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# **The Contribution of the Community Cooperatives of the Highlands and Islands of Scotland to the Development of the Social Economy\***

*by*  
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## **Abstract**

The article considers the “pragmatic reform” versus “radical utopia” duality within the social economy and, in that context, evaluates the contribution of the community cooperatives of the Highlands and Islands of Scotland to the development of the modern UK social economy. The assessment is based on recent research, including interviews with representatives of several cooperatives and others involved in the initiative undertaken by the former Highlands and Islands Development Board, or in related activities. The origins of the Scottish social economy lie in the “Highland Problem”, arising from the processes of depopulation of the Highlands and Islands as a result of the clearances, the need for local employment opportunities, the exploitation of Scotland as a British colony, the cultural dimension, and the profound importance of the land question. The initiative has been very successful, on a number of different levels: it created new jobs, services and enterprises; very importantly, it built asset bases and revenue income to underpin development; it changed people’s lives, was genuinely bottom-up, raised consciousness, reinforced the mutual cooperation tradition of the area, and inspired people elsewhere to do similar things. It can claim a degree of radicalism and the achievement of some significant social change.

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## Introduction – the “social economy”

This article is about the tensions between efforts at gradualist reform within existing circumstances, and the possibility of fundamental social change and liberation through the creation of radical alternatives to the mainstream. For this is the duality which has always existed in the social economy: on the one hand, its pragmatic, incremental, cooperative attempts to ameliorate conditions, in the face of need and adversity, versus, on the other, its utopian vision of a bright and self-sufficient commonwealth, based on principles of mutual cooperation, in which social needs and usefulness would be key to the production of goods and services, and everyone would be able to realize their fullest potentials.

The present article looks at the potential for achieving real change and local control through bottom-up economic and social development, as illustrated by a case study assessment of the contribution of the relatively early Highlands and Islands Development Board (HIDB) community cooperatives experiment to the modern development of the social economy. In November 1977, the HIDB launched a pilot scheme to encourage the formation and growth of community cooperatives in the Western Isles of Scotland. Two years later, this was extended throughout the Highlands and Islands. Although the scheme was initiated and facilitated by HIDB, it was very much conceived as a bottom-up approach, in that local communities themselves would, through their own efforts and resources, bring about endogenous economic and social development.

Nearly 20 years later, in 1996, using the *narrowest* of three definitions of the social economy for the Highlands and Islands of Scotland, a study undertaken for HIE estimated that there were no less than 2,700 organizations in the social economy in the Highlands and Islands, with a minimum total income value (rounded up) of £200 million, and 25,500 total workers. Of the latter figure, 4,500 were full-time and 21,000 part-time, whilst 8,900 were paid and 16,600 were volunteers (ERM Economics, 1996). In 2001, HIE commissioned a follow-up assessment of the Highlands and Islands social economy, which – using a wider definition – identified 8,142 organizations, an annual income of £360 million, employment for nearly 20,000 (6,250 full-time and 12,900 part-time, or 10,700 full-time equivalent jobs), and 100,000 volunteering opportunities. On a comparable basis to the 1996 study, the 2001 assessment estimated that the number of enterprises had grown from 2,700 to 5,000, turnover had risen by 40 percent, full-time equivalent employment had increased by 29 percent, and the number of volunteering opportunities had grown to 63,000 (SQW Limited, 2002).

There is a plethora of overlapping terminology relating to the social economy and its organizational forms. This variety tends both to confuse and obscure, rather than enlighten, and to ensure that the social economy continues to be viewed as a marginal and esoteric symbol of unfulfilled potential. The glossary at the end of the article explains some of the terms, locations and abbreviations discussed or men-

tioned, and the accompanying map should assist in identifying the locations of the community cooperatives mentioned.

In the sense of bottom-up community economic initiatives, the key characteristics of social enterprises can be summed up as follows:

1. They have their origin in local communities, and usually arise out of adversity, often with a sense of having been abandoned by most of the traditional structures of capital, state and society;
2. They seek to satisfy both commercial and social aims, thereby meeting local community and social needs;
3. They attempt to “empower” local communities and gain greater community influence and control over the local economy;
4. They are “not-for-profit” organizations (in that they generally do not distribute trading surpluses to their members);
5. They aim to retain more of the benefits of their efforts in the locality, and their assets are held in trust for the benefit of their local community;
6. They encourage the participation of their members on an equal and cooperative basis;
7. They promote mutual cooperation between social enterprises and with other organizations in the social economy.

Volunteer labor is also generally considered to be an important aspect of social economy organizations.

The community cooperatives of the Highlands and Islands of Scotland are not only a part of the “social economy”, but have been a very important originating, and instrumental, stage in the development of much of the modern (*i.e.*, post-1970, or thereabouts) social economy in the UK. Even though cooperatives, mutuals, associations and foundations were not termed “social economy” (by the European Union) until much later, the history of some of these goes back for around two hundred years; more informally, in the senses of “mutuality” and “cooperation”, the term “social economy” can be equated to Kropotkin’s concept of “mutual aid” (Kropotkin, 1939), and “has been with us as long as humans have worked communally and shared in the results of their labor” (Fontan and Shragge, 2000). Viewing the social economy as a broad coalition between different types of organization helps it become stronger and more powerful, but it is not necessary for all the different types of social economy organization to participate in every social economy initiative; in my view, for any organization to regard itself – or to be regarded – as a social economy organization, that organization must conform pretty closely to the key characteristics of social enterprises listed above. The Scottish community cooperatives do conform to those characteristics.

