

Economic competitiveness

Creating a territorial development strategy
in the light of the LEADER experience

Part 4



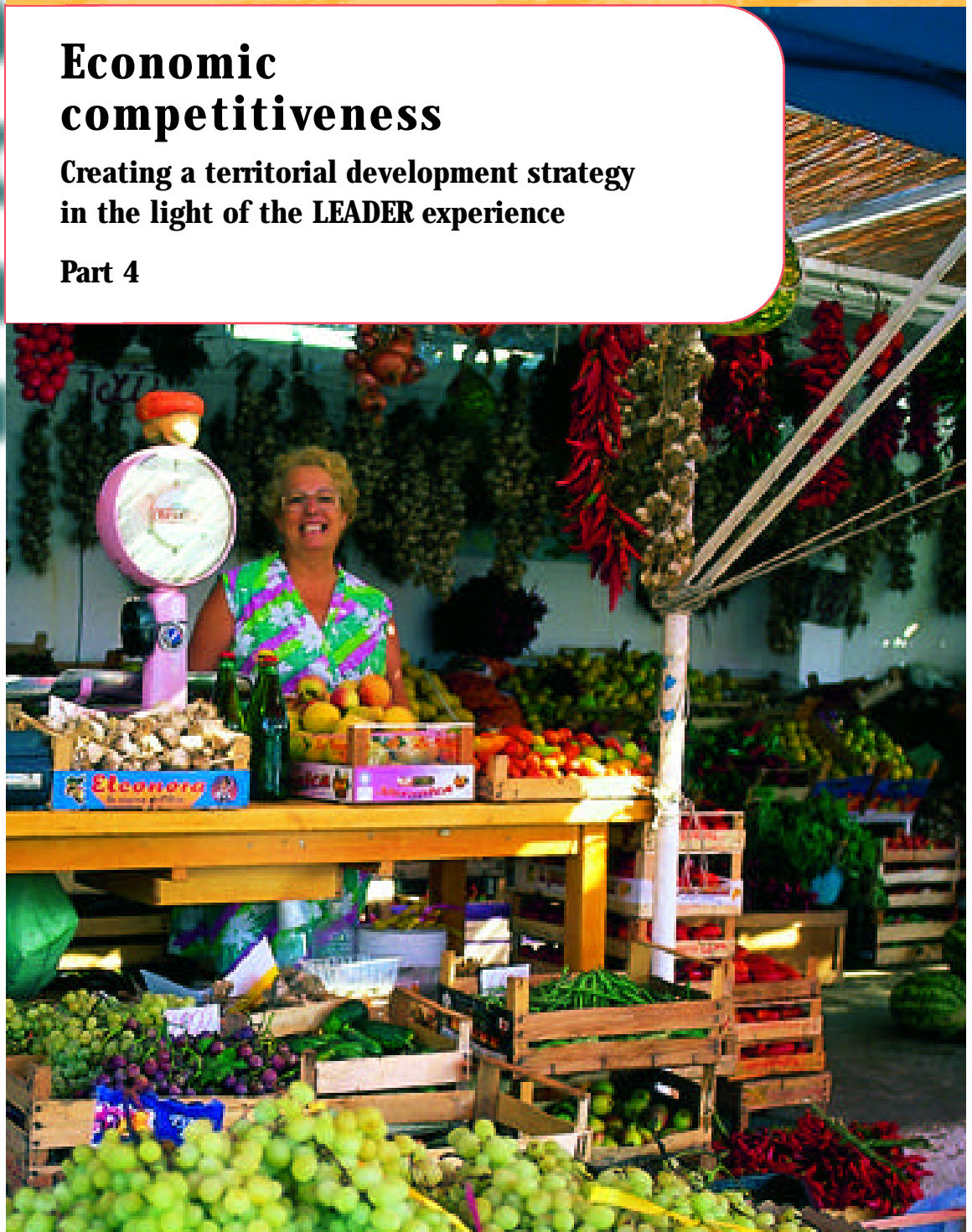
LIAISON ENTRE ACTIONS
DE DÉVELOPPEMENT
DE L'ÉCONOMIE RURALE

LINKS BETWEEN ACTIONS
FOR THE DEVELOPMENT
OF THE RURAL ECONOMY



COMMISSION EUROPÉENNE
DIRECTION GÉNÉRALE
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in the light of the LEADER experience**

Part 4

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Territorial approach to rural development

In the face of the crises experienced by many of Europe's rural areas, there is no doubt that the LEADER Community Initiative has mapped out new paths of development which can now be seen as an important initial response to the need to revitalise and develop rural areas to the full.

The question remains as to whether the paths mapped out by LEADER can be consolidated to allow rural areas to acquire a genuine "territorial competitiveness".

This matter has become all the more crucial now that LEADER II is nearing completion and making way for LEADER+. The transition to the new LEADER phase, which is expected to provide a "plus" in relation to the previous Initiative, could offer an opportunity for the qualitative leap forward. This will require each area to draw up its own "territorial project" aimed at achieving what we term "territorial competitiveness".

What does "territorial competitiveness" mean?

The usual meaning of the term competitive is "to be able to withstand market competition". On the face of it, the term territorial competitiveness has a strictly economic sense. Yet can an area that, for example, produces agricultural raw materials very cheaply, but in deplorable social conditions and with no concern for its environment, really be described as competitive? Such considerations have led us to attribute a broader meaning to the term competitiveness, as expressed by the concept of territorial competitiveness: an area becomes competitive if it is able to face up to market competition whilst at the same time ensuring environmental, social and cultural sustainability, based on the dual approach of networking and inter-territorial relationships. In other words, territorial competitiveness means:

- > *taking the area's resources into account in a bid for overall coherence;*
- > *involving different players and institutions;*
- > *integrating business sectors into an innovation dynamic;*

- > *cooperating with other areas and linking up with regional, national and European policies as well as with the global context.*

The aim of developing a territorial project is therefore to ensure that local players and institutions acquire four types of skills: the skills to assess their environment, to take joint action, to create links between sectors by ensuring that maximum added value is retained, and lastly to liaise with other areas and the rest of the world.

These four skills can be linked with what we call "the four dimensions" of territorial competitiveness, which will be combined differently for each area. They are:

- > **"social competitiveness"** – ability of the players involved to act effectively together on the basis of shared conceptions about the project, and encouraged by co-operation between the various institutional levels;
- > **"environmental competitiveness"** – ability of the players involved to make the most of their environment by making it a "distinctive" element of their area, whilst at the same time ensuring that their natural resources and heritage are preserved and revitalised;
- > **"economic competitiveness"** – ability of the players involved to create and retain maximum added value in the area by strengthening links between sectors and by turning their combined resources into assets for enhancing the value and distinctiveness of their local products and services;
- > **positioning in the global context** – ability of the players involved to determine the area's role in relation to other areas and to the outside world in general, in such a way as to develop their territorial plan to the full and to ensure its viability within the global context.

In many areas the processes we describe have already begun. However, the crux of the matter now is to ensure that they form part of a long-term approach that is at the core of each area's development strategy.

In presenting this five-part publication, the European LEADER Observatory draws on the experience of LEADER I (1991-1994) and LEADER II (1994-1999) with a view to fuelling the debate among Europe's rural players who are seeking a new form of territorial competitiveness founded on consultation and cooperation.

Part 1 takes as its starting point the focus for developing a territorial strategy; Part 2 tackles "social competitiveness"; Part 3 concerns "environmental competitiveness" as an element of this strategy; Part 4 deals with "economic competitiveness" and Part 5 addresses "competitiveness on a global scale".

Each part reviews one aspect of territorial competitiveness, in the following manner:

- > analysis of the background;
- > lessons learned from LEADER and from the experience of local action groups (LAGs);
- > proposed tools and methods;
- > presentation of possible strategies.

Many of the examples used in the different parts of this series refer to measures, activities or enterprises which are presented in more detail in the directory "**Innovative actions of rural development**", published in seven languages by the European LEADER Observatory in 1997 and available in six languages on the "Rural Europe" Internet site (<http://www.rural-europe.aeidl.be>).

This site also contains a great deal of relevant information about the LEADER rural development Community Initiative, as well as most of the publications produced by the European LEADER Observatory.

Introduction

This part of the series on the economic competitiveness of rural areas – defined as the ability to create and retain value added – is based on experience of the LEADER Initiative. It aims to bring into the analysis the characteristic differences between rural areas.

The rough “typology of situations” sketched out in Chapter 1 reveals that economic competitiveness not only differs from one type of area to another but, even more importantly, the form it takes depends on the various situations existing within an individual area (e.g. dynamic micro-areas existing alongside declining areas).

This raises a number of questions: can a certain developmental balance be achieved throughout the entire LEADER area or, on the contrary, are there parts of the area that are doomed to decline and neglect? Is an approach that integrates intangible aspects (e.g. identity, support for collective projects, inter-institutional and public/private consultation, etc.) more likely to lead to a new balance and new opportunities? The lessons from LEADER demonstrate the importance of “proximity” to the success of such an approach, even where an area has suffered years of neglect.

In general, obstacles to (or weaknesses in) economic competitiveness arise at three levels:

- > **upstream of production** – the right infrastructure and services for local production and the possibilities for producing inputs, intermediary products and technologies to strengthen the various sectors may not be available;
- > **during production itself** – product quality/quantity may be insufficient and there may also be more serious underlying structural problems, such as a predominance of traditional mono-production that has no multiplier effect in terms of business- and skill-creation;
- > **downstream of production** – there may be problems with linking markets to consumers, and producers may be unable to organise themselves in order to achieve appropriate economies of scale; there may also be problems with creating new products based on the area's own resources and, above all, on its distinctive image.

Nor is it possible to analyse an area's economic competitiveness without taking into account the relationships that exist among the various public institutions, as well as between public institutions, citizens and interest groups. Indeed, there may also be obstacles in the **relationship with public institutions**, particularly in implementing measures/consultations to stimulate the growth of “key” economic sectors, to create new opportunities and to strengthen the structures needed to support long-term local development.

Examples of LEADER intervention strategies for the different types of area and situation (Chapter 3) suggest a number of ideas on how to recreate levers for economic development, even in areas that are “marginal” or undergoing a process of restructuring. In the long term, such strategies, supported by the LEADER Initiative, can be consolidated only by reinforcing an area's consultation capabilities, harnessing all its available resources and creating appropriate structures that rely on the commitment of local, public and private players.

Part 1

Background

Background

For many years, the economic balance of most rural areas was chiefly dependent on agriculture. In some countries, since the beginning of the last century, and in others much more recently, the importance of agriculture has diminished very considerably, especially in terms of the numbers employed in farming, and, in many cases, this has led to massive depopulation.

Such changes have resulted in diverse economic situations in rural areas. Consequently, in rural Europe today it is possible to distinguish a multitude of different situations for which any number of typologies can be developed to illustrate this diversity.

Our own basis for interpretation includes nine common types of situation that can be found either in isolation or in combination, which, at least to some degree, reflect the diversity of rural areas. These are areas:

- > where agriculture employs a sizeable proportion of the working population and still forms the basis of the economy **(Type 1)**
- > with rich, not highly labour-intensive agriculture **(Type 2)**
- > where traditional large-scale landholdings continue to predominate (“latifundias”) **(Type 3)**
- > where natural or protected land plays a key role **(Type 4)**
- > geared towards tourism, with small-scale facilities **(Type 5)**
- > with a large proportion of second homes and/or residential homes (for the elderly, the disabled, etc.) **(Type 6)**
- > with a large number of small businesses **(Type 7)**
- > in a peri-urban location **(Type 8)**
- > with a predominantly elderly population and/or where a high proportion of people are on welfare assistance **(Type 9)**

Owing to their definition and geographical coverage (Objective 1, 5b and 6 areas), LEADER programmes I and II were designed to create new economic opportunities in most of the areas concerned, with the exception of those with an “outward-looking” economy, chiefly rich agricultural areas and areas situated in the immediate vicinity of towns. LEADER has guided the search for new forms of territorial competitiveness, based on a form of public intervention designed to exploit local resources in a more participatory and systematic way.

By borrowing some of Garofoli’s variables¹ to develop a typology of “local development models”, the nine types of rural area can be described as follows:

Type 1 – Areas where a sizeable population is still employed in agriculture

Such areas are characterised by:

- > a high percentage of the population employed in agriculture or livestock production;
- > a large amount of unpaid labour, multiple job holding and part-time working;
- > some processing of agricultural products organised on the farm itself;
- > systems of processing and marketing based on organising a multitude of different operators (processing cooperatives, marketing consortia, group purchasing of services, etc.);
- > the ability to innovate in terms of quality, labelling, controlling markets and distribution systems, etc.;
- > the ability for collective organisation within the sector and to link together the various producers/organisations, including diversification into tourism: wine routes, cheese routes, etc.;
- > housing settlements linked with the distribution of farms.

