation with the stakeholders). The TPG believe that it is possible for stakeholders to assess their regional potentials without the aid of experts. Experts could potentially play a role guiding the stakeholders through the four steps of the methodology, providing external information (from ESPON among others) and experiences and representing a neutral party in the discussions. An important part of the expert's role is also to ensure that the stakeholders agree upon what information they can consider objective, as opposed to subjective views that will be a part of the discussion between the regional stakeholders. If the stakeholders think that the aid of an expert is not required, it is possible for them to apply the methodology with its accompanying guidelines to assess the regional potentials themselves. However, this has not been tested in PURR. Planning processes are, on the other hand, not new. Experience from these shows that either using or not using experts in similar processes might be successful (or not be successful). The result of the process depends on many other factors.

### **Developing the Methodology Further**

The methodology developed in PURR has only been tested in PURR. Although it rests on experience from similar processes (from among others planning and foresight analysis) and on scientific knowledge, it is not perfect. First and foremost, since it has only been used on the five stakeholder regions, it is probably also a bit premature. Therefore, the methodology may need to be adapted and revised to be applied effectively in other regions.

The dissemination of the project implies presenting to both the user and the scientific community. There might be parts of the proposed methodology that need further development due to missing properties. Although we think that the methodology should rest on stakeholder participation, and that it should not be a "black box" but rather contribute to a grounded process of self-reflection among the stakeholders, there might be opposing views to this. Even among the PURR stakeholders, the hope for a "black box" was present. The TPG thinks that the "black box" is not a fruitful direction to pursue, but views on this might differ.

## B. Main Report

PURR (Potentials of Rural Regions) is a priority 2, Targeted Analysis. The project is based on stakeholder demand, implying that the needs of the stakeholder are important for the contents of the project. It is a project that to a greater extent adapts existing information from ESPON priority 1 projects and from the ESPON database than it provides new information (data, indicators, maps and typologies) on the European level. In this sense, information from ESPON, together with other statistical information and (softer) information gathered from the stakeholders, has been used for assessing the territorial potentials of the five stakeholder regions. The five stakeholder region assessments have also been important for developing a methodology that can be applied when assessing territorial potentials in (rural) regions (so called "rural potentials"). In other words, the main results from PURR can be divided into two categories:

1. The assessment of rural potentials in five stakeholder regions, and
2. The development of an innovative methodology for assessing territorial potentials of (rural) regions.

Section B of this FR is built around these two perspectives and categories of results. Therefore, the section does not follow strictly the outline proposed by ESPON in the FR template. Instead, we have tried to envisage the work that has been done in the project, starting off with a discussion of concepts and definitions (chapter B1), followed by the proposed methodology (chapter B2) and the case study results (chapter B3). These chapters illustrate the main findings of PURR. Then, we turn to policy options (chapter B4) and future work (chapter B5). All in all, these five chapters represent a short version of the results of PURR. In Section A of this report, an even shorter version is presented, while Section C (and the Annexes in Section D) presents the work in more detail.

### B1. Concepts and Definitions

Five stakeholder regions contributed in developing PURR. They have participated in the project, and the TPG has produced case studies for each of these regions (see chapter B3). Stakeholder representatives have contributed directly to the project in several ways, both with information and with different practical matters. The stakeholder regions are Notodden (Norway, LP), Dumfries and Galloway, North Yorkshire, and the Cambrian Mountains (UK), and Amata (Latvia).

In this section of the report, we discuss some of the most important concepts applied in PURR. These are discussed in more detail in section C of the report.

#### **Regional and rural development**

Regional (territorial) **development** might be defined as the development within a region (or a territory) over time. The term "development" has been debated by scholars for years and has no unified definition. "Development" might include a

set of indicators, or a single indicator. The most commonly used indicators to represent the development of a region are the Value Added or Gross Domestic Product (GDP) of a region. This might also be interpreted as the region's income level, and the GDP growth rate can then be interpreted as income change over time. Since GDP, or GDP growth, measures income, it is of course an important indicator of (regional) development.

On the other hand, development can be interpreted in many other ways. This is reflected for instance by different ESPON projects, which adapt sets of indicators for comparing European regions and for constructing regional typologies. If regional development is complex, then the measurement of development should not rely on one indicator alone. The measurement should involve a set of indicators, for instance like the ones applied in the EDORA project. This is reflected in our methodology (see chapter B2) as well as in the case studies (see chapter B3).

The term **region** (territory) is also a fuzzy and ambiguous concept, of which there is no common definition. On the one hand, it has been applied for very small spatial units (like a municipality or even smaller), while on the other hand it is often used for a large number of countries or even for whole continents (South East Asia and Africa are often referred to as *regions*). In PURR, we have therefore chosen a pragmatic approach to the term, where a region (territory) is a sub-national, spatial unit. The region (territory) then becomes a part of a hierarchy, which starts at the local level, continues to the regional (territorial) level (of which there might be several tiers, for instance NUTS 3, 2 and 1) and continues to the national and supra-national levels. Please note that we have not restricted the term region (territory) to administrative units. A region, according to our definition, might therefore cross administrative borders, what has been referred to in academic literature as soft spaces (Adams et al 2011, Faludi 2010, Haughton et al 2010).

The term **rural** development can be defined within the concept of regional development. The simplest way is to define rural development as being equal to regional development in a rural region (territory). How to understand the term **rural** then becomes the next question. Rural typologies, which have been developed by the OECD, by the EU, by ESPON, by national governments and even by regional governments, can be adapted. All these typologies are, in one way or another, based on the urban-rural dichotomy. Based on this dichotomy, rural can simply 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).

The five PURR stakeholder regions have been categorised using several typologies (see chapter B3 for an overview and section C for details). This categorisation is a part of the *benchmarking* stage (stage 1) of the methodology (see chapter B2), and as such an important part of the analysis. However, all the five stakeholders

regions were pre-included in the project, irrespective of their urban-rural placement according to any set of typologies. Since they are therefore pre-defined as rural, their territorial potentials have to be discussed within the PURR framework, although their degree of rurality might be low, or although their potentials might be connected to the most urban parts of the region (see chapter B3 for details on each stakeholder region's urban-rural placement).

### **From a Modernisation 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 and so on), 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 development approach to an approach based on the territorial capital or specific characteristics of an area, as promoted by Barca (2009). This new rural paradigm has become dominant in Europe and this is reflected in the increased emphasis on the Leader Programme. In addition, 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:

- 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.

### **Rural potential**

Rural **potential** is a core term in PURR, and it has to be defined in the light of the New Rural Paradigm. This term takes the concept of rural development a bit further, by inserting something *normative* or *positive* into it. Where *rural development* can be viewed merely as an observation of how an indicator (or a set of indicators) changes over time in a rural region, *rural potential* in a sense ranges one (or more) line of development before others. The potential of a region can, in this sense, be interpreted as the (optimal) development level the region might achieve. Of course, a region's ability to reach this potential depends highly 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, and rural potential has to be discussed and defined in the light of this. In a sense therefore, 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 utilise the potentials. The key question is how the stakeholders can utilise their assets in a way that optimises the outcome (development) of the rural region. At the heart of a region's potential lies, of course, what makes the region unique or original, or what contributes to generating the region's competitive or absolute advantages. The focus on revealing rural (as opposed to urban) potentials in PURR implies that in general rural regions often 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, while urban potentials to a higher degree can be utilised by the market.

The realisation of rural potentials 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 section C for details) 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.

## **B2. Methodology for Assessing Rural Potentials**

One important objective for PURR is to develop a methodology that can be applied for assessing rural potentials also in other than the five PURR regions. A methodology can be interpreted as a systematic way of approaching a problem, in our case the problem of assessing the territorial potentials of rural regions. In this sense, the methodology has to be *general* and *applicable* to different (rural) regions. When bidding for the PURR project, the TPG anticipated that the methodology could probably be applicable when analysing the potentials of rural *and* urban regions and also indicated that the ambition was to develop a user friendly methodology that could be used by non-experts and experts alike. In this

sense, the methodology potentially should be very general and applicable directly by stakeholders in all types of regions, when they want to assess their territorial potentials.

The PURR methodology possesses these properties, at least to a certain extent. There is, in the TPG's view, no problem in principle with adapting the methodology to all types of regions (urban and rural). However, the methodology was developed for rural regions, which are more transparent and have less complex structural properties than urban regions. Therefore, the access to the (qualitative) information needed to apply the methodology is probably more difficult in urban regions, and more work has to be put into both the process of gathering (qualitative) information and the process of analysing the information.

Guidelines (a "menu" or a "navigation chart"), that in the TPG's view contribute to making the methodology relatively easy to use, have been developed in the project (the four steps, which all are described in detail below). In this sense, non-experts should be able to gather the quantitative and qualitative data necessary, as well as to use this data to assess the territorial potential of the region. However, there might be several reasons why the stakeholders should hire experts to assist with the application of the methodology. One reason is that they are experts, and as such they should be experienced in doing such analysis and able to add information based on their previous experiences with such processes. Another reason, which might be just as important, is that a hired expert is neutral in the sense that they should not have any personal interest in the results of the project and are not constrained by the existing political and institutional contexts. The question of assessing potentials might generate conflicts between different interests in the region, and the expert could be a neutral "judge" if this happens.

This discussion illustrates that there are no simple (one-dimensional) answers when it comes to the question of applying the methodology. If we look at the question of the ambitions for the methodology in the sense of what types of results we want it to generate, the complexity becomes even more evident. In our view, the methodology cannot be seen as a "black box", in which inputs are fed, and out of which one clear and indisputable result appears. Instead, the methodology has to be viewed as a system which recommends certain inputs and types of analysis that can be applied for assessing the territorial potentials of a (rural) region. The methodology then becomes one (of potentially many) systematic way of assessing rural potentials.

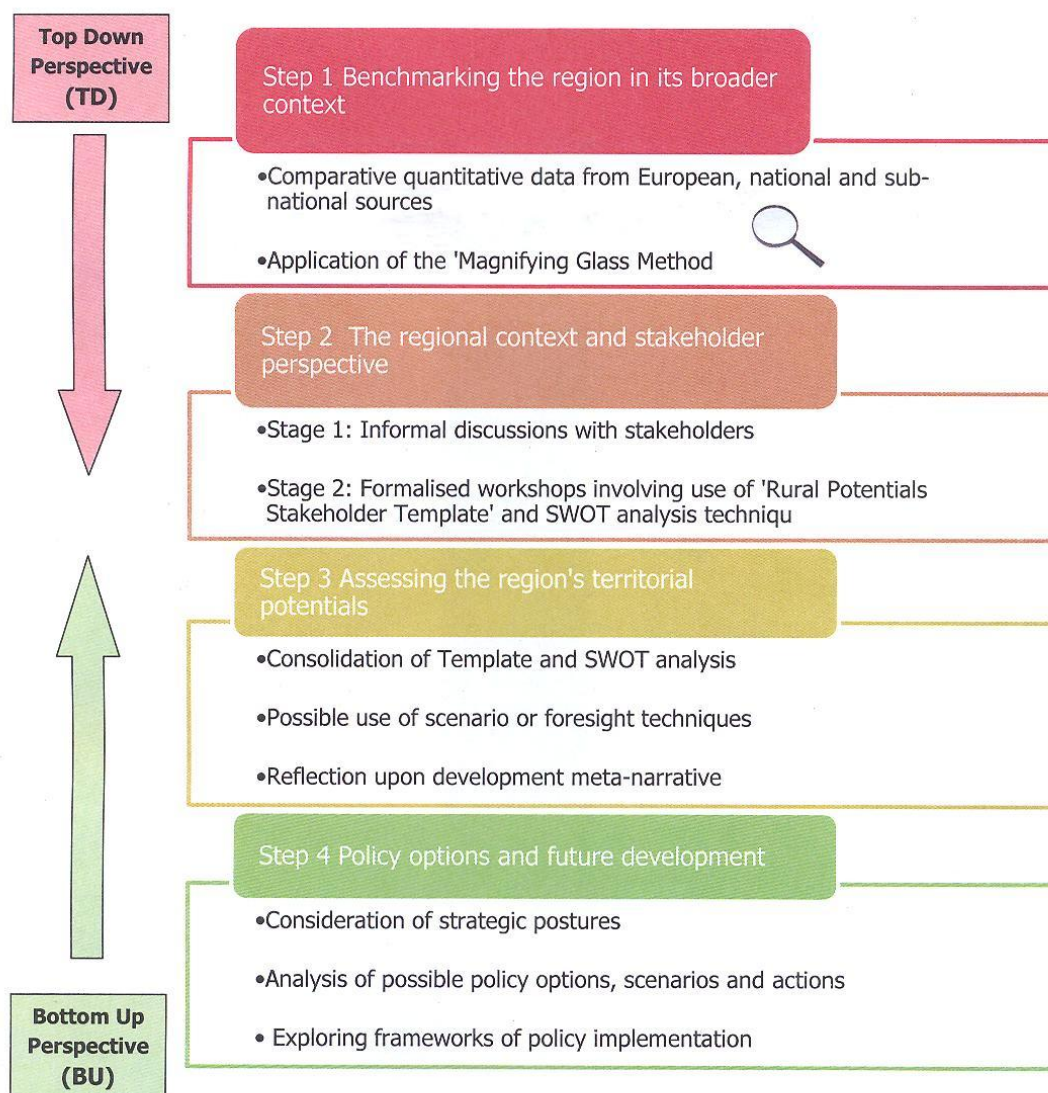
The discussion in chapter B1 is very important for understanding the choices that were made when developing the methodology for assessing rural potentials. One of the premises for the priority 2 projects in ESPON, including PURR, was that ESPON 2006 was criticised for not taking the local and regional needs into consideration within priority 1 projects, including the development of European databases. In this sense, the contents of the priority 1 projects were considered

to have limited practical value to lower territorial scales. The concept of stakeholder driven priority 2 projects was developed as a response to this criticism, and was considered by ESPON as a way of addressing the needs of local/regional actors. At the same time, ESPON would like to know how priority 1 projects, including data and typologies that have been developed on the European level, could be utilised in priority 2 projects. Based on the experience from PURR, and on existing literature, *local/regional, qualitative information* (as opposed to European, quantitative information) is very important. Rural potentials cannot be assessed without the access to such information. This was an important prerequisite when the TPG applied for PURR. The cooperation with the regional stakeholders became very important both for assessing the potentials in the five stakeholder regions and for developing the methodology. The resulting methodology is therefore a function of quantitative and qualitative information, which was gathered from the stakeholders as well as from databases, previous projects, theories, policy preferences (white papers) and other sources. In other words, the proposed methodology combines Top-Down (TD) and Bottom-Up (BU) approaches information into one system of analysis. The proposed methodology has been divided into four steps (see Figure 2):

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. In the TPG's view, the methodology based on these four steps is relevant and coherent for assessing territorial potentials in rural regions. As mentioned above, the methodology has to be considered as a way of sorting information from different sources (step 1 and 2) that can be used for assessing territorial potentials, rather than a black box providing answers both regarding potentials (step 3) and how to reach them (step 4) directly. The rationale behind this is that a black box methodology of this kind simply does not exist. Instead, the PURR methodology can be used for planning purposes as well as for more strategic analysis. The final step (step 3) towards assessing the potentials, including weighting different sources of information together and even identifying priorities, has to be done by stakeholder representatives or has to rest on information provided by them. In this sense, the methodology contributes to a *process of grounded self-reflection among stakeholders* aiming at assessing the territorial potential of a (rural) region.

Figure 2: The PURR Methodology for Assessing Rural Potentials



Source: authors

### Step 1: Benchmarking the Region in a Broader Perspective

As a part of the road map towards assessing a region's territorial potential, it is important to compare the region to other regions ("benchmarking"). This comparison contributes to providing a first overview of the region's performance compared to other regions, which will also give some of the input necessary for categorising the region (allocating the region to a typology). The benchmarking of the region will not, however, represent sufficient information on its own to assess the region's potentials in a meaningful way (see steps 2 and 3).

There are many ways to benchmark a region. *The European Perspective* is important for many reasons. Among these are that there is a common market and that there are common (regional) policies within (most of) Europe. This is



also reflected by ESPON, which has gathered substantial amounts of quantitative information that can be used for benchmarking purposes. This information is easily accessible from databases, which also contain tools (including maps) for comparing and presenting the information.

On the other hand, the stakeholder representatives of PURR have stressed the importance of not restricting the benchmarking to the European perspective. The *national* and even the *sub-national* perspectives are for them just as important. There are a number of reasons for this. The most important reasons are that the stakeholders experience that they have “unique” systems of governance, and that the concept of “Europe” for them seems to be distant compared to the nation and/or region they belong to. This might be interpreted as if they feel closer to home than to Europe, and it might be that this feeling is more common to representatives of rural regions located in the outskirts of Europe than to representatives from the most central parts of Europe. Based on evidence from the five stakeholder regions in PURR, the national and sub-national perspective is an essential component of the benchmarking process.

We have applied a system of benchmarking that we have called the “Magnifying Glass Method” (see below), which is based on quantitative information and typologies on both the European and the national/sub-national level.

#### *Spatial Levels of Stakeholder Regions*

Within PURR, the Stakeholder Regions, and therefore also their spatial levels, are pre-defined. There are five of them, which are extremely diverse (as we will see below). One important task of PURR is to develop a methodology that can be applied when analysing the territorial potentials of other (rural) regions in the future. If we assume that representatives from the regions themselves (rather than outsiders) are the ones applying this methodology in the future, we might use the word stakeholders for them as well. A practical definition of a stakeholder region could then be a region that is interested in applying the PURR methodology in its analysis of its territorial potentials. This is a very broad definition, not restricting any type of region from applying the methodology. It is up to the region itself.

ESPON data and typologies are generally based on NUTS 2 and NUTS 3 regional units (and even NUTS 1 in some cases), which represent fairly aggregated territorial units. NUTS 2 and 3 normally coincide with administrative units or are aggregates of such. If all (potential) stakeholder regions were NUTS 2 or 3, ESPON data and typologies could relatively easily be adapted directly for benchmarking purposes, and the question would be to what extent the ESPON database had (all) the relevant information. However, NUTS 2 and 3 are not always the most relevant territorial units when it comes to regional development issues. Lower administrative levels, or other, non-administrative spatial units might be more functional and therefore also more relevant for planning and development purposes. Among the five PURR stakeholders, the stakeholder

regions are very different. They are not on similar spatial levels, nor are all of them administrative units within their national system of governance. As ESPON data and typologies are not available for relevant territorial units, we could not benchmark the PURR regions using only ESPON data and typologies.

#### *Relevant Data, Indicators 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), structural factors (i.e. demographic and industrial structure, hierarchy of centres etc.) and factors that are determined fully outside the region (world market prices on commodities, national policies, European policies).

Variables and indicators used for benchmarking purposes 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 the ESPON 2002 Project 3.2 "Spatial Scenarios and Orientations in relation to the ESDP and Cohesion Policy" and the 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 the EDORA project, which became an important thematic source of information in PURR. 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 the endogenous character of rural development and are therefore important for determining rural potentials.

To provide description of territories in the context of existing research in Step 1, data from ESPON 2006 and 2013 projects 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 the PURR areas in Step 1.

The urban-rural typology classifies regions according to population density and proximity to a large urban centre. Regions are classified as: (1) Predominantly Urban (PU), (21) Intermediate Accessible (IA), (22) Intermediate Remote (IR), (31) Predominantly Rural Accessible (PRA) and (32) Predominantly Rural Remote (PRA) (see Annex 2 for further discussion). These types of regions tend to have different characteristics, challenges and opportunities with the more remote areas often experiencing negative demographic trends and narrow economic base. On

the other hand such regions often have high natural and landscape values and valuable cultural heritage.

To take into account the diversification of the rural economy, interaction with urban areas, and their economic performance, the PURR areas were situated within the more nuanced structural typology elaborated in the EDORA project. EDORA data was used to describe and compare PURR regions with each other and also with other regions in respective countries.

The EDORA structural 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 the % employed in primary sector, % of GVA from primary sector, and Agricultural Work Units 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 urban-rural typology and structural types their EDORA project also measured their performance by a composite regional performance index which was derived from the following variables/indicators: (a) net migration, (b) GDP per capita, (c) average annual change in GDP, (d) average annual change in total employment, and (e) unemployment rate. The analysis of performance of rural areas shows 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 a family dominated 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 the problem of missing ESPON data, the Magnifying Glass Method for benchmarking regions was developed in cooperation between the PURR stakeholder regions (especially the Lead Stakeholder, Notodden) and the TPG. This method helps us to apply ESPON data and typologies to the regions even if data and typologies are not available directly from ESPON projects and databases. The Magnifying Glass Method 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 often be smaller than a NUTS unit. NUTS 2 and NUTS 3 data and typologies will therefore contain too much information to benchmark the stakeholder region itself in a meaningful way. 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 exhausted, 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 regional territorial potentials. Stakeholder participation has therefore been essential for developing the methodology, as well as for assessing the territorial potentials of the five stakeholder regions in chapter B3.

There are many reasons for involving the stakeholders in the process of harnessing the regions territorial potential (see also section C2). 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 also have to do the assessments of rural potentials. 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 registered in statistics nor 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, a two-stage procedure is proposed:

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 B3), which implies that the methodology should be flexible regarding anticipations and thus contents.
2. A more formalised and interactive set of organised where representatives from the TPG and the relevant stakeholders discuss questions regarding conditions for development, potential (negative or positive), development trends or opportunities, territorial potentials, and the road (including measures) towards utilising the territorial potentials. Guidelines to assist with the facilitation of these interactive workshops have been developed. In order to provide an analytical and conceptual underpinning for these workshops a Stakeholder Template for assessing rural potentials has been designed (see annex D3). The purpose of using the template is 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. It also provides a structured means of exploring the knowledges, skills, expertise and insights of regional participants regarding rural futures and potentials. SWOT analysis techniques are also advocated at this stage to organize and systematize findings. Stakeholder representatives on a "free" basis are asked to define the regions strengths, weaknesses, opportunities and threats.

This two-stage procedure is designed to ensure that the stakeholders contribute freely with their own inputs to the analysis as well as relate their own views to the benchmarking done in Step 1. In this sense, Step 2 is the part of the methodology where primarily "soft" qualitative information, but also "hard" information supplementary to the benchmarking, is gathered from the stakeholders. These Bottom-Up understandings are then combined with Step 1 and carried forward and consolidated in Steps 3 and 4.

Stakeholder participation necessarily implies that the analysis is focused towards themes that the stakeholders find relevant and interesting. This means that the information base might differ significantly between stakeholder regions, both thematically and within each theme. This represents, in our view, mainly a positive side of the proposed methodology, since it implies taking each region's individual characteristics into account. In this sense, Step 2 of the methodology has to be seen as a way of systematising relevant information for a region and preparing it for analysis in Step 3 and 4.

### **Step 3: Assessing the Region's Territorial Potentials**

The information gathered in Step 1 and 2 gives us what we need to assess the region's territorial potentials. In order to assess the potentials, one has to look into a set of development perspectives for the region.

Within Step 1 and 2, we proposed the use a set of qualitative and quantitative indicators and typologies to benchmark the region (compare it to other regions) and to reveal the region's distinctive features. Of course, the territorial potentials depend upon how the indicators and distinctive features are weighted together in the analysis. Do we give priority to demographic development, to economic growth or to the number of jobs? Or is there a correlation between these variables? Which economic sector is important today, and what are the future prospects of this sector? What potential is there for new sectors to emerge? What policy instruments do we have (see also Stage 4)? These are examples of some of the questions which are necessary to answer when the territorial potentials of regions are assessed. Typically, a region's distinctive features might relate to its capitals (human, resource, nature, history, financial capital), its structures (demographic, industrial structure), its accessibility (internally, inter-regionally or internationally), the system of governance etc (see section C2). In section C2, we also argue that the neo liberal paradigm implies that (the actors of) the regions themselves are responsible for regional development within their region (Bottom Up perspective), as opposed to a Top Down perspective where regional development becomes more of a national or supra-national responsibility. The neo-liberal paradigm in this sense also implies that the region's competitiveness is important when assessing it territorial potential. Generally, the competitiveness of a region increases with competitive advantages. In rural regions, particularly in more remote rural regions, these advantages might be limited, at least when they are compared to more urban or central regions. A region's territorial potentials have to be derived at the cross section between the gathered information, the development perspectives and the competitive advantages of the region. We particularly refer to the four-stage procedure proposed in Step 2 of the methodology on how to gather relevant information from the stakeholders to supplement the information gathered in Step 1. The stakeholders are here implicitly asked to reveal what they think is the regional potential of their region. The expert's job is to stimulate this process of reflection and to interpret this information about potentials, by also taking the benchmarking information into consideration.

Above, we have stated that due to the differences between (potential) stakeholder regions, the methodology for assessing territorial potentials cannot take the shape of a "black box", in which inputs are fed and the results in the form of territorial potentials come out. The methodology is rather a systematic gathering of information, both qualitative and quantitative, which is then used to assess the territorial potential of a stakeholder region. In section B3, we have

given a brief overview of how the system was applied to the PURR stakeholder regions and of the resulting potentials.

#### **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 its future development. This involves discussing the probability of reaching its potential without local action, which is a sort of *laissez-faire* view on development, or to what extent local action in the form of some sort of intervention is necessary.

It is likely that some sort of local action will be necessary and there are a range of potential actions or policy options that could be taken. The important thing is to choose the most appropriate policy options for the region in question. If the policy action involves public spending, the local (regional) authorities have to find the most appropriate 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, governance capacity and what type of policy measure one wishes to use. Policy measures could involve applying spatial 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 more effectively as a part of a strategy towards reaching the territorial potential. Again, such strategies by 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 section B3, we have discussed this for the five stakeholder regions in PURR.

To aid the regional potentials assessment and as well as the policy options discussion (steps 3 and 4), scenario techniques could be applied. The two main purposes of applying such techniques are to illustrate different possibilities for future territorial development and to illustrate how different ways of adapting to each of these possible futures might influence the future outcomes. Several ESPON projects have contributed to developing future scenarios for territorial development across the European space, and how these influence different regional typologies differently. These ESPON scenarios are relatively detailed, and they were developed for a significant number of indicators. Therefore, we proposed to apply so called *Meta-Narratives*, which are more general stories about future regional development. We have used three Meta-Narratives that were applied in the EDORA project (the Agro-Centric, the Rural-Urban and the Globalisation narratives) in PURR, providing a framework to reflect on three different potential futures for each stakeholder region. We also considered how to adapt to these futures (in one of three ways; No-Regrets Move, Options/Outcomes and Big Bets) to illustrate that the chosen strategy will influence the Meta-Narrative outcome. In sections C3 and C4, scenarios and



Meta-Narratives, and different strategies to respond to the scenarios, are discussed in some detail.

We have to underline that the scenarios are not a central part of the proposed PURR methodology. They have been adapted for illustration purposes only, and relatively crudely. Scenario or foresight techniques have not been used. However, the regional stakeholders were asked to relate the development of their region to the three Meta-Narratives (which Narrative suits their territorial potentials the best) and to discuss how to respond to negative and strengthen positive future perspectives. In this sense, the Meta-Narratives and responses to them were parts of the PURR case studies.

### B3. Case Studies in the Five PURR Regions

In this section, we present the main findings from PURR's five case studies. The case studies are presented in more detail in section C5. There are five PURR regions, representing five nations:

- Notodden, NO (Lead Stakeholder),
- Amata (Vidzeme), LV
- Cambrian Mountains, UK (Wales)
- Dumfries and Galloway, UK (Scotland)
- North Yorkshire, UK (England)

The five regions do not represent the same NUTS level, nor do all of them represent an administrative unit within its country's system of governance. Although the regions, as we shall see, are quite different when it comes to size, structures (regional, demographic, economic structure), accessibility and system of governance, the starting point for PURR is that they are all stakeholder regions. Since PURR is focused on *rural* potentials, this implies that all five regions are rural within the framework of PURR. The methodology (see section B2) was applied to all of the five regions, although they differ significantly, with a certain amount of success. This indicates, in our view, that the methodology does have certain general abilities and might be applied to the analysis of territorial potentials in other regions. However, we think that the generality of the abilities probably need further testing before we can conclude about them, especially when it comes to the use of the methodology in non-rural regions (section B5).

In the PURR project, the five regions are called *stakeholder regions*. Regions represent territories that are inhabited by actors and are, however, not necessarily actors themselves. When we use the concept *stakeholders* without adding *region*, we think of actors or subjects within the region. The stakeholders in this sense become regional representatives, who are crucial for supplying the information necessary when identifying and harnessing territorial potentials.

Benchmarking of the regions in a European perspective is presented in detail in section C4, which is one of the bases for the case studies. In section C5, the

cases studies are presented. Instead of repeating the results for each region in some detail here, we refer to section C5. Here, we would like to focus on the use of the methodology and on the differences between the regions.

The proposed methodology rests on scientific evidence implying that the *stakeholder perspective* is very important when it comes to identifying the intangible assets of territorial capital. Identifying this is crucial when it comes to identifying the development potentials of a region. This implies that the stakeholders have been very important sources of information for the individual case studies. At the same time, the dialogue between the stakeholders and the TPG has been very important for developing the four-step methodology in general, but especially when it comes to the contents of each of the four steps. Although the case studies primarily represent studies of each of the five regions, they also represent a first test of the proposed methodology. The methodology itself relies on the dialogue between the experts (the TPG) and the stakeholders. In this sense, the methodology is dynamic and intensive, rather than static and extensive. Without the dialogue, it would have been impossible to arrive at reliable conclusions about territorial potentials. We would like to repeat that the conclusions (especially step 3, about potentials) also are based on dialogue, and that the methodology meant to generate processes rather than providing one (and only one) "black box" based answer. We will not go into the details of the individual case studies here (see section C5). Instead, we discuss the main conclusions from the five studies together.

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 (section B2/C3) that can be applied to a variety of different regions. Applying the methodology to the PURR regions has been a useful learning process.

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 the case of Vidzeme the declining population will have considerable impacts in rural areas including the unemployment risk in the education sector, in which a considerable number of people are currently employed.

Another impact of the 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 ability of the local public sector 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 reduce 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 introduced in 1999 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 stimulate regional

development. 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 actors 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. The economic base of all regions forms an important part of their territorial potential. More specialisation of production and / or trying to capitalise on specific 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 the role of agriculture 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. The need for cooperation and coordination between business, education and public sector was also emphasised. It seems like economic recession has stimulated a more dynamic and proactive response to searching for available options.

#### B4. Policy Options

There are several ways to discuss the options for policy development connected to PURR. We could look at the broader and international policies, or we could look at the options available to the individual region. The question of whether a policy intervention actually works does not have a general answer and is a matter of debate both among politicians and in the scientific community. It will not be addressed directly here.

##### **Cohesion and Competitiveness**

The balance (or imbalance) between the general EU policies of competitiveness and cohesion is of course an important factor, and a pre-requisite for the analysis of PURR. In this sense, PURR focuses on how potentially weaker regions can utilise their assets in a more effective way in order to become stronger. If the

weaker regions are able to assess their assets, to utilise them, and to reach their territorial potentials, they will also become more competitive. This will, given that many rural regions are lagging, influence cohesion in the EU in a positive way.

However, PURR does not generate any general evidence to support this. The stakeholder regions of PURR were, at least to start with, interested in what their territorial potentials might be. This also means that they have accepted their role in developing their regions. As such, these regions are inhabited by actors that are interested in generating regional development. There are, in other words, certain strengths in these regions already. We do not know to what extent the concept of rural potentials can be applied to all regions, including the weakest of the weak. This question is very interesting in itself. Do such regions exist? Are regions with limited assets and territorial capital able to utilise their potentials? We do not address these questions. These questions are linked to the more general question of whether it is possible to find policies to simultaneously promote both cohesion and competitiveness of regions, or if policies have to be either directed towards the one or the other.

### **Regional Policy Adaptations**

If we look at the regional level, one might read out of PURR that *individual policies* will be significant when it comes to harnessing territorial potentials. There are an array of policy options, which are limited by fantasy, and by the system of governance and the fiscal opportunities available. By individual policies, we mean policies that are tailor made for each region, based on the assessments of their territorial potentials. Here, we also focus on policies required for realising the potentials, not on other policy measures.

First and foremost, the assessment of territorial potentials has to be made. When the potentials are assessed, they are not yet realised. Realisation of these potentials requires that the regional assets are utilised *together* in the way necessary. Policy interventions should be directed at realising these potentials, or at making the assets work together effectively. Given the goal (territorial potential), one has to create a strategy or plan on how to achieve this goal, proposing the best use of policy measures available. This also involves looking into the question of whether the "tool box" (the set of policy options) is sufficient for the goal to be reached. Then, one has to implement the most appropriate measures. For a policy measure to work, it has to be directed as directly as possible towards the problem. If all these steps are followed, the region's potential should be possible to achieve.

Much of the problem is to make the regional assets work together (see section C2) towards the potential. When the assets are there, but they are not used in the most effective way, non-fiscal measures could be sufficient. Among the most important examples of such measures is to establish networks among regional actors representing different forms of assets, and to guide this network towards accepting that the best strategy for the region as a whole is to work towards

achieving regional potential. If all actors benefit from cooperating, the establishment of the network becomes a guide for getting out of the prisoner's dilemma (i.e. the often contradictory and self-defeating results of pursuing what appears to be self interest).

Fiscal measurements are the fiscal means available to the regional public sector. If they exist, they should be used for supporting individual actors and/or networks working towards achieving the territorial potentials. They could take the form of physical or social infrastructure support, support to new enterprises, support for innovation, or other forms. Some regional authorities have such measures available, while others do not. Such measures might be very important for reaching the potential, and if measures do not exist, it might be necessary to discuss if it is possible to finance them locally, for instance in the form of Public-Private Partnerships (PPPs).

### **Combinations**

Not many regions, however, exist in "limbo". They are parts of a system (or tiers) of governance, and there are often fiscal measures available that can be used by regions but which are financed outside the region. The EU, and/or national authorities often offer such measures. The Leader programme is one example (the EU), while regional support directed at businesses, networks and local municipal development funds is an example from Norway. There is competition among actors to attract resources from these measures. Regions that have made a comprehensive assessment of their potentials, including a strategy/plan towards achieving it, will be in a strong position when it comes to competing for such resources.

### **Conclusions**

There are many different ways to achieve territorial potentials. The use of fiscal or non-fiscal policy measures is probably necessary. To select the best package of policy measures, the package has to be tailor made for each region. The regions differ, their assets and actors differ, and therefore their potentials differ. Therefore, a universal set of policy measures is not sufficient. In the worst case scenario, such a set might lead to regions going in an inappropriate direction, since the policy measures themselves represent incentives. If a universal set of measures to reach rural potentials is developed, it should be designed in a way that allows regions to apply it in a way that is appropriate to their specific local context.

## **B5. Future Analytical Work and Research**

PURR is of course a project that, to some extents, rests on its own. The empirical results from the project cannot be generalised, since there are only five stakeholder regions which have participated in the analysis. One important finding is that these regions are diverse, as one might assume. Further testing on other regions would increase the validity of the methodology.

## **The Adaption of the Methodology**

The methodology that was developed has only been adapted to the five stakeholder regions. These regions are different, as we have commented upon, but at the same time they possess certain similarities. The similarities are connected to the fact that all these regions were among the initiators of PURR, and that all of them are rural regions in one respect or other. The differences, on the other hand, are connected to structural conditions, systems of governance, size, location, nationality and the nature of the rurality.

### *Test the Methodology on More Rural Regions*

In order to *test the methodology* further, we think it would be nice to apply it to more regions. The methodology was developed for rural regions. Therefore, we think that testing the methodology on more rural regions would be a good first step. This becomes even more important when we remember that the methodology was developed by the TPG *together* with the stakeholders. Given this testing, adaptations and revisions to the methodology should be discussed. The aim of PURR is that the methodology is general, in the sense that it could be applied in any rural region.

### *Other Types of Regions*

The methodology was developed for *rural regions*. This means that it is meant to work best in regions that are not urban. However, it is possible for the methodology to be applied in regions that are "less" rural than the five stakeholder regions, and perhaps even in large, metropolitan regions. The main problem is perhaps the size and complexity of urban regions, where the territorial potentials might be more difficult to assess and identify, and where there might be several reciprocal types of potentials. Therefore, it might be harder to achieve consensus about what the territorial potential is, and even about what factors that are important to pursue to achieve the potential.

### *Who Can Use the Methodology?*

The methodology has been developed for use by stakeholders. We think that the initiative to assess territorial potentials has to come from them. In addition, the methodology requires that stakeholders provide the analysis with information in all four steps of the process, especially in step 2 to 4. This also includes contributions in assessing the territorial potentials, including in some cases making priorities between different regional development perspectives. In a sense, the stakeholders are at the heart of the methodology. This implies that it is difficult to assess the potentials of a given region using only information that is available in diverse databases. Outsiders will therefore not be able to assess the territorial potential without the aid of regional stakeholders. This is a central part of the methodology, and we more generally do not think that desktop analysis of territorial potentials is possible. Any methodology claiming that this is possible is in our view inadequate.

Given that there is a stakeholder initiative, who should be responsible for carrying out the analysis? Should an external expert do it? The PURR methodology has been developed by experts. These experts have also been responsible for the analysis (but in strong cooperation with the stakeholders). We do think it is possible for stakeholders to assess their regional potentials without the aid of experts. The roles of the expert (given the methodology) will mainly be to guide the stakeholders through the four steps of the methodology, to provide external information (from ESPON among others) and experiences and to represent a neutral party in the discussions. An important part of the expert's role is also to ensure that the stakeholders agree upon what information they can consider objective, as opposed to subjective views that will be a part of the discussion between the regional stakeholders. If the stakeholders think that the aid of an expert is not required, it is possible for them to use the methodology with its accompanying guidelines to assess the regional potentials themselves. However, this has not been tested in PURR. Planning processes are, on the other hand, not new. Experience from these shows that either using or not using experts in similar processes might be successful (or not be successful). The result of the process depends on many other factors.

#### *The Use of Information from ESPON*

There were several reasons why PURR was initiated as a project. We have already mentioned the stakeholders' requirement for analysing their potentials and the more general need for developing a methodology to do so. Priority 2 targeted analyses are also demanded because it connects the actors' needs with the production of data, indicators and analysis that ESPON is responsible for on the European level. The question is to what extent the production of European level analyses meets local and regional actors' need for information. One of the reasons that the priority 2 projects were initiated was that many (potential) users criticised ESPON for doing analysis and producing data that do not meet this need.

The experience in PURR about the relevance of ESPON data for regional stakeholders is mixed. Information from ESPON regarding typologies and indicators, but to a large extent also the analytical projects, has been used extensively in PURR. First and foremost, this information was used in Step 1 (Benchmarking), but also as parts of the scientific evidence in the other steps of the methodology. Indicators and typologies, especially those developed by the EDORA project, were very helpful. However, the resulting typologies might be too broad, and the list of indicators too general, for detailed studies of potentials. Identifying potentials is, among other things, about identifying what is specific and unique and such competitive advantages often not visible in high level data. An example might illustrate this point. If a rural region's forestry sector is very competitive, and we only have information on the size of the primary sector as a whole, then we have to have more detailed information to reveal this. In our



view, this is one important problem with using (only) ESPON data for analysing the region's potentials within the forestry sector.

In addition, the data and indicators could not be applied to the all of the case study regions directly because they were not NUTS 3 regions (or higher). More detailed regional information was therefore necessary also to be able to apply the typologies to the PURR regions directly. In addition, one could discuss the "quality" or "applicability" of these typologies to small regions, but that is another question.

We do not think that these factors mean that the information from ESPON is irrelevant for projects within small regions. On the contrary, the information was very useful within PURR. But it was not sufficient on its own for our purposes and it was necessary to supplement it with data from other sources. Our view is, however, that there is, and should be, a division of labour between the large, macro oriented projects (priority 1 ESPON projects) and the projects analysing smaller regions. They are supplements to each other, and the PURR project does not imply that changes should be made to the indicators and regional levels used by ESPON priority 1 projects. All information necessary for detailed analyses cannot be collected on the European scale. It would be very costly and never be sufficient. Combining European scale information with local/regional information is therefore probably the best way to go also in the future.

### **Developing the Methodology Further**

The methodology developed in PURR has only been tested in PURR. Although it rests on experience from similar processes (from among others planning and foresight analysis) and on scientific knowledge, it is not perfect. First and foremost, since it has only been used on the five stakeholder regions, it is probably also a bit premature. Therefore, applying the methodology in other regions might result in the need for revising the methodology.

The dissemination of the project implies presenting the results and methodology to both the user and the scientific community. There might be parts of the proposed methodology that need further development due to missing properties. Although we think that the methodology should rest on stakeholder participation, and that it should not be a "black box" but rather contribute to self-reflection among the stakeholders, there might be opposing views to this. Even among the PURR stakeholders, the hope for a "black box" was present. The TPG thinks that the "black box" is not a fruitful direction to pursue, but the views on this might differ.

## C. Scientific Report

The Scientific Report consists of all parts of the PURR project. After a brief introduction, we continue by discussing the framework for the analysis (Concepts and Theories in chapter C2, the Methodology derived in chapter C3 and the use of ESPON data in chapter C4). Please note that C3 at the same time is a result, as developing a methodology is an important aim for the project. In C5 and C6 we present the individual case studies and sum them up, respectively. C7 concludes the Scientific Report.

### C1. Introduction

PURR is a priority 2, targeted analysis financed by ESPON. The stakeholder demand originates from five stakeholder regions; Notodden (NO), Cambrian Mountains (UK), Dumfries and Galloway (UK), North Yorkshire (UK), and Amata/Vidzeme (LV). The aim of the project is to analyse the Potentials of Rural Regions (PURR).

The analysis is based on the original Tender from ESPON, where the stakeholder driven project was presented in some detail. By being quite detailed, ESPON left very little room for interpretation by the applicants. This was also emphasised by the TPG in the application for the project. In the Inception Report and the Interim Report, the TPG based its analysis very much on inputs from the stakeholders, who were asked to contribute in providing qualitative and quantitative information, as well as to provide feed-back on methodological issues. The focus in the Interim Report was therefore the stakeholder regions, and the proposed methodology was highly inductive or bottom up (BU). On the basis of discussions with ESPON the TPG revised the Interim Report (the re-submitted report is abbreviated IR) and the methodology to more clearly combine ESPON data, typologies and other results with the BU methodology already proposed. The revised methodology more clearly combines top down (TD) and BU methodologies.

### C2. Concepts and Theories

Theory and concepts have little value unless they can be applied for practical purposes and one of the key challenges for the ESPON 2013 Programme has been to strengthen the link between research and practice in order to ensure that the outputs of the ESPON Programme are of significant benefit to practitioners. There is a strong emphasis in the Targeted Analysis projects on putting the operational use of the results into practice. In the context of PURR this has involved the development of a methodology to provide insights into the potential of different types of rural regions and the analysis of the five PURR stakeholder regions as case studies. It remains important however, that any such methodology is underpinned by a coherent and robust theoretical and conceptual basis. There are

numerous concepts that have the potential to underpin discussions about regional potential in rural regions in Europe and the conceptual and theoretical context has evolved significantly in recent years as new concepts, theories and paradigms have emerged and evolved. Such concepts tend to get increasingly challenged with the passage of time as they are discussed and debated amongst diverse knowledge communities before being revised, transformed or destroyed. The purpose of this section is to identify some of the academic theories and concepts that underpin the discussion of regional potential in rural areas in Europe today.

### **Relevant concepts and implications for the identification of the potential of rural regions**

A detailed review of rural development policy literature undertaken in the context of EDORA and supplemented in the context of PURR reveals that there are numerous generalisations, stereotypes and what Hodges (2004) referred to as stylised fallacies about rural areas. The emergence and enduring influence of the rural idyll as one of the most powerful discourses in relation to rurality is an illustration of this phenomenon. The rural idyll characterises rural areas as peaceful and harmonious and in contrast with the perceived chaos and immorality of urban areas. The concept of the rural idyll however, is usually imposed on rural areas from the outside, often by urban residents whose images of rural areas are often in sharp contrast with reality. Woods (2011) argued that such images are often shaped primarily by nostalgia and the media (including film, TV series, poetry and literature) rather than real life experience. The endurance of what can be referred to as the myth of the rural idyll has the potential to influence spatial development in rural areas in a variety of ways. Many rural areas in close proximity to urban centres are likely to experience processes of counter-urbanisation as urban residents seek to move out of the city to live in attractive rural areas and commute into work each day. In addition the rural idyll has potential to be used as a marketing tool by many rural areas seeking to encourage urban residents to visit for tourism, leisure and recreation. At the same time however, the rural idyll also has the potential to influence the thinking of policy makers or to be used by policy makers with an agenda to divert resources away from rural areas to address problems in urban areas. What is clear from the literature is that the concepts of rural and rurality are contested and ambiguous. The same can be said about the terms "development" and "region."

### **Regional and rural development**

Regional (territorial) **development** might be defined as the development within a region (or a territory) over time. The term "development" has been debated by scholars for years and has no unified definition. "Development" might include a set of indicators, or a single indicator. The most commonly used indicators to represent the development of a region are the Value Added or Gross Domestic Product (GDP) of a region. This might also be interpreted as the region's income

level, and the GDP growth rate can then be interpreted as income change over time. Since GDP, or GDP growth, measures income, it is of course an important indicator of (regional) development.

On the other hand, development can be interpreted in many other ways. This is reflected for instance by different ESPON projects, which adapt sets of indicators for comparing European regions and for constructing regional typologies. If regional development is complex, then the measurement of development should not rely on one indicator alone. The measurement should involve a set of indicators, for instance like the ones applied in the EDORA project. This is reflected in our methodology (see chapter B2) as well as in the case studies (see chapter B3).

The term **region** (territory) is also a fuzzy and ambiguous concept, of which there is no common definition. On the one hand, it has been applied for very small spatial units (like a municipality or even smaller), while on the other hand it is often used for a large number of countries or even for whole continents (South East Asia and Africa are often referred to as *regions*). In PURR, we have therefore chosen a pragmatic approach to the term, where a region (territory) is a sub-national, spatial unit. The region (territory) then becomes a part of a hierarchy, which starts at the local level, continues to the regional (territorial) level (of which there might be several tiers, for instance NUTS 3, 2 and 1) and continues to the national and supra-national levels. Please note that we have not restricted the term region (territory) to administrative units. A region, according to our definition, might therefore cross administrative borders, what has been referred to in academic literature as soft spaces (Adams et al 2011, Faludi 2010, Haughton et al 2010).

The term **rural** development can be defined within the concept of regional development. The simplest way is to define rural development as being equal to regional development in a rural region (territory). How to understand the term **rural** then becomes the next question. Rural typologies, which have been developed by the OECD, by the EU, by ESPON, by national governments and even by regional governments, can be adapted. All these typologies are, in one way or another, based on the urban-rural dichotomy. Based on this dichotomy, rural can simply 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).

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 (optimal) development level the region might achieve. Of course, a region's ability to reach this potential depends significantly 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 is how the stakeholders can utilise their assets in a way that optimises the opportunities to achieve the territorial potential<sup>2</sup> of the rural region. At the heart of a region's potential lies, of course, what makes the region unique 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 rural regions often lag behind urban regions in terms of levels of development and thus have to be more preoccupied with utilising the regions' accessible resources or potentials to survive in a competitive world.

#### *Processes of rural change*

The concept of **rurality** has evolved over time and rural areas in Europe are now highly diverse and heterogeneous. The nature and diversity of rural areas means that rurality is a contested and ambiguous term that means different things to different people despite having received increasing attention in academic and policy terms and despite the extensive and useful insights provided by projects such as EDORA. Rurality generally refers to the condition of being rural and there have been numerous functions and meanings attributed to rurality in different contexts over the years. Historically rurality has been associated with diverse and often contrasting characteristics including a harsh and difficult lifestyle or a simple and happy agricultural lifestyle in close association with nature. The association between agriculture and rural areas has been particularly strong and though it has been challenged in recent years by the emergence of a new rural paradigm (OECD 2006), it remains powerful in policy discourse.

Academic and policy discourse has seen the concept of rurality becoming increasingly detached from the physical space of rural areas that it traditionally referred to so that it has evolved into a much more complex and fluid concept reflecting the dynamics and complexity of the multitude of diverse rural areas in Europe today. The EDORA Project provided substantial insights into the complexities of rural areas in Europe and explored many of the processes impacting on such areas. PURR has made considerable use of the knowledge resources (Adams et al 2011) generated in the EDORA arena due to the focus of both on development opportunities for rural areas in Europe.

Based on an extensive review of the rural development literature, three overarching meta-narratives were identified in the context of the EDORA project.

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<sup>2</sup> The concept "Territorial Potential" is based on Barca 2009, and discussed further in the Annex to the Inception Report.

Such narratives are a useful means of conceptualising and organising the complex drivers of change in rural areas. The *Agri-Centric* meta-narrative focuses on: maximising agricultural competitiveness via diversification; remuneration for rural amenities; creating quality products; shortening supply chains; and increasing regional appellation. The *Urban-Rural* meta-narrative draws together various story lines linked to the causes of disparities between accessible and remote/sparsely populated rural regions. This meta-narrative focuses on migration, rural-urban relationships, access to services of general interest (SGI), the role of information and communication technologies in facilitating new activities, and agglomeration (or its absence). The *Global Competition* meta-narrative emphasises “implications of increasing connexity and global trade liberalisation, in terms of the spatial segmentation of labour markets, and the associated structural change of rural areas.” The opportunities for rural areas in the globalisation meta-narrative depend upon aspects including the “knowledge economy” the role of creative class, an emphasis on quality, place marketing and niche markets (ESPON, 2010:45). Each meta-narrative is associated with opportunities and challenges that form an essential factor in the determination of the potential of rural regions. A more detailed examination of these meta-narratives resulted in the identification of nine specific themes which were examined in the EDORA project, and were adopted as a framework to explore processes of rural change also in the PURR project.

The nine themes used as a framework to explore processes of rural change are identified below and each briefly discussed:

- Demography
- Rural employment
- Rural business development
- Rural-urban interactions
- Access to services of general interest
- Role of cultural heritage in rural development
- Institutional capacity
- Climate change
- Farm structural change and the role of agriculture in rural development

Nine working papers were produced in the context of EDORA that reviewed the current state of the art and literature in relation to each specific theme. A brief summary of some of the key points identified based on these working papers is given below.

**Demographic trends** (EDORA 2009a) and structures are a complex driver of change in rural areas and sufficient critical mass of population is a pre-condition for regional development at all territorial scales. Many sparsely populated and

geographically peripheral rural regions are depopulating due to out-migration and low fertility rates, whereas other rural regions which are often closer to larger urban centres are experiencing counter urbanization processes and a consequent increase in population. The nature of demographic change has significant implications for many diverse policy areas including housing, health care and education among others.

The nature and impact of these demographic dynamics depends on a complex variety of factors. A lopsided age structure with an ageing population hampers development and can become self-reinforcing over time. Population development (size and structure) depends to a degree on natural population change but also increasingly on external migratory movements. It is anticipated that rural areas in the vicinity of large metropolitan areas will continue to grow while remote and sparsely populated rural areas will experience ongoing population decline though there will be significant differences in the migration and settlement patterns between different age groups. Policy measures to reverse the depopulation of remote rural areas are unlikely to be financially sustainable and therefore there will be dilemmas and difficult choices will have to be made.

**Rural employment** (EDORA 2009b) trends in rural areas are determined by a complex combination of factors such as farm diversification, a shift away from primary sector activities and emergence of the New Rural Economy<sup>3</sup>, a blurring of the distinction between rural and urban markets (known as regional enlargement) and changing labour market segmentation. Certain economic activities appear to be moving to more accessible parts of the countryside as a result of processes of counter urbanization. At the same time labour markets in less accessible rural areas will potentially continue to decline. Though the extent of the geographical patterns of these processes are not as clear, it is clear that economic changes contribute to the emergence of social groups lacking education and training qualifications making it difficult for these groups to participate in the labour market.

**Rural business development** (EDORA 2009c) trends are driven by production push and pull factors and by consumption trends. Some farmers are pushed out of agricultural production activities, but some remain in farming, including alternative farming, or seek alternative employment opportunities for themselves. Some niche markets exist in areas such as tourism and recreation and these offer opportunities for some rural areas, depending on their characteristics. Rural business development tends to be influenced by the operation of local business networks, the ability to innovate and the operation of local/regional clusters. Rural businesses operate according to the same economic principles as urban

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<sup>3</sup> New Rural Economy refers to the increasing importance of non-agricultural secondary and tertiary economic activities and employment

businesses, but they operate in a very distinct environment that in turn generates specific drivers, opportunities and constraints.

**Rural – urban interactions** (EDORA 2009d) remain a focus. The physical and functional boundaries between urban and rural areas are becoming more blurred and the interdependencies between such areas more complex. The traditional interactions in many regions between rural and urban areas, whereby urban areas provided a focus for the sale and provision of goods and services for an extensive rural hinterland, have changed dramatically and in some cases become redundant. This evolution has left a vacuum in many areas and the re-establishment of mutually beneficial interactions between rural and urban areas at different territorial scales has emerged as one of the key challenges for regional development policies and strategies and this is clearly reflected by the strong emphasis on such interactions in the European Spatial Development Perspective (EC 1999). The emphasis on rural – urban interactions and integrated development between rural and urban areas was retained in the Territorial Agenda of the European Union (DE Presidency 2007), which was the follow up document to the ESDP, and in the recently adopted TA2020 (Hungarian Presidency 2011). The complexities of the interactions in contemporary European regions was emphasised in the context of the EDORA Project (EDORA 2009d) where numerous types of rural – urban linkages were identified (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 and physical infrastructure and resources). The relative balance and nature of these interactions helps to determine the amount of capital injected into an area, the degree to which capital is generated and retained in local areas and the extent to which these interactions have a positive or negative impact on rural areas.

