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Andrew K. COPUS*, Mark SHUCKSMITH**, Thomas DAX*** and David MEREDITH****

Cohesion Policy for rural areas after 2013

A rationale derived from the EDORA project (European Development Opportunities in Rural Areas) – ESPON 2013 Project 2013/1/2

The starting point of the EDORA project was the recognition that, rather than becoming more uniform in character, rural Europe is, in many ways, becoming increasingly diverse, implying new challenges and opportunities. The project's overarching aim was to examine the process of differentiation, in order to better understand how EU policy can enable rural areas to build upon their specific potentials to achieve 'smart, sustainable and inclusive growth'. The first phase of the project consisted of a literature review in order to establish a conceptual framework for subsequent empirical analysis. This identified a very wide range of aspects of contemporary rural change. In order to manage this complexity, and so that it could be communicated simply and clearly, three 'meta-narratives' of rural change were devised. In the second phase the evidence base for rural change was explored, both in terms of large scale patterns, based upon regional data, and local processes. The macro-scale patterns were addressed by three typologies. These were complemented at a micro-level by in-depth studies of 12 exemplar regions, reflecting a wide range of types and contexts. The third phase explored policy implications. The project's findings point towards neo-endogenous approaches, in which a 'bottom up' process of regional programme design is fully supported and guided by available information, expert advice and the kind of strategic perspective which is best assembled at a central level. The EDORA findings are thus generally supportive of the 'place based' approaches advocated by the Barca Report.

* Corresponding author. University of the Highlands and Islands, Inverness, UK and Nordregio, Box 1658, SE-111 86, Stockholm, Sweden. E-mail andrew.copus@nordregio.se

** University of Newcastle, Newcastle, UK

*** Bundesanstalt für Bergbauernfragen, Wien, Austria

**** Teagasc, Dublin, Ireland

Introduction

The objective of this paper is to show how an appreciation of current processes of rural change and differentiation supports a rationale for 'neo-endogenous rural cohesion policy'. This strategy requires a territorial approach with a careful balance between strategic, macro-scale, targeted interventions on the one hand, and micro-scale 'bottom-up' programmes on the other. It is conceivable that both elements of the Common Agricultural Policy (CAP), and multi-fund local development interventions could be complementary elements in such a policy framework.

In order to demonstrate this it is helpful to begin by reflecting upon the changed realities of rural Europe, and the need to update or discard the generalisations (stereotypes) from which rural policy, at all levels (strategic European Union (EU), Member State, and local implementation), has derived its rationale. This is the task of the first section of the paper, which summarises the findings of the conceptual and empirical work carried out by the EDORA project (<http://www.nordregio.se/EDORA>).

Rural change is a highly complex phenomenon, but one way to make a manageable overview is through the articulation of 'meta-narratives' which are global in reach and largely exogenous to the local rural/regional development process. Patterns of geographical differentiation may be observed at a variety of spatial scales. Analysis in the EDORA project has been carried at both *macro* levels (through a set of NUTS 3 regional typologies) and *micro* level, through a set of case studies. It is argued that both levels are appropriate contexts for policy intervention, and that what is needed is a careful balance between strategic, macro-scale, targeted interventions on the one hand, and micro-scale 'bottom-up' programmes which address specific challenges and oppor-

tunities, with a particular regard to 'softer' or intangible territorial assets, on the other.

The paper concludes by identifying elements of the recent policy documents relating to the CAP and Cohesion Policy (EC, 2010a), and the EU Fifth Cohesion Report (EC, 2010b) which could together provide the building blocks for such a 'neo-endogenous rural cohesion policy'.

Processes of contemporary rural change – stereotypes and meta-narratives

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 strategy can accommodate the full range of regional differences, the more effective it will be. The rural policy literature is of course populated by many generalisations, some being more or less representative and accurate, and others being anachronistic stereotypes with an inadequate evidence-base, which Hodge (2004) has dubbed 'stylised fallacies'. These are sometimes perpetuated by powerful interest groups. Such rural stereotypes have often been quite negative, and have included, for example:

- *The agrarian countryside*, in which land-based industries are seen as the driver of the rural economy, whilst other forms of economic activity are seen as either associated with agriculture, or as focused on meeting the needs of nearby urban markets. There certainly are some parts of Europe for which this generalisation remains true to some extent. However in the majority of regions secondary and tertiary activities, largely

independent of both agriculture and local cities or towns, are relatively more important.

- *The 'rural exodus'*: characterised by out-migration and demographic ageing. This ignores the fact that many rural areas show in-migration, population increase and relatively young age structures.
- *Rural 'dependency culture'* – an attachment to policy supports and compensation for disadvantage as the main policy option. In reality many rural areas, even remote ones, show evidence of dynamism, innovation and growth, even without policy support.
- Rural labour markets are commonly associated with *segmentation*, in which a dominant 'secondary' component is characterised by low levels of human capital, insecurity, low activity rates (especially for females), disguised unemployment, and high levels of self-employment. All of these characteristics are certainly present in some (but by no means all) rural areas.
- Similarly, *sparsity of population* is often perceived as a barrier to entrepreneurship, due to an absence of agglomerative economies. As a result, the impacts of globalisation processes are believed to be predominantly negative in rural areas. Nevertheless it is important to recognise that information and communication technology (if associated with appropriate human capital conditions) are facilitating new forms of economic activity which enable some rural areas to sidestep these handicaps.

Faced with the complexity and variety of rural development paths it is commonplace to stress the uniqueness of each individual rural area (often as a justification for 'bottom up' development paradigms). However, the debate concerning policy options for 'non-urban' Europe cannot be sustained by phenomenological approaches alone. Broad generalisations have an important role to play. Nevertheless, it is not desirable that one set of 'stylised fallacies' be replaced by generalisations which, although they are closer to contemporary realities, introduce a new set of inflexibilities. It is crucial that the debate begins to move away from anachronistic stereotypes, and is informed by generalisations which are soundly based upon up-to-date evidence.

The literature review carried out by the EDORA project team generated a large volume of information about elements of rural change which are interlinked in complex ways across both rural space and time. A 'narrative' approach was appropriate as a means of organising and presenting these findings (Lee *et al.*, 2009). A large number of what may be termed 'story lines', focused on specific aspects (demography, business development, employment etc.) emerged. At a more synthetic level these 'story lines' may be woven into various 'meta-narratives' which are not constrained by disciplinary or research topic boundaries, but integrate processes across the spectrum.