Examples in Europe: areas specialising in early fruit and vegetables, areas of intensive or extensive livestock production. This category is extremely diverse and includes: mountain areas in Greece, where more than 40% of the working population is still employed in traditional systems of mixed farming and livestock production; Greek and Spanish coastal areas practising highly intensive agriculture, often under glass; areas where farming is very modern but heavily indebted and extremely polluting, as in Brittany (France), Flanders (Belgium) and the Netherlands; and areas with extensive livestock production, such as the Auvergne and Limousin (France).

[1] Garofoli Gioacchino, in *Modelli locali di sviluppo*, Franco Angeli Editori, 1991, p65-66. His variables were: production structure and corporate structure; origin of entrepreneurs and capital; markets; business creation dynamic; employment, social and territorial structure; local institutions and economic policies.

Type 2 – Areas with rich, not highly labour-intensive agriculture

These are areas characterised by:

- > a low percentage of people in work, especially in the agricultural sector;
- > a structural surplus of labour, especially female labour;
- > large-scale farms (with a strong tendency towards concentration) generally geared towards single-crop farming;
- > heavily mechanised production and very high surface area/manpower and capital/manpower ratios;
- > farming predominates in generating revenues and in organising the area and its landscape;
- > a weak relationship between enterprises, with production and marketing decisions relying essentially on price regulation and subsidies;
- > the search for new functions for farmers in order to prevent long-term demographic decline;
- > little demand for local development policies and strong support for farmers' unions;
- > a public sector role determined largely by the administration of Common Agricultural Policy (CAP) subsidies.

Examples in Europe: the cereal-growing plains of the Parisian Basin in France, the rice-growing plains of northern Italy, the numerous maize- and sunflower-growing areas, and the areas of extensive livestock production in the United Kingdom.

Type 3 – Areas of traditional large-scale landholdings (“latifundias”)

In general such areas are characterised by:

- > the presence of large numbers of farm workers and frequent absence of landowners;
- > poor development of the area and serious impediments to players, other than traditional landowners, gaining access to land;
- > a search for legal solutions to overcome such obstacles (agrarian reform in Scotland, “privatisation” and breaking up large estates in the new German *Länder*);
- > a poor rate of business creation;
- > limited know-how about product processing;
- > housing settlements concentrated in the villages.

Examples in Europe: certain areas of Scotland; the southern Iberian Peninsula (Andalusia in Spain, Alentejo in Portugal); Sicily; and the new German *Länder*.

Type 4 – Areas dominated by natural or protected habitat

Such areas are characterised by:

- > a high proportion of the population working in forestry, fishing or extensive livestock production;
- > diversification towards quality organic and/or natural products;
- > the tourism sector is structured to promote nature and conservation;
- > frequent conflict over the use of resources, sometimes with very strong opposition between the various interest groups;
- > consultation between public and private organisations, formalised by regulations or contractual agreements;
- > networking and inter-territorial cooperation (e.g. federations of nature reserves);
- > scattered housing settlements.

Examples in Europe: areas in northern Scandinavia; areas where there are nature reserves of long standing (mostly national parks) and others where nature reserves were formed more recently (often regional parks).

Type 5 – Areas geared towards tourist accommodation, based on small-scale facilities

Such areas are characterised by:

- > small, family-run facilities;
- > a highly consolidated identity and social structure;
- > a large proportion of the working population is involved in tourism, some on a part-time basis;
- > close ties between the various local business sectors;
- > a cottage industry and small- and medium-sized enterprises that have developed to supply local markets (including the tourist market);
- > restrictions on building and demands for infrastructure, considerable community control over the environment and the use of resources and, in some cases, a deliberate policy to limit tourist numbers;
- > intensive use of housing.

Examples in Europe: alpine areas of Austria and Italy, especially those populated by minorities or communities with a strong identity.

Type 6 – Areas dominated by second homes or residential homes

Such areas are characterised by:

- > a large proportion of housing devoted to second homes;
- > heavy demand for housing from city-dwellers, retired people and, in some cases foreigners (areas in southern Europe);
- > very little out-of-season tourism development;
- > temporary service activities and/or constant demand for only certain types of service;
- > real estate expansion not always followed by infrastructure development.

Examples in Europe: certain rural areas in Wales and Scotland; certain areas of southern France; Spain's Mediterranean coast; and Tuscany in Italy.

Type 7 – Areas whose economy is dominated by small local businesses

This category covers three different types of situation: areas in which the sectors are not well structured (small businesses with no links between them); areas where, by contrast, the sectors are highly structured (small businesses that are specialised but complement one another); and areas specialised in a single sector.

The first case includes areas where:

- > a large number of small heterogeneous businesses exist in the area, some for many years;
- > a lack of specialisation which hampers relations between enterprises and prevents them from identifying their needs for services and support policies;
- > mostly local or regional markets.

Examples in Europe: certain areas of southern Scotland, southern Italy and, more generally, all areas where no business collaboration/competition rationale has been developed.

By contrast, areas where specialisation facilitates links between enterprises and encourages initiatives involving technology dissemination and business services, there are:

- > large numbers of specialised but complementary small businesses, often existing alongside medium-sized and large enterprises (what is termed "diffuse specialisation" in the case of Italy's industrial clusters);
- > local training to provide skills and technical specialisations associated with the development of the sector;
- > significant social and territorial cohesion;
- > access to world markets, by competing internationally;

- > a high level of technological innovation permeating the entire sector;
- > however, in some cases also a low standard of management training, due to immediate job opportunities.

This type of structure is not so common in European rural areas. It is especially characteristic of northern Italy (industrial clusters of Venetia, Lombardy and Frioul) and certain rural areas of France (Tarn, Jura).

The third type of area is characterised by:

- > small businesses which all specialise in a single product and therefore compete with one another;
- > local vocational training provision but a poor diversity of expertise;
- > access to national and European markets, but the competition to gain access is fierce.

This category corresponds to areas of small-scale agri-foodstuff production, such as cheese-producing areas (*see the example of Bregenzerwald in Austria below*) and the vineyards of Italy, Portugal, etc.

Type 8 – Peri-urban areas

Such areas are faced with:

- > large numbers of commuters;
- > shops and services have to fight competition from metropolitan areas or nearby towns;
- > an inadequate rate of business creation;
- > problems in providing sufficient services to the population;
- > residential housing predominates;
- > the area's identity is being undermined.

Examples in Europe: most rural areas situated close to cities.

Type 9 – Areas with elderly populations and/or a high dependency rate

Such areas are characterised by:

- > economic and social decline reflecting low per capita income and a poor employment rate;
- > significant demographic decline combined with an ageing of the population;
- > problems in the succession/take-over of businesses and farms;
- > poor development of the area, accompanied by a gradual neglect of the architectural and historic heritage and infrastructure;
- > lack of attractiveness and insufficient services to keep young people in the area;

- > a highly dispersed production structure that makes it difficult to bring about the potential multiplier effects generated by public measures;
- > a serious need for public measures to preserve existing businesses and jobs, which are supported chiefly by multiple job holding;
- > difficulties in organising local players.

Examples in Europe: many mountain areas (except where they have a strong tourism or industrial base); certain areas in inland Spain, Greece and Portugal; Italy's Mezzogiorno region; certain areas of France, like the Limousin plateaux, Aude, etc.

1.1 New opportunities for rural areas

It was not until the late eighties, notably with the emergence and dissemination of the concept of "rural-ity", that pilot policies were introduced in a number of marginalised areas to help them recover their economic competitiveness. These policies paved the way for a micro-economic analysis based on processes of development and social change. This analysis has led to the identification of elements that are specific to the development (or non-development) of different rural areas, highlighting the concept of the "area" [territory] as a key element in structuring the relationship between institutions, the economy and social organisation.

The term "territorial economic competitiveness" means the ability of local players to create and retain value added by integrating local resources into products and services that meet new consumer expectations in response to changing markets. The approach is based on redirecting public intervention policies, as well as on organising production and distribution processes in ways that create competitive advantages by promoting the distinctiveness of each area.

Now, more than ever, there is a need for Europe's rural areas to be economically competitive. Preserving landscapes and diversifying product and service provision on the basis of each area's specific assets have become the key for repositioning the rural economy in a context of world competition.

Since 1992, the LEADER Initiative has been the European Union's "pilot" political response to the need to restore the economic competitiveness of rural areas in difficulty.

As a back-up to European, national and regional policies, which focus on more tangible factors, local LEADER measures seek to influence intangible and cultural factors of development. What is more, LEADER does not confine itself to supporting primary production activities but aims to improve the social environment, whilst promoting the natural and cultural heritage.

Eight years after the launch of the Community rural development Initiative, a number of lessons can be drawn concerning the pertinence of local intervention policies and the need to deepen, and even broaden, the fields of intervention.

1.2 Lessons learned from LEADER

Lesson one: LEADER has instigated an **integrated development policy/learning approach in problem areas**, by assuming the risk of experimentation.

LEADER's aim was to concentrate development support on micro-areas selected according to criteria of economic, environmental, cultural and other forms of cohesion. Drawing up a development plan ("business plan") for each of the areas concerned, based on a "horizontal" partnership that includes local public and private players was, in principle, meant to avoid duplicating the same "development recipe" for all the areas concerned.

This approach was designed, first and foremost, to allow economic, socio-cultural and environmental variables to be roughly integrated into the analysis of an area.

However, an integrated view of an area can only be built up gradually, as "grass roots" measures progress. Where the situation is highly fragmented, it is rare for an overall view to emerge from a first analysis, even if it is possible to reconcile the various interests and viewpoints. However, this does not mean that the "endogenous" local development approach necessarily succeeds.

Lesson two: LEADER has demonstrated the **pertinence of creating a flexible and effective structure, the "local action group" (LAG)**, to act as a catalyst and interface between the demands of local players and those of public and private entities.

LAGs have gradually identified the fields of intervention most appropriate to their local situation by analysing market opportunities for local resources and structures. They have also shown that local development measures require the joint assistance of public entities as well as private organisations and structures operating in the area, in order to foster experimentation and the implementation of new means of economic development.

In many cases LAGs have also enabled local administrations, particularly district councils, to play a social coordination role, by encouraging initiatives and exploiting any synergy that may exist between the interests of local socio-economic players and the rest of the local community. Such synergy is a key factor in the successful implementation of economic, social and other projects in disadvantaged areas.

EXAMPLE

The Mugello/Val de Sieve LAG (Tuscany, Italy) is a broad partnership of numerous public institutions (15 district councils and a mountain community) and no less than 42 private entities. The partners include the district council of Firenzuola and eight private entrepreneurs working in the sector of “pietra serena”, a local grey stone often used in the past by Italian Renaissance artists but today confined to paving historic centres. The LAG therefore included in its priorities a measure aimed specifically at redeveloping the pietra serena sector. With the support of the LAG, Firenzuola district council and specialist advisers, the producers then embarked on a process of research and development to develop new products and uses for pietra serena. In parallel, Firenzuola district council backed the organisation of training and exchanges with specialised institutions, in order to reintroduce the ancient craft of stone cutting. This led to the identification of three new applications for pietra serena: urban furniture, interior decoration and the creation of various objects in pietra serena. The local action group and the district council played a key role in coordinating and guiding the project. The entire project represented an investment of EUR 224000 from LEADER. Since the launch of the operation, there has been steady growth in the stone sector, in terms of both turnover (+60%) and jobs (34 new full-time posts, i.e. an increase of 20%). Over and above these economic results, we are also seeing far-reaching changes in the way entrepreneurs operate. Nowadays they cooperate closely with one another, so much so that today it is possible to speak not only of a sector being organised, but also of a real indus-

trial cluster specialising in pietra serena being gradually created. This example demonstrates the importance and relevance of good links between the public and private sectors in problem areas.

Lesson three: the creation of LAGs has led to the gradual introduction of key elements for building an endogenous economic development model.

Below are a few examples:

EXAMPLE 1:

Collectively refining the relationship between local producers and end-user markets

In 1993, the West Cork LEADER group launched a strategy to create a regional brand. The aim was to achieve better coordination between producers in order to market tourist products and local agri-foodstuffs. Following a series of training courses on quality control, the project resulted in the creation of the “Fuchsia Ltd” label, requiring compliance with a number of rules and quality criteria.