In the face of the current wave of eager blether around the rediscovery of social enterprise and the social economy, it is well to recall that the urge to replace oppression, exploitation and hardship with self-governing communist bliss and plenty is nothing new in modern history. Such a vision informed the landless and poor in the German Peasants’ War of 1524-6, and the growth of Anabaptism around the same

time, all of which were ruthlessly crushed by the States, the nobles and the Church – both Catholic and Lutheran (Weick, 2000). It manifested itself in a form of agrarian communism, cultivating the commons and waste land, pursued by the short-lived Digger movement of 1648-50 (Woodcock, 1962:42-46). It was the goal of the co-operators in the early nineteenth century, before the movement changed its direction (Yeo, 1988b; Thornes, 1988; Gurney, 1988). And it has been the inspiration of many writers, of whom William Morris is but one example (Morris, 1991). Even the social economy in its modern sense is at least a quarter of a century old (Fourel, 2001).

A historical perspective demonstrates that reactionary forces stand ready to repress and crush such bottom-up attempts to achieve lasting social change, the transfer of real power, and the empowerment of people and their communities, if these efforts are perceived (as they usually are) as being against the interests of capital and the State (See, *e.g.*, Kropotkin, 1939; Killingback, 1988).

By the same token, however, social economy initiatives may be useful to capitalism and the State. Given the competitive cost pressures of globalization, the provision of third sector replacement services can help accommodate the withdrawal of the State from public expenditure on welfare which capital can no longer afford; such provision thereby oils the operation of the market and assists in the reproduction of capitalism. Social enterprises ameliorate the intractable social problems and costs of poverty, health, housing, education and unemployment caused by the path of capitalist development, and the market and the public sector increasingly shift the responsibility of dealing with these imponderables to a “civil society” of individuals, families and communities, notionally separate from the State, and strengthened by the development of “social capital” – networks, norms and social trust – a kind of “collective community cuddle”. In these circumstances, capital and the State gladly give their blessing and encouragement to social enterprise.

The literature reflects the promise and dilemmas of the social economy (See, *e.g.*, Rifkin, 2000; Amin, Cameron, and Hudson, 1999; Yeo, 1988a; Fontan and Shragge, 2000).

Originally, the case study was intended to be a fairly straightforward evaluation of the Highlands and Islands community cooperatives initiative as an important early example of the modern social economy. So far as I knew, despite the fact that several of the surviving co-ops were over 20 years old, no-one had undertaken any recent or overall evaluation of the HIDB scheme. Accordingly, I set out to do so, armed with a list of study objectives and research questions.

These initial research questions focused mainly on the HIDB scheme itself, seeking to discover: the nature and extent of both its achievements and its continued development, together with the reasons for these; how the success of the initiative should be judged; the reasons for the differential success and failure of the co-ops; whether they were simply variants on small firms or had resulted in real empowerment; how it was that HIDB had been able to undertake the initiative without opposition; whether perhaps the scheme had had anything to do with the particular circumstances of Scottish politics or socialism, or the Scottish land reform question;

what elements or aspects of the scheme might be transferable elsewhere; what lessons the experience offered for future policy; and what this all might mean for models of the social economy.

What I was trying to determine, then, was whether, how, and to what extent, it is possible for local communities to bring about locally-controlled economic development for social and community benefit, based on their mutual and collective efforts, and on local needs and resources. What conditions are necessary for success? What kind of support is required? Is successful community-based economic development dependent on the specific circumstances of the place where it occurs, or are there common elements and principles which mean that experiences and models of social economy can be transferred? What does this mean for the concept of building social capital? If transfer is possible, this has important implications for the renewal and regeneration of other areas of the same country, and possibly other countries.

Using the original research questions, semi-structured scooping interviews (to clarify the issues and focus the fieldwork) were carried out in May and July 2001: with one of the key people involved in the initiation and development of the HIDB scheme; with the Membership Development Officer (Highlands and Islands) for the Scottish Co-op – who was also the first Chairperson of the Association of Community Enterprises in the Highlands and Islands (ACE-HI); and with those at Highlands and Islands Enterprise (HIE) currently responsible for the social economy and land reform (the latter also someone who formerly worked at HIDB and was closely involved with the co-ops initiative from a fairly early stage).

Seven cooperatives in the Highlands and Outer Hebrides were visited in August, and semi-structured interviews (again based on the initial research questions) were undertaken with key individuals in each. Interviews also took place with two other community enterprises in the Western Isles, with the Chief Executive of Western Isles Enterprise (WIE – the Local Enterprise Company (LEC) for the Outer Hebrides), with the last Chairperson of ACE-HI, and with one of those formerly involved in the failed Ness cooperative (who was also both an early Chairperson of ACE-HI and ran the LEADER programs in the Western Isles in the 1990s).

The dissertation arguments were transformed, firstly, by my gradual appreciation of the central importance of the land question to all aspects of life in the Highlands and Islands, and, secondly, and in parallel, by my growing deeper awareness of the intrinsic duality in the concept of the social economy. As a result, my initial research questions were overtaken by some key new ones:

- *The social economy is a “Third Way” approach to economic and social development; it represents a path between both the public State and the private market. Can it then ever be more than a reformist conception?*
- *Is it capable of transcending reform and realizing more profound social change – a genuine, empowering, liberating alternative to mainstream economic development?*
- *Are there particular elements, or conditions, which facilitate such an alternative?*

In the Highlands and Islands of Scotland (as elsewhere), top-down initiatives have tended not to work, whether they are initiatives of the private sector, such as Leverhulme's ill-starred ventures in Lewis and Harris, or public agency policies, like the original "growth center" strategy of the HIDB, which ended so ignominiously in the 1980-90s. Questions have to be asked about the extent to which *any* real empowerment can take place through state-initiated development schemes: how radical/utopian are they, and how pragmatic/reformist?