Woven through the contemporary literature of rural change is the 'leitmotif' of *Connexity*; the increasing interconnectedness, over longer distances, of all aspects of rural economic and social activity (*ibid.*). This means that the strength of linkages to sources of information, innovation, and business opportunities, and the capacity to exploit them,

can become more important than proximity to resources *per se*. Within this overarching theme, three 'meta-narratives' of contemporary rural change can help us to understand the complexity and variety of individual development paths:

- The *Agri-Centric* meta-narrative (*ibid.*), which draws together various ideas relating to the move away from food and fibre production as the sole focus of European farming, towards a more 'multifunctional' industry, redirected towards provision of countryside public goods and diversification into a range of new activities, such as food processing, recreation and tourism. Some have used the term 'consumption countryside' to describe the kind of rural economy which results from this change (Marsden, 1999). This move from 'productivist' to 'post-productivist' approaches is paralleled by a change from agricultural policy supporting modernisation and structural change, to a greater emphasis upon rural development and the role of farmers as custodians of the rural environment. Not all rural regions have responded to these changes in the same way. Two development paths are commonly observed. Some regions show increasing specialisation, increasing farm size and the increasing importance of agribusiness, only moderated by the constraints imposed by agri-environment and animal welfare policy. This has been termed 'para-productivism' (Crowley *et al.*, 2008). Other areas have smaller, diversified farms, and more fully embrace the 'commodification' of countryside public goods as a business model. This kind of response is described by Crowley, Walsh and Meredith (2008) as 'peri-productivist'.
- The *Rural-Urban* meta-narrative (*ibid.*) draws together various story lines relating to migration, rural-urban relationships, access to services, agglomeration (or its absence), and highlights the 'vicious' or 'virtuous' circles of decline or growth which intensify disparities between accessible and remote or sparsely populated rural regions.
- The meta-narrative of *Globalisation* (*ibid.*) emphasises implications of increasing connexity and global trade liberalisation, in terms of the geographical segmentation of labour markets, (whereby high and low status employment opportunities tend to be concentrated in different parts of the world), and the associated structural change of European rural areas.

It is tempting to view these 'meta-narratives' as the 'drivers' of rural change. Nevertheless, it is important to keep in mind the extreme complexity of regional and rural development processes, and the partial nature of our understanding of them, which means that it is risky and perhaps simplistic to speak in terms of linear cause and effect relationships. It is safer to consider the 'meta-narratives' primarily as 'heuristic devices' – a helpful way of organising an otherwise bewildering array of information. It is also worth emphasising that they are not mutually exclusive, the same 'story lines' may be tied into more than one meta-narrative. Neither are the meta-narratives synonymous with the development paths of individual rural areas. Most localities show evidence of several meta-narratives concurrently.

The meta-narratives are neither exhaustive nor inclusive of all the ways in which individual regions experience change, however they provide useful generalisations about common vectors which act upon rural regions across Europe. As such they are part of an interactive web of socio-economic changes and trends which are global in scope and impact. Each of them is associated with a wide range of both opportunities and challenges. The balance between the positive and negative implications of the meta-narratives depends upon aspects of geographical context, both in terms of local conditions and broad-brush patterns, and especially of the capacity to respond to new challenges.

Broad-brush geographical patterns: regional typologies

In order to understand current patterns of rural differentiation across Europe, it is necessary to acknowledge both macro and micro-scale dimensions of variation. The former are reflected in the typologies presented in this section of the paper. At the micro-scale, the profile of positive and negative outcomes in each locality reflects the configuration of a range of 'territorial assets', both tangible and intangible. This is the focus of the fourth section of the paper.

What then can helpfully be said about macro-scale geographical patterns across rural Europe? Again, as with the preceding discussion of processes of change, the following attempt to outline broad socio-economic patterns is not viewed as an end in itself; but as a means by which policy may be better informed by, and attuned to, contemporary rural realities.

In pursuit of a form of generalisation which is more evidence-based the EDORA project developed an 'analysis framework' composed of three discrete regional typologies (Copus and Noguera, 2010). A single typology cannot easily encompass the salient aspects of differentiation of rural regions. The so called 'EDORA cube' therefore comprises three typologies, reflecting three distinct dimensions of variation (Figure 1).

The three typologies attempt to capture the following aspects of rural differentiation:

(i) **Rurality and accessibility.** This typology relates to the Rural-Urban meta-narrative, and was developed by DG Regio from the OECD typology (Dijkstra and Poelman, 2008). Four types of (non-urban) regions are distinguished; Intermediate Accessible, Intermediate Remote, Predominantly Rural Accessible, and Predominantly Rural Remote.

(ii) **Economic restructuring.** This typology relates to both the Agri-Centric and Global Competition meta-narratives, and was developed from 13 indicators, using a multi-criteria, disaggregative approach. Again four types of non-urban regions were distinguished:

- **Agrarian;** in which the primary sector accounts for an above average share of Gross Value Added (GVA) and employment.
- **Consumption Countryside;** regions in which the primary sector is less important, but countryside public goods form the basis for a substantial part of the

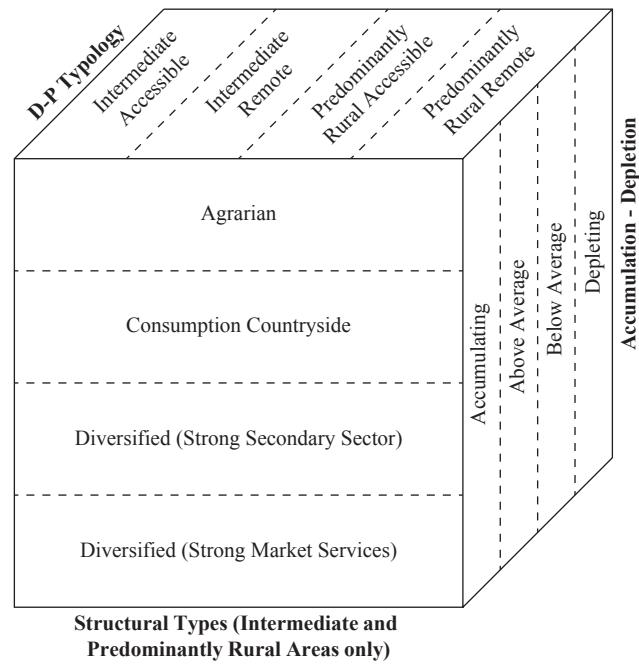


Figure 1: The EDORA Cube – a three dimensional framework for analysis.