EXAMPLE 2:

Building collaboration between entrepreneurs and other players

Austria’s “Käsestrasse Bregenzerwald” (the Forest of Bregenz cheese route) is representative of the integrated form of local development of the Bregenzerwald region, a forested mountain area to the east of Bregenz, capital of the Land of Vorarlberg. Cooperating within the local partnership are 23 district councils and a wide variety of associations, as well as farmers, restaurateurs, tourist operators, agri-foodstuff producers, shopkeepers and craftsmen. The “cheese route” has become the flagship project of this territorial partnership, whose links have since been strengthened as a result of the multiple activities that have been organised as part of the project. Indeed, “constructing” the Käsestrasse is a continuous process that requires the active and sustained participation of a growing number of businesses, volunteers and public players.

EXAMPLE 3:

Enhancing the economic culture through training and experimentation

The inauguration of the “Stenfors Development Kitchen” in April 1998 at Robertsfors (Västerbotten, Sweden) was the result of a five-year process. Launched by five women farmers, the aim of the project was to set up a collective cooking workshop where local products cooked according to family recipes could be prepared for sale. By provid-

ing shared facilities for food preparation, packaging and storage, the workshop has created jobs and a new source of income for the 17 people currently using the facilities.

EXAMPLE 4:

Seizing the opportunities offered by formerly untapped local markets

The Ross & Cromarty LEADER group in the United Kingdom, which works in the Scottish Highlands, supported a small-scale organic horticulture project for supplying the inhabitants of the Applecross peninsula with fresh flowers, vegetables and fruit. Formerly, the inhabitants of this isolated region stocked up once a week with food products from outside the area, or else they would travel some 130 kms to buy their food at the nearest town! The creation of “Applecross Organics”, allowing them to buy fresh quality products all year long, particularly in the winter when road travel is difficult, has created a new local market.

In Portugal, hunters from all over the country would meet in the Destêque LEADER area. On the initiative of the LAG, the region’s farmers have started to sell their local and farm products direct to hunters and their families.

EXAMPLE 5:

Focusing the attention of businesses and local players on external developments and on their own ability to innovate

“LEANOVA” is a programme for supporting innovation in small businesses from the Lauwersland and Noordwest Friesland LEADER areas (Friesland/Groningen, the Netherlands). The project calls upon the services of experts from a range of organisations (research and technology centres, large enterprises, etc.), which work with the SMEs in seeking solutions to the problems hampering their growth, especially their lack of product innovation. Devised by the University of Twente (Enschede), LEANOVA was based on a similar programme, “INNOVA”, which the university had implemented in another region of the Netherlands.

Lesson four: LEADER has highlighted the need for more information about the local economy to include products and know-how, as well as skills that are dying out.

The problem of securing up-to-date statistics about the development of local businesses underlines the importance of LAG activities. By working jointly with organisations such as consular offices, business associations and local cooperatives, they are able to monitor local development.

In addition to such monitoring activities, LEADER has also demonstrated the need to identify an area’s specific skills, which in many cases are either fast disappearing or have survived only in a local or family context. It is by highlighting such expertise that LAGs, together with local players, have been able to refine and develop differentiated products, organise relevant training and recreate the conditions for once again exploiting such skills. This has allowed numerous local products to be reintroduced onto the market.

Nevertheless, the LAGs’ ability to monitor the local economy is often highly empirical. In only very few cases have systematic procedures for gathering statistics and carrying out research been organised to permanently monitor changes in the production structure (business creation/failure) and in know-how (traditional/new vocational skills). More work still needs to be done to standardise methods for collecting statistics and information in order to make comparative analyses on an area-wide basis and to ascertain the importance of each sector in relation to the others.

Lesson five: LEADER has come up with ideas for overcoming some of the handicaps of areas suffering the greatest problems.

By focusing their activities at local level, LEADER has helped to gradually refine methods to overcome the special handicaps of marginalized areas.

This has involved experiments to solve the following problems:

a) Difficulty in ensuring the succession/take-over of farms and other local businesses

EXAMPLE

“RELANCE” is a strategic project introduced by the Espace Cévennes LAG (Languedoc-Roussillon, France) for assigning to buyers activities, businesses and farms that would otherwise die out for lack of heirs. By setting up databases, the LAG, with the support of consular offices and other public organisations, can identify entrepreneurs interested in setting up in the Cévennes region. RELANCE then puts assignors and buyers into contact and provides them with individual guidance and support.

b) Neglect or under-utilisation of the architectural and historic heritage and infrastructure

Renovating monuments, buildings and other types of infrastructure has been one means to enhance the attractiveness of dilapidated areas. Restoring the heritage often involves the creation of new tourist facilities. Furthermore, measures to recover their neglected heritage have helped to enhance the inhabitants' image of their cultural heritage.

EXAMPLE

In the Ballyhoura LEADER area (Ireland), the revival of villages has led to the development of new businesses, chiefly restaurants. These have gradually been integrated into a collective quality approach ("QUEST" project) and have become magnets for locals and tourists who appreciate quality.

EXAMPLE

In order to preserve abandoned mediaeval stone walls and terracing that are currently home to a rich variety of wild fauna and flora, a tourist route has been created in the Virgental area (Tyrol, Austria), with the support of local farmers. Under the slogan "Make all your senses count", the route has been adapted for use by blind people. This product has become the cornerstone of the area's tourism strategy. It has led hotelkeepers to adapt their service to meet the requirements of this new clientele. The project has also helped to promote the entire area as part of the campaign "Virgental, Valley of the Senses".

In many other LEADER areas, old railway lines, pilgrimage routes, farming or industrial installations, etc. have provided an opportunity to create original tourist facilities that conjure up forgotten traditions (e.g. former Celtic pilgrimage routes), which arouse a great deal of curiosity and bring in visitors from far and wide, something that was inconceivable in the past. Such redevelopment, in its turn, leads to changes in attitude, with inhabitants starting to see their own resources and reference models in a positive light.

c) Population ageing and insufficient attractiveness and services to keep young people in the area

It is rural areas suffering the greatest problems that lack appeal for young people. LEADER's proposed solutions often form part of a wide-ranging approach to tackle a number of different issues at once, including social, economic and leisure factors, as well as the area's image.

EXAMPLE

Limited job opportunities, compounded by high unemployment, have prompted many young people to leave the villages of Llandysul and Point-Tywely, in the Teifi Valley (Wales, United Kingdom), to live in the towns. Worried at this socio-economic decline, a group of inhabitants organised a village audit in conjunction with the LEADER group. This led to the establishment of three panels on: social cohesion and quality of life; economic affairs; and tourism and the environment. This approach culminated in an integrated development plan that has led to numerous initiatives to make the two villages attractive again. This involved the creation of a youth centre, the conversion of a parish hall into a community centre, setting up a nursery in a disused commercial building, extending the boating facilities at Llandysul to include accommodation for canoeing and kayaking groups, installing collection points for recyclable waste, etc. This project is all the more remarkable as the two villages come under different administrative authorities.

d) A dispersed production structure that makes it difficult for the multiplier effects generated by public measures to emerge

In cases like these, LEADER has often initiated an approach to group producers together to solve specific problems, e.g. innovation in the production process, compliance with standards, market access, etc. Approaches such as these have proved effective in a number of cases:

- > where producers all share the same specialisation;
- > where producers have complementary specialisations that can be pooled to create a joint product (e.g. the creation of thematic tourist routes).

EXAMPLE

In the Magnoac region (Midi-Pyrénées, France), group - ing farmers into a cooperative for pooling farming equip - ment has led to the creation of an abattoir and a can - nery for foie gras, one of the area's traditional products. Farmers have set up a collective working system that has enabled them to introduce European health standards and to penetrate the national market. A flexible techni - cal and financial method of managing the facilities has been introduced to suit the requirements of each indi - vidual farmer member. Backed by LEADER, the "Maison du Magnoac", which is a meeting place for inhabitants and tourists alike, also serves as a collective marketing outlet for six farmers, whilst 34 others sell their products direct from the farm.

Lesson six: LEADER has supported the development of support measures to secure long-term economic competitiveness.

LEADER is as much a coordination instrument as a financial instrument. LEADER I was essentially a learning phase for LAGs, which in the main tended to focus on short-term measures. Gradually, as they acquired experience, LEADER II groups identified and developed instruments to suit their specific area, designed to guarantee longer-term economic competitiveness.

Some of these instruments are still in the start-up phase, whilst others have already proved their worth and demonstrated their usefulness. Below are a few examples:

EXAMPLE 1:

Creation of financial instruments to encourage banks to play a more active role in local development and forging a relationship of trust between small-scale producers and the financial system.

The Anglona Monte-Acuto LEADER group (Sardinia, Italy) has created a "Guarantee and Loans-on-Trust Fund". This cooperative fund, "LEADERFIDI", aims to foster the cre - ation and development of small local businesses by facil - itating their access to credit, in a regional context where loans are expensive and would-be borrowers are not very creditworthy. The project also forms part of a bid to sup - port initiatives beyond the term of the Local Action Plan formulated under the LEADER programme. An agreement between LEADERFIDI and the Bank of Sardinia provides local entrepreneurs, especially young business creators, with access to bank loans.

EXAMPLE 2:

Creation of structures to support technological innovation for producers and small businesses.

The Ötztal LEADER group (Tyrol, Austria) supported the creation of a wool-washing machine for use by sheep breeders within a wide radius. Run by a local entrepreneur, the machine not only incorporates state-of-the-art tech - nologies but also complies with environmental standards. The machine was designed to meet the needs of local sheep breeders, who were formerly obliged to send their wool to be washed in Belgium as there was no wool-wash - ing machine of the required capacity in the region. The use of this new machine has also helped to revive the Ötz val - ley traditions of sheep rearing and wool processing.

LEADER has also encouraged mechanisms for transferring technology from universities and research centres. However, LAGs continue to encounter difficulties in developing transfer structures that meet the innovation needs of rural entrepreneurs. Furthermore, LEADER groups still lack the ability to support the creation of regionally-managed structures that are able to help a number of neighbouring areas, which would allow a local research and development strategy to be implemented.

EXAMPLE 3:

Organisation of business service centres based on identifying the needs of local entrepreneurs and securing their participation.

The "Honey Museum" in the Portodemouros LEADER area (Galicia, Spain) is much more than just a museum. First and foremost it is a multipurpose apiculture centre. It harbours a honey-producing company, provides technical assistance to beekeepers, organises training, hires out equipment and provides quality control services to ensure that the region's bee-keepers package their honey in com - pliance with quality standards. With LEADER's support, the Honey Museum is ensuring the survival of small-scale beekeepers that, without access to such services, would be doomed to extinction sooner or later.

EXAMPLE 4:

Creation of vocational training structures

LEADER has helped to arrange vocational training of varying levels to:

- > seize new economic opportunities for the area;
- > update local expertise and skills;
- > redevelop traditional occupations that are becoming obsolete.

The Garfagnana Ambiente e Sviluppo LAG in Tuscany (Italy), concerned about the serious crisis in the forestry sector, has launched a policy to modernise the sector. It consists of re-gearing a number of forestry jobs and activities towards environmental protection rather than towards intensifying forestry itself. Retraining for 10 forestry workers is organised on work sites where bio-engineering techniques that favour the use of natural tree species and materials are applied. In order to meet growing demand for skilled labour from local forestry cooperatives, a second training course was later organised, this time for 20 young unemployed people.

EXAMPLE 5:

Creation of consortia to market local products

“Consorzio Garfagnana Produce” is the result of initiatives to develop three typical products from the Garfagnana area (Tuscany, Italy): Einkorn (triticum monococcum sensu lato, a form of wild wheat), honey and chestnuts. In order to organise the sector, the LAG has, as the result of a wide-scale coordination initiative, managed to bring farmers, processors and shopkeepers together into a single consortium. In 1996, with the support of local public organisations, Einkorn was granted the European Union’s Protected Geographical Indication label. Following the success of this initiative, two more consortia were created in 1998: “Consorzio del Farro della Garfagnana”, a consortium of Einkorn producers, and “Consorzio Castanicoltori”, a consortium of chestnut producers. Consorzio Garfagnana Produce has succeeded in representing the interests of all the area’s producers and tourist operators by creating a brand image and promoting the area Europe-wide.

EXAMPLE 6:

Creation of “showcases” to promote and market quality products

14 livestock producers from the Sønderjylland LEADER area (Denmark) grouped together to set up a training farm. Known as “Agripark”, the farm stocks numerous animals – cattle, sheep, deer, boar, etc. – the meat of which is consumed. In addition to its recreational function, the farm is a “showcase” for how quality meat production should operate. Its animals are raised humanely in compliance with ethical, health and feeding requirements. As a result, they supply very healthy meat which visitors are able to buy from the farm. Agripark is the fruit of a series of measures aimed at forging a working

relationship between producers, whilst at the same time providing consumers with a better guarantee of quality. The project has had a direct demonstrative impact in terms of diversifying local farming activities, with the added long-term benefit of several new jobs.

