7 CONCLUDING REMARKS

7.1 Introduction

The challenge posed in this study was to analyze to which extent a number of selected theories contribute to explanations for the differential economic performance of rural regions in the EU during the last two decades. Rural regions have been defined as territorial entities, whose regional economy comprises agricultural, industrial and services activities, with a low population density, which include one or more small or medium sized cities surrounded by open space, and which usually reflect the size of a labour market area. By means of the method of pattern-matching, in which we have matched a number of selected theories on economic development with empirical evidence from 18 case studies in leading and lagging rural regions, we have sought to achieve our aim. The method of pattern-matching clearly combines the two strands in this study: theory (what is supposed to happen) and practice (what actually happens). In this final chapter we will highlight our main findings on theories on economic development in rural regions, and those derived from practice as reflected in main socio-economic trends in rural regions in general, and in empirical evidence from the case studies in particular. From our analysis, it appears that theory and practice of economic development in rural regions are also related to policy. In some theories, for example, policy makers and administrative structures are included among the independent variables. In addition, with regard to practice, policy makers have formulated and implemented rural development policy in order to reduce socio-economic disparities among regions. Therefore, rural development policy serves as a third main topic in this chapter. In particular, we will elaborate on the main implications of our study for strategies for policy makers to stimulate economic development in rural regions.

The organization of this chapter is as follows. In Section 7.2 we start with a discussion of our main findings from practice. Then, in Section 7.3 we turn to the main findings pertaining to our search for theories on economic development in rural regions. In Section 7.4 we suggest a number of recommendations for strategies aimed at stimulating economic development in rural regions. In the final section, we propose an agenda for further research based upon the findings of this study.

7.2 Economic development in rural regions: practice

Recent literature shows evidence that the image of rural regions as losers of population and jobs, largely associated with the idea of rapid decline of employment in a supposedly dominant agricultural sector, needs re-adjustment (OECD, 1996a; EC, 1997a). Counterurbanization and the emergence of ‘leading’ rural regions with a relatively high economic performance have been put forward to counter the view that rural is synonymous with decline. We have tried to deepen the insight in socio-economic dynamics in rural regions in the EU since the beginning of the 1980s, first, by means of an analysis of statistical data on population, employment, GDP/capita and unemployment in Chapter 2, and second, by a more qualitative analysis of local resources, economic
activities and actors in 18 case studies in leading and lagging rural regions in Chapter 5. In such cross-regional comparisons several benchmarks arise, against which the individual performance of a rural region can be assessed, for example, the EU or national average, and the groups of urban regions or other rural regions. Depending on the objective of the study, one or more benchmarks may be employed. We have mainly used two benchmarks: the group of urban regions and the group of rural regions. However, for defining leading and lagging regions we have also used the national average as a benchmark. A comparison of rural with urban regions makes sense, for example, when a study is aimed at revealing differences in socio-economic indicators between rural and urban regions that may result from differences in the agglomeration of activities and actors. On the other hand, a comparison of a rural region with other rural regions may be useful when the objective is to study distinctive features of an individual rural region relative to the rural average. Our approach contributes to the understanding of socio-economic dynamics in rural Europe from both an urban-rural perspective and a rural perspective. This twofold perspective could be used due to the application of the recently developed OECD methodology on classification of regions according to their degree of rurality (Annex 2.1). By using a set of 465 regions in the EU, each of which more or less reflects the size of a labour market area, the application of this method resulted in a classification of EU regions into just over 40% most rural regions, 35% intermediate rural regions and nearly 25% most urban regions. In this section we will successively focus on some main findings on the socio-economic dynamics of rural regions in the EU from an urban-rural and a rural perspective, and those in 18 case studies in rural regions from a rural perspective.