Source: Copus (2010b)

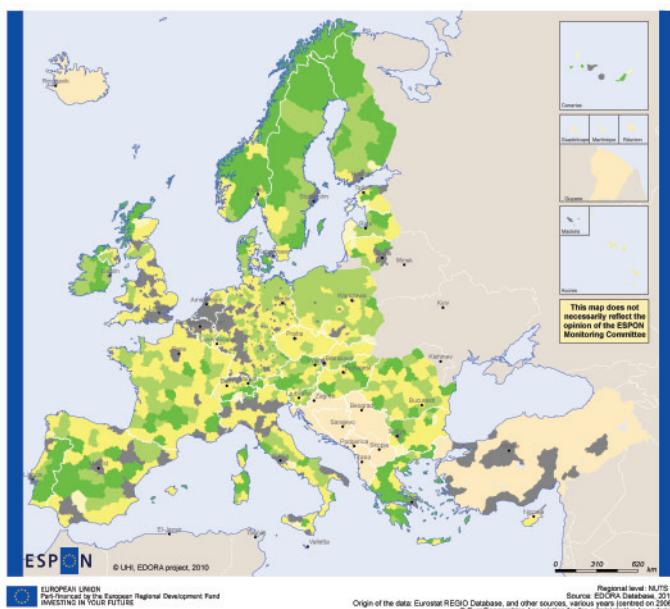
economy, as reflected in indicators relating to tourism and recreation activity, access to 'natural assets', and the role of small-scale diversified forms of farming.

- **Diversified (strong secondary sector);** regions which did not fulfil the criteria for either of the first two types, and in which manufacturing accounts for a higher share of GVA than market services.
- **Diversified (strong market services sector):** regions which did not fulfil the criteria for either of the first two types, and in which market services accounts for a higher share of GVA than manufacturing.

(iii) **Performance.** This typology places regions on a continuum between 'accumulation' and 'depletion', and derives its rationale mainly from the Rural-Urban meta-narrative. It is based upon a synthetic index of performance, incorporating five indicators. Four types of region are distinguished; Accumulating, Above Average, Below Average, and Depleting.

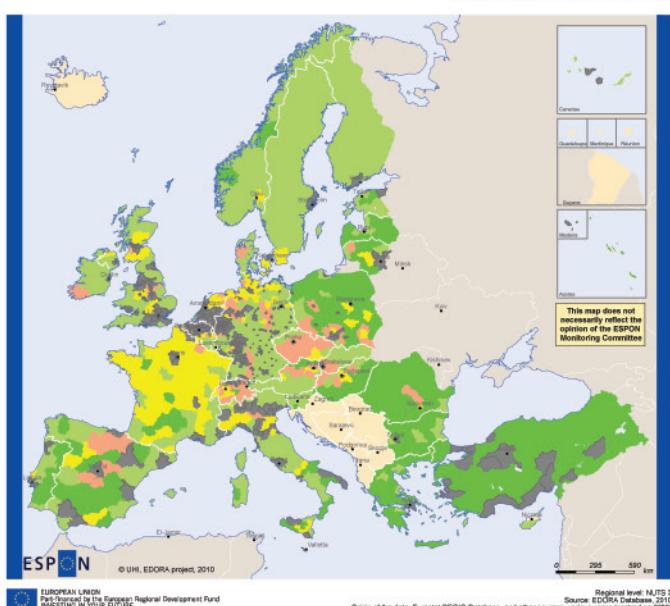
A simple visual comparison of the typology maps (Figure 2) provides some clear first impressions of the broad-brush patterns which overlay the individuality associated with the regional and subregional contexts:

- Regions in which the primary sector plays a major role in the local economy are mainly concentrated in an arc stretching around the eastern and southern edges of the EU27.
- The rest of the European space is characterised by a patchwork of three types of rural area, Consumption Countryside, Diversified (Secondary) and Diversified (Private Services). Of these the last seems to be to some extent associated with the most accessible areas.
- Broadly speaking there is a tendency for the Agrarian regions to be relatively low performers, showing



Urban-Rural Types (NUTS 3 Regions)

Light yellow	No Data
Dark grey	Predominantly Urban
Yellow-green	Intermediate Close to a City
Light green	Intermediate Remote
Medium green	Predominantly Rural Close to a City
Dark green	Predominantly Remote

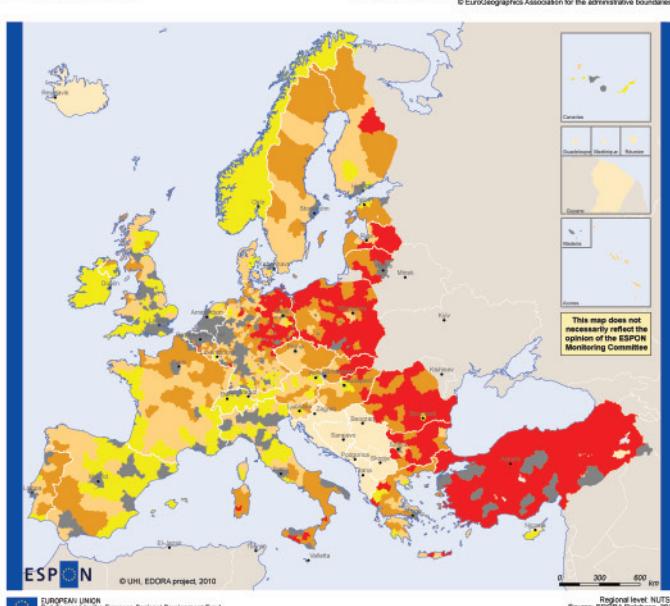


Structural Types

(Intermediate and Predominantly Rural NUTS 3 Regions)

Light yellow	No Data
Dark grey	Predominantly Urban
Dark green	Agrarian
Medium green	Consumption Countryside
Orange	Diversified (Strong Secondary Sector)
Yellow	Diversified (Strong Private Services Sector)

Note: A simplified classification procedure was necessary in CH and TR, due to missing data. However it is anticipated that acquisition of a wider range of indicators would not materially change the outcome.



Performance (A-D) Types

(Intermediate and Predominantly Rural NUTS 3 Regions)

Light yellow	No Data
Dark grey	Predominantly Urban
Red	Depleting
Orange	Below Average
Light orange	Above Average
Yellow	Accumulating

Note: The type allocation to TR and CH is based upon a reduced set of indicators, and should not be considered fully comparable with the typology for the EU27.

Figure 2: The three EDORA typologies

Source: Copus (2010b)

many of the characteristics of the process of socio-economic 'Depletion'. The Diversified (Secondary) regions also tend to be relatively poor performers, perhaps because they are dependent upon declining manufacturing industries.

- The Consumption Countryside regions and the Diversified (Private Services) group are both high performers, and likely to continue to 'accumulate' in the immediate future.