1.3 Requirements and room for manoeuvre to develop economic competitiveness

1.3.1 Diversity of situations

The above typology of rural situations explains why economic competitiveness varies in impact from one area to another.

- > Some areas already have some form of **economic competitiveness, as a legacy of the past** and have, to varying degrees, managed to safeguard or develop it over the years. This is particularly true of areas that still depend on agriculture for their living, whether or not it is labour-intensive. Nonetheless, some such areas have lost an element of their social and/or environmental competitiveness, which could, in the long run, threaten their economic competitiveness.
- > In other areas, economic competitiveness **is more recent in origin**. It was built on markets dating back several decades (e.g. tourist areas with small-scale facilities) or even longer (e.g. areas whose economy is dominated by small local businesses).
- > Yet others have lost their traditional farming-based economic competitiveness and are **in search of new avenues of development** in order to regain their competitiveness.
 - Some such areas plainly **have an asset** that can help them to achieve economic competitiveness and, to a greater or lesser extent, moves are already underway towards this goal. This is particularly the case in areas where natural and protected land plays a key role and in areas dominated by second homes or residential homes for the elderly. It is also true of peri-urban areas.
 - However, other areas **have not yet found a way** to restore their economic competitiveness and face considerable difficulty in achieving it. This particularly involves areas dominated by large estates, as well as areas with an elderly population that is highly dependent on state aid.

1.3.2 Linking economic competitiveness with social and environmental competitiveness

By comparing situations it becomes clear just how much economic competitiveness is bound up with the social and environmental competitiveness discussed in other parts of this series.

a) Need for a simultaneous and integrated approach

In some cases, social and environmental competitiveness have become inseparable from economic competitiveness.

This applies, for instance, to peri-urban areas. Such areas are generally “outward-looking”, i.e. while considerable human skills and resources may be concentrated in the area, they are directed towards the nearby town, without the local area really being able to benefit. What is more, such areas, which are often subject to uncontrolled land and housing pressure, have lost their distinctive character and no longer have their own identity. This is quite apart from any environmental problems that may arise. Offsetting this is the fact that the proximity of a town provides areas like this with market opportunities (it is easy to sell local products and to cater for day-trippers from neighbouring areas, etc).

Refocusing the inhabitants’ interest on their local area and redeveloping a lost identity based on the opportunities provided by nearby markets represent the main challenges for areas of this kind. In such areas, certainly more than elsewhere, this involves integrating the social, economic and environmental approaches.

b) Key routes towards economic competitiveness

In other cases, social and/or environmental competitiveness is crucial to creating the conditions for economic competitiveness.

In areas where natural and protected land plays a key role, for instance, it is not possible to build economic competitiveness without first totally controlling the environment, as the basis for developing the area’s asset. Only when environmental competitiveness is relatively well established, i.e. once the conditions have been created for preserving and fully developing the area’s natural resources, land and the physical heritage, and these have become values shared wholeheartedly by all of the area’s players, only then does economic competitiveness come into play.

In marginal rural areas and those dominated by large estates, more often than not, problems in developing economic competitiveness stem from a lack of social, and/or to a much lesser extent environmental, competitiveness. It is mainly the demographic deficit, the loss of trust between the players, the lack of social relations, the neglect and deterioration of natural and heritage resources, etc., that are holding back economic competitiveness and must be tackled as a short-term priority.

c) Long-term threats

Although social and/or environmental competitiveness are not necessarily essential to economic competitiveness in the short term, their absence poses a threat in the longer term.

This is particularly so of non-labour-intensive farming areas, which nowadays are more at threat from the demographic, social deficit and environmental problems than from economic problems per se.

What priority should be given to seeking economic competitiveness for a rural area? Although economic competitiveness is clearly a central element in terms of securing endogenous rural development not ultimately reliant on external subsidies and support policies, what priority should be given to economic competitiveness has to be seen in the light of each area’s specific situation.

Part 2

Analysing an area's economic competitiveness

Analysing an area's economic competitiveness

How can an area's economic competitiveness be evaluated? In other words, how can we evaluate the ability of local players to create value added and keep it in their area?

This ability depends on four factors:

- > the ability of local players to develop and promote local **skills and know-how**, whilst at the same time mastering new technology;
- > their ability to make optimum use of the **financial resources** available in the area, whether from private or public sources;
- > their ability to **create and manage businesses** and to organise not only each business internally but also the business community as a whole;
- > their ability to **enter lucrative markets** that yield economic value-added.

The above factors correspond to four of the eight components of an area's capital, presented in part one of this series, dealing with "Territorial Competitiveness".

We propose four different levels of analysis for evaluating the impact of these components on the local players' ability to create value added and keep it in their area:

- > analysis of **existing assets**;
- > analysis of **practices for developing** these assets;
- > analysis of **organisational systems**;
- > analysis of the **values** underpinning these organisational systems.

2.1 Skills, know-how and technological mastery

a) Existing assets

What skills and know-how already exist in the area? In other words, what are the characteristics of the local working population, including a description of their vocational qualifications?

This skills inventory should not overlook the latent pool of labour, including women and young people. Neither should older people be forgotten, whether or not they are retired. While they are no longer considered as part of the

working population, in many cases they have considerable untapped resources in terms of know-how, particularly traditional skills and/or skills that are dying out.

The description of skills and know-how for territorial development should not be limited to an occupational breakdown of the working population. It must also include the players' specific abilities in terms of initiative, links and contacts with the outside world, etc. Since it is not, of course, possible to analyse the entire population, it may be useful to focus on a few key players, such as project promoters, decision-makers, local leaders and prime movers in the area.

In terms of potential, it may also be important to evaluate how an area's working population is set to evolve: will it decline or, on the contrary, rise? This will depend not only on the demographic changes currently under way (ageing population or the reverse), but also on the possible arrival of new residents, on the ability of the players to secure information and training, etc.

b) Development practices

How can local manpower, skills and know-how be developed?

The first issues to consider are unemployment and the extent to which job supply matches demand. The latter is a key issue that calls for closer analysis: what are the skills for which there is a mismatch between supply and demand? Who is affected by unemployment?

More generally, what is the occupational structure of the area's working population? Is farming still a major employment sector? Are there structural employment deficits that can be resolved only by moving away to find jobs outside the area? What is the relative importance of part-time working and multiple job holding and of self-employment and family-run businesses? Also, what proportion of workers is in paid employment? By answering questions like these it is possible to describe the key characteristics of an area's employment structure.

Other more qualitative aspects must also be considered: which local skills have not been developed?

c) Organisational systems

How do local players organise themselves in order to ensure the economic development of their area and to develop the human potential that it harbours? This raises a number of questions:

- > What are the systems for recruiting workers? Are any contractual adjustments made to suit local needs (e.g. job-sharing or employers' pooling labour)?
- > What systems have been set up for vocational training? What are the procedures for promoting, recovering or updating traditional skills?
- > What relations are there with universities, research centres and other support bodies?
- > What potential do local players have for innovation? A quick "search" of the area could be carried out to identify the ideas and plans of local entrepreneurs in order to draw up an index of the area's innovation potential.

d) Values

What importance do local players place on the acquisition of skills and training? How are needs analysed? Do any forms of social dialogue exist between the two sides of industry to identify needs and set up suitable training?

2.2 Ability to appropriately manage financial resources

Managing financial resources is the second essential component of an area's economic competitiveness.

a) Existing assets

The financial resources available to an area are in the hands of households, businesses and the local public sector:

- > The savings capacity of households and their attitude to risking their savings by investing locally are key elements that are, however, very difficult to assess. Nevertheless, a general idea can be formed from discussions with key people, financial institutions, consular offices, etc.
- > Businesses and their attitude to risk-taking – What is the role of public funding (subsidies for local farms and businesses) in reviving investment in key sectors of the local economy?
- > The public sector – What resources do local public entities have (budget, local tax revenues, subsidies, etc.)?

b) Use of funds

How are local financial resources used? What is the relationship between locally *generated* financial resources and locally *utilised* financial resources?

One crucial question is how much funding is available to project promoters and innovative projects? Indeed, in many cases, even where financial resources exist in a rural area, the promoters of small-scale projects, particularly young people, and those needing funds for investment, are not necessarily those with the easiest access to it.

How, then, can such resources be made available? Most important, what are the obstacles?

Usually these are:

- > the banks' lack of interest in "small-fry" project promoters;
- > the lack of adequate collateral from project promoters;
- > the lack of social links that allow risk-taking or of forms of collateral based on trust;
- > the lack of funding alternatives;
- > etc.

c) Organisational systems

How should the area's financial resources be managed? What institutional, legal, financial, partnership and other instruments exist for managing such resources?

How can the banking system be characterised? What banks operate in the local area? What strategies do banks have in the area? Do the banks' financial products match the needs of local businesses? What is the banks' attitude to SMEs and, more generally, to managing local savings and granting loans?

Are there any local banks or cooperative banks? Do they have specific operating practices and rules? How are they integrated into territorial development?

What structures provide for greater financial flexibility in the area?

These may, for example, include:

- > Alternative financing structures, guarantee funds, etc.

EXAMPLE

In central west Brittany (France) the LEADER group has created a special structure, "GALCOB Initiative", for harnessing local public and private funding in order to make loans on trust. Such loans are made to project promoters and businesses in the start-up phase, which operate in sectors of particular importance to the area. The project is therefore helping to offset the lack of capital and project promoters in an area still suffering from rural depopulation.

- > Structures for linking public and private investment in order to achieve a leverage effect, such as mixed-finance companies for supporting local development projects.

EXAMPLE

The municipality of Ribeira de Pena (Norte, Portugal) created a mixed finance company to build a small hydro-electric station and in so doing secured the support of a number of local investors.

- > Structures for harnessing savings and channelling them into local development

EXAMPLE

The "Cigales" network in France is a group of local organisations that place the savings of private individuals who have decided to collectively invest in projects felt to be of benefit to local development. These are usually small-scale welfare projects.

More generally, how is the link forged between the people with ideas, project promoters and financial institutions? What are the intermediaries (those analysing applications, support and advisory structures, etc.)?

What obstacles are there to increasing the number of business investors? The shareholders of rural businesses are often limited to the family and perhaps the employees. It may be difficult to bring in outside investors in the form of limited liability companies or public limited companies. Are there any collective forms of investment (cooperatives, consortia, etc.) appropriate to the local cultural context?

d) Values

Access to funding by the promoters of initiatives and projects depends to a large extent on the degree of mutual trust and solidarity between the area's players. It is such trust and solidarity that influence attitudes and encourage support that goes beyond purely economic considerations.

Over and above such issues, there is the issue of the degree to which the community is aware of the importance of keeping savings in the area. Are there any collective forums for fostering this sort of awareness? Alternative structures for funding, channelling savings into local development, etc. can play a key role in this.

EXAMPLE

The "Cigales" networks in France, mentioned earlier, often have a much greater impact in terms of shared values, by raising awareness during discussions on project financing, than in strictly financial terms, in view of the relatively small amounts at stake.

Likewise, what values predominate among local authorities? Is financial support for investors a major concern of district councils, regional structures (e.g. regional governments and consular offices) etc? What does this mean in practice? Are measures limited, for instance, to general conditions for investment support (e.g. the creation of industrial clusters) or are efforts made to target project promoters and other players in need of more specific support?

2.3 Businesses

Human resources and vocational skills on the one hand, and financial resources on the other, constitute the two key factors of economic competitiveness.

How are such resources transformed into businesses (in the broad sense, i.e. self-employed craftsmen and micro-businesses, large enterprises and farms, etc.)? What is the creation and failure rate of such businesses?

Businesses that are well established in the area and are actually controlled by local players are central to an area's economic competitiveness. To what extent, therefore, do players from outside the area with interests other than local development control such businesses? Have there been any sudden, unforeseen departures, which represent considerable losses for the area and are likely to cause destabilisation (unemployment, loss of key skills, etc.)?

How is it possible to find out more about the area's businesses and to gauge their performance in order to ensure long-term economic competitiveness? This requires answers to a number of questions:

- > How are such businesses distributed in terms of size, geographic situation, etc.?
- > How do they operate?
- > How can one evaluate their support structures and the institutional and legal environment in which they are evolving?
- > What are the values underpinning the behaviour of local entrepreneurs towards the area?

a) Existing assets

How can the businesses operating in the area be characterised? How is it possible to gauge the density of the business fabric, the relative importance of the different sectors, the number of small businesses compared with large enterprises, etc.?