Equally, however, bottom-up initiatives for economic and social development risk being incorporated, accommodated, or crushed by the same interests which created (and continue to create) the very problems such bottom-up initiatives seek to remedy. Their potential for achieving significant, long-term change and local control is limited and questionable, unless some considerably more radical measures are taken in parallel to broaden and consolidate the "alternative economy" vision which needs to be pursued.

The HIDB was inaugurated in late 1965. Its original "growth center" strategy aimed at economic development around existing concentrations of population. Against this, it was argued by the HIDB deputy chairman-elect that widely-dispersed, local small factories should be developed where people were, to provide ancillary employment and increased income for crofters; the proposed strategy would "result in the complete destruction of the agricultural crofting population". In fact, the growth centre strategy was a complete failure in all three locations which had originally been identified by HIDB as its three best prospects, *i.e.*, Lochaber, Easter Ross and Caithness (Hunter, 1991).

Nevertheless, just as this top-down strategy was failing, examples of formalized mutual cooperation emerged from the Highlands and Islands, accompanied shortly after by rapid development of the Scottish social economy – in the shape both of the community businesses of the Lowland cities, and other community enterprises which have multiplied, all over Scotland. This rapid appearance and growth of the Scottish social economy over the last 25 years suggest further subsidiary – but still important – research questions:

- *Why was it that the modern UK social economy emerged so much earlier and more vigorously from the Highlands and Islands, and then elsewhere in Scotland, than in the rest of the UK?*
- *And how do we explain and interpret what is going on in the social economy in the Highlands and Islands?*

### **The "Highland Problem" and the origins of the Scottish social economy**

A historical understanding of the "Highland Problem" – aspects of which the HIDB scheme set out to address – is necessary to answer these questions, and to set the HIDB scheme in context. The processes of depopulation of the Highlands and Islands as a

result of the clearances, the need for local employment opportunities, and the cultural dimension, together with the importance of the land question, form an essential background to the case study, and help explain both the aims of the HIDB in promoting the community cooperatives initiative and the choice of location for the pilot scheme.

Scotland was subdued and has been exploited as a British colony for 250-300 years, its economy reduced to the production of raw materials for British industrial capitalism. The clearances signalled a shift from feudalism (the introduction of which had begun long before the disaster at Culloden in 1746 – Wightman, 1996), and a system of non-market relations – a “moral” economy of values based on kinship and personal social relations, around the clan system – to a capitalist, market-based system, a money economy under which land became a commodity. Highlanders were driven from the land to which they felt a deep sense of attachment, their links to it forcibly severed. We should also note that land is an important part of anti-colonial movements everywhere and that Scottish land ownership is highly concentrated (Caldender, 1998; Wightman, 1996).

The subsequent prolonged, but gradually successful class struggle over land, through successive bottom-up organizations of crofters and cottars themselves, leads directly to the current politics of land reform in Scotland (an issue of great significance), and the upwelling of social economy is also a consequence of that struggle. Coupled with this is evidence of a very considerable capacity for self-help, cooperation and enterprise in crofting communities – whether as the result of living in marginal circumstances, as resistance to oppression and injustice, or in terms of more recent enthusiasm to capitalize on opportunities (Hunter, 1991).

### **The HIDB community cooperatives initiative**

In November 1977, in the face of continuing depopulation and general decline in remoter rural and island areas, with gaps in both commercial and social provision, the HIDB launched an experimental scheme in the Western Isles to encourage the formation and development of multifunctional community cooperatives, based on the Irish community cooperatives of the Gaeltacht areas of the West of Ireland. The Western Isles were selected for the pilot co-ops scheme because, not only did they lack sufficient employment opportunities and suffer from depopulation, but their terrain, culture and economy also resembled the West of Ireland (Storey, 1979).

The HIDB multifunctional community cooperatives had a mixture of community, social and economic aims.

A community co-operative is a multi-functional business run for local benefit and directly owned and controlled by the community in which it operates. Some of its activities may be social in character, but it must make a profit overall.

(HIDB, 1979)



The scheme was extended in 1979 to other parts of the HIDB area and direct support continued, in various (though diminishing) forms, until late 1989. In 1985, the terminology changed, and “community enterprises” continued to be encouraged and supported by HIDB, as well as its successor bodies from 1991 (HIE and the LECs).

In outline, the key elements of the HIDB scheme were the twin “acid test” requirements of (1) probable viability and (2) community support; a grant of funding to match working capital raised by the community; a management and administration grant for up to five years; standard HIDB grant and loan project assistance; the support of local field officers; model rules (first agreed in 1979) for registration as friendly societies under the Industrial and Provident Societies Acts; and, from 1985, funding of an *association* of community enterprises for the region, to support members and provide services.

By late 1984, there were 19 cooperatives trading, employing 55 full-time and around 200 part-time, seasonal or outworker jobs, with community cooperative membership of about 3,000, total local capital subscription of over £¼ million, and turnover of approximately £2½ million (Pedersen, 1985). By 1986, there were 24 “community enterprises” (*i.e.*, community cooperatives or similar), but the Ness cooperative failed in that year. By 1987, total employment in the co-ops was 52 full-time, and 323 part-time, with 100 trainees, around 3,500 members, and subscriptions totalling £350,000. Although some other cooperatives did not survive, at least half are still trading today, and the development from the 1980s of community business (and other forms of community enterprise) throughout Scotland also owes something to the HIDB’s pioneering efforts.