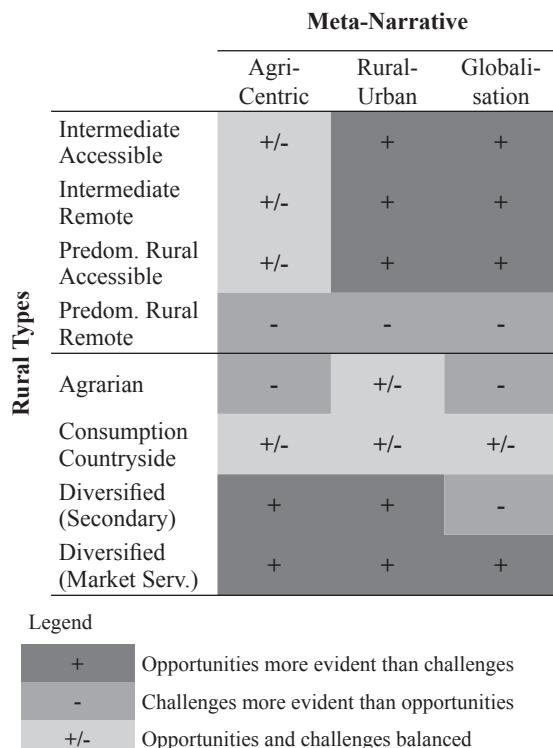
A more careful cross-tabulation approach (Copus, 2011) suggests some interesting relationships between rurality, structure and performance. For example:

- Predominantly Rural Remote regions are frequently classified as Agrarian. Intermediate Accessible regions are commonly Diversified (Private Services), or Diversified (Secondary). Intermediate Remote regions are most often associated with the Consumption Countryside group.
- Statistical analysis has shown that the Structural typology is particularly efficient at discriminating between regions in terms of performance. In other words the performance of 'non-urban' regions tends to be more closely related to degree of economic restructuring than it is to the distinction between Intermediate or Predominantly Rural, or proximity to a city.
- 60% of the population of Intermediate Accessible Europe lives in Above Average performing or Accumulating regions. All other Urban-Rural types had a majority of population living in Below Average or Depleting regions
- Almost 50% of the population of Agrarian regions lived in Depleting Regions, and only 12% in Positive Performance categories. More than two-thirds of Consumption Countryside population lives in positive performing regions. The same is true of the Diversified (market services) regions, but only 55% of Diversified (Secondary) population lives in regions with above average performance.

As mentioned above, the three meta-narratives are each associated with a range of positive and negative implications for rural and regional development. The balance between the opportunities and challenges confronting an individual region will be determined by its location within the macro-scale patterns of rurality and economic restructuring summarised by the above typologies. The typologies presented above thus offer a broad spatial framework which can help us to identify areas in which the challenges are dominant (-), others in which the opportunities are more evident (+), and finally those where the balance between positive and negative impacts is not very clear (+/-). This is represented schematically in Figure 3¹.

These broad-brush generalisations are not designed to address the complexity of local variation in rural areas across Europe, or the infinite number of possible combinations of drivers, opportunities and constraints. Rather they

¹ More detail on how the relationships between meta-narratives and regional types, and the relative impacts, were determined, together with specific policy suggestions relating to each type of region, is provided in the EDORA Final Report (Copus, 2011).



Legend

+	Opportunities more evident than challenges
-	Challenges more evident than opportunities
+/-	Opportunities and challenges balanced

Figure 3: Schematic representation of meta-narrative impacts on the Urban-Rural and Structural Types.

Source: Copus (2010b)

are intended to isolate those components of variation which are to some degree systematic across space at a macro level. As such, within the context of the debate about the future of European cohesion policy for rural areas, it would seem that the four Structural Types may be more useful as generalisations than the prevalent, but outdated, association of rural mainly with Agrarian rural economies, or even with the Consumption Countryside. The rather different needs and potentials associated with Diversified rural economies (whether strong in secondary activities or private services) would seem to deserve far more attention in the context of the policy debate than they have heretofore received.

Micro-scale variation

It is rather more difficult to make clear or conclusive statements about rural socio-economic variation, change and development opportunities and constraints at a micro² level. There are two principal reasons for this: Firstly, by definition such variation is unsystematic (in spatial terms). This is why the Territorial Cohesion Green Paper (EC, 2008) mantra of 'Turning diversity into strength' points to the uniqueness of each rural area as a basis for development. Secondly, many of the key characteristics which make up the unique territorial capital of rural areas are what are sometimes termed 'soft factors' or 'intangible assets'. The importance of these lies in their role in facilitating or

² The term 'micro' is used here rather loosely in terms of local variations between or within NUTS 3 regions which are not clear, systematic, features at a European level (i.e. they do not typify a group of regions forming a distinct macro region on the map of Europe).

hampering the ability of a rural economy or community to exploit opportunities to develop extra-local networks which can sustain innovation and foster the preconditions for development. It is therefore to this issue of patterns of interaction that we now turn.

Patterns of interaction

At a micro scale level a key concept in the policy debate, over many years, has been urban-rural interaction. The origin of this thread of debate can be traced back to the work of Francois Perroux (1955) on 'growth poles' in the 1950s and 1960s. Despite the persuasiveness of its logic as a normative theory, the evidence of significant urban-rural 'trickle down' benefits from real world implementations was soon found to be scanty, and this led to its virtual abandonment by the academic regional/rural development community from the late 1970s onwards. It has lingered on within the policy discourse however, transforming itself into a principle for better governance; whereby rural-urban interaction benefits may be harvested through cooperation of local administrations or third sector institutions such as business associations (Copus, 2010a; Courtney *et al.*, 2010). The European Spatial Development Perspective (ESDP), the INTERREG programmes, the European Spatial Observatory Network (ESPON), and the Territorial Agenda have been associated with a revival of interest in rural-urban cooperation as a complement to their core vision of 'polycentricity'. As recently as 2005 the Territorial Agenda stated that 'In predominantly rural areas with single urban centres, the question is how rural-urban partnership can help to strengthen the urban centres as growth poles for the entire region on the one hand while on the other hand providing services for rural areas and enabling endogenous and sustainable development, without making the surrounding area completely dependant on the urban centre'. (COPTA, 2007, p. 63). In parallel with this in 2008-2009 DG Regio explored the issue of urban-rural cooperation (in its broadest sense) through a series of seminars.

In the end urban-rural relationships may turn out to be a policy *cul-de-sac*. There are several reasons for this: (i) Although the general concept of urban settlements as regional drivers for development is winsome, specific details of the mechanism by which benefits diffuse outwards from poles tend not to be considered. (ii) There has been a disappointing lack of evidence of quantifiable 'spread effects'. (iii) In the context of the increasing 'connexity' of the rural economy it has become evident that the traditional concept of local rural-urban linkages is far too simplistic. In the twenty-first century performance of most rural economies is contingent upon interactions at a wide range of spatial levels, local, regional, national, European and global. Local urban-rural interaction cannot be considered a principal driver for rural economies in Europe today.