Statistical data provide an initial source of key information and certain indicators can provide a number of avenues to guide the analysis. For instance:

- > the business creation and failure rate indicates the degree of business stability. The aim will therefore be to identify, in line with the age of businesses, which are the sectors with stable businesses that are controlled by local players;
- > the distribution of businesses according to size (not only in terms of the number of workers, but also their capital, turnover, etc.) is also a key indicator;

- > the area can be characterised by comparing the number of businesses with the number of employees: ratio between large enterprises and SMEs, density of the business fabric, etc.;
- > the breakdown of employees by sector is a good indicator of the relative importance of each sector. What, for instance, is the relative importance of farms and agri-food processing firms compared with craft, industrial and service firms? Such a breakdown could be compared with the distribution of gross product or turnover between sectors, if such data is available;
- > a breakdown by the sex, age and origin of entrepreneurs is also an important variable that should be taken into account. Have any businesses been developed by women? In which sectors? What proportion are young entrepreneurs? Have any businesses been created by people returning to their home area after having moved away? The age of entrepreneurs (how many are aged 55 and over?) and their succession problems are also a key indicator of the probable future development of local businesses in terms of their continuity or relinquishment.

It is well worth cross-tabulating these various indicators in order to ascertain which are the most dynamic sectors in terms of business creation and stability, what the distribution is by size in each sector, etc.

This allows the area to be generally characterised in economic terms and then compared with the typology presented at the start of this publication. In order to position the area more accurately, this initial "spade-work" can be supplemented by more detailed statistical analyses or a few well-targeted surveys. For example, in the agricultural sector, the number of workers compared with the surface area under cultivation may provide a good indicator as to how intensive or extensive local farming is.

What is the level of specialisation or diversification in the local economy? What is (are) the sector(s) that are likely to foster economic competitiveness in the future? Is a revival being seen in these sectors, in technology, quality or product presentation terms? Is any process of restructuring under way? What are the characteristics of new entrepreneurs (especially young people) and what are their needs in terms of training, advisory services, etc.?

Lastly, further considerations about the location of businesses make it possible to analyse the territorial distribution of businesses and see whether they are concentrated in clearly defined areas. Do the level of facilities,

the siting of infrastructure and the means of communication have an impact on business location? What other factors help to explain any differences between the different sites in the area in terms of business creation rates?

b) How businesses operate

The way businesses operate is eminently complex and brings into play a large number of factors. Analysing an area's economic competitiveness can be limited to a few key aspects, some relating to the external operation of businesses or between businesses (flows, links) and others to their internal operation (internal capabilities, internal policies).

Flows include flows of raw materials, services, end products, etc. between the businesses in an area. This type of analysis makes it possible to identify forms of sub-contracting and trading, which businesses are linked directly to the market and which ones are situated further upstream. It also makes it possible to identify forms of dependency and the balance of power. For example, it is often the largest enterprises that control the markets and sub-contract part of their production to small businesses or even to individual self-employed workers.

An analysis of the relationship of interdependency between businesses (internal product flows: raw materials, semi-finished products and services) makes it possible to ascertain the importance of the links between businesses within the area itself and to identify, for example, the local leaders in a sector, any complementarities between large enterprises and SMEs, etc.

This will determine the choice of strategic support, as demonstrated by the following example.

EXAMPLE

The production of traditional cakes (“polvorones”, “alfajores”, etc.) is the chief processing business in the Sierra Sur de Sevilla LEADER area (Andalusia, Spain). The largest firm in the sector produces around 40% to 50% of the total volume and has a growth-generating effect on all the area's other producers. What is the best course of action in this case: should support be given to the large enterprise (e.g. for the introduction of digital controls throughout the production chain) or, on the contrary, should support be given to the gradual technological revitalisation of the small firms? Under LEADER I, the LAG preferred to concentrate a large proportion of its support on the large enterprise, so as to create a stronger emulation impact on the sector as a whole, rather than

“scattering” its support among the smaller businesses.

Flows are themselves the expression of the various **links** that entrepreneurs have developed over time: links with other businesses, sources of information, suppliers, institutions, marketing channels, etc. A key role is played by the links with universities and research centres or design offices. Are there any laboratories, test centres, quality control centres, etc., either in the area or near at hand? To what extent do they work with local businesses? What is the relationship between them?

In general business creators are aware how important such networks are to the success of their initiative and seek to associate with a number of key players. It is common, for example, for rural businesses to include among their associates a “well-known” person, who is based in a city or even abroad, and serves as an anchor point for obtaining certain types of information, prospecting, representing the firm to certain customers, etc. This local ability to create links is an essential factor that must be taken into account. On what is it based? What networks of acquaintances and contacts exist? What are the limitations?

Links and flows give businesses certain **special abilities**, such as:

- > The ability to adapt and to integrate standards, regulations and other external requirements into their activities. What capability do local businesses have to adapt to quality standards? Do they find it difficult, for example, to develop traditional products under current regulations?
- > The ability to introduce and disseminate innovation and links with technological support and research structures. How much informal exchanging of information takes place between local businesses? What are the formal means of cooperation between entrepreneurs? Are there, for example, any associations of entrepreneurs to collectively purchase and use new technologies?

Relations between businesses (sub-contracting between small local businesses and large enterprises, for example) facilitate the transfer of know-how and technological innovation.

Finally, in addition to this ability of businesses to link up with one another, it is also necessary to consider the **internal policies** of businesses. Do certain firms have a commercial policy of constantly renewing their product range, for example? If so, how is this supported locally? Are campaigns organised to promote new products? Are there any local rewards for innovation (prizes, etc.)?

Do local entrepreneurs use services (consulting, technology services, etc.) to update their expertise?

c) Business support

There are many different business support mechanisms, ranging from business incubators to information or technical support structures, innovation centres, etc.²

What business support systems are there? Are there any forms of collective support? What deficits are there in this respect?

How is quality control carried out?

What institutional mechanisms are used to circulate information about credit facilities, technical assistance and other forms of support for rural businesses? How can the suitability and quality of the services provided be evaluated?

Are there any business service organisations (public, private, mixed) capable of stepping in?

d) Values

It is impossible to determine how businesses operate, their dynamism (or, on the contrary, a degree of latent inertia) or how much room there is for manoeuvre in this respect, without taking into account the values that underpin the actions of entrepreneurs and local players in general.

The first question we might ask, for example, is what value is accorded to business in the local area? Is business creation a recognised value that is shared by local players? In certain rural areas, everyone in work ultimately plans to set up their own business after working for a few years as an employee, which can lead to excessive fragmentation of local businesses. On the contrary, in other areas the majority of the population is comprised of manual workers with no tradition of business creation; such areas generally suffer from a dearth of project promoters.

Further questions relate to traditions of cooperation, common references regarding human resource management, labour/management relations, etc.

The industrial clusters of northern Italy provide a good example of close collaboration between businesses, as well as of special social relations within businesses themselves. However, northern Italy's industrial clusters have emerged from a specific cultural context inherited from the past, which is difficult to transfer wholesale elsewhere.

2.4 Links with markets³

Having identified all the businesses in an area, together with their degree of dynamism and performance levels, economic competitiveness can be analysed only by comparing such performance levels with those of their market competitors.

Economic competitiveness, defined in terms of creating value added and keeping it in the area, presupposes being able to position itself in the most lucrative, and hence most value-added-creating markets. However, factors other than business performance come in at this stage. A particular characteristic of rural areas is that businesses activities are to some extent geographically dispersed and remote from markets, which calls for specific forms of organisation. Several levels of analysis are required:

- > What is the area's actual and potential offering?
- > In which market segments is this offering positioned and which niches is it able to exploit in relation to the requirements of the different segments?
- > How well organised are producers for exploiting these segments, with particular regard to the area's specific obstacles (dispersion, remoteness, etc.)?
- > How well do producers know the markets? In particular, what are the mechanisms, information channels, etc. that provide them with feedback and hence with information to enable them to improve their competitiveness?

a) Analysis of existing assets: the area's offering

A general analysis of the local offering should focus on the following questions: What products and services do the area's businesses offer? How can such products and services be characterised in terms of regularity and seasonality?

It is difficult to carry out an exhaustive analysis. One simple solution may be to evaluate the area's offering in relation to a number of key questions, such as:

- > Are they mainly mass-produced, standard products?

[2] In 1997, the LEADER European Observatory published a methodological guide entitled "Support for activities in rural areas" which describes many different forms of possible business support.

[3] A fuller analysis of short and long distribution channels for marketing food products was published by the LEADER European Observatory in 1999. See the dossier entitled "Marketing local products: short and long distribution channels", LEADER European Observatory, "Innovation in rural areas" series, dossier no. 7, 2000.

- > Are there any “niche” or “exclusive” products? What elements of differentiation allow them to tap into these market niches: mass-production or limited production, a recipe, an old-fashioned production technique, a legacy of the area’s past, a quality label, a regional label or label of origin, organic or natural products, special or artistic packaging, etc.?
- > Are there any seasonal products? If so, are there guaranteed means of storing them?

b) Analysis of practices

How is the area’s offering placed on the markets? Which market segments are more specifically exploited?

At this point it is appropriate to identify the following elements for the area’s main products:

- > the various market segments that these products exploit, starting with the nearest and least demanding segments (local markets) and progressing to the most distant segments;
- > the general characteristics of these segments, in terms of volume, existing competition and price levels;
- > specific requirements in terms of quality, homogeneity and regularity of supply;
- > the implications for producers in organisational terms.

This raises the question of what segments are exploited. Are they satisfactory or is it necessary to envisage targeting the offering at other segments?

For example, for numerous local products there are sufficient outlets in the local market and producers are satisfied with the returns. In other cases, the emergence of competing products obliges producers to seek other market segments, such as the segments for the high quality products demanded by urban consumers.

c) Organisational structure to achieve market positioning

The more remote and specific the market segments that are exploited, the higher the level of organisation required to exploit them. The simplest sales system is direct selling to local consumers. In complete contrast, certain specific urban or international markets, such as specialised rural tourism, demand a very high level of organisation.

It is therefore possible to evaluate whether producers are well enough organised to place their products on the market: How do they tap into potential markets? Where are there maladjustments? Have contracts or markets already been lost due to producers’ inability to deliver

the required volume, within the required timeframe, or because they were unable to adapt the product format?

There are two forms of organisation that allow producers to position themselves on markets: individual and collective organisation. For instance, a rural tourist operator may, through his personal contacts, succeed in selling all of his products and services through his own networks and acquaintances. By contrast, producers competing in a sector such as cheese making are increasingly resorting to group-marketing their products.

In general, a collective form of organisation concerns:

- > remote and specific market segments that require a much more complex level of organisation than easily-accessible nearby markets;
- > downstream phases, such as promotion, defining common standards, and quality control;
- > anonymous, undifferentiated products, for which economies of scale are advantageous (as in the case of dairy cooperatives), rather than differentiated products whose individual distinctiveness makes them advantageous in terms of price and value added.

The boundaries between individual and collective forms of organisation are therefore very complex and change depending on each individual situation. The first step is to identify which aspects of market access are organised individually and which collectively. The next step is to identify those aspects for which a more collective form of organisation would be desirable.

In terms of individual strategies, how do businesses organise their promotion and marketing? What differences are there that depend on the business sector, business size, etc.?

In terms of collective strategies, what forms of organisation have the players chosen in order to:

- > achieve sufficient economies of scale;
- > organise complementary offerings and product ranges;
- > enhance the quality and local character of products and services;
- > create new products through cooperation among the different sectors;
- > provide appropriate and differentiated services?

Are there any marketing consortia, shared promotion/sales points, associations of operators providing package deals such as thematic routes (e.g. a wine route, craftsmen’s route, cheese route, etc.)? Are there any outlets in the area for selling local products?

To what extent are such organisations able to influence institutional decision-making?

How do consumers obtain information? Are there any information points in the area? For example, do hotels exhibit and promote local crafts? How are visitors to the area informed about local products? Is it possible to visit local businesses as part of a guided tour?

What type of information is provided? Are the local characteristics that make the products “unique” identified and promoted? In what form?

How is information conveyed to consumers: through direct personal contact, advertising? Are the promotion leaflets available in several languages?

Are there prizes to reward innovation, the creation of new products, etc., or are there other mechanisms for promoting creativity and the area’s image?

EXAMPLE

In the Bregenzerwald region (Austria), a prize for innovative farm products has encouraged the creation of new products, such as cosmetics made from by-products from dairy and cheese production.

d) Producers’ knowledge about markets

The ability of businesses to improve their market position fundamentally depends on what feedback they receive about demand from consumers and distributors.

How do entrepreneurs obtain information about market trends? Are there any intermediation structures for providing such information? Is there an efficient local system for circulating information?