## Findings

Despite the change of emphasis in the research and the emergence of new questions, the original research questions remain valid and useful. There is also a considerable overlap between the original and additional research questions, and some of the former assist in providing indications of answers to the latter. The following summarize the more important findings of the case study research.

In terms of conventional economic measures, the seven co-ops studied have all existed for more than 15 years, and most for more than 20. Total annual turnover is in the region of two million pounds. Total full-time employment is around 12, with 14 or more part-time, and some seasonal jobs as well. All seven co-ops appear to be viable at present, and most are thriving or better, although two or three seem to be doing rather less well. All but one of the remaining co-ops have received diverse amounts of discretionary WIE financial assistance towards a variety of projects. The assistance available to the cooperatives is the standard business package, so the grants to the co-ops do not seem unusual – or in the nature of a subsidy. However, it is also understood that there have in the past been publicly-financed rescue packages

for a number of co-ops with financial problems.

Services have been provided to local communities which, in most cases, would probably not otherwise have existed. These have mainly been in different forms of retailing, or the provision of agricultural, fishing or building supplies – though the community cooperatives have been involved with a very wide range of activities. There is evidence of some problems of competition with other new or incoming larger businesses, for which the co-ops can be seen to have been a pilot project, proving a local market, which is then threatened by a new or incoming business (*e.g.*, hardware in Barra, or, largely because of economies of scale, fish farming in Barra, Park and Harris). Several of the co-ops have moved out of specific activities in which they previously engaged. However, there are indications of recent or new projects being developed (*e.g.*, water sports by Park, petrol sales by Harris), some co-ops have overcome serious financial difficulties, consolidated and – over several years – become very successful (*e.g.*, Harris, Iochdar), one has rebuilt and extended the storage space at the existing shop (Eriskay), whilst another has recently expanded through opening a new shop and storage area (Appin).

Problems have arisen for a number of different reasons. Multifunctionality appears to have been a central plank of HIDB thinking, based on the Irish cooperative experience. Encouraging the cooperatives to be multifunctional was almost certainly a mistake, which led to the failure of the Ness cooperative, and problems of varying seriousness for other co-ops (*e.g.*, Harris, Barra, Park). Some of the early co-ops had a range of businesses, over which it was difficult for a manager to have effective control; the theory was that all of these were services for the local community and were treated as one, with cross-subsidization – by the more profitable activities – of those which were less profitable or unprofitable (but nevertheless felt to be providing a useful service). The early HIDB community cooperatives were effectively being encouraged to start several businesses at once, which no commercial enterprise would normally attempt – still less an enterprise with both commercial *and* social objectives.

The original community cooperative model rules, devised by HIDB, proved to have some weaknesses (notably the potential for distribution of assets and profits, including on winding-up and dissolution of a co-op) which resulted in later HIDB cooperatives being formed as companies limited by guarantee with charitable status. However, one or two more recent co-ops (*e.g.*, Foula and Ollaberry [respectively, in the late 1980s and early 1990s], in Shetland) have been started using the original community cooperative model rules. There has reportedly been some pressure from co-op members for distribution of profits, as a return on their initial investment, but this doesn't seem to have occurred in practice, although, in a couple of instances, this has caused difficulties for some co-op managers and committee members, who would prefer to reinvest any surpluses; one manager suggested that profit distribution should be “avoided like the plague”, as it would be “the end”. In addition, in recent years, co-ops have found that they are unable to obtain Lottery funding, because the potential for distribution of any funds awarded deters grant-givers.

The role of key individuals can often be critical, particularly managers of the co-ops and leaders in the local community. More than once, dynamic and determined leadership by managers, or key individuals on management committees, has pulled a cooperative through a financial or other crisis. The role of managers of these enterprises has always been recognized to be highly demanding, requiring a mix of business, cooperative and community development skills. The relationship between managers and their management committees has sometimes been difficult; several examples of such problems were recounted. In addition, finding new and younger people prepared to become involved and to take over on the management committees themselves is a growing problem. One management committee is hovering just below its quorum, and it is not surprising that, in small, remote communities, the same people can frequently be found on the local committees for several quite different activities.

In another case, the management committee plays a very limited role in any event, because the manager – given the disastrous state of the enterprise at that time – only accepted the position on the understanding that s/he was given complete financial and managerial freedom. This community co-op was turned around and is effectively run as a small business; it is very successful, providing useful services locally, and donating some funds to local good causes, but there seems little left of the original community cooperative. However, this underlines the need (reiterated by other co-ops) for every cooperative to be run – first of all – as a viable and profitable business; without that, they are unable to fulfill *any* aims, economic or social.

Related to the difficulty of recruiting to the committees are the problems of an ageing, dispersed shareholder membership, and variable levels of volunteer involvement. It was suggested by one interviewee that the original local crisis which had drawn the community together (for instance – as in Eriskay, Appin and Laggan – to rescue privately-owned village shops threatened with closure) had long passed, and that many of the succeeding generation rather took the local shop for granted; this is coupled with the greater expectations of young people, and increased mobility, with cars and improved transport links, making larger shopping facilities in places like Oban more accessible. The community co-op shops have to experiment with the range of goods and at least two (Eriskay and Harris) mentioned the importance of stocking their shop with the aim of keeping their customers satisfied. Barra has also tried out new product lines, and it is clear that the new Appin shop – opened in June 2001 – has already resulted in much improved modern premises (two and a half times bigger, air conditioned, and with chiller and freezer cabinets), more room to stock products, larger Post Office, and off-licence, and thus a much-increased range and choice for the customers.