The realisation that increasing connexity is disrupting long established spatial hierarchies of interaction is not, of course, peculiar to the discussion of rural-urban linkages. Thus in the field of governance the concept of 'glocalisation' has been put forward by Swyngedouw (2004). In regional science some have argued that 'organised proximity' and

'relational space' are becoming more important than geographical proximity and Euclidean space. Closer to the focus of this paper Marsden (2009) has been a leading proponent of what he terms 'Sustainable Rural Development', which draws together the concepts of multifunctionality, short supply chains, quality products and new forms of marketing under a process of 'relocalisation'. This has some similarities with the concept of industrial districts (Piore and Sable, 1984; Belussi, 1996) and is held up as an alternative to 'delocalisation' processes which are taking place in 'productivist' regions characterised by large scale farming and agribusiness.

The business networks literature also has much to say about patterns of interaction by rural businesses. A key point is that well developed business networks may allow rural SMEs to survive and indeed flourish independently of local rural-urban relationships. Thus agglomeration and business networks may be viewed as alternative responses to the need to minimise transaction costs and to maximise access to information relating to innovation. Technological changes affecting production, transport and communication are affecting the trade-off conditions between agglomeration and networking in complex ways, so that spatial patterns of economic development are likely to change in the first decades of the 21st century (Johansson and Quigley, 2004).

Business networks play a vital role in the transmission of information, which in turn promotes innovation. The effectiveness of a region's business network depends not only upon its local network 'density', degree of 'embeddedness', and the associated human and social capital, but upon its connections to more distant sources of specialist information. These two capabilities are known as 'bonding' and 'bridging' respectively. In essence, bridging capability channels information into the local network, whilst bonding distributes it among local firms and entrepreneurs, facilitating collective learning. Bathelt *et al.* (2004) coined the memorable phrase 'local buzz and global pipeline' to describe regions in which high levels of local interaction combine with effective channels which bring in exogenous knowledge which supports local innovation.

Murdoch (2000) has pointed out that the industrial districts literature draws heavily on examples of densely networked, dynamic, innovative regions with traditions of 'co-operation' (such as the 'third Italy') which have emerged from an agro-industrial starting point. The present day industrial organisation and ethos of such regions had its origin in a society of small scale farms which needed to diversify into craft activities to supplement income, and which carried over co-operative farming traditions into this new sphere of activity.

Murdoch (2000) highlights the importance of 'path dependence' in the formation of industrial districts, or 'networks of innovation', and suggests that many rural areas, with their stronger community traditions, levels of trust and reciprocity, may provide an appropriate context for this form of endogenous development in the future. '... those rural areas that hold a reservoir of traditional farm-based economic forms, which are integrated with kinship and other close connections, may be best placed to grasp the new economic opportunities' (p. 414). By contrast those regions which were most affected by exogenous farm and rural

development policies of the recent past (farm restructuring, market support etc) may well have suffered ‘collateral damage’ to their social structures and traditions which will make this form of development much more unlikely³. Murdoch is not optimistic about the development potential of regions characterised by large scale commercial agriculture and ‘vertical’ supply chain networks, innovation being discouraged by ‘rather standardised forms of production kept in place seemingly through the exercise of rather crude power relations’ (*ibid.* p. 415).

A recurrent message which emerges from these various perspectives on the interaction of rural areas with the rest of the world is the sense that the rural economy is less and less tied to that of adjacent urban areas. Rural firms and rural people are increasingly participating in complex networks in which ‘organised proximity’ is more important than geographical proximity. To borrow a term from the migration literature these networks are ‘translocal’, they tend to connect localities – whether urban or rural – which possess a common motive for interaction, regardless of the physical distance separating them. Those regions which are not so competent at participating in ‘translocal’ interaction will fall behind in terms of innovation and general economic vitality. Two key policy implications follow:

- Interventions to stimulate intra-regional rural-urban cooperation, to some extent at least, ‘miss the point’ and fail to address the key issues.
- A fundamental pre-requisite for effective rural policy in the twenty-first century is a better understanding of what local conditions are conducive to the development of strong ‘translocal’ networks. It is to this issue that we now turn.

Local assemblages of territorial assets

Micro scale patterns which help to define opportunities and constraints for development include those comprised of ‘hard’ features, such as raw material resources, landscape, physical infrastructure and buildings, and ‘soft’ aspects, such as the skills and capacities of the local workforce, its entrepreneurial culture and innovativeness, characteristics of business networks, the quality of local institutions and governance, and so on. The EDORA exemplar regions reports (Lee *et al.*, 2010) provide many illustrations of these different kinds of assets.

The role of these different ‘territorial assets’ has been recognised within a practical development policy context, especially in the developing world, but also, increasingly, in association with local development initiatives in Europe, through an approach known as ‘Asset Based Community Development’ (ABCD). ABCD is founded on a conceptual framework which defines seven forms of capital (Table 1, after Braithwaite, 2009).

³ ‘Thus, areas that have advanced furthest under the previous round of industrialisation – which was based on strong rural specialisation and pronounced forms of standardisation, leading to large, stand-alone enterprises – may not benefit from the new economic conditions ...’ (*ibid.* p. 414).

Table 1: The Seven Capitals Approach.

Capital	Definition	Examples and comments
Financial	Financial capital plays an important role in the economy, enabling other types of capital to be owned and traded.	The liquid capital accessible to the rural population and business community, and that held by community organisations.
Built	Fixed assets which facilitate the livelihood or well-being of the community.	Buildings, infrastructure and other fixed assets, whether publicly, community or privately owned.
Natural	Landscape and any stock or flow of energy and renewable or non-renewable) resources that produces goods and services, (including tourism and recreation).	Water catchments, forests, minerals, fish, wind, wildlife and farm stock.
Social	Features of social organisation such as networks, norms of trust that facilitate cooperation for mutual benefit. May have “bonding” or “bridging” functions.	Sectoral organisations, business representative associations, social and sports clubs, religious groups. ‘Strength’ relates to intensity of interaction, not just numbers.
Human	People’s health knowledge skills and motivation. Enhancing human capital can be achieved through health services, education and training.	Health levels less variable in an EU context. Education levels very much generational. ‘Tacit knowledge’ is as important as formal education and training.
Cultural	Shared attitudes and mores, which shape the way we view the world and what we value.	Perhaps indicated by festivals, or vitality of minority languages. Some aspects – e.g. ‘entrepreneurial culture’ – closely relate to human and social capital.
Political	The ability of the community to influence the distribution and use of resources.	Presence of, and engagement in, ‘bottom up’ initiatives, the most local part of ‘multi-level governance’. Relates to local empowerment v. top-down policy, globalisation.