Rural regions in the EU from an urban-rural perspective

According to our classification of rural and urban regions, at the beginning of the 1990s about one-fifth of the EU population resided in the most rural regions and one-third in the intermediate rural regions. Together they live on nearly 90% of the land area in the EU, leaving just over 10% of the area for the other half of the EU population in the most urban regions. In most member states, GDP/capita in rural regions is below that in urban regions, whereas unemployment rates vary in rural regions, being lower or higher than in urban regions. On the whole, employment growth in the non-agricultural sectors during the 1980s and the early 1990s in rural regions was above that in urban regions, Finland and Sweden being the exceptions. Although the sectoral structure of the economies in rural and urban regions differs in the sense that rural regions tend to have a larger agricultural sector, our data suggests that sectoral structures in rural and urban regions tend to converge. Whilst at the beginning of the 1980s the group of most rural regions had on average 20% of their employment in agriculture, this figure has declined to 13% at the beginning of the 1990s. At that time, the share of employment in agriculture in the intermediate rural regions was 7% and that in the most urban regions 3%. The shares in industrial employment amounted to about 30% in all three groups of regions in the beginning of the 1990s, whilst the share of employment in the services sector ranged from 58% in the most rural regions to 67% in the most urban regions. Finally, in most member states population growth in rural regions in the 1980s tended to exceed that in urban regions. In particular, intermediate rural regions showed a relatively large population increase. On average, we have not found indications of a population decline, the Portuguese rural regions being the exceptions. On the whole, these socio-economic
indicators largely support the view that socio-economic dynamics in rural regions in several cases seem to be greater than in urban regions. However, this does not apply to GDP/capita that tends to lag behind in rural regions. The higher GDP/capita in urban regions might be due to a higher capital intensity of urban economies and to commuting. However, when the conventionally lower costs of living in rural regions are taken into account, the purchasing power of income in rural and urban regions may match each other more closely than what our figures suggest.

Rural regions in the EU from a rural perspective
In order to obtain additional insight into the differences in socio-economic dynamics within the group of rural regions, the group was divided into leading, average and lagging regions, depending on their employment performance in the 1980s and early 1990s relative to the national average. The yardstick of employment growth was chosen because the creation of jobs is an important goal in rural development policy. Of course, other criteria could be used as well, like GDP/capita or unemployment rates, which probably would give rise to a different composition of the groups of leading and lagging regions. In our classification of leading and lagging regions, we noted also that the labelling may change when another period is under review. Therefore, it should be emphasized that leading and lagging are relative terms rather than permanent labels, depending on criteria and the period considered. In this study, the distinction between leading and lagging serves as a tool in the analysis.

According to our classification of leading and lagging rural regions, about one-third of rural regions was classified as ‘leading’ and about one-quarter as ‘lagging’. On average, annual employment growth in the leading rural regions amounted to about 1% in the 1980s and early 1990s, whereas lagging regions faced a decline in employment of about 0.5-1% p.a. A sectoral breakdown of employment performance reveals that both leading and lagging rural regions experienced a reduction in agricultural employment, which tends to be larger in the lagging regions. Industrial employment in leading regions showed a moderate increase, whereas that in lagging regions decreased. Services employment in both leading and lagging regions increased, in which growth rates in leading regions exceeded those in lagging regions. It appears that leading rural regions also experienced population growth in the 1980s and early 1990s, whereas that in lagging rural regions stagnated, suggesting that employment growth tends to be accompanied by population growth. Although at EU level we have not analyzed which part of population growth resulted from natural increase and which part from migration, evidence from our case studies in rural regions suggests that population growth partly results from immigration. Evidence from the body of literature largely confirms the phenomenon of immigration into rural regions, with suggestions that the amalgamation of native and newcomers may have consequences for the power relations among the various groups of actors in the region. At this juncture, our discussion moves into the topics of networks, cooperation, capacity and interest conflicts among local actors, which requires a more qualitative assessment and which is dealt with in the next paragraph.