**Services of general interest** (SGI) (EDORA 2009e) refer to services that are in principle available to everyone though the precise definition varies from country to country across Europe. Such services used to be referred to as public services though the distinction between public and private services has become increasingly blurred in recent years. SGIs include all services considered to be in the general interest of society and therefore subject to public-service obligations. As such, services in relation to transport, post, telecommunications, banking, broadcasting, energy, water, waste, childcare, education, health, elderly care, security, recreation / culture and library / leisure can all be considered as SGIs. There is a general perception that accessibility to such services is decreasing in many areas and the accessibility and quality of such services, particularly in rural areas, has been debated in numerous academic and policy arenas. In some regions such services have the potential to become key drivers of economic development and some regions may even specialise in service provision. There appear to be a number of geographical contradictions and challenges in relation



to the provision of SGIs. Pressure to centralise services on cost grounds contrasts with rhetoric of sustainable spatial planning that says that the geography of service provision should be more localised. There is also a question of the extent to which access to and quality of these services varies between rural and urban areas? Though the characteristics of these services differ, a few common trends can be observed. Firstly, there has been a trend to privatise formerly public services. Secondly, both private and public services are becoming cost-sensitive due to competition, price-conscious consumers and reduced public subsidies. In addition, reducing or centralising services is becoming increasingly common due to more restrained public budgets. There is a danger that in areas where these trends combine with economic and demographic decline, a vicious circle may be set in motion, making regions less and less attractive for businesses, residents and households.

**Cultural heritage** (EDORA 2009f), comprising both tangible (monuments; protected landscapes and sites, museums and galleries, events) and intangible (specific practices, representations, expressions, knowledge, skills as well as cultural diversity and cultural capital) aspects, provides an important potential for rural development. Whereas urban culture is primarily portrayed as contemporary and dynamic through discourses of multi-culturalism and creativity, rural culture is often constructed in images of the past representing tradition and indigenusness. Processes in relation to the decline of agriculture, land abandonment, migration and urban sprawl are reducing the association between people and place in many rural regions, reflecting the increasing complexity of the concept of rurality discussed above.

Paradoxically, the geographical peripherality which has contributed significantly to the relative underperformance of some rural regions in the past has protected constituent elements of cultural heritage which might be valuable in determining future development trajectories. Historical traditions offer significant opportunities for commodification, marketing and branding in exportable production and for revenue generated by visitor experiences as part of integrated rural tourism development. Rural regions with natural parks or built heritage attractions and areas with authentic cultural practices have potential to attract visitors, especially if they are accessible to large urban centres.

The challenge for future rural development trajectories is to add value to the stock of cultural capital and this depends on cultural capacity and cultural mobilisation. Cultural capital consists of the cultural resources of the region and the EDORA project hypothesised that the greater the density of tangible and intangible cultural capital in a rural area, the higher the potential impact on rural development. Cultural capital needs to be transformed into goods that have market and non-market values as drivers of development. The EDORA project hypothesised that the mobilisation of such goods, be they common goods such as cultural landscapes or private goods such as locally denominated food products,

will boost the identity and image of a rural region and in doing so, help drive the rural economy. However, one of the key challenges in relation to cultural heritage is that reliable, meaningful and comparable statistics are notoriously difficult to find.

The EDORA project took a fairly broad interpretation of **institutional capacity** (EDORA 2009g). The concept of governance has risen to prominence and the concept of multi-level governance is now widely promoted as a means of managing development at different spatial scales (vertical dimension) and between different sectors (horizontal dimension). This process of re-scaling has resulted in an ongoing shift of rural policy away from sector specific policy to more integrated and place based policy. Effective governance in rural areas implies increased integration between diverse knowledge communities and arenas and the creation and operation of local level partnerships by stakeholders with the capacity to think and act strategically as well as the power and influence to solve complex problems using integrated cross-sectoral and multi-level approaches. Rural development remains partly centrally driven in terms of budget resources and strategic planning, but also has a new institutional setting combined with local and regional capacities. The ability to act within relevant arenas will depend to a large degree on the institutional capacity to activate and organise different knowledge communities through innovative inputs and incentives. Robust and effective multi-agent cross-scalar governance arrangements or knowledge channels will be required in order to transform the knowledge generated in these arenas into effective policy and action.

In general institutional capacity can be identified as the collection of social resources that enable coordination and collective strategic agency and accommodation of interests from different levels of governance. It refers to the type of organisational arrangements discussed in the context of the territorial knowledge channels framework discussed later in this chapter (Adams et al 2011). In addition, the procedural repertoires that a rural territory can draw upon, as well as the formal and informal relationships that provide their context and the embedded system of values that underpin them are also crucial (EDORA, 2009g). Though the future of EU policy and funding post 2013 remains unclear, a move away from redistributive policies appears likely and bottom up community focused initiatives such as Leader have made it possible to perceive the development of rural areas from a new perspective. As with cultural heritage, 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.

**Climate change** (EDORA 2009h) is currently seen as one of the most significant challenges of our time and it is likely to have a significant impact on rural areas. Local impacts of climate change are likely to be extremely diverse and as a result climate change will generate diverse drivers, opportunities and constraints in

different areas. Some agricultural areas will be able to introduce new crops, increase productivity, and cultivate larger areas of land. Others will face water shortages, desertification and reduction of arable lands. Extreme weather, strong winds, floods, and extreme heat are also likely to generate negative impacts in some areas. The challenge is exacerbated due to the inexperience of local governments at developing integrated and coordinated responses to the challenges of climate change. Climate change potentially offers a number of challenges but also opportunities for regions. Strategies focusing on the adaptation and mitigation of climate change may offer potential for rural development in terms of a new green economy or the provision of ecosystem goods and services (see Parliamentary Office of Science and Technology, 2007. Ecosystem goods and services are discussed further in the context of the potentials of Cambrian Mountains case study region).

The final EDORA theme explored is **farm structural change and the role of agriculture in rural development** (EDORA 2009i). Agriculture is an important determinant of differentiation between rural regions remaining profitable in some rural areas whereas in others reduced profit margins have led farmers to seek alternative opportunities to diversify. Where alternatives are scarce, out-migration of people is typical. Small scale producers tend to be attached to shorter locally embedded supply chains, often competing for a limited market. However, they often fall short of food quality standards and cannot meet supply volume requirements set by supermarket retailers. At the same time small scale producers can also compete better with well-branded high quality products. 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 EDORA Project examined each of the nine themes identified above in the context of the three meta-narratives (agri-centric, urban-rural and global competition). Each of the meta-narratives has a range of both opportunities and challenges associated with it which impact on all rural areas in the ESPON space. The implication is that these are primarily driven by exogenous global pressures and that the increased diversity of rural areas in Europe is therefore best explained by differences in local capacity and environments. The EDORA methodology acknowledged that the meta-narratives were generalisations of reality and were not intended to provide an exhaustive illustration of ways in which individual regions experienced change or to describe the situation in a specific region. The value of the meta-narratives and broad statistical generalisations were to outline broad socio-economic patterns that can inform rural policy and allow regions to position themselves within their broader European context.

The broad statistical data have been encapsulated in a variety of rural typologies that were used in EDORA to provide insights into different dimensions of rural

change and diversity. The typologies explored the rurality / accessibility dimension, the economic restructuring dimension and performance dimension. The **urban – rural typology** is a modified form of the well known OECD classification and classified regions into the following categories:

1. Predominantly Urban (PU)
21. Intermediate Accessible (IA).
22. Intermediate Remote (IR).
31. Predominantly Rural Accessible (PRA).
32. Predominantly Rural Remote (PRA).

The **Structural Typology** for non-urban regions distinguished between:

1. Agrarian economies.
2. Consumption countryside.
3. Diversified (with important Secondary Sector).
4. Diversified (with important Market Services Sector).

The **Performance typology** for non-urban regions distinguished between four types of "non-urban" region:

1. Accumulating
2. Above Average
3. Below Average
4. Depleting

The EDORA typologies provide a somewhat static but nevertheless useful classification that provides insights into some of the characteristics of NUTS III regions in Europe and allows regions to situate themselves within their European context. However, the limitations of such generalisations also need to be acknowledged:

"These are very simple, broad-brush generalisations, which, of course, cannot "do justice" to the wealth of local variation in rural areas across the ESPON space, or to the infinite number of possible combinations of drivers, opportunities and constraints" (EDORA 2011:22).

The inability of the top down methodology to provide comprehensive insights into local micro-scale characteristics reflects on the one hand the heterogeneity of the rural regions in Europe and on the other hand the diverse ways in which the boundaries of NUTS III region are drawn in different member states. An exploration of twelve exemplar NUTS III regions in EDORA was necessary in order to gain insights into micro-scale patterns of rural differentiation. The amount and quality of quantitative information and data varies between countries and

between regions. The most important aspect is that each region is described in a way that allows an assessment of their specific territorial potential rather than seeking to describe regions using identical types of quantitative data. Therefore, qualitative data can and must supplement and/or replace quantitative data in certain cases. These limitations clearly demonstrate the need for a bottom up approach to access the local rural knowledges that will supplement the European perspective with the necessary details at the micro-level:

"...these propositions point towards neo-endogenous approaches, in which a "bottom up" process of regional programme design is fully supported and guided by available (hard/standardised/comparable) information, expert advice, and the kind of strategic perspective which is best assembled at a central level". (ESPON 2010a:58).

The evidence discussed above suggests that a neo-endogenous approach is required to the elaboration of the PURR methodology to identify the potential of rural regions and this will be discussed in more detail in the next section.

#### *From a Modernisation Paradigm to a New Rural Paradigm: assets based approach*

New paradigms for regional development and for rural development have emerged in recent years. The new regional development paradigm has been promoted by organisations such as the European Commission (EC) and the OECD and most recently in influential documents including the Barca Report (Barca 2009), the Territorial Agenda 2020 (Hungarian Presidency 2011), the Green Paper on Territorial Cohesion (EC 2007a), the Fifth Report on Economic, Social and Territorial Cohesion (EC 2010a) and the World Development Report (World Bank 2009). The new regional development paradigm shares some key characteristics with the new rural paradigm, including an increased focus on the territorial dimension of policy and a move away from relying on external exogenous resources towards an increased reliance on identifying and harnessing endogenous assets and potential. The main aim of the new rural paradigm was to stimulate new ways of thinking about rural areas and rural development and two of the key messages were:

"...agriculture is no longer the backbone of rural economies" and "rural is not synonymous with decline" (OECD 2006: 22).

Both statements challenge the type of well established generalisations and stereotypes about rural areas that were discussed earlier in this chapter. The new rural paradigm based on endogenous potential has replaced the previous modernisation paradigm that was dominant in rural development until the rise of neo-liberal ideologies in the 1980s and 1990s. The modernisation paradigm promoted the modernisation of agriculture, the rural economy (usually in the form of economic diversification), infrastructure and rural society and social structures. Agricultural over production, environmental degradation and social

inequality were among the negative consequences of the modernisation approach which relied heavily on EU and state subsidies. The rise of neo-liberal ideology throughout Europe in the context of scarce local resources represented an ideological move away from subsidy based approaches as the public sector increasingly sought means of reducing public spending. Many rural regions that were perceived to be lagging and lacking in the necessary assets to stimulate development had traditionally sought to attract exogenous resources based on inward investment. However, such approaches had limited success and even where such capital was initially attracted to a rural region it often proved to be highly mobile so that the investment often left the region as rapidly as it had arrived.

The characteristics of the new rural paradigm include focusing on the development of resources found within a region, a shift from a top-down to a bottom-up approach and a move away from a sector based approach to an approach based on the territorial capital or specific regional assets. The new approach has been translated into EU policy terms in the form of programmes such as Leader. A comparison of some of the key characteristics of the old approach and the new rural paradigm is provided in the table below which reveals that two of the key characteristics of the new approach are the place based rather than sector based approach and the emphasis on investments rather than subsidies. The strong emphasis on the territorial dimension and the focus on vertical (between territorial levels) and horizontal (between sectors) co-ordination implies that the new rural paradigm is in close practical and conceptual proximity to the territorial cohesion objective as outlined in the Green Paper on Territorial Cohesion (EC 2007a) and Fifth Report on Economic, Social and Territorial Cohesion (EC 2010a).

Table 1: New rural paradigm

	Traditional approach	New paradigm
Objectives	Equalisation of farms income and farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Diverse sectors of rural economies (tourism, manufacturing, ICT industries etc)
Main tools	Subsidies	Investments
Key actors	National governments and farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

Source: OECD 2006 P.15

The increased focus on endogenous resources is therefore intrinsically linked with the new rural development paradigm. However, Woods (2011) summarises the main criticisms of endogenous approaches as being:

- A limited capacity to tackle fundamental structural disadvantage in relation to locational, infrastructural, economic and human resources deficits;
- An 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. 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. The ability of rural regions to determine the appropriate balance with which they need to connect both with wider exogenous networks (economic, political, governance, financial.....) as well as localised capacity and assets will therefore be central to their ability to successfully identify and harness their potential.

In the context of rural areas, an asset can be interpreted as a resource that has the capacity to benefit an area and by so doing to enhance the quality of life of

the local rural community in economic or other terms. Such assets can operate at and be exploited at different scales from the individual to the entire population or from an individual household up to the entire region. The idea of increasing the competitiveness of rural regions through identifying ways in which they can harness and exploit their specific characteristics in order to fulfil their regional potential has increasingly dominated the rural development discourse in the EU in recent years and has increasingly influenced both regional policy and rural policy. The new rural paradigm represents an approach that requires the identification of assets rather than weaknesses of a region and seeks to build on existing capacities and characteristics rather than to identify deficiencies and deficits that need to be addressed. The approach emphasises the uniqueness of each region and the importance of context sensitive local solutions. Such assets can be hard / tangible (buildings, physical infrastructure, landscape...) or soft / intangible (skills, capacities, culture, networks....). Braithwaite (2009) identified seven forms of capital within a conceptual framework for Asset Based Community Development:

- Financial
- Built
- Natural
- Social
- Human
- Cultural
- Political

Braithwaite argues that the task for local communities within this framework is to identify the characteristics of these assets in terms of the scale at which they could be developed, how this may change over time, how complimentary or conflicting demands can be addressed and what the associated costs (financial, emotional, human resources capacity, environmental....) may be now and in the future. The dynamic nature of such assets, where their value changes over time, is further exacerbated by the fact that such value will be perceived differently by different individuals, networks and communities.

The concept of *territorial capital* has emerged as a useful interpretive lens through which to assess regional potential and encapsulates the different types of capital identified by Braithwaite. The forces of globalisation and the ongoing dominance of neo-liberal ideologies in many European countries imply that there is likely to be increasing polarisation within and between regions for the foreseeable future. The evidence suggests that the winning regions are likely to be the metropolitan regions, particularly those with a highly accessible central location in either a European or national context. The losing regions on the other hand are likely to be those without large urban centres and in geographically



peripheral locations. The new rural paradigm determines that such regions will have to rely on harnessing or commodifying their potential as EU and domestic policy and programmes move away from transfer payments and subsidies under the influence of public austerity measures.

The concept of territorial capital can be traced back to theories of development that emerged in the early 1980s but has more recently re-emerged within the European spatial planning discourse and provides a means of conceptualising the increased diversity of Europe. In simple terms territorial capital suggests that all regions are unique and refers to the specific characteristics or talents of a region including both tangible and intangible factors, the latter being extremely difficult to identify and to assess. Hague et al (2011) define territorial capital as the sum of the unique combination of characteristics that are specific to all regions but one of the most frequently used definitions of territorial capital is:

"A region's territorial capital is distinct from other areas and is determined by many factors (which) ... may include ...geographical location, size, factor of production endowment, climate, traditions, natural resources, quality of life or the agglomeration economies provided by its cities. Other factors may be 'untraced interdependencies' such as understandings, customs and informal rules that enable economic actors to work together under conditions of uncertainty, or the solidarity, mutual assistance and co-opting of ideas that often develop in small and medium-size enterprises working in the same sector (social capital). Lastly there is an intangible factor, 'something in the air', called the environment and which is the outcome of a combination of institutions, rules, practices, producers, researchers and policy-makers, that make a certain creativity and innovation possible. This 'territorial capital' generates a higher return for certain kinds of investments than for others, since they are better suited to the area and use its assets and potential more effectively" (OECD 2001).

In recent EU policy and academic discourse territorial capital has increasingly been promoted as a means of strengthening regional competitiveness (Pike et al 2006) in regions where the market has failed to achieve the areas potential. The concept is therefore particularly attractive to many rural regions, particularly those in geographically peripheral locations that by definition tend to have more limited potential and therefore face greater development challenges.

More recently understanding of territorial capital has been expanded by Roberto Camagni (2008) to account for mixed assets of development. These assets can be "soft" / "hard", public and private. Regional development policy has, until now, tended to focus on these assets, but not considered assets in between, the so called "club/impure public goods". Examples of these goods could include tourism and recreation facilities, place marketing, an innovative milieu and business network capacity. According to Camagni's taxonomy territorial capital includes: (a) *material and immaterial elements*, such as social capital, infrastructure, public goods and private fixed capital on the one side, and human capital,

entrepreneurship and social capital on the other side; (b) *private and public goods*, as well as intermediate category of impure public goods and so called "club goods." (c) *functional and relational elements* in the form of inter-personal and inter-institutional linkages. Such capital is not always easy to build and maintain but it is extremely important for facilitating innovation, creativity, and economic competitiveness (ESPON 2010c).

The Territorial Diversity Project (TeDi) stated that regional development policies need to acknowledge the integrated nature of territorial capital by ensuring coherence between its various components. TeDi identified the lack of coherence between the economic, social and ecological dimensions of development to be the main problem rather than the lack of development assets. This implies that the potential of rural regions depends primarily on the ability to strengthen coherence between these dimensions of territorial capital. In the context of TeDi, territorial capital involves three key components: human capital (people), natural resources and territorial positioning (place) and institutional context & governance structures (power) (ESPON, 2010b: 21-22)."

Territorial capital is a complex concept that is difficult to identify and to measure due to the intangible and qualitative nature of some of its elements. As a result, top-down quantitative methods and data are unlikely to be able to identify territorial capital with accuracy as the results will depend on a number of factors including the availability and scale of data. Some of the more recent research discussed above suggests that intangible assets have become "the key to enabling each rural region to fulfil its potential" and as these assets are frequently "aspatial" and hidden from the sight of external observers they "can only be captured on a region to region basis by some form of qualitative auditing." (Copus, 2010: 58). The PURR project contributes to the development of such an auditing methodology to assist with the identification of intangible assets.

Despite this however, there remains a strong emphasis on such quantitative data when seeking to identify an areas territorial capital and inform policy decisions due to the ease with which such data can be obtained and analysed. There has been much discussion in the context of ESPON and other knowledge arenas about the need to find a means to identify the intangible assets of territorial capital and this will involve accessing the more qualitative and tacit types of rural knowledges often possessed by regional and local stakeholders.

#### *The role of rural knowledges*

The complexities of providing knowledge with the capacity to effectively inform decision making in relation to rural development policy is acknowledged in the First ESPON 2013 Scientific Report:

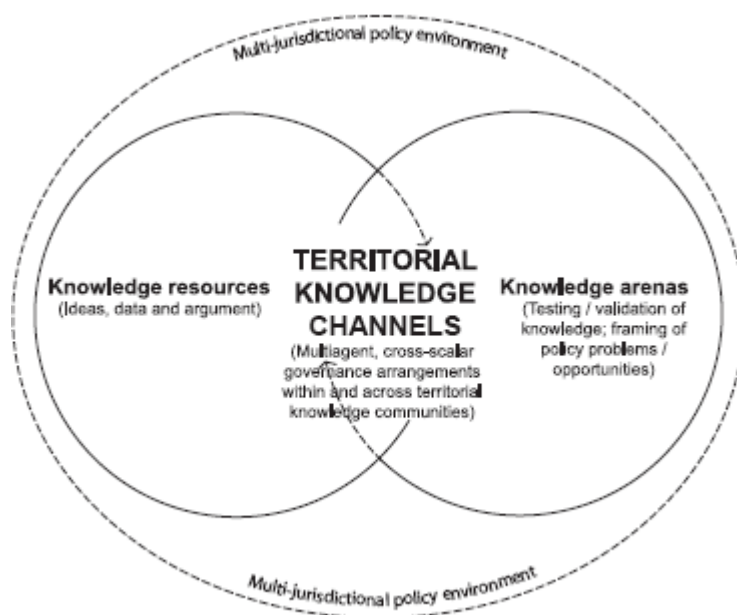
"Clearly rural change is an extremely complex and nuanced phenomenon; the more that policy makers can understand of the details of the local experience, and the more intervention can accommodate the full range of regional

differences, the more effective it will be. Recent trends in policy design and implementation have introduced a greater degree of flexibility to meet local circumstances, through menu-based approaches, neo-endogenous paradigms and so on" (ESPON 2010a:39).

There has been an increased focus on evidence based or evidence informed policy in recent years throughout Europe, both at the EU level and within the domestic contexts of the individual member states (Davoudi 2006, Faludi and Waterhout 2006a and 2006b) and this raises questions about the interplay between knowledge and policy development. How are ideas, data and argument, filtered through power struggles and conflicts, translated into the organisational and institutional forces that shape the course of policy development? Adams et al (2011) have conceptualised knowledge as consisting of knowledge resources defined as ideas, data and arguments and knowledge arenas where they are subject to debate and tested and validated. There are multiple knowledge arenas active at different territorial scales within the complex reality of EU multi-level governance. The ESPON Programme and individual ESPON projects can be conceptualised as knowledge arenas as they are places where knowledge resources in the form of data, ideas and argument are debated, tested and validated. ESPON has generated substantial knowledge resources since the first projects in 2003, as have other EU programmes such as Interreg. The PURR Project constitutes a knowledge arena within which stakeholders in the PURR regions have been able to discuss and debate rural development issues in relation to their own region but with reference to wider rural development debates.

Adams et al (2011) argue that the extent of the influence of the knowledge resources generated within PURR on policy development within the stakeholder regions will depend to a large degree on territorial knowledge channels, which are situated at the confluence between knowledge resources and knowledge arenas. In other words, if the regional stakeholders feel that the methodology developed (a knowledge resource) within the context of PURR (a knowledge arena) adds value to their quest to identify the potential of their region, they will seek to steer this knowledge resource into the appropriate governance structures (knowledge channels) with the power to influence policy development. Territorial knowledge channels can therefore be defined as the actual mechanisms such as steering groups or committees that facilitate complex processes of territorial governance and which facilitate interactivity between knowledge communities consisting of diverse groups of regional stakeholders. The extent to which different knowledge channels influence policy development will depend largely on the degree of power and influence that they can exert on the policy development process and their ability to link knowledge resources with relevant knowledge arenas for discussion and debate and where in turn they are validated, transformed or possibly even destroyed.

Figure 3: Territorial knowledge channels framework



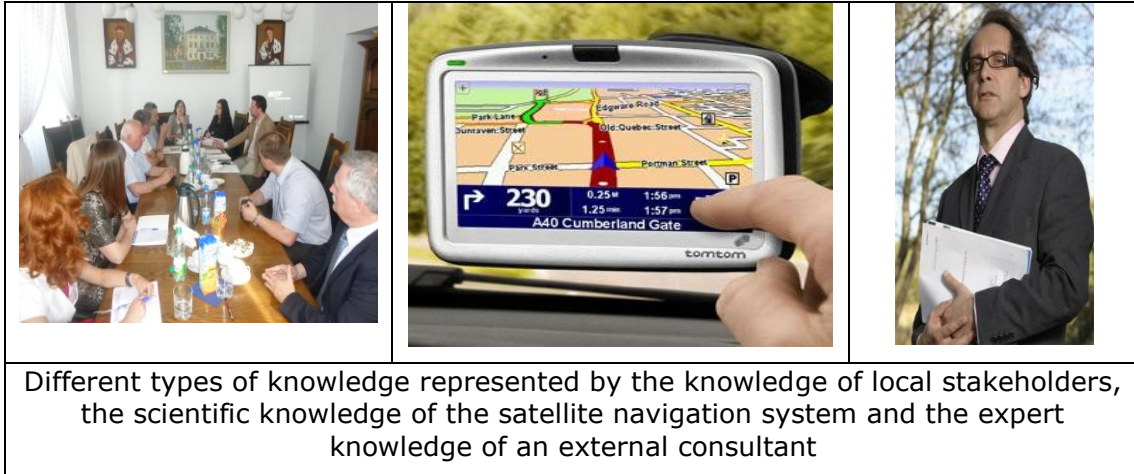
Source: Adams et al 2011

The territorial knowledge channels framework is process oriented and places a strong emphasis on the interaction between diverse groups of actors, networks and communities, referred to as territorial knowledge communities. Such knowledge communities can include expert groups, communities of practice and advocacy or interest groups and each network or community possesses different characteristics and different types of knowledge. A key challenge for any process will be to determine the extent to which different types of knowledge are most appropriate or what the correct balance is between the different types of knowledge in particular circumstances.

There are many types of knowledge that combine to accurately encapsulate the tangible and intangible assets of rural regions. These rural knowledges consist of scientific knowledge often based on quantitative data, expert knowledge often provided by external consultants based on good practice from elsewhere and the knowledge of local stakeholders that is often based on more intangible aspects that are difficult to identify, articulate and measure. It is unlikely that in any given context one of these types of knowledge in isolation will be sufficient to provide an accurate reflection of the characteristics of an area. In the context of the PURR project the scientific knowledge referred to could be considered to be ESPON type knowledge based on primarily quantitative data and broad statistics. As with a satellite navigation system, a certain amount of quantitative data is used as an input and specific results are delivered often in the form of electronic maps and images. The expert knowledge of an external consultant can be equated to the advice provided by the TPG during the course of the project based on good practice and experience from elsewhere. The knowledge from the

regional stakeholders is of a more qualitative nature and based to a certain extent on local experiences and is therefore often more intangible tacit knowledge which is more difficult to quantify, measure and articulate. The regional workshops have been one of the primary means of generating such knowledge in the case of PURR.

Figure 4: Diverse types of knowledge



Source: Authors

The characteristics of these different types of rural knowledge are summarised in the table below:

Table 2: Characteristics of diverse types of knowledge

	<b>Type of knowledge</b>	<b>Advantages</b>	<b>Disadvantages</b>	<b>Who has this knowledge?</b>
Local knowledge	Endogenous, tacit, experiential, deeply embedded in community. Often – aspatial and primarily qualitative	Place based, contextual, detailed depiction of local rural reality	Difficult to unlock Loss of broader perspective	Locals
Scientific knowledge	Exogenous, mostly quantitative. Based on accumulated data and existing theoretical generalizations	Standardized, quantifiable, can be re-used and generalized	Cannot provide accurate in-depth description of local rural realities and context	Scientific and statistical databases
External knowledge	Exogenous and based on previous work experience	Involved outsider perspective	Knowledge based on success stories from other instances that cannot always be transferred from place to place	Expert-consultant

Source: Authors

The scientific and other expert elements of these rural knowledges are primarily exogenous knowledge resources in the form of broad quantitative statistics and data that can be relatively easily measured and are therefore tangible. At the other end of the spectrum, knowledge resources are primarily endogenous and more qualitative by nature meaning that they are less tangible and therefore more difficult to identify, articulate and measure. Such knowledges are often in the form of tacit and experiential knowledge that is usually deeply imbedded in local communities. A key challenge is therefore how to unlock and access this knowledge in order to allow local actors, networks and communities to articulate it so that it can enrich the knowledge and evidence base underpinning the policy development process.

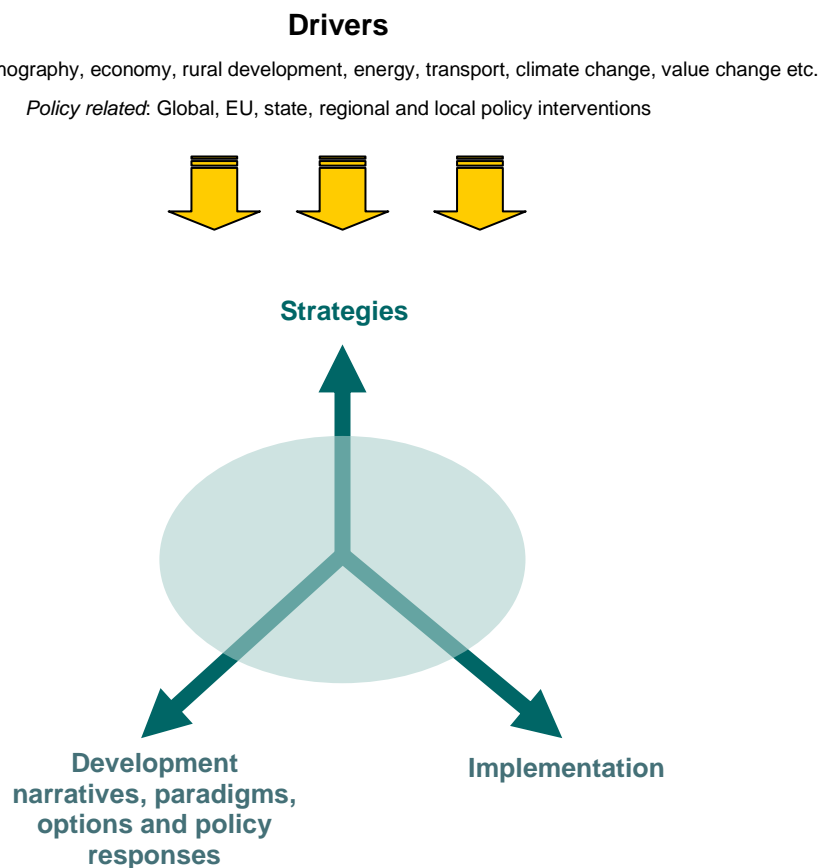
### **Frameworks for policy development**

There has been considerable debate in the knowledge arenas of regional development policy, practice and academia about the extent to which regional development trajectories are path dependent, that is they are shaped and influenced by past histories and legacies and the existing characteristics of places, or whether the regions can shape their own destinies through policy interventions

and other choices. The general consensus based on recent discussion and debate is that the future of rural regions will be determined by a complex combination of numerous exogenous and endogenous factors. The evidence in the discussion above suggests that the capacity of rural regions to respond to contemporary, evolving and future challenges and opportunities and to identify and harness intangible assets will increasingly become the key to enabling each rural region to fulfil its potential. The future development trajectory of a region will therefore depend on a combination of exogenous factors and decisions and actions undertaken within the region. Regional stakeholders need to clarify the extent to which they can influence the future development trajectory of their region and the extent to which they should take risks in terms of the choices that they make. These choices will involve complex dilemmas for regional stakeholders and the aim of this section of the chapter is to explore the types of dilemmas that could emerge, the potential implications of different choices and to suggest how a selection of scenarios for potential regional futures could be used as a framework to support policy development. The framework for policy development is based on consideration of options open to regional stakeholders, the influence of diverse storylines and paradigms and the framework for policy implementation.

- 1) **Strategies.** The strategic posture of regions relate to the approach and type of actions that they choose to undertake and can be proactive, reactive or passive. Proactive strategies seek to shape the future whereas more reactive strategies seek to adapt to the future or simply reserve the right to play (see figure below). Defensive strategies seek to maintain the status quo through opposing change. The choice of strategic posture determines to a large degree the portfolio of actions, all of which have varying degrees of risks and potential payoffs or benefits.
- 2) **Development narratives, paradigms, options and policy responses.** Invoke values and narratives that help to determine paths according to which development can be best achieved. Development narratives offer generalised descriptions of rural change; paradigms set paths and specific values for development. One should also not forget some ready-made policy options and propositions. In order to choose a development path, stakeholder responses to policy choices in certain areas that are connected with territorial assets should be determined.
- 3) **Implementation.** The chosen framework of policy implementation determines the approach taken by stakeholders when implementing the regional development strategy and can be based on top-down and bottom-up approaches or more often somewhere between the two. The framework for policy implementation also depends on the selected mix of policies that are implemented using state lead or market lead approaches.

Figure 5: Framework for policy development



Source: authors.

### *Strategies*

Stakeholders will need to make an informed decision to either try to shape the future, adapt to the future or simply to reserve the right to play as illustrated in the figure below. The choice of strategy will depend on the human resources, financial, institutional and governance capacities of the region and the choice will also have significant implications in determining the nature and extent of the actions necessary in pursuit of this choice.

The first option in the figure is a high risk strategy that requires substantial regional capacities including path shaping qualities whereby the region has the capacity to undertake a leadership role. The second represents a more cautious approach but requires significant flexibility and the capacity to identify and capitalise on opportunities as they arise and adapt quickly to fluid situations. The third strategic posture represents is the most cautious approach whereby a region simply invests enough to stay in the game or in other words to maintain a sense of equilibrium.



Figure 6: Strategic postures

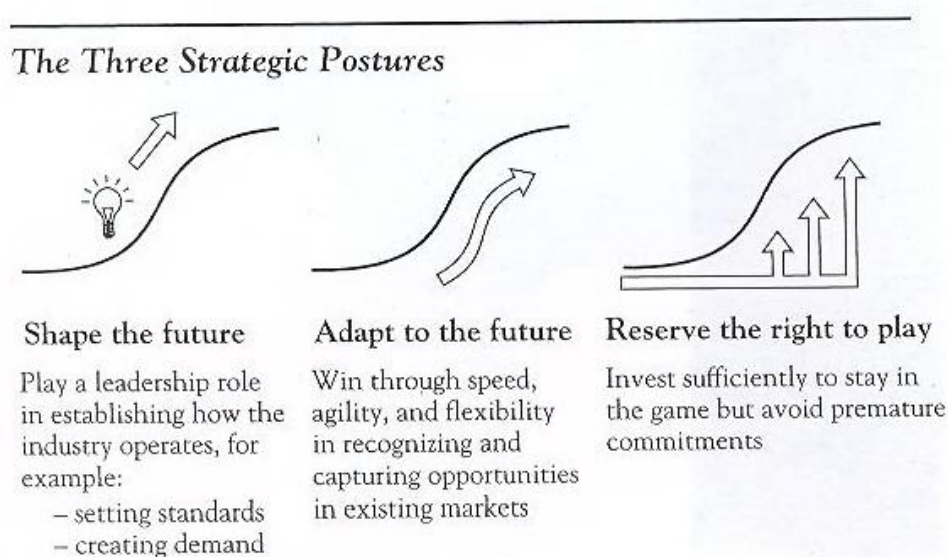


Figure 4.2 Strategic postures

Source: Courtney *et al.* 1999: 16

Source: Courtney, *et al* 1999, cited by Dimitriou, 2007.

The choices facing regional stakeholders have also been conceptualised as taking the *high road* or the *low road* to regional development. The high road to regional development implies the pursuit of high quality, highly skilled knowledge intensive jobs, locally embedded forms of development and a long-term sustainable strategy in a transparent governance context. A strategy in pursuit of the low road to regional development implies low skilled, low paid manual jobs that are often externally controlled and with low levels of job security. The ability of individual regions to pursue the high road will be highly variable and such strategies are likely to be time consuming and highly complex. In reality most regions choose to pursue the high road to regional development regardless of whether they possess the necessary characteristics and capacities to do so effectively. Individual regions need to decide what the most appropriate strategy will be in terms of the local context and in many cases this is likely to be somewhere between the high road and low road approaches, potentially moving more towards the high road over time.



Passive strategies aim to oppose change and resist policy innovation, new technological opportunities, new markets and because stakeholders are trying to counteract external and internal drivers this strategic posture is more defensive. Passive strategies choose not to pursue policies that prepare them for the future and are usually promoted by stakeholders who think that the costs of making changes are too high and they therefore prefer to maintain the *status-quo*. In some cases such passivity is justified because stakeholders are uncertain about their future and therefore, they choose to conserve their energy in order to stick

to the usual way of doing things. To justify their inaction, stakeholders can even mobilise resources to create a false sense of stability and predictability, thus politicising different aspects of a development strategy. However, external drivers such as climate change and rising energy costs continue to influence development in regions where a passive strategy has been adopted regardless of the perceptions of local stakeholders. If such drivers are continuously ignored they can cause sudden breaks or events that stakeholders are unprepared for. In such cases it will become more difficult to preserve the status quo over time.

Regional stakeholders therefore have a variety of options available about the extent of the risks they should take. This applies to strategic decisions at the regional level as well as to the decisions made by individuals, networks and communities within the region in relation to business or social matters. Once such a decision has been made then this will determine the type of strategy that is appropriate. The choice of strategy can vary from a relatively safe strategy (the no regrets moves in the figure below) to high risk strategies (the big bets moves in the figure below).

At one end of the spectrum the no regrets moves are relatively risk free and the strategy chosen is likely to have positive results leading to a win-win situation. A strategy to promote appropriate and sustainable tourism development in a rural region with a national park situated in close proximity to a large urban centre would be an example of no regrets moves. Alternatively the choice of strategy could lead to positive benefits in some situations or result in a negative impact in others as illustrated in the options move in the figure above. A strategy to promote the provision of eco-system goods and services for the benefit of local communities could have significant benefits on condition that these benefits can be harnessed and retained within local communities. However, if large-scale external interests are able to acquire access to the relevant natural resources then there is likely to be little or no direct benefit to local communities and resources will flow out of the region. The high risk or big bets strategy could deliver substantial benefits in some situations or lead to substantial negative benefits in other circumstances. Certain sectors including the provision of financial services, property development or high quality logistics services offer potentially significant benefits but are susceptible to external shocks such as the recent global economic crisis and an overemphasis on specific sectors has led to substantial negative impacts in some regions. Regional stakeholders therefore need to be aware of the options available to them but also to consider the potential consequences of their choices.

Table 3: The extent of risk in choice of strategy

	<b>No-regrets moves (win-win)</b>	<b>Options (it depends)</b>	<b>Big bets (dilemmas)</b>
	Scenario Value 1. .... + 2. .... + 3. .... + 4. .... +		
<b>Decisions</b>	Strategic decisions that have positive payoffs in any scenario ( <i>win-win</i> situation)	Decisions that yield a significant positive payoff in some outcomes and a small negative effect in others	Focused strategies with positive payoffs in one or more scenarios but a negative effect in others
<b>Questions</b>	What actions are <b>generally desirable</b> for our territory to develop?	What actions are <b>generally desirable, even if they lead to negative results</b> for some?	Which route can we take to <b>radically change the existing condition for the better</b> , so that a new chain of events can be started? Who are the winners and losers in case we take these actions?
<b>Examples of actions</b>	Increase attractiveness of rural regions for local residents.	Encourage the production and consumption of eco-system goods and services + If the ownership of natural resources is locally retained - If the ownership of natural resources is in the hands of large scale external interests.	Decisions about introducing new property development projects, large scale commercial agriculture and industry development projects, logistical infrastructure etc.

Source: interpretation of authors based on: Courtney, *et al* 1999, cited by Dimitriou, 2007.

### *Development narratives, paradigms, options and policy responses*

There are a variety of potential development narratives and paradigms that can influence the choices made by regional stakeholders. Paradigms are in a continual state of evolution as new paradigms emerge and become dominant before being transformed or replaced over the course of time. Care needs to be taken with the use of paradigms and the adoption of a particular paradigm at the expense of competing paradigms as different paradigms are likely to be appropriate in different circumstances (for example bottom-up or top-down). The adopted policy options and choice of dominant paradigm depend on the specific values of regional stakeholders and these shape policy concepts, determine principles of action and ultimately define the meaning of successful development. It is beyond the scope of this report to provide a complete overview of all development paradigms and policy options though a brief illustration of prevailing narratives is useful.

EDORA project has identified several meta-narratives specifically for rural regions. These meta-narratives are generalisations of processes of rural change. *Agri-Centric* meta-narrative suggests that rural regions need to maximize their agricultural competitiveness. The *Urban-Rural* meta-narrative draws together stories linked to causes of disparities between accessible and remote/sparsely populated rural regions. *Global Competition* meta-narrative emphasises increasing connectivity of global and local processes, global trade liberalisation, in terms of segmentation of labour markets, and the associated structural change of rural areas (EDORA 2011). All three narratives offer generalized description of complex rural realities.

In addition to narratives which have synthesized different themes of rural development, a longstanding debate concerns the adoption of equity or efficiency oriented policies and this also relates to the tensions and conflicts between cohesion and competitiveness based approaches at sub-national, national and EU level (Tewdwr-Jones 2011). Debates regarding equity / efficiency and cohesion / competitiveness have been highly influential in economic policy development in the latter part of the 20th century. Equity based approaches aim at mitigating internal social, economic and territorial disparities in development and income, whereas efficiency oriented policies aim at promoting faster economic growth by investing in powerful economic drivers, via improved efficiency and competitiveness. Cohesion based approaches place social, economic and territorial cohesion as top priorities in all parts of a territory and promote co-operation, inclusion, stability and sustainable benefits. In rural regions this could potentially lead to more balanced urban-rural relations, the protection of local markets, support for farming as a way of life and diversification of the rural economy. Competitiveness based approaches tend to promote individualism, dynamic change and immediate gains and in rural regions can potentially lead to

unbalanced urban-rural relations, accelerating rates of urbanisation and migration and large-scale commercial farming.

The concept of territorial cohesion has a central place in key EU documents such as the various cohesion reports and the recent Territorial Agenda 2020 and views on the meaning and application of the concept were sought via the Green Paper on Territorial Cohesion (EC 2007a). The relevance of cohesion type policies has grown significantly in recent years in response to the financial economic crisis, the need for territorial integration in the post enlargement EU, the volatility of energy prices, increasing demographic imbalances and the increasing impact of globalisation. The Green Paper on Territorial Cohesion (EC 2007a) emphasises the need for harmonious development of all types of places, and to ensure that the citizens of these places are able to make the most of the inherent features of their territories. Thus, territorial cohesion is an approach that seeks to optimise specific territorial assets and utilise territorial diversity as an element of development potential. The debate about equity vs. efficiency stretches across different levels of policy making, but ultimately comes down to the question - what proportion of the budget should be spent on specific purposes? How should different territories and sectors benefit from specific measures? How should governance, economic and social sectors be reorganised to reflect certain values?

Recent global developments have exposed the vulnerability of European economies and increased discrepancies between the more and the less developed regions in Europe. In response to financial and economic recession the European Commission has proposed 10 year strategy for reviving the economy in Europe 2020 (EC 2010b). The Strategy identifies three mutually reinforcing priorities for increasing Europe's competitiveness in the world: 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). Europe 2020 seeks to pursue an optimal balance between competitiveness and cohesion emphasising the need for building on local potentials and innovation (competitiveness) while emphasizing also the need for inclusion and sustainability (cohesion).

### *Scenarios of European territorial development*

In addition to broader development paradigms such as cohesion and competitiveness, more specific policy responses are considered in European territorial scenarios. Approximately 20 scenarios in 9 thematic fields have been identified in ESPON 2006 Scenarios Project 3.2, EDORA scenarios of the impact of climate change and market responses, ESPON ReRisk project "Regions at Risk of Energy Poverty." For each of the scenarios the driving forces, social, economic and spatial impacts and the medium and long-term dynamics of the scenario are

discussed and stakeholders can use such scenarios when considering an appropriate policy-mix, choice of policy directions and instruments and a range of programmes and projects. The scenarios are a useful means of exploring potential alternative regional futures and the extent to which these futures can be influenced by policies and by exogenous and endogenous factors. Scenarios are not intended to determine a particular regional future but provide insights into ways in which different potential futures could unfold. Scenarios were developed in the context of the ESPON Scenarios Project 3.2 and those considered most relevant to rural regions are discussed briefly below to illustrate how they can be used by policy makers and practitioners when considering policy development.

The two scenarios relating to demography and migration paint contrasting pictures. In the *silver century* scenario the ageing process continues and immigration is tightly controlled resulting in a shrinking workforce and longer hours and higher taxes for those in employment. According to this scenario the political, economic and spatial balance of power will be increasingly dominated by older people and there will be a differential impact in different parts of the EU. The ageing process will be exacerbated in many rural areas due to increased outmigration of the younger population. The scenario will lead to an increasing division of space whereby young people are concentrated round urban employment centres and older people are distributed across suburban and rural areas. Naturally some rural areas will be favoured by wealthy retirees where they are in accessible locations and with high levels of service provision and quality whereas rural areas lacking these advantages will tend to retain the less mobile segments of their population. In the *open border* scenario the EU seeks to address the ageing of the population and the shrinking of the labour market by actively promoting immigration. There are positive impacts in the medium term in terms of a more balanced age structure and increased fertility rates though these trends are combined with increasing social tensions and conflicts particularly in some larger cities. There are increasing territorial disparities and population increases are generally confined to urban and suburban areas rather than rural (particularly remote rural) areas.

The transport theme also has two scenarios. The *more investment in motorways* scenario is a response to the unsuccessful modal split towards rail and maritime transport due to the lack of competitiveness of these modes. As a result the EU seeks to maximise the road infrastructure and to significantly increase it with new motorways and roads. Not surprisingly the scenario delivers significant economic benefits though these are outweighed by the significant environmental costs. Some rural and geographically peripheral areas located in proximity to major road corridors become more attractive business locations but experience increased conflicts between land-uses. Economic development becomes more dispersed though the benefits do not significantly impact on more remote rural areas particularly those on the Eastern external border of the EU. Densely populated

areas suffer increasingly from increased congestion and emissions and may rural areas suffer from damage to natural values and assets. The second transport scenario focuses on the *decoupling of economic development from the mobility of people and goods* and requires a combined strategy to promote long-term economic growth while protecting the environment. There is an active policy to limit road and short-distance air transport and promote alternative modes of transport. The policy results in congestion and economic difficulties in the short-term until structural adaptations in behaviour start to take place. The regions that tend to benefit are those accessible by rail (particularly high speed links), waterways and maritime transport and conversely those most negatively affected are those reliant on roads and air transport, including many rural areas. Small and medium towns in rural areas (particularly remote rural areas) continue to decline and become less attractive and the only rural areas that gain population are those particularly attractive to retired communities.

The two energy based scenarios focus on *Europe in a context of high energy prices* and *Europe after oil production peaking*. In the first energy scenario the dramatic increase in energy prices in the coming years is primarily due to an increasing imbalance between supply and demand. The trends have a negative impact on energy intensive activities and the increased transport costs (both passenger and freight) make many rural areas, particularly remote rural areas, less attractive and less competitive. Development becomes even more concentrated in the pentagon and activities and landscapes in many rural areas become transformed due to increased areas used for bio-fuel production and wind farms. The second energy scenario envisages the peaking of oil production in the next few years with the peak in gas production being reached approximately ten years later resulting in massive increases in prices and scarcity. The result is a slow-down in globalisation processes and the new paradigm requires the organisation of production and consumption systems at the meso-scale to minimise transport costs. In this scenario Europe will go into a deep recession and large urban centres will become increasingly dependent on their rural hinterlands. Rural areas will generally benefit as demand for bio-fuels increases and labour intensive agricultural practices return resulting in counter-urbanisation processes even in more remote rural areas.

The four economic scenarios represent different segments in the relationship between efficiency and competitiveness:

- Higher efficiency and competitiveness – lower equity and cohesion (Best foot forward scenario);
- Higher efficiency and competitiveness – higher equity and cohesion (Euro Tigers scenario);
- Lower efficiency and competitiveness – lower equity and cohesion (National Revival scenario);

- Lower efficiency and competitiveness – higher equity and cohesion (*Blühende Landschaften* scenario);

The *best foot forward* scenario will primarily benefit those regions that are already strong, primarily highly accessible regions (primarily situated in the pentagon) with the capacity to support high level services and activities. Many rural areas will experience further decline and there will be a dramatic transformation of rural areas generally. Agriculture will be concentrated in the areas where it is most competitive and other rural areas will experience dramatic changes in land-use patterns with reduced agriculture and increasing proportions of land for recreational or environmental use or simply abandoned. Regional disparities will increase under this scenario. The *Euro tigers* scenario would see the EU pursue economic competitiveness and territorial cohesion simultaneously at the EU level and will require radical restructuring in many rural areas with some rural areas being more or less written off in terms of an ability to contribute to the overall competitiveness of the EU. Cohesion is likely to increase at the EU level driven by larger centres outside the pentagon but is also likely to decrease at the national level. The *Blühende Landschaften* scenario is strongly focused on cohesion and support for the development of sustainability based and cultural heritage initiatives and clean and knowledge-based businesses in lagging regions. This scenario would result in the pentagon losing its competitive edge in global markets and a net loss in terms of efficiency for the EU economy. Rural areas would be relatively stable due to continued high levels of subsidies for agriculture. Finally the *national revival* scenario would result in decreased support for European co-operation and for policies promoting competitiveness and cohesion. The scenario would involve the re-nationalisation of many policy areas and increasing competition between member states. The impact would be most negative for smaller and less developed member states and disparities at the EU level would be likely to increase whereas disparities within countries may decrease over time. There would be a highly differential impact on rural areas with positive impacts in rural areas operating within a beneficial natural and economic context and negative impacts where natural and economic conditions are less favourable.

There are two scenarios elaborated under the governance theme: *Let a hundred flowers bloom* and *Divide and Rule*. The first governance scenario involves an integration of actors in the multi-level governance context of the EU and an increased focus on regions. In this scenario the functional integration of border regions increases moderately in the pentagon but significantly in the more peripheral areas of the EU. The most favoured regions in this scenario will be those located near borders and nationally peripheral locations, those with the capacity to develop cross-border co-operation and the regional capitals that benefit from increased devolution. In spatial terms, this scenario would see Europe develop in line with the bunch of grapes concept promoted by Kunzmann



and Wegener (1991) as a counterbalance to traditional conceptualisations of European space such as the Blue Banana (Brunet 1989) and the Pentagon (Schon 2000). The conceptualisation of Europe as a bunch of grapes promoted more dispersed patterns of development throughout Europe rather than the core-periphery conceptualisations that traditionally promoted north-west Europe as the motor for development resulting in increasing disparities compared to more geographically peripheral areas. In the *divide and rule scenario* national level actors dominate the policy context resulting in an increased focus on sector based policies and the reinforcing of the role of the national capitals, especially those in the pentagon. The lack of co-ordination of sector policies results in a weakly integrated EU and a reduction in territorial cohesion at the EU level.

There are also two scenarios developed for the enlargement theme: *Europe as a "marketplace"* and *Europe as a "Temple"*. The debate about enlargement is clearly central to the EU integration process and is characterised by the debate between deepening or widening the enlargement and integration processes. The first scenario represents the widening of the enlargement process and results in lower levels of integration and increasing disparities. In the temple scenario deepening is preferred over widening so that the enlargement process is slowed and the focus is on deepening integration between existing member states. The latter will result in a more rapid convergence in levels of prosperity as support is given to areas outside the pentagon.

Two scenarios are developed for the rural development theme: *Open market* and *Sustainable rurality*. In the former market forces significantly influence the development of rural areas and have a particularly strong influence on agriculture. EU support for agriculture and for rural areas generally has been reduced in favour of more competitiveness oriented areas and sectors. There will be a significant increase in intensification and commercialisation of agriculture in more accessible rural areas with the most fertile soil and there will be a significant increase in the average farm size and reduction in the overall number of farms in these areas. In rural areas adjacent to large urban centres there will be increased development pressure resulting in some socio-economic benefits but also increased congestion and other negative impacts for the existing rural population. Rural areas that are attractive for tourism or as retirement destinations will also face significant development pressures and many natural areas will become cultivated either by increasingly intensive agriculture or with bio-fuels. The potentially increased levels of cohesion at the EU level will contrast with a reduction in territorial cohesion in many national contexts as the socio-economic viability of rural areas will depend on their proximity to larger urban centres. Environmental protection, increased competition and territorial cohesion are all pursued simultaneously in the *sustainable rurality* scenario and as a result the impact is less severe than the impact of the open market scenario. The number of farms will decrease and size of farms increase but much more

gradually and there will be an increased focus on organic and regional products and landscape management supported by the EU. Agricultural areas will become more diversified and the extent and quality of natural areas will increase and stronger interactions will develop between urban and rural areas.

The two scenarios for the climate change theme reflect a reactive and a proactive approach to dealing with climate change. The first scenario focuses on *repairing instead of preventing* while the second scenario focuses on *anticipation of climate change by prevention measures*. In the former the key policymakers are reluctant to take potentially drastic preventative action due to a higher priority being given to other issues and adopt reparation measures only after events have taken place. There is therefore limited financial investment in the short-term but significant and increasing investment in the longer term as the economic impact of specific events and the increased costs of mitigating against further events more generally become apparent. The impact of this scenario on rural areas is different in different parts of Europe. Large parts of southern Europe become less attractive as temperatures increase. Increased drought reduces agricultural viability and leads to desertification and land abandonment in places. Further north rural areas become much more intensively used for food and energy production and tourism. In the anticipation scenario politicians and society are much more united in the drive to address climate change and strong mitigation measures have been taken that have resulted in a slight reduction in economic growth in the short and medium term. Increased use of locally produced energy has reduced external energy dependency and not only reduced energy costs but provided a competitive advantage for the EU in global markets. Agriculture and tourism in southern Europe have stagnated but the severe negative impacts of the open markets scenario have been avoided. The contrast between northern and southern Europe is more limited in this scenario.