Source: Based upon Braithwaite (2009)

Camagni (2008) has defined the concept of ‘territorial capital’ from a more theoretical economic perspective, mapping out different forms of territorial capital in a two dimensional matrix, the axes distinguishing assets in terms of rivalry/excludability, and ‘materiality’ (Figure 4). The materiality dimension is already evident in the ABCD approach above. The second axis distinguishes (at the extremes)

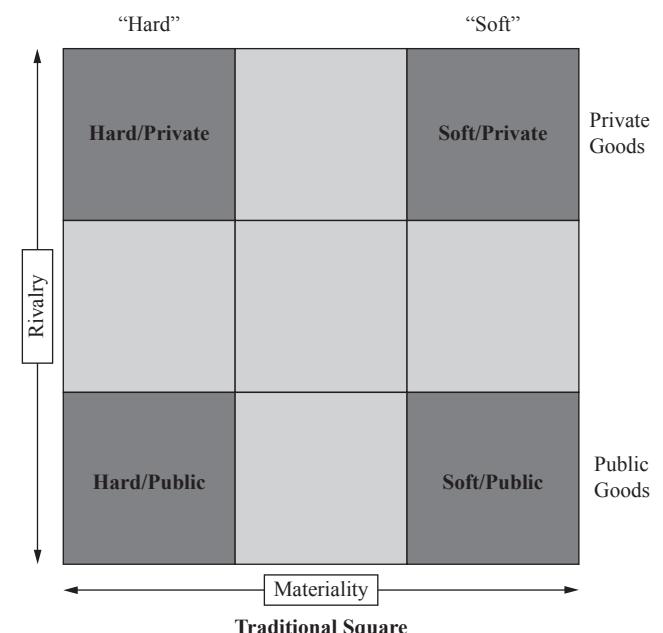


Figure 4: A typology of territorial assets.

Source: Based upon Camagni (2008)

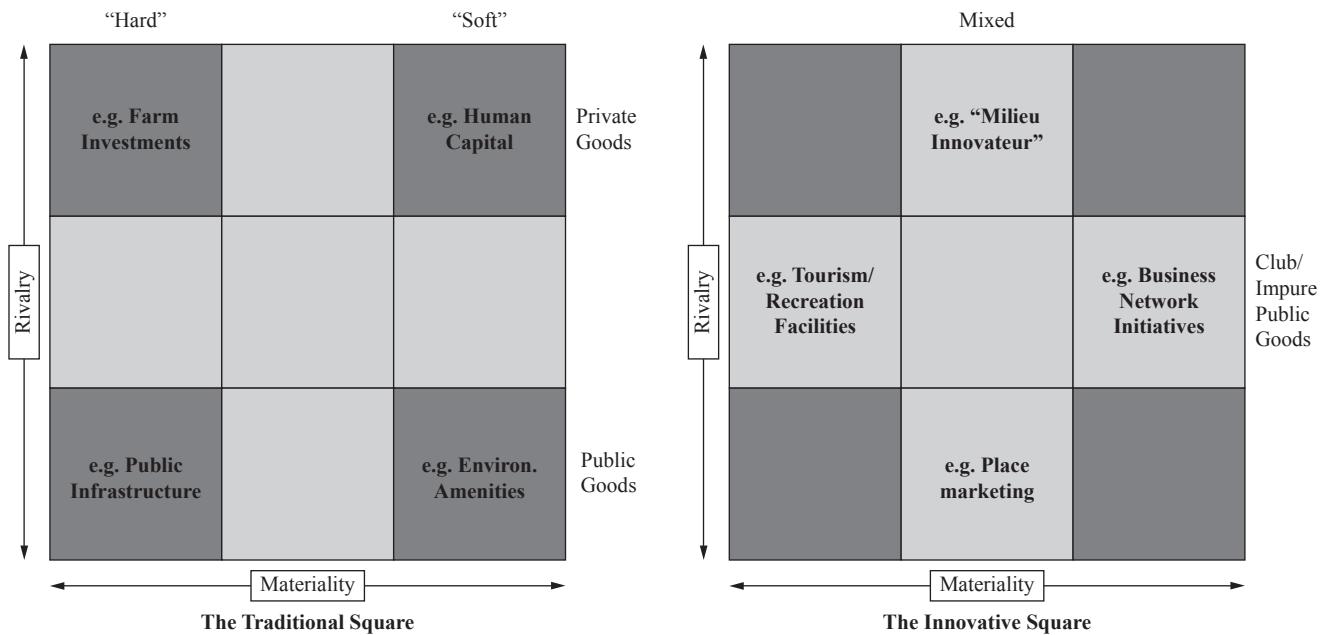


Figure 5: Application of the Camagni Territorial Capital Framework in a rural policy context.

Source: Copus (2010b)

between local assets which are bought and sold in conventional markets, and those which are public goods.

Camagni argues that regional policy has, until now, tended to focus upon the four corners of his typology diagram, and that further consideration should be given to the intermediate categories of both axes, (i.e. to club/impure public goods, and 'mixed materiality'). In terms of rural policy it could be argued that the tendency has been to operate mainly on the left side of the diagram concerned with 'hard' assets, such as farm investments, or public infrastructure. In this context one suggestion might be to reinforce policy efforts with respect to the right hand side of the diagram, by supporting 'softer' forms of capital, such as human capital, or the protection/exploitation of environmental amenities (Figure 5). Some possible examples have been included in the right hand side of Figure 5, although the task of selecting illustrative examples underlines the fact that the clear distinctions of the Camagni diagram are not easy to sustain in the real world, and that the theoretical perspective will be a difficult one for practical policy makers and practitioners to apply. This does not mean, of course that important insights and principles may not be carried across into the policy discourse.

Meanwhile, in a different disciplinary context, the literature on the knowledge economy has borrowed the term 'Intangible Asset' from that on intellectual property rights to describe the contents of the right-hand side of the Camagni diagram. Thus a recent Framework 7 project (IAREG – Intangible Assets and Regional Economic Growth) stated:

Globalization and increased competition are putting new types of pressure on companies and, by extension, on the regions that depend on their success... The relative importance of (physical) resource endowment as drivers of regional growth is decreasing as these factors are now almost ubiquitously available. However, 'soft' production factors, that is, those related to personal bounded knowl-

edge, are becoming more important. (Suriñach and Moreno, 2010, p. 4).

This project has made a valuable contribution in providing a more systematic overview, and in identifying new quantitative indicators. Nevertheless, since variation in such 'soft factors' is generally aspatial (Copus, 2001), a local qualitative auditing process would still appear to be the most appropriate way to build an evidence base on 'intangible assets' in a Cohesion Policy context.