Socio-economic dynamics in 18 case studies in rural regions
In this study, case studies have been used in order to gain a deeper insight into qualitative variables such as capacity of local actors and networks. The case studies have been
derived from the RUREMPLO project (1997-9), in which researchers from nine EU
countries participated. The aim of the RUREMPLO project was to reveal, and thereby
better understand the forces behind rural employment dynamics and to contribute to the
formulation of key messages for employment creation in rural regions. The case studies
were carried out in such a way, that in each participating country employment dynamics
in a leading and a lagging rural region during the period 1980-1997 was analyzed. Such a
comparative analysis of leading and lagging rural case study regions across the EU was a
relatively new approach within the field of rural studies in Europe. At about the same
time as the start of the RUREMPLO project in 1997, however, in Canada the research
initiative on the New Rural Economy (NRE) started, which focuses on leading and
lagging rural sites in Canada. The RUREMPLO team has designed a conceptual model,
called ‘field of force of a rural region’, which served as a starting point in the case study
analysis (see Fig. 5.1). This model distinguishes three components: local resources,
economic activities and actors. Below we will discuss the main findings on these
components in the 18 case studies.

1 Local resources
Local resources include both natural resources, rural amenities, transport and soft
infrastructure.

1a Natural resources
Several case study regions are endowed with natural resources like forests, salt, gas,
marble and hydropower. These serve as raw materials for economic activities. It
appeared that there is no relationship between the endowment of natural resources and
being a leading region: in both groups of leading and lagging case study regions, some
regions are endowed with natural resources, whereas others are not.

1b Rural amenities
Almost all case study regions had some sort of valuable rural amenities: settlements
with a rich history and architectural remains, cultural landscapes of outstanding scenic
beauty or high nature value and protected areas like regional or national parks. Thus, it
is difficult to draw any firm conclusion concerning their weight in explaining
differential performance in rural employment creation. The comparisons seem to
prove, however, that it is not primarily the existence of amenities that matters, but the
degree to which these assets are effectively valorized in an economic process
generating added value. Some of the leading rural regions have already developed
highly sophisticated, integrated techniques for promoting and marketing rural amenity
values. In turn, many others have not yet properly exploited their potentials.

1c Transport infrastructure
In some pairs of leading and lagging case study regions, internal transport
infrastructure and external transport connections appear to be better developed in the
leading region, whereas in other pairs the state of internal and external transport
infrastructure is more or less the same in the leading and lagging region. Especially
mountainous parts of the regions are saddled with inadequate transport infrastructure.
In all case study regions, improvements in transport infrastructure have been made in
the study period. So here again, it is difficult to draw a conclusion on the role of
transport infrastructure in explaining the difference in employment development
between leading and lagging regions. Although in general it can be said that a well-
developed road infrastructure may contribute to an efficient trade of services and
goods, and that it forms an attractive location for firms, evidence from the case studies
suggests that the management of transport infrastructure is crucial. The more transport infrastructure is integrated in a broader development plan and accompanied by complementary incentives such as the construction of well-equipped business sites, the more transport infrastructure can trigger economic development.

1d Soft infrastructure
The evidence from the case studies suggests that soft infrastructure like universities, research centres and other secondary and tertiary education facilities are more often available in leading regions than in lagging regions. The case studies show that soft infrastructure may play an important role in the rural economy as poles of technology and knowledge transfer and foster economic development.

2 Economic activities
Within the group of case study regions, there are both regions with a low and a high share of employment in agriculture, suggesting that the size of the agricultural sector does not necessarily impact on employment growth in the other economic sectors. For example, the leading regions of Korinthia (GR) and Albacete (SP) have a relatively high share of employment in the agricultural sector and experienced a relatively high employment growth in the other economic sectors. On the other hand, there are lagging regions with a limited share of employment in agriculture, which showed a poor performance in non-agricultural growth. Both in leading and lagging case study regions, there was an increase in employment in the sectors of community services and wholesale and retail trade, restaurants and hotels during the period 1980-1995, along with a decline in agricultural employment. Besides, some case study regions also showed a rise in employment in the financial services sector. The most striking difference between leading and lagging case study regions concerns the increase in employment in the manufacturing and construction sectors in the leading regions, whereas employment in those sectors in the lagging regions tends to decline. The pattern of employment growth shows that tourism, which is often one of the main pillars in rural development programmes, is not the only potential source of rural employment growth, but one amongst many other branches. The leading case study regions provide evidence that both specialization and diversification can be successful strategies. Some of the leading case study regions are typical examples of so-called ‘industrial districts or filières’ (e.g. Pesaro (IT) and Albacete (SP)) which, due to exceptional specialization in their economic system, manage even to compete internationally. Usually composed of networks of small firms, they do not primarily rely on local physical resources but on local tradition and tacit knowledge, specific societal and institutional settings, a high degree of internal, vertical differentiation, well-developed market outlets, and/or a high pace of product and process innovations. On the other hand, there are also leading case study regions that have been successful by diversifying their economic base.