Appin is a good example of a sustained and innovative community initiative over 18 years, which initially responded to a threat to the continued existence of a village shop. The first share issue raised about £18,000, which was matched by the HIDB, providing substantial working capital. The gutting of the original shop building and laying of a new floor was a community effort. The cooperative has had a strong

committee (albeit politically mixed – including both conservative and socialist), with useful skills to offer. In addition, there is a very powerful voluntary sector in Appin, including a huge and talented art group, a Gaelic group, and an active historical society. The co-op established a Community Trust, which provides mostly small grants to local clubs and societies, for activities, equipment and room hire, and some help to people getting started in business. About £150,000 was raised to finance the building of the new shop, including substantial sums from HIE, Rural Challenge and Argyll and Bute Council, together with £13,000 from an important new share issue, supported by current shareholders and others (The co-op also targeted “friends of Appin” to sell further shares). A lot of newcomers have moved into the area, and house prices, which were static for a year in the early 1980s, are buoyant, with houses selling before being advertised in the local paper. In 1996, the co-op sold some land, which had been donated to it at half price, to the Scottish Homes Housing Association, so that it could build a mixed housing development (homes for very frail elderly, and ambulant elderly, starter homes, and family homes) of 15 houses, thereby helping the village to live and grow. The old co-op shop is now rented to the owners of a small crafts shop, which was demolished to make way for the new shop. The cooperative has substantial reserves, rental income, and every prospect of improved turnover because of the much-improved shop accommodation.

Quite apart from the direct provision of services and employment which would not otherwise have existed, it can be demonstrated, therefore, that the HIDB initiative created a range of other real benefits in local communities: empowerment, capacity-building, collective assets and resources. If social capital can really be said to exist, then Appin, or the other community co-ops, would seem to be good examples of it. The Chair of the Appin Community Co-operative Management Committee feels that saving the shop was critical: it is “the springboard to save Appin for the next generation, ... the heart of the community, ... the daytime pub”. The HIDB scheme provided a “tremendous cement for the community”.

There was universal acknowledgement from consultees that the package of HIDB assistance had been crucial to the success of the community co-ops initiative – particularly the matching funding for locally-raised share capital subscriptions (which provided much of the working capital for each venture), and a very responsive, sympathetic, community-friendly, approach on the part of the HIDB staff involved in supporting the initiative. However, there was considerable dependency on the HIDB management grants (Appin was an exception to this) and the cooperatives usually had problems with the sudden drop in income when the grants came to an end. HIDB may have expected commercial results too soon, and this kind of “bottom-up” economic and social development initiative requires long-term support. Amongst the successor bodies to HIDB, WIE has been very supportive of the co-ops in its area (along with one or two other LECs), but this is not felt to be true of all of the LECs. The HIDB strategic policy initiative disappeared, along with the Board’s Social Development Division, which had led the work; the successor LECs have had their own priorities, which might, or might not, involve support for community co-ops and

community enterprises. One result was that ACE-HI had to negotiate separately with the 10 LECs within the HIE Network. Like HIDB, ACE-HI was also missed by some of those interviewed, although its creation in 1985 was another signal of HIDB's wish to withdraw from its direct and intensive support of the co-ops scheme; the last field officer contract had already come to an end in November 1983.

There were mixed feelings about the role and support of the Scottish Co-operative Wholesale Society, which has generally been supportive of the community co-ops. Some cooperatives were very happy with the service provided, but a couple had experienced problems with deliveries in the past, and subsequently sourced their stock elsewhere; one or two new concerns are being expressed about maintaining the range of goods for smaller stores (including the community co-ops), and also about the imminent switch to computerized ordering.

Unlike the community cooperatives in the Gaeltacht of the West of Ireland, support for the Gaelic language was not a critical element or objective of the initiative. However, the fact that the bilingual assistant at the Harris co-op shop can speak to customers in their preferred language is quite important in building better relationships. The Gaelic language and cultural inheritance is, of course, more significant in the Western Isles than on the mainland.

It also has to be appreciated that there have been radical changes in agriculture over the last 30 years; some of the community co-ops were based on the existence of a type of (crofting) agriculture and agricultural communities which existed 20-30 years ago, but which no longer really exist, except in a few places. Several co-ops have had to change their activities and some have had serious problems; one interviewee, who has undertaken research on the agricultural changes, wondered if the changed basis of agriculture (and therefore the context for some co-ops) might help explain some of those problems.

Harris is an interesting example of changes in activities which do not appear to have anything to do with agriculture. Formerly, the co-op was involved with mussel and salmon farming, coal supplies, DIY supplies, a Tarbert property (North Harris) leased to a builders merchant, a Leverburgh property, general store, newsagents, milk round, sub-post office, tea room, craft shop, exhibition space leased to the South Harris Historical Society, and the lease of a newly-built craft centre in Leverburgh. The fish farming and coal supply businesses failed. About seven years ago, the co-op was almost bankrupt, with three years of bills unpaid. The current Chair of the Management Committee puts this down to the impossibility of the Manager being able properly to supervise all these different businesses. A new Committee was elected at a very large meeting of shareholders in spring 1994, HIE bought additional shares to provide about £25,000 of working capital, and the cooperative took five years to turn itself round, so that it has paid off all its debt and for the last two years has had only normal trading debts. As a result of its financial solvency, the co-op has been able to secure a bank loan on reasonable terms with a view to purchasing the lease from HIE at a good price, and repairing the roof. Its activities are now confined to South Harris: the general store (expanded to offer fresh produce and equipped with chiller

cabinets), newsagents, craft shop, tea room, exhibition space, petrol sales, and milk round. Turnover is now around £500,000 per annum, up from about £300,000 in 1996-7. There are three full-time and two or three part-time employees, plus seasonal staff. Problems remain: only seven committee members, few others with any suitable experience available in the area, and only limited committee involvement in the business; about 200 known active shareholder members out of a nominal 500-600; no volunteers; and an ageing, declining local population, with unemployed incomers reportedly in local council housing.