EXAMPLE

In Lisbon, the “Shop of the Rural World” which was set up by a partnership of local development associations and cooperatives, including several LEADER groups, enables producers to find out more about demand. By selling products from the shop they learn what types of customer are interested, what is the maximum acceptable price, whether product improvements are needed, etc.

What importance do entrepreneurs accord to trade fairs?

To what extent do they participate in local or regional fairs? Is any “fair” or other specific or thematic event held in the area in order to promote the area’s products?

What is the impact of this event? Are evaluations made: types of visitor, attractiveness, scope of promotion, the volume of sales or number of contracts secured, etc.?

2.5 Summary

The following table summarises the levels of analysis for each of the four components of the territorial capital⁴ more specifically involved in economic competitiveness:

What conclusion can be drawn from this summary in terms of economic competitiveness?

Using the definition of economic competitiveness presented in our introduction, and based on the elements for analysing the four components of an area’s capital, we can draw a comparison between the two types of economic competitiveness, relating to businesses or to the area. Business competitiveness is the ability of firms to withstand competition, and territorial competitiveness is the area’s ability to create and keep value added.

		<i>Components</i>			
		1- Analysis of existing assets and potential	2- Analysis of utilisation	3- Analysis of organisational systems	4- Analysis of values and/or knowledge
<i>Levels</i>	Skills and know-how	Existing skills in the area	How are such skills promoted?	Training and capitalisation systems	Awareness of skills and needs
	Financial resources	Current and potential capital available	Harnessing capital and putting it to work	Organisation and financial engineering	Motivation and trust between operators
	Businesses	Existing businesses	Business operation	Business support mechanisms	Values underpinning the business fabric
	Links with markets	Products and services (the area's offering)	Market segments concerned	Organisational structure to achieve market positioning	Producers' knowledge of markets

[4] See “Constructing a territorial development strategy in the light of the LEADER experience Part 1: territorial competitiveness”, LEADER European Observatory, 2000.

The following table summarises the elements that can be drawn from the four components in relation to the two types of economic competitiveness.

Components	Type of economic competitiveness		
	Corporate economic competitiveness	Territorial economic competitiveness	
	Ability to promote skills and know-how	Good personnel management within the enterprise	At area level: no unemployment
	Ability to made good use of financial resources	Good financial management of the enterprise	Financial flexibility at area level
	Ability to create and ensure good business management	Ability of the enterprise to renew and innovate	Entrepreneurial dynamism: setting up businesses, etc.
	Ability to forge links with markets	Individual or sectorial organisation of links to markets	Collective organisation at area level (promotion, charters, etc.)
End result	Ability to ensure the financial profitability of the enterprise and to withstand competition	Ability to create value added and keep it in the area	

Part 3

Implementing a strategy to boost economic competitiveness

Implementing a strategy to boost economic competitiveness

The economic competitiveness of the business firms in a rural area is a prerequisite for the area's economic competitiveness, but is not sufficient in itself.

3.1 From corporate economic competitiveness to territorial economic competitiveness

The most common approach is to view economic competitiveness from the corporate angle. Furthermore, there are numerous proven ways and means for developing and implementing strategies to enable business firms to acquire economic competitiveness.

However, the search for territorial economic competitiveness goes much further than this. The table at the end of the previous chapter illustrates the differences and complementarities between the two sides of the economic competitiveness concept.

The economic competitiveness of the enterprises in a rural area is therefore a prerequisite for the area's economic competitiveness, but it is not sufficient in itself. Other elements also need to be taken into account. Below are a few examples:

- > integrating all of an area's resources;
- > promoting an area's common distinctive features in order to differentiate products and create market opportunities;
- > strengthening corporate ties to an area in order to increase non-relocateable resources.

a) Integrating every one of an area's resources into a development strategy

In a differentiated territorial approach, all of an area's components become potential "resources". Intervention strategies can be developed to:

- > prevent business activities from being concentrated on limited resources and sites;
- > promote the environment (preservation of natural resources) and the identities fostered by social traditions and allegiances;
- > create "variable geometry" partnerships to encourage the emergence of new ideas and new products.

EXAMPLE

The Isle of Lewis (Scotland) has an abundance of environmental resources and a rich cultural heritage. The druid stones of Calanais represent one of Scotland's finest examples of late Neolithic architecture. The site was developed after more than two years of consultations. The 11 organisations and interest groups involved in the project each had their own views on the way in which the site ought to be developed. However, one thing they all shared was the desire to find a solution for managing the site to enable the region to draw benefits from tourism. The Western Isles LEADER group played the role of catalyst in setting up the forms of cooperation needed to achieve concerted action from the various players involved. A limited liability company was created to manage a cultural heritage centre and tourist information point. Its board of directors is comprised of representatives from the chief financial partners and the local community.

b) Promoting an area's distinctive features in order to differentiate products and create market opportunities

Traditions, landscapes, architecture and know-how can all become elements that differentiate an area's products. Emphasising an area's "shared assets" also means fostering the emergence of the collective-innovation concept and practices.

This approach can also be effective in encouraging the ability to create and develop links between the area and the test centres seeking solutions to match the area's resources to consumer demands and quality requirements.

So, promoting an area's distinctive features becomes a key element of a bottom-up development strategy in which the knowledge and culture of the area's entrepreneurs leads to proposals for change and revival.

c) Strengthening corporate ties to an area in order to increase non-relocateable local resources

How can an area hold onto its business firms and secure a certain competitive advantage once it has promoted its distinctive features?

By what means can it ensure that business firms and activities become non-relocateable? Two parallel approaches may be required:

- > raising local players' awareness about and acknowledgement of the special features of their area and culture that may interest consumers;
- > fostering the ability to renew, update and continually adapt products and services because, whatever the type of activity or product, no matter how distinctive, staying in the market calls for a constant quality effort.

EXAMPLE

In the Vinschgau/Val Venosta LEADER area (Trentino-Alto-Adige, Italy), hotelkeepers are not content to merely preserve their area's special aesthetic and other traditional features (this Italian area is mostly German-speaking), but they also update the region's gastronomic offering. For example, they adapt traditional recipes to suit vegetarians or cook with local organic produce.

Most LEADER groups use a range of means (regional labels and quality charters, thematic routes, tourist trails, visitors' centres, etc.) to reinforce the non-relocateable elements of an area's business activities, by involving the local community and entrepreneurs.

3.2 A few elements of methodology

3.2.1 Choosing a general policy

Based on the differences and complementarities between corporate economic competitiveness and territorial economic competitiveness, how should a general policy be chosen? One might seek to:

- > better exploit an area's existing or untapped resources;
- > increase business performance;
- > diversify products and services;
- > exploit more lucrative market segments.

These four policies correspond to four general and complementary objectives that should not be pursued in isolation. For example, it is difficult to extend a product range without first improving the use of local resources, or to tap into new market niches without first modifying business products and performance.

How, then, is it possible to clarify these objectives and the relationship between them before defining more specific objectives? Below we propose two types of analysis:

- > a prospective analysis of what can be achieved;
- > an analysis of shortcomings and ways to overcome them.

a) Prospective analysis: identifying opportunities

Identifying niches or products that can generate value added and keep it in the area is a key aspect of any endogenous development strategy. The aim is to map out guidelines by seeking viable solutions. This might, for example, include switching from wholesaling to selling in niche markets, updating traditional expertise or exploiting untapped local sub-products.

EXAMPLE

The mayors of the Cilento Park area (Campania, Italy) decided to give a strong indication of change to local farmers accustomed to bulk-selling the region's two chief products, chestnuts and olive oil. Chestnut farmers were given the opportunity to visit processing factories (chestnut flour, marrons glacés), many for the first time. In the olive oil sector, systems were set up, with support from the World Wildlife Fund (WWF), for the production of organic olive oil. The oil sold under the WWF label yields double the returns producers were accustomed to earning before. The next step was to carry out a systematic search for non-exploited and/or neglected local resources.

EXAMPLE

In the Alto Cavado region (Norte, Portugal), the embroidered linen trade was dying out. In fact the embroidery formed part of a tradition, itself on the point of extinction, where men and women would exchange embroideries as a pledge of love or to ask for another's hand in marriage. The LEADER group succeeded in relaunching the trade by creating a craft centre and integrating the decorative patterns of these embroideries into ordinary household objects, like curtains, tablecloths, lampshades, etc.

In many cases, opportunities such as this are not enough in themselves to make a trade viable, but they may serve as levers for developing a wider-ranging activity that becomes viable through economies of scale or the development of several market niches.

b) Identifying shortcomings and ways to overcome them

The summary analysis of an area's capital presented in section two of this publication helps us to identify four levels of shortcomings in economic competitiveness.

Each level allows us to take stock of a key element for economic competitiveness (analysis of existing assets) and its utilisation (analysis of practices), highlighting shortcomings in developing an area's resources. By analysing organisational systems we can examine whether an area is capable of overcoming such shortcomings and has the necessary means to do so, or whether further means are required. By analysing shared knowledge and values we can identify the area's deepest-rooted limitations and what measures have been, or should be carried out to overcome them. The following table summarises this approach.

Existing resources	To what degree have they been developed?	What are the shortcomings?	Examples of possible measures to offset such shortcomings	
			In terms of structures	In terms of values and expertise
The area's existing working population and skills	Levels of employment and utilisation of local vocational skills	Unemployment and under-employment	Training engineering to create new activities	Social partner dialogue and inter-institutional consultation on training
Financial resources	Financial investment at local level	Lack of access for promoters of small projects and business start-ups	Financial engineering (guarantee funds, loans on trust) for business start-ups and promoters of small projects	Raising the awareness of banks and savers about territorial development
Enterprises	Smooth operation	Inability to innovate	Business support systems	Search for mechanisms to acquire knowledge, appropriate means for transferring it
Products and services (supply)	Consolidation and expansion of the market segments already exploited	Lack of access to more lucrative market segments (remoteness, lack of contacts, etc.)	Collective marketing organisations	Business information systems

This reveals four possible shortcomings in economic competitiveness, corresponding to the four levels of analysis in the preceding chapter:

- > the skills and level of utilisation of the workforce: unemployment;
- > financial resources – problems for project promoters to access such resources;
- > business firms – they lack sufficient capabilities to renew and innovate;
- > the area's products and services – lack of access to more lucrative markets.

Specific means must be found for overcoming each of these shortcomings, in terms of both organisation and measures.

3.2.2 Overall design of the approach: defining priorities under LEADER

Once a general policy has been defined and desirable measures have been identified for exploiting opportunities and making up for shortcomings, these measures can be organised into a global strategy. This involves dividing measures into three categories: those that can be achieved in the short term, the medium term and the longer term.

- > In the short term, measures will essentially involve informing, coordinating and mobilising support from the players, as well as demonstration projects;
- > In the medium term, more complex processes of negotiation may be implemented;
- > In the longer term, measures of a more structural nature may be envisaged.

The following table shows a few examples of possible types of measure and priority choices for an area.

	Objectives	Types of shortcoming	Short term (information, awareness-raising, mobilising support)	Medium term (negotiations)	Long term (structural measures)
Skills and workforce	To promote these more effectively	Mismatch between job demand / supply	Pilot training measures	Management/ labour dialogue and training engineering	Training structures
Financial resources	Idem	Lack of access for project promoters	Direct support	Negotiation with banks	Financial engineering structures
Other resources	Idem	Use of untapped or neglected resources	Raising the awareness of owners and the community	Consultation on taking over/ reutilising resources	Systems for taking over resources
Enterprises	To improve performance	Poor innovation ability	Training/raising the awareness of existing/ potential entrepreneurs	Transfer of innovation involving research	Innovation support structures
Products/ services	To enlarge the product range	Lack of diversification of the offering	Prospective studies of products	Quality charters	Quality control structure
Markets	To tap into new segments	Remoteness, lack of contacts, individual approach	Market studies / raising awareness about collective solutions	Customer negotiations/consultation to develop collective approaches	Promotion/ marketing structures

LEADER has an “experimental” function that favours “soft” measures designed to meet short- and medium-term needs, whilst instigating measures that can be consolidated only in the long term. A LEADER-type approach is therefore intended:

- > **To harness an area’s “untapped” potential**, including: human resources (the unemployed, potential entrepreneurs); new sources of innovation (ideas and projects from local entrepreneurs); abandoned or neglected physical and heritage resources (landscapes, architecture, small-scale artefacts, wasteland); intangible resources which are dying out (skills, traditions, shared values and sense of identity); financial resources (savings and non-reinvested profits, remittances from former residents who have left the region, etc.).
- > **To foster the creation of links between players** in order to: **reinforce links with markets**; create an impact upstream and downstream of the sectors present in the area; to develop appropriate product ranges and thresholds; to organise product promotion and marketing; to increase the collective potential for innovation; and so forth.
- > **To foster cooperation between the various approaches, functions and structures.**
- > **To stimulate debate and guide the first steps towards structuring key principles for supporting long-term development:** financial engineering, training, quality control, product/design renewal, links with research and testing and transfer mechanisms, agreements with other regions, etc.