3 Actors
Out of the three components in our field of force of a rural region (local resources, economic activities and actors), the overall finding suggests that actors are an important, but often neglected factor in rural development. One of the main differences between leading and lagging case study regions seems to be related to the degree of mobilization and organization of local actors, be they private or public. Leading case study regions tend to be characterized by a development process, which is organized and experienced in a democratic, bottom-up process, involving a wide range of local actors. Such bottom-up processes are unlikely to emerge and succeed without local or regional populations
and administrations being prepared to face their situation and prospects in the broader national and international context. This intention mainly depends on the capacity of local actors and networks in which they are involved. Below we explain these two items into more detail.

3a Capacity of policy makers
In most of the leading case study regions, the capacity of policy makers tends to be rather well developed, whereas in most of the lagging case study regions the capacity of policy makers often appears to be rather weak. Positive aspects in the capacity of policy makers in leading regions include the way in which they implement policies according to the priorities and needs of the region, their ability to attract public funds and private investments, whether they are able to establish good working contacts with upper-level authorities, and create preconditions for firms to set up operations. As such, policy makers may contribute to employment creation. Weaknesses in the capacity of policy makers in lagging regions are usually related to an inability to formulate strategies, lack of political consensus, lack of good contacts with upper-level authorities and lack to identify the needs and priorities of the region.

3b Capacity of entrepreneurs and workers
Evidence from case study regions suggests that the capacity of entrepreneurs tends to be better developed in leading than in lagging regions. A well-developed capacity of entrepreneurs is often related to the creation of new and small companies, which emerge from a restructuring process in traditional industries and which are competitive in national and international markets. However, the capacity of such small firms to innovate is often limited. In a number of case study regions, the capacity of entrepreneurs is rather weak due to a cautious and risk-averting attitude or to lack of industrial tradition. The capacity of workers seems to be roughly the same in leading and in lagging case study regions: they have a good work attitude and they are prepared to work hard.

3c Internal networks
On the whole, leading case study regions were characterized by rather strong internal networks, whereas those in the lagging case study regions were usually rather weak. The internal networks in the leading regions were, among other things, enhanced by an active attitude of local actors, solidarity, easy communication and strong local leaders. Problems encountered in the internal networks in the lagging regions mainly concern a low density of actors, little interaction among internal actors, a lack of cooperation among sectors, internal conflicts, lack of active actors, lack of capacity of local actors and lack of formal networks which are able to guide the development process.

3d External networks
External networks are viewed here as the interactions of actors inside and outside the region. It appears that the most frequent use of external networks is to get financial support from regional/national/EU level (policy relations), to export products (market relations) and to be in contact with (multinational) firms, either due to the presence of subsidiary business in the region or in an effort to attract firms into the region (firms relations). In the leading case study regions, external networks seem to function better than in the lagging case study regions. Difficulties in the external networks of lagging case study regions are mainly due to a marginal/remote position of the region within a
larger administrative unit, lack of unified strategies, lack of capacities of the local actors and an inward-looking attitude of the local actors.

3e The role of newcomers

All leading and five lagging case study regions underwent population growth in the 1980s and early 1990s, whereas population showed a moderate decrease in four of the nine lagging case study regions. A more detailed analysis of population growth revealed that this comprised both natural increase and migration. Nearly all leading case study regions had a positive migration balance in the 1980s and early 1990s, reflecting the attractiveness of the region as a place of work and residence, both for the economically active and retirees. However, in some of these regions there was an outflow of the high-educated due to a lack of jobs requiring high qualifications. Mainly due to the fact that newcomers are characterized by a different attitude from the local actors, they are often able to mobilize local actors or act as local leaders. On the other hand, six out of the nine lagging case study regions faced a negative migration balance, mainly made up of an outflow of youngsters and the economically active and a smaller inflow of retirees. The outflow of the economically active suggests a pessimistic economic climate and erodes the human resource base. Given these findings on socio-economic dynamics in the case study regions, we continue with some concluding remarks on practice of economic development in rural regions.