The final theme focuses on socio-cultural evolution and integration with two contrasting scenarios *non-mastered socio-cultural integration* and *towards a sustainable multicultural and socially cohesive Europe*. As the name suggests, the first scenario results in increasing socio-cultural tensions between different income, ethnic and religious groups as public policies fail to ensure social cohesion, inclusion, integration and tolerance. The failure to integrate diverse groups into the labour market results in a falling employment rate which has significant negative consequences for economic development and contributes to a vicious circle as existing public services cannot be supported. The social tensions manifest themselves particularly in the cities and the rural areas in close proximity to cities come under significant development pressure as those who can seek to move out and commute into work. Retired people also seek to move to more socially quiet areas such as small towns and rural areas though the impact on more remote rural areas is likely to be limited. The overall picture is one of increasing polarisation and fragmentation with increasing levels of deprivation in

the cities and increasing environmental problems both in the cities and in the surrounding rural areas. The contrasting scenario for the socio-cultural theme relies on increased resources aimed at integrating people into the labour market through investments in education, training, social cohesion and culture. This will result in less people leaving cities thus decreasing the pressure on surrounding rural areas though accessible and attractive rural areas do experience some increase in population density. More remote rural areas have benefitted from the promotion of cultural identity and specific territorial assets and as a result have become more competitive and resilient.

The scenarios described here provide an illustration of how policy makers can consider the consequences of different courses of action and help to stimulate long-term strategic action. In addition they are a useful means of generating a dialogue among regional stakeholders and a useful aid to decision making. For the policy response to be effective there has to be an appropriate framework of policy implementation.

#### *Implementation*

Development paradigms usually strongly influence the implementation of development strategies. The advantages and limitations of top down and bottom up approaches to identifying regional potentials have been discussed earlier in this chapter. However, the question of top down or bottom up is also important in relation to the choice of strategy and the adopted approach to regional development. The approach adopted will depend on a variety of factors, not least the institutional and governance context within which the region is operating. Regions in some countries are constrained by prescriptive legislation, guidelines and policy options handed down from the national level whereas other regions have more flexibility to make the choices that can influence their future development trajectory. A comparison of some of the characteristics of top down and bottom up approaches is given in the table below.

Table 4: Top down or bottom up approaches

Principles	Top down approach	Bottom-up (grassroots) approach
Inter-generational equality	Quick fix approach to attracting investment and jobs; driven by short-term targets and political goals	Long-term approach to local capacity and asset building; emphasis on creating durable jobs
Social justice	Wealth creation ethic, linked to rhetorical attachment to trickle-down effect; wage reduction seen as acceptable way to create wealth and arguably jobs	Emphasis on socially valuable products and services, including rewarding training and jobs and liveable wage
Geographical equity	Competitive ethos, open trade, place marketing and focus on attracting exogenous resources irrespective of impact on other potentially more valuable assets	Attempts to create localised economy with fair trade terms both locally and externally and the avoidance of zero sum inter-locality competition.
Participation	Corporatist inclusion of large institutional investors, plus tokenistic engagement with community groups to 'buy' legitimacy	Engagement of local community with all stages of strategy from design to implementation and strong links to local democracy
Holistic approaches	Economic development delivers social wellbeing and environmental improvement; trickle down works, though targeted linkage schemes might be acceptable	Virtuous integration of attempts to improve local economic development, social conditions and the environment

Source: Haughton *et al* (1998)

In reality the framework for policy implementation is likely to be situated between the two with a combination of top-down and bottom-up approaches. The table above illustrates that top down approaches are potentially paternalistic and tokenistic in terms of participation and engagement and can employ devices to provide an illusion of participation seeking to legitimise a pre-determined solution. Such approaches are conducive to the efficiency or competitiveness based approaches discussed in the previous section and seek to generate maximum wealth and the attraction of exogenous resources. In contrast, bottom up approaches rely on local knowledge, capacity and actions and take a more long-term perspective and are more closely linked to the equity or cohesion based approaches discussed previously.

Policy implementation requires a combination of resources to be utilised. Hague *et. al.* (2011) distinguish between four approaches to policy and practice in local and regional development. In ideological terms these priorities can be aimed towards economic efficiency or social cohesion and sustainability objectives. Both priorities can be pursued by market-lead approaches. In cases where the market is weak or it is not expected to deliver the kind of development that stakeholders want, alternative non-market approaches are pursued. In most cases, however development approaches are mixed to achieve optimal outcomes. Four development approaches are discussed below.

**Development State:** When economic efficiency is important and market approaches can deliver development in the form and place that is wanted, pro-business competition towards attracting inward investment can be a development

strategy. State is very much involved in development under this scenario, because it delivers major infrastructure, provides tax breaks to inward investors, assembles and services land, invests in joint investment companies etc. The downsides of this scenario are possible environmental externalities, displacement of residents, distortion of local property and labour markets (Hague et. al., 2011: 67-91)

**Smart Planning and Regulation:** Smart planning and regulation of the market consolidates efforts towards eco-modernization. This strategy is effective when markets are strong and there are investors who are keen to invest. It is used for heritage and landscape conservation. The success of regulation and planning depends on the capacity of government, its human resources, technical capacity and knowledge. Smart planning and regulation scenario requires integration and coordination of public policy which might be easy to prescribe, but hard to deliver. Policy making in this scenario is evidence based, emphasis is placed upon environmental standards and effective regulation (Hague et. al., 2011: 67-91)

**The Project State:** In case of the Project State, the state is “hollowed out,” because it has limited resources to steer development. Instead it relies on partnerships, and time limited projects. The state is trying to sustain commitment beyond the projects. In some cases the state also provides incentives, such as soft loans and grants, so that others could follow the direction. The Project State approach is usually property led. It is effective when used for regenerating specific areas or sectors, such as real estate, development finance, budget management etc. In negative scenarios this strategy can lead to displacement of existing residents and small businesses. For the Project State strategy to be successful, it requires a creative class capable of creating visions, seeing new possibilities and building public/private partnerships. This strategy is unlikely to work in remote rural areas and small towns where market is very weak. Closed networks in small towns and rural regions can inhibit creativity. Change in local elites can discontinue public political commitment when projects end (Hague et. al., 2011: 67-91)

**Development Despite the State:** When market forces and state cannot deliver development in the form and place that is wanted, equity and inclusive pro-poor development strategies can be explored. Official plans or government can be irrelevant, out-dated or unsympathetic to informal sector and the poor, therefore alternative non-statutory plans may be used to focus community effort. Examples of *Development Despite the State* approach include training, networking and scaling up projects. Gender dimension is important in this approach, because women are effective in social enterprises, micro enterprises and NGOs. The problem with this approach is typically the lack of leadership, and incorporation by establishment. In small towns these approaches can lead to jealousies and the establishment of factions (Hague et. al., 2011: 67-91)

The elements described above represent the cornerstones for policy development. Strategies, development narratives, paradigms, options and policy responses and recipes for policy implementation depend on each other. The capacity of a region to undertake a certain strategy (strategic posture) depends on consensus about dominant development narratives and chosen framework of policy implementation, and vice-versa – a powerful strategic outlook about a region's future can influence key development narratives and provide solutions about policy implementation and governance. All key elements described above are summarized in the table below. The list of elements is by no means exhaustive. Narratives, policy options and scenarios provided here are rather general and are intended to provide a starting point for the reflection process. Stakeholders can put forward their own local adaptations of scenarios that are more relevant to local realities or skip certain elements if they feel that they are irrelevant to their specific of policy development needs.

Table 5: Development options, narratives and policy responses

<b>Dominant meta-narratives of rural change</b>			
	Agri-centric competition	Rural regions need to maximize their agricultural competitiveness	
	Urban-rural	Concentrate on rural and urban relations. Disparities between accessible and remote/sparsely populated rural regions	
	Global competition	Implications of increasing connexity and global trade liberalization	
<b>Policy options of rural development</b>			
<b>Territorial assets</b>			
<i>Place</i>	Amenity based development	Rural regions able to offer high quality environments, beautiful landscapes and cultural heritage that can attract urban dwellers to visit or reside there	
	Diffuse industrialization	Rural regions are able to attract industries despite lacking agglomeration economies	
	Exploitation of natural resources	Rural economies focus on harvesting and processing their oil, timber, mineral or water resources	
	Major public expenditures projects	Sparsely populated rural areas become places for projects that few people want to live near. Nevertheless, these projects can generate income and some economic activity	
	<b>Specific policy responses and scenarios</b>		
	Transport	More investments in motorways Decoupling economic development from the mobility of people and goods	
	Energy	Europe in a context of high energy prices and Europe after oil production peaking	
	Economy	<i>Best foot forward</i> <i>Euro Tigers</i> <i>Blühende Landschaften</i> <i>National Revival</i>	
	Agriculture	<i>Open market</i> <i>Sustainable rurality</i>	
	Climate change	Repairing instead of preventing Anticipation of climate change by prevention measures	
<i>People</i>	Demography and migration scenarios	<i>Silver Century</i> <i>Open Border</i>	
	Social and cultural integration scenario	Non-mastered socio-cultural integration Towards a sustainable multicultural and socially cohesive society	
<i>Power</i>	General governance scenarios	<i>Let a hundred flowers bloom</i> <i>Divide and Rule</i>	
	Applicability of models of policy implementation	<i>Development state</i> <i>Smart Planning and Regulation</i> <i>The Project State</i> <i>Development Despite the State</i>	
	Values of implementation	Top-down vs. grassroots implementation approaches	
	Strategy	Actions: <i>No regrets moves, options, dilemmas</i> Policy postures: <i>shape the future, adapt to future, reserve the right to play</i>	

Source: Interpretation of authors. Based on: ESPON Scenarios Project 3.2, ESPON ReRisk project "Regions at Risk of Energy Poverty, ESPON EDORA project, Courtney, *et al* (1999), Hague *et. al.* (2011), Pezzini (2003); Haughton *et al* (1998).

### C3. Methodology

PURR is a *stakeholder driven, targeted analysis*. The contents of the project are based on stakeholder demand. This means that the stakeholders identified the theme and focus 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 calls an "*inductive approach*"). This was an important baseline assumption laid out by the TPG in the application for the project. By adapting this bottom-up (BU) approach, the TPG implicitly recognises the differences between the stakeholder regions and allowed the regions to be presented in slightly different ways.

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. The methodology developed below 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 unique and extremely diverse. These differences influence the choice of analytical framework (methods), the empirical information adapted in each case and the resulting territorial potentials. In line with the concept of territorial capital discussed earlier, the TPG strongly believe that all regions re unique. 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.

Third, one of ESPON's requirements is that *the methodology developed in PURR should be based on previous ESPON research and data* (for example, the large Priority 1 projects), including typologies that were developed as a part of this research. We have applied ESPON information (section C2 and C4, and of course in section C5), particularly information (data and typologies) from EDORA, but also from other sources.

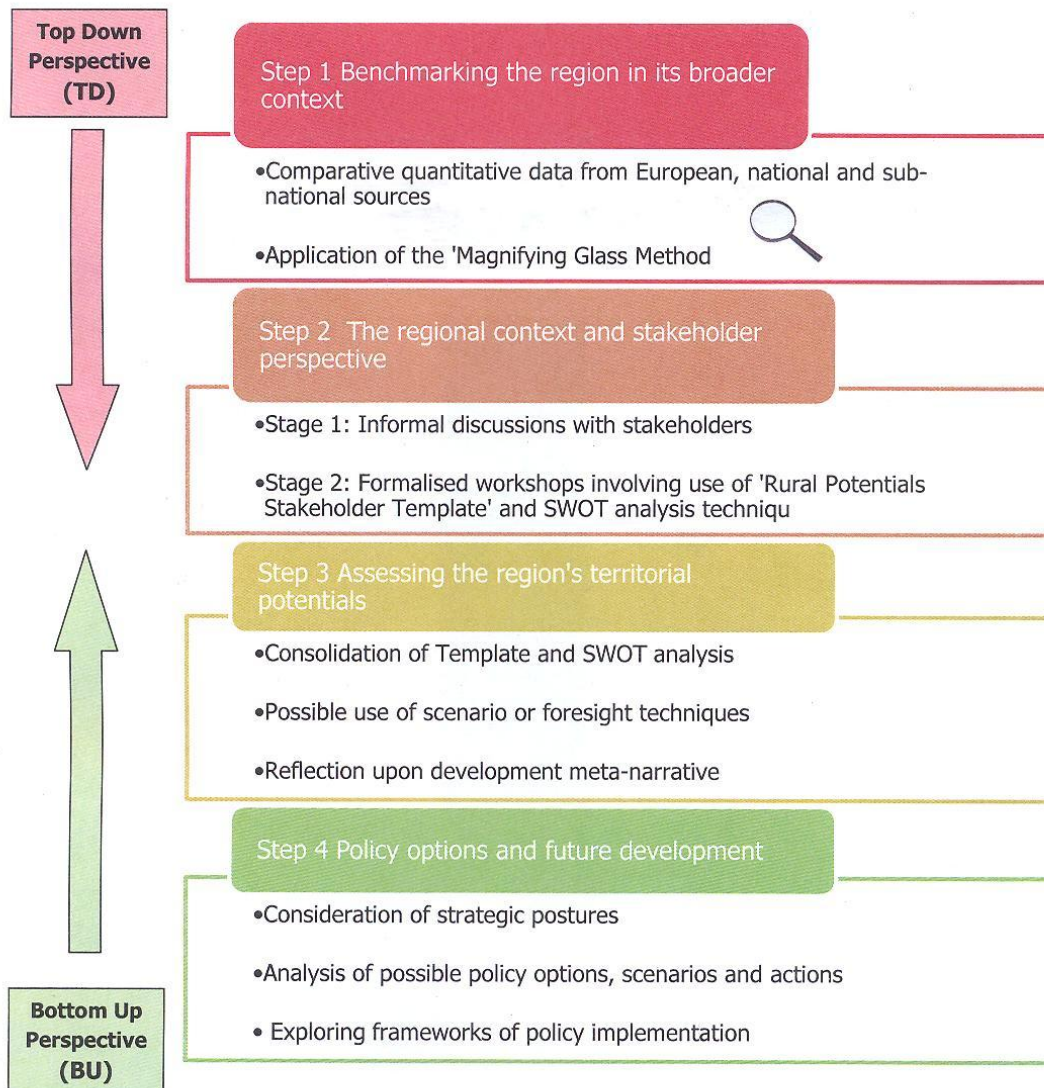
The methodology proposed can be summed up in four steps which have been applied to the five stakeholder regions. These steps are:

1. Benchmarking the stakeholder region in a broader (including European) perspective
2. The Regional Context and Stakeholder Perspective



3. Assessing the region's Territorial Potential
4. Policy Options and Future development

Figure 7: The PURR Methodology for Assessing Rural Potentials



Source: authors

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 (Bottom-Up) and TD (Top Down) approaches. We consider the proposed methodology relevant and coherent for assessing territorial potentials. The methodology should assist stakeholders to generate and organise information, data and knowledge from diverse sources with the aim of assisting them to identify the potential of their region. 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.

We have adapted different typologies when we have categorised the PURR regions according to the urban-rural concept. 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 the development potentials of the stakeholder regions 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.

### **Step 1: Benchmarking the Region in a Broader (including 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 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. In our view, a practical definition of a stakeholder region is a region that is interested in applying the PURR methodology in its quest identifying and achieving 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, 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<sup>4</sup> 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 territorial scale.

#### *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 the endogenous character of rural development and are therefore important for determining rural potential.

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<sup>4</sup> The Cambrian Mountains in Wales does for instance not correspond to any statistical or administrative area 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<sup>5</sup> 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. Three of the typologies developed in the EDORA project, the urban-rural typology, the structural typology and the performance typology were applied to the PURR regions to help to situate them within their European context and to allow comparison with each other and also with other European regions. In this way the regions were classified as intermediate (accessible or remote) or predominantly rural (accessible or remote) according to the urban-rural typology providing insights into their population density and proximity to large urban centres.

The structural typology was applied and the regions classified as: (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 the primary sector, % of GVA from the primary sector, and Agricultural Work Unit as share of total employment exceeds 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 the urban-rural typology and the structural typology the performance typology was applied. The composite regional performance indicator is 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 shows 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 demographic structure,

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<sup>5</sup> 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 - "ESPO 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.

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*

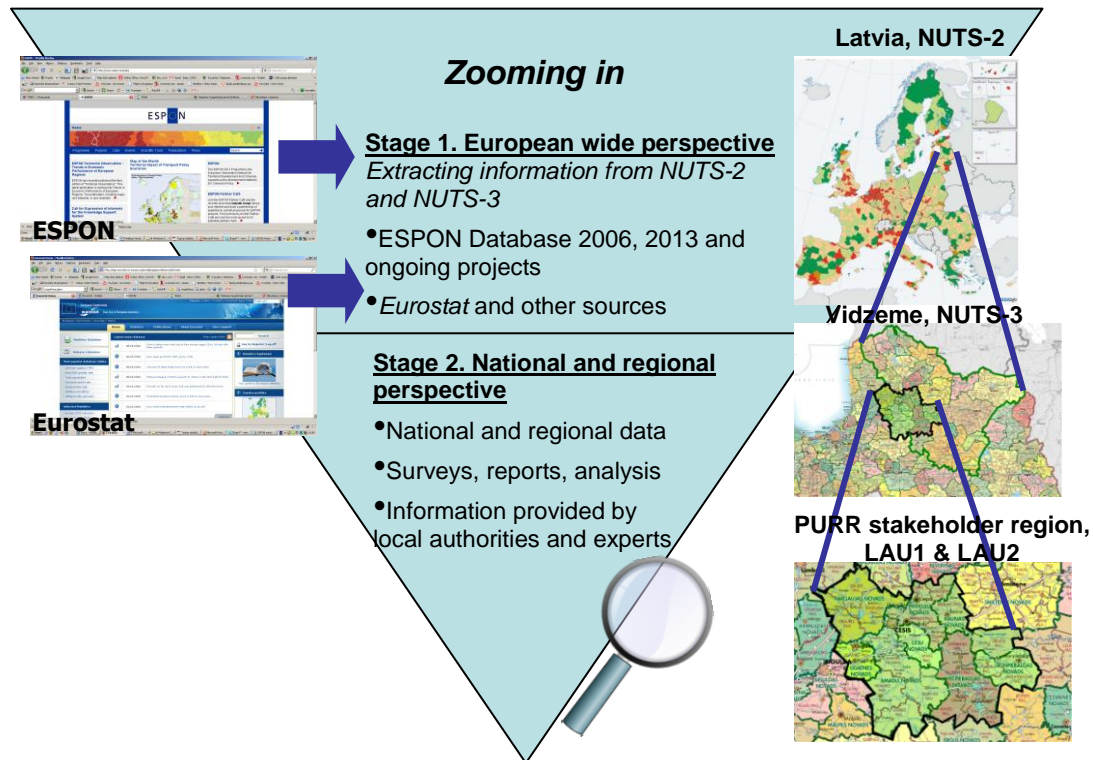
To overcome this problem, the TPG and the Lead Stakeholder of PURR (Notodden municipality) developed what we called *the magnifying glass method* for benchmarking the regions. The main purpose of this method is to apply ESPON data and typologies to the stakeholder regions even if the data and typologies 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, statistics and indicators were extracted from the following sources: (i) the overall ESPON Database of the ESPON 2006 and ESPON 2013 programmes, (ii) ongoing ESPON projects, (iii) Eurostat Regio Database, and other sources. Information about different typologies was also extracted from individual research reports using the information related 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 may be smaller than a NUTS unit. NUTS 2 and NUTS 3 data and typologies will therefore 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.

The application of the magnifying glass method in the case of the Latvian stakeholder region is illustrated below.

Figure 8: Application of Magnifying Glass Method to PURR's Latvia stakeholder region.



Source: authors

We apply data, indicators and typologies from European sources in stage one of the magnifying glass method. 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 provides a valuable and 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. Stakeholder participation in the identification and assessment of territorial potential has been seen as essential throughout the PURR project. 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 C5, 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 provide sufficient information to allow a thorough assessment of regional potential. 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 to 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 assess 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 regional 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, a two-stage procedure is proposed:

- 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 B3), which implies that the methodology should be flexible regarding anticipations and thus contents.
- 2 A more formalised and interactive set of organised where representatives from the TPG and the relevant stakeholders discuss questions regarding conditions for development, potential (negative or positive), development trends or opportunities, territorial potentials, and the road (including measures) towards utilising the territorial potentials. Guidelines to assist with the facilitation of these interactive workshops have been developed. In order to provide an analytical and conceptual underpinning for these workshops a Stakeholder Template for assessing rural potentials has been designed (see annex D3). The purpose of using the template is 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. It also provides a structured means of exploring the knowledges, skills, expertise and insights of regional participants regarding rural futures and potentials. SWOT analysis techniques are also advocated at this stage to organize and systematize findings. Stakeholder representatives on a "free" basis are asked to define the regions strengths, weaknesses, opportunities and threats.

This four-stage procedure is designed to ensure 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 primarily more qualitative "soft" information, but also "hard" information is drawn into the process to supplement the benchmarking analysis. Step 2 is necessary to be able to continue the analysis in Step 3 and Step 4. The rationale and structure of the template will now be discussed in more detail.

### **Rationale and Structure for the Stakeholder Template for Assessing Rural Potentials (STRUP)**

The Template component of the PURR methodology (see D3 Annex 3) is designed as an instrument to encourage grounded self-reflection by local stakeholders seeking to identify and assess the potentials of their rural areas and its alternative futures. The template provides a menu of themes and questions that can assist stakeholders in structuring their discussions, reflections and debates. As such the template is referred to as Stakeholder Template for assessing Rural Potentials (STRUP). In broad terms it instructs reflection on issues such as:



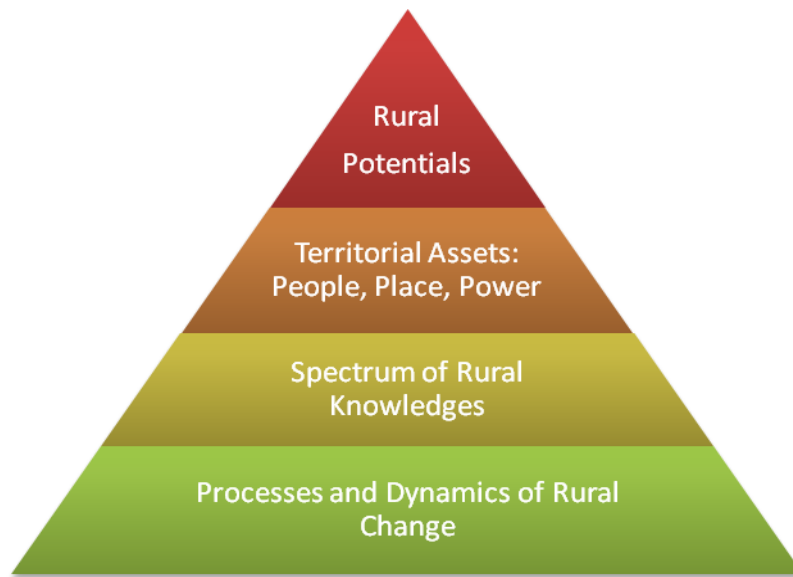
- What are the most important factors influencing regional rural development and potential in this region?
- What are the key territorial assets that provide opportunities or constraints for regional development?
- Which regional futures can be identified for the region and what are some of the policy options that could be pursued?
- How do we identify, harness and support regional potential?
- What are the main current and possible future policy responses, strategies and initiatives?
- What synergies, barriers or challenges to effective participation and collaboration can be identified between different actors and areas within the region?
- How does this regional potential translate in spatial or territorial terms in different parts of the region?

The STRUP seeks to present a series of data collection tasks, of both quantitative and qualitative nature, and is built upon and adapted from current thinking on concepts of regional potentials, territorial assets and analysis of processes and dynamics of rural change. It is envisaged that the STRUP will be used to inform and structure workshop meetings of local stakeholders with targeted brainstorming and visioning exercises. The information generated should then be consolidated with the broader Benchmarking analysis and data components from step 1 of the PURR 4 Step Methodology. The main outputs of the STRUP will be in the form of ideas and policy synergies between participants. The data and ideas generated by a cross-section of diverse regional stakeholders will provide useful insights and supplement data from other (primarily documentary) sources.

### **The design of the Stakeholder Template (STRUP): The Role of the Rural Potentials Pyramid (RUPP)**

It is important to explain the rationale to the structure of the Stakeholder Template and the thematic and systematic way in which data collection and questioning has been organised. The following Rural Potentials Pyramid (the RUPP) is a useful heuristic device for elaborating the concepts that underpin the Stakeholder Template and its questionings.

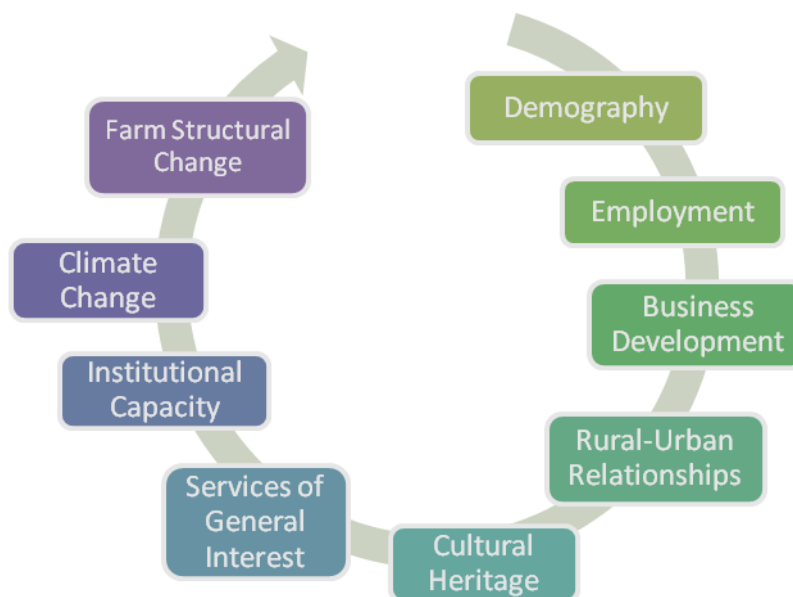
Figure 9: The Rural Potentials Pyramid (RUPP)



Source: authors

At the base of the pyramid and underpinning consideration of rural potentials, are contemporary **processes and dynamics of rural change** discussed in C2 and further illustrated in the figure 10 below. The EDORA analysis has usefully synthesized a range of rural development analyses and hypothesis concerning these dynamics into nine thematic areas. This work, alongside other reports into strategies of rural and regional development, provides a range of ideas and concepts that inform the RUP stakeholder template strategy.

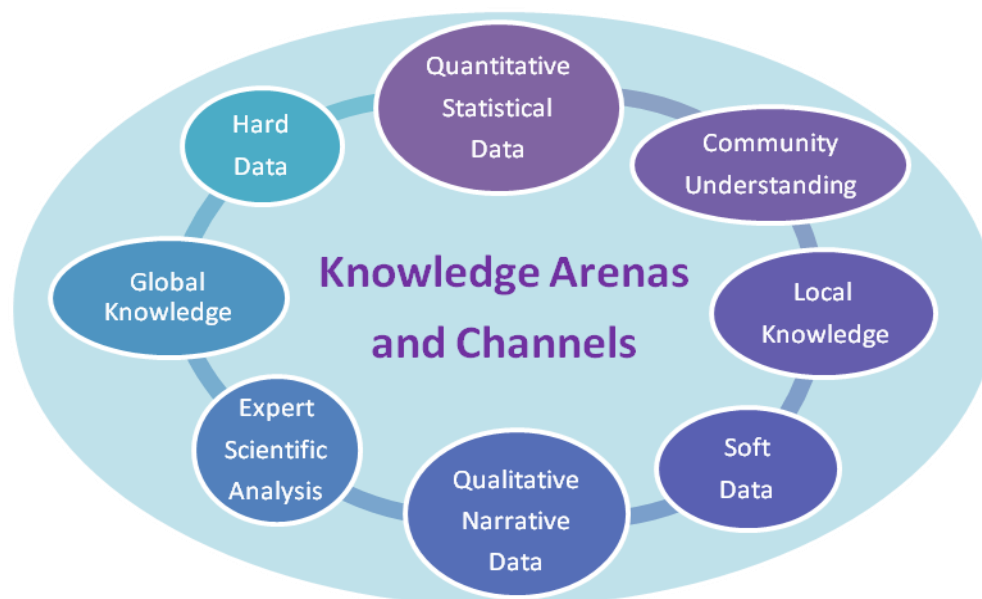
Figure 10: Processes of rural change: The EDORA thematic areas



Source: authors

However, such forms of academic and policy analysis form just one position across a **spectrum of rural knowledges** and experiences, a point made through the second layer of the pyramid. Again, as was discussed earlier and illustrated by the analogy with the satellite navigation system, the PURR methodology is explicit in the need to be sensitive to these other knowledges. They range from data and analysis grounded in 'hard' quantitative statistical indicators, to that targeting tacit and so-called 'soft' knowledges through qualitative and interpretative means. Such knowledges bring into view contrasts and differences between 'expert and 'lay' understandings, between global policy science narratives and discourses, and those understandings formed and embedded in local communities and business networks. These different forms of exogenous and endogenous knowledge work through a range of arenas and channels and provide participants with resources for their interests (see Figure 11). Such a spectrum of knowledges whilst sometimes complementary and sometimes conflicting is always crucial to understanding rural change and negotiating and envisaging rural potentials.

Figure 3: Spectrum of Rural Knowledges



Source: authors

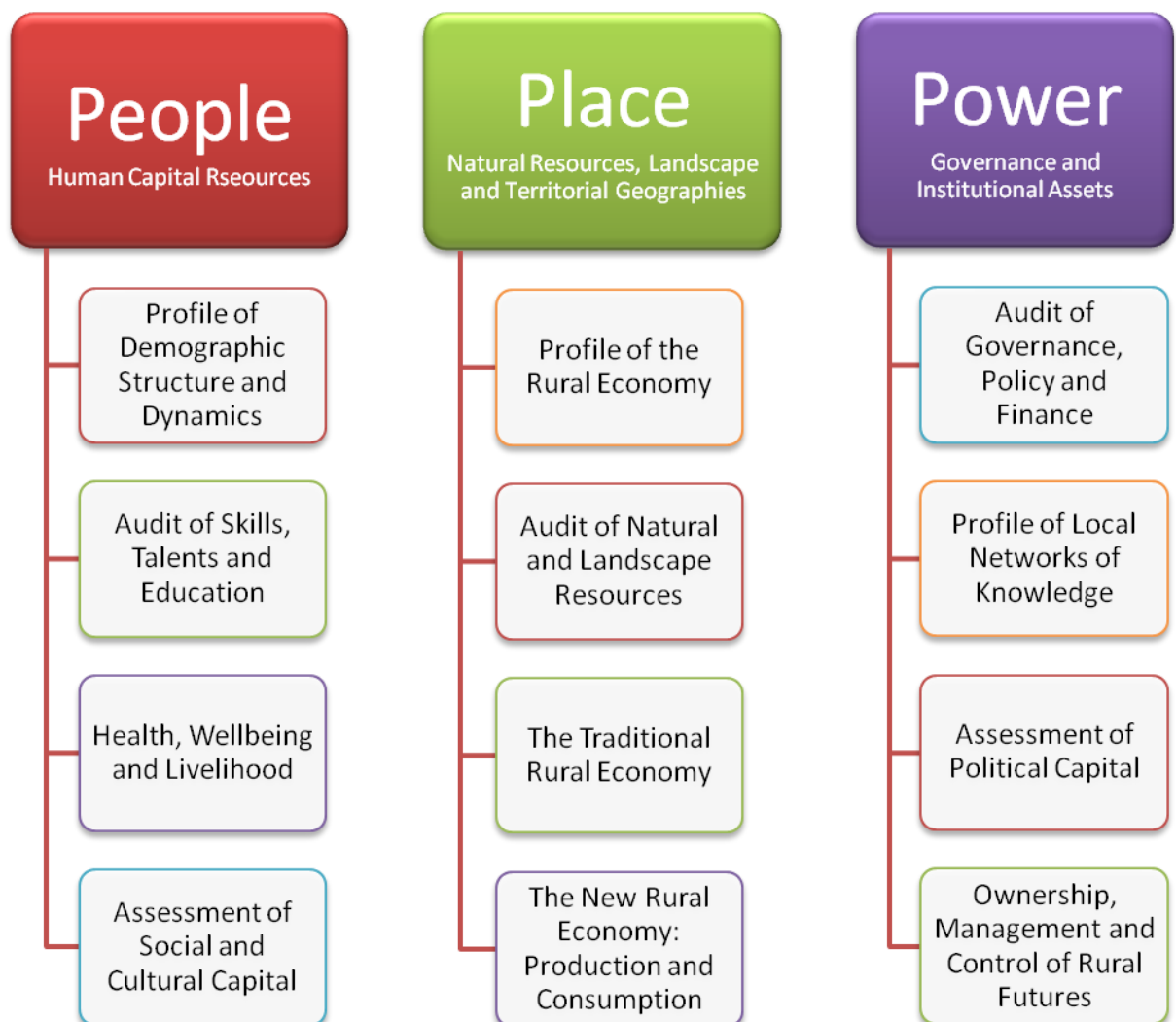
Upon these two preparatory layers of the pyramid rests its core strategy for considering rural potentials. This directs stakeholders to appraise and evaluate the territorial assets of their area through three thematic areas: **people, place and power**. These build upon and develop the TeDi approach (ESPON 2010b) to identifying and harnessing endogenous assets and potentials, as well as the OECD (2001) understanding of a region's territorial capital.

- The **people** heading focuses knowledge collection and analysis on the importance of local human capital resources to the areas potentials and futures.

- The thematic stream of **place** directs attention to the stakeholder region's natural resources base, natural and cultural landscapes, built infrastructures and its internal geographies and territorial positioning vis-à-vis other strategic areas.
- The final stream, that of **power**, focuses on the importance of knowledge arenas, policy structures, channels, networks and institutions of governance, and relationships of power, political capital and ownership to a rural area's future potentials and development pathways.

In turn, we then structure each thematic stream into strategic enquiry under four sub-headings, as shown below, the rational for which we now turn to.

Figure 12: People, Place and Power: Analysing Territorial Assets



Source: authors

## 1 *People as a Territorial Asset*

People provide a self evidently important starting point for any consideration of a rural regions future potential. The four sub-thematic areas of the RUP stakeholder template attempt to explore different components and approaches to people as a territorial capital or asset.

The first sub-heading focuses on the need for a statistical audit of any stakeholder region's **demographic profile, structure and dynamics**. As was outlined in more depth above, population is a complex driver of change. Such an audit should reveal: key dynamics of growth or decline: structures of age, sex and ethnicity; class profiles; population densities and regional geographies. This provides a platform for a SWOT analysis of the areas human resource base.

The second sub-heading takes this further by provoking an assessment of what traditional labour market analysis would describe as the key features of human capital – an audit **of skills, talents and education** amongst the local population. This again would principally be achieved through statistical means. However, such notions of skills and talents also invites consideration of not just more tangible indicators, such as formal education and training outputs, but also more intangible assets held by the local population, such as entrepreneurial culture and innovativeness, life and work experiences.

The general **health, wellbeing and livelihood** of an areas people are also important to realising future potentials and the third sub-heading invites reflection upon this. Statistics of tangible measures of such issues, such as health records, wealth, income, wage levels, worklessness and so forth, will be an important contribution to the discussion. Moreover, this section provokes analysis of the local population's access to services of general interest, alongside whether these are being met and how might they be met in the future. The notion of wellbeing also involves consideration of less tangible features, such as community morale and psychological strengths and weaknesses.

The final sub-heading invites stakeholder engagement with what in many ways are less tangible people assets but attributes that nevertheless form crucial elements for any potential rural future: **an assessment of social and cultural capital**. Drawing on Brathwaite (2009), amongst many authors, the notion of social capital tries to capture forms of social organisation, such as networks and norms of trust, co-operation and mutual assistance that exist in communities and which strengthen social cohesion. Such bonding and bridging structures play important roles in servicing and provision of community needs as well as strategies of community reliance which are important to future potentials. Closely linked to social capital is the notion of cultural capital. This seeks to capture the features and importance of shared attributes, characteristics, values and tacit knowledges of local people. The existence of vibrant festivals, languages, organisations across civil society and the like provide one means of understanding the importance of these more soft and intangible territorial assets.

## 2 *Place as a Territorial Asset*

The concept of place enables a different angle into territorial assets possessed by stakeholder regions. It tries to capture the physical geographies of the territory, its built infrastructures and settlement structures, landscapes and natural resources. Such geographies are important considerations in terms of people's access to services, both now and in the future and will emerge in discussions of such themes. Additionally, in terms of assessing rural potentials, it provokes questions of what forms of economic activity are currently supported by these geographical features and landscapes? It also invites consideration of what might be supported in the future, given an evaluation of key strengths and opportunities.

The first sub-heading seeks to address the first of these questions by inviting a statistical **profile of the rural economy** currently supported by this landscape. Analysis of key sectors, employers and activities, indicators of productivity, output and gross value added, employment levels and so forth, provide grounding for any consideration of potential future rural economic trajectory.

The second sub-heading seeks to promote an **audit of natural and landscape resources** across the region: what assets exist, how are they being used and what potential uses might be made of them? Such an audit should provoke wide ranging and creative thought. Some such assets are more tangible and easy to recognise, such as minerals reserves, water and forestry resources and farming land. Similarly tangible are built infrastructures, such as road and rail networks, air and port facilities, communication infrastructures, settlement and community facilities and the like. Some forms of cultural assets also have a more tangible character, such as archaeological remains, historic monuments, sacred and religious sites and may play important roles in terms of regional potentials. However, some landscape assets will be of less tangible. Atmospheric conditions and landscape geographies may offer potentials in terms of future energy production and eco-system services delivery, but also other more subjective sensual features, such as stillness, tranquillity, darkness and beauty. The aesthetics of landscape will of course feature strongly in tourism and other regional marketing strategies.

The remaining two thematic areas attempt to further direct appraisal of how place assets may underpin rural economic potentials. As was discussed in the earlier review of existing rural analysis, a key theme is the distinction between traditional 'productivist' activities that have underpinned rural livelihoods, notably farming and food production, mining and forestry, as opposed to the emergence of a New Rural Economy of more diverse 'post-productivist' and consumption based activities.

The first analysis provokes stakeholders to consider the strengths, weaknesses and opportunities by activities of **the traditional rural economy** in their area. Viabilities of agriculture, mining and forestry are complex and involve

consideration of volatile global markets for primary products, ownership and supply chain relationships and subsidy regimes. Nevertheless, they remain a central feature in any consideration of potentials.

Equally, however, structural changes to the rural economy and how existing and new producers and consumers are responding to such challenges are pivotal to rural potentials. The **new rural economy** stream of enquiry focuses in this direction. Partly, it examines new roles and responses by traditional producers, as they adopt more diverse activities, often related to landscape, wildlife and environmental management, and seek new markets for traditional products. Partly the focus is on new and potential entrants and economic structures and activities. These potentials in turn can be plotted against a spectrum of **production** and **consumption** goods, services and activities. It raises reflection on potentials linked to such things as: new agricultural products and markets; new business activities linked to communications and IT technologies; renewable energy supply potentials; eco-system goods and services; rural tourism, recreation and leisure; housing, health and personal services.

Running in and across all the above place based evaluation of rural potentials will be two important strands of thought. Firstly, the impacts of processes of climate change and the threats and opportunities this provides in terms of rural livelihoods. For example, significant climate change may threaten traditional agricultural practices, whilst at the same time enabling new ones. Moreover, as public policy and private investment and subsidy increasingly focus on the ways in which landscapes can contribute to processes of climate change adaption and mitigation so there may be new rural potentials grounded within so-called eco-system goods and services. Secondly, it is important to locate a sense of the territorial positioning of the area vis-à-vis other neighbouring areas as well as wider national and global networks of connection, and the competitive advantages and markets opened-up through such geographies.

### *3 Power as a Territorial Asset*

The realisation of ambitions concerning rural potentials is of course also a question of the political capacity of a region and its key stakeholders to affect change; the organisational ability to marshal resources of power in and across policy regimes and networks of governance, as well as access investment and funding streams. Territorial assets in this regard constitute the third stream for analysis and reflection.

Rural areas will be located within a hierarchy of governance institutions and existing policy ambitions which produce key discourses of future change and its possibilities and what will be supported through public funding and finance. A key initial step, therefore, is to construct an **audit of governance, policy and finance** structures, the key political narratives they contain and how the region is configured strategically in relationship to these. The importance of this first step relates strongly to also developing a clear **profile of local knowledge**

**networks and arenas** through which the potentials of the region can be articulated and pursued. These will range in style and formality across public, private business and community third sector organisations. Some will have more hard characteristics, others more informal and soft. Moreover, many will have a fluid and shifting character, never fixed, but subject to different degrees of intensity and effectiveness depending on the energies and synergies of key participants.

The thickness, or not, of institutional structures and forms of co-operation and mutual support that they offer are a key territorial asset and important in realising regional potentials. They, therefore, form one part in a broader **assessment of political capital**, which forms the third form of directed stakeholder reflection. This focuses on the ability of the region to influence wider networks and the local distribution and use of financial and other resources. The impact of contemporary and anticipated processes and geographies of state restructuring will also impact upon these political capacities. The notion of political capital asks where does power lie and arenas need to be entered into in order to capture it. Moreover, it asks at what geographical scale are different rural potentials most effectively influenced and the kinds of political alliances that might be necessary to encourage them.

The final issue for stakeholder reflection is to consider issues of **ownership, management and control of rural futures**. What business models and ownership structures for the local economy and forms of service delivery best provide for rural potentials? What should be the future role and balance between traditional share owning business models and associated values of profit, enterprise, individualism and competitive entrepreneurialism, as opposed to alternative forms of voluntary and community social enterprise, co-operative ownership and so-called associative forms of entrepreneurialism?

### **Application of the RUP stakeholder template**

The Stakeholder Template (STRUP), in the form of detailed questions relating to People, Place and Power (PPP), is presented in Annex 3 (D3).

The STRUP is a tool to be used by regional stakeholders to stimulate and facilitate a process of grounded self-reflection to assist in the identification of regional potential. In relation to the application of the STRUP the following issues need to be considered by the stakeholders (and the experts) applying the template:

- How will the STRUP be applied? Who is answering these questions? In what formats and at what stage? (different stages in planning, strategizing, scenario building)
- How should participants fill out the template? Individually/collectively or a combination of both?



- In what order should they answer the questions? Can they skip questions that are not relevant to them? If so, do they provide reasons for skipping these questions?
- Do we offer only open-ended questions or some questions are closed or Likert's scale type? Are answers coded in some way, so they can later be processed and analysed more easily?

Clarity is also required as to how the answers to the questions in the STRUP should be interpreted. This template provides great potential for interpretation. By asking the questions in the template we are trying to avoid "thin knowledge" resulting from observations of "external map maker", "consultant" and the template encourages a more participatory processes. However, the more tacit the knowledge is, the more insightful and careful we have to be in interpreting that knowledge. Relevant questions here include:

- Should template answers be collected and analysed in some systematic pattern? Is there some sort of score for each question that is counted to calculate the overall potential of "People", "Place" or "Power"? Or are we adopting a less structured approach?
- Are answers to specific questions leading participants to some "typologies" which describe their situation? And if so, do these typologies enable them to act more wisely than they are currently acting?

A final issue is how STRUP stakeholder template answers are to be transformed into policy options. After the STRUP is completed, we have inputs from participants that we can interpret and use for developing policy options. The question is how can this be done most effectively? One possibility is to start by locating regions according to the perceived relevance of EDORA meta-narratives (globalization, urban-rural relations, agri-centric) and use this to determine an appropriate policy mix. Strategic postures could be identified in relevant areas, prevailing development paradigms and policy implementation styles (through "power" section of the STRUP or asking some additional questions) and finally, their possible actions in cohesion/competitiveness scenarios could be considered taking into consideration their frameworks of policy implementation.

### **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, 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 and assets. 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.

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.

The assessment of the regions territorial potential will be underpinned by strategic SWOT analysis structured around the people, place and power themes discussed above. The analysis will involve the further consolidation of dialogue with stakeholders in the previous step. In addition, the analysis could involve the application of scenario and foresight techniques that will help to frame the discussion and allow stakeholders to consider the implications of different options, priorities and decisions. There will also be an element of reflection and the various development meta-narratives can be useful mechanisms here as a means of contextualising the analysis in its broader context. The analysis will allow the identification of possible synergies and conflicts between the various challenges and opportunities available and provide a basis to formulate ideas for future development perspectives and trajectories.

#### **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?

It is likely that 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 most appropriate and effective 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 for instance be to use spatial 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 more effectively as a part of a strategy towards utilising the territorial potential. Again, such strategies by 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 section C5 of this report we discuss this in more detail for the individual stakeholder PURR regions. Below, we present some general views on the systematic use of scenario techniques, which might be adapted as a part of Step 4. There has been considerable EU funded work undertaken on scenarios. Scenario development is increasingly used as a means of generating and framing a debate among stakeholders and assisting them to appreciate the potential consequences of certain actions. Though it was beyond the scope of the PURR project to rigorously apply scenario development techniques to the case studies, some elements have been applied by way of illustration.

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 less 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 for which stakeholders are unprepared. In some cases, stakeholders react weakly to the changing internal and external context and are explicitly opposing policy innovation, new technological opportunities and new markets. This scenario has been labelled as a defensive scenario in ESPON Span-3 project (ESPON 2010c).

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 the broader debate about territorial cohesion and competitiveness at the national and EU levels. Both considerations are very important in policy making, and have been accompanied by extensive debate in

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 increasing economic growth, via improved efficiency and competitiveness. Cohesion-oriented policy options place social, economic and territorial cohesion as top priority in all areas. Priority is given also to environmental and health related concerns. In a cohesion based scenario 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 increasing prosperity in 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 increased. At the same time, it has been recognized that Europe lags behind America and Asia in terms of lower expenditure on R&D, more limited venture capital, lower levels of labour and capital mobility, and innovation. The Lisbon Strategy marks a point of departure for a more decisive orientation of EU's economy towards becoming the most competitive knowledge-based economy in the world. Competitiveness oriented policy options places competition as the key objective of all policies. It seeks to invest in areas and sectors with 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. efficiency 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 do 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 Central and Eastern Europe but also increased disparities between more developed and less developed regions in Europe. In response to financial and economic recession the European Commission proposed 10 year strategy for reviving the economy - Europe 2020 (EC 2010b). It set three mutually reinforcing priorities for increasing Europe's competitiveness in the world: 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). The Fifth Cohesion Report supported the Europe 2020 strategy and highlights 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 the EU or national levels 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 perspectives. To achieve this objective, territorial diversity first had to be acknowledged and then turned into strength, as the Green Paper on Territorial Cohesion stated (EC 2007a). This stance symbolized a departure from traditional approaches which focused on remote rural areas as “permanent handicaps” and “additional costs.” (ESPON 2010b) Instead a strategy focusing on endogenous development was advocated where regions sought to increase the competitiveness of their local assets and capitalize on existing 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 both within and beyond national borders.

In a post-recession economy, policy options in PURR rural regions are to a large extent influenced by interventions from the public sector. These interventions have already changed the 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 an exit from the present deficit of Member States budgets in the form of indirect public expenditure or appropriate regulatory policies, the creation of new sources of aggregate demand such as 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 the provision of internal infrastructure, far looking regulatory policies, structures of economic incentives and regional policies (ESPON 2010c)

Since these policies are in fact policy packages, they largely depend on successful planning and implementation at local, regional, national and EU levels. In today’s world of increasing interdependency, opportunities and vulnerability to external risks 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. The cooperation and coordination capacity of governments are important determinants of policy outcomes. Unlike traditional styles of governance which emphasize hierarchy, multi-level governance emphasizes the involvement of many stakeholders in each level of authority (Böhme et. al., 2004). Policy making should also address issues of different sectors (cross-sector governance). Successful territorial governance therefore combines these cross sector and multi-level aspects of governance and leads to strategic vision and policy making for the territory.

To summarize, central to the design of policy options and the assessment of policy impacts is the interconnection of strategic vision of local and regional

stakeholders, the influence of diverse storylines and paradigms and the framework for policy implementation.

1. **Strategies.** Strategic postures of regions relate to the approach and type of actions that they choose to undertake and can be proactive, reactive or passive.
2. **Development narratives, paradigms, options and policy responses.** Invoke values and narratives that help to determine paths according to which development can be best achieved.
3. **Implementation.** The chosen framework of policy implementation determines the approach taken by stakeholders when implementing the regional development strategy.

Three dimensions determining structure for scenarios and policy framework are interconnected. The capacity of a region to undertake a certain strategy (strategic posture) depends on consensus about dominant development narratives and the chosen framework of policy implementation, and vice-versa – a powerful strategic outlook about the region's future can influence key development narratives and provide solutions about policy implementation and governance. The most relevant of the scenarios developed in the context of the ESPON Scenarios Project 3.2 and discussed in C2 (including themes such as transport, energy, economy, agriculture, climate change, demography and migration, social and cultural integration and governance) were used to help frame discussions in the context of dilemmas of cohesion and competitiveness. In addition the three rural development narratives offered by EDORA project and four options for rural development were considered to be specifically relevant to the potential of rural areas. In order to address implementation dimension, values and models of policy implementation were included into the scenario framework.

### **Summary of the PURR four step methodology**

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 two-stage procedure to gather this information. This involves informal discussions (stage 1) followed by more formalised work-shops with key agents in and across the region, using a Stakeholder Template (STRUP) and SWOT analysis for

discussing the results of the benchmarking process with the stakeholders and evaluating rural potentials.

*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. Analysis undertaken in step 3 can be usefully consolidated and structured using a SWOT analysis in line with the people, place and power themes identified in the Rural Potentials Pyramid (RUPP).

*Step 4 Policy Options and Future Development:* The purpose of this step is to discuss which actions to take to achieve the territorial potential, within the general framework of the available options. This step might include a discussion of possible scenarios as discussed previously.

These steps together represent the methodology that has been applied to the five PURR regions in section C5, 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 and hope that the PURR Methodology and Stakeholder template (STRUP) 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.

#### C4. Benchmarking of the PURR stakeholder regions using ESPON and other relevant data

The benchmarking process conducted as Step 1 in the PURR Methodology involves situating the PURR regions in their broader European and national contexts and comparing them with each other and with other regions in ESPON space. The benchmarking process starts with comparing relevant indicators and typologies based on information found in databases and various reports.

##### *Overcoming data gaps – the magnifying glass method*

Data collected at the European scale is 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, such territorial units are not always the most relevant ones for territorial development. Lower administrative levels, or other, non-administrative spatial units, might be more functional and therefore also more relevant for planning and development purposes. The Cambrian Mountains in Wales does not

correspond to any statistical or administrative are within the UK governance structure. Thus, the PURR stakeholder regions are not on the same (or similar) spatial level, nor are all of them administrative units within their national systems of governance. In addition, stakeholder regions differ in size, economic structure, demographic structure, rural structure and in many other ways.

Therefore, benchmarking of stakeholder regions using only data collected on NUTS 2 and NUTS 3 territorial units cannot provide accurate results. To overcome this limitation, the two stage *magnifying glass method* discussed in C3 was applied. This method compensated for missing knowledge at NUTS-2 and NUTS-3 territorial scale and helped to acquire higher resolution information where it was missing. A summary of elements from the benchmarking of the PURR regions is provided below for comparative purposes. The table also informs the reader of the link between the different PURR regions and respective NUTS regions and other statistical and administrative units that are used in the discussion that follows.



Table 6: PURR stakeholder territories

Stakeholder region	United Kingdom					Norway	Latvia
	Dumfries and Galloway	North Yorkshire	Cambrian Mountains		Notodden and Tinn	Amata and surrounding areas	
Statistical unit type	NUTS-3	NUTS-3	Functional area		Sub NUTS-3	Sub NUTS-3	
Code	UKM32	UKE22	UKL1		NA	NA	
Area size (km <sup>2</sup> )*	6,426	8,038	1,958		2,963	2,975	
Population for statistical unit (2010)	148,190	599,700	16,771		18,433	56,000	
Statistical units for which data are extracted at <i>Stage 1</i>	NUTS-2	South Western Scotland	North Yorkshire UKE2	West Wales and The Valleys UKL1		Sør-Østlandet NO03	Latvia LV0
	NUTS-3	Dumfries and Galloway UKM32	North Yorkshire CC UKE22	Powys UKL24	South West Wales UKL14	Telemark NO034	Vidzeme LV008
	Area size (km <sup>2</sup> )	6,439	8,038	5,179	5,775	15,299	15,257
	Population (2010)	148,190	599,700	131,313	662,900	169,185	234,005
Areas for which information is collected at <i>Stage 2</i>	Sub NUTS-3	Former Annandale and Eskdale, Nithsdale, Stewartry and Wigtown district council areas ...	Craven, Harrogate, Selby, Ryedale, Scarborough, Hambleton and Richmondshire district councils and Yorkshire Dales and North Yorkshire Moors national parks	Area identified as part of Cambrian Mountains Initiative		Notodden and Tinn	7 local rural municipalities ( <i>novads</i> ) Amata Rauna, Jaunpiebalga, Vecpiebalga, Ligatne, Priekuli, Pargauja  and 21 LAU2 areas- <i>pagasts</i>

\*Area sizes for 2006 according to ESPON 2006 Database.

National or regional typologies are relevant for stakeholder regions adds explanatory value to the benchmarking performed at European level. The magnifying glass method involves looking more closely into the stakeholder region than European data allows. It is therefore difficult to limit the magnifying glass method only to Step 1 of PURR general methodology – *Benchmarking* as Step 2 “*The Regional Context and Stakeholder Perspective*” is a continuum of Step 1.

#### *Selecting relevant data*

These factors are captured by statistics and indicators, which are indirect measures of issues and are developed for a certain purpose. Composite indicators combine indicators into single indexes by means of mathematical calculation summarizing underlying dimensions of the issue and policy at stake. Different typologies also provide powerful insights for issues and policies. Some variables reflect the territorial situation or the impact of the policies that have a territorial

impact, such as, accessibility for example. Variables can also be used to present trends and disparities.