Towards a rationale for rural Cohesion Policy

The description of macro and micro scale patterns of rural change and differentiation provided above can provide a basis both for a 'clean sheet' rationale for rural cohesion policy, and some more specific insights in relation to the current consultations regarding the future of EU Cohesion policy and the CAP. This section summarises the key principles for policy which may be derived from the EDORA findings, whilst the final section provides some examples of how these principles could be applied in the context of current policy arrangements and the proposed reforms. Further detail may be found in the EDORA project Final Report (Copus *et al.*, 2011), and in the policy working paper (Dax *et al.*, 2010).

The research reported above supports three broad propositions about rural differentiation and change which have the potential to form the foundation for a coherent policy rationale:

A. In a globalised world, in which various kinds of 'non-Euclidian' space are becoming increasingly important as arenas for economic and social activity, intangible assets will increasingly become the key to enabling each rural region to fulfil its potential.

B. Also as a consequence of globalisation, processes of change which affect rural areas (i.e. the meta-narratives) may be considered exogenous, and common throughout much of the ESPON space. The observed increase in rural differentiation is thus primarily a consequence of local or regional (i.e. endogenous) differences in the capacity of regions, (or rather of their people and businesses) to respond to the challenges or opportunities which are presented to them.

C. The capacity to respond may be divided into two components, according to the geographical scale at which they vary:

- Some exhibit broad macro-scale patterns of differentiation. These reflect the fact that the meta-narratives have different impacts in different types of rural area. These patterns may be to some extent captured by regional indicators, and typologies.
- Others, particularly the intangible assets, seem to vary in an 'aspacial' way, which can only be captured on a region-by-region (or locality) basis, by some form of qualitative auditing.

These propositions point towards a two-tier policy arrangement, combining carefully targeted horizontal programmes with neo-endogenous local development approaches (Figure 6). The EDORA findings are in this sense supportive of the 'place based' approaches advocated by the Barca Report (Barca 2009).

Some guiding principles emerge from the findings presented above:

- A clear and conscious distinction should be made both in policy design and implementation structures, between, on the one hand, issues characterised by macro-scale differentiation, and which are amenable to interventions applied on an EU-wide scale, and, on the other, those which are essentially aspatial, and

which therefore should be addressed by local development approaches;

- With respect to the former, careful consideration should be given to the geographical targeting of resources. The application of the principle of 'juste retour' (whereby Member States seek to get back what they put into the common funding 'pot') should be abandoned in favour of regional allocations based upon objective indicators and typologies of potential and absorption capacity;
- The local development component should be based, as far as possible, upon 'diagnostic audits' of regional challenges and opportunities. Whilst it is inevitable that these will not be furnished with all the quantitative indicators which might be desired, they should at least follow standard guidelines in the use of qualitative information;
- The local development programmes should avoid a disproportionate emphasis upon provision of 'hard' (tangible) assets, and should be encouraged as far as possible to address less tangible issues which determine the development of translocal networking as a support to innovation and entrepreneurship;
- Whilst a menu-based approach to designing Local Development programmes may imply unhelpful rigidities, the 'top-down' guidance should be sufficiently clear and specific to ensure its value as a resource to support regional implementation, and yet be flexible enough to be relevant across the full range of contexts;
- There would be a need for close coordination between interventions to support territorial cohesion in rural areas, and other policies active in similar contexts and themes. These include Cohesion Policy itself, the CAP, and a range of EU, national and regional Social and Employment policies which also address the issue of intangible assets;
- This policy concept is only feasible within the context of effective multi-level governance. Where appropriate, support should be provided to facilitate regional capacity building. In addition to the need for rural audits and indicators of intangible assets, in the context of programme design, these should be developed in tandem with systematic monitoring and evaluation of impacts.

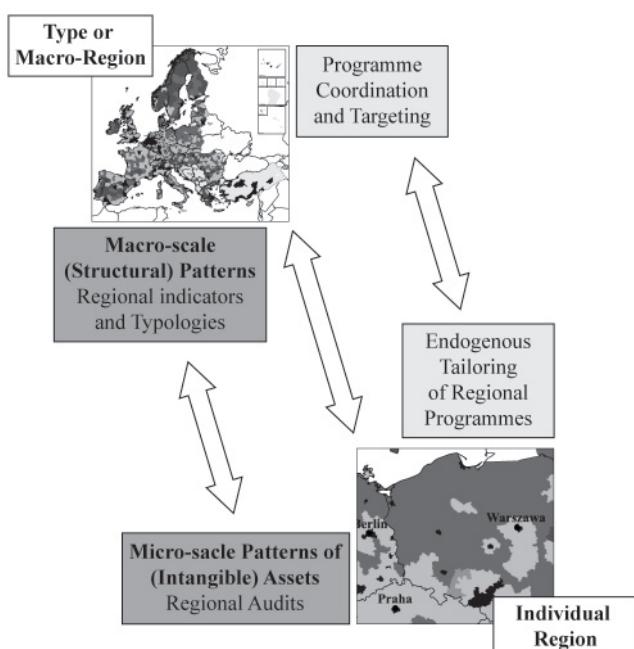


Figure 6: Neo-Endogenous Rural Cohesion Policy.

Source: Copus (2010b)

The EDORA working papers (particularly Dax *et al.*, 2010 and Copus and Noguera, 2010) and the ESPON 'Scientific Paper' (Copus, 2010b) elaborate further by considering which opportunities and constraints characterise each type of rural area, and the kinds of intervention which may be an appropriate response in each context. Space will not permit a detailed account of this discussion here. Instead the remainder of the paper will consider how the broad rationale established above may be brought to bear upon the current consultation regarding the shape of Cohesion Policy and the CAP after 2013. In this exercise the broad architecture presented by the consultation documents is accepted as given, and the focus is upon specific aspects which could potentially shift policy in the direction of the principles set out in this paper.

Some reflections on the current consultations and proposed reforms

In this section we will highlight two specific opportunities to implement the above principles in the context of the current consultations. The first opportunity relates to targeting of the CAP, and the second to multi-fund local development initiatives under Cohesion Policy. By doing so we do not imply that these would be sufficient to meet the EU 2020 objectives (smart, sustainable and inclusive growth) (EC 2010c), or to fully address rural territorial cohesion issues. Rather the examples are intended to be illustrative of the kind of practical policy outcomes which could be derived from the above rationale.

(a) Better targeting of CAP Direct Payments

The consultation document 'CAP towards 2020' (EC, 2010a) states very clearly (p. 11) that Pillar 1 direct payments 'are not sufficiently targeted', because at present the allocation is based upon historical levels of intervention in different Member States and regions. It is therefore seen as a policy objective 'to adjust current income support instrument so that it corresponds better to the needs in diverse economic, social and environmental conditions throughout the EU and complements market income' (*ibid.* p. 13).