Practice in conclusion: a rural mosaic

The preceding discussion of developments in rural regions in the 1980s and early 1990s largely supports the view that rural Europe is no longer the scene of job and population losses. The picture of rural Europe that emerges should be seen rather in terms of a mosaic of rural regions with winners, in-betweens and losers. In addition, our discussion also indicates that agriculture can no longer be considered the backbone of the rural economy; even in the group of the most rural regions, agriculture employed less than 15% of the regional labour force in the early 1990s. The pattern of employment growth in the case study regions shows that the industrial and services sectors provide a wide variety of potential branches of employment dynamics. Evidence from the case studies suggests that differentials in economic performance among rural regions seem to be related to the degree of mobilization and organization of local actors. On the whole, leading case study regions tend to be characterized by a development process, in which local actors have on the one hand, the capacity to identify strengths, weaknesses, opportunities and threats of their regions and to define development plans in line with these prospects, and on the other hand, the ability to cooperate in internal and external networks in order to realize their development plans. As a result of immigration, the community of local actors in leading regions includes native residents and newcomers who may act as local leaders. In contrast, in lagging case study regions the capacity of local actors and internal and external networks were often referred to as relatively weak. Finally, the involvement of local actors in external networks emphasizes another main issue: rural regions are affected by all kinds of local, national and global forces, implying that the development process in rural regions is dependent on the interplay of local (endogenous) responses and global (exogenous) forces - both mediated through national conditions - in which local actors should seek their room for manoeuvre to determine the outcome of the process.
7.3 Economic development in rural regions: theory

Empirical evidence, as discussed above, suggests that capacity of local actors and their ability to cooperate in internal and external networks form a main difference between leading and lagging rural regions. So theories on economic development in rural regions, which cover these factors, seem at first to be promising. In this section, we discuss the main findings from our search for theories on economic development in rural regions in advanced countries. We first focus on the debates in regional economics and rural studies, from which a selection was made of a number of theories on economic development in rural regions. Then, we turn to the method of pattern-matching, which we used to examine whether the selected theories explain economic development in the case study regions. Finally, we elaborate on the results of the pattern-matching and identify which theories are widely supported by empirical evidence from the case studies.

Two debates
There is no discipline of rural economics as such, so in order to compose an overview of theories on economic development in rural regions, we looked at other disciplines, which include economic development in rural regions among other topics. Hence we turned to the discipline of regional economics and the multidisciplinary field of rural studies. Within these two disciplines, we distinguished two theoretical debates. The first refers to the ‘debate on regional economics’, whose central issue is about how competitive firms realize output and employment growth in a given region. This debate involves mainly regional economists and economic geographers. The second deals with the ‘debate on economic development in rural regions’, which emerges from the field of rural studies. Rural sociologists, rural geographers and agricultural economists are among the main participants. This latter debate deals with the central question of ‘How can rural regions be put on a viable economic development trajectory?’ Hence, theoretical considerations in this debate are closely related with the issue of the best policy to implement. Although the above debates are held in rather closed circles of journals and conferences, there seems to be some overlap in theoretical conceptualization, which mainly has a one-way direction: from the debate on regional economics to that on economic development in rural studies.