While the use of ESPON results in *Step 1* of general PURR methodology focuses more on capturing the key spatial characteristics of regions, the analysis in *Steps 2 and 3*, provides a more issue-based interpretation of data. In addition, the temporal dimension is accounted for in cases where it is deemed relevant, such as in case of GDP change and demographic scenarios.

The choice of data for the benchmarking of stakeholder regions in a broader European perspective is based on general territorial challenges, such as demography, economy, energy, climate change, environment hazards, transport infrastructure, and social and cultural transformations. These challenges have been highlighted in European spatial development scenarios (ESPON 2006a).

Territorial challenges have been addressed by different policy responses and orientations. Cohesion oriented responses have emphasized the need for balanced territorial development approaches, quality of the environment, accessibility and inclusion which leads to a reduction in disparities. Competiveness based approaches on the other hand emphasize the need for innovation and competitiveness to achieve a degree of concentration (critical mass) for development, and the transformation to a "new economy," based on knowledge and innovation.

Indicators for benchmarking were therefore selected to reflect these general policy considerations. Indicators which measure specific issues that are relevant for territorial cohesion included: natural heritage and environment, climate and natural hazards, accessibility, human development index, environmental hazards, social and cultural affairs. Numerous potential cohesion indicators have been suggested by the ESPON INTERCO project which is developing a knowledge base for measuring territorial cohesion (ESPON 2011a). Many of these indicators are also considered here.

To measure issues that are relevant for competitiveness policy responses, economic measures, including GDP statistics, innovation and R&D were chosen. In addition, indicators illustrating area structural types, demographic trends, energy, and climate change were used to provide overall characteristics of stakeholder regions.

Indicators reflecting networking and cooperation dimensions in transport and accessibility and governance were also selected.

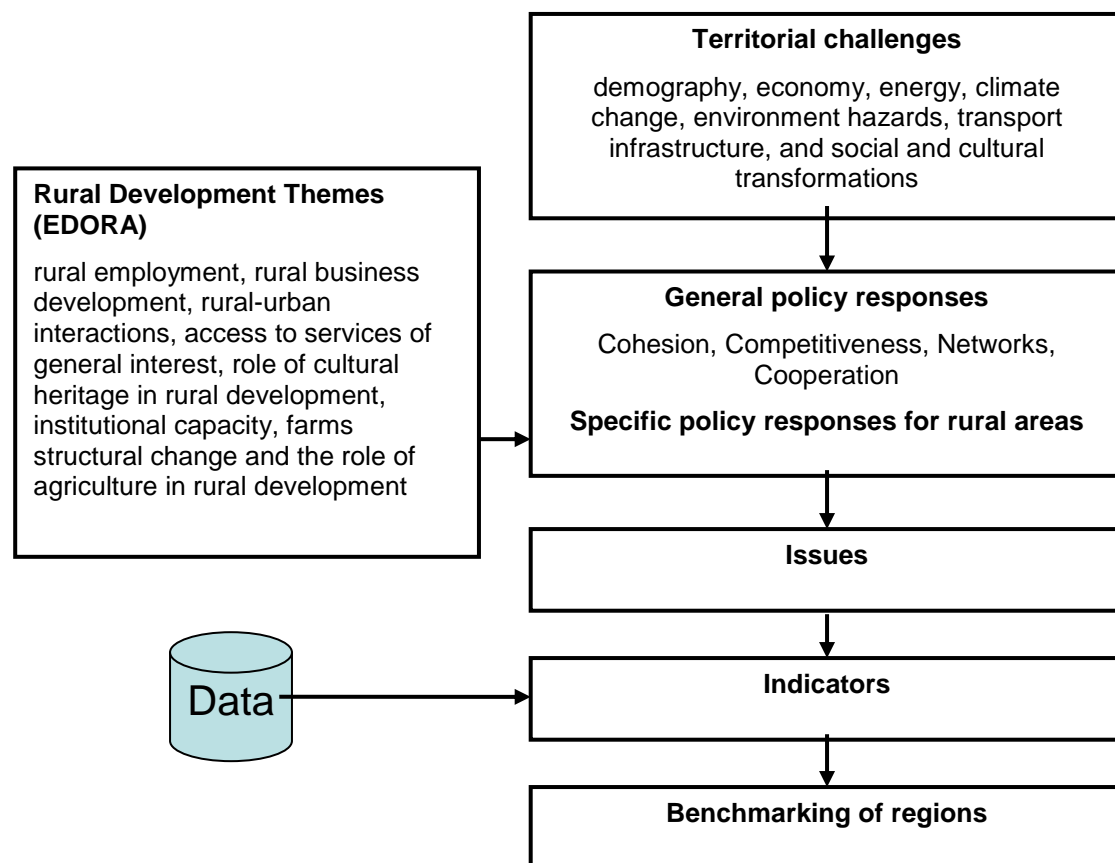
The development of rural regions has several specific themes highlighted in the EDORA project. In addition to general territorial challenges such as demography and climate change, EDORA examines issues of rural employment, rural business development, rural-urban interactions, access to services of general interest, role of cultural heritage in rural development, institutional capacity, farms structural

change and the role of agriculture in rural development. These themes are examined at a higher resolution during *Steps 2 and 3*, while *Step 1* provides a general comparison of stakeholder areas according to combined typology of rural areas developed by EDORA. This is done to account for diversification of rural economy, interaction with urban areas, and their economic performance. EDORA data was used to describe and compare PURR regions with each other and also with other European regions.

Ultimately eight themes were selected for the comparison of the PURR regions: (1) *Economy*, (2) *Demography*, (3) *Transport, accessibility*, (4) *Natural assets, Environment, natural hazards and climate change*, (5) *Energy*, (6) *Rural areas*, (7) *Social and cultural affairs and cultural heritage*, (8) *Governance*.

Figure 13 below shows the choice of relevant data and indicators for benchmarking of the stakeholder regions at the European level.

Figure 13: Choice of data and indicators for benchmarking based on territorial challenges and policy responses.<sup>6</sup>



Source: adapted by authors from INTERCO project

Indicators for benchmarking were retrieved from Eurostat, and ESPON data base.<sup>7</sup> Selected indicators are listed in Table 7.

<sup>6</sup> Adapted from INTERCO Project. See, ESPON (2011). *Interco. Indicators of territorial cohesion. Interim Report*, p. 18.

Table 7: Selected Indicators for Benchmarking

Category	Indicators	Available at:		Source and reference of data or typology
		NUTS 0,1,2	NUTS 3	
Economy	Lisbon performance measurement	X		
	GDP/capita	X	X	Eurostat Regio
	Employment	X		Eurostat Regio
	Unemployment		X	Eurostat Regio
	Total R&D expenditures	X		Eurostat Regio
	Median disposable annual household income	X		Eurostat Regio
	Share of tertiary educated people	X		Eurostat Regio, CLIMATE
	Human Development Index	X		UNDP Human Development Report
	Happiness Index	X		Report by the Commission on the Measurement of Economic Performance and Social Progress
	Happy Planet Index	X		NEF
Demography	At risk of poverty rate	X		Eurostat Regio, EUROISLANDS
	Population	X	X	Eurostat Regio
	Urban-rural population	X		Eurostat Regio, DG Regio, DG Agri
	Population density	X	X	Eurostat Regio, METROBORDER
	Life expectancy	X		Eurostat Regio, EUROISLANDS
	Population change	X	X	Eurostat Regio,
	Dependency ratio	X	X	Eurostat Regio, EUROISLANDS
	Ageing Index	X	X	Eurostat Regio
	Life expectancy at birth	X		Eurostat Regio, EUROISLANDS
	Typology of the demographic status	X		ESPON Database, Eurostat, NSI
Transport, accessibility	Future perspectives on population development	X	X	DEMIFER
	Multimodal accessibility	X	X	RRG, ESPON Accessibility update
	Potential accessibility by air	X	X	RRG, ESPON Accessibility update
	Potential accessibility by rail	X	X	RRG, ESPON Accessibility update
	Potential accessibility by car to population and to GDP	X	X	RRG, EU Parliament Cohesion study
	Households with broadband access	X		Eurostat Regio
	Access to nearest national roads (min)	X	X	RRG, EU Parliament Cohesion study
	Access to nearest railway station (min)	X	X	RRG, EU Parliament Cohesion study
	Population potential 50 km	X	X	RRG, EU Parliament Cohesion study
	Areas in 45 minutes reach from an urban	X	X	ESPON 1.1.1.

<sup>7</sup> 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 ESPON 2013 programme projects, such as EDORA, DEMIFER, ReRisk, TeDi and others was used. ESPON Territorial Observations, Synthesis reports and Scientific reports were used as quick reference to maps and summaries of relevant typologies.

	center			
	Distance to next MEGA	X	X	ESPON 1.1.1.
	Workers commuting to another NUTS-2 region	X		Eurostat Regio
	Regional GVA in industries with high energy costs	X		ReRisk
		<b>Available at:</b>		
<b>Category</b>	<b>Indicators</b>	<b>NUTS 0,1,2</b>	<b>NUTS 3</b>	<b>Source and reference of data or typology</b>
Natural assets, environment, natural hazards and climate change	Land cover		X	ESPON 1.3.2., Corine 2000, 2006
	NATURA 2000 areas	X	X	5 <sup>th</sup> Cohesion Report, EEA
	Ecological footprint	X		Global Footprint Network
	% of green space and open space per inhabitant		X	EEA
	Greenhouse gas emission	X		ESPON 3.3. Eurostat Regio
	Summer smog: ozone	X		Eurostat Regio, EEA
	Summer smog: PM10 concentrations	X		Eurostat Regio, EEA
	Residence density, settlement density		X	EEA
	Urban pressure		X	ESPON 1.3.2.
	Urban influence and human intervention		X	ESPON 1.1.2
	Land fragmentation		X	ESPON 1.3.2.
	Share of natural and seminatural areas and population density		X	ESPON 1.3.2.
	Share of areas with high ecological value	X		Eurostat Regio
	Natural hazard potential		X	ESPON 1.3.1.
	Impact of climate change	X		Lautenschlager et. al, ESPON 2013 Database
Energy	Share of industrial consumption of electricity	X		ESPON 2.1.4
	Dependency on industries with high energy spending	X		ESPON ReRisk
	Energy poverty	X		ESPON ReRisk
	Share of employees in industries with high energy purchases	X		ESPON 2.1.4
	Energy self-sufficiency and price sensibility	X		ESPON 2.1.4
	Renewable energy consumption	X		Eurostat Regio
	Wind power potential	X		EEA
	Solar energy output	X		JRC, Sunbird Database
	Future perspectives	X		ESPON ReRisk
Rural development	Contribution of Agriculture to GVA		X	ESPON 2.1.3.
	Agricultural work productivity		X	ESPON 2.1.3.
	Farm structure		X	Eurostat Regio
	Urban-rural typology		X	EDORA
	Structural typology of rural areas		X	EDORA
	Performance of rural areas		X	EDORA
	Future perspectives for rural areas		X	ESPON 3.2., EDORA
Cultural heritage				
	Share of population in cultural professions		X	ESPON 1.3.3.
	Demand and supply of cultural resources		X	ESPON 1.3.3.
	Density of monuments		X	ESPON 1.3.3.

	Main functions of culture		X	ESPON 1.3.3.
		<b>Available at:</b>		
<b>Category</b>	<b>Indicators</b>	<b>NUTS 0,1,2</b>	<b>NUTS 3</b>	<b>Source and reference of data or typology</b>
Governance				
	Basic governance structure	X		ESPON 2.3.2.
	Structural dimension and relationship dimension	X		ESPON 2.3.2.
	Horizontal coordination and relationships	X		ESPON 2.3.2.
	Horizontal and vertical performance	X		ESPON 2.3.2.
	World Governance Indicators	X		World Bank
	Electoral participation	X		Eurostat Regio

Source: authors

### *Main results of the initial benchmarking exercise*

While all stakeholder regions are rural they show different characteristics while also sharing some common characteristics. The main results of the benchmarking are given below and then the various themes are each discussed in more detail.

#### Key issues:

- PURR regions differ significantly in terms of economy size, structure, performance and cohesion;
- The financial and economic recession has impacted on the stakeholder regions in different ways;
- GDP per capita in the pre-recession period for Vidzeme region was between 26-50% of EU average, North Yorkshire scored slightly above EU average and Dumfries and Galloway and South West Wales scores slightly below EU average;
- According to the structural typology only Vidzeme of the PURR regions has an agrarian economy;
- The majority of rural areas in UK and Norway are classified as consumption countryside
- Vidzeme is experiencing rapid population loss, poverty risk and social inequalities, South Western Scotland is experiencing slower population loss and population s expected to increase in Sør-Østlandet, North Yorkshire and South Western Wales;
- Vidzeme and Telemark are classified as predominately rural remote areas whereas PURR areas in UK are generally in closer proximity to larger cities and are therefore classed as more accessible;
- The PURR regions have diverse landscape and natural characteristics;
- Climate change will impact the PURR regions in different ways;

- Energy challenges appear to be most challenging for Vidzeme, which has rather low energy self-sufficiency and high price sensibility. The UK and most of Norway has low price sensibility and high self sufficiency;
- Geographically peripheral rural regions will need support policies, since they are have limited capacity to implement energy efficiency measures and invest into renewable;
- Rural development paths and economic structures are becoming increasingly diverse. The rural development meta-narratives elaborated by the EDORA project suggests that they offer more opportunities for the UK and more challenges for Telemark and Vidzeme.

The individual themes will now be discussed in more detail.

### **Economy**

At the European scale the economy is concentrated primarily in capitals and agglomerations. A significant East-West divide between old and new EU Member states still exists. Countries in which PURR stakeholder regions are located show different levels of economic performance which obviously influences the performance of the regions themselves.

Employment rates in Europe are higher in the Northern part of Europe, Benelux countries and in the UK. Since 2000 many regions in Europe have experienced employment growth. At the same time many regions with high employment rates also experienced a decline in employment. Unemployment in Europe is strongly correlated with GDP. In the post-recession economy regions with highest unemployment (above 10%) are located in Southern Spain, Southern Italy, and Eastern part of Germany. Some regions in Poland, Hungary, Slovakia and Greece also have high unemployment. Unemployment is lower in Norway, some regions in the United Kingdom, Belgium, the Netherlands and capital city regions in Eastern Europe. Disposable household income is higher in old EU member states and Norway and considerably lower in Eastern Europe.

According to composite Lisbon performance measurement, which combines seven indicators, such as GDP/capita (PPP), employment rates, R&D expenditure, unemployment, the countries within which the PURR regions are located showed different level of performance. In 2006 there was high economic performance in Sør-Østlandet region in Norway (1,5-2,0) and North Yorkshire (1,5-2,0) in England. Both regions scored near the highest quartile of European Lisbon performance measurement. PURR areas in Wales and Scotland were above EU medium performance (2,0-2,5), whereas Latvia performed below the EU average (2,5-3,0). From 2000-2006 all PURR regions increased their relative performance, especially Latvia and South Western Scotland which showed strong improvement in a European context (<0,4). North Yorkshire and Cambrian Mountain areas also showed improvements in relative performance (0,4...0,1), but in Norway relative performance remained unchanged (0,1...-0,1).

In 2008 regional GDP per capita in EUR amounted between 25,001-30,000 EUR in North Yorkshire and Dumfries and Galloway, and 10,001-15,000 in the Cambrian Mountains. Regional GDP per capita was the lowest in Vidzeme (4,000-5,000 EUR). When expressed as a % of EU average, regional GDP of Vidzeme was between 26-50% of EU average in 2008. North Yorkshire scored slightly above EU average (101-125%), whereas Dumfries and Galloway (76-100%) and South West Wales (51-75%) scored slightly below EU average. When expressed in PPS, regional GDP showed similar results.

From 2000-2008 all PURR regions with the exception of the part of the Cambrian Mountains located in Powys experienced growth in GDP/capita while Powys experienced decline (-1 to - 5%). Vidzeme experienced the highest growth in GDP/capita (from +101 to 150%). Although the growth was high in a European context, one has to remember that GDP growth in Latvia started from a very low level. GDP / capita growth in PPS was more modest in North Yorkshire, Dumfries and Galloway and South West Wales (from +26% to +50%).

An investigation of regional GDP over time shows that GDP/capita growth in PURR regions was most uneven in Latvia due to considerable economic and demographic differences between the capital Riga and other regions, while in the UK GDP dispersion among NUTS-2 regions is lower than the EU27 average. Economic disparities between the Latvian capital and the provinces have increased over time. Estimations provided by the ESPON FOCI project suggest that from 1995 – 2004 GDP per capita ratio has increased by about 0,62 for the capitals of three Baltic States Riga, Vilnius and Tallinn.

After experiencing significant economic growth from 2000-2007 Latvia's economy went into substantial decline in 2008-09. Among all PURR countries Latvia experienced largest surge in unemployment. Unemployment level after recession was significantly lower in PURR regions in Norway and England, whereas in Scotland and Wales the unemployment rate was slightly higher, but still far below Latvia's unemployment level (ESPON 2010d).

The unemployment rate in Vidzeme for 2009 remained high in a European context and it is also the highest among PURR regions (21-25%), followed by the Cambrian Mountains and North Yorkshire (6-10%). Unemployment was only 1 to 10% in Telemark and Dumfries & Galloway. Unemployment in Vidzeme increased by 6 to 10% from 2000-2009, mainly due to the recession. In other regions unemployment grew slower. In North Yorkshire unemployment grew by 1 to 5% from 2000-2009, but in Telemark and Dumfries and Galloway it actually decreased (0 -4%)

The employment rate among those aged 15 to 64 in 2009 was the highest in Norway (Sør-Østlandet region) and in North Yorkshire (71-75% of population). In South Western Scotland the employment rate was between 66-70%. In Latvia and in the Cambrian Mountains the employment rate was between 61-65%. At



the same time rural regions where employment level was high experienced a decline in employment from 2000-2009. North Yorkshire experienced a decline between -1 to 0 % and Sør-Østlandet region between -3 to -2%. Regions in the Cambrian Mountains and South Western Scotland and Latvia experienced an increase in the employment rate from 2000-2009.

Disposable household income of private households measured as purchasing power is considerably higher in Norway and UK than in Latvia. Disposable household income in 2007 was between 5,001-10,000 in Latvia; 17,501-20,000 in North Yorkshire, 15,001-17,500 in South West Scotland and 12,501-15,000 in West Wales and the Valleys. While household income in Latvia has considerably increased from 2000-2007 it is still significantly lower than EU's average in absolute terms.

The contribution of agriculture to GVA is relatively low in Europe generally though there are significant differences in PURR regions. In terms of economic structure, only Vidzeme region can be described as typically agrarian. Most rural areas in UK and Norway are described as consumption countryside areas, which mean that they are more economically diversified or have stronger secondary and services sectors.

Employment in wholesale and retail trade, hotels, restaurants and transport as share of total employment in 2007 (NUTS-2) is similar to average level in EU. It is higher in Dumfries & Galloway and Vidzeme (26-30%), but lower in North Yorkshire, West Wales and the Valleys as well as in Sør-Østlandet region in Norway (21-25%). The employment in these sectors has increased from 2000-2007, especially in Vidzeme.

In terms of economic performance according to EDORA typology Telemark and North Yorkshire are performing strongly and are classified as accumulating regions, South West Wales and Powys score above average in EDORA performance rating. Dumfries and Galloway scored below average performance, but Vidzeme is only PURR area which is depleting.

The share of tertiary educated people in 2009 was highest in North Yorkshire and but lower in South Western Scotland, West Wales and the Valleys, and Sør-Østlandet (31-35%). In Latvia the share of tertiary educated people was between 21-25%. R&D expenditure as a percentage of GDP in 2006 was between 1 and 2% in UK and Norway accounting and less than 1% in Latvia.

To assess territorial cohesion of the PURR areas, several indicators associated with social and economic well-being were selected. All these indicators are available in NUTS-0 level.

The Human Development Index (HDI) calculated by UNDP ranks countries by life expectancy, education and per-capita GNI. Generally HDI have increased in European countries though there are considerable differences among countries.

Index values for 2010 suggest that in Europe there are five groups of countries demonstrating different levels of HDI. Highest performers are Norway, Sweden, Ireland, Netherlands and Germany. Norway was also the best performing country world-wide in 2010. Belgium, Switzerland, France, Spain, Iceland and Finland are in the second group. The third group of countries consists of Austria, Italy, Czech Republic, Greece and the UK. The final two groups of countries demonstrate lower HDI on European scale. These countries include the Baltic States, Poland, Slovakia, Slovenia, Hungary, Portugal and, Croatia.

It is possible to observe three distinct levels of HDI in PURR areas in 2010. While Norway shows the highest human development performance in the world (0,89-1,00), and UK demonstrates HDI level above European average (0,85-0,86), Latvia's HD score is lower (0,77-0,78). It is also lower than HD scores for neighbouring Estonia and Lithuania.

Among PURR areas Latvia had the highest poverty risk with 22-26% of population living with 60% of the national equivalent median income in 2009. In UK poverty this measure is 17-19%, but in Norway only 11-13%. The proportion of population in persistent risk of poverty is measured against 60% of national median income. The percent of population at risk of poverty is highest in East European countries, especially in Latvia, Romania and Bulgaria. On the other end of the spectrum are Czech Republic, Slovakia and Norway.

Since GDP measures cannot account for all aspects of development, including also for the personal and social well-being of population, several wellbeing indicators were also applied to assess PURR regions.

In terms of overall well-being, Scandinavian and Alpine populations express higher levels of overall, personal and social wellbeing compared to the more recent EU entrants. In Norway the happiness index (2007) showing overall subjective wellbeing in scale from 0 to 10, was above European average (5,7-5,8), while in UK it was lower but still on European average (5,1-5,2). Similar trends can be observed in case of personal wellbeing. In terms of social wellbeing UK scores a bit lower than the European average (4,9-5,0). No such data was available for Latvia.

However, according to Happy Planet Index which incorporates ecological footprint, life-satisfaction and life expectancy, countries with PURR stakeholder regions and most European countries showed similar scores overall. According to the Happy Planet Index (HPI), Latvia received higher score (36,7), followed by Norway (40,4) and United Kingdom (43,3). Life satisfaction (from 0 to 10) was higher in Norway (8,1), followed by UK (7,4) and Latvia (5,4). Higher overall happiness score according HPI can be explained by lower ecological footprint (3,5). In Norway ecological footprint value was 6,9, but in United Kingdom it was 5,3 in 2005. Key indicators of economy are examined in Table 6.

Table 8: Key Economic Indicators

NUTS-0

Dimension	Indicator	United Kingdom	Norway	Latvia	Year (s)
Cohesion	Human Development Index	0,85-0,86	0,89-1,00	0,77-0,78	2010
	Population in persistent risk of poverty (population share with 60% of the national equivalent median income)	17-19%	11-13%	22-26%	2009
	Overall subjective well-being (0 to 10)	5,1-5,2	5,7-5,8	NA	2007
	Happy Planet Index	7,4	8,1	5,1	2005
Competitiveness	R & D expenditure (% of GDP)	1-2%	1-2%	0-1%	2006

NUTS-2

Dimension	Indicator	South Western Scotland	North Yorkshire	West Wales and the Valleys	Sør-Østlandet	Latvia	Year(s)
Competitiveness	Lisbon performance indicator	Above medium performance 2,0-2,5	High performance 1,5-2,0	Above medium performance 2,0-2,5	High performance 1,5-2,0	Below medium performance 2,5-3,0	2006
	Share of tertiary educated people	31-35%	36-40%	31-35%	31-35%	21-25%	2009
	Disposable household income	15,001-17,500	17,501-20,000	12,501-15,000	NA	5,001-10,000	2007

Key Economic Indicators (continued)

NUTS-3

Dimension	Indicator	Dumfries and Galloway	North Yorkshire CC	Cambrian Mountains, Wales		Telemark	Vidzeme	Year (s)
				South West Wales	Powys			
Competitiveness	Regional GDP (EUR)	25,001-30,000	25,001-30,000	10,001-15,000	10,001-15,000	33,500 (2007)	4,000-5,000	2008
	GDP growth 2000-2008 as %	+26...+50%	+26...+50%	+26...+50%	-1%...-5%	40,8 (1999-2007)	+101...150%	2000-2008
	Unemployment	1-10%	6-10%	6-10%	6-10%	1-10%	21-25%	2009
	Unemployment change 2000-2009 as %	0...-4%	+1...+5%	+1...+5%	+1...+5%	0...-4%	+6...+10%	2000-2009
Structure of rural economy according EDORA typology		Diversified (Market Serv.)	Consumption Countryside	Consumption Countryside	Consumption Countryside	Consumption Countryside	Agrarian	2009
Performance of rural economy according EDORA typology		Below average	Accumulating	Above average	Above average	Accumulating	Depleting	2009

## Demography

Population growth is slowing down in Europe. Soon it is expected to peak, but later go into decline. Population decline is strongly linked with ageing. European regions can be grouped in three categories according to their demographic profiles and scenarios. There are regions which experience challenge of ageing. In these regions population is ageing but population decline is compensated by positive net migration rate. A high share of elderly people and low education levels impair the functioning of regional labour market and constrain development of the regional economy. Second group of regions face the challenges of labour force. In these regions population is younger, but it lacks employment opportunities. These regions are losing population through natural balance and out-migration. Third group of regions experience general challenge of decline. These regions have negative population development due to low fertility rates and negative net migration. The proportion of older workers (above 55 years) is significantly higher than in the rest of ESPON space and the share of younger adults (20-39 years) is below average. Therefore, these regions face problems in maintaining sustainable social welfare systems, since their workforce will be declining.<sup>8</sup>

Among PURR regions Vidzeme belongs to group of regions which face challenges of decline. Regions with similar characteristics are located in Bulgaria, parts of Greece, Eastern part of Germany, Central Sweden, parts of Hungary, Eastern Finland also in Estonia. PURR regions in UK and Norway fall into intermediate category closer to regions that might experience challenges of ageing with stagnating natural balances but positive net migration. Nevertheless PURR regions are in better position than regions in Northern Italy, Southern France, Northern Spain and Portugal where challenges of ageing are more visible.

All PURR areas experience negative natural population balance. While Dumfries & Galloway, North Yorkshire, Cambrian Mountains and Telemark experience general population increase, this is mainly due to positive migratory balance. Vidzeme region shows strong signs of population depletion with negative migratory balance and negative natural balance. In addition Vidzeme is a region with significant international out-migration. Domestic migration patterns in PURR regions mainly reflect urbanization and sub-urbanization processes. In UK migration flows between neighbouring regions dominate, whereas in Latvia and Norway migration flows are more directed towards the dominant capital city. Overall these migration trends reinforce mono-centric development in countries dominated by the capital city.

Variations in demographic situation of PURR stakeholder regions can be summarized using a typology elaborated in the DEMIFER project. The typology in DEMIFER distinguishes between seven types of regions which are affected

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<sup>8</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, p. 60.

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 the NUTS-2 level.

According to DEMIFER, the 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 a 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 geographically peripheral regions.

In Western and geographically peripheral regions of Norway, the 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 Southern Norway was between 0-0,5%. According to DEMIFER this increases "family potential." Family potential also increases in some regions of Central England. However other regions in South West England also face challenges of ageing, where the proportion of the older age groups is significantly higher than in other parts of ESPON space. At the same time 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. Dumfries and Galloway, North Yorkshire and Telemark region in Norway show negative natural population development.

Average life expectancy at birth in Europe is between 72 to 84 years. New member states have a significantly lower life expectancy than old member states. In Norway and North Yorkshire life expectancy is between of 81-82 years, while in Latvia between 72-75 years. In South Western Scotland life expectancy was in the range of 76-78 years, but it was higher in the Cambrian Mountain (79-82 years). In general life expectancy tends to be lower in UK than in Southern European regions.

Ageing indexes and old age-dependency ratio (pop. 64 + / pop. -15) is higher for Vidzeme than for other PURR regions (1,26-1,50), though it is lower than in Northwest Spain, Italy, Greece, Bulgaria, and in East Germany, where ageing levels are even higher. Old age dependency ratio is below EU's average for Telemark (0,76-1). Data was not available for UK.

Population densities are typically lower in Northern Scandinavia and the Baltic States. Non-urban regions have rather similar population densities which are

higher among secondary and tertiary cities. Internal disparities in population density between territories are considerable in Norway and Latvia, but less pronounced in UK. In Vidzeme and Telemark settlement density was low - 0-2,5% of urban fabric in regional area. At the same time the ratio of urban-rural population (2008) is high in Latvia and also in South Western Scotland and East Wales which is a sign of population concentration in agglomerations. In North Yorkshire the rural population exceeded urban population in 2008. According to DG Agri typology (2004) which builds on OECD's measure of population density at the local level at 150 inhabitants / km<sup>2</sup> and the share of local units of a certain type within the region, Dumfries and Galloway, Powys 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.

The residential structure of PURR regions correspond to rural areas with small and medium sized towns. According to the typology of regional types of urban-rural spatial patterns elaborated by 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 a polycentric region with high urban densities. The same is true for Powys in Wales. Telemark is described as a 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 medium sized towns, whereas parts of it are remotely rural. No data for Norway was available in this project. However, similar regional typology used by OECD in 2005 identified Telemark also as a predominately rural region. Most regions in Scotland and Norway are characterized as predominately rural according in OECD's typology.

It is important to consider demography from a temporal perspective. In the trend scenario produced by Eurostat, the population projections describe the possible future demographic developments assuming that the forces that counted in the past will mostly continue to work in the future. According to Eurostat projection, population size will increase in Sør-Østlandet, North Yorkshire and South Western Wales, but it will decrease in South Western Scotland and Latvia (See, Figure 14).

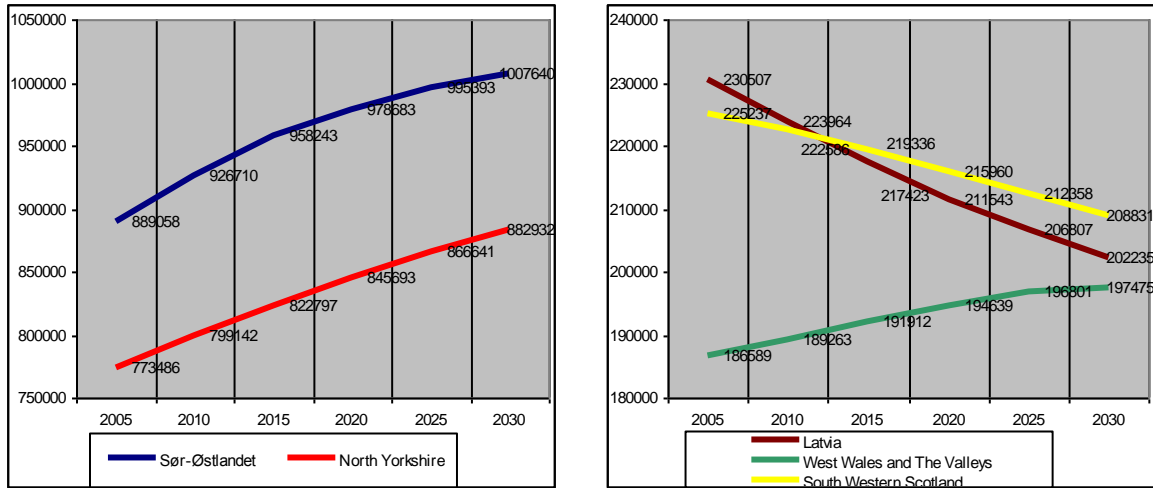


Figure 14: Population projection in trend scenarios in PURR regions.  
Source: Eurostat.

The DEMIFER project offers several scenarios for migration impact on population in the next 40 years (2005-2050). In the status quo scenario the demographic regime remains unchanged. In the "No Migration" scenario, population in regions change due only to births and death. 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 results of DEMIFER model show 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 the 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, according to DEMIFER model. Main population trends in PURR regions are summarized in Table below.



Table 9: Key Demographic Indicators

NUTS-2

Indicator	South Western Scotland	North Yorkshire (including York)	West Wales and the Valleys	Sør-Østlandet	Latvia	Year (s)
Typology of the demographic status	Euro Standard*	Euro Standard	Euro Standard	Euro Standard	Challenge of decline	2010
Population size	2,285,810	786,100	1,888,500	900,152	2,281,310	2007
Life expectancy	76-78	81-82	79-82	81-82	72-75	2008
Future population projections for 2030	Decline -5 -10%	Growth +10 +15%	Growth +5 +10%	Growth +10 +15%	Decline -10 -15%	2005-2030
Impact of migration on population in 2050 (%)	Increase +10+20%	Increase +40+107%	Decline -20-30%	Increase +10 +20%	Decline -20%-10%	2010-2050
Future perspectives in different migration scenarios						
Growing Social Europe	Increase +0.0 -25.0%	Increase +25.0 +50.0%	Increase +25.0+50.0%	Increase +25.0+50.0%	Decline -50-25%	2010-2050
Expanding Market Europe	Decline -25-0.0%	Increase +25.0+50.0%	Increase +25.0+50.0%	Increase +25.0+50.0%	Decline -50-25%	2010-2050
Limited Social Europe	Decline -25-0,0%	Increase +0.0-25.0%	Increase +0.0-25.0%	Increase +0.0-25.0%	Decline -50-25%	2010-2050
Challenged Market Europe	Decline -25-0,0%	Increase +0.0-25.0%	Increase +0.0-25.0%	Increase +0.0-25.0%	Decline -50-25%	2010-2050

Euro Standard\* - close to average of ESPON space.

Key Demographic Indicators (*table continued*)

NUTS 3

Indicator	Dumfries and Galloway	North Yorkshire	Cambrian mountains, Wales		Telemark	Vidzeme	Year (s)
			South West Wales	Powys			
Population size	148,190	599,700	662,900	131,313	169,185	234,005	2010
Population density (population per km <sup>2</sup> )	23	75	114	25	11,0	15,3	2010
Residential type according DG Agri typology	Predominately rural	Significantly rural	Significantly rural	Predominately rural	Predominately rural	Predominately rural	2004
Population development by components for 2001-2005	Increase	Increase	Increase	Increase	Increase	Decrease	2001-2005
Migratory balance	Positive	Positive	Positive	Positive	Positive	Negative	2001-2005
Natural balance	Negative	Negative	Negative	Negative	Negative	Negative	2001-2005
Natural population development for 2001-2005	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%	2001-2005
Annual net migration development for 2001-2005	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%	Decline -0,5%-0,0%	2001-2005
Old age dependency ratio (pop. 64+ / pop. -15.	NA*	NA	NA	NA	0,76-1	1,26-1,50	2009
Residential type	Rural area with small and medium sized towns	Polycentric region with high urban densities	Polycentric rural region with high urban densities	Polycentric rural region with high urban densities	Rural area with small and medium sized towns	Rural area with small and medium sized towns	1999
Residential density (%of urban fabric on regional area)	NA	NA	NA	NA	0-2,5	0-2,5	2006

\* NA – Data not available.

## **Accessibility and Transport**

The accessibility of European regions and cities is increasing. Although accessibility levels vary widely across the regions and cities in Europe, core areas with higher population density also have better access. The same is true for most capital regions. Although the core-periphery pattern is still prevalent, it is increasingly mediated by more polycentric connections. In general regions with high accessibility tend to be more economically successful than remote and isolated regions. Good internal and external accessibility can help in strengthening economic cohesion.

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 Lewis Dijkstra and Hugo Poelman. 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 (Dijkstra & 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 (Dijkstra & Poelman, 2008).

According to this typology Dumfries and Galloway is described as predominately rural region that is close to a city, as is the case for Powys. North Yorkshire is described as an intermediate region, which is also the case for South West Wales. Telemark and Vidzeme are described as predominately remote regions. Dumfries and Galloway with the 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. The majority of regions in England are classified 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 with population of more than 50,000 inhabitants, and it is close to a number of significant cities. However the accessibility in North Yorkshire varies. Upland areas and costal parts are less connected.<sup>9</sup> Vidzeme has no towns with population more than 50000. Therefore, 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.

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<sup>9</sup> ESPON (2010.) *ESPON 2013 Synthesis Report*, p. 43.

PURR regions vary in terms of distances to next MEGA. For North Yorkshire distance to next MEGA is on average 25-50 km, in Dumfries and Galloway 10-25 km. It is longer in Vidzeme (50-75), Cambrian Mountain areas, and Telemark (75-100).

Population potential shows the number of people within reach of 50 km airline distance. This indicator is useful for calculating provision of services, since they require minimal service base. On European scale Benelux, West Germany, South England and North Italy are regions with highest population potential, while those in Scandinavia, Baltic States and East Europe have lower population potential within 50 km radius. Among PURR regions North Yorkshire has population potential above EU average (126-150). It is followed by South Western Scotland (76-100), West Wales and The Valleys (51-75), Vidzeme (26-50), and Telemark (6-10).

In addition the extent of accessibility of PURR areas can be assessed using data measures of accessibility of areas within 45 minutes by car from functional urban areas. Work undertaken by Nordregio in the context of ESPON project 1.1.1. (ESPON 2006e) distinguishes between areas in 45 minutes reach from an urban centre and areas which are more than 45 minutes from the nearest urban centre. Urban centre is defined, according to typology of ESPON 1.6. According to this typology Northern parts of Dumfries and Galloway are 45 minutes from an urban centre, whereas Southern parts are outside this reach. Most of North Yorkshire is located 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, the majority of Vidzeme territory is outside 45 minutes reach. This is true also for Cambrian mountain areas. Potential accessibility to population by car measures the number of people that can be reached by car from each origin, weighted by a function of distance and travel time. This potential is high for Benelux, countries, Western Germany, Southern England and Northern Italy. Potential accessibility by car is the highest for North Yorkshire – above EU27 average (151-175). Cambrian Mountains, Dumfries and Galloway has lower score (76-100). Telemark and Vidzeme show lower scores (11-25).

Access to national road can also be important in terms of mobility. Short travel times to national roads are those with less than 10 minutes (Germany, Italy, and England). Long travel times take 20, 30 and even more. According to this measurement, in Dumfries and Galloway it takes on average 16-20 minutes by car to access national road. North Yorkshire, Vidzeme and Cambrian Mountain areas show score of 21-25 minutes, while in Telemark region it takes on average 26-30 minutes to access national roads. Car travel times to next railway station are generally longer in regions with lower railway densities (Alps, Scandinavia, Spain, Scotland, Romania and islands). It takes on average shorter time to reach

railway station in Vidzeme (21-40 min), and North Yorkshire (41-60 min), but longer in Cambrian Mountains, Dumfries and Galloway (61-80 min), and Telemark (81-100 min).

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* (ESPON 2009d) 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. From 2001-2006 the Vidzeme region has experienced the highest increase in air accessibility.

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* (ESPON 2009d) 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 seems to hold. North Yorkshire scored well above the average in GDP-PPS and in multimodal accessibility.

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%).<sup>10</sup>

Ensuring accessibility for people and goods can become expensive, since oil prices are likely to increase. The impact of rising prices may have serious impact on regional accessibility and development. The ESPON ReRisk project estimates the vulnerability of regions by transport dependence. The results show that levels of commuting are linked to the number of jobs in the area and that most vulnerable regions are large logistic centres, peripheral regions, islands, regions dependent on work opportunities in urban poles and agricultural regions with high export levels. The regional GVA in industries with high energy costs is above average in Latvia, as well as in some regions in Central Europe, Central Spain and Northern Italy and others. No data was available for UK and Norway.

Broadband connection is sometimes seen as a factor decoupling of economic activity and physical remoteness. The share of households with broadband internet access in 2010 for all households was approximately the same for all PURR areas (81-85%), although Sør-Østlandet region has higher broadband penetration (86-90%).

Although data on accessibility reveals some similar features of PURR regions, the internal diversity of regions can be considerable. Table 19 summarises some key accessibility features of PURR regions.

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<sup>10</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, p. 94.

Table 10: Access Indicators in PURR Regions

*NUTS-2*

Indicator	South Western Scotland	North Yorkshire	West Wales and the Valleys	Sør-Østlandet	Latvia	Year (s)
Population potential within 50 km radius	76-100	126-150	51-75	26-50*	26-50**	2007
Share of workers commuting to another NUTS-2 region (%)	5,09-12,03	12,03-25,21	12,03-25,21	12,03-25,21	NA	2005
Share of households with broadband internet connection (%)	81-85	81-85	81-85	86-90	81-85	2010

\*Data for Telemark at NUTS-3 level.

\*\* Data for Vidzeme at NUTS-3 level.

*NUTS-3*

Indicator	Dumfries and Galloway	North Yorkshire CC	Cambrian Mountains		Telemark	Vidzeme	Year (s)
			South West Wales	Powys			
Urban-Rural Typology according to Dijkstra and Poelman	Predominately remote. Close to a City	Intermediate Remote	Intermediate Remote	Predominately rural. Close to city	Predominately remote	Predominately remote	2006
Areas with 45 minutes to reach from urban centres	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.	North-East parts are within 45 minutes reach from urban centre	Most of area is outside of 45 minutes reach from urban centre.	2004
Access to national road by car (min)	16-20	21-25	21-25	21-25	26-30	21-25	2007

Access Indicators in PURR Regions (*continued*)

Indicator	Dumfries and Galloway	North Yorkshire CC	Cambrian mountains, Wales		Telemark	Vidzeme	Year (s)
Car travel time to next railway station (min)	61-80	41-60	61-80	61-80	81-100	21-40	2007
Distance to next MEGA (km)	10-25	25-50	50-75	50-75	75-100	50-75	2011
Potential accessibility by air	50,1-75,0	75,1-100	50,1-75,0	50,1-75,0	50,1-75,0	25,1-50,0	2006
Potential accessibility by rail	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	0-25,0	0-25,0	2006
Multimodal potential accessibility	50,1-75,0	50,1-75,0	50,1-75,0	50,1-75,0	0-25,0	0-25,0	2006
GDP-PPS per capita versus potential multimodal accessibility	50,1-75,0	75,1-100	50,1-75,0	50,1-75,0	50,1-75,0	25,1-50,0	2006
	<u>Below</u> ESPON average in GDP-PPS  <u>Below</u> ESPON average	<u>Above</u> ESPON average in GDP-PPS  <u>Above</u> ESPON average	<u>Below</u> ESPON average in GDP-PPS  <u>Below</u> ESPON average	<u>Below</u> ESPON average in GDP-PPS  <u>Below</u> ESPON average	<u>Above</u> ESPON average in GDP-PPS  <u>Below</u> ESPON average	<u>Below</u> ESPON average in GDP-PPS  <u>Below</u> ESPON average	2006



### **Natural assets, environment, natural hazards and climate change**

Natural assets are essential part of the territorial capital of a region. These assets must not only be preserved from hazards, but sustainably managed and used as part of an integrated development strategy. Natural heritage also includes landscape which can become part of cultural heritage.

The majority of European areas still have a lot of open space. Regions in Scandinavia, Spain and Turkey, Western Balkans and in the Baltic countries show highest amount of open space per capita because of their large unfragmented cover and/or because of low population density. PURR regions in Norway and Latvia have 96-100% open space. In contrast, Central European countries have lower proportions of open space with less than 50 square km per capita. Among PURR regions Telemark has highest proportion of open space per capita (1001-2000), followed by Vidzeme. Both have a dispersed settlement structure and low population densities which is typical for Northern Europe. No measures were available for PURR regions in the UK although their area and population sizes suggest that settlement density there is probably higher.

In all PURR regions agricultural land takes more than artificial land though the landscape patterns are diverse. In Vidzeme the landscape is dominated by rural mosaic and pastures landscape as well as forested landscape, most of North Yorkshire landscape is broad pattern of intensive agriculture. In Dumfries and Galloway as well as in Cambrian Mountain regions intensive agriculture landscape is less prevalent. A considerable proportion of these territories are also taken by rural mosaic and pasture landscape, as well as by open semi-natural or natural landscape. In Vidzeme the share of agricultural land has been declining and is slowly replaced by forests.

Land-cover estimations also give rough idea of natural assets. The percentage of artificial built-up areas is generally low in PURR regions, and the area cover for semi-natural areas is the highest in Vidzeme (more than 50% of area). PURR areas in UK have lower coverage of natural areas (20-50%). According to data from ESPON Project 1.3.2 (ESPON 2006), semi-natural areas are defined as natural areas with specific mix of cultural and natural values, since undisturbed natural area hardly exist anywhere in Europe.

According to CORINE land cover survey, Latvia has the highest percentage of forest coverage among all PURR areas and this coverage has tended to increase. It is estimated that from 1991-2001 that agricultural area has decreased in the UK by -7%. No such data on European level was available for Latvia and Norway.

Another relevant measure for natural resources is also land fragmentation. High land fragmentation in general is regarded as a threat to biodiversity, because of the impacts of proximity, disturbance and isolation of habitats. The 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 areas with 10-30 patches per 10 km<sup>2</sup>. Fragmentation was higher in the UK, especially in the Cambrian Mountains (20-50% of natural area and more than 30 patches per 10 km<sup>2</sup>) In North Yorkshire and Dumfries and Galloway the fragmentation was about 20-50% of natural area and 10-30 patches per 10 km<sup>2</sup>).<sup>11</sup>

Latvia also has more areas of higher ecological value (16-20%), while UK has lower value (11-15%) No data was available for Norway. In general West European countries have smaller shares of areas with high ecological value. Thus, the proportion of *Natura2000* areas (seaside areas excluded) is higher in Vidzeme (21-25%) of territory similar to other regions in New Member states where the share is higher than in old member states. No such data is available for Norway and UK.

The measure of natural assets, which is calculated from the sum of five individual input variables such as urban-rural typology, high nature value farmlands, proximity to natural areas, air quality and degree of soil sealing, is highest in Vidzeme, which is ranked as category 3 (average natural assets) with some areas also in category 4 (high natural assets). Dumfries and Galloway and the Cambrian Mountains has a similar rank whereas the measure in North Yorkshire was lower (category 2) with some pockets of category 3 (average). No data was available for Norway.

The measure of ecological footprint provides insights into assessing ecological balance. It is a measure of the amount of land which is required to provide for all resource requirements plus the amount of vegetated land required to absorb all CO<sub>2</sub> emissions. This figure is expressed in units of "global hectares" per capita. According to Global Footprint Network calculations, in 2007 European average total footprint of consumption was 4,7 per capita, but average biocapacity 2,9. The largest ecological footprints were in Belgium, Denmark, Estonia, Ireland, the Netherlands and Sweden. At the same time Sweden and Finland also have high biocapacity. The ecological footprints of PURR countries were above average in Europe (United Kingdom – 4,9; Latvia – 5,6; Norway – 5,6). Biocapacity for PURR areas was above average in Latvia (7,1), Norway (5,5), and below EU's average in UK (1,3). Among PURR countries only Latvia had a positive ecological balance (1,4), while other two had ecological deficit (Norway -0,1; UK - -1,8). Average ecological deficit in Europe was -1,8.

In order to measure the impact of socio-economic factors on semi-natural areas, in regional level ESPON 1.3.2 project (ESPON 2006) 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,

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<sup>11</sup> ESPON (2006). *Territorial Trends in the Management of Natural Heritage. 1.3.2. Final Report, 2*, p. 98.

medium, high and very high urban pressure.<sup>12</sup> No measures of urban pressure were available for Vidzeme and Telemark in ESPON 1.3.2 project. North Yorkshire and South West Wales had medium level of urban pressure, while Powys and Dumfries and Galloway had lower urban pressure in relation to semi-natural land cover.

The CURS/ESPON 2006 project "1.1.2 Urban-Rural relations" (ESPON 2006h) 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. The 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, Vidzeme and Telemark are described as having low urban influence areas and low human footprint areas. North Yorkshire, South West Wales and Powys have 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. (ESPON 2006d) 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 the Kurzeme region of Western Latvia. Only areas near Riga have high urban influence and medium human footprint. Latgale in the east and Zemgale in the south both have low urban influence but medium human footprint.

Human and natural impact can cause hazards to territories. ESPON 1.3.1 Project "The Spatial Effects and Management of Natural and Technological Hazards in Europe" (ESPON 2005a) 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

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<sup>12</sup> ESPON (2006). *Territorial Trends in the Management of Natural Heritage. 1.3.2. Final Report*, 3, p. 164.

potential is lower in Powys, 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%).<sup>13</sup>

The vulnerability to hazards measure is based on GDP per capita, population density and proportion of fragmented natural areas to all natural areas. According to the vulnerability map created in ESPON 1.3.1 project PURR regions do not score highly. The vulnerability potential for South West Wales, North Yorkshire and Vidzeme is rather low (category-2), but 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.

The level of greenhouse gas emissions (expressed in CO<sub>2</sub> equivalents indexed to Kyoto base year) varies among PURR regions. In Latvia as well as in other East European countries the level of greenhouse gas emissions is lower than in industrially more developed countries (46-60). This can be explained by closure of the industrial basis, while in Norway and UK, the level is significantly higher. In UK it is 81-90, but in Norway it is higher 91-100. Higher levels are also observed in Mediterranean countries. Latvia, Estonia, Ireland also has lower population exposure to air pollution by ozone (1001-1500), followed by UK (1501-2000). In Central and Southern Europe urban population exposure to air pollution by ozone is significantly higher. No such data is available for Norway. Similar trends are observed in relation to air pollution by particular matter. Summer smog exposure of urban population is generally lower in Nordic countries (Estonia, Finland) and Ireland (11-15). Latvia and UK suffers for higher smog exposure (16-20). No data is available for Norway.

PURR areas will be affected by climate change just as every other region. 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 ESPON Climate Project (2011b), 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.<sup>14</sup>

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.<sup>15</sup> PURR areas in Norway and Latvia will experience

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<sup>13</sup> ESPON (2005). *The Spatial Effects and Management of Natural and Technological Hazards in Europe. 1.3.1. Final Report*, p. 10.

<sup>14</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, pp. 87-94.

<sup>15</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, p. 92.

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.<sup>16</sup> 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.<sup>17</sup>

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<sup>16</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, p. 92.

<sup>17</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, p. 92.

Table 11: Key Indicators of Natural Assets, Environment, Natural Hazards and Climate Change

*NUTS-0*

<b>Dimension</b>	<b>Indicator</b>	<b>United Kingdom</b>	<b>Norway</b>	<b>Latvia</b>	<b>Year (s)</b>
Cohesion	Ecological footprint	4,9	5,6	5,6	2007
	Biocapacity	1,3	5,5	7,1	2007
	Ecological balance	-1,8	-0,1	+1,4	2007
	Greenhouse gas emissions	81-90	91-100	46-60	2008
	Exposure to air pollution	1501-2000	NA	1001-1500	2008
	Summer smog exposure	16-20	NA	16-20	2008
	Impact of climate change	More days of heavy rain, more winter rain, but less summer rain. Mean annual temperatures will be higher. More summer days, but fewer frost days.	Increase in annual temperature, and mean precipitation. More days with heavy rainfall, more evaporation, but strong decrease in frost and snow cover days Possible risks of river flooding and landslides. Sea levels in coastal areas will rise during storms.	Increase in annual temperature, and mean precipitation. More days with heavy rainfall, more evaporation, but strong decrease in frost and snow cover days Possible risks of river flooding and landslides. Sea levels in coastal areas will rise during storms.	1961-2100

Key Indicators of Natural Assets, Environment, Natural Hazards and Climate Change (*table continued*)

<b>Dimension</b>	<b>Indicator</b>	<b>United Kingdom</b>	<b>Norway</b>	<b>Latvia</b>	<b>Year (s)</b>
Cohesion	Ecological footprint	4,9	5,6	5,6	2007
	Biocapacity	1,3	5,5	7,1	2007
	Ecological balance	-1,8	-0,1	+1,4	2007
	Greenhouse gas emissions	81-90	91-100	46-60	2008
	Exposure to air pollution	1501-2000	NA	1001-1500	2008
	Summer smog exposure	16-20	NA	16-20	2008
	Impact of climate change	More days of heavy rain, more winter rain, but less summer rain. Mean annual temperatures will be higher. More summer days, but fewer frost days.	Increase in annual temperature, and mean precipitation. More days with heavy rainfall, more evaporation, but strong decrease in frost and snow cover days Possible risks of river flooding and landslides. Sea levels in coastal areas will rise during storms.	Increase in annual temperature, and mean precipitation. More days with heavy rainfall, more evaporation, but strong decrease in frost and snow cover days Possible risks of river flooding and landslides. Sea levels in coastal areas will rise during storms.	1961-2100

Key Indicators of Natural Assets, Environment, Natural Hazards and Climate Change (*table continued*)

NUTS 3

Indicator	Dumfries and Galloway	North Yorkshire CC	Cambrian mountains, Wales		Telemark	Vidzeme	Year (s)
			South West Wales	Powys			
Landscape type	Rural mosaic and pastures Open semi-natural or natural landscape	Intensive agriculture	Rural mosaic and pastures Open semi-natural or natural landscape	Rural mosaic and pastures Open semi-natural or natural landscape	NA	Rural mosaic and pastures Forested landscape	2006
Natural assets	Average	Below average	Average	Average	NA	Average	2009

Indicator	Dumfries and Galloway	North Yorkshire CC	Cambrian mountains, Wales		Telemark	Vidzeme	Year (s)
			South West Wales	Powys			
Degree of urban influence and degree of human intervention	Low urban influence areas 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 areas and low human footprint	Low urban influence areas and low human footprint	2006
Hazard intensity and vulnerability	Medium intensity of hazard. Low vulnerability	High intensity of hazard. Low vulnerability.	NA	Medium intensity of hazard. Low vulnerability	Low intensity. Low vulnerability	Low intensity. Low vulnerability	2005



## Energy

Future access to energy supplies is a growing concern in the world. The European economy is highly dependent on energy. At 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.<sup>18</sup>

ESPON ReRisk project "Regions at Risk of Energy Poverty" (ESPON 2010f) 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. 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 the European pentagon. This cluster is at disadvantage in terms of transport dependence, and it has high energy demand for heating. Southern Norway and PURR regions 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 vulnerability in fluctuating energy markets. This share is especially high in Czech Republic and Italy (9,72-14,23%). The number is also rather high for Sweden, Estonia, Latvia and Lithuania. In Latvia the share of employees in industries with high energy purchases was among 6,22-9,72%. In PURR areas in UK the averaged figures were lower (2,31-4,07), (ESPON 2010f). But in case of Sør-Østlandet the figure was in between (4,07-6,22%). However, 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 between 80-143%. Therefore, among all PURR areas, energy challenges seem 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.<sup>19</sup>

Energy poverty can be better understood with reference to the social situation of the households. Comparison of gas and electricity prices in PPS at country level for second semester of 2009 suggest that energy costs are most relevant for people living in Hungary, Poland, Slovakia, but far less relevant for Norway. United Kingdom and Latvia are close to EU27 average.<sup>20</sup>

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<sup>18</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, p. 68.