Other change has also made its mark. It was suggested that the building of a causeway between Vatersay and Barra in the early 1990s may have hastened the demise of the Vatersay Community Co-op, since the co-op's food store and tea room was by the old ferry pier, and the causeway left the island at a different point; at the very least, the causeway exacerbated the problems faced by the co-op in recovering from a fire at its premises. However, it is possible that new construction can work in exactly the opposite way: Eriskay was linked to South Uist by a causeway which opened in the summer of 2001; it appears to have improved the co-op's position, in that carriage of goods to the co-op is now more direct (and not subject to ferries and poor weather), whilst the link has also opened up a new market for people from the South of South Uist, who find it more convenient to cross to Eriskay, instead of making longer journeys elsewhere. Moreover, a new car ferry route from Eriskay to Barra puts the co-op in a good location on the route of the potential traffic between South Uist and Barra, possibly affording still further opportunities.

There is no evident program of utopian social change in the development of the HIDB community cooperatives; they are struggling to survive in a tough and changing market, attempting to ameliorate the problems with which they are faced. The crofting community in itself exhibits features of the social economy (for example, in its mutual aid, cooperation, social aims, and non-profit aspects), but this is very much in the broadest, and informal, sense, except where, as in marketing, fishing and agricultural cooperatives, there are formal third sector structures, or where, in the last quarter century or so, community halls, cultural associations, and other community initiatives have grown up. The social economy, as it applies to the Highlands and Islands, appears to be firmly rooted in the pragmatic/reformist camp. However, there may also be dimensions of some significant social change involved. For instance, a degree of local control and empowerment has resulted, together with the creation, amalgamation and deployment of local capital and resources. In addition the HIDB co-ops are widely acknowledged as having inspired the development of community businesses and other community enterprises elsewhere in Scotland, as well as the rapid growth of community enterprises in the region itself.

However, one element which is clear from virtually all the examples studied is the control of property, land and/or buildings; in my view, whilst other factors obviously play a part, it is this element which seems particularly important in underpinning the survival and growth of these cooperatives. Gradually, for instance, most of the remaining HIDB community cooperatives have built up, improved, and

sometimes replaced, property assets, which have provided financial security, a physical base, and an aspect of the identity of each cooperative. In Appin, there are the new shop and store, the old shop (now producing a rental income), and the land used for housing; in Eriskay and Iochdar, buildings have been improved and extended; Barra owns its shop premises; Park has a hostel, tea room, and land; Harris is in the process of buying its lease of a building it has been improving; finally, besides its shop premises, Laggan owns five ex-Forestry Commission houses, which it lets out, but which are a valuable asset. All of these suggest that the creation and control of property contributes greatly to the consolidation and extension of the social change which has been brought about as a result of the original innovative HIDB initiative.

## Conclusions

This study has focused on the duality within the social economy concept – pragmatic reform or radical utopia? It attempts to answer various research questions through an evaluation of the HIDB community cooperatives initiative. The central issue is whether the social economy can be anything more than reformist and whether it can realize more profound social change, in the shape of a genuine, empowering, liberating alternative to mainstream economic development. Although the pragmatic-reformist *appearance* of the HIDB co-ops has been emphasized, the answer to the main research question is a qualified “yes”.

On the one hand, there is profound ambiguity in the pragmatic-reform versus radical-utopia duality; we can readily conceive of a better existence, but we know only too well that radical dreams tend to be crushed by the forces of capital and the State, once they are represented as mutual cooperation, or are otherwise felt to be a challenge to the existing social order. An alternative to being repressed is to be accommodated or incorporated by the powers-that-be, perhaps even as social enterprises discharging welfare functions from which the State and capital have withdrawn.

On the other hand, through our case study findings, we have identified a range of positive results brought about through the HIDB community cooperatives scheme; most of them are qualitative and cannot easily be measured, but we can use them as an indicative yardstick by which to evaluate the initiative and assess whether it is reformist or radical.

The cooperatives created relatively modest – though locally important – numbers of new jobs, services, and enterprises. In the face of the failure, unwillingness, or insufficiency of both private and public sector investment, the initiative offered plans and hope for a Third Way alternative. More significantly, the enterprises changed people’s lives, in that people did all manner of things they hadn’t expected to do – or be able to do – and gained a measure of empowerment and control. The facilitation and encouragement of the co-ops by HIDB was genuinely bottom-up. The initiative

raised consciousness of what might be possible, and inspired people elsewhere in Scotland, and the UK generally, to do similar things. It reinforced the tradition of mutual cooperation in the Highlands and Islands, building confidence and capacity, and unlocking creative potential – as well as marshalling and deploying collective resources, financial and otherwise, which could be used to attract more funding, and to implement plans. In addition, the co-ops built asset bases and revenue income, to underpin their development. The scheme created what has been termed “social capital” – another ambiguous concept – which is at root a slippery component of the reformist Third Way package, yet is a handy portmanteau expression for the networks, norms and social trust which people develop through their social relationships: our “collective community cuddle”, which helps lead to better things, and is considered of value, but cannot be bottled or sold, and easily fades.