In Chapter 3, we have discussed the main theories from both debates. Within both debates a classification of theories can be made, based on, among other things, premises or independent variables. We have classified the theories within the debate on regional economics into four groups, depending on the main factors in the production function of the theories: traditional models, pure agglomeration models, local milieu models and territorial innovation models. The sequence of these models demonstrates increasing complexity of the factors in the production function: in the traditional models, the focus is only on the availability of labour and capital; in the subsequent models, however, other factors are added to the production function, given the availability of labour and capital. Besides, the models reflect a certain degree of chronological sequence: the traditional models were prevalent in the 1950s, the pure agglomeration models in the 1960s, the local milieu models in the 1970s, and the territorial innovation models have dominated since the 1980s. Current theories largely focus on the interplay of labour, capital, regional location factors, such as skills of the labour force, technical and organizational
know-how, and social and institutional structures on the one hand, and on innovation - considered as a major driving force behind economic growth - on the other hand.

Within the debate on economic development in rural studies, usually three chronological phases are distinguished: the exogenous development approach, the endogenous development approach and the mixed exogenous/endogenous development approach. According to the exogenous development approach, rural development is considered as being transplanted into particular regions and externally determined, whereas the endogenous development approach assumes that rural development is mainly brought about by local impulses and local resources. The mixed exogenous/endogenous development approach rejects the polarization of exogenous and endogenous development models and proposes an approach to rural development that instead stresses the interplay between local and external forces. This approach relates rural development to the process of increasing globalization, due to rapid technological changes in the information and communication sectors. In this changing global context, actors in rural regions are involved in both local networks and external networks, but the size, direction and intensity of networks may vary among regions. In this approach, rural development is, therefore, considered as a complex mesh of networks in which resources are mobilized and in which the control of the process consists of an interplay between local and external forces. Due to the overlap in theoretical conceptualization in both debates, it appears that the three stages in the debate on economic development in rural regions show a close relationship with respectively pure agglomeration models, local milieu models and territorial innovation models from the debate on regional economics.

From these two debates, a total of ten theories were chosen for further consideration. This selection includes the five theories, which we have found in the debate on economic development in rural studies. With regard to the selection of theories from the debate in regional economics, the choice was more complicated due to the larger variation in theories. In order to cover a wide range of viewpoints, five theories were selected which are rather distinctive in their conceptualization of economic development.

Method of pattern-matching
To test whether a theory explains economic development in rural regions in practice, we have used the method of pattern-matching (see Chapter 4). This method consists of three steps. First, a theory is specified as a predicted pattern of events. The events in this theory pattern act as a series of benchmarks against which actual data can be compared. Second, in the case study, information on all events is collected and also stored in a pattern. Third, both patterns are matched by analyzing whether the events in the case study pattern are in line with the events in the theory pattern. The higher the number of similar events in the theory and the case study pattern, the better the theory predicts the situation in the case study. The method can be used to examine analytical generalization: if two or more case study patterns replicate the theory pattern, it may be claimed that the theory applies to a larger number of cases with similar characteristics. We have applied this method to seven of the ten selected theories and 18 case studies. We had to omit three theories, as the case studies did not include the necessary data for constructing the required case study patterns where the growth pole theory and Porter’s theory on the competitive advantage of nations were concerned. As for Kilkenny’s relationship of transport costs and rural
development, its premises were too restrictive for empirical testing. Our main findings on the usefulness of the method of pattern-matching can be summarized as follows:
- by constructing a theory pattern and a case study pattern, the method highly suited our objective of examining whether development trajectories in selected rural regions are according to the predictions of one or more regional economic growth theories;
- the method is simple and transparent;
- the method can be applied to both simple and complex situations;
- the method allows for the matching of both qualitative and quantitative variables;
- the method can be used for both general and detailed information on variables;
- when cumulative processes are tested, the method has some shortcomings as it does not foresee cumulation between the variables;
- the definition and operationalization of variables in the theory pattern has to be made by the researcher, and this may affect the results of the pattern matching. The same subjectivity is present in the valuation of variables in the case study pattern;
- by comparing the variables in the theory patterns, the method also provides an easy way to reveal differences and similarities among theories. This may lead to surprising results when some basic assumptions in the context of the theory, for example, innovation as a main force behind economic development, is not included as a separate variable in the theory pattern but embodied in another variable, for example, in capacity of actors. In our comparison of theory patterns, this ‘embodiment’ resulted in a direct link between theories originating from different schools;
- our matching results show that it is difficult to claim absolute analytical generalization in our study. Although several theories are widely replicated by case study patterns, there are also case study patterns that deviate from the theory pattern. This implies that we can only state that if a case has a high value of X, it is likely that Y occurs.