<sup>19</sup> ESPON (2005). *Territorial trends of energy services and networks and territorial impact of EU energy policy, 2.1.4. Final Report*.

<sup>20</sup> ESPON (2010). *ESPON 2013 Synthesis Report*, p. 75.

In Norway and Latvia a high share of energy is generated from renewable sources. Latvia and Ireland also has considerable biomass potential, solar and wind energy potential. Due to high shares of hydro power generation Finland, Sweden, Austria, Portugal, Latvia, Romania and Norway have high share of renewable energy in gross final energy consumption. In Benelux countries, Ireland, Cyprus and the UK there are significantly smaller shares of renewable energy in gross final energy consumption. The share of renewable energy in gross final consumption in Latvia is high 21-44%, but in UK it is low (only 0-5%), but it has committed to higher use of renewables by 2020.

Photovoltaic potential in the EU regions provided by ReRisk project is considerable, but relatively lower than in Central and Southern European regions accounting to about 676,1 – 845,1 PV output for a 1 kWp system mounted at optimum angle. At the same time wind power potential is higher for Northern European and coastal areas, including also PURR regions. Latvia as well as other Baltic States scored above average potential in EU (487853-1031076 m/s). The potential was lower in West Wales and the Valleys and South Western Scotland (204547-487852). It was lower than average in North Yorkshire and Sør-Østlandet region (79181-204546).

Based on regional vulnerability to rising energy prices, ReRisk project has elaborated 5 typologies of energy poverty. Economically developed regions located in or close to the European Pentagon with low exposure to rising energy prices, high photovoltaic or wind potential are grouped in typology *"With problems and potential"*. Among these regions is South Western Scotland. More industrialized and coastal areas with lower wind potential are grouped in typology *"Well-off, with trouble ahead."* Regions in this category include North Yorkshire and the Cambrian Mountain. Regions with higher vulnerability located mainly in Eastern Europe are grouped in typology *"Struggling, looking for jobs and brighter future."* These regions have higher energy demand for heating and cooling, they are economically lagging and lack resources to develop renewable energy systems, although potential for renewables exists. Though ReRisk does not provide results for Latvia, but one can expect it to fit into this typology. A small group of *"Wealthy and commuting"* regions belonging to the Pentagon with challenges regarding affordable commuting exists. Finally typology *"Cool and windy, but working"* captures situation in Nordic regions, which have higher demand for heating, but opportunities of using renewables and wind potential are considerable. Though ReRisk does not provide results for Norway, one can expect it to fit into this typology.

ReRisk has also designed 4 scenarios in relation to energy related policies including governance, new opportunities and possible threats. These scenarios are „Green High Tech,” “Energy-efficient Europe”, “Nuclear Energy for Big Regions”, and “Business as Usual”

*Green Tech Scenario* will benefit regions with problems and potential, such as South Western Scotland. In regions like North Yorkshire and Cambrian Mountains this scenario will foster developing renewable resources other than solar and wind. For Latvia this scenario might have positive implications if resources for development of renewables are found. It will also have positive effect on Nordic regions with high wind potential.

*Energy-efficient Europe Scenario* will have negative impact for the most geographically peripheral coastal areas including South Western Scotland. For the Cambrian Mountains and North Yorkshire this scenario will have some positive impact on competitiveness of industries. For Latvia this scenario can also be positive if affordable clean energy technologies become accessible by industries. For Nordic countries this scenario will also have positive effect on the competitiveness but possibly negative impacts on increased transport costs.

*Nuclear Energy for Big Regions* will benefit mainly regions with problems and potentials in the Pentagon regions with a strong knowledge economy. Regions, such as North Yorkshire and Cambrian mountains will need to accelerate transition to more service oriented activities. Regions, like Latvia will face rising costs for heating and fuel purchases, but for Nordic countries this scenario will be favourable for industries with high energy consumption.

*In Business as Usual* scenario regions, such as South Western Scotland will experience rising poverty and overcrowding in metropolitan areas. In harbour regions this scenario will have less negative impact, but industrial regions will be struggling. Only regions with job opportunities in coal industry will not be negatively affected. If business continues as usual Nordic countries could experience a risk of losing its industrial base and employment.<sup>21</sup>

All energy scenarios imply that regional economies are at risk of rising energy prices, especially economies that are more industrialized. Remote regions will have to prepare for higher prices for travel. This will have negative effect on price levels for tourism. Geographically peripheral regions are especially in need of support policies. Being alone, they are unable to implement energy efficiency measures and invest enough resources for more use of renewables.

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<sup>21</sup> ESPON 2013 Synthesis Report, 2010, p. 84.

Table 12: Key Indicators About Energy

NUTS-0

Indicator	United Kingdom	Norway	Latvia
Regional dependency on industries with high energy spending	High disposable income and demand for heating is lower	High disposable income and demand for heating is lower	Disadvantage in terms of transport dependence, and it has high energy demand for heating

NUTS 2

Indicator	South Scotland	Western North Yorkshire	West Wales and the Valleys	Sør-Østlandet	Latvia	Year (s)
Energy price sensibility and self sufficiency	Low price sensibility and high self sufficiency	Low price sensibility and high self sufficiency	Low price sensibility and high self sufficiency	Low price sensibility and high self sufficiency	High price sensibility. Low energy self-sufficiency	2009
Share of employees in industries with high energy purchases, %	2,31-4,07	2,31-4,07	2,31-4,07	4,07-6,22	6,22-9,72	2009
Perspectives of energy poverty based on vulnerability to rising energy prices	<i>With problems and potential</i>	<i>Well-off, with trouble ahead.</i>	<i>Well-off, with trouble ahead.</i>	<i>Cool and windy, but working</i>	<i>Struggling, looking for jobs and brighter future</i>	
Impact of scenarios of energy policy						
<i>Green Tech</i>	+	+	+		+ (If resources for developing renewables are found)	
<i>Energy-efficient Europe</i>	-	+	+	+ / -	+	
<i>Nuclear Energy for Big Regions</i>	+/-	+/-	+/-	+ for industries with high energy consumption	+/- costs for fuel and heating still high	
<i>Business as Usual</i>	-	-	-	-	-	

## **Rural development**

To avoid general stereotypes about rural regions and take into consideration the diversification of the rural economy, interaction with urban areas, and actual economic performance of rural areas, PURR stakeholder regions were examined by the 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.

The 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. The 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 exceeds 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. (EDORA Final Report, 2010: 15).

After dividing regions according to their structural types and their urban-rural typology, their performance is 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  $<-0.5$ .<sup>22</sup>

According to EDORA, depleting areas 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

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<sup>22</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. p. 15.

migration. Accumulating areas, on the other hand, show counter urbanization trends. They have family dominated demographic structure, diversified rural economy, higher human capital, higher economic activity and lower unemployment.<sup>23</sup>

At the European level most rural regions are intermediate accessible. Nordic regions and 12 new member states have more predominately rural and accessible regions. Most predominately rural and remote regions are found in Nordic regions, Mediterranean regions and new member states. Consumption countryside regions dominate in Nordic countries, but Agrarian type dominates in new member states. Diversified (market services) type areas dominate in Central and Western European countries. Diversified (secondary) type is prevalent in new member states.<sup>24</sup>

In terms of performance, the majority of regions in new member states show signs of depletion. Most rural regions in Nordic countries score above medium performance. Most accumulating regions are located in Mediterranean region, old member states and Central Western Europe. Greatest proportion of GDP (70%) in new member states is derived from non-urban regions. Similar tendencies can be observed in Nordic regions, whereas in Central Western Europe and Mediterranean countries greatest proportion of GDP is derived from urban regions.<sup>25</sup>

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

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<sup>23</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. p. 10.

<sup>24</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. p. 22.

<sup>25</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. p. 22.

areas with strong private services sector are also found in central England near metropolitan areas. Most of Norway's rural territory including Telemark is classified as consumption countryside. 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 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). Labour productivity in rural economy 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 the share of crops was lower than 40%, which means that these regions focus more on animal production and other activities. In the same time output for crop was higher in UK and especially Norway which seems to be explained mainly by the way in which subsidies are granted. Table 11 lists PURR stakeholder regions according to their rural typology according EDORA.

Table 13: PURR stakeholder regions according EDORA rural typology

	<b>Agrarian</b>	<b>Consumption Countryside</b>	<b>Diversified (Secondary)</b>	<b>Diversified (Market Serv.)</b>
<b>Intermediate Accessible</b>		North Yorkshire		
<b>Intermediate Remote</b>		South West Wales		
<b>Predom. Rural Accessible</b>		Powys		Dumfries and Galloway
<b>Predom. Rural Remote</b>	Vidzeme	Telemark		

Source: EDORA data base.

Consumption countryside regions tend to be higher performers and have a tendency to grow demographically and economically. Telemark and North Yorkshire are strong accumulating regions, South West Wales and Powys score above average performance, Dumfries and Galloway scores below average performance, but Vidzeme is the only PURR area which is depleting. In the 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 and Kurzeme region showed below average performance, whereas only Riga region in Latvia showed above average performance.

Table 14: PURR stakeholder regions according EDORA performance assessment

<b>Performance</b>	<b>Regions</b>
Accumulating	North Yorkshire Telemark
Above average	South West Wales Powys
Below average	Dumfries and Galloway
Depleting	Vidzeme

Source: EDORA data base.

Scanning of EDORA data base helped in finding similar regions. 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, Gloucestershire, Wiltshire CC, Dorset CC, Somerset, Devon CC, Monmouthshire and Newport, Aberdeen City and Aberdeenshire and East of Northern Ireland.

There are 8 rural regions (16%) in UK with 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.

The third largest cluster of rural regions is composed of 6 (12%) regions - Northamptonshire, Staffordshire CC, Buckinghamshire CC, Oxfordshire, 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 typology, 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 show different characteristics. Unlike Vidzeme, the region of Latgale showed higher accessibility to urban centre, but like Vidzeme it was also suffering from depletion. Kurzeme is classified as intermediate remote, but its 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.

Although trends of rural development can be assessed in present time, their true properties will be better seen after some time has passed. Foresight techniques can help to prepare and adapt to future challenges. The EDORA project employs the three meta-narratives to map opportunities and constraints of rural regions based on their urban-rural typology and economic structure.

*Agric-Centric* meta-narrative which revolves around issues of agricultural competitiveness is seen in terms of opportunities in regions with diversified (secondary) and diversified (market services) economies which are more accessible. Regions which are accessible emphasize negative and positive aspects of this narrative. Agricultural competitiveness is viewed as problematic in predominately rural and remote regions with agrarian economic structure.

*Rural-urban* meta-narrative focuses rural-urban relations in terms of existing flows and their balance, provision of services, urbanization and counter-urbanization trends. This narrative predicted positive outcomes for most EDORA case study regions. It is discussed in light of opportunities in more accessible rural regions and regions with diversified secondary and market sector services. It is discussed in negative light in predominately rural and remote regions. In regions which are agrarian or of consumption countryside type, this narrative is discussed in terms of constraints and opportunities.

Table 15: PURR Areas According EDORA Structural and Performance Types

	<b>Urban-rural typology</b>	<b>Structural type of economy</b>	<b>Performance</b>	<b>Code in EDORA data set</b>	<b>Areas with identical characteristics in the country</b>
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, Gloucestershire, 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.
Cambrian mountains					
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 Denbighshire, Clackmannanshire, Fife.
Powys	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. Based on Urban-Rural typology data for 2008. Economy structural type data and performance data for 2010.

*Globalization* meta-narrative focuses on the impacts of globalization on rural economies, including the question of local control over economic activities, regional distinctiveness, and acquisition of wider markets. Globalization meta-narrative was seen as problematic in EDORA case study areas, especially in predominately rural and remote regions, agrarian regions and regions with prevailing secondary economic sector. Consumption countryside regions viewed globalization in terms of opportunities and constraints, whereas impact of globalization was seen as positive in more accessible regions and regions with strong market services sector.

Based on representation of meta-narratives in EDORA case study regions, PURR stakeholder regions can be mapped according possible impact of meta-narratives. However, it must be emphasized that meta-narratives are generalisations and therefore they can enlighten only broad spatial patterns. Exact opportunities and challenges associated with meta-narratives depend specifically on each particular area.

In *agric-centric* meta-narrative more opportunities can be hypothesized for Dumfries and Galloway which has diversified market services economy. For other regions in UK this narrative could show opportunities and constraints. For Vidzeme and Telemark one could hypothesize that *agric-centric* narrative will be perceived more as constraint to regional development, since both these regions are predominately rural and remote.

In case of PURR stakeholder regions, *rural-urban* meta-narrative would predict positive outcomes for all UK regions, since they are more accessible, but it would predict more constraints for Telemark and Vidzeme that are less accessible. Rural urban narrative would also predict more positive outcomes in Dumfries and Galloway since this region has diversified market services economy. For all other regions this narrative would be discussed both in opportunities and constraints in terms of regional economy.

*Globalization* meta-narrative could be enabling to North Yorkshire, Dumfries and Galloway, and Powys since they are more accessible. But for Vidzeme and Telemark globalization meta-narrative would involve more constraints. In UK regions globalization meta-narrative would be predicting opportunities and constraints. However, in the case of Dumfries and Galloway globalization meta-narrative would predict more opportunities.

*Rural-urban* and *globalization* meta-narrative offer more opportunities for PURR stakeholder regions, while *agri-centric* meta-narrative involves more constraints for rural development in case of PURR stakeholder areas. All meta-narratives seem to offer more opportunities for UK regions. For Telemark and Vidzeme meta-narratives seem to contain more challenges than opportunities.

Table 16: Hypothesized impact of rural meta-narratives on PURR stakeholder regions according to EDORA typology

		Meta-narratives		
		Agri-Centric	Rural-Urban	Globalization
Urban-rural typology	Intermediate Accessible	North Yorkshire	North Yorkshire	North Yorkshire
	Intermediate Remote	South West Wales	South West Wales	South West Wales
	Predom. Rural Accessible	Dumfries and Galloway Powys	Dumfries and Galloway Powys	Dumfries and Galloway Powys
	Predom. Rural Remote	Telemark Vidzeme	Telemark Vidzeme	Telemark Vidzeme
Economic structure	Agrarian	Vidzeme	Vidzeme	Vidzeme
	Consumption Countryside	North Yorkshire South West Wales Powys Telemark	North Yorkshire South West Wales Powys Telemark	North Yorkshire South West Wales Powys Telemark
	Diversified (Secondary)	NA	NA	NA
	Diversified (Market Serv.)	Dumfries and Galloway	Dumfries and Galloway	Dumfries and Galloway
Impact of meta-narratives:		- Negative	+ / - Negative/positive	+ Positive

Main drivers that will shape European futures is acceleration of globalization, climate change, 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 areas, and possibly also further EU enlargement.

ESPON project 3.2 "Spatial Scenarios and Orientations in relation to the ESDP and Cohesion Policy" (ESPON 2006g) has created about twenty thematic scenarios which allow testing hypothesis on regional and local scale. In the context of PURR rural development scenarios should be discussed in more detail.

ESPON 3.2. scenarios for rural development focus mostly on the role of agriculture. Scenarios assume 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.<sup>26</sup>

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 will be rapid liberalization of CAP which will reduce tariffs, benefits and export subsidies. This scenario seems least beneficial to remote rural areas because the support for 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 become more and more urbanized. The same will be 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

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<sup>26</sup> ESPON (2006) *Spatial Scenarios and Orientations in relation to the ESDP and Cohesion Policy*, 3.2. *Final Report*, p. 20.

populated and socio-economically viable. However other areas will be abandoned, eroded or naturally forested.<sup>27</sup>

*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 become 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.<sup>28</sup>

It is expected that developments in transportation, economy and shift to alternative energy paradigm will shape exact scenario paths. It seems that institutional capacity and governance will be critical factors for stimulating cohesion in regional and local scale.

Scenarios elaborated in EDORA project provide insight into future development of rural areas in the context of climate change and transforming energy producing paradigm. They can be a useful starting point for mapping regional potentials in future perspective. Two drivers of fundamental importance, such as the *climate change* and *economic governance*<sup>29</sup> determine four possible scenarios.

In scenario "*Gradual climate change + highly deregulated market economy*" there is going to be growing economic and social differentiation among rural regions. Inaccessible rural regions will lose population, but accessible and urban regions will experience population increases. Regions with strong primary sector will develop energy sector using their own internal resources. Regions with limited human and financial capital will have to attract external investments to develop

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<sup>27</sup> ESPON (2006) *Spatial Scenarios and Orientations in relation to the ESDP and Cohesion Policy*, 3.2. Final Report, pp. 167-170.

<sup>28</sup> ESPON (2006) *Spatial Scenarios and Orientations in relation to the ESDP and Cohesion Policy*, 3.2. Final Report, pp. 171-177.

<sup>29</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. pp. 37-42.

renewable energy sector. Agriculture will undergo profound changes as prices for fossil fuels will increase. In those regions with para-productivist agricultural structures there is going to be further industrialisation of food production. Demand for genetically modified crops is likely to increase. Regions dominated with peri-productivist agricultural structures will undergo considerable consolidation of land ownership. Manufacturing activities will decline as corporations will relocate their labour intensive activities to lower cost labour markets. Much of development therefore will depend on highly skilled and educated labour in accessible regions. Advances in telecommunications will play important role in ensuring development of these sectors outside of urban regions.<sup>30</sup>

The outcome of scenario "*Gradual climate change + highly regulated market economy*" is going to be much greater regulation of capital and commodity markets and prospective emergence of framework governing social and economic development. Relative lack of capital and decreasing public spending will make coping with consequences of climate change more difficult. Development of renewable energy sources will be hindered by the lack of capital. Therefore regions might prefer investing into nuclear power generation instead. The lack of capital will hinder economic diversification of rural regions. Migration flows from rural to urban regions will continue. In response to variation of commodity prices due to weather conditions, agricultural sector will consolidate. Food supply chains will become more integrated. Manufacturing activities will increase in response to changing comparative advantages, but economy as a whole will not grow fast, due to decline in public and consumer spending<sup>31</sup>.

Scenario "*Rapid climate change + highly deregulated market economy*" assumes that rapid climate change will contribute to significant changes in economy, economic resources and key activities. Land will become key resource in mitigating the impacts of extreme weather events. Costs of energy and food will increase, giving rise to large scale public and private investments in renewable energy and bio-technology. While economic activities in rural areas will increase, the wealth will be concentrated in large enterprises who will own land and production technologies. R&D, financial services and "experience economy" are going to be most important growth areas. They will be concentrated in accessible rural regions.<sup>32</sup>

In "*Rapid climate change + highly regulated market economy*" scenario responses to climate change will be better thought out. There will be more collective policy responses to support the transition to a low-carbon society through sustainable

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<sup>30</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. pp. 37-42.

<sup>31</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. pp. 37-42.

<sup>32</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. pp. 37-42.

production and consumption. Nuclear power will continue to be dominant energy alternative, because renewable sources will not be able to meet demand in the short to medium term. The state will regulate land-use more than in previous scenarios. Rural settlement will be concentrated into existing towns and villages. Transition to low carbon economy is going to be supported through public investment in public transportation, energy-efficiency. Fossil fuel use, in the short-term will be prioritized to support food production, particularly tillage crops. One of key objectives of the EU will be greater self-sufficiency in food, energy and water, which will be achieved through public policies supporting local and regional food systems, support package for sustainable production and consumption. Import substitution will reinvigorate domestic economy. The tertiary sector will grow but not at the same pace as the primary and secondary sectors.<sup>33</sup>

The expert assessment about the impact of these scenarios carried out in the context of EDORA suggests that agrarian economies, such as Vidzeme could benefit more from the scenario "*Rapid climate change + highly regulated market economy*", and less from deregulated market scenario.

Consumption countryside areas, such as North Yorkshire, Cambrian Mountain areas and Telemark could also benefit more from scenario *Rapid climate change + highly deregulated market economy*, and less from scenarios "*Gradual climate change + highly regulated market economy*", and *Rapid climate change + highly deregulated market economy*."

Rural economies with diversified economy and important services sector, such as Dumfries and Galloway, could potentially benefit from scenario of deregulated economy - "*Rapid climate change + highly deregulated market economy*" and "*Gradual climate change + highly deregulated market economy*" Dumfries and Galloway could benefit less from scenarios in which economic policy is more regulated.

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<sup>33</sup> ESPON (2010). *EDORA. European Development Opportunities for Rural Areas*. Draft Final Report. v.1. pp. 37-42.



Table 17: Potential impact of EDORA climate change and economy scenarios in PURR areas

	Gradual climate change + highly deregulated market economy	Gradual climate change + highly regulated market economy"	Rapid climate change + highly deregulated market economy	Rapid climate change + highly regulated market economy
North Yorkshire	+/-	+/-	+	-
Dumfries and Galloway	+	-	+	-
Cambrian mountains	+/-	+/-	+	-
South West Wales	+/-	+/-	+	-
Powys	+/-	+/-	+	-
Telemark	+/-	+/-	+	-
Vidzeme	+/-	+/-	-	+

Impact of climate change	- Negative	+ / - Negative/positive	+ Positive
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### Cultural heritage

Cultural heritage can be significant development asset in post-industrial economy. It encourages social and economic development opportunities and is basis for creative industry tourist industry. Cultural heritage is also relevant in the context of 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" (ESPON 2006b) 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 the diversity of the population. 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.

The survey of European territories undertaken in ESPON 1.3.3. reveals that national diversity of cultural heritage in post-communist countries, including Latvia, is high. 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, Powys, 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 still 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.<sup>34</sup> 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 Mountains, Dumfries and Galloway and Vidzeme. It was the lowest in Telemark.

Cultural heritage can also be analyzed according to its 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 Powys 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.<sup>35</sup> According to the report, culture can be described as 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. 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.<sup>36</sup>

### **Governance**

Few would question the importance of governance for territorial development at the local, regional and global scale. For analysis of governance in PURR areas key findings of ESPON project 2.3.2 "Governance of Territorial and Urban Policies

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<sup>34</sup> ESPON (2006). *The Role and Spatial Effects of Cultural Heritage and Identity, 1.3.3. Final Report*, p. 24.

<sup>35</sup> ESPON (2006). *The Role and Spatial Effects of Cultural Heritage and Identity, 1.3.3. Final Report*, p. 27.

<sup>36</sup> ESPON (2006). *The Role and Spatial Effects of Cultural Heritage and Identity, 1.3.3. Final Report*, p. 25.

from EU to Local Level" (ESPON 2006c) 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.“<sup>37</sup> 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.“<sup>38</sup>

When describing state structures, countries are typically divided 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. characterizes England as a "regionalised unitary" state though the classification was done before the recent dismantling of regional governance structures in England. 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 functioning of government is determined not only by structures but also by their performance. World Governance Indicators (WGI) developed by World Bank help in assessing such governance qualities as Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, The Rule of Law, and Control of Corruption. According to WGI Norway ranked in the highest after all indicators (in top 90<sup>th</sup>-100<sup>th</sup> percentile). The scores for UK were similar with exception of political stability which was assessed lower (50<sup>th</sup>-75<sup>th</sup> percentile) with relative decline in 2009. Latvia scored in 50<sup>th</sup>-75<sup>th</sup> 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.

Low trust to political institutions can have negative impact in all levels of governance. Some symptoms of the lack of trust are observed by falling participation rates in elections. While for Europe as whole there is a clear tendency towards decreasing participation rates (from approx. 77% in 1990 to 67% in 2010), some countries like Belgium, Finland or Spain experience more or less stable participation rates, whereas other countries, like Slovakia, Latvia and Greece, experience decline of voter participation. In Latvia there has been about 20 percentage point decline in electoral participation from 1990. Electoral participation rate for last national elections was between 61-70 % for Latvia and UK, while it was a little bit higher in Norway (71-80%).

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<sup>37</sup> ESPON (2006). *Governance of Territorial and Urban Policies from EU to Local Level*, 2.3.2. Final Report, p. 12.

<sup>38</sup> ESPON (2006). *Governance of Territorial and Urban Policies from EU to Local Level*, 2.3.2. Final Report, p. 13.

Understanding territorial governance in detail is a complex task. ESPON 2.3.2 provides 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, and the 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.

In ESPON 2.3.2 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.<sup>39</sup>

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 reports 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 performances. However, Norway showed higher performance on the vertical dimension. The UK scored higher on both vertical and horizontal dimensions and also seems to have more

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<sup>39</sup> ESPON (2006). *Governance of Territorial and Urban Policies from EU to Local Level*, 2.3.2. Final Report.

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 summarize governance structures and performance in PURR countries.

Table 18: Multi-level Structure Indicators in PURR Countries

<b>Category</b>	<b>Latvia</b>	<b>Norway</b>	<b>UK</b>
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) Regional Assemblies (abolished 2010)
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 1 <sup>st</sup> 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 19 PURR countries according WGI indicators (2009-2010)

<b>WGI indicator</b>	<b>Latvia</b>	<b>Norway</b>	<b>UK</b>
Voice and accountability	Above average*	High*	High
Political Stability	Above average	High	Above average (Decline) **
Government Effectiveness	Above average	High	High
Regulatory Quality	Above average	High	High
The Rule of Law	Above average	High	High
Control of Corruption	Above average (Decline)	High	High

\* "Above average" - 50<sup>th</sup>-75<sup>th</sup> percentile, "High" - top 90<sup>th</sup>-100<sup>th</sup> percentile.

\*\* Decline, compared to 2009.

Table 20: Multi-level Relationships

<b>Category</b>	<b>Latvia</b>	<b>Norway</b>	<b>UK</b>
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 21: Horizontal Cooperation

<b>Category</b>	<b>Latvia</b>	<b>Norway</b>	<b>UK</b>
Priority emphasis on horizontal coordination	Weak	Weak	Weak
Partnership formation and cooperation <ul style="list-style-type: none"> <li>• Barriers</li> <li>• Catalysts</li> </ul>	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
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 <input type="checkbox"/> <input type="checkbox"/> Spatial Planning

Source: ESPON 2.3.2 Final Report, 2006.



Table 22: Horizontal Co-operation and Relationships

	<b>Latvia</b>	<b>Norway</b>	<b>UK</b>
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, pp. 90-94.

Table 23: Performance of PURR countries for the multi-level structure and multilevel relationships

		<b>Score of Multi-level relationships</b>			
		<b>1 Low</b>	<b>2</b>	<b>3</b>	<b>4 High</b>
<b>Score of Multi-level structure</b>	<b>4 High</b>				
	<b>3</b>			<b>UK</b>	
	<b>2</b>		<b>Latvia</b>	<b>Norway</b>	
	<b>1 Low</b>				

Source: ESPON 2.3.2 Final Report, 2006, pp. 36.

Table 24: Performance of PURR countries for vertical and horizontal dimensions of Governance

		<b>1 Low</b>	<b>2</b>	<b>3</b>	<b>4 High</b>
<b>Score of Multi-level structure</b>	<b>4 High</b>				
	<b>3</b>			<b>UK</b>	
	<b>2</b>		<b>Norway</b> <b>Latvia</b>		
	<b>1 Low</b>				

Source: ESPON 2.3.2 Final Report.

## C5. Case Studies in Five Regions

The individual case studies of the five PURR stakeholder regions are discussed in detail in this section of the Report.

### Notodden

The stakeholder region of Notodden (see Map A1 in Annex 1) 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 one hour drive from Oslo (using a standard travelling speed of 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 in a European perspective**

If we accept that all PURR regions are rural by definition, then Notodden of course is also a rural region. The EDORA project uses several typologies for classifying European NUTS III regions (section C4). The following table presents these for Telemark:

Table 25: Regional Typologies for Telemark

Code	Label	Value
DTP Type no	Urban-rural typology (Dijkstra 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 annex 1). 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***

Notodden and Tinn are by definition rural municipalities, Tinn more than Notodden. However, the settlement structures in both municipalities are 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 20<sup>th</sup> 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 municipalities, and their economic bases were 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 severely than the rest of Telemark and Norway as a whole. Today (2011), 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 from being hit harder than the national and Telemark averages, probably due to the (relative) 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 regional development will not depend as much on the development of one company. The secondary sector is a relatively larger part of the economy in Tinn (12 % of employment) than in Notodden (10 % of employment), see table A1 in Annex 1. 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. Both municipalities seem underdeveloped within more advanced (or specialised) sectors, 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 (2% 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 would be negative in both municipalities, unless in-migration among younger age groups commences. An interesting fact is that population projections from Statistics Norway indicate that the population of these municipalities might show a slight *increase* in the coming years due mainly to expected in-migration to Norway as a whole.

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 (economy) 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 distribution system. Municipalities losing people will also lose 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, 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 industrial cluster 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 the regional hospital, have been important factors in this perspective 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) depopulation, 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 assessment of the territorial potential of the region is undertaken on the basis of the previous two steps and starts with a SWOT analysis. The SWOT is relatively strategic and has been developed on the basis of existing documents and the discussions with regional stakeholders. The SWOT has been organised according to the people, place and power structure outlined in the methodology chapter. The key challenges require the weaknesses and threats to be addressed and the main opportunities require the strengths and opportunities to be capitalised upon.

Table 26: SWOT analysis of the territorial assets and potentials of Notodden: People.

<b>People</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Low population density: Many attractive recreation areas without noise and traffic	Ageing population.
Good living areas and a good place to raise children	Centre based on car transport; not attractive enough
Strong sense of community and strong social networks	Lack of accommodation, hotel rooms
Strong sense of culture and heritage, arranging cultural events and festivals incl Notodden Blues Festival.	Increased drug abuse
Good access to services of general interest	Some key persons not development oriented
Informal competence (industrial heritage)	Lack of formal knowledge
<b>Opportunities</b>	<b>Threats</b>
Population projections show potential population increase due to in-migration to Norway. Population growth gives choices, impulses and economic prospects.	Further weakening of human resource base due to ageing population and potential out-migration of young people
To develop regional meeting places where the brand "Notodden" is in focus, develop a more distinct and unique narrative.	Potential population decline and ageing impacts the ability to produce services of general interest.
Variation in population (different ages, knowledges, immigration) gives opportunities for development.	Citizens not very open minded regarding new inhabitants and their potentials.
Perceived high quality of life and distinctive environment for (potential) residents and investors	Negative thoughts: "Others are cleverer and smarter than us" (internal image)
Promote small-scale and community led renewable energy initiatives	Notodden has negative image to other people
	Region unattractive for young people

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

Table 26 shows the SWOT analysis for the People segment of the PPP. It illustrates that certain factors are regarded both opportunities and threats at the same time. Potential population growth is one of them. As stated in Step 2, municipal income and population development are tightly connected together. Today's population structure of Notodden on the one hand implies potential de-population in the future. At the same time, projections from Statistics Norway imply a potential (weak) population growth due mainly to in-migration to Norway in the future. This shows that there is a potential to avoid population decrease in the region. Population increase provides the region with more choices, impulses and economic prospects, as the region's population is very important for its development prospects.

In the future, there will be a competition among the regions when it comes to population growth. Generally, population changes tend to favour the most central parts of the country. There are several reasons for this, both demographic (structural) and non-demographic. Among the non-demographic, the possibility for being employed (the labour market) is an important condition. In addition, the access to good services of general interest and housing opportunities are important factors influencing a region's attractiveness. Of course, having a negative general image will not influence a region's attractiveness barometer in a positive way, but this can easily be balanced by other factors. All in all, it will be important for Notodden to increase its attractiveness relative to other regions to secure population growth in the future.

Table 27: SWOT analysis of the territorial assets and potentials of Notodden: Place.

<b>Place</b>	
<b>Strengths</b>	<b>Weaknesses</b>
History and traditions: The industrial heritage based on large plants and hydro energy	Poor "reputation" in other regions. Not very attractive.
Diverse business structure. Hub for Eastern Telemark.	No coordinated visitor packages have been developed.
Active cultural life, many active NGO's and festivals.	Built environment chaotic, Aesthetics and urban design not impressive
Easy access to wilderness, forests and waterways	
Good climatic conditions (compared to other Nordic regions)	
Good communications, infrastructure hub	Localisation: Distance to markets. Poor main roads to Kongsberg and Oslo. Unreliable train service
<b>Opportunities</b>	<b>Threats</b>
Combination of town and rural area. Natural landscape can become more valuable in the future	Potential loss of Eastern Telemark Centre status, for instance with loss of certain types of businesses
Diversity and what already exists should be built on further.	Little will happen regarding transformation, development and New Urbanism. How is the engagement of the people regarding city development?
Applied for inclusion in World Heritage List (old industrial town). Tourism might be developed further.	Lack of a Notodden "identity feeling" among parts of the population.
Generally: Develop unique or distinct narrative for the region.	
Cooperation with Kongsberg regarding sub-deliveries to industry. SMEs in Notodden cooperate in network with each other.	

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

Attractiveness is an important part also regarding the Place segment, as the table shows. Therefore, it becomes very important to secure the region's attractiveness to utilise the territorial potentials.

The industrial heritage is an important territorial potential both for Notodden and Tinn. 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 in winter and summer time. There are many holiday homes of different sizes and qualities, where the relative proximity to the densely populated areas 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.



Table 28: SWOT analysis of the territorial assets and potentials of Notodden: Power.

<b>Power</b>	
<b>Strengths</b>	<b>Weaknesses</b>
A good welfare system and services of general interests of a high standard with excess capacity	University college is good, but threatened
Established regional network with Tinn and the Kongsberg region, but also competition	Outside many national support schemes, but not fully.
More generally: Existing networks and incubators, business development fund. Business and public sector together.	Governance by planning documents very general, not specific enough.
Governance structure is relatively clear	All tiers of government influence territorial development. Are we able to coordinate?
	Small resources for development. Lack of private capital.
<b>Opportunities</b>	<b>Threats</b>
Strengthen regional cooperation, more holistic thinking and common goals at regional level	Notodden cannot be a tourist destination by itself. Needs to cooperate with Tinn.
Strengthen cooperation between local authorities and businesses/NGOs regarding development issues and services.	Is it a threat being outside the EU?
Existing entrepreneurial qualities and networks should be the basis for future development	There is a lack of "hungry" entrepreneurs
Better signposts	Lack of money for development (private and public) and decisions take time.
Local authorities take a genuine interest in developing the region	

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

The governance issues illustrate that, in many respects, Notodden is well developed. Most importantly, the local public services are of high quality, and they have capacity enough to include a larger population. In this sense, it seems as if the local services represent an important potential for the region.

At the same time, local authorities take a genuine interest in developing the region. This is, of course, one of the important tasks for local authorities. However, the local authorities in Notodden see their responsibilities beyond land use planning (including town planning) and production of services. They also contribute within business development and participate in local networks. Notodden Development is a local business development company owned by the local authorities, which contributes to developing local businesses.

At the same time, the stakeholders have pointed at the local authorities' decision making processes. It is regarded problematic that planning documents prepared by the local authorities often are very general and that their contents are not necessarily aimed directly at concrete measures. This might be considered a strategy for avoiding conflict by local authorities, which at the same time hampers development issues and the utilisation of potentials.

There are also some problems regarding the division of labour between tiers of Government. First, the county and the national level are responsible for developing the roads to Notodden. These roads are considered by some stakeholders to be of low quality, especially in the direction of Kongsberg and Oslo. And it might be a problem for the development of Notodden if the higher tiers of government do not give priority to developing this road. Second, the national and county levels are responsible for distributing national means for regional

development to concrete projects. Here, there is a rule book opening for cooperation with the local level, but this depends on the higher tiers of government and on the competition from projects in other localities. Finally, we would like to mention that Notodden cooperates with Tinn, and they are a part of the Kongsberg region. Kongsberg is not a part of Telemark County, but is in Buskerud. In this sense, the local region of municipalities stretches across county borders. This might influence Notodden's chances at getting money from the county level for regional cooperation.

It is important to consider the three foregoing tables together, as they together show the rural potentials of Notodden (and Tinn). People, Place and Power (PPP) cannot be seen separately. They have to work together to utilise the potentials of the region. An example can be used to illustrate this. There is clearly a need for addressing possible de-population in the region. Young families need a house, two jobs and good public services. The houses are relatively affordable, and there are accessible areas for building new houses. The provision of public services is good, which means that the capacity for admitting new children into both kindergartens and primary schools is good. At the same time, the region 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 no population growth in Notodden (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 area's 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.

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, as steps 1 to 3 indicate. The EDORA project identified three meta-narratives for rural development (the Agricultural, the Rural-Urban and the Globalisation narratives). The region will probably recognise itself somewhere in-between these narratives, where the Rural-Urban narrative is the most relevant.

Within the *Agricultural* narrative, some stakeholders indicated that the importance of *the forestry sector* is quite important today, the importance might increase in time to come (depending on world market timber prices and other factors), and the rural parts of Notodden (and Tinn) consist of forests. However, the forestry sector is highly mechanised, and it therefore not an important sector for employment directly. When it comes to standard agriculture production, the sector is relatively small in the region (measured by employment) although many farmers combine farming with other employment. In addition, the agricultural production is fairly standardised. Given the landscape of the region, standardised agricultural

production is probably not very competitive. Therefore, structural change (towards niche production) will probably be necessary if the Agricultural narrative is to become important for the region.

Turning to the *Globalisation* narrative, we find that Notodden (and Tinn) still have their fair share of employment within the manufacturing industry. The manufacturing sector is normally operating on markets that directly or indirectly are international, and its competitiveness is therefore highly influenced by globalisation. Other sectors of the local economy are influenced by globalisation more indirectly, for instance via globalisation's effects on income levels, migration and so on. In addition, globalisation might imply increased global control of local resources, which again implies that local (and rural) development as a decision making factor loses its importance compared to other factors like profits. This is true not only for Notodden, but also for other regions. In fact, the Globalisation narrative will probably not be very important in Notodden, at least not more than in other regions, since the main part of the economy is non-global.

The *Rural-Urban* narrative is probably the most relevant for Notodden. This narrative is based on existing urban-rural flows and their balances. An important development strategy of Notodden is to be the regional centre for East Telemark. This means developing centre functions in Notodden town, both public and private. Within the public sector, the most important centre functions are connected to the local hospital, to secondary and tertiary education. In addition, there are several public offices located to Notodden. Within the private sector, centre functions connected to retail trade and other services are very important. This means developing the town to make it attractive for visitors (shoppers and service users) from the rest of the East Telemark region. There is an ongoing discussion in Notodden whether developing the town centre or the outskirts of the town is the most fruitful strategy, but that is a different question. Notodden should, however, be aware of the potential impacts for the region if the hospital and/or the college is moved to another location or shut down. One thing is that the service in question disappears, which of course means that the region loses this service. In addition, the service represents not only a significant number of employees and their incomes, but also their competence and their place in society. Other negative impacts might be that losing a regional public function might reduce the number of visits from people from other parts of the region, and therefore also less income from their shopping. This might, again, lead to even deeper impacts on Notodden's strategy of being a regional centre for East Telemark, and the Rural-Urban narrative's potential positive prospects for Notodden might be turned into something negative.

These narratives' potential impacts on development in Notodden illustrate that there are several potential development paths for the region. To a certain extent, the paths' directions can be influenced by different choices the actors make, and some directions might be more given. The important thing is to focus on factors that might be influenced.

Earlier, we have discussed the potential for 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 their region to this category of 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 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, and the manufacturing sectors, and as a centre for East Telemark, are important steps in the right direction. However, more could 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 due to economic problems 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.

## Dumfries and Galloway

### Step 1: Benchmarking in a European Perspective

The stakeholder region of Dumfries and Galloway is a 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.

Table 29: Dumfries and Galloway (Code UKE 22) set against Edora Classifications using Nuts 3 data

Code	Label	Value
DTP Type no	Urban-rural typology (Dijkstra 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

Source: ESPON database

Dumfries and Galloway is classified as predominantly rural accessible (PRA) area according to the Dijkstra 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.

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 to 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<sub>2</sub> 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 which is considerably lower than the average for the EU (117 persons per sq km) and for Scotland (64 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 forest industries. However, business and financial services employment is much lower, accounting for only 8.2% (Scotland 17.9%).

The importance of the primary sector and particularly agriculture and forestry is widely acknowledged by regional stakeholders. At the regional level many felt that agriculture was viable and competitive and many farmers had been able to invest profits in diversification activities. Agriculture is demonstrating similar trends to other parts of Europe with increasing farm sizes and decreasing numbers of farms. Traditionally Dumfries and Galloway has been a region famous for beef after rail opened up the markets of the central belt of Scotland. More recently the region has focused increasingly on dairy and 30% of the Scottish dairy industry is concentrated in the region. There are also two creameries located in the region which are among the larger employers located at Lokerbie and Stranraer. Another creamery in Kirkcudbright closed in January 2010. There have been significant investments to restructure the dairy industry and Scottish Organic Milk is a marketing co-operative that was founded by farmers in Dumfries and Galloway and now has members throughout Scotland. As with many rural regions there appears to be a lack of added value activities (food processing, local supply chains....) and this represents a potential opportunity for such activities to contribute more to economic development. There have been a number of initiatives to stimulate diversification of the rural economy and particularly those encouraging farmers to diversify their activities though the economic benefits of these initiatives remain debatable. Some local stakeholders argued that it was better for businesses to specialise in what they are good at rather than to diversify into unfamiliar areas and that it would be more logical for farmers to take the relatively small step into food processing and local food chains rather than diversifying into completely new areas such as rural tourism that require a completely different set of skills.

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.

Regional stakeholders felt that the high proportion of micro-businesses in Dumfries and Galloway provides flexibility but that at the same time an over-reliance on such companies limited potential for the necessary step-change in the regional economy. One of the largest employers is Pinney's in Annan (700-900 employees) who process seafood but the employment is primarily low-skilled and seasonal and the company often experience problems recruiting sufficient staff at peak periods and have to recruit in Central and Eastern Europe. The importance of employment in the public sector was emphasised and there was concern among the stakeholders that the public spending cuts could have a serious impact.

Potential tensions between the development of renewable energy initiatives and the natural heritage of the region are common in rural areas and are also relevant to Dumfries and Galloway. The development of renewable energy initiatives is often primarily driven by external forces and planning decisions taken by the Scottish Government and international

investors. There is currently a strong focus on the development of micro-renewables by farmers. The potential economic and employment benefits of renewable energy developments remain unclear and wind farms generally have a limited economic and employment impact. Community councils within a 15KM radius of a wind farm currently receive 60% of the community benefit generated with the remaining 40% being paid into a region wide fund for energy efficiency measures. The Scottish Government's energy policy also promotes biomass though such development potentially conflicts with development perspectives for the forestry sector (in some estimates potentially consuming 5/7ths of the regions total forest output, to the detriment of existing forest based industries) and other qualities of the region.

The Leader Programme in Dumfries and Galloway appears to have a number of innovative aspects, many of which have been publicised in various documents including the Good Practice Guide in which some of the most innovative projects are celebrated and described. An extensive consultation was undertaken in 2007 that aimed to identify the key issues affecting people's lives in the region with the aim of focusing on these issues in the Leader Programme 2007-2013. The Programme focused on a variety of issues including buildings and facilities, space for communities (gallery and rehearsal spaces), events and festivals (with a social cohesion rather than a tourism focus), young people and skills, access and interpretation of the landscape and wildlife. In practice there has been more interest in community based projects rather than business focused projects. The Dumfries and Galloway Leader Programme has taken a conscious decision to pursue a strategy of concentrating resources on a few projects rather than spreading limited resources evenly across the region in the hope that such investments will have a higher impact and visibility.

Regional stakeholders expressed concern about access to services of general interest in a context of financial austerity and the increased centralisation of services. The traditional identities and practices based on the four former districts of Dumfries and Galloway have, to some degree, been retained reflecting a resistance to change. Service provision and traditional policy networks based on the four former districts remain important and influential. There has been some discussion in Scotland regarding the potential benefits of increasing power of lower tiers of governance such as the parish councils though the consensus appears to be that while this may potentially have social benefits it was unlikely to have more than a marginal impact in relation to economic development.

The geography of the region dictates that functional interactions between different areas are complex. Stranraer is influenced more by Belfast rather than Dumfries whereas the eastern part of the region is influenced more by Carlisle (for recreation, leisure, retail....) rather than by Glasgow and the Central Belt. A number of the interactions focus on urban areas outside the region due to transport infrastructure (to Glasgow or Carlisle) and distance (Moffat is only 30 minutes from Hamilton and 45 minutes from Glasgow, Langholm is only 30 minutes from Carlisle....). The west coast main train line passes though Dumfries and Galloway though few trains stop at Lockerbie Station and it was felt unlikely that Dumfries and Galloway possessed sufficient lobbying power to change this situation in the near future.

Regional stakeholders generally perceive the effects and impacts of devolved governmental powers to the Scottish Parliament as positive upon the political and economic fortunes of the Dumfries and Galloway region. There appear to be clear political benefits compared to the situation prior to devolution, since the region now benefits from direct access to ministers in



the Scottish Executive. Lines of communication with central government were previously much more mediated (and arguably this might still be the case in England) although also linked to shifting party political representation within the Scottish Government. However, in terms of the purchase the region's political voice might have upon Scottish policy making reservations among stakeholders remain. In comparison to other rural areas in Scotland, with more long standing policy profiles and lobbying mechanisms - such as the Highlands and Islands - the area appears to have to work much harder to project the character of its rural challenges.

**Step 3: Assessing the region's territorial potential**

The analysis of the 'hard' data in Step 2, in combination with the qualitative reflections and outputs of the stakeholder engagement workshops, are used here to construct a SWOT based evaluation of the regions potentials and key territorial assets. It deploys the 'people, place and power' categorization to give coherence to this evaluation and resultant rural potentials.

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 assets and potentials 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.

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 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.

Table 30: SWOT analysis of the territorial assets and potentials of Dumfries and Galloway: People

<b>PEOPLE</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Resilient local population. High levels of self employment.	An aging and geographically dispersed workforce, with low average earnings, low skill levels and low productivity.
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.
Some in migration of skilled population from urban areas seeking attractive environment and work-life balance.	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.
Some in migration of wealthy retirement population.	Shortages of and need for better quality affordable social housing for local population.
<b>Opportunities</b>	<b>Threats</b>
Further development further and higher education at Crichton Campus to (which houses parts of the	Austerity driven public expenditure cuts will affect service provision and training opportunities to local population. Student

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.	recruitment totals subject to capping and new student borne financing arrangements.
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.	Community skills unevenly distributed. Potential closure of more 'marginal' service provision in geographically peripheral areas a threat to low density regions such as Dumfries and Galloway.
High quality environment potential to further attract skilled people to the area for living and work-life balance.	Vulnerability of public sector to spending cuts could have a serious impact on regional employment, wages, local supply chains and income multipliers.

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

The economic downturn is having a significant impact on employment in many rural areas. There is some potential to view this as an opportunity however as reductions in public sector employment are likely to lead to a number of people with redundancy payments that they would be seeking to invest in new business ventures. The demographic dynamics of Dumfries and Galloway are complex though the current trends do offer some potential opportunities.

There are a number of examples of community and voluntary initiatives seeking to provide services that people would otherwise have to travel out of the area to access including Catstrand Arts and Community initiative and the transfer of Moffat Town Hall into the ownership of a local community group. Such initiatives potentially offer models or inspiration that could be applied elsewhere. The voluntary sector is generally likely to provide certain types of services where local communities identify a problem and a need. The retired population is potentially a significant resource for voluntary organisations (as they have time to volunteer though this leads to questions about people being expected to undertake work on a voluntary basis that they would have been paid for in the past. It is likely that voluntary groups will have to be run more on business lines if they are to take an increasingly important role in service provision. Specific initiatives such as skills audits are useful in helping to identify the distribution of skills and capacities which is likely to be unevenly distributed in space. The strength of the community culture varies significantly from place to place and this will impact on the ability and likelihood of the voluntary sector mobilising and providing services. The key question in the current context relates to the extent to which services can be provided differently / more effectively / more economically.

There are a number of consequences of the economic structure of the region being dominated by micro-businesses that make it difficult to achieve a step change in the regional economy. Micro-businesses often focus attention on their own activities and have little time for networking and often see little value in developing business networks which are generally not well developed in Dumfries and Galloway. Many businesses wanted to protect rather than share information and this relates to the need for a more collaborative (rather than competitive) culture to evolve. Those business networks that do exist tend to be very locally organised and this limits scope and potential of such networks in low density areas such as Dumfries and Galloway as it is difficult to bring people together to sustain such networks. The location of the Crichton Campus to (which houses parts of the University of Glasgow, the University of the West of Scotland and Dumfries and Galloway College) does however offer significant potential to attract and develop more qualified human resources.

Table 31: SWOT analysis of the territorial assets and potentials of Dumfries and Galloway: Place

<b>PLACE</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Considerable territorial capital and natural asset base. High quality highland and coastal landscapes. Extensive renewable energy capacity.	Economy of the region lags behind that of the UK and of Scotland. Low-wage economy characterised by part-time and seasonal work.
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 are a potential barrier to growth and competitiveness.
Important stock of local heritage and socio-cultural assets.	Economy reliant on traditional manufacturing and land-based industries such as agriculture, forestry food processing, retailing and tourism.
Relatively resilient agriculture, forestry and food processing sectors. 30% of the Scottish dairy industry is concentrated in the region.	Few jobs in knowledge intensive companies and new growth sectors.
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).	Lack of diversity and capacity across private sector (94% of companies employ fewer than 50 employees). GVA per head below the national average across almost all sectors.
Dominance of small and micro-businesses provides flexibility and adaptability in labour market.	Private sector predominantly low value added companies. Low levels of investment.
Diverse tourist product: passive and active recreation, natural beauty, culture and event based tourism.	Seasonal nature of tourist product.
Industrial land and business premises are relatively cheap.	Lack of demand for industrial and commercial premises.
Stock attractive of private sector housing to retirement, second home and holiday let investment.	Large legacy of sub-standard public and social housing of poor quality in need of renovation.
<b>Opportunities</b>	<b>Threats</b>
Strategic "City Axis" position offers potential re-location of Small and Medium Sized Enterprises (SMEs) and "back room" services for larger companies.	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.
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.
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 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.
Growing presence in a number of developing markets such as renewable energy. Potential development technologies and associated support industries. Important to capture local value and employment growth.	Revised national energy policy and more austere subsidy regime affects viability of renewable energy sector. Potential tensions between the development of externally controlled and driven renewable energy initiatives and the natural heritage of the region.
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.
Capture local benefits of Scottish 'City Region' agenda through relieving cost pressures in the	National economic development policy currently prioritises City Regions and other non-local priority industries as the main

urban economy and offering quality of life benefits.	drivers of growth. Likely to be reflected in Scottish Executive funding decisions.
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.

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

The development of a range of territorial potentials across a diverse regional socio-economic space generates tensions and paradoxes that need careful negotiation. 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 focus 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.

Despite the diverse natural and cultural heritage in Dumfries and Galloway and a variety of thematic events in different places (such as Wigtown book town and Castle Douglas food town) the region tends to suffer from a lack of identity especially in comparison to other areas in Scotland (Highlands and Islands) and North-west England (the Lake District). The region has had a number of marketing campaigns focusing on Dumfries and Galloway as the Forgotten Region, mini-Scotland, Natural Region, and more recently the Creative Region. The range of these campaigns emphasises that the region is struggling to establish a specific identity and the new focus on creativity is broader than a more specific focus on natural or cultural heritage and recognises the fact that the region could not be expected to compete with Glasgow and Edinburgh in cultural terms. However, some regional stakeholders remain unconvinced that the focus on creativity is appropriate or offers realistic development perspectives.

Retaining the integrity of place whilst also developing the necessary infrastructure for tourists is an important challenge and a focus on adding quality rather than quantity in terms of tourism infrastructure and product is likely to be appropriate. Some among the indigenous population appear to resent visitors and do not appear to have bought into the vision of the New Rural Economy and encouraging local communities to buy into this vision provides an additional challenge. Some small tourism businesses are not necessarily dependent on tourism as their primary source of income and that this was reflected in limited commitment to staying open during the winter when many attractions and much accommodation is closed. This also raises issues of professionalism in the sector and this is of particular importance if Dumfries and Galloway is to compete for tourists with more established tourism areas such as the Highlands and Islands. Council officers have examined a current initiative in Northumberland focusing on trying to attract visitors during the winter months and trying to persuade businesses and services to stay open. The key attraction of Dumfries and Galloway appears to be natural beauty and peace and quiet, and these characteristics have implications for future development potential.

The region has a range of distinctive place based territorial 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 goods and 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.