3.2.3 Choosing a starting point and the need for a gradual approach

The development of a LEADER Action Plan is accompanied by a step-by-step process of learning and risk-taking by the local players involved. It is through this process that the Plan can gradually be refined as it develops. So any Action Plan should provide for a certain amount of flexibility in order to allow high-risk measures to be offset by low-risk measures.

Depending on the initial problems (producers’ lack of trust, various objections, lack of perceptible results, etc., one may, depending on the case, choose to start with either:

- > measures involving collective interests; or
- > less risky ad hoc measures with a demonstrative impact.

3.3 Creating a collective dynamic that encourages a multiplier effect

It is not easy to create a multiplier effect in rural areas from publicly funded support measures such as LEADER (upstream, downstream, or job-creating measures), neither can this be achieved in the very short term. The fragmentation of businesses and the trend towards demographic decline do not, for example, help to create a positive impact upstream and downstream of the sector. Therefore in order to create a multiplier effect it is necessary to orchestrate a collective dynamic that involves many players who forge different types of links between themselves.

The creation of such a dynamic requires:

- > methods for integrating a growing number of players into publicly funded activities (including the public players themselves);
- > methods for risk sharing;
- > methods for managing conflict and opposition.

a) Integrating a growing number of players

Even where a new measure for producing a multiplier effect is started up initially on a core group of “trail blazers” who agree to assume the risk, it very soon becomes necessary to involve further players in order to make the measure viable, especially where the measure is designed to redevelop an untapped resource.

However, increasing the number of players is a long-term process. The type of coordination promoted by LEADER often plays a decisive role in this process.

EXAMPLE

When re-introducing indigenous breeds of sheep into Austria, Belgium and Luxembourg, pioneer sheep producers launched the project and gradually brought in other producers, in order to “cement” the process. This multiplies the downstream impact: growing interest from the hotel and catering trade, tourist operators and wool processors who adopt the new raw material. Upstream it creates demand for specialised services to care for the unusual breeds.

b) Encouraging risk sharing

How much support a project receives from entrepreneurs and other local players depends on a host of different factors. From an economic standpoint, the risk factor weighs very heavily, especially for innovative measures where the uncertainties are great.

The effective participation of the players will, therefore, depend on what share of the risk is assumed by the public sector, as well as on the social environment of the project promoter/risk-taker. For example, in certain rural societies, risk-taking is quite naturally assumed by the family, whereas in others, risk-taking has to be organised by bringing in external elements. LEADER funding, which is by nature based on risk sharing, is used to develop potentially interesting, though risky, activities.

c) Fostering the resolution of conflict and opposition

In many cases, social or cultural obstacles (lack of trust, local disputes, lack of promoters, etc.) prevent local players from participating in collective approaches. In such cases, economic competitiveness is limited by the lack, or inadequacy, of social competitiveness, so by building links, people are obliged to create consultation forums and seek “win-win” solutions⁵.

3.4 Examples of LEADER group strategies

In an endogenous development model such as LEADER's, the chosen strategies are adapted on a case-by-case basis. This makes for a wide range of measures, the results of which are all the more difficult to gauge since they apply to rural areas each differing markedly from one another. We therefore confine ourselves to presenting a few examples of possible strategies for each of the nine types of area identified at the start of this part of the series, bearing in mind that within each individual area of intervention it is common to find a combination of different situations.

3.4.1 Examples of strategies for Type 1 areas

(areas where agriculture employs a sizeable proportion of the working population and still forms the basis of the economy)

In such areas, which are generally characterised by single-crop farming and highly seasonal labour, as in numerous Mediterranean areas, LEADER's experience has highlighted how difficult it is to organise measures that balance the use of human resources, create synergies with other sectors upstream and downstream of the same sector and also keep young people in the area.

In this type of area, the demands of market competitiveness often lead to two types of imbalance: massive

production wastage in the single-crop farming sector (rejection of non-standard or undersized products, etc.); over-utilisation of seasonal labour in harvesting, selection and processing; conversely, under-utilisation of other occupational skills and profiles, which then become scarcer in the area. Such imbalances can be corrected by diversifying by-products of the lead product or by setting up other sectors to complement the existing sector.

a) Diversification strategies based around the lead product

Below is an example of a strategy to boost the ability to generate value added in an area based on the lead product.

EXAMPLE

In the Valle del Jerte region (Extremadura, Spain), which is known throughout Spain for its cherries, the production of aguardiente, to make use of substandard cherries or cherries which are difficult to sell on the fresh fruit market when there are widespread surpluses, required considerable research and development efforts over a number of years. Under LEADER I, the promotion and marketing of aguardiente had been significantly developed. The LEADER group went on to launch training courses for entrepreneurs from other agribusiness and tourism sectors. Since then, the image of the valley's flowering cherry trees is used to promote not only aguardiente, but also the area as a whole.

b) Diversification strategies based on creating complementary activities

This involves creating new economic and cultural nuclei in the area.

EXAMPLE

In the Sierra de Francia area (Castilla-Leon, Spain), where the chief product is “Pata Negra”, one of the most sought-after raw-cured hams, the LAG implemented a strategy to structure other smaller local sectors and to expand the area's offering, based on the reintroduction of traditional production methods and the population's hospitality. This led to the creation of “ARTESA”, a cooperatively run community training centre designed to preserve and develop traditional skills, and provide tourist information.

[5] See “Constructing a territorial development strategy in the light of the LEADER experience – Part 2: social competitiveness”, LEADER European Observatory, 2000.

3.4.2 Examples of strategies for Type 2 areas

(areas with rich, not very labour-intensive agriculture)

In such areas, where agriculture has generally reached very high levels of productivity, in the short term, increasing economic competitiveness inevitably means repositioning products on less anonymous markets and meeting new consumer requirements. In the longer term, such areas may face problems of social and/or environmental competitiveness, as illustrated below.

a) Strategies for repositioning products in niche markets

EXAMPLE

The two objectives of a cooperation project between the Pays de Gâtine (Poitou-Charentes, France) and Torridge (England, United Kingdom) LEADER areas are to set up the electronic identification of cattle and to develop new agricultural technologies in small-scale dairy cooperatives positioned in niche markets. By means of a joint marketing strategy, they also cooperate to improve the market positioning of their products.

b) Strategies to improve product traceability

EXAMPLE

Improving the quality of beef and lamb by enhancing product traceability is the objective of a cooperation project between producers from the South Kerry (Ireland) and Garfagnana (Tuscany, Italy) LEADER areas. A quality charter and other joint measures have been set up to improve communication with buyers (some of whom are not located in Ireland or Italy).

3.4.3 Examples of strategies for Type 3 areas

(areas where traditional large-scale landholdings still predominate)

Such areas face a problem of social competitiveness rather than economic competitiveness: lack of initiative and very few enterprises. This stems from the social and cultural background of such areas: a working population comprised chiefly of former farm labourers with no financial resources and no entrepreneurial tradition, together with absentee landowners. Part 2 of this series, dealing with social competitiveness, suggests a few possible strategies for this type of area. One of its findings is that acquiring social competitiveness, as a prerequisite for regaining true economic competitiveness, is a long-term process.

The key issue is therefore to decide what to do in the short term in order to ensure basic economic revival. The LEADER groups operating in such areas must focus their activities on certain very specific areas and social groups. This might include involving a few landowners who are relatively amenable to local investment and innovation in other sectors such as tourism. One advantage upon which LEADER groups have generally been able to rely is a well-preserved and highly distinctive architectural and cultural heritage.

EXAMPLE

The Terras Dentro group (Alentejo, Portugal) based its LEADER intervention on promoting the area's identity and local culture around the image of the "Terras do Cante" (Land of Song). This made it possible to harness support from a number of project promoters for investment in up-market tourism. However, since the LAG was also aware of the limitations of this strategy, which primarily benefited just a few of the wealthiest, it followed this up with measures to recreate long-term social competitiveness (awareness and vocational training for the unemployed, a communication strategy based on extensive house-to-house deliveries of a newspaper, etc.).

3.4.4 Examples of strategies for Type 4 areas

(areas where natural or protected habitat plays a key role)

Clearly, in this type of area the acquisition of environmental competitiveness is an essential prerequisite to economic competitiveness. In fact it is environmental competitiveness that will enable such areas to exploit the full potential of their local resources and to build their economy⁶.

In cases like this, economic competitiveness is feasible only when environmental competitiveness is relatively well established, i.e. once the conditions have been created for preserving and fully developing the area's natural resources, habitat and physical heritage (and when such values are wholeheartedly shared by the local players). After this, the situation will depend on the economic context and will tie in with one or other of the types of area defined in this booklet, i.e. type 5, 6, 7 or 8 below.

3.4.5 Examples of strategies for Type 5 areas

(areas geared towards tourist accommodation, with small-scale facilities)

In general the economic competitiveness of such areas is well established. However, competition from new tourist destinations is forcing them to assert their distinctiveness more forcefully and to target their offering at specific market niches, such as family tourism or specialist tourism.

EXAMPLE

Targeting tourism

In the Upper Tauern National Park (Austria), a number of tourist operators have specialised in family tourism, partly supported by the LEADER group. In order to do so, special facilities were set up to cater for children of all ages, as well as parents. They diversified family activities, both outdoors (woodland play areas, swimming pools, animals, walks and pony trekking, collecting minerals, etc.) and indoors (individual play and group games, cooking, etc.). Each element of the architecture and infrastructure has been specifically designed to appeal to children and their families, and staff have been specially trained to serve this type of clientele.

3.4.6 Examples of strategies for Type 6 areas

(areas dominated by second homes and/or residential homes)

Such areas tend to be fairly near towns (easy access), although they are not peri-urban areas. They have no marked economic vocation and remain fundamentally rural in character.

LEADER groups have developed two types of strategy for such areas: strategies for capitalising on the existence of second homes as an economic development asset, and strategies to diversify the economy by redeveloping certain distinctive local features.

a) Economic development strategies based around second homes

EXAMPLE

In the Marsica LEADER area, situated in Italy's Abruzzi region, one hour's drive from Rome, the LAG has developed a strategy to extend the amount of time second home owners stay in the area. In order to do so, a project entitled "Micro-receptivity" was launched. Its objective was twofold: to develop Marsica as a place for the urban population to recharge their batteries, and to develop a catalogue of houses for rent. They pursue both objectives by the same means: a quarterly magazine distributed to 12,000 households on the basis of a mailing list supplied by the local water board. The aim is to forge a close relationship with second home owners, the idea being to treat them as proper permanent inhabitants of Marsica. Each second home owner is offered the opportunity to participate in the Micro-receptivity project by renting out their own home. The magazine also serves as a medium for promoting the area, its services and products.

A fidelity card ("Marsicard") is distributed along with the magazine which provides a whole series of discounts and exclusive access to certain services. The idea is to provide weekend services which consumers either do not have the time to use during the week or do not have in town. These range from sport, cultural and vocational training (foreign language courses), to gastronomy (regional menus) and include cultural programmes (concerts, theatre) and health services (spa, dental care, alternative medicine). The proximity of urban centres makes it possible to guarantee a very high standard. An estate agent's has also been set up to facilitate the search for and purchase of such homes.

b) Strategies for promoting local distinctive features and for diversification

EXAMPLE

Once again in Marsica, the aim of the "Roots" project, as its name would suggest, is to "root" young people in an area where their income and well-being come mainly from the jobs they hold in nearby towns. The key players in the project have been schools and school children. The project has led to the creation of a consultation forum between schools and businesses. Pupils have explored former local products (agri-foodstuffs, hairpins and ceremonial costumes) and devised new uses for such products in collaboration with local processing firms and tourist operators.

[6] See "Constructing a territorial development strategy in the light of the LEADER experience Part 3: environmental competitiveness", LEADER European Observatory, 2000.

3.4.7 Examples of strategies

for Type 7 areas

(areas whose economy is dominated by small businesses)

Situations vary widely in this type of area. For example, areas where the businesses all make the same finished product without seeking any production complementarity suffer from fierce competition, problems in accessing certain services and, worst of all, unstructured promotion and marketing.

In such areas, LEADER's purpose is to create links or even networks between business firms (especially for promotion and marketing), for example to create a new collective offering or to create joint support structures.

a) Creating a collective offering

With increasing frequency, markets impose economies of scale that are no longer feasible for small individual businesses. They also demand a strong brand image that can be invoked when marketing products.