Findings about the application of the method of pattern-matching of our seven remaining theories and 18 case studies are presented below.

Theories which are widely supported by empirical evidence
The matching results - as discussed in Chapter 6 - show that three theories are widely supported by empirical evidence from the case studies. These are the mixed exogenous/endogenous development approach, the community-led development theory and the first hypothesis of Bryden’s theory on the exploitation of social and cultural capital. Below we briefly discuss these theories.

1. The mixed exogenous/endogenous development approach assumes - given the availability of labour and capital - that an active role of local actors in internal and external networks stimulates employment growth. We have matched this theory by assessing the local actors’ capacity to identify strengths, weaknesses, opportunities and threats and their ability to cooperate with each other in order to address these issues, along with information on the strengths of the internal and external networks.

2. The community-led development theory hypothesizes that a well-developed self-help capacity of communities stimulates employment growth. We have evaluated self-help capacity of communities in practical terms by means of the same variables
as with the assessment of the active role of local actors in the mixed exogenous/endogenous approach, supplemented by an assessment of administrative structures.

3 The first hypothesis of Bryden’s theory supposes that the exploitation of social and cultural capital stimulates employment growth. We have assessed this exploitation by using information on the strength of internal networks.

Although these three theories were presented as distinct theories in Chapter 3, in the process of pattern-matching a high degree of commonality could be found. This is most obvious for the mixed exogenous/endogenous approach and the community-led development theory, for which our operationalization of the hypotheses yielded more or less similar variables. On the other hand, notwithstanding the focus of the first hypothesis of Bryden’s theory on endogenous factors, it appears from the case studies that strong internal networks tend to be accompanied by strong external networks. So if local actors manage to create strong internal networks, they also seem to be able to establish strong external networks. In this respect, the first hypothesis of Bryden’s theory can be considered in terms of a partial hypothesis within the mixed exogenous/endogenous approach and the community-led development theory.

The second hypothesis of Bryden’s theory focuses only on a part of the rural economy. This hypothesis assumes that the exploitation of rural amenities and cultural capital stimulates employment growth in tourism. This hypothesis is also quite widely supported by evidence from the case studies.

Theories with a lower score

The theories of Illeris and Myrdal are less widely supported by empirical evidence from the case studies. These theories can be seen as an extension of the mixed exogenous/endogenous approach and the community-led development theory, in the sense that they not only assume that the capacity of local actors and networks affect employment growth, but transport and soft infrastructure, agglomeration, rural amenities, immigration, inflow of investments and GDP/capita as well. Mainly due to redistribution policies of national authorities, lagging regions often do not score lower on most of these variables than the leading regions, and for that reason the hypotheses are often not supported by evidence from the case studies.

Theories which are less common

The third hypothesis of Bryden’s theory, which supposes that the exploitation of local raw materials stimulates employment growth in the production related to these raw materials, is relevant for just over half of the case study regions. It is not widely supported by evidence from the case studies, as it appears that increases in labour productivity, for example in the forest sector, often result in a decrease in employment.

The fourth hypothesis of Bryden’s theory, which suggests that the exploitation of local knowledge capital stimulates employment growth in the production related to this capital, was only applicable in four case study regions. It appears that local knowledge is also applied in filières, which are the independent variable in the pattern of the theory of the innovative milieu. In the majority of the matched cases, the exploitation of local knowledge resulted in an increase in employment. Finally, there was no evidence of overexploitation of rural amenities in our case study regions, so it did not make sense to
carry out matching between the theory pattern of the creative destruction model of community development and the case study patterns.

Theories which have not been matched
For lack of data in the case studies, we were not able to match two selected theories. These are Porter’s theory on the competitive advantage of nations and the growth pole theory. If we would have had the requested data in our case studies, it is not unlikely that we had found that either one or both these theories would contribute to explaining economic development in rural regions. The fact that we have not matched these theories can be considered a shortcoming of this study. Hence, future research on pattern-matching employing these theories can be recommended. The third theory that we were not able to match is Kilkenny’s relationship of transport costs and rural development. Due to its restrictive premises, empirical testing is difficult. Kilkenny has not even undertaken testing.

Theory: in conclusion
Going back to our research question concerning the theories which can be used to explain economic development in rural regions in the EU, we can conclude as follows. The results of the pattern-matching show that the mixed exogenous/endogenous development approach, the community-led development theory and the first hypothesis of Bryden’s theory are suitable for this purpose. Briefly, these theories assume - given the availability of labour and capital - that if rural regions have high values for the capacity of local actors and the strength of internal and external networks, it is likely that they experience non-agricultural employment growth. On the other hand, if rural regions have low values for these items, it is likely that they face a stagnation in employment. In addition, the second and fourth hypotheses of Bryden’s theory and the theory of the innovative milieu also appeared to be able to contribute to the explanation of economic development in rural regions. However, these theories suggest relationships for only a part of the rural economy and/or were less common in the case studies.

7.4 Economic development in rural regions: recommendations for strategies for policy makers

Based on the findings above on practice and theory of economic development in rural regions in the EU, we now try to design recommendations for economic development strategies in rural regions. A strategy can be described as a ‘long-term plan aimed at achieving a specific goal’. Strategies in this section focus on economic development in rural regions. Due to the relationship between output growth and employment growth (Fig. 3.1), economic development usually implies employment growth. Given the wide support of the case studies for the mixed exogenous/endogenous development approach, the community-led development theory and the first hypothesis of Bryden’s theory - as discussed above - capacity-building of local actors and strengthening of networks constitute key ingredients in recommendations aimed at stimulating economic development in rural regions. In addition, the theories discussed in Chapter 3 and the experiences in the case studies in Chapter 5 also provide several building blocks in the recommendations. In this section we give a number of suggestions that may help policy
makers to design strategies for encouraging economic and employment development in rural regions. In order to enhance the feasibility of these recommendations, current practices in planning and implementing rural development policy are an important frame of reference. These current practices have been discussed in Section 2.4 and mainly refer to emerging shifts towards enhancing the local development potential, towards emphasizing a multifunctional role of agriculture and towards a cautious territorial integrated policy, whereas in governance much attention is paid to the bottom-up approach. This approach emphasizes the involvement of local actors in planning and implementing policy, the creation of new institutional arrangements with partnerships of public, private and voluntary sectors, and tailor-made policies for individual areas. In this section, first, a general guideline is formulated for economic development strategies in rural regions, followed by a number of more specific recommendations to be implemented if they suit the needs of the region.

**General guideline**

Since the socio-economic, physical and geographic situation of rural regions widely varies, there is no one unique development path towards more jobs. However, several general recommendations can be derived from the theories and the case studies, which together constitute a kind of general guideline for economic development strategies in rural regions. This guideline involves the following key issues:

1. **Think global and act local.** The development process in rural regions is affected by the interplay of global forces and local responses, in which local actors should seek their room for manoeuvre to determine the outcome of the process.

2. **Improve the capacity (knowledge, skills and attitude) of local actors to establish and sustain development within the region.** This capacity is related to the degree in which actors face their situation and prospects in the broader national and international context.

   Main aspects in the capacity of policy makers pertain to their ability:
   - to act effectively in planning and delivering policies;
   - to select and support promising local initiatives and projects;
   - to formulate policies to attract public and private investments.

   Main aspects in the capacity of entrepreneurs pertain to:
   - the ability to perceive changes and adjust to them;
   - the willingness to respond to market changes.

   Main aspects in the capacity of workers pertain to their ability:
   - to adapt to changes;
   - to upgrade their skills.

3. **Strengthen the cooperation of local actors and the cooperation of actors inside and outside the region.** This cooperation facilitates the creation and maintenance of networks and public/private partnerships and may result in local synergy. Key actors to be targeted at in initial stages are, among others, local leaders, public agencies, private firms, and a wide array of intermediary institutions