Table 32: SWOT analysis of the territorial assets and potentials of Dumfries and Galloway: Power

<b>POWER</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Stakeholder regions nested in extensive and well developed hierarchy of spatial plans and planning policy. Deep understanding of policy options and potentials amongst stakeholders across public, private and community sectors.	Impact of austerity measures upon financial and human resources within key public sector organisations.
Relative accessibility of devolved powers within Scottish Executive.	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.
South of Scotland Alliance and South of Scotland Forum important role championing the needs of the area.	Absence of a networked collaborative culture within and across small businesses
High quality and innovative Leader based projects. Well-developed networks of community and volunteer organisations.	Social enterprise sector and associated support skills and networks relatively underdeveloped.
Common Agricultural Policy (CAP) reforms in Scotland now provide more clarity and confidence to farmers to progress diversification and adjustment strategies.	Instability across the euro-region creates uncertainties regarding future financing and priorities of CAP.
Track record in partnership, delivery both among public sector organisations and between the public, private and 3rd sectors.	Challenge of maintaining networks of co-operation across the regions dispersed settlement geographies.
<b>Opportunities</b>	<b>Threats</b>
National planning documents identify transport infrastructure, service improvements and major projects (Prestwick airport and Loch Ryan port development). Scottish 'City Region' policy agenda potentially offers local benefits through relieving	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.

cost pressures in the urban economy and offering quality of life benefits.	
Potential independent Scotland and break from UK political union. Political, policy and financial autonomy.	Uncertain impacts of Scottish independence. Uncertainty and policy stasis during interim period.
Community organisations, voluntary sector and social enterprises may provide services where the public sector withdrew from provision. Retired population potential resource for voluntary organisations.	Capacities for community involvement in spatial plan making and implementation likely to be uneven. Potentially will reinforce existing social divisions.
Potential cross-border policy co-operation with neighbouring rural economies of the north Northumberland and Cumbria and Carlisle and Belfast urban centres.	Reduced staffing levels in key public sector organisations reduce institutional capacities for policy innovation and adaptation. Decreased staff morale and motivation

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

Another tension lies in 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.

The Scottish Rural Development Programme is one of the key implementation mechanisms available and there are potentially a number of areas where an increased focus could be beneficial to Dumfries and Galloway including increased attention for landscape management issues particularly for small farmers and increased support for small farmers with less capacity and knowledge regarding accessing subsidies and other funding opportunities).

#### ***Step 4: Policy options and future developments***

Policy discourses of regional development and rural potential in the Dumfries and Galloway region are clear in their understanding of it as a dynamic process, contingent upon complex combinations of local and extra-local actors, funding streams and investment opportunities, which in turn is subject to shifting political circumstances and the vagaries of changing economic circumstances. Stakeholders comprehend that there is no magic blueprint to some 'modernized' rural future. Rather, rural futures and representations of potential involve continual negotiation and contestation across complex networks of power and co-operation. It is a large region and so meta-narratives, such as the EDORA agri-centric, urban-rural and globalisation classifications all have explanatory power to different parts of the region and in different ways and can be used as a tool to generate debate and assist policy makers in considering policy options.

Through the engagement workshops with key stakeholders it was made clear that there is an existing deep understanding of the regions varied territorial assets and potentials, along with important networks of policy discussion and co-operation. Moreover, policy postures, options and the range of available strategic policy moves have been well rehearsed and established. For example, 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.13)

In terms of important policy networks and communities crucial to future implementation strategies one important example is the Scotland National Rural Network <http://www.ruralgateway.org.uk/> which aims to promote co-operation and best practice between schemes and programmes operating under the Scotland Rural Development Programme. In addition, *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.

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 ability to policy shape the future development for the region, to be more proactive to change and creatively adaptive to exogenous forces as they work in and through the region will, therefore, be influenced by available financial and strategic resources. In this respect, the region has been to date 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 strategic 'step change' to the local economy which will more fully realise its regional potential.

The leverage and lobbying power of local stakeholders on higher funding sources and relevant arenas 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 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 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 and 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 (see its 2006 *South of Scotland Competitiveness Strategy*) 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 (and beyond) certain policy discourses and strategic postures 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.

Like other many rural regions across the UK and beyond, the strategic posture of key regional stakeholders and policy makers will inevitably, in the shorter term at least, be restricted to either adapting to the future or simply reserving the right to play, with proactive, high-risk big bets strategies proving unrealistic. Nevertheless, the depth of commitment to strategic spatial planning embedded in and across the Dumfries and Galloway (and Scotland more generally), in combination with the regions existing knowledge networks and policy communities, provide an important platform from which to shape the region should the economic and political context change in more profound ways.



## 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 and had a population of 598,686 in 2010 (EUROSTAT). The region is relatively sparsely populated in the English context with a population density of approximately 74 persons per square km compared to an average of 117 for the EU, 254 for the UK and 341 for the Yorkshire and Humber Region within which it is situated.

The area is classified as a NUTS III region. Existing data primarily from ESPON and Eurostat have been used to situate the region in its European context and where appropriate this has been supplemented by national data to help situate the region within its national context. 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 Dijkstra 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.

Table 33: Classification of North Yorkshire according to EDORA typologies

Code	Label	Value
DTP Type no	Urban-rural typology (Dijkstra 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 Dijkstra 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 Dijkstra 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 2011). In Europe 32% of all NUTS III regions 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 of 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 predominantly rural regions becoming more dominant in the geographical periphery. The nature of such typologies and the fact that they are based on high level (NUTS III) statistics means that they fail to capture the diverse characteristics and diverse levels of accessibility experienced by different parts of North Yorkshire. A closer examination reveals that 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 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 visitors attracted by the 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. 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 though this fails to recognise the complexity of some of

the underlying processes and the negative implications of processes such as counter-urbanisation and hidden deprivation.

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). North Yorkshire County is a NUTS III region but EUROSTAT 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 598,686 in 2010, an increase of almost 5% compared to 2002. In comparison the population of the UK increased by 1.4% over the same period.

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. According to data from 2007, 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 according to this indicator. With a GDP per capita of 111% of the EU average North Yorkshire County ranks 422<sup>nd</sup> 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.

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### ***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.

As mentioned in the previous section, North Yorkshire had a population of 598,686 in 2010 and local data estimates that this has increased to 599,700 in 2012 (<http://www.northyorks.gov.uk/index.aspx?articleid=2874>). 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 in close proximity to the larger urban centres both within and outside the boundaries of the County Council. 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 access to housing, increasing house prices and increasing pressure on local services and the environment 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>). A study by the now disbanded regional development agency Yorkshire Forward identified 36 market towns (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 many have now been rescinded and many feared the impact of the abolition of regional structures on the capacity for strategic planning.

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.

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 distribution, hotels and restaurants or public administration, education and health, both of which provide 27% of jobs in the sub region. Public sector employment remains central to the economy, providing approximately 95,000 jobs in total, and of these 24,000 are employed by North Yorkshire County Council, making it the largest employer in the area. The impact of austerity and public sector spending cuts are likely to see this number reduced in the coming years though no reliable statistics are currently available. 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.

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).

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 2010. 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 2006f). 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 the 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 authorities<sup>40</sup> (both metropolitan and district). There are 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 in 2010 amid 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

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<sup>40</sup> 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.

regional stakeholders felt that despite being primarily urban focused the former RDA provided a useful focal point for rural development in terms of knowledge, funding and strategic planning.

The Government has abolished the regional development agencies and invited local authorities to form voluntary partnerships called local enterprise partnerships (LEPs). The new LEPs 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 reduce the potential to plan and act strategically and also to utilise EU funding effectively. There is also a fear 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. A degree of uncertainty has been removed as York and North Yorkshire LEP has now been approved by Central Government. The new LEP includes North Yorkshire County Council as well as the local authority areas of York City and the East Riding of Yorkshire. The LEP will have a strong business and economic focus though it is too early to tell at the time of writing how effective this new organisation will be or to what extent rural areas and rural issues will be supported.

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 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 in North Yorkshire, 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.

### ***Step 3: Assessing the regions territorial potential***

North Yorkshire clearly possesses a diversity of assets and potentials, underpinned primarily by the high quality environment and landscape. A number of challenges remain however, if the territorial assets of the region are to be optimised and the various constraints to a competitive



regional economy are to be addressed. The assessment of the territorial potential of the region is undertaken on the basis of the previous two steps and starts with a SWOT analysis. The SWOT is relatively strategic and has been developed on the basis of existing documents and the discussions with regional stakeholders. The SWOT has been organised according to the people, place and power structure outlined in the methodology. The key challenges require the weaknesses and threats to be addressed and the main opportunities require the strengths and opportunities to be capitalised upon.

Table 34: SWOT analysis of the territorial assets and potentials of North Yorkshire: People

<b>People</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Positive overall population trends	Ageing population and in-migration are reducing opportunities for young people and local people in terms of access to education, employment, housing...
Strong identity / identities and resilience of local population	Reliance on public sector employment
Well developed social networks	Limited opportunities or employment growth in key sectors (agriculture, tourism and micro-businesses / SMEs)
Low unemployment and high economic activity rates	Limited investment capacity of agricultural businesses and SME's
<b>Opportunities</b>	<b>Threats</b>
Stimulating the dynamic and resilient SME sector	Increasingly unbalanced demographic structure and outmigration of young people seeking higher education or better housing and employment opportunities
Harnessing capacities and resilience of population (particularly retired population) to strengthen third and voluntary sectors	Lack of integration of in-migrants in social and economic ties due to retention of employment and accessing services outside local area
Harnessing strength of local identities and networks to strengthen social and cultural capital	Counter-urbanisation processes diluting local identities
Pool of human resources with funds to invest as a result of loss of employment in public sector	Increasing economic and social disparities between communities in upland and lowland areas
	Limited opportunities for employment growth in key sectors (agriculture, forestry, tourism, SMEs....)
	High car dependency and rising fuel prices leading to increasing transport poverty
	Further marginalisation of remote areas due to reduced access to services of general interest
	Increasing cost of living due to fuel and energy prices

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

The demographic structure and dynamics of North Yorkshire are complex. 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 continue.

Issues of identity and image are particularly relevant in North Yorkshire. Yorkshire people generally have a strong regional identity and this can be perceived as a positive asset, though the continued in-migration of people from outside the region is perceived as a potential threat in terms of diluting this identity and local cultural traditions and practices. Resilience is a key component of this regional identity and this is supported by extensive social networks that provide an important regional asset. At the same time different areas within North Yorkshire show significant differences in identity and image. The identity and image of the North Yorkshire Moors consists of the colourful moors with heather and bracken whereas the identity while the image of the Dales is focused more on places (particularly 'typical' Englishness in the villages) and the stone walls and sheep in the rural areas. The designation of both areas as national parks offers both opportunities and constraints in terms of future development. Some of the urban areas also have a distinct identity often based on particular assets or traditions such as the flower show and food and tea shops in Harrogate and the diverse cultural initiatives evolving in some of the coastal towns such as Scarborough and Whitby.

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 to retain young people in the area. The characteristics of many of the in-migrants (retired or professionals commuting into work in larger urban centres) mean that they bring a variety of capacities and resources (especially time in the case of retirees) with potential to significantly strengthen social capital and the capacity of the voluntary sector. The danger is that these skills and capacities will not be evenly distributed meaning that the potential benefits will not be available to all parts of the region. Recent changes to the planning system in England offer communities the opportunity to draw up neighbourhood plans and this provides one example whereby certain communities will possess the capacities and resources to take advantage of these changes whereas others will not. The latter will continue to require effective targeted policies to provide education, housing, employment and other personal development opportunities.

The characteristics of the area, including the remoteness of some rural areas and the lack of public transport, mean that there is a high car dependency and people increasingly have to travel further to access services of general interest. In combination with the rising fuel prices this results in an increasing proportion of the population, particularly those in the more remote rural areas, facing increasing transport poverty. In addition to rising fuel prices increasing energy prices are contributing to disproportionately high increases in the cost of living for many people in more remote rural areas.

Table 35: SWOT analysis of the territorial assets and potentials of North Yorkshire: Place

Place	
Strengths	Weaknesses
Extremely diverse territorial capital with lowland, upland and coastal areas	Dispersed settlement structure with limited number of larger centres and limited connectivity between these centres
High quality assets in terms of landscape, heritage and natural environment	Unbalanced economic structure with over reliance on primary and public sectors

Attractive and traditional market towns and villages with a quintessentially English rural character	Predominantly low wage economy (particularly in upland areas) and existence of hidden deprivation and pockets of concentrated deprivation
Nationally important north - south transport links with good connections to Scotland and the south	Limited east - west connectivity
Well established and diverse tourism infrastructure	Limited accessibility and infrastructure in more remote areas
<b>Opportunities</b>	<b>Threats</b>
Exploitation of high quality territorial capital and increased promotion of regional identity and assets	Overreliance on tourism and agriculture in upland areas
Pool of potential investors as a result of loss of employment in public sector	Reduction in public sector employment in climate of austerity and public sector spending cuts
Development of market towns as competitive economic drivers and centres for service provision	Vulnerability to external shocks and externally determined commodity prices (lamb)
Utilising the proximity to major urban centres and the good connectivity to Scotland and the south	Development pressure and environmental challenges due to counter urbanisation processes
Further development of the new rural economy	Conflicts between economic development and environmental designations
Further developing funding and support mechanisms for landscape and nature development, particularly in upland areas	Lack of recognition of rural problems and rurality of the region due to scale of EU rural typologies
Promoting ecosystem goods and services, renewable energy, energy crops and the low carbon economy	
Development of rural Broadband NYNet	

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

The spatial characteristics of North Yorkshire provide significant challenges and opportunities in terms of regional development. 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 as well as for employment and service provision. Investment in these market towns will be required if they are to continue to fulfil these roles effectively, however it is unclear where this investment will come from in the current economic climate. There is currently little co-operation or networking between these market towns and the larger urban centres outside the County tend to function as magnets and this external orientation potentially hinders internal development.

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 and the predominance of low wage employment in the tourism sector emphasises the fragility of the local economy and steps to reinforce and / or broaden this economic base would be beneficial. The extent of national and international environmental designations in North Yorkshire provides ample indication in terms of the quality of assets in terms of landscape, heritage and natural environment. The same characteristics that are attractive to tourists are also potentially attractive to people and businesses providing an attractive environment in which to live and invest.

These assets also contribute to a perception of a high quality of life that can be marketed as a regional asset. In addition they provide a basis to underpin the promotion of agendas relating to landscape and nature development, land management and the provision of ecosystem

goods and services. A move towards landscape and habitat management has potential to support some farms in areas where agriculture is no longer competitive so that support is given for the maintenance, retention and enhancement of public goods. The challenge in relation to the provision of ecosystem goods and services and renewable energy is to try to capture a substantial part of the (economic) benefits of such initiatives for local communities rather than let them flow out of the region. The spatial characteristics and location of North Yorkshire mean that the more accessible rural areas are attracting population and these processes of counter-urbanisation leads to potential threats in terms of development pressure and environmental challenges. As a result there are likely to be increasing conflicts between economic development and environmental assets and between different types of land-use in such areas.

The location and the dispersed settlement structure of North Yorkshire also provide significant challenges. The location means that the region is highly influenced by larger urban centres outside the boundaries of the County (Leeds/Bradford, Middlesbrough/Teesside, York). The dispersed settlement structure is characterised by a limited number of larger settlements with significant distances between them and this provides a challenging context for the provision of services of general interest. Another 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 the urban – rural interactions at different spatial scales (from the metropolitan areas outside the County to the market towns within) is clearly an important challenge.

Potential future employment strategies are unclear. The reliance of large parts of the County on agriculture, particularly sheep farming, means that the economy is vulnerable to external shocks based on changes in externally determined commodity process (particularly lamb). 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 structure of the economy means that large parts of the region rely substantially on the low wage economy.

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.

Levels of accessibility and connectivity are highly diverse in different parts of the region. Parts of the region in close proximity to the Vale of York, a lowland belt between two upland areas,

benefit from the (inter)nationally important north-south road and rail infrastructure. The presence of this major infrastructure offers opportunities to benefit from the relative proximity of Newcastle and Scotland to the north and London to the south. External accessibility is also strengthened in certain parts of the region due to proximity to airports in Leeds-Bradford, East Midlands and Manchester. However, the internal connectivity, particularly between eastern and western parts of the region is severely limited by a lack of east-west transport infrastructure. The accessibility of the more remote rural areas is limited due to the distances and poor connections to the national infrastructure network.

Table 36: SWOT analysis of the territorial assets and potentials of North Yorkshire: Power

<b>Power</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Considerable knowledge and expertise within existing governance networks	Lack of recognition of rurality in European context
Well established developed networks of community and volunteer organisations	Fragmented and highly fluid governance structures and networks
Good understanding of Challenges and opportunities, policy options and implementation mechanisms	Perceived policy vacuum following abolition of regional tier of governance
	Limited local control over the power and means to steer rural development, potentially exacerbated due to the current further centralisation of power
	Perceived and real distance from key political arenas of UK Government
	Limited capacity exacerbated by dissolution of regional knowledge networks and resources
<b>Opportunities</b>	<b>Threats</b>
Facilitating the evolution of appropriate and dynamic knowledge networks, communities and arenas and stimulating the production of relevant knowledge resources	Ongoing climate of austerity and reductions in public spending
Optimisation of new governance arrangements	Uncertainty regarding governance and funding arrangements particularly in relation to CAP reform
Strengthening of voluntary sector by capitalising on the capacities of increasing population	Finances / funding support post 2014 in climate of austerity
	A potential lack of long-term strategic planning
	Loss of support structures and networks on ongoing climate of austerity
	Further fragmentation of evidence base under new governance arrangements
	Potentially negative influence of external factors such as commodity prices, post-oil economy

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

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 vacuum and it is as yet unclear what impact that this and the new LEPs will have on the County. The new geographies and spatial scales of governance make it unclear who has the real power and influence. Despite the presence of considerable knowledge and expertise, the recent dramatic changes in the governance landscape have resulted in the dissolution of numerous regional knowledge networks, arenas and resources.

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. Local authorities generally have insufficient funding to significantly influence the development of rural areas and in addition the local level possesses relatively few powers in the UK compared to other European countries. 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.

The climate of austerity and reductions in public sector spending is likely to continue for the foreseeable future. The fluidity of governance structures is reinforced by uncertainty about the extent to which the voluntary sector will step in to provide some services that have previously been provided by the public sector in response to the Big Society agenda of the UK Government. There is also a significant fear that there will be a further reduction in support structures and networks many of whom rely on subsidies and support from the public sector. The fragmentation of governance structures may also potentially lead to a fragmentation of data collection between different institutions and this could potentially reduce the robustness of the evidence base for future strategy formulation and bids for funding.

#### ***Step 4: Policy options and future developments***

The fluidity of governance arrangements and the ongoing climate of austerity provide a challenging context for future policy options in North Yorkshire and limit opportunities for the regional stakeholders to shape the future of the region. Regional stakeholders in North Yorkshire were quite explicit that they had a comprehensive overview of potential policy options but that they often did not possess the power, instruments or resources to pursue many of these options. The three meta-narratives (agri-centric, urban – rural and globalisation) proposed in the EDORA project each have elements that are relevant to different parts of North Yorkshire in different ways and can be used as a tool to generate debate and assist policy makers in considering their future options. The meta-narratives provide a useful context within which to situate these debates. However the recent changes to the governance structure in England and the limited power of local authorities to influence broader rural

development agendas, combined with the exogenous nature of many of the forces influencing rural development reinforce the limited scope for policy makers to shape their future.

The impacts of the recent changes in governance structures and changes to the spatial planning system in England are still emerging. The new measures such as the introduction of the LEPs and the new opportunities for community engagement are likely to benefit certain areas and communities that possess the assets and capacities to take advantage of them. However the spatial distribution of these benefits is likely to be highly uneven to the significant disadvantage of some areas and communities. The removal of regional strategies and agencies has potentially created a policy vacuum in terms of strategic planning as well as the loss of significant knowledge networks with a wealth of expertise in rural development.

An overriding concern is the need to find means for North Yorkshire to demonstrate its rurality in order to be able to lobby and attract funding to address some of the issues identified in the SWOT analysis in the previous section. 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 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. These changes have arguably resulted in a recentralisation of power in England and the potential marginalisation of rural issues in light of the climate of austerity and an increased focus on urban areas. The economic focus of the LEPs provides an additional challenge in terms of balancing economic needs with environmental and social issues.

The lack of long-term strategic planning instruments will potentially hamper the ability of rural areas to face long-term challenges relating to, for example, climate change and the post-oil economy. Mitigation and adaptation strategies based on renewable energy are likely to come into conflict with landscape and other strategies seeking to capitalise on the attractiveness of the environment. Moves to promote small-scale community based renewable schemes, the provision of ecosystem goods and services and innovative land management practices will depend on the ability of regional stakeholders to influence broader debates regarding future EU and national funding initiatives and the decisions of international investors.

The character of the rurality of the region is not being made visible by current statistical categorization, both in the European and the UK / English contexts. Moreover the currently fluid and rapidly evolving governance context in England 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 rural development in the long-term. As a result it is likely in many cases the strategic posture of regional stakeholders and policy makers will be restricted to either adapting to the future or simply reserving the right to play. The ongoing climate of austerity and reductions in human resources capacity through cuts in public sector employment may mean that ambitions have to be reduced to a more cautious approach where stakeholders seek to identify and capitalise on opportunities as they arise and adapt quickly to fluid situations through a series of no regrets moves. Such moves could include investments to strengthen human and social capital and networks, place marketing and

supporting nature and landscape development initiatives. The areas in close proximity to larger urban centres and to the internationally important north-south transport infrastructure are likely to have stronger potential to capitalise on opportunities offered by the evolving governance and demographic context. In the more remote areas more specific localised strategies will be required to build on localised assets relating to landscape, nature and cultural heritage. Public sector investments are always likely to be required in some areas as many rural areas are unlikely ever to self sustain and this makes their future increasingly uncertain. The broader context of reductions in financial and human resources and a lack of access to and influence over robust strategic policy instruments dictate that most of the more proactive big bets strategies that are high risk may be unrealistic for the foreseeable future.

## **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 and for situating the region in its broader context. 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 117 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.

Table 37: Classification of Welsh NUTS 3 regions according to EDORA typologies

Typology	South-west Wales UKL14	Powys UKL 24
Urban-rural typology (Dijkstra 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 Dijkstra 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. Predominantly rural areas are only found in parts of mid-Wales and western and northern 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, extent and quality of transport infrastructure and its sparse population.



Care must also be taken when considering the other two rural typologies adopted in the EDORA project. According to the structural typology for non-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. In reality the multi-functionality of the Cambrian Mountains is limited 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 (Haughton et al 2010) 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, applicability and comparability. As a result it is difficult to provide meaningful socio-economic statistics that would provide an accurate benchmark of the Cambrian Mountains in its European context. Clearly however, the Cambrian Mountains are peripheral to main transport networks, main economic centres, political decision making and socio-economic opportunities in a European and in a UK context.

### ***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.

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, the boundaries of which do not correspond with the study area. Data published by the Wales Rural Observatory, while providing useful insights, is also 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 surrounding the region 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.

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.

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 and the region does not attract as many tourists as the Snowdonia National Park to the north and the Brecon Beacons National Park to the south. 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. Both national parks have a considerably stronger tourism identity and much better developed tourism infrastructure than the Cambrian Mountains and it is unlikely that the region can compete at the same level against these areas in terms of attracting tourists. In terms of environmental resources the Cambrian Mountains have substantial landscape, water (the sources of the seven main rivers in Wales are located in the study area), wind and forest

(which cover 26% of the area) resources. The quality of the landscape and natural structure is reflected by the fact that almost 20% of the area is covered by international or national designations. 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 located within Powys, Ceredigion and Carmarthenshire. The two national parks in Wales, Brecon Beacons and Snowdonia, are in close proximity to the Cambrian Mountains and despite discussions in the 1970s it was decided not to award this status to the study area. The governance landscape relevant to the Cambrian Mountains is highly fragmented and 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 working groups that have been established focusing on:

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

An Ecosystems Services Project Officer has been appointed to promote innovative land management measures that could help to influence the future agri-environment measures and the measurement of the existing Carbon Footprint of farm businesses. The product marketing and branding group work with local farmers and producer groups in the area to try to secure a market for their products particularly Cambrian Mountains lamb. They access funding from a variety of sources including the Welsh Assembly Governments' Rural Development Plan for Wales 2007-2013 to try to strengthen local supply chains. Ultimately the aim is to establish a range of products under the Cambrian Mountains brand. The other groups promote measures to stimulate sustainable tourism, the protection of the built environment and support for sustainable communities.

Rural areas have tended to find it difficult to attract funding through the sustainable communities agenda because the most significant concentrations of deprivation are usually found in larger urban areas and this has significant implications for hidden deprivation in rural areas. Only a limited part of the Cambrian Mountains is eligible for funding under the Welsh

Assembly Government's Community's First initiative (primarily the upland villages around Tregaron). The use of such quantitative statistics mask the significant levels of specific types of deprivation being experienced by rural residents throughout the Cambrian Mountains, particularly in relation to income, access to services, access to housing and transport.

It is widely acknowledged that the interactions between drivers, opportunities and constraints are complex, with many perceived as constraints also providing opportunities though some aspects are considered to be more constraining than others. The remoteness of the area and low population density is perceived in many ways as a constraint, though it is precisely this characteristic that makes the area attractive to many (both local and outsiders). The limited nature of the east-west connectivity through the Cambrian Mountains also provides the opportunity for high quality and often unique visitor experiences along the routes between different places. The visitor experience can be enhanced and enriched dramatically through local knowledge and local storylines about little known points of interest. The development of small-scale culture / heritage / food trails that reflect and promote the characteristics of the Cambrian Mountains has potential to build on the areas specific natural, landscape, cultural and historical characteristics. The need to build on local characteristics and resources will also require many of the small towns to find an appropriate niche upon which to develop activities and an identity.

A number of these towns have former attractions, traditions and identities that could be resurrected to strengthen development potential, such as the prominence of Llandrindod Wells as a spa town. Both the number of visitors and the condition of the spa facilities declined during the 1960s and 1970s and for the last twenty years the Llandrindod Wells Spa Town Trust has undertaken a number of initiatives to try to promote the town, including reasserting its status as a spa town. The need for such niches to be appropriate to the wider Cambrian Mountains brand and image will be important and the spa town identity fits easily with the wider health image that the CMI are trying to promote. Such coherence will be enhanced if promoted by tourism actors, for example where hoteliers are promoting the health and wellbeing theme and by the various branding initiatives focusing on the wellbeing of the livestock in the area, which in turn helps to promote Cambrian Mountains lamb as a healthy option.

Llanwrtyd Wells, one of the necklace towns on the perimeter of the Cambrian Mountains, is officially the smallest town in Britain with a population of only 700. However, the town is promoting itself in a number of ways including as a centre for unusual sports and events such as bog snorkelling, mountain bike bog snorkelling, a man versus horse race and mountain bike chariot racing are regularly organised. Many of these events will be included in the World Alternative Games, being held to correspond with the London Olympics in 2012. Such events provide an important means of promoting the area and attracting visitors and increased co-operation between towns organising activities that complement each other rather than compete for visitors will be important.

The local food and drink theme has significant potential as well as being a theme with the ability to cut across the four themes adopted by the CMI. Links between farms, butchers and restaurants are being organised and this will clearly help to establish the Cambrian Mountains brand as well as contributing to strengthening the tourism offer as tourists generally like regional dishes and products. Such links have already been established for a butcher

participating in the CMI initiative to supply local lamb sausages to CK Supermarkets (22 stores throughout South and Mid Wales). There is also a local microbrewery, using all Welsh ingredients, supplying all of the beer sold in certain restaurants. Ongoing initiatives are being pursued such as the Local Food Talks Project (<http://www.localfoodtalks.co.uk/index.php>) where the Tourism Partnership Mid Wales, the Welsh Assembly Government, Agri-Food Partnership and True Taste draws together a group of organisations and businesses to promote local food and drink in Mid Wales. Such initiatives potentially contribute to the uniqueness of the customer experience.

Evidence from local stakeholders suggested that one important issue will be addressing the grant dependent culture that has evolved particularly in the agricultural sector but also the tourism sector. Traditionally the tourism sector in such rural areas has relied on public sector programmes to support capital investments and marketing, and the current economic climate clearly poses a threat to certain activities in the area. Some schools and further and higher education institutions that have owned outdoor centres in the study area are opting to sell them off, though longer term this may offer some potential for investment into youth hostels and similar infrastructure which are not well developed in the area currently.

In terms of the policy context there are a number of relevant 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) and Update (2008), 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 agricultural character of the region with approximately 1500 fulltime farmers in the study area means that the region is heavily reliant on EU funding. The single farm payment accounts for approximately 27% of the total income for the sector (approximately £47.5m) and stakeholders estimated that upland farmers would make a significant loss without the single farm payment. The impact of commodity prices such as lamb was emphasised as being crucial to the economy of the Cambrian Mountains, though recent rises in lamb prices had been offset by a simultaneous rise in the cost of farm inputs such as fuel and feeds. As with the other UK case studies, the inability of regional stakeholders to influence many of the external forces and agendas impacting rural development was a significant concern for rural stakeholders.

### ***Step 3: Assessing the regions territorial potential***

The assessment of the territorial potential of the region is undertaken on the basis of the previous two steps and starts with a SWOT analysis. The SWOT is relatively strategic and has been developed on the basis of existing documents and the discussions with regional stakeholders. The SWOT has been organised according to the people, place and power structure outlined in the methodology. The key challenges require the weaknesses and threats to be addressed and the main opportunities require the strengths and opportunities to be capitalised upon.

Table 38: SWOT analysis of the territorial assets and potentials of the Cambrian Mountains: People

<b>People</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Relatively high level of self-containment in terms of employment	Ageing population exacerbated by out-migration of young people
Culture of self-reliance and resilience	Lack of critical mass in terms of population and businesses (low population and economic density)
Strong sense of community and strong social networks and action groups	Dispersed pockets of deprivation
Strong sense of culture and heritage and numerous cultural events and festivals	Limited access to services of general interest particularly education, housing (affordability) and employment
	Low skills levels and professionalism and lack of business support
<b>Opportunities</b>	<b>Threats</b>
Well qualified human resources in vicinity due to proximity of universities and research centres	Further weakening of human resource base due to ageing population and particularly out-migration of young people
Harnessing research and training capacity of Higher Education establishments to support local businesses and population	Ageing structure in agricultural industry and loss of the knowledge of place as families stop farming
Promotion of environmental sustainability agenda through sustainable construction techniques and a low carbon economy	Fluctuating external commodity prices and increased cost of farm inputs and increased cost of living due to increased fuel costs
Perceived high quality of life and distinctive environment for (potential) residents and investors	High car dependency and rising fuel prices leading to increasing transport poverty and further reducing access to services
Promote small-scale and community led renewable energy initiatives	Loss of the Welsh language and local community roots being eroded
	Insular attitudes hampering co-operation and urban-urban and urban-rural interactions
	Further marginalisation of some areas due to decreasing critical mass to support local service provision

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

The Cambrian Mountains is characterised by a strong shared identity among the population. 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. This identity is strengthened by the relatively remote location and contributes to a high level of self-containment in terms of employment and a strong culture of self-reliance and resilience. The characteristics of many rural areas (sparse population....) mean that traditional interpretations of community are often inappropriate and the sustainability and viability of these communities can be threatened by challenges such as school closures and unbalanced demographic trends including (in and out) migration. Migration provides a key challenge for the area as younger people move out of the area in search of improved social and economic opportunities and people move into the area attracted by the perceived quality of life. A high proportion of the in-migrants tend to be older (of working age or retired) and this not only contributes to an ageing of the population but is perceived by many locals to dilute the traditional community ties and local cultures of the area. However such in-migrants often possess skills and resources that have the potential to benefit the area if harnessed in a coherent way. There are a number of examples of vibrant

community initiatives such as the Market Town Initiative in Powys and these offer potential future development perspectives.

The spatial structure of the Cambrian Mountains, with a necklace of 32 small towns and feeder towns around an extremely sparsely populated upland area (population approximately 17,000 at a population density of 7 people per square km) in the centre, presents specific challenges, particularly in the context of sustainable communities. The sparse population, the geography and administrative structure of the area and the identity of the individual towns mean that elaborating a widely supported joint Cambrian Mountains vision and convincing diverse actors of the value of working together is a significant challenge. In addition, the geography and settlement structure pose specific challenges for the provision of services of general interest and significant parts of the population have been identified as suffering from deprivation in this regard.

Woods et al (2007) identified three distinct types of rural communities:

- Indigenous population with longstanding family attachments to the place
- Investors that have made financial and / or emotional investments to join the community
- Pilgrims that return regularly to the area to visit places of personal emotional importance

These groups tend to have different types of attachment to the area including commonalities but also conflicting interests and a key challenge for the development of sustainable communities will be to identify what unites these diverse communities and to build on these common interests.

One key potential for the Cambrian Mountains is the proximity of higher education establishments in locations such as Bangor, Aberystwyth and Lampeter and other education and research centres such as the Centre for Alternative Technology, Llwyngwern slate quarry near Machynlleth. Such facilities have potential to support business and economic development, to promote lifelong learning and provide personal development opportunities for the local population and to strengthen the identity of the area.

Table 394: SWOT analysis of the territorial assets and potentials of the Cambrian Mountains: Place

Place	
Strengths	Weaknesses
High quality ecosystems and environmental assets and abundant natural resources	Economic and employment structure dominated by primary sector particularly upland farming
High quality and distinctive landscapes and rich cultural heritage assets	Fragile economic structure with numerous economically marginal farms and other businesses
Established market towns and villages in necklace around the area	Poorly developed tourism infrastructure
Proximity of different universities and other research infrastructure	Limited accessibility due to limited transport infrastructure and limited integration between transport modes and between provision and needs of public transport
Strong culture of local produce and local food and drink	The geography and fragmented administrative structure of the area

Diverse tourism product for passive and active recreation and established niches and activities in certain areas and towns	
<b>Opportunities</b>	<b>Threats</b>
Diversification of economic opportunities in ways that harness and build on and reinforce the specific natural and cultural characteristics of the area, the attractive environment and high quality of life	Impacts of agricultural under and over grazing on the landscape
Strengthening synergies between environmental, agricultural and tourism sectors	Conflicts between different types of land-use
Developing the environment as a product linked to farming and land management and as an economic driver	Centralisation of local services of general interest
Provision of ecosystem goods and services to assist with flood prevention, water storage and provision, carbon storage etc. for a wide catchment area	Competition from other well established areas such as the Brecon Beacons and Snowdonia National Parks
Promotion of area as laboratory for environmentally sustainable rural initiatives and climate change mitigation	Vulnerability to external shocks and eternally determined commodity prices (lamb)
Developing tourism niches that are appropriate to the specific characteristics of the area (active recreation, food, healthy living, heritage, local storylines....)	Further economic diversification and stimulation of the new rural economy
Re-establishment of link between rural areas and necklace market towns and villages and develop them as gateways to the region	
Strengthen marketing and branding and develop Cambrian Mountains brand based on quality and local supply chains	
Capitalising on cultural heritage assets	
Strengthening internal accessibility and accessibility to necklace towns and villages	

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

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 promotion of the ecosystems goods and services agenda offers potential to assist with flood prevention, water storage and provision and carbon storage for a wide catchment 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 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 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 landscape impacts of wind farms



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 potential for future development perspectives. 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 key territorial asset offering significant potential. A landscape strategy that is sensitive to the needs of local communities has potential to deliver socio-economic benefits and help to strengthen community cohesion and to simultaneously underpin other elements of a development strategy for the area. 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 employment. 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.

A variety of external and internal processes have resulted in traditional historical inter-relationships between places becoming redundant or diluted. There remain however numerous functional interactions (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) in many different directions between places within and beyond the study area. The re-establishment of links between the rural areas and the necklace market towns and villages potentially offers mutual benefits and could contribute significantly to strengthening the resilience of the study area.

Table 40: SWOT analysis of the territorial assets and potentials of the Cambrian Mountains: Power

<b>Power</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Establishment of Cambrian Mountains Initiative	Lack of institutional and policy coherence due status of area as a 'soft' space not corresponding to a single administrative area
Extensive experience and participation of actors in diverse EU and other initiatives (Interreg, Leader etc) and rural development issues	Limited data availability due to fragmented institutional structure making it difficult to benchmark the region in its broader context
Numerous projects and initiatives and associated knowledge and governance networks	Limitations of EU funding potential due to boundaries and EU funding status of NUTS regions in Wales
Proximity to Welsh Assembly Government	Resource deficit due to difficulties calculating a value for ecosystem goods and services from which other areas benefit and lack of effective transfer mechanism
Involvement of Prince of Wales as champion of rural development issues in area and President of CMI	Limited culture of co-operation between actors in different towns and villages of region
Well established and relatively stable hierarchy of policy documents	
<b>Opportunities</b>	<b>Threats</b>
Creation of innovative and flexible territorial governance and implementation arrangements	Decline of potential funding opportunities in times of austerity and potential dissolution of knowledge networks
Funding opportunities for new forms of land and environmental management as a result of CAP reforms and Welsh Assembly Government's Agri-environment initiatives	Uncertainty relating to rural development policy and CAP reforms
Establishing links to towns and activities in the surrounding area	Loss of agricultural support services
Establishment of appropriate designation to facilitate and stimulate 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
Extensive land ownership of institutions such as the Forestry Commission	Loss of land to external institutional investors
	Establishment of grant dependent culture particularly in agriculture

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

The CMI provides an essential focus in terms of delivering on objectives within the four identified thematic areas and more generally in establishing the Cambrian Mountains as an easily recognised brand and destination. Though significant progress has been made in terms of the studies that have been published and the momentum that has been built up, the status a soft space of planning continues to pose significant challenges in terms of establishing robust territorial governance structures and mechanisms and accessing funding. On the other hand the same characteristics offer opportunities in terms of the flexibility to develop innovative and context sensitive governance structures and mechanisms. The ethos of building on the specific

characteristics of the area through a wide diversity of small-scale initiatives fits well with the characteristics and territorial assets of the area.

The well established hierarchy of policy documents mean that considerable discussion and debate about the future of the Cambrian Mountains has already taken place. Knowledge communities, networks and policy agendas are well established and in many cases the establishment of robust implementation frameworks and mechanisms is the key challenge. Regional stakeholders felt that the Wales Spatial Plan was not an ideal delivery mechanism and that the Central Wales sub-area identified in the Plan was too large and diverse to provide an effective arena for advancing the interests of the Cambrian Mountains. At the same time however, the Spatial Plan has provided an arena within which a shared vision and other issues has been discussed and debated across the fuzzy governance boundaries of Mid-Wales. There is a clear hierarchy of policy in a variety of policy sectors and the Wales Spatial Plan provides a well established expression of the spatial dimension of these policies.

Effective governance and institutional structures are essential elements in achieving the potential of an area and in this sense the situation in Wales appears to be more stable than that in England, at least for the time being. The stakeholders felt positive about the impacts of devolution and this reflected the feelings of the stakeholders in Dumfries and Galloway that physical and metaphorical proximity to the respective seats of government in Wales and Scotland gave them an advantage over their English counterparts. Data availability remains a significant issue and in addition existing indicators tend to have a narrow predominantly economic focus. A reliance on such narrow indicators only serves to emphasise the fact that the Cambrian Mountains and Wales more generally are unlikely to be able to compete with some parts of the UK in pure economic development terms. However, areas such as the Cambrian Mountains can clearly be competitive in quality of life terms and that this would be a useful way of attracting firms, migrants and visitors to the area. A key challenge for the CMI and other governance actors and knowledge communities will be to convince others of the importance of indicators and agendas that support their aims.

#### ***Step 4: Policy options and future developments***

The ongoing climate of austerity and public sector spending cuts and a significant vulnerability to external influences (such as commodity prices) provides a challenging context for the development of effective policy options that will make a significant contribution to the Cambrian Mountains being able to fulfil its potential. Reductions in financial and human resources also pose significant challenges for the development of robust delivery mechanisms. There are well established views of specific policy agendas with the potential to help shape the future of the Cambrian Mountains though the broader context may limit the capacities of regional stakeholders to pursue some of the more ambitious and high risk strategies in the short to medium term. The characteristics of the area mean that the Agricultural meta-narrative is the most relevant of the three narratives identified in the EDORA Project for this study area. The focus of the Agricultural meta-narrative on strengthening the competitiveness of agriculture whilst diversifying activities, promoting agendas for the remuneration for rural amenities provision and seeking to create quality products to increase regional attractiveness resonates strongly with the characteristics and assets of the area. Elements of the urban-rural and globalisation meta-narratives are also relevant to the study area as will become apparent

from the discussion below. The meta-narratives provide a useful framework for policy makers to situate discussions and debates about the future potential of the region.

A variety of policies and funding mechanisms have the potential to influence future development in the Cambrian Mountains including EU policy (RDP, CAP.....), UK Government policy and Welsh Assembly Government policy. The characteristics of the area mean that the promotion of actions to create resilient communities and local economies will be beneficial. Such resilient communities would then be able to pursue innovative initiatives to exploit the landscape and other resources in a sustainable way and create added value for existing activities. Though such initiatives have the potential to contribute towards developing regional resilience, the characteristics of some areas mean that they are unlikely to ever become totally self sufficient and will always rely on some sort of public subsidy. Future shaping strategies will require strong leadership, effective governance and substantial resources as well as a willingness and ability to take risks and such strategies will have to be assessed in light of the broader context.

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 qualified 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 further reinforces the sense of the Cambrian Mountains as a so called soft space that requires more innovative and creative forms of territorial governance and funding.

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. The desirability and nature of any such designation is open to debate but would appear to offer 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. There appear to be two options in terms of a possible designation for the area:

1. Explore whether there were any internationally recognised designations that are appropriate (such as the UNESCO designation awarded to Biosphere)
2. Discuss with Welsh Assembly Government 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 environmental 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.

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).

Water is seen as a key driver in relation to ecosystem goods and services and is a key export item for the Cambrian Mountains. The challenge in relation to such resources is transforming such assets into economic and other benefits for the area and its communities. The Talybont-On-Usk Hydro-Energy scheme in the Brecon Beacons provides an exemplar of how value can be captured by local communities. Finding ways to use the land and local ecosystems to clean the water at source rather than expensive processing is potentially an effective way of contributing to this. At the same time, an increase in water quality limits the diversity of potential land uses, and stakeholders emphasised that it was in the interests of the Cambrian Mountains to promote land management that helped to clean the water rather than for the water to be cleaned later. One key policy challenge is to discover what kinds of interventions will encourage stakeholders and local communities to think of ecosystem goods and services as important drivers of socio-economic and environmental well-being for the area. Finding ways of persuading international, national and sub-national stakeholders to buy into this view will also be required and this will necessitate the development of both an evidence base to support this view as well as the lobbying mechanisms to influence such debates in relevant arenas.

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 interconnectedness of economy, community, landscape and ecology is essential if the potential of the area is to be achieved.

Establishing a broad consensus over a system to establish economic value and transfer mechanisms for ecosystem goods and services would have significant benefits to areas such as the Cambrian Mountains. The broader financial context determines that the strategic posture and portfolio of actions realistically available to policymakers in the Cambrian Mountains appear to be limited to adapting to the future or in some cases simply reserving the right to play through a cautious approach aiming to preserve the status quo. In the longer-term the ability of stakeholders in Wales to influence policy agendas in relation to aspects such as the provision of and remuneration for ecosystem goods and services has potential to permit the pursuit of more proactive strategies to shape the future of the region.

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 and there are relatively few successful examples to draw inspiration from. There is however, an increasing academic literature that emphasises the opportunities offered by such soft spaces and the need to develop effective territorial governance structures and mechanisms for such spaces in order to make spatial planning effective (Adams et al 2011, Faludi 2010 and Haughton et al 2010). 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.

## **Amata and surrounding municipalities**

### ***Step 1: Benchmarking in a European Perspective***

PURR case study region - Amata municipality and seven other municipalities are located in Northern Part of Latvia in Vidzeme planning region which is one of five planning regions in Latvia being also a statistical unit at NUTS-3 level. The area of PURR case study area (further referred to as PURR sub region) encompasses 8 counties (novads),<sup>41</sup> which are located in South-Western part of Vidzeme region. Together with small town of Cesis PURR sub region covers area of about 2977 km<sup>2</sup> with population of about 54000 by including town of Cesis, and about 33680 if the population of Cesis town is not included in the population.

Since PURR case study region is located in Vidzeme planning region, benchmarking in a European perspective will be performed, based on data available for Vidzeme region at NUTS-3 level. The analysis of stakeholder perspective in subsequent steps will be more focused on specificities in PURR case study region.

According to census of Latvia carried out in 2011, region's population is 211,233, which is 10,2% of national population. The region has polycentric structure with several smaller villages and hamlets spreading across the region. Many of them serve as administrative centers of local counties or local parishes. The dispersed settlement structure consists of 16 towns, and more than 950 small villages and 80,000 single homesteads. The region consists of 25 local municipalities and a large town – Valmiera with population of 26755. It is followed by smaller towns such as Cesis (17786) and Smiltene (5724). Economic activity in the region is concentrated in these towns and functional networks highlighted in *Vidzeme Spatial Development Plan (2007)*. Northern functional network encompasses Valmiera, Valka (5929), Smiltene, and Cesis. Southern functional network encompasses towns of Aluksne (8749), Gulbene (8662) and Madona (8672).<sup>42</sup> Human capital and most jobs are located near transportation infrastructure in the triangular area between three larger towns of Vidzeme – Valmiera, Smiltene and Cesis (see Annex 1, Map A12). This area of 10 municipalities takes about 12% of region's territory but is a residence to 42% of regional population. The area provides estimated 59% (6800) jobs in the region. About a half of these jobs (about 3100) are located in town of Valmiera.<sup>43</sup> Important centers of knowledge infrastructure are located in Vidzeme. These include Vidzeme University of Applied Sciences and the Institute of Sociotechnical Systems Engineering in Valmiera, The Institute of Environmental Solutions in Cesis, and State Priekuli Plant Breeding Institute near Cesis.

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<sup>41</sup> Municipalities included in PURR case study with the exception of Cesis town were selected for study. Until July 1, 2009 these municipalities were all part of one of 26 district local governments – *rajons*. The administrative criteria for selecting PURR regions was maintained because Amata municipality and 6 other municipalities (Rauna, Jaunpiebalga, Vecpiebalga, Līgatne, Priekule, 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.

<sup>42</sup> Population data as of July, 2011. Data from the Office of Citizenship and Migration Affairs.

<sup>43</sup> LZA Ekonomikas institūts (2011). *Latvijas reģionu ekonomikas attīstības perspektīvas un virzieni 2010-2011*, 169. lpp.

Main challenges facing the Vidzeme planning region in national context are:

- Population decline due to low birth rates and out-migration
- Shrinking local market
- Increasing costs of maintaining and delivering of services
- Abandonment of remote rural areas and concentration of population into state capital and urbanized areas
- Growing social, economic and regional disparities
- Poor condition of roads
- Low accessibility of the region

According to the EDORA classification Vidzeme planning region is characterized as predominantly rural and remote region with distinct signs of economic and demographic depletion. More than half of its population is living in rural local units (58%) and less than a half of its population can reach a city with at least 50 thousand inhabitants within 45 minutes.

Rural regions with similar accessibility characteristics 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. Overall, 23 regions (1,6% from EDORA data set) share all 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.<sup>44</sup>

Table 41: Classification of Vidzeme according to EDORA typologies

Code	Label	Value
DTP Type no	Urban-rural typology (Dijkstra 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.

In the context of rural-urban typologies used at the European level Vidzeme planning region can be categorized as a rural region. It has low percentage of artificial built-up and large areas of semi-natural land cover compared to other PURR case study areas. Although Vidzeme is the largest planning region in Latvia, it also the least populated. Population density in Vidzeme is low compared to other PURR regions around 15 people per square km.<sup>45</sup> In terms of urban-

<sup>44</sup> 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, Λασιθι , Ρεθύμνη), Hungary ( Bekes), Italy (Enna), Lithuania (Tauragės apskritis) and Poland (Bialski).

<sup>45</sup> Vidzeme has lower population density compared to other PURR regions, like South West Wales (114 people / km<sup>2</sup>), or North Yorkshire (75 people/km<sup>2</sup>). Low population densities are typical for Northern Eastern Europe.



rural relations the region has been described as having low degree of urban influence and low degree of human intervention which is common in Nordic regions, Northern Scotland, Greece, Northern parts of Spain and Portugal. It shares similarities with other PURR stakeholder regions, such as Dumfries and Galloway, and Telemark regions. Regional remoteness is directly linked to lower accessibility. Potential accessibility for Vidzeme by air is lowest among PURR territories. This is similar to most rural regions in Eastern Europe located outside agglomerations. Although the region is showing significant improvement in combined accessibility due to expansion of air travel destinations from Latvia's capital – Riga, like most rural areas in Eastern Europe it still lags behind the average European accessibility. Infrastructure and the network of roads are important not only for commuting residents and tourists, but also for supporting traditional industries in the region. Commuting by private cars and public buses are the usual means of transportation. The expansion of private car ownership and heavy weight freight transport has increased the pressure on roads, many of which need repair and investment. Due to low population density there are more kilometres of roads to be maintained per person in Latvia than in other countries.<sup>46</sup> Latvia as well as the other Baltic States, Sweden and Finland, Greece and Bulgaria has low density of railway lines (1km / 0,03 km<sup>2</sup>),<sup>47</sup> but unlike in Central, Western and Northern Europe, Latvian railway lines are not well integrated in international travel network, and most routes provide only inner connections. Regional accessibility is also limited by fact that Latvia and Malta are the only two countries in EU that do not have high speed motorways.<sup>48</sup>

The economic structure of Vidzeme is agrarian according to the EDORA structural typology. This means that the relative importance of its 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. In 2010 17,5% inhabitants of Vidzeme were employed in agriculture and forestry, which was higher than Latvian average - 8,8%. Agricultural sector and forestry sector accounted for higher gross added value in 2008 compared to other regions in Latvia. Latvia has more natural resources for forestry and agriculture than most EU countries, however the share of agricultural land is still relatively small (28,4% against EU average of 41,7%).<sup>49</sup> Recently, however there has been growth in number of larger farms, and decline of unused agricultural lands. Agricultural sector is composed of small farms, most of which have only less than 2 ha of agricultural land. Today most economically active population in Vidzeme is employed in manufacturing and energy sector (20,1%), followed by agriculture and forestry (17,5%), trade hospitality and catering (16,7%). Other employment sectors include education (11,5%), construction (6,7%), public sector and defence (5,6%) health and social work (4,8%). Between 2008 and 2010 employment in construction significantly declined, but employment in agriculture and industry

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<sup>46</sup> In Latvia there were 31 km of roads per 1000 inhabitants in 2009. This measure was among highest in the EU, topped only by Estonia (44 km / 1000 inhabitants). In comparison road density measure for the United Kingdom was only 7 km / 1000 inhabitants. Source: Eurostat estimations quoted in VRAA (2011). *Reģionu attīstība Latvijā 2010*. Rīga: Valsts reģionālās attīstības aģentūra. 139. lpp.

<sup>47</sup> Source: Eurostat estimations quoted in VRAA (2011). *Reģionu attīstība Latvijā 2010*. Rīga: Valsts reģionālās attīstības aģentūra. 139. lpp.

<sup>48</sup> Data by Eurostat quoted in Regional Development Report of Latvia: VRAA (2011). *Reģionu attīstība Latvijā 2010*. Rīga: Valsts reģionālās attīstības aģentūra. 141.

<sup>49</sup> In 2009 there were 0,81 ha of agricultural land / person available in Latvia. This was exceeded only by Ireland (0,94). EU average in 2009 was 0,36 ha of land per person.

sectors increased.<sup>50</sup> This corresponded with general trends in national economic recovery following the recession. Low soil fertility in Vidzeme region does not promise high returns from lucrative cultures, like cereals, canola, potatoes and vegetables. Therefore leading industry in agriculture is dairy cattle farming. About one quarter of total milk volume in Latvia is produced in Vidzeme region. The region is also home for several timber producing and wood processing companies. A significant amount of population of Vidzeme region is employed in education sector compared to national average (10,2%). This is a challenge for the whole region, since school population is on decline. Construction also used to be a booming sector with a substantial impact on regional economy in times of growth, but during economic recession local demand fell and construction business went into steep decline.

Vidzeme belong to a group of Northern European territories in which future climate change will probably 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. 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 on agriculture. In terms of natural and man caused hazards estimated hazard level in Vidzeme is rather low compared with rural regions with more population and man caused hazard intensity. Regional economy will also be affected by development in energy sector. In Latvia energy self-sufficiency is rather low and price sensibility high due to lower disposable income of the population. In Latvia and other two Baltic states – Estonia and Lithuania large share of employees are employed in industries with high energy purchases.<sup>51</sup> In the same time Latvia has significant portion of electricity generated from renewable sources and it has most significant unused potential of renewable energy including biomass and wind potential among all case study regions.

In terms of economic performance Vidzeme is the only PURR case study region among others which is showing distinct signs of economic and demographic depletion. Depleting areas are characterized by negative net migration, negative trends in total employment and increasing unemployment rate.<sup>52</sup> The EDORA data base shows that there are total of 248 (17,3%) such depleting rural regions in Europe. Most of them are found in Eastern New Member States, Eastern Germany and Turkey. Population development trends in Europe from 2001 to 2005 show that all PURR stakeholder regions experience negative natural balance though population decline is compensated by positive migratory balance. Vidzeme, on the other hand, shows considerable population decline (on average 1% every year since 2005). The region has a negative migratory balance and negative natural balance and is experiencing higher population decline than the national average.<sup>53</sup> Areas with most severe population decline are located in Northern and South Eastern part of Vidzeme region, including also areas from PURR case study

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<sup>50</sup> Between 2008 and 2010 the share of those employed in agriculture increased by 1,6%. The share of those employed in industry increased by 3,6% which was higher than national average. Data from: VRAA (2011). *Reģionu attīstība Latvijā 2010*. Rīga: Valsts reģionālās attīstības aģentūra.