The document proposes three policy scenarios, which are termed 'Adjustment', 'Integration' and 'Re-focusing'. The first essentially assumes incremental change, with the basic instruments remaining the same, but with some adjustments to address specific concerns and to render the policy more compatible with the EU2020 objectives. The second attempts to integrate the objectives of EU2020 more effectively through a more radical reform. The third refocuses the CAP on environmental and climate change objectives only.

The first scenario incorporates limited changes to Direct Payments 'towards a significant harmonisation in the level of payments throughout the EU (through a general flat rate payment or one adjusted by objective social and economic criteria) ...' (*ibid.* p. 14). The second scenario goes further, and suggests a structure which could well provide a basis for rendering the Single Payments System (SPS) an effective tool for enhancing territorial cohesion:

The SPS system would be divided into a basic income component (capped to avoid large payments to single beneficiaries) and additional payments targeting environmental issues applicable throughout the EU territory through generalised, non-contractual and annual environmental actions linked to agriculture (such as permanent pasture, green cover, crop rotation and ecological set-aside) with enhanced conditioning through cross-compliance. The option would be left to Member States to commit a certain part of the financial envelope to compensate specific natural constraints and address selected economic and social challenges. (*ibid.* p.15).

We would argue that the 'selected economic and social challenges' could be defined in terms of the macro-scale patterns revealed by the Structural Typology (Agrarian and Consumption Countryside), and that a component of the

Direct Payment be specifically associated with a territorial cohesion objective. It seems to make little sense to leave this to Member States to decide, since this would lead to strong inconsistencies across Europe. Such an arrangement would seem to offer a means to respond to the macro-scale pattern of economic restructuring revealed by the Structural Typology, and the very clear and strong association with socio-economic performance.

At this point it is important to reiterate the point that in this section we are considering only the proposals set out in the CAP towards 2020 consultation document. In doing so we do not intend to give the impression that the proposals go far enough in the direction of supporting territorial cohesion. It is not possible to explore this issue in detail. However it is perhaps sufficient to note that we do not imply that enhanced Single Payments to farmers is the ideal form of intervention to encourage economic restructuring in Agrarian regions. We would concur with the conclusions of the ESPON TIPTAP project (Camagni *et al.*, 2010), which argued for a transfer of funds from Pillar 1 to Pillar 2. Indeed we would suggest that the reinforcement of Rural Development policy should be focused on Axis 3 and Axis 4, which support diversification, the wider economy, community capacity, and local governance.

(b) Multi-Fund Local Development Programmes

As the cross-tabulation analysis of the structural and performance typologies has shown, the diversified regions, especially those with a strong market services component to their economy tend to be relatively strong performers. Those in which the secondary sector is still more important than market services are often relatively poor performers. In these two types of regions in particular, it would seem that neo-endogenous development initiatives, of the type described in the previous section, would be an appropriate form of intervention.

The EU Fifth Cohesion Report devotes several pages to local development as a form of implementation, and noting its use in the URBAN II programme, ESF funded initiatives, LEADER, and Fisheries Local Action Groups. The key features of local development are described as follows:

- a well defined local area, usually small scale;
- a strong partnership with, and the close involvement of, all the relevant local actors, mobilising their unique strengths and local knowledge. This work often requires a degree of capacity building and administrative support from larger units;
- an integrated strategy tackling the various challenges facing the area. This strategy should be developed in close partnership between the various local public and private actors, as well as different administrative levels (local authorities and territorial units of central or regional government) (EC, 2010b, p. 236).

The main challenge with local development (*ibid.* p. 237) is thought to be the amount of effort required to stimulate local involvement. However in the conclusions to the EU Fifth Cohesion Report the mobilisation of local communities and strengthening of partnership between different levels of governance is seen as a key benefit from local development initiatives:

In this context, the role of local development approaches under Cohesion Policy should be reinforced, for example, by supporting active inclusion, fostering social innovation, developing innovation strategies or designing schemes for regeneration of deprived areas. These should be closely coordinated with similar actions supported under rural development and maritime policies. (*ibid.* p. XXIX).

The last sentence conveys a vision of coordinated multi-fund local development programmes which is very much in the spirit of what emerges from the rationale for Rural Cohesion policy above. Presumably these local development initiatives will be coordinated as part of the 'Common Strategic Framework' mentioned by both DG Agriculture and DG Regio in their consultation documents:

For the sake of efficiency, it will be essential to strengthen the coherence between rural development policy and other EU policies, while also simplifying and cutting red tape where possible. To this end, a common strategic framework for EU funds may be envisaged (EC 2010b, p. 11).

... a common strategic framework (CSF) adopted by the Commission translating the targets and objectives of Europe 2020 into investment priorities. The framework would cover the Cohesion Fund, the European Regional Development Fund, the European Social Fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund (EC 2010c, p. XXIV).

Conclusion

This paper has sought to replace inaccurate stereotypes with more accurate generalisations about contemporary rural Europe, in order to establish a clear rationale for 'rural cohesion policy'. The broad principles set out emphasise the need for intervention at two levels, a macro-scale level to address broad systematic spatial patterns of differentiation, such as that exhibited by economic restructuring (away from agriculture), and a micro-level, to respond to localised, aspatial variations in territorial capital. The latter, typified by intangible assets, are crucial to the capacity of each rural locality to develop 'translocal' networks through which information, which is the key to innovation and growth, is transmitted.

The consultation documents relating to the CAP and Cohesion Policy after 2013 are examined, and two specific opportunities to apply the principles of rural cohesion policy are identified. These relate to geographical targeting of Single Farm Payments (an example of an intervention which reflects macro-level geographic patterns), and to multi-fund local development programmes (which addresses micro-level capacity issues). It cannot be too strongly emphasised, however, that we do not consider these, on their own, to be sufficient as a basis for a 'rural cohesion policy' during the next programming period. For this a more radical reform, based upon the principles set out in this paper, and allowing greater freedom for locally devised and managed, place-based, forms of intervention,

would be required. Without this the addition of top-down strategic coordination risks achieving little more than adding a layer of bureaucracy.

Acknowledgements

This paper is based upon the findings of a project commissioned and funded by the European Observation Network for Territorial Development and Cohesion (ESPON 2013 programme). The authors would like to thank the Coordination Unit (especially Michaela Gensheimer), the Sounding Board (Cliff Hague and Minas Angelides), and the project's Expert Group (Elena Saraceno, John Bryden, Klaus Kunzmann, Michal Lostak, and Patrick Salez) for their valuable guidance and advice. They would also like to acknowledge the contributions of a number of research partners not listed as authors above to discussions which played a formative role in developing the ideas presented below. Finally the comments of the two anonymous referees and the editor were extremely helpful, any remaining errors or shortcomings are the responsibility of the corresponding author.

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