In order to cope with these constraints, in addition to creating marketing groups, LEADER groups have supported measures to create new types of "thematic coherence", based around a local image, symbol or other asset. This has led to the creation of "unifying themes", "evocative themes", "thematic routes" and other "routes of discovery" to group economic, cultural, leisure and other activities under a common or cross-sectorial image. Backing for the project from local producers and operators then results in a new collective product.

"Thematic routes" and their like are used to bring producers in the same sector together to put together a tourist offering that enables visitors from outside the area to appreciate the environment in which the product is made. LEADER groups have therefore launched operations to harness support from producers, first of all to help surmount a number of difficulties inherent in such an approach: reaching a consensus between producers on how to operate the route (business opening times, guided tours, availability for organising tasting sessions, organisation of hosting and leisure services), organisation and promotion costs, etc.

EXAMPLE

It took at least four years for the "Cheese route" in the Bregenzerwald LEADER area (Austria) to finally emerge. In the case of the "Ekoroute" in Drenthe (Netherlands), it took many months of negotiation to agree on the exact path the route should take because it could not integrate all of the area's organic producers.

In other areas, this same type of approach was adopted to create an "imaginative environment" conducive to the creation of new complementary activities. This has included reclaiming historic monuments or traditions and turning them into "catalysts" for achieving an economic dynamic by creating an evocative theme.

EXAMPLE

This was the case, for example, with the exclusive hand-made souvenir trade in the Pays Cathare LEADER area (Languedoc-Roussillon, France), producing articles "reminiscent" of a religious past, a mystery or a tradition of resistance. In this instance, the "evocative theme" was designed to arouse interest in an area suffering from depopulation by making it attractive once again.

b) Creation of commercial distribution and promotion structures

In other cases, LEADER has supported the creation of commercial distribution and promotion structures to meet the needs of small-scale local producers.

EXAMPLE

"Bia Na Ri" (Food of Kings) started life as a cooperative to market food specialities from the Shannon region (Ireland). Today, with LEADER support, it has become an independent company supplying luxury farmhouse cheeses. The company groups together the offerings of various cheese producers from two neighbouring regions and, because of its extensive range and sufficient volumes, it is able to supply a clientele of hotelkeepers, restaurateurs and shops throughout much of Ireland. Since it deals directly with this market, the company is able to provide consumer feedback to producers in the way of opinions, suggestions, reactions, etc.

c) Strategies to foster complementarity between small and large enterprises

Where small and medium-sized enterprises coexist in a single sector, it can be useful to support operational complementarities and collaboration between them. This may mean pooling quality control criteria or fostering a climate conducive to risk-taking by young entrepreneurs. LEADER has participated in various projects of this type.

EXAMPLE

One association in the Navarra region (Spain) brings together 23 producers of traditional and industrial food - stuffs from a variety of different sectors, including: cheeses (Roncal and Idiazabal), “cuajada” (junket) and “natillas” (milk custard), meat (“chorizo” – a highly-seasoned pork sausage – and other delicatessen meats), regional liqueurs (“Pacharan”), cider, preserved vegetables, stewed fruits, chocolate and traditional cakes and pastries. The association seeks to improve its presence in short marketing channels and international fairs by offering a range of local products. Through its joint efforts it has succeeded in introducing rigorous quality control methods.

In various cases, cost-sharing strategies (quality control, promotion and marketing services) have led to interesting developments in the transfer and emulation relationship between small and large enterprises.

3.4.8 Examples of strategies for Type 8 areas

(peri-urban areas)

Peri-urban areas are “outward-looking”, in that although considerable human skills and resources may be concentrated there, they are directed towards the nearby town, without the local area being able to properly benefit. What is more, such areas, which are often subject to uncontrolled land and housing pressure, have lost their distinctiveness in terms of the physical heritage and no longer have their own identity. This is quite apart from the serious environmental problems that may arise. Offsetting this is the fact that the proximity of the town provides the area with market opportunities (it is easy to sell local products and to cater for day-trippers from neighbouring areas, etc).

a) Strategies for integrating economic, social and environmental aspects

Refocusing the inhabitants’ interest on their local area and redeveloping a lost identity based on the opportunities provided by nearby markets represent the main challenges for such areas. Not only does this require economic competitiveness, but also, and perhaps more crucially, social and/or environmental competitiveness. Examples of strategies for such areas can be found in the part of this series dealing with social competitiveness.

The few strategies implemented in this type of area tend to demonstrate that in areas like this, even more than elsewhere, it is vital to integrate the social, economic and environmental approaches to local development.

EXAMPLE

In the Ile Crémieux region, not far from Lyon, France’s second-largest city, a local development process has been set up on the basis of a broad partnership to harnesses the support of local players for developing an archaeological site. This has culminated in the creation of a museum and heritage centre, the “Maison du Patrimoine”, providing environmental education courses to people of all ages from the nearby city. Apart from providing local cultural tourism, the heritage centre serves as a base for heritage renovation and management in nearby areas.

3.4.9 Examples of strategies for Type 9 areas

(areas with serious structural difficulties)

It is in this type of area that LEADER has amassed the greatest experience. The many difficulties facing such areas (natural handicaps, population problems, unattractiveness, reliance on subsidies, etc.) have led the LAGs to devise all sorts of economic development strategies.

Once again we stress that the situation in such areas does not allow a return to economic competitiveness in the short term. In cases like this, strategies must form part of a long-term approach. Essentially they are pioneering, experimental measures, leading to partial and as yet inadequate results.

For this reason the cases presented below should be considered as possible approaches and examples of “partial” strategies, based on which many different combinations can be devised. In marginal areas with a low population density, problems of market access, for example, mainly relate to exploiting local markets.

a) Strategies for adapting to weak and dispersed local demand

Demographic decline and scattered housing and businesses have deprived some areas of their ability to retain certain services. However, flexible solutions are possible.

This type of strategy sometimes calls for prolonged negotiations with public institutions (especially where public enterprises are involved), or for organisational adjustments (an enterprise combines several services or provides “mobile” services to several villages), or even for the collective ownership of businesses.

LEADER has backed the creation of collective service companies (often owned by the villagers themselves) in cases where, for example, firms were about to go out of business.

In order to keep young local entrepreneurs in the area, LEADER has backed the creation of businesses whose management is later entrusted to these young entrepreneurs in a variety of forms.

In the case of public enterprises, LEADER has backed operations to lower the product viability threshold by introducing new technologies, grouping services together at multi-service centres and altering the way in which services are provided (e.g. mobile units), all the while involving the direct owners of the services.

EXAMPLE

In the Haut-Allier region (Auvergne, France) LEADER has supported the creation of a company providing the services of farmers (“43 Services”). The company was set up on the basis of contracts concluded with public enterprises and today it provides a variety of services, ranging from maintaining telephone kiosks to restoring small-scale artefacts or to manufacturing urban furniture.

b) Strategies to lessen the constraint of competition from towns

In certain areas, the approach is to forge closer links with urban consumers, in particular by creating short distribution channels for marketing local products.

Consumers assess products from rural areas on the basis of quality/distance criteria and so these products come into competition with urban products. For areas whose lead product suffers strong competition, with a constant threat of price erosion, the problem is one of achieving product differentiation. It is at this point that quality procedures are implemented.

c) Strategies for labelling and quality charters

The creation of quality labels for differentiation, whether quality guarantees, labels of geographic origin or simply an evocation of certain characteristics of the area, is another approach supported by LEADER, especially where products come under fierce competition. Such processes, which are fairly widespread throughout Europe, have harnessed the support of producers in LEADER areas. In many instances they have also been backed by ad hoc training courses, field visits, exchanges with producers from other LEADER areas, etc.

EXAMPLE

In the municipality of Ydre (Sommenbygden LEADER area in south-east Sweden), in order to counter the drop in farm prices, four livestock producers got together to market organically produced meat under a single label. A contract with a chain of small shops (“Hemkop”) led them to step up task sharing in order to provide a year-round supply of organic meat. The livestock producers also created a joint Internet site in order to disseminate information about their products, to develop contacts with other customers and to answer consumer questions.

d) Strategies for launching new activities based on previously untapped resources

In certain areas, LEADER has supported the launch of new products based on hitherto untapped or neglected human, natural, know-how and other resources. In such cases, the keys to success have been external support and training.

EXAMPLE

In the Ross & Cromarty LEADER area (Scotland, United Kingdom), an informal association of 15 mushroom-growers was set up following a training course organised as part of the “Highlands Birchwood” project. The project was aimed at promoting the development of a Scottish variety of birch tree, whose cultivation had been neglected in recent decades. However, it is a tree whose trunk is well suited to growing speciality mushrooms. The association buys raw materials and equipment at much more advantageous prices. In this context, two mothers wishing to return to the labour market have launched the company “Highlands Wildwoods” to cultivate and market these birch wood mushrooms.

e) Collective revival of local structures or services to prevent further deterioration

In most cases, marginal areas do not provide the right conditions for ensuring competitive production costs. In farming, this applies to all marginal areas that have no fertile agricultural land and/or where mechanisation is either impossible or difficult (mountain regions, etc). In other sectors, it applies to areas without sufficient infrastructure or services. One LEADER strategy has therefore been to support the introduction of services or to create the conditions for providing services that fill in the gaps.

EXAMPLE

On the Gulholmen and Karingon islands (Sweden), to cope with reduced services and deteriorating infrastructure due to the decline in the fishery business, local associations decided to club together to ensure the maintenance of services for both the community and businesses in order to halt the deterioration in infrastructure. They reached the conclusion that it was vital to renovate houses and restore transport and other support services in order to prevent young people from moving out of the area. A global action plan was drawn up and a “community-owned” company was created to coordinate the organisation of all the services and activities to be developed.

f) Strategies to combat depopulation

In certain marginalised areas, the aim is to attract new inhabitants.

EXAMPLE

Since 1984, three villages have mobilised their efforts to implement a re-population strategy in the Jämtland region (Sweden) to counter the population deficit (fewer than three inhabitants/km²), which has led to the closure of services, particularly primary schools. The inhabitants themselves built three single-family dwellings, providing homes for three young families and thereby saving the primary school. Additional families moved into the area when the construction of an old people's home released further houses. The restoration of several core services (grocery shop, nursery, community hall, leisure facilities, etc.) will consolidate a process that has even led to the creation of a teleworking company employing a number of villagers. A village cooperative created in 1987 coordinates this long-term approach, which relies on volunteers and the technical and financial support of

the local council. Fifteen years of hard work have not simply stemmed the demographic decline, but reversed it. The combined population of the three villages in question rose from 126 in 1986 to 160 in 1990, creating 20 new service jobs into the bargain.

3.5 Conclusion

Future studies on the economic competitiveness of rural areas will focus on analysing “good practices” and “appropriate solutions” to guide the activities of LEADER groups in the different types of area, at least in three spheres: boosting the endogenous ability to innovate, improving inter-institutional relations and consultation mechanisms, and forging stronger links between local businesses and markets.

a) With regard to boosting the endogenous innovation ability, the questions to be analysed might include:

- > How can the ability to innovate be enhanced by increasing exchanges and cooperation between local entrepreneurs and by boosting ‘direct’ learning processes (“learning by doing”, “learning by using”, “learning by imitation”)?
- > How is it possible to enhance local entrepreneurs’ ability to choose technology, and their receptiveness to it (buying patents, machinery, services), thereby introducing appropriate innovations into local businesses?
- > How can cooperation agreements and participation in networks help to surmount the innovation handicaps caused by dispersed human resources?

b) With regard to inter-institutional relations and consultation:

- > How can greater fluidity be fostered in relations between business and the political/institutional system?
- > How can public infrastructure investment and the needs of local businesses be better coordinated?
- > How can support be increased for an area’s new collective players that emerge as a result of marketing, promotion and technology-access agreements?
- > How can support be given to processes for matching the financial provision to the needs of local businesses?

c) With regard to links with markets:

- > How can the access of local products to national or even international markets be facilitated?
- > How can the marketing skills of local entrepreneurs be enhanced?
- > How can support be given to improving product quality in order to prevent businesses from focusing too much on price-competitiveness?
- > How can the image of local products be promoted and asserted in a market that is going global?

Some of these questions relate to the acquisition of global competitiveness, which is the subject of part five of this series.

Leader II est une Initiative communautaire lancée par la Commission européenne et coordonnée par la Direction générale de l'Agriculture (Unité VI-F.II.3).

Le contenu de ce dossier ne reflète pas nécessairement les opinions de l'Union européenne.

***Leader II** is a Community Initiative launched by the European Commission and coordinated by its Directorate-General for Agriculture (Unit VI-F.II.3).*

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