<sup>51</sup> ESPON (2010). *Regions at Risk of Energy Poverty, ReRisk*. Draft Final Report.

<sup>52</sup> 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.

<sup>53</sup> 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 decline of -6,4%.

region located far from the main highways. All regions in Latvia also experience population ageing. Since 2005 average age in Vidzeme has increased from 39,3 to 40,3 which is slightly below the national average of 40,7.<sup>54</sup> Although life expectancy in Latvia is increasing reaching 72,8 years in 2009, it was significantly lower than EU average (80 years).<sup>55</sup> The region is facing population decline due to natural decline and outmigration. Similar territories to Vidzeme region with challenge of demographic decline are found in Eastern Germany, most of Bulgaria and Greece. Population trend projections by Eurostat show that Latvia will experience steady population decline from current 2,2 million to 2 million by 2030, although real population decline will be higher. Population decline will have negative impact on cost and access to services in the region and the availability of workforce.

The depletion of the regional economy was reinforced by the decline of national economy during the financial economic crisis. Among EU member states Latvia experienced most staggering 25% drop of GDP reaching the level of 2005, and a surge in unemployment from 2008-2009. Since the end of 2010, the unemployment level stabilized, but it still exceeded the pre-recession level. Drastic austerity measures in the public sector resulted in a significant decrease in spending leading to internal devaluation of the economy. In 2011 the national economy started to recover through growth of competitiveness, expansion of export, industrial output and public sector reforms. The future recovery of Latvian economy will be based on increase in productivity, while employment is not expected to recover quickly. Latvia plans to join Euro zone in 2014, therefore it has agreed to follow Maastricht criteria to maintain price stability and enforce measures of financial discipline. Although, Latvia's decisive austerity measures have stabilised economy and even stimulated growth in some sectors of the economy, they have also increased social and economic pressure on the population which was high already before the crisis begun. In 2009 almost a quarter of population in Vidzeme planning region (24,8%) were living in poverty risk. Highest poverty risk was in Latgale planning region. The poverty risk was the highest among young people and men.<sup>56</sup>

An important feature of Latvian regional landscape are large social, economic and regional disparities. Annual data collected in *Regional Development Reports* by State Regional Development Agency show that economic disparities have been considerable already before the recession began. Historically Latvia has a mono-centric urban structure characterized by large disparities among the state capital and hinterlands. About half of nation's GDP is produced in nation's capital – Riga, where 48,5% of nation's population is situated. In 2008 Latvia had the largest dispersion of regional GDP per capita (45,2%), followed by Bulgaria, Estonia and Hungary.<sup>57</sup> Disparities in centre-periphery development are reflected in economic, demographic and social dimensions. The nature of some of these disparities is reflected in table A10 in Annex 1. This leads to conclusion that current national, regional and local governance framework and policy actions have not been effective in improving territorial cohesion.

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<sup>54</sup> VRAA (2010). *Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra.

<sup>55</sup> VRAA (2011). *Reģionu attīstība Latvijā 2010*. Rīga: Valsts reģionālās attīstības aģentūra, 141. lpp.

<sup>56</sup> Data from Latvian Central Bureau of Statistics. CSB. NIG15. Nabadzības riska indekss Latvijas statistiskajos reģionos pēc vecuma un dzimuma (%) par 2009. g.

<sup>57</sup> VRAA (2010). *Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra.

Since the establishment of independence, Latvia has maintained a centralized system of governance with strong central and local level authorities with limited fiscal autonomy. Latvia has unitary system of local governments with 119 municipalities and 9 Republican Cities. In 2009 Latvia reformed its administrative division of municipalities by reducing the number of local municipalities from 522 to 119. Regional level governance can be characterized weak, because regional bodies lack legitimacy and resources to ensure policy coordination and implementation in regional level. Each planning region is managed by Regional Council composed by appointed representatives from local municipalities. Regional councils are not elected. In EU context the whole territory of Latvia is considered as single region at NUTS-1 and NUTS-2 levels, although regional and sub-regional differences are considerable and two NUTS-2 regions could potentially be introduced to distinguish between Riga Region and the rest of the country. There is a question whether existing division of five NUTS-3 level regions can be maintained, because of declining population (Vesperis, 2012, 62). By looking at Latvia as a single or two NUTS-2 regions significant territorial disparities between municipalities near Riga and the rest of Latvian territory become invisible. The objectives set in *Latvia's Long Term Development Strategy - Latvia 2030*, forthcoming *Latvian National Development Plan 2014-2020*, and other proposed place-based policy initiatives are aimed towards decreasing regional disparities, but it remains to be seen whether chosen approaches and instruments will be agreed upon and successfully implemented.

### **Step 2: The Regional Context and Stakeholder Perspective**

To provide regional context and stakeholder perspectives insights into more territorial assets in more limited area is provided. These insights are based on analysis of policy documents, *Vidzeme Economic Profile* draft document (2010-2011)<sup>58</sup>, outcomes of regional workshop in Amata (15.10.2010) and informal consultations with local stakeholders.

PURR case study region takes about 20% of the territory of Vidzeme Planning Region (2977 km<sup>2</sup>) and has population of 54559 as of July 2011.<sup>59</sup> Population density of the region is 12,75 or 17,2 people/km<sup>2</sup> (including Cesis). Most of case study region is located in territory known as the Upland of Vidzeme. The topography of Southern part of the region is therefore uneven with attractive mosaic type landscape. Northern side of the region is part of Gauja National park and it is crossed by river Gauja. There are two larger towns located within PURR sub region. These are Cesis (17786) and Ligatne (1218). About half of region's population is living in the largest town of Cesis, which is surrounded by urbanized areas of Priekuli county and Cesis county. Remaining half of population is dispersed among smaller towns and villages in surrounding municipalities. In remote areas one can find many single homesteads – a characteristic feature of Latvian landscape. The town of Cesis is situated in Northern central part of the region and is surrounded by urban areas. The town of Ligatne is situated in the Western tip of the region and is surrounded by high value landscape and forest areas. Both towns are situated near Gauja River. Two motorways crossing the region are important for economic activity. The areas located closer to motorways offer bigger potential of movement for people, goods and services. In Latvia measure of infrastructure accessibility is used, according to which about one third of PURR case study including largest part of Amata

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<sup>58</sup> Vidzemes plānošanas reģions. (2010-11) *Vidzemes ekonomiskā profila projekts*. Retrieved: 13.01.2011. Available: [www.vidzeme.lv](http://www.vidzeme.lv)

<sup>59</sup> Total population of stakeholder region in Latvia for July 2011 was 54,559 including the population of towns Cēsis and Līgatne. With population of Cesis subtracted, the population in the region is 36,773.

municipality, parts of Jaunpiebalga, Rauna and pockets in Pargauja municipality are located more than 5 km away from paved roads. There is a correlation between accessibility and economic development. Overall, central region with Cesis town and neighbouring Priekuli are better developed than average of Vidzeme planning region. Northern municipalities rank among the top of 30% performing counties.<sup>60</sup> Southern part of PURR stake holder regions, such as Ligatne, Amata, Vecpiebalga and Jaunpiebalga show lower scores of performance.<sup>61</sup>

During period of economic growth region's territorial structure acquired new patterns with:

- concentration of people, capital and services in urbanized areas, mainly in Cesis; urban sprawl due to private house construction boom around town of Cesis;
- abandonment of single homesteads and small hamlets in remote rural areas;
- Decline in lands that can be used for agriculture;
- New villages developed by private investors. Thus, in Amata County a new village "Amatciems" (Amata village) has been developed. The village is enclosed by forest and several man-made lakes and ponds. It was built for people with particular lifestyle who are looking for places of natural beauty and eco-friendly living. Stylish wooden houses with or two floors are connected to electrical, sewage, water and internet connection.<sup>62</sup>

Historically, agriculture has been important for territories in Northern part of the region, while Southern part of the region is more dominated by forests. In Southern part of the region soil is more suitable for growing grassland than for crop farming and cultivation. Due to uneven terrain dairy cattle farming has always been important in the region. In 2010 more than one third (34%) of region's land is used for agriculture. Agricultural land is more widespread in Priekuli, Rauna and Pargauja counties, but less so in Amata. Agricultural areas are suited for crop farming and vegetable farming. Due to short vegetation period, frequent rainfalls and early frost, growing of fruit is less widespread in the region. High value landscapes are found in territories around Ligatne, Cesis, Rauna, Priekuli, Vecpiebalga, Dzerbene, Taurene, Drusti Jaunpiebalga and Inesi. In Vecpiebalga and Pargauja counties there are many lakes and ponds. PURR sub region is crossed by Gauja River which is a favourite river tourism route. Forests take approximately 52% (1307 km<sup>2</sup>) of region's territory, although forest land varies from 58% in Amata county and Vecpiebalga county (52%), to 45% in Priekuli county. Artificially built areas are taking considerably more space in urbanized Cesis county (6,2%) and far less in other counties, especially in Amata and Pargauja (1%). Most notable natural and tourist attractions in the area include Cesis old town complex with castle, Ligatne nature trails and many other tourism attractions. The territory of Gauja National Park covers about 20% of all the PURR case study 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. Cultural and tourism sites are seen as important resource for development. The area has one of highest concentration of tourism destinations and tourism

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<sup>60</sup> According to Territorial Development Index of 2010, Cesis county ranked 26th, but Priekuli county 25th out of 110 counties.

<sup>61</sup> Territorial performance in Latvia is measured using *Territory Development Level Index (TDLI)*. *TDLI* is a key indicator which has been used in Latvian regional development policy for more than a decade. It is a standardized synthetic indicator that combines demographic and socioeconomic indicators and reflects the relative development level of territories.

<sup>62</sup> Amatciems, <http://www.amatciems.lv/eng/> . Retrieved: 05.05.2011.

flows in the country outside metropolitan area (Klepers, 2012). Cesis medieval castle complex and Ligatne Nature Trails are recognized destinations with high seasonal tourist flows. Ligatne is seen more functionally connected with Sigulda and Turaida museum reservation – one of Latvia's most visited tourism destination which is located outside PURR case study area with shorter travel time from Riga. While tourism flows are concentrated towards two destinations, other places still need to develop their potential using cultural heritage, and events. Skiing around Alauksts Lake and the Midsummer Day Jani celebrations in Zoseni are among the most attended events. Important cultural heritage site is also Arais lake archaeological site. One of major winter skiing destinations in Vidzeme region - Zagarkalns is also located in Amata County.

Entrepreneurial activity in the region is high when compared with rest of the region. Most people in PURR case study area employed in wholesale and retail (17,4%), though this sector is highly dependent on the overall health the economy and purchasing power. Significant part of population is also employed in public sector (including schools, public administration and defence) (16,6%), food production (8,4%), wood processing and furniture making (7%), and only 3,9% are employed in agriculture. Employment in agriculture varies significantly across the region. In Rauna county agriculture and forestry are leading industries in terms of employment where nearly 23% were employed. The same is true also for Vecpiebalga County (17%). In other counties the employment in agriculture is lower. Detailed overview of employment in PURR case study region is provided in tables A13 and A14 in Annex 1.

Farms in the region vary greatly in size and specialization. Although small farms still dominate, larger farms have a tendency to increase in size. Farms of all sizes have taken up diversification approaches, by growing niche products (such as blueberries, decorative plants), and offering services (tourism, carpentry etc). However, employment in traditional industries is still dominant. Thus, employment in forestry and related industries is highest in Amata (7%) and Pargauja (6%). Employment in food production is higher in Jaunpiebalga (22%), Cesis (10%), and Amata (8%). In Priekuli county 5% are employment in processing of non-metallic minerals. In Ligatne county about 20% are employed in local paper producing factory. Employment in catering and hosting services is the highest in Amata and Rauna municipalities. Employment in construction industry is higher in Cesis and Rauna (8%). Employment in wholesale and retail is highest in Cesis, Vecpiebalga and Priekuli (13%). Employment in public sector is considerable in all counties, especially in Jaunpiebalga (30%) and Vecpiebalga (23%). Many of those employed in public sector are working in schools.

In agricultural sector it is possible to observe polarization of rhetoric between larger and smaller farms and different types of agricultural activities. In some instances it can be said that agriculture is becoming a bad bargain for small sized farms. Because of increasing influence of larger agricultural firms, disadvantageous deals offered by foreign-owned supermarket chains, rising energy costs, lack of qualified workers, high production quality standards, and low EU subsidies if compared to other European countries, 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 become so called couch-farmers who rely on EU subsidies instead of using their land productively. In the same time home based production and self-subsistence farming is becoming a popular survival alternative for many small farm owners.

Before the crisis registered unemployment level in PURR case study region was below 5%. After economic recession unemployment reached almost 12%, though it was lower than average unemployment in Vidzeme planning region. Unemployment rates were different in the region. In Southern municipalities unemployment surged to 20%. Counties like Amata, Ligatne and Vecpiebalga also experienced high increases in unemployment between 2008 and 2011. Higher unemployment level was observed in Ligatne, Amata and Vecpiebalga. As expected, unemployment was lower in areas that are more urbanized, such as Priekuli, Cesis, and also Jaunpiebalga and Rauna – the counties which have well developed agricultural and wood processing industries. The industries most heavily affected by the unemployment were construction industry as well as wholesale and retail industry. The stabilization of national economy in 2010 increased employment in recovering industries, such as wood processing, agriculture and forestry, which grew due to growing export demand.

In general region's knowledge infrastructure is connected to main regional economic sectors, such as wood processing technologies (Cesis professional vocational school) and agriculture (Priekuli and Janmuiza Agricultural Technical College). The schools offer full-time and part-time programs for students with elementary and secondary educations in areas of construction, catering, environmental protection, motor engineering, commerce, tourism services and agricultural management of households. Overall, local labour market suffers from problems that are common to most rural economies, such as under employment, low skilled, low paying jobs, multiple job holding, high seasonality, especially in forestry and tourism. Economic recession has increased the risk of structural unemployment and poverty trap. This has increased pressure on local governments to provide welfare benefits. However current system of welfare provisions is criticized for not stimulating self-reliance of locals. More rural residents are unable or unwilling to practice ways of life that would help them in sustaining their basic needs. Local residents frequently lack motivation and skills to learn basic ways of rural living, such growing their own vegetables in garden, chopping fire wood, or keeping farm animals. Despite high unemployment, farm holders agree that it is difficult to find qualified workers, but unqualified workers often lack work ethic, and basic skills necessary for rural living. Many males are also unable to work due to alcohol and health issues. However, for some crisis stimulated positive responses, such as re-examining values and lifestyle.

Development of local business networks in the area is complicated by the fact that in shrinking local markets, businesses perceive each other as rivals and fear competition. Businesses have developed individualized market strategies and do not see opportunities for cooperation. Formal business supporting structures exist but they have little impact on small rural businesses, since they show little interest to use formal networks. The establishment of Cesis Business Incubator can provide stimulus for establishment of new innovative enterprises. Agricultural businesses can use services of Farmer's Service Centre in Priekuli which offers one-stop consultation and advice to farmers. Overall, the region lacks social capital that could help to achieve greater resilience, and stimulate exchange of knowledge inside and across different sectors and groups. For historical and cultural reasons entrepreneurship clusters have not taken root. There is little awareness about the clusters and their usefulness among entrepreneurs. Many smaller entrepreneurs lack administrative capacity and skills to organize such networks. Faced with limited opportunities to credit, many businesses are only focused on attracting EU funds without exploring alternative ways to increase their competitiveness. While

crisis was devastating for most rural businesses, it also stimulated new business ideas and reoriented many businesses towards export markets. Some smaller enterprises that emerged or survived during the recession also tend to be innovative.

During the 20<sup>th</sup> century population in PURR case study region kept relatively stable, despite Soviet industrialization and collectivization efforts, decline of population started only during 1970s when many rural residents migrated towards urban areas. From 2000 to 2009 population declined at faster rate by about 1% per year. However, population trends are not uniform across the region and there are local differences. Population of the region is mainly concentrated in Cesis town and surrounding areas, which are most densely urbanized rural areas in Vidzeme region. In Cesis county population density in 2010 was as high as 115 people / km<sup>2</sup> while in Western part of the PURR sub region population density was only 5-10 people / km<sup>2</sup>. Rural areas in PURR sub region has lower population density than nationally on the average. This reduces opportunities for local businesses to hire new workers from the area. Though there are significant internal differences in population size and density in these territories, they all are losing population due to negative natural and migration balance. Natural population growth is negative in all areas, but mostly in counties of Vecpiebalga and Rauna. The number of females significantly exceeded the number of males. This is true also for other rural areas in Vidzeme planning region. A detailed overview of key demographic information about this PURR case study region is provided in tables A9 to A11 in Annex 1.

Demographic decline is seen as a problem throughout the whole area. Population decline leads to higher service delivery costs, or abolishment of services in remote areas. Outmigration and structural problems in education and employment result into lack of qualified workers. Population and income decline shrinks local demand. There is consensus that under current circumstances, depopulation processes cannot be stopped. Therefore population decline only be compensated by creating more jobs and attracting people from metropolitan areas and larger towns. Although urban migrants arriving to rural areas can be important asset to develop alternative activities and promote economic innovation, current level of social inclusion and tolerance to outsiders is not seen as very strong pulling force.

Important development asset is region's cultural heritage. The region has diverse material cultural heritage, such as castles, manors, protected cultural landscapes, museums, and non-material forms of heritage, such as literary heritage (Vecpiebalga), festivals (Cesis Art Festival) and culinary heritage (Vecpiebalga, Cesis). Potential of cultural heritage depends mostly on creative people and managers of cultural events. The role of so called creative class is emphasized. It is also recognized that most successful ideas do not always originate from the locals, but from the people who are now living in city and once used to live in the area. This sometimes create differences in views between the groups which favour non-traditional approach to organizing cultural events, and more traditionally oriented cultural events. A few socially active former residents of Cesis have established *Cesis Club* – an organisation aimed at town development via its diaspora. Some alternative cultures, such as meditation retreats, have emerged in the region.

One of the most important challenges in the region is declining access to services due to population depletion, austerity policies and failure of market to deliver services. Negative effects of declining service access are heavily felt in public transportation, health and education sectors. Thus, between 2004 and 2009 number of school children in schools declined by 20%



and this lead to closure of one of 43 schools in the region.<sup>63</sup> Decline of young population will lead to closures of schools and child care in future. Access to services is also declining because of growing service costs. The utility costs are very high when adjusted to people's income. Inability to pay for utilities has lead to accumulation of debts to service providers of hot water and heating. Austerity policies have had their toll, since public financing for many sectors, such as art and music schools has drained out. The same is said about poor quality of services in health, public transportation and postal services. In health care state financed services were reduced and the pressure on service delivery increased. Due to ageing population and lack of medical practitioners, people now have to wait in longer lines to visit the doctor. There are also market failures in delivering services in time and place they are needed. The region still has pockets of bad mobile reception due to region's uneven terrain. Although most people now receive funds via bank transfers, there are few bank tellers in rural areas. Public transportation infrastructure is more developed in populated areas around Cesis, but less developed in areas which are located Vecpiebalga and Jaunpiebalga. Due to competition between transportation companies, public transport schedules are not always sufficiently coordinated. Therefore important role in public transport coordination is played by Vidzeme Planning Region.

Economic recession has increased the risk of structural unemployment and poverty trap. This has increased pressure on local governments to provide welfare benefits. However current system of welfare provisions is criticized for not stimulating self-reliance of locals. More rural residents are unable or unwilling to practice ways of life that would help them in sustaining their basic needs. Local residents frequently lack motivation and skills to learn basic ways of rural living, such growing their own vegetables in garden, chopping fire wood, or keeping farm animals. Despite high unemployment, farm holders agree that it is difficult to find qualified workers, but unqualified workers often lack work ethic, and basic skills necessary for rural living. Many males are also unable to work due to alcohol and health issues. However, for some crisis brought also positive stimulus urging to re-examine their values and lifestyles dominated by rationalism, individualism and materialism.

Prior to local administrative reform of 2008-09 which merged 522 local municipalities into 118 municipalities the area of PURR case study region was administratively part of one of the 26 districts (*rajons*) – Cesis district. Town of Cesis was the administrative centre of district. After the reform small and medium towns were merged with adjacent rural areas into local municipalities (*novads*) and the district was dissolved. Now the territory has no common administrative structure and is organized in 8 separate counties (*novads*) of various sizes. These counties are Amata, Vecpiebalga, Pargauja, Rauna, Priekuli, Jaunpiebalga, Cesis and Ligatne. Each county in turn consist of several local parishes. Altogether there are 24 local parishes in PURR case study region (Map A13, Annex 1). Formal structures of government are centralized in Latvia and therefore local governments are highly dependent on central government financing which dried out. In these circumstances smaller local governments were more concerned with immediate survival strategies such as providing critical services to remaining population and are less capable of planning ahead.

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<sup>63</sup> Data from Latvian Central Bureau of Statistics: CSB. IZG21. Vispārīzglītojošo skolu skolēnu skaits statistiskajos reģionos, pilsētās un rajonos (mācību gadu sākumā 2004/05-2008/09); CSB. IZG04. Pirmsskolas izglītības iestādes republikas pilsētās un rajonos 1. septembrī (1994-2011).

The context of territorial governance in PURR case study region is shaped by two important factors - conclusion of territorial reform of municipalities, economic recession and following austerity policies. Administrative territorial reform was aimed at consolidating resources of small local municipalities to form new administrative territories capable of economic development and provision of services. The positive effect of territorial reform has been increasing capacity of some local governments to take more control of development agenda and attract EU financing. These local governments usually have highly qualified staff and access to power and knowledge networks. Most serious drawback of the reform in the region was the dissolution of cooperation networks formerly existing in management of health care, sport infrastructure, social services and public transportation. While territorial reform reduced administrative fragmentation of local municipalities by means of amalgamation of parishes, it also dissolved territorial cooperation networks of former districts (*rajons*). Although reform was aimed at reduction of administrative apparatus in municipalities, the size of administration in some local municipalities has actually increased. This has been mainly because of administration EU funds.

Currently interaction between urban and rural networks can be described as weak. Rural and urban power networks do not overlap. Cooperation exists among rural municipalities outside town of Cesis in areas of schools and building and construction management. Important network of coordination and development is *Local Partnership of Cesis rajons* established in 2006. It is implementing LEADER and other programmes into areas, such as promotion of entrepreneurship and employment, quality of life, maintaining of rural traditions and cultural heritage.<sup>64</sup> Cooperation between Cesis town and rural municipalities is more limited.

Main priority areas of local governments today are improvement of business, provision of education and health services. Stakeholder perceptions of governance were framed around narrative of *decentralization vs. control*. With declining central government subsidies, local administrations feel that central government should provide them with more autonomy. Therefore local actors support decentralization of power to local governments and principle of *more autonomy, and less regulation* is advocated. In addition to administrative decentralization, financial decentralization incentives in tax policy are advocated.

### **Step 3: Assessing the region's territorial potential**

The region has significant elements of natural capital, but it needs to strengthen its human and social capital. Non-material territorial assets, such as cultural heritage, can be better used by building local knowledge and building innovative governance arrangements aimed at cooperation and engagement.

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<sup>64</sup> Cēsu rajona lauku partnerība (2012). *Vietējās attīstības stratēģija 2009-2013/ Apstiprināta 27.03.2012.*

Table 42: SWOT analysis of the territorial assets and potentials of Amata and surrounding municipalities: People

<b>People</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Parts of population resilient to tough external economic conditions	Demographic decline
Education opportunities available	Population ageing
Improving quality of professional education	Poor health
Emerging interest in the quality of education and alternative education	Difficulties of attracting qualified workers
Expanded use of ICTs in education, public and private sector	Shrinking market and demand
Assets of cultural heritage	Low level of trust
Emerging alternative cultures and subcultures	Some communities retain closed character
Informal support and cooperation networks	Individual response strategies to unfavourable conditions
	Poor access to services of general interest
	High individual vulnerability of to growing fuel prices
	Weak entrepreneurial culture
	Weak cooperation and networking between local entrepreneurs
	Large informal economy
	Declining morals and psychological wellbeing
<b>Opportunities</b>	<b>Threats</b>
Development of home based production and other self subsistence oriented activities	Further outflow of qualified workers and young people to urban centres and abroad
Innovative solutions in service delivery using ICTs, mobile service centres etc.	Further increase in social and economic inequality
Creative use of cultural heritage	Growth in social and health expenditures in response to unemployment, population ageing and declining health conditions
Projects aimed at introducing alternative cultures and subcultures	The rise of structural unemployment
Projects aimed at building social capital and up scaling of good practices	Growing dependence on social security and risk of poverty trap
Improving the quality of education especially professional education	Further individualisation and alienation from community, local government and society
	Defensive attitudes to outsiders
	Substance abuse and growing crime rates
	Further decline in psychological wellbeing

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

Solutions to depopulation of the region are perceived to be outside the reach of individual actors. Nevertheless, there is an agreement that complex policy solutions are required in regional and national level. Currently assessment of demographic situation in the region is complicated by the fact that no reliable data on migration exists in municipal and regional level. In addition to stimulating rural employment improving social inclusion and tolerance to outsiders are important to bringing urban residents to the countryside. Therefore a mix of material and non-material stimuli is needed to attract new residents. Regional stakeholders should coordinate their efforts in many different areas, such as encouraging rural entrepreneurship, improving the quality of education, housing, culture, and place marketing to achieve positive results in longer term.

Although local responses to crisis are seen in negative light, it is always possible to find an exception to the rule. Severe effects of economic recession have dissolved supporting social and economic structures and devolved responsibilities to level of individual communities, families and even individuals. In the same time, responses of social actors were different. For some the loss of a job opened up more free time to be used for different after work activities

including forms of self-development, hobbies and interests. One of such outcomes of expanding life-after-work activities was increased parental interest in education.

Cultural scene in region is more vibrant in town of Cesis and more traditional in rural areas. For these activities to continue, it is important to maintain social gathering places such local libraries, museums, schools and houses of culture. There is consensus that openness of different non-material cultural practices currently enjoyed by small groups can be increased to facilitate greater diversity of cultural practices. In times of declining public funding there is a need for greater private sector involvement, specialization, coordination and open mindedness in enriching cultural assets in the region.

Since population in rural areas is declining, rural municipalities have to cooperate more in providing access to better quality services. Rural development centres should improve physical infrastructure and concentrate resources. There is a support for 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 used as alternatives. Accessibility of services can also be increased through investments in telecommunications infrastructure and the development of tele-work based economy, which could be included into regional attractiveness strategies.

Table 43: SWOT analysis of the territorial assets and potentials of Amata and surrounding municipalities: Place

<b>Place</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Developed milk, meat processing and forestry industries	Lack of well established technological and innovation centres and industries
Potential for tourism that encourages rural entrepreneurship	Insufficiently developed tourism services and infrastructure
Extended network of roads which provides accessibility to remote areas and can potentially stimulate development	Insufficient use of ICTs by small business
The region crossed by important transit infrastructure (motorways, railway, gas pipe)	Declining quality of motorways
Territories available for industrial production, including former Soviet military bases	Unused potential of railways
Diversity of natural resources (forests, habitats, renewable natural resources, recreation resources)	Ageing material infrastructure for social services, health, education and sports
Protected natural sanctuaries with landscape that is not transformed	Ageing water supply infrastructure especially in small towns
Picturesque landscape	Unused agricultural lands
	Dependency on external energy sources
<b>Opportunities</b>	<b>Threats</b>
Development of knowledge intensive industries that rely on scientific potential	Increased vulnerability of local economy to economic fluctuations in national and international level
The use of ICTs to facilitate telework, increase the attractiveness of place and local economy	Shrinking market and local demand due to population decline
Development of clusters	Declining quality of roads
Creation of demand for locally produced products, organically grown products and eco-products	Decline in access to services
Creation of joint companies to attract investments and cooperation with Latvian and foreign companies	Large farms undermine small scale agriculture – threatening rural identity
Improving existing transit infrastructure	

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

Natural resources are important tangible capital assets in the region. Scenic landscape and rivers are important for developing tourism. There are vacant territories for development of manufacturing industries and agriculture. In the same time, the area also has a network of transport infrastructure (motorways and railways) which can be developed for industries requiring transport connections. Key industries in the region are forestry, wood processing industry, milk processing, and tourism. However, these sectors need knowledge base to generate higher added value and stay competitive. Implementation of innovations in these sectors would increase local demand for qualified workers in the area and prevent their out-migration. An example of such strategy is the establishment of the *Institute of Environment Solutions* in Priekuli founded with support forest industry. The institute specializes in designing and applying of remote sensing technologies for better management of natural resources. In addition to forest resources, considerable natural deposits of quartz sand are found in Priekuli municipality near Bale. The use of these deposits is inhibited, because of the complexity surrounding the ownership of these natural resources. Clay is actively used for producing finishing bricks and other high quality ceramic articles, such as tiles, water pipes and drink bottles. Special qualities of clay found in the extraction sites makes it possible to develop value added high quality cosmetic products. To do that primary sector requires knowledge and investments.

In agriculture traditional agricultural activities, combined with specialized agricultural activities such as homeopathy, growing of mushrooms, cranberries, as well as keeping goats and rabbits, specific plants, and small-scale home production have potential for sustaining small rural economies. Several farms and individuals are already engage in small scale home based production. The support of LEADER programmes is useful for scaling up of individual activities. Specialized agriculture also requires knowledge dissemination which is still limited among many existing and would-be farmers. Therefore important role in knowledge dissemination and local capacity building is organizations of women and which are found in almost every county. It is observed that informal networks, such as women’s clubs, can be useful means to improve resilience of local economy. Larger scale efforts should focus on improving the quality of human capital and building knowledge are higher regional education institutions, such as Vidzeme University of Applied Sciences in Valmiera and the Branch of Riga Technical University in Cesis. There is agreement that existing vocational and higher education programs should modernize and teach competencies that increase competitiveness of regional economic sectors. This could be achieved with better cooperation between vocational schools, higher education institutions, and local industries. Creation of Vidzeme Entrepreneurship and Innovation Centre in Cesis in cooperation with Riga Technical University, Business Incubator in Cesis and Cesis Professional Secondary School is an example of such strategy.

Table 44: SWOT analysis of the territorial assets and potentials of Amata and surrounding municipalities: Power

<b>Power</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Scientific and higher education institutions as a catalysts of regional development	Limited powers of regional planning level
Common initiatives within the framework of Gauja National Park Cooperation and Cesis Partnership	Limited possibilities for municipalities to stimulate entrepreneurship in their territories

In some areas, such as tourism, and education cooperation and knowledge exchange between institutions of former Cesis district continues	High tax burden and inflexible tax administration for small enterprises contributes to growth of gray economy
	Unclear division of functions between the state and local municipalities
	Weak cooperation between rural and urban municipalities in service delivery and development projects
	Fragmented ownership of land and infrastructure
	Ineffective use and management of energy resources particularly in heating and heat supply
	Poor housing management
<b>Opportunities</b>	<b>Threats</b>
Using EU funds for regional and rural development	Further depreciation of valuable infrastructure due to mismanagement
Development of tourism in Baltic Sea Region	Further decline of trust to formal institutions
Opportunities to develop cross border cooperation with Russia and Estonia	Growth of grey economy
Growing interest of international investors	

Source: authors, based on consolidation of discussions and analysis with regional stakeholders

Governance is a key to successful implementation of joint actions, common visions and sustainable solution. There is general consensus among rural municipalities that spatial planning in Latvia has to aim at creating more balanced poly centric development and positive rural-urban interactions with smaller towns as important secondary development centres. Currently administration is fragmented, creating tensions between two visions of development. First vision implies that small towns should be the drivers of development in the area. The second one focuses on development of remote rural areas emphasizing the role of agriculture. More successful territorial cooperation between areas is needed to bridge a gap between two visions. As of now, the efforts have been insignificant. Yet some cooperation patterns between local actors are emerging. These initiatives mostly involve municipalities, schools and NGOs. Territorial cooperation between PURR stake holder municipalities is also facilitated by attraction of EU financing and cooperation in tourism. Other networks that were formed within once-existing district (*rajons*) level in order manage health care old age care, social services and transport can be reactivated. Existing cooperation examples can serve as best-practice case for others to follow. In addition, new networks aimed at better management of tourism flows are being developed in the region. In the beginning of 2012 several rural and urban municipalities have signed agreement to cooperate on developing of tourism in Gauja National Park areas.

Since institutional capacity of some rural municipalities is limited for steering development, alternative is to increase coordinating capacity and authority of Vidzeme planning region which is already active in implementing projects relevant to needs of local municipalities. At this moment it is difficult to predict what form regional administration will take. According to *Sustainable Development Strategy of Latvia until 2030* or *Latvia 2030* territorial and social inequalities have to be reduced by improving territorial accessibility and mobility, implementing polycentric model of development, creating new division of functional territories. To make progress towards goals of *Latvia 2030*, the development of new regional development policy guidelines are underway. According to *Draft Document of Regional Development Guidelines 2014-2020* (RDG) municipalities and planning regions will be able to use new instruments and incentives to foster development. Among these instruments are general actions like the diversification of municipal sources of income, increase in the range of available business incentives and public-private partnerships, support for regional and local

innovation systems. RDG also aims at introducing territorially diversified instruments within sectoral policies, such as differentiated taxation, differentiation of social allowances, and/or remuneration for attracting skilled workers etc.)

#### ***Step 4: Policy options and future development***

Territorial potentials identified in previous steps serve as inputs for designing policy options and visions of future development. Since agrarian economy dominates in large parts of the region, agri-centric meta-narrative is relevant in the context of overall development agenda. Agricultural meta-narrative emphasizes need for increased agricultural competitiveness in some areas, diversification, and remuneration for rural amenities, creating quality products and increasing regional attractiveness. In areas closer to Cesis and near transportation routes, improving rural-urban relations is the main focus for development agenda. In these areas it is important to compensate pump effects of infrastructure and services which are concentrated in Cesis and Riga. In the same time, policies should encourage new forms of rural economy, stimulate use of ICTs in teleworking and implement development projects aimed at intermediate and accessible rural areas. In current socio economical context the phenomenon of globalisation is perceived more as threat to rural development. To many those living in the area globalization symbolizes the loss of control over development resources, most importantly - the land, which is sold cheaply to foreign investors. Open borders and low wages encourage further out-migration of young people and qualified professionals. The region needs to adapt to forces of globalisation in a smart way. This can be achieved by incremental innovations in economy, creation of wider markets for rural products, and by capitalization on opportunities offered by international tourism and diaspora – the residents who are currently living and working outside the country.

There are many territories in the region which provide high quality untouched environment. Therefore amenity based development strategy is preferable for the region. In the same time, parts of the region near motorways and urbanised areas of Cesis can be used for diffuse industrialization projects. This is an option for businesses that do not need to be located close to their markets, such as the assembly of electronic components. Existing extraction sites can be used for exploitation of natural resources. In the same time one should look out to avoid situation where success in attracting people and investors begins to destroy natural assets. Sparsely areas can become places for activities that generate income and some jobs, such as large scale agriculture, growing of energy crops.

In development of regional economy two possible strategies can be identified. First strategy focuses on developing territories and economic sectors which already have the potential for development. Several key industries, such as forestry, wood-processing and dairy farming need to build combination of knowledge and material resources to develop further. Wood-processing industry already has significant impact on regional economy, but it requires access to knowledge and expertise to improve competitiveness. However, currently this knowledge is lacking in the region and has to be either imported or developed locally. Second strategy focuses more on supporting newly emerging industries with potential, such as extraction of clay, sand, gravel and peat. However, development of corresponding secondary sector industries, such as chemical industry is necessary to support these newly emerging industries. Formation of clusters in areas of agriculture, mineral deposits, and forestry are necessary.

Also, the IT sector can emerge as *new tiger* industry but significant effort is needed to improve the links between the labour market and education sector.

Investments in motorways are seen as important for regional economy as opposed to strategy which decouples economic development from the mobility. This is because economic sectors in the region are highly dependent on ground transportation. Alternative would be to invest in communication infrastructure and environmentally friendly public and private transportation. This option could be explored in areas within short distance from urban centres. In area of energy move towards greater energy-efficiency is supported, because the region currently lacks coordination capacity and investments to develop green energy sector at a strong pace. Future scenarios for agriculture are polarised. On the one hand, there is local support for sustainable rurality scenario with greater diversification of agriculture, focus on locally grown products, and stronger landscape management and sustainable orientation. On the other hand, supporters of large scale agriculture point towards low productivity of small farms and emphasize the need to take use of vacant land resources. The impact of climate change is not seen as very visible, but there is awareness that climate changes are inevitable. Currently Vidzeme planning region lacks climate-change adaptation strategies in critical areas, such as forestry, agriculture and energy.

Depopulation is among most serious risks for sustainable development of the region. Other than rhetoric there are no policy solutions which address the problem of depopulation in comprehensive ways. It can therefore be expected that population decline patterns will not change significantly. Population size will continue to decrease, process of ageing will continue, outmigration to urban areas and abroad will not cease. Population ageing will have an impact on regional economy and power relations. One can expect that power structures in rural regions will be dominated by elderly. Young people will seek employment and education in urban centres outside the region. There are no easy answers to depopulation. The reaction of regional economy to ageing would be to adopt *silver economy* scenario. In this scenario economy reacts to population ageing by offering services to older residents and retirees. Scenario of *open borders* which encourages international immigration is not openly embraced by local stakeholders. There is agreement that rural areas should also try to attract young people and families urban centres. Therefore policies aimed at increasing place attractiveness and leading towards greater social and cultural integration of residents with focus on health, poverty reduction, education, especially lifelong education will be important in *silver economy* scenario. In addition to stimulating strategies of 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. Minimization of mismatch in labour market by involving local companies, schools and universities is a way to minimize risk of poverty and unemployment. In case of Latvian case study region, a path towards *sustainable, multicultural and socially cohesive society* is strongly advised.

In the context of post-austerity economic and political context, three story lines about rural governance can be identified. First story line relates to long known debate of centralized vs. decentralized solutions to governance, including the issues of regulation and control, need for further consolidation of municipalities, and the future of regional power structures in Latvia. In this context two governance scenarios "*Divide and rule*" and "*Let hundred flowers bloom*" set



out future paths. The choice of scenario will depend on values, resources and influence of each particular stakeholder. Second story line addresses horizontal cooperation between different institutions and stakeholders. The scenario of "*small kingdoms vs. policy networks*" emerges in this context. Third interrelated story line deals with ways how policies are actually implemented. In the context of post-austerity economy and policy state and public sector in Latvia still has limited resources and instruments to stimulate development. In the same time, market cannot always deliver fair development in the form and place that is wanted. One solution is to adopt so called *project state approach* which is already *modus operandi* for many municipalities. In this approach the state is "hollowed out." Local governments rely on partnerships, and time limited projects which are designed to rejuvenate specific areas and sectors. In the project state public sector tries to sustain commitment after projects end. The second strategy – *development despite the state*, is better suited for those communities which are alienated from informal and formal networks of knowledge and power, but have minimal local resources on their own. The benefits of this strategy are its focus on community effort, training, networking and scaling up of smaller projects. For the strategy to be effective there needs to be strong community identity and rich networks generating social capital. Third strategy of "*smart planning and regulation*" is applicable only those few areas in PURR case study region which have accumulated significant knowledge and expertise areas, such as conservation, cultural heritage development or green economy. Smart planning and regulation approach requires integration and coordination of public policy which might be easy to prescribe, but hard to deliver. Because of external shocks experienced during the recession and a sense of urgency about problems like declining health of the community, ageing and depopulation, local policy makers are usually looking for quick fix approaches to labour market and try to find short cuts to wealth creation. Therefore visions of policy implementation seem to fall in line with top-down orientation in which economic development is seen as the only way towards bringing wellbeing. Top-down orientation enforces competitive ethos among stakeholders and sometimes restricts opportunities for cooperation. To achieve more balanced approach to rural development, the region needs to invest in projects which adopt long term approach to local capacity and asset building. Grassroots projects, such as development of fair-trade localized economies, active community engagement, and training in self-subsistence skills could help to alleviate social problems and increase local resilience. There is no successful scenario of rural development in Latvian case which would be possible without renewed trust to institutions and to local and national policy makers. This is another reason why local stakeholders should experiment with grassroots approaches based on principles of geographic and social equity.

To summarize region's policy options it is possible to identify so called *no regret moves* where certain decisions will make everyone better off. Then, there are also development *options*. Options are decisions which yield a positive payoff in some cases and a small negative effect in others. Finally, in so called *big bet* decisions or dilemmas, the outcome of the decision is either unclear or there are clearly some positive payoffs for some, but certain negative payoffs for others.

No regret moves include:

- Improving place marketing and increasing place attractiveness
- Increasing competitiveness and added value of traditional regional industries

- Sustaining human capital – health, education, with greater orientation towards wellbeing
- Projects aimed at development of social capital and networks
- Investments in energy efficiency and focus on renewable energy
- Promoting innovations in local governance (especially in service delivery) and education (professional education, life-long learning, higher education)

Options include:

- Prioritizing investments in infrastructure (hard investments) vs. investments in capacity building (soft investments).
- Investments in large scale agro-business vs. support programmes for small scale farming
- Investments in industrial projects vs. environmental and sustainability concerns
- Energy choices for municipalities and major industries (fossil vs. renewable).
- Further consolidation of local governments, including the amalgamation of local municipalities

Big bets (dilemmas) are:

- Planning of services and concentration of development resources in major development centres (large towns) vs. more geographic equity driven approach
- Encouraging international mobility to compensate decline of local population vs. keeping the borders closed

The region has considerable natural resources including landscape and biodiversity, but it lacks human and social capital. To balance the elements of people, place and power, the region needs to adopt future shaping policy posture in sectors which are considered traditionally strong in the region. More *future shaping* strategies can therefore be recommended in forestry, dairy cattle farming, wood processing, agriculture and food production to transform company's products and services into more knowledge added industries. In addition, business specialization and niche-based approaches can be suggested in agriculture. These strategies go hand in hand with policy posture of *adaptation*. According to this posture the region should try to adapt to future by winning through speed, agility, and flexibility in recognizing and capturing opportunities in existing markets. An example of adaptation posture is by generating employment more quickly is to rely on EU financing for infrastructure development. Since public financing in post-austerity context is limited, some jobs can be generated by building and repairing of the infrastructure, water supply systems, electricity grids, public buildings. Strategies which promote specialization of businesses, locally grown products greatly contribute to this policy posture. Formal and informal business services and networks are also critical to increasing region's abilities to adapt to changing circumstances in future.

## C6. Comparing the Stakeholder Regions

The methodology that was developed in section C3 rests on scientific evidence which implies that the *stakeholder perspective* is very important when it comes to identifying the intangible assets of territorial capital. Identifying this is crucial when it comes to identifying the development potentials of a region. This implies that the stakeholders have been very important sources of information for the individual case studies. At the same time, the dialogue between the stakeholders and the TPG has been very important for developing the four-step methodology in general, but especially when it comes to the contents of each of the

four steps. Although the case studies (section C5) primarily represent studies of each of the five regions, they also represent a first test of the proposed methodology. The methodology itself relies on the dialogue between the experts (the TPG) and the stakeholders. In this sense, the methodology is dynamic and intensive, rather than static and extensive. Without the dialogue, it would have been impossible to arrive at reliable conclusions about territorial potentials. We would like to repeat that the conclusions (especially step 3, about potentials) also are based on dialogue, and that the methodology is meant to be generating processes rather than provide one (and only one) "black box" based answer. The individual case studies are discussed in section C5. Here, we try to look at the main conclusions from the five studies together.

The workshops generated a considerable amount of qualitative data, and the fact that the workshops in all five stakeholder regions 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 it 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 (section B2/C3) that can be applied to a variety of different regions. Applying the methodology to the PURR regions has been a useful learning process.

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 a considerable impact on rural areas. One such impact will be the unemployment risk in the education sector, in which a considerable number of people are currently employed.

Another impact of the 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. There is also a fear among stakeholders in North Yorkshire of a reduction in the capacity for strategic planning in England as a result of the dissolution of regional structures. The agenda in the Cambrian

Mountains was dominated by a desire to capitalise on ecosystem goods and services and to find ways of retaining the value for these goods and services within the local communities. Another 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 to regional development. 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

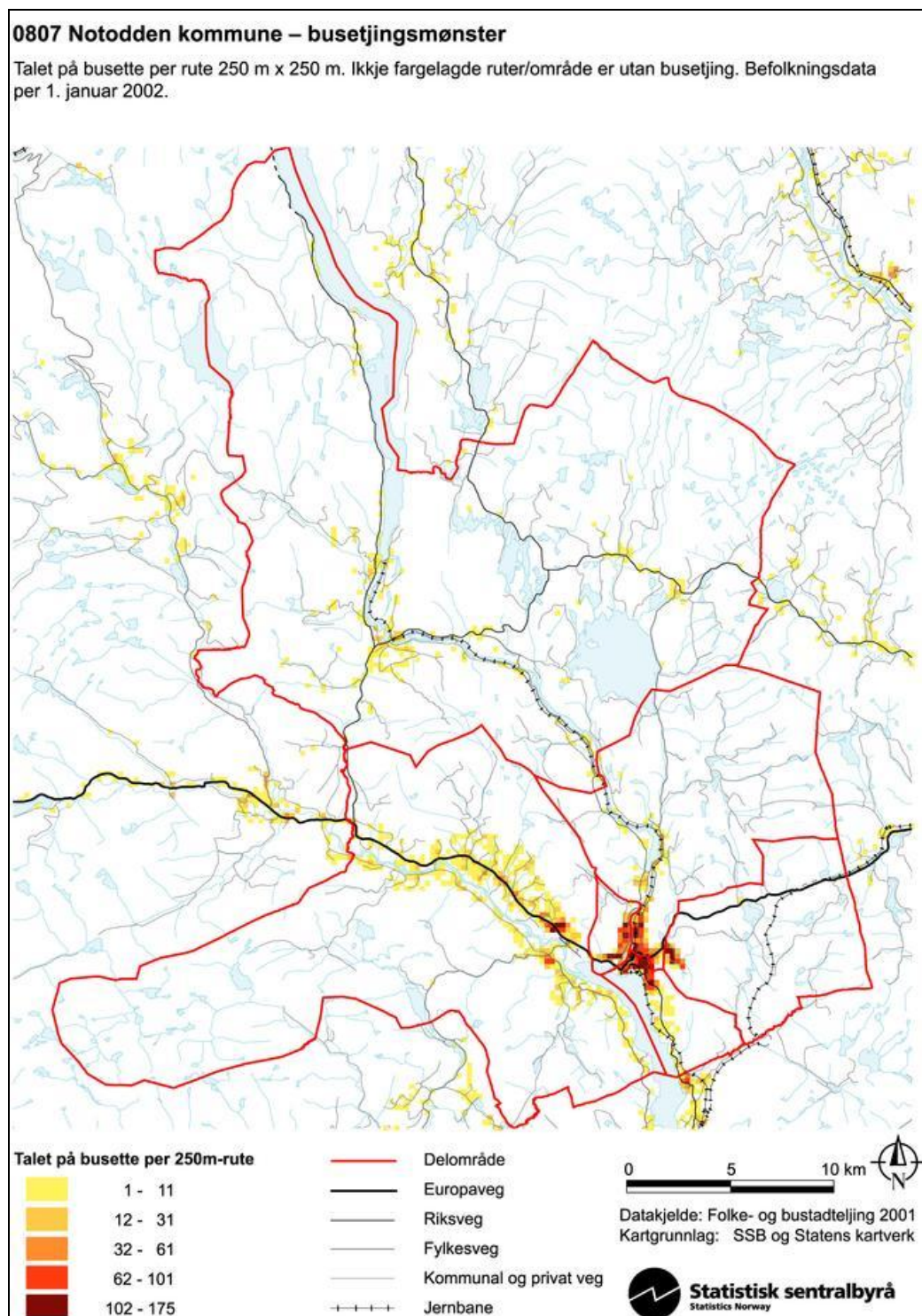
for improving business competitiveness, such as promoting rural business partnerships, public-private partnerships and clusters, were seen as important opportunities for development in Vidzeme. The need for cooperation and coordination between business, education and public sector was also emphasised. It seems like economic recession has induced a more active search for available options.

The diversity of the PURR stakeholder regions is reflected in the diversity of their rurality and in the diversity of their rural and regional development agendas and priorities. One of the commonalities between the regions was the need to make their rurality more visible in relevant arenas in order to be able to attract resources in an increasingly competitive environment.