Whilst in no way revolutionary, the HIDB initiative nevertheless brought some radical social changes, for both individuals and community. However, this is a messy and ambiguous radicalism, which can swing just as easily to reform; the boundaries are not clear-cut, and there is always the risk of the dream being crushed. The fulfilment of the promise of the mutual cooperation “cluster of potential” (Yeo, 1988b) is not straightforward or sharply defined; it seems most unlikely to be achieved quickly, but rather through sustained struggle around ambiguous and complex influences.

There are several elements, or conditions, which may facilitate alternatives to the mainstream economy. Chief amongst these, for me, is control of property assets. Although emphatically *not* a sufficient condition, the importance of land and buildings appears understated in the literature. Albeit particular to their precise circumstances, and one of a number of other significant factors, Coin Street, in London (Brindley, Rydin, and Stoker, 1996), and the Dudley Street Neighborhood Initiative, in Boston, USA (Medoff and Sklar, 1994), are good examples of the tremendous potential of security, assets, and a bargaining tool, which property provides. The HIDB co-ops case study findings also underline the importance of controlling property assets. My view is that this *can* assist in the radicalization of social economy initiatives. Other significant elements identified through the case study are: the unique original package of HIDB support, good management (appropriate management training is also important), adequate working capital, the extent of community involvement, and focus rather than multifunctionality.

A pair of important, but subsidiary, research questions asked (1) why the modern UK social economy emerged so much earlier and more vigorously from the Highlands and Islands, and then elsewhere in Scotland, than in the rest of the UK; and (2) how we explain and interpret what is going on in the social economy in the Highlands and Islands. The answers to these relate to the origins of the Highland Problem and the colonization of Scotland by the British, with the transition from pre-capitalist feudalism and a “moral” economy (based on kinship) to a capitalist market economy, exploitation of Scottish raw materials, and the commodification of land, together with land as an important part of anti-colonial struggles everywhere.

The ensuing class struggle over land is radical action and leads directly to the



politics of current Scottish land reform, and also to the emergence of the social economy, first in the Highlands and Islands, and then in the Lowland cities. Land reform is about extending democracy (*i.e.*, more power to the people), as is the social economy. Both the land struggle and (especially) the upwelling of social economy were facilitated by the tradition of mutual cooperation in the Highlands and Islands. Both the marginal, non-capitalist environment of the Highlands and Islands, and the roughly contemporaneous failure of the HIDB growth centre strategy, contributed to the initiation and take-off of the HIDB co-ops scheme. A further significant factor was the involvement and commitment of some key actors at HIDB, of whom the late Bob Storey (a social anthropologist and the senior officer involved with the co-ops initiative) was perhaps the most important (Bob Storey was mentioned in at least a couple of interviews and see also Munro and Hart, 2000:18-19).

In terms of any potential for transferability, besides inspiring the growth of the social economy in the Highlands and Islands and elsewhere, it seems reasonable to suggest that, regardless of urban or rural location, there *are* aspects of the HIDB community cooperatives scheme which are relevant to social economy development elsewhere. Albeit the HIDB co-ops and urban community businesses proceed from their own specific circumstances and historical context, and their respective experiences are unlikely to be simply and directly transferable, I believe that there are various common and transferable principles (and therefore implications for policy), *e.g.*, the right kind of overall management, financial and advisory support package from a sympathetic development agency; a focused idea for a product or service with market potential; access to working capital; and control of property assets.

Stettner (1980) suggested that the integration of community development with cooperation is a most effective form of economic and social development, which has the potential to bring about structural change. Amongst other things, she also recognized the importance of “change agents” (animators stimulating and assisting local cooperative action) and assistance from external agencies, identified a number of important difficulties that had emerged, and substantial benefits brought, by the cooperative initiatives she was examining, and considered the possible applicability elsewhere of the community cooperative model. She argued for the presence of similar “motivations” or “needs” in urban, suburban or other rural areas of the British Isles, and the prospects there in terms of the “essential features” of the community cooperatives. Albeit detailed circumstances have changed, the research described in the present article appears to support many of the points made by Stettner.

Overall, it is absolutely clear that the HIDB initiative has been very successful, on a number of different levels. Though not without its problems, it can point to a range of successes, and an influence far beyond the remote and marginal areas from which it emerged. It can, in my view, claim a degree of radicalism and the achievement of some significant social change in the region.

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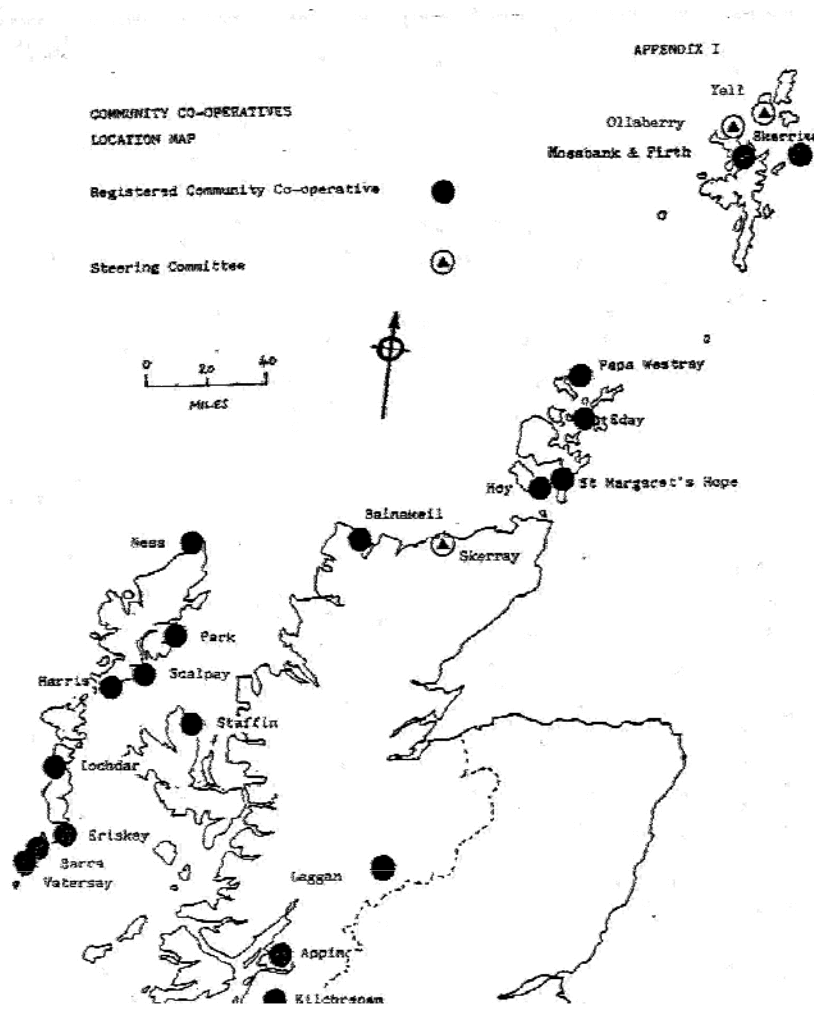
## Glossary, gazetteer and abbreviations

ACE-HI	Association for Community Enterprises in the Highlands and Islands (established, with HIDB support, in 1986, and wound up in 1996).
Appin	Settlement located on the West coast of the Scottish mainland, on the southern shore of Loch Linnhe, between Oban and Fort William.
Argyle and Bute	Southwestern part of the HIE area, also covered by the Argyle and the Islands LEC.
Barra	One of the southernmost islands in the Western Isles.
<i>Caitness</i>	<i>North-easternmost area of the North mainland of Scotland, South and South-West of the Orkney Islands.</i>
Community Co-operative	multi-functional business, combining both commercial and social ventures, directly owned and controlled by the people of the community where it is located, who purchase shares to raise investment capital in the enterprise.

Community Enterprise	trading organizations, combining both commercial and social activities, owned and controlled by the local residents of a particular area; widely-accepted successor terminology to “community co-operative” from about 1985, acknowledging the development of other legal/organizational forms besides those registered using the original Industrial and Provident Societies Acts community co-operative Model Rules of 1979 and 1983.
Easter Ross	Area North of Inverness, between the Cromarty and Dornoch Firths.
Eriskay	Small island immediately South of South Uist.
<i>Foula</i>	<i>Small, isolated island, about 28 miles (45 km) West of South Mainland, in the Shetland Islands.</i>
Harris	The southern part of the island of Lewis with Harris, the largest and northernmost island of the Western Isles.
HIDB	Highlands and Islands Development Board (Government regional development agency for the Highlands and Islands of Scotland from 1965 to 1991).
HIE	Highlands and Islands Enterprise (successor body to HIDB from April 1991, based in Inverness, which provides strategic leadership to the HIE Network and support services to the LECs, and implements wider Highlands and Islands programmes and major projects).
HIE Network	HIE and the ten LECs.
Highlands and Islands	Region comprising the northern and northwestern mainland of Scotland, together with the island groups of the Hebrides, Orkney and Shetland.
Iochdar	Area at northern end of South Uist.
LEADER	European Commission Community Initiative under the European Union Structural Funds, which supports local and innovative approaches to rural development.
LECs	Local Enterprise Companies (ten locally-led organizations, involving public and private interests, with which HIE contracts to deliver its programmes and pursue development in a way that matches local needs).
Laggan	Inland settlement about 52 miles (83 km) South of Inverness.
Leverburgh	Settlement on the South of the island of Lewis with Harris, where the Harris community co-operative is based.
Lewis	The northern part of the island of Lewis with Harris, the largest and northernmost island of the Western Isles.
Lochaber	Area around Fort William, now a LEC area.
Ness	Area at the northernmost tip of Lewis.

Park	Area just South of Loch Erisort, in South-East Lewis.
Social Economy	For the European Union, ‘social economy enterprises’ include co-operatives, mutuals, associations, and foundations (CMAFs), but the social economy encompasses many organizational variations, which together can be viewed as forming a ‘third sector’ between the public and private sectors.
Social Enterprise	Defined in the UK Government’s <i>Social Enterprise: a Strategy for Success</i> , of July 2002, as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners”. However, this appears to minimize the elements of community ownership and control, and community development; see also the seven key characteristics of social enterprises identified by the author in the introductory section of this article.
South Uist	One of the larger southern islands in the Western Isles.
Third Sector	See social economy above.
Vatersay	Small island just South-West of Barra.
Western Isles	The Outer Hebrides of Scotland.
WIE	Western Isles Enterprise (LEC for the Western Isles).

## Appendix A



HIDB community co-op locations (taken from Pedersen, 1985)