## D. Annexes

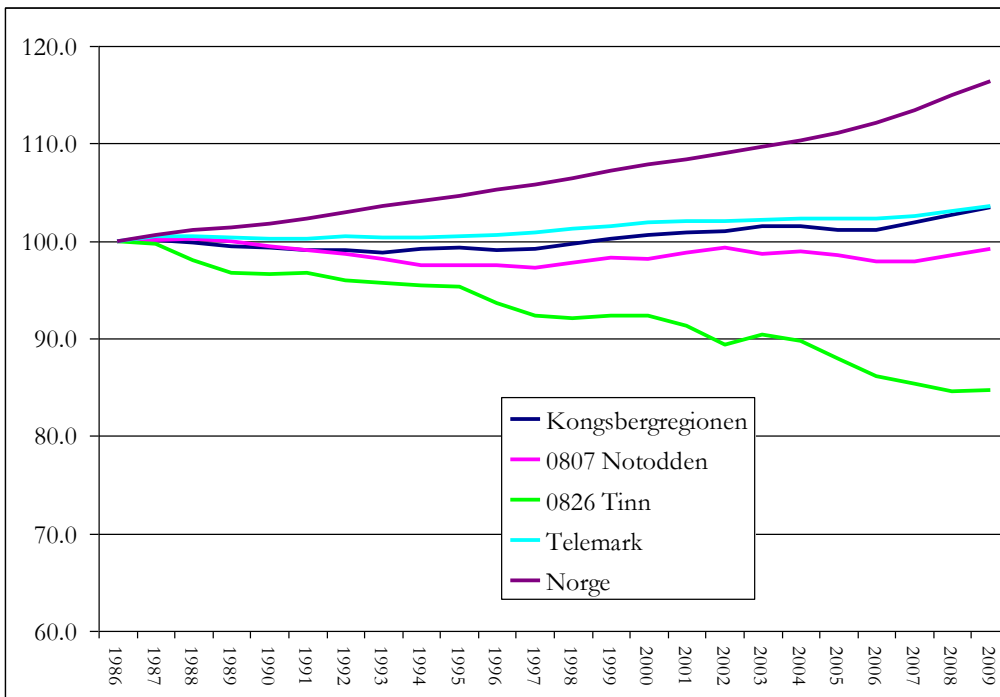
### D1. Annex 1 Maps and More

#### Map A1: The Settlement Pattern of Notodden Municipality



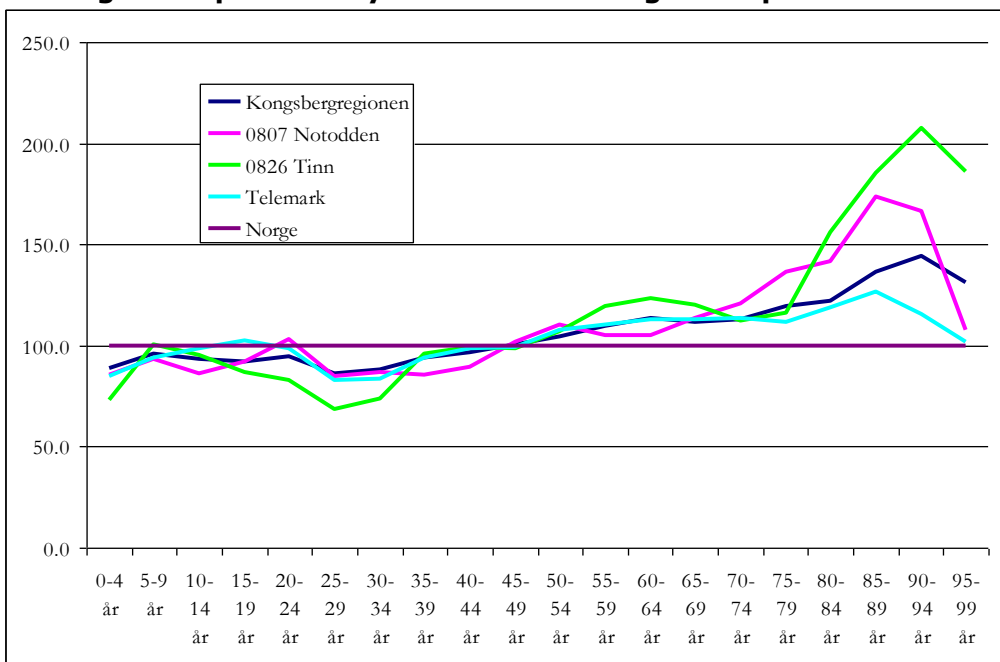
Source: Statistics Norway

**Figure A1: Number of People in Notodden and Tinn, and Surrounding Areas. 1986=100**



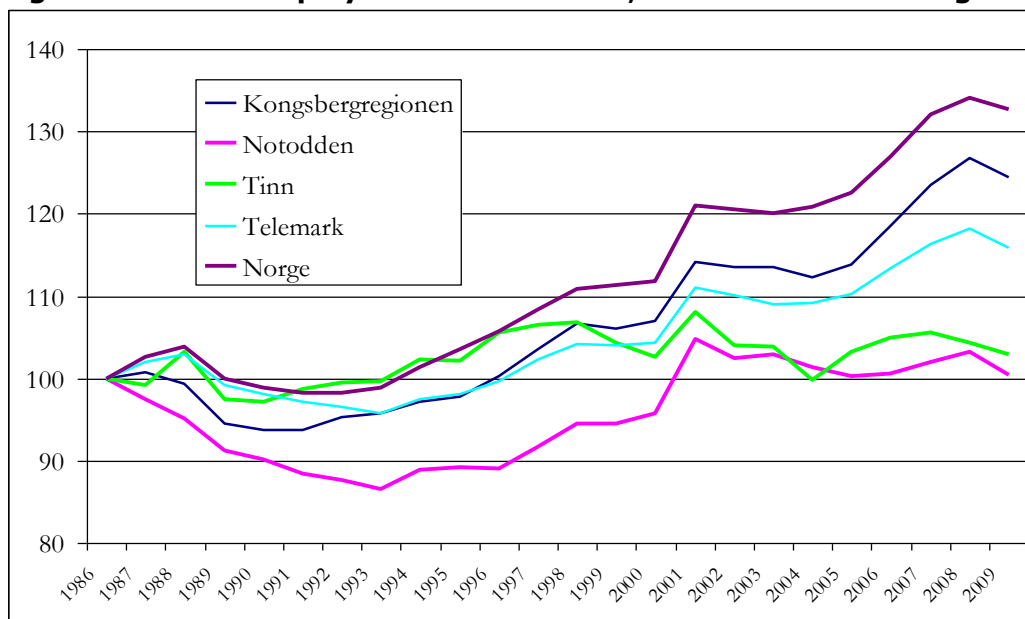
Source: Statistics Norway

**Figure A2: The Age Structure in Notodden, Tinn and Surrounding Areas 1989. Five Year Age Groups. Norway = 100 for Each Age Group.**



Source: Statistics Norway

**Figure A3: Total Employment in Notodden, Tinn and Surrounding Area. 1986=100**



Source: Information from Panda

**Table A1: Economic Structure 2009 Measured by Employment Index (Localisation Index) by Sector. National Share = 100. Number of Employed 2009 by Region.**

	Not- odden	Tinn	Kongs- berg region	Telemark	<b>Norge (per cent)</b>
Primary Industries	80	102	92	87	<b>3.2</b>
Oil and Gas	3	13	9	1	<b>1.1</b>
Manufacturing and Mining	102	117	247	124	<b>10.2</b>
Energy and Water Supply	215	559	176	195	<b>0.7</b>
Building and Construction	94	142	96	115	<b>7.4</b>
Trade, Hotels and Restaurants	101	88	86	97	<b>17.9</b>
Transports and Communications	76	81	55	79	<b>6.5</b>
Financial and Business Services	70	62	65	79	<b>14.2</b>
Public and Other Services	117	105	91	106	<b>38.4</b>
Unknown	128	81	102	142	<b>0.5</b>
<b>Number of employed</b>	<b>5,453</b>	<b>2,890</b>	<b>27,271</b>	<b>76,806</b>	<b>2,478,702</b>

Source: Information from Panda



# North Yorkshire

## Map A2: North Yorkshire



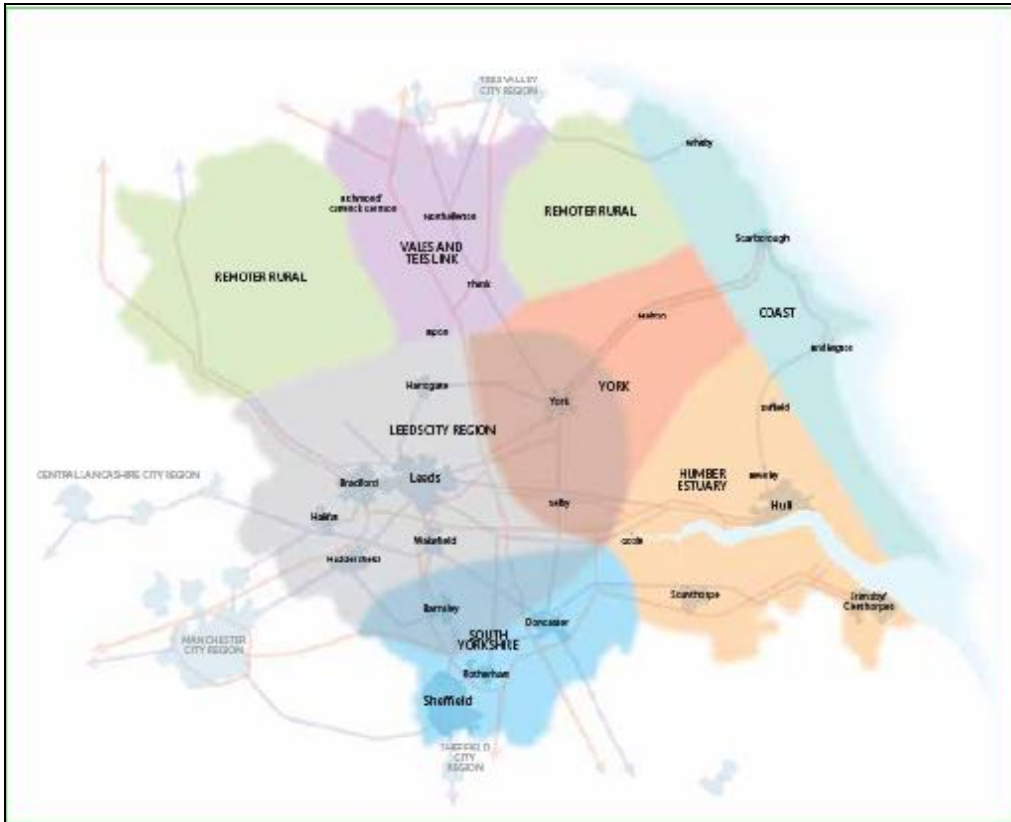
Source: North Yorkshire County Council

## Map A3: North Yorkshire

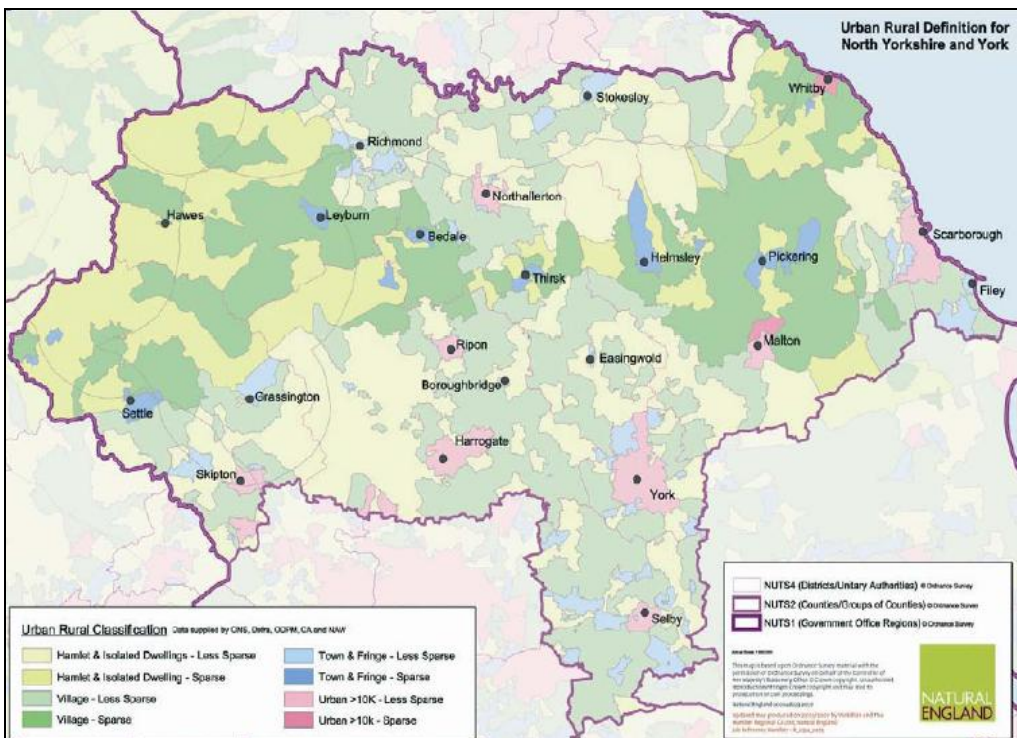


Source: North Yorkshire County Council

**Map A4: Yorkshire and Humber Sub-regions**

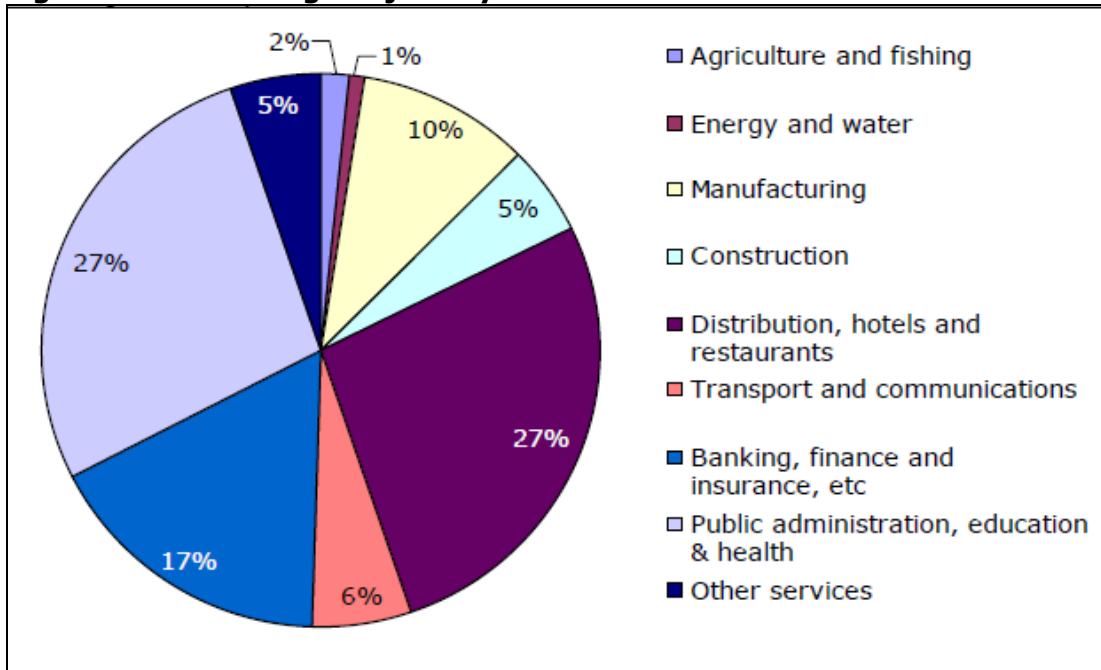


**Map A5: Urban-rural classification**



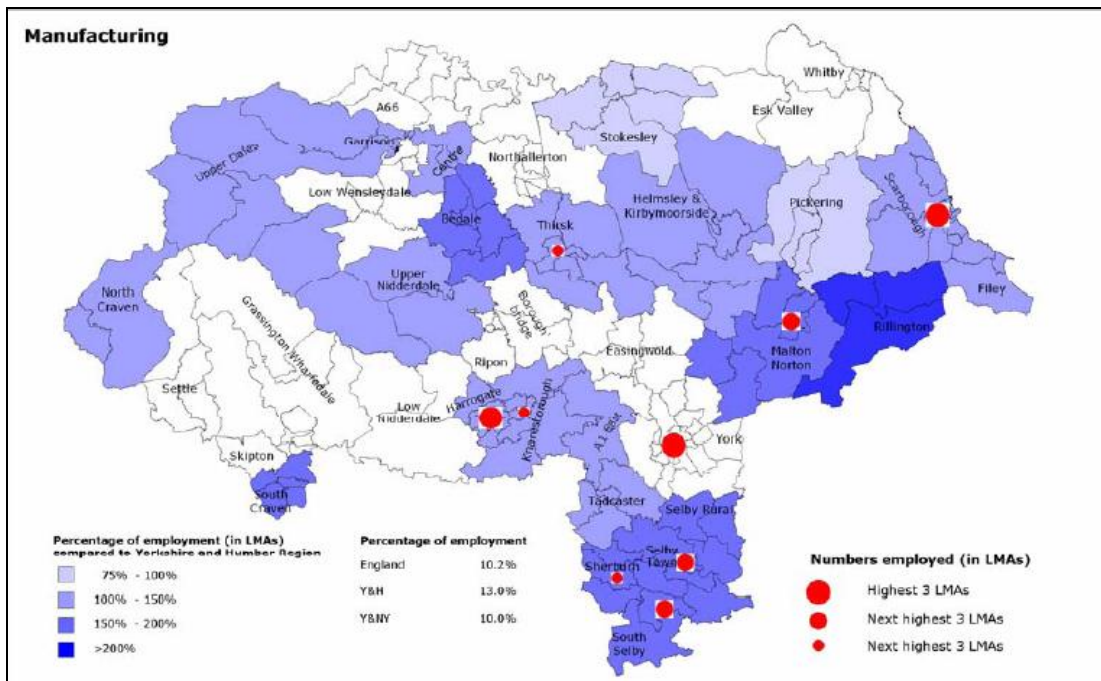
Source: Yorkshire Futures

**Figure A4: Percentage of jobs by broad industrial sector 2008**



Source Yorkshire Futures 2010

**Map A6: Concentrations of manufacturing industry**



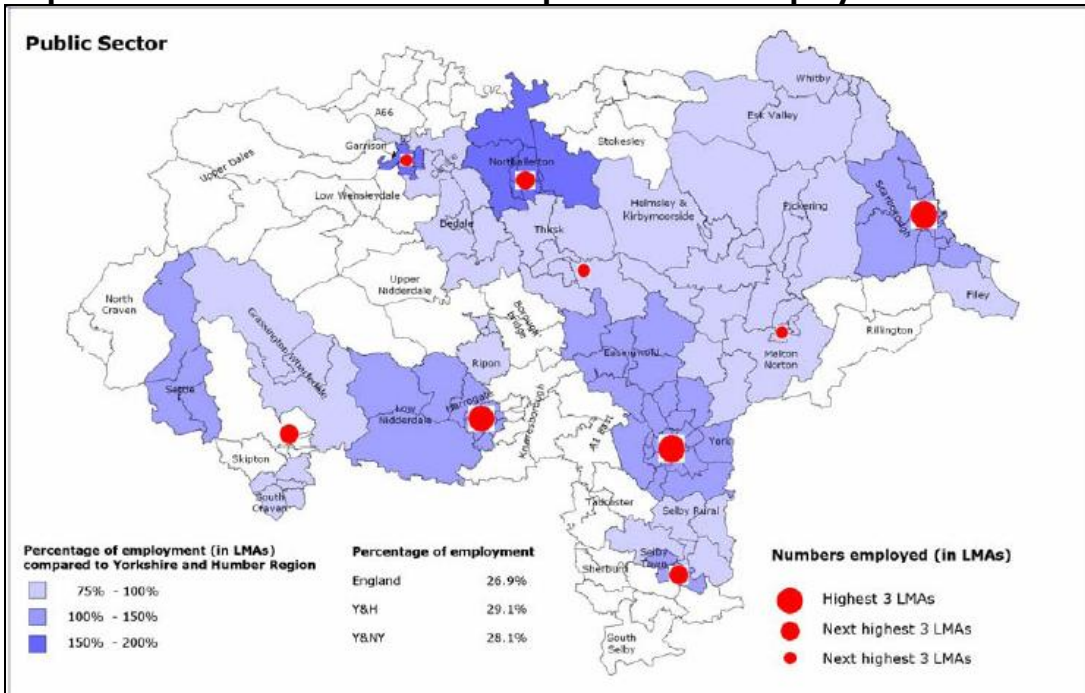
Source Yorkshire Futures 2010

**Table A2: 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**



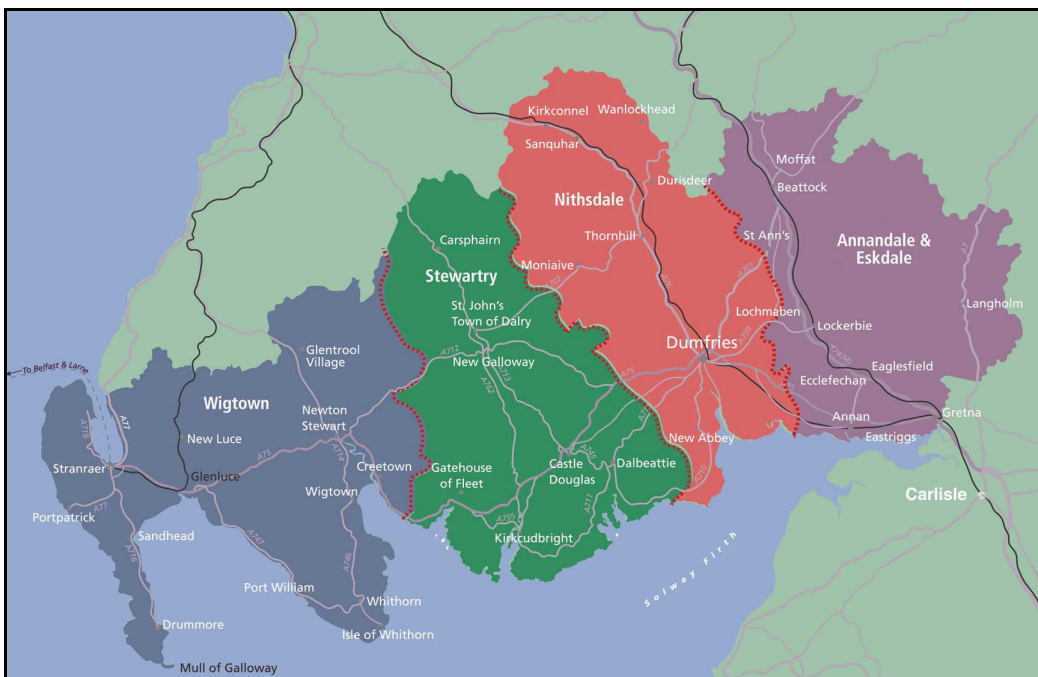
Source Yorkshire Futures 2010

# Dumfries and Galloway

Map A8: Map of Dumfries and Galloway



Map A9: Sub-regions



**Table A3: Scottish population by age, 2009 and projected changes over time**

	Dumfries & Galloway		Scotland	
	No. (000s)	%	No. (000s)	%
<b>Total population</b>	<b>149</b>	<b>100%</b>	<b>5,194</b>	<b>100%</b>
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*
<b>Total population</b>	<b>0%</b>	<b>-1%</b>	<b>3%</b>	<b>7%</b>
Below age 16	-10%	-7%	-6%	-1%
Age 16-64	0%	-18%	4%	-5%
Above age 64	14%	53%	8%	62%
<i>* Takes into account change in state pension age</i>				

Source: General Register Office for Scotland, 2009

**Table A4: 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 A5: Employment July 2009 to June 2010**

	Dumfries & Galloway		Scotland	
	No. (000s)	%	No. (000s)	%
<b>In employment</b>				
<b>All</b>	<b>68</b>	<b>71.6%</b>	<b>2,462</b>	<b>71.0%</b>
- 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%
<b>Males</b>	<b>34</b>	<b>73.8%</b>	<b>1,275</b>	<b>74.8%</b>
<b>Females</b>	<b>34</b>	<b>69.5%</b>	<b>1,186</b>	<b>67.4%</b>
<b>Economically active</b>				
All	<b>72</b>	<b>75.8%</b>	<b>2,663</b>	<b>76.9%</b>
Males	37	79.8%	1,401	82.3%
Females	35	71.9%	1,261	71.7%
<b>People who want to work but are not in employment†</b>				
All	<b>10</b>	<b>10.4%</b>	<b>398</b>	<b>11.7%</b>
Males	6	13.0%	210	12.6%
Females	4	8.0%	188	10.9%
<b>People aged 16-64 with a degree level qualification</b>				
With degree	15	16.4%	697	20.5%
<b>Model Based Unemployment (Apr 2009 - Mar 2010)</b>				
All	<b>4.2</b>	<b>5.7%</b>	<b>195.4</b>	<b>7.3%</b>

**Table A6: Number and Porportion of Employee Jobs by Industry, 2008**

Industrial group (SIC 2007)	Dumfries & Galloway		Scotland	
	No. (000s)	Percentage	No. (000s)	Percentage
<b>All industries</b>	<b>58.9</b>	<b>100%</b>	<b>2,420.4</b>	<b>100%</b>
<b>Agriculture, forestry &amp; fishing</b>	<b>3.6</b>	<b>6%</b>	<b>36.5</b>	<b>2%</b>
<b>Production &amp; construction</b>	<b>11.2</b>	<b>19%</b>	<b>407.4</b>	<b>17%</b>
Mining & Energy	1.3	2%	57.3	2%
Manufacturing	6.7	11%	199.0	8%
Construction	3.3	6%	151.1	6%
<b>Services</b>	<b>44.1</b>	<b>75%</b>	<b>1,976.6</b>	<b>82%</b>
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 A7: Corporate Sector: Scottish Employment & Enterprises by Size of Enterprises, March 2010**

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

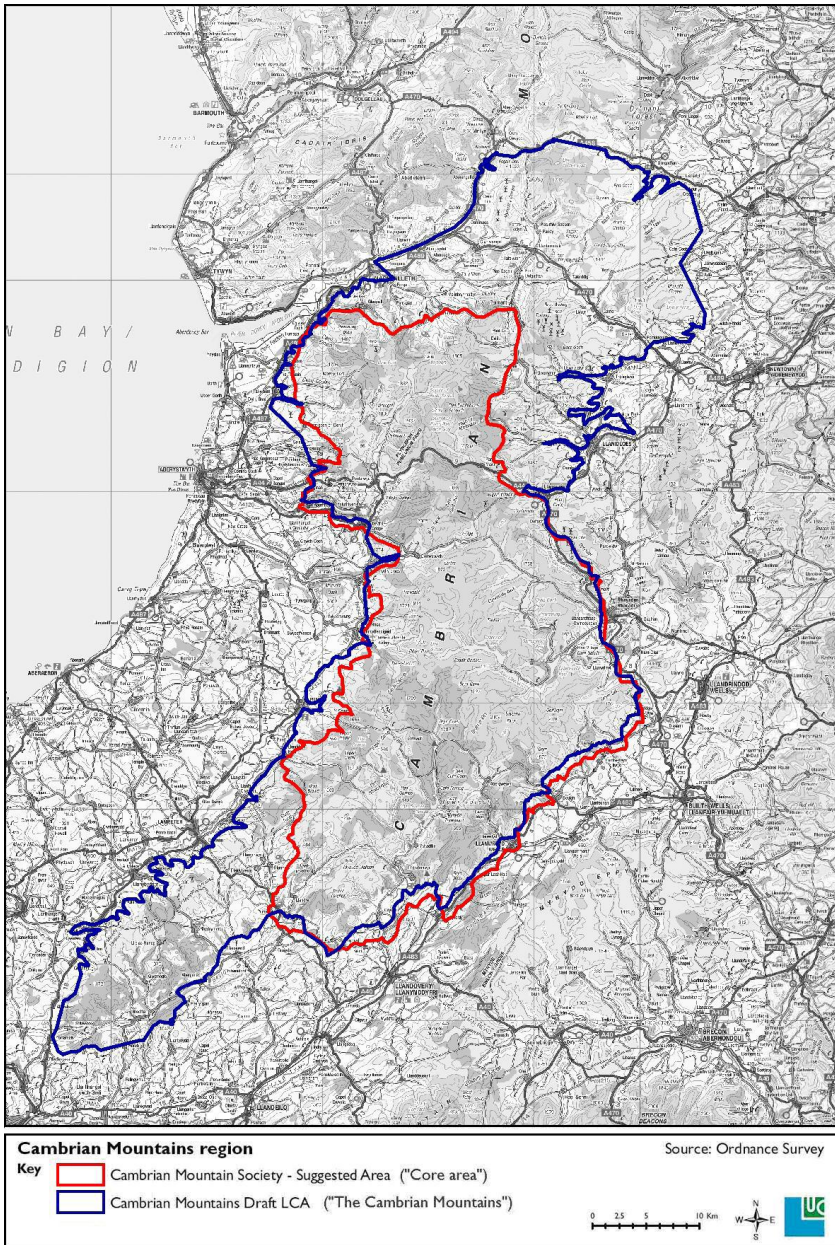
\* Enterprises with geographical identity only

.. Data not available due to reliability or confidentiality



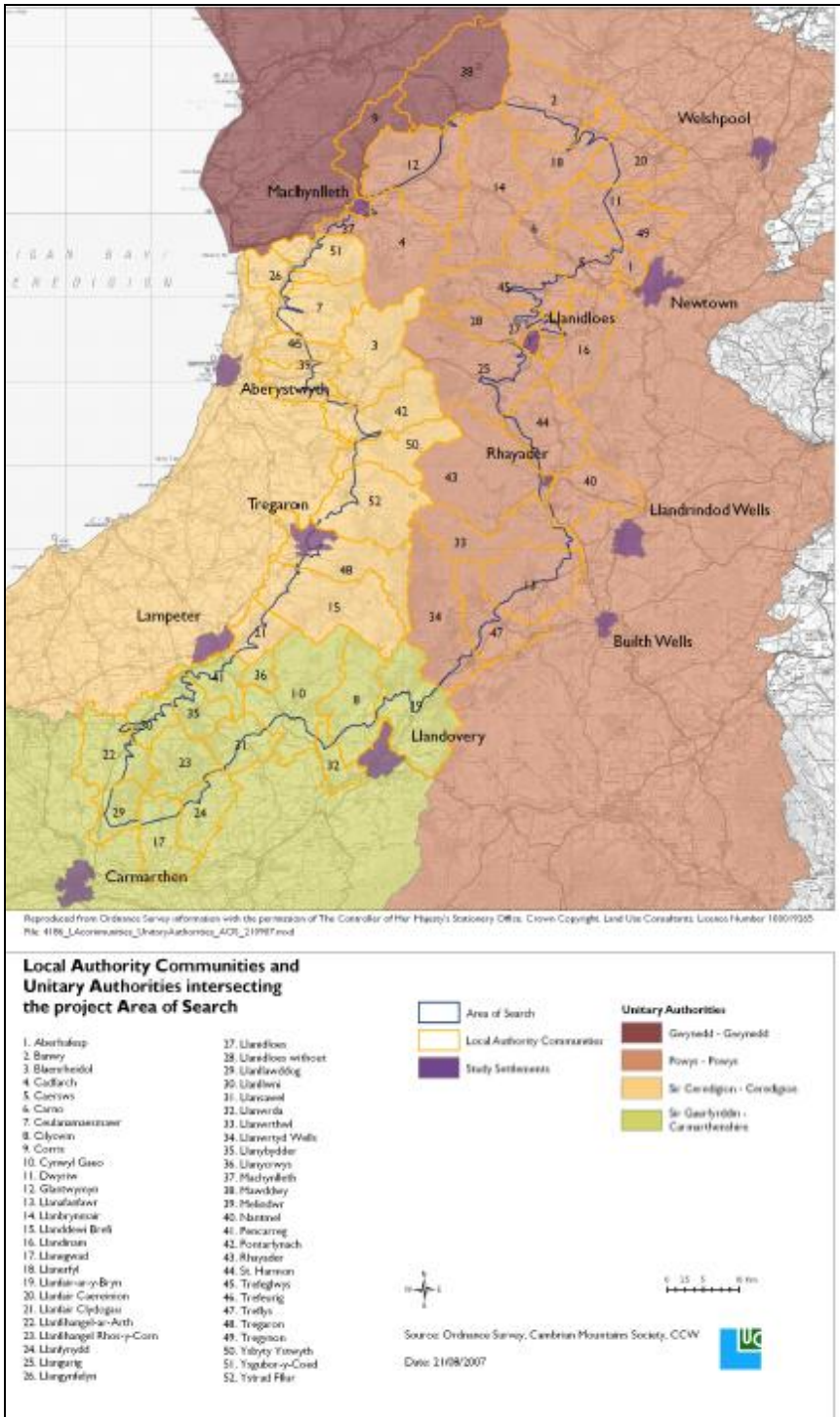
# Cambrian Mountains

## Map A10: Cambrian Mountains and Boundaries



Source: Land Use Consultants 2007

# Map A11: Local authority boundaries



Source: Land Use Consultants 2007

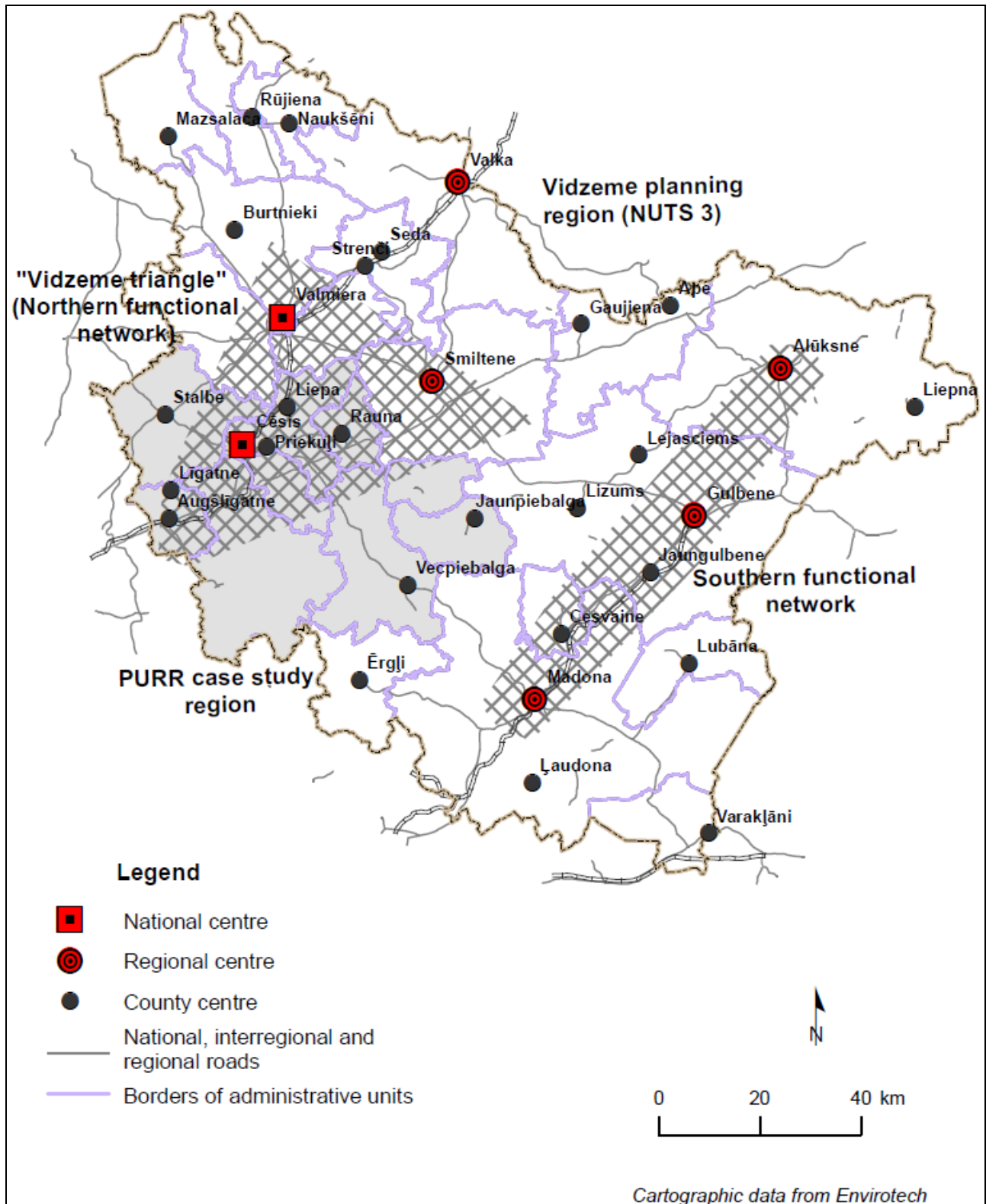
**Table A8: Relative deprivation in Cambrian Mountains**

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 and PURR stakeholder region in Latvia



Source: Authors



**Table A9: Regional demographic disparities in Latvia**

	Area, % of total	Population, % (2011)	Change, % (2006-11)	Density population/km2 (2011)	Under working age, % (2011)	Working age, % (2011)	Above working age, % (2011)	Males, % (2010)	Females, % (2011)
National average	64,559 km2	2,23 mil	-2,8	34,5	13,7	65,8	20,5	46,1	53,9
Metropolitan planning region									
Riga Planning Region	16,2	48,9%	-0,7	104,4	13,7	65,6	20,7	45,3	54,7
Non-metropolitan planning regions									
Vidzeme	23,6	10,4	-4,9	15,2	13,6	65,9	20,5	47,1	52,9
Kurzeme	21,1	13,3	-3,9	21,8	14,6	65,3	20,1	46,9	53,1
Zemgale	16,6	12,4	-3,2	25,8	14,3	66,4	19,3	47,2	52,8
Latgale	22,5	15,0	-6,9	23,0	12,7	66,3	20,9	46,5	53,5
All non-metropolitan planning regions	83,8	51,1	-4,7	21,5	13,8	66,0	20,2	46,9	53,1

Source data: VRAA (2011). *Reģionu attīstība Latvijā 2010*. Rīga: Valsts reģionālās attīstības aģentūra.

**Table A10: Regional economic disparities in Latvia**

	GDP/capita (%) against the EU27 average in PPP (2008)	Employment rate, % (2010)	Unemployment, % (2011)	Economically active business units per 1000 inhabitants, % (2010)	Private income tax in municipal budgets per capita, EUR (2010)	Average monthly salary, EUR, (2010)	Regional GINI, % (2010)	Nonfinancial investment per capita, EUR, (2009)	Population in risk of poverty, %, (2009)
Nationally	56,0	53,1	11,0	31,5	407	635	35,2	1857	23,3
Metropolitan Riga planning Region									
Riga Planning Region	77,1	54,8	8,7	44,9	503,0	703,0	34,7	2625,0	15,5
Non-metropolitan planning regions									
<b>Vidzeme</b>	<b>35,3</b>	<b>52,0</b>	<b>11,6</b>	<b>20,4</b>	<b>320,0</b>	<b>487,0</b>	<b>33,2</b>	<b>1129,0</b>	<b>24,8</b>
Kurzeme	43,7	53,8	11,7	21,8	347,0	546,0	32,2	1589,0	22,7
Zemgale	34,3	50,7	11,9	18,4	357,0	510,0	33,6	1076,0	28,4
Latgale	30,8	49,7	16,9	15,4	246,0	441,0	33,3	776,0	34,7
All non-metropolitan planning regions	36,0	52,0	13,0	19,0	317,5	469,0	33,1	1142,5	27,7

Source data: VRAA (2011). *Reģionu attīstība Latvijā 2010*. Rīga: Valsts reģionālās attīstības aģentūra.

**Table A11: Key demographic information about PURR case study region in Vidzeme**

	Total area		Population (2011)		Population change,% (2006-11)	Density, population /km2 (2011)	Males, % (2010)	Females, % (2011)	Under working age, % (2011)	Working age, % (2011)	Above working age, % (2011)	Births per 1000 inhabitants (2010)	Deaths per 1000 inhabitants (2010)	Natural growth per 1000 inhabitants (2010)	Migration balance (2010)	Marriages per 1000 inhabitants (2010)
	Km2	%		%												
National average	64,559	100	2,229,641	100	-2,8	34,5	46,1	53,9	13,7	65,8	20,5	8,6	13,4	-4,8	-7912	4,1
Non-metropolitan regions of Latvia	54,124	83,8	1,139,874	51,1	-4,7	21,5	46,9	53,1	13,8	66,0	20,2	7,7	14,2	-6,6	-1264	3,9
Vidzeme planning region	15246	100	231,067	100	-4,9	15,2	47,1	52,9	13,6	65,9	20,5	7,7	13,8	-6,1	-1083	3,4
PURR case study region	2975	19,5	54,962	23,8	-4,7	17,2	48,1	52,0	13,4	65,8	20,8	7,4	14,4	-6,9	-47	3,4
Individual municipalities in PURR case study region																
Amata	745	25	6332	12	-3,9	8,5	49,1	50,9	14,2	65,7	20,1	7,1	12,0	-4,9	-39	4,2
Cesis	173	6	19538	36	-2,8	113	45,5	54,5	13,4	65,6	21,0	7,5	13,5	-6,0	-204	3,5
Jaunpiebalga	251	8	2657	5	-5,9	10,6	46,9	53,1	13,7	64,7	21,5	9,8	16,9	-7,1	-37	3,0
Ligatne	168	6	4011	7	-5,0	23,9	48,7	51,3	12,9	64,8	22,3	8,4	14,9	-6,5	11	1,7
Pargauja	486	16	4395	8	-4,3	9,0	48,5	51,5	12,9	66,6	20,5	6,3	10,8	-4,5	-15	5,2
Priekuli	301	10	9321	17	-4,5	30,9	47,6	52,4	12,9	66,9	19,3	6,3	13,7	-7,4	-58	3,8
Rauna	309	10	3985	7	-7,2	12,9	48,6	51,4	12,9	65,9	21,1	7,5	16,8	-9,3	-29	1,8
Vecpiebalga	542	18	4732	9	-4	8,7	49,5	50,5	13,0	66,4	20,6	6,5	16,2	-9,7	-1	3,6

Based on: *Latvian Regional Development Report VRAA (2010). Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra. Figures about total area size, density and population change taken from Latvian Central Bureau of Statistics. Figures about distribution of population after working age, deaths, natural growth, migration balance, marriages and divorces are based on data from the Office of Citizenship and Migration Affairs. Estimates for PURR case study region are based on author's calculated averages for all counties involved in the study.



**Table A12:** Economic information about PURR case study region

	Development Index (2010)		Development Index / rank change (2008-2010)	Unemployment, % (2011)	Unemployment change, % (2008-2011)	Income tax in municipal budget per capita in EUR (2010)	Number of ind. merchants and commerce comp. per 1000 inh. (2009)
	Value	Rank					
National average	-0,361	NA	+0,093	11	+7,5	407,1	31,5
Non-metropolitan regions of Latvia	-0,648	NA	+0,167	13,0	+8,8	318,3	19,0
Vidzeme planning region	-0,724	4	0	11,6	+8,1	321,1	20,4
PURR case study region	-0,178	48/110	+4,5	10,5	+7,9	309,6	18,4
Individual municipalities in PURR sub region							
Amata	0,044	44	+20	11,3	+8,6	350,7	18,0
Cesis	0,281	26	-1	10,3	+7,1	413,0	37,5
Jaunpiebalga	-0,327	68	+6	9,0	+7,0	240,0	12,6
Līgatne	-0,248	64	-7	12,2	+9,3	332,1	15,8
Pargauja	0,074	43	-2	10,6	+8,1	293,0	19,2
Priekuli	0,309	25	+7	10,2	+7,2	354,6	18,7
Rauna	-0,093	51	+1	8,5	+6,7	249,7	13,8
Vecpiebalga	-0,182	59	+12	12,0	+8,8	243,9	11,7

Based on Latvian Regional Development Report of State Regional Development Agency - VRAA (2010). *Reģionu attīstība Latvijā 2009*. Rīga: Valsts reģionālās attīstības aģentūra. Estimates for income tax based on State Regional Development Agency's calculations. Number of individual merchants and commerce companies based on provisional information from Central Bureau of Statistics. Estimates for PURR case study region are based on author's calculated averages for all counties involved in the study.

**Table A13: Employment in PURR subregion**

Industry	Enterprises		Employed	
	No.	% of all	No.	% of all
Agriculture	205	11,8	590	3,9
Forestry	64	3,7	337	2,2
Fishery	5	0,3	12	0,1
Mining	8	0,5	27	0,2
Food production	193	11,1	1265	8,4
Wood processing and furniture	79	4,5	1042	7
Processing of non-metallic minerals	10	0,6	149	1
Other industry	32	1,8	419	2,8
Electrical energy and water supply	11	0,6	107	0,7
Construction	149	8,6	988	6,6
Wholesale and retail	418	24,1	2610	17,4
Catering, hosting	81	4,7	405	2,7
Public administration and defense	16	0,9	2490	16,6
Other	467	26,9	4551	30,4
Total	1738	100	14992	100

Data for 2010. Based on information from Central Bureau of Statistics.

**Table A14: Employment per industry in each county (% of those employed)**

	Amata	Cesis	Jaunpiebalga	Ligatne	Pārgauja	Priekuli	Rauna	Vecpiebalga
Agriculture	5,7	0,3	6,3	9	5,4	3,2	22,5	16,7
Forestry	6,5	0,8	2,4	2,1	6,3	5,1	1	2,6
Fishery	0	0	0	0	0,1	0,3	0	0,7
Mining	0,7	0	0,2	0	13,6	0,5	0	0
Food production	8,3	9,5	21,8	2,1	5,1	6,6	5,5	2,6
Wood processing and furniture	10,8	1,6	14,3	3,7	10,8	18,2	9,9	17,9
Processing of non-metallic minerals	0,8	0,2	0	0	0,8	4,5	0,8	0
Other industry	3	2,3	0	20,1	0,2	0,5	1,6	3
Electrical energy and water supply	0,7	0,9	1,2	0	0,2	0	0	2,4
Construction	4,6	8,1	1,4	7,6	1,2	5,5	4	2,3
Wholesale and retail	6,5	22,5	11,5	10,5	9,9	13,1	8,6	17
Catering, hosting	4,5	2,3	1,4	1	2,8	3,1	4,3	3
Public administration and defence	8	16,5	30,4	16,6	9,8	17,1	16,7	23,1

Data for 2010. Based on information from Central Bureau of Statistics.

## D2. Annex 2: Regional Typologies in Brief

### **Urban-Rural Typology (Dijkstra-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).

### **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 denominated as "diversified", and, (using an indicator defined as the ratio of Secondary Sector to Market Services GVA) they were subdivided into;

- those in which secondary activities are important, and
- those in which market services have become dominant.

### **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).

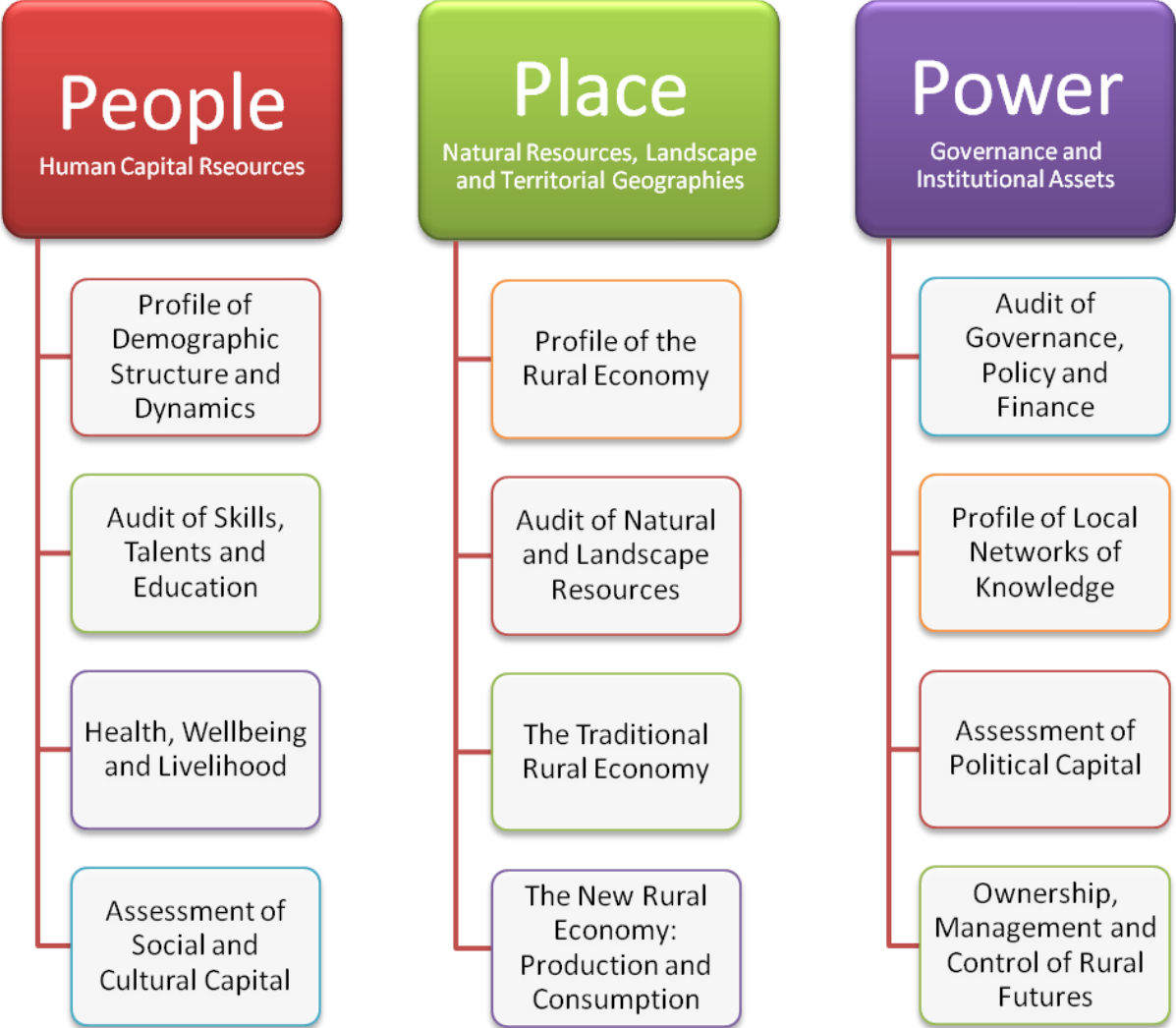
Four types of "non-urban" region are distinguished:

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) Unemployment rate.

D3. Annex 3: The Stakeholder Template for Assessing Rural Potentials



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets



### Target Statistical and Quantitative Data:

- Population Change Statistics (birth/death rates; migration rates etc)
- Population Structure (age, sex, ethnicity etc)
- Regional Population Densities and Geographies
- Travel to work and commuting patterns

**Profile of Demographic Structure and Dynamics**

### Stakeholder Analysis:

- What are the key demographic profiles and shifts in this region and what are the consequences for spatial development strategies and rural potentials?
- What are the geographies of population losses/gains between urban/suburban/small settlements/rural areas?
- What are the key drivers of these shifts? (e.g. lack of jobs and services, house prices and availability, 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?

## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets



### Target Statistical and Quantitative Data:

- Education attainment of local population
- % population educated to University degree undergraduate/postgraduate level
- Skills and training: vocational skills and apprenticeships
- Number of business start-ups?

Audit of Skills, Talents  
and Education

### Stakeholder Analysis:

- What are the regions other less tangible skills that can act as an asset for future development?
- Are there distinctive, locally based, lives and work experiences?
- Does the population possess distinctive rural craft skills?
- Is there a culture of entrepreneurship and innovation?
- What features best describe the local population character?
- Is the local population 'resilient'?
- Are local people welcoming and hospitable?
- What other key talents exist in and amongst the local population?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets



### Target Statistical and Quantitative Data:

- Indices of wealth and income
- Levels of employment, wage rates, worklessness
- Health statistics
- Number of doctors per thousand inhabitants
- Indices of multiple deprivation
- Crime statistics
- Proportion of population owning a car
- % of households with internet access / broadband access
- Average distance to access key services
- Distances to key administrative centres

### Stakeholder Analysis:

- 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?
- 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?
- 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?
- At what level is the psychological wellbeing and morale of local communities?

## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- Number of local voluntary, social and community organisations
- Number of local civic societies and self-help organisations
- Number of Leader Local Action Groups

### Stakeholder Analysis:

- Are there strong networks of local social capital?
- What impacts are demographic changes having upon social cohesion inside and between the regions?
- What are the key cultural attributes of the region and what functions to they currently perform in terms of the socio-economic well-being of the region?
- What are the key local cultural events and festivals?
- 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?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- Current economic structure by sector
- Number and size of businesses – from large to SMEs
- Employment by sector
- Proportional contribution of GVA to regional economy
- Productivity and output by sector

### Stakeholder Analysis:

- What are the characteristics and geographies of current rural employment structures across the region?
- What are the key sectors 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 is the best route toward sustainable and stable rural employment: economic diversification or specialization?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- Natural resource surveys
- Landscape audits and designations
- Transport infrastructures: road, rail, port, air
- Energy and power resources?
- Number and type of national historic and cultural 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

### Stakeholder Analysis:

- What are the key geographical assets and geographical areas which offer the greatest potential for future rural employment opportunities in this region?
- What are the key tangible cultural landscape assets of this region?
- What kinds of transport investments will contribute to the region's future potential?
- How important are travel times and physical distances to the development potentials of this region?
- How should issues of accessibility be dealt with by spatial planning strategies? Will increased accessibility by road and transport infrastructure benefit your area?
- How important will new electronic and other communication media is to rural development? What strategies should underpin the geographies of service provision between urban and rural areas?
- To what extent are different parts of the region, or different parts of the regional economy, moving along different development paths?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- Total employment in agriculture, forestry and mining
- Total land area of traditional rural activities?
- Changes in employment, ownership structures, productivity?
- Proportional contribution of GVA to regional economy of traditional rural sectors
- Average size of farm holdings
- Proportion of farm holders over 55 years of age

### Stakeholder Analysis:

- How important are traditional rural sectors, such as agriculture, mining, forestry, to the local economy and the region's identity?
- 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 economic activities? Is the recession an opportunity for accelerated restructuring of rural economies? If so, how can policy best stimulate and facilitate this?
- 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?
- To what extent are different parts of the region, or different parts of the regional economy, moving along different development paths?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Place

Natural Resources,  
Landscapes and  
Territorial Geographies

#### Target Statistical and Quantitative Data:

- Total employment in tourism, leisure and recreational services
- Employment in personal, consumer and financial services
- Proportional contribution of GVA to regional economy of non-traditional rural employment sectors?
- Number of tourism establishments and beds

The New Rural Economy:  
Production and  
Consumption

#### Stakeholder Analysis:

- What kinds of New Rural Economy activities are found in the region? What are their future potentials?
- How important are tourism, leisure and recreation goods and services to the local economy?
- What opportunities are there for harnessing climate change as a vehicle to develop a new green economy?
- 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 adaptation and mitigation strategies and/or policy responses are in place to address climate change in the region?
- 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?

## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- A mapping of the number and type of public governmental institutions actively involved in rural issues and rural development (including nature and extent of policies and funding, number of active employees)
- Detailing of key policy documents, their strategic ambitions and prominent development paradigms
- Extent and nature of participation of public equivalent bodies in the region with EU programmes (Interreg, LEADER....)

### Stakeholder Analysis:

- What are the key development paradigms and political ambitions embedded in strategic rural policy and governmental statements?
- Are policy discourses and ambitions consistent between and across scales of government and governance?
- What are the key/potential funding sources for rural development activities from public, private and voluntary sources?
- What are the experiences and lessons from past rural development strategies and initiatives in the region?
- To what extent does the region seek to learn from lessons from elsewhere?
- What are the key challenges for rural governance in the region and to what extent are current structures effective?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- A mapping of other non-governmental private, community and voluntary sector networks and structures actively involved in rural issues and rural development (including nature and extent of policies and funding, number of active employees)

Power

Governance and Institutional Assets

Profile of Local Networks of Knowledge

### Stakeholder Analysis:

- To what extent are formal and informal business structures, networks or clusters influential in your region in terms of supporting innovation and regional potential, along with the flow of products, people, information, knowledge, financial resources and labour to local employers??
- What synergies, barriers or challenges to effective participation and collaboration can be identified between different actors and areas within the region?
- To what extent do local stakeholders engage with and have access to relevant arenas and channels to influence policy development?
- What role can both formal and informal networks and communities of actors play to ensure potentials?
- Are there effective support structures, networks and communities in place to support of traditional economic sectors and the transition to the NRE?
- To what extent are local knowledge and research networks active in relation to the development of traditional economic sectors and the transition to the NRE?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- What and where are key political arenas, channels and networks?
- What are current levels of local representation?

### Stakeholder Analysis:

- 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 are the most relevant arenas and channels in relation to influencing rural policy development?
- Do prominent development paradigms embedded in strategic policy and governmental statements fit well with local circumstances and opportunities?
- What kinds of strategic policy postures are most appropriate to this region given its degree of political and financial capital?
- Is there a need to draw on external knowledges in relation to local rural development and regional potentials?
- To what extent does a collaborative milieu exist in terms of shared objectives between key agencies and stakeholders?
- What synergies, barriers or challenges to effective participation and collaboration can be identified between different actors and areas within the region?
- Is there cooperation (networks) between public, private and voluntary sectors that have lead to positive results? What networks of cooperation are needed?
- What are the main barriers currently inhibiting rural governance in the region?



## Rural Potentials Stakeholder Template: Questions for Identifying Territorial Assets

### Target Statistical and Quantitative Data:

- Current ownership structures of local businesses and providers of services of general interest.
- Extent of endogenous or exogenous capital and financing?

**Power**

Governance and  
Institutional Assets

**Ownership, Management  
and Control of Rural  
Futures**

### Stakeholder Analysis:

- What kinds of business and ownership models dominate in and across the region?
- To what extent is the region locally or externally owned, financed and controlled and how is this changing over time?
- Are there different models of business ownership beyond traditional share owning and family models? How important are associative forms of entrepreneurialism, such as voluntary and community social enterprises and co-ops?
- Which business models and ownership structures offer the greatest potential for the region and why?
- How are services of general interest delivered in and across the region? Which forms of delivery or self-provisioning could make the region most resilient?

## D4. Annex 4: Literature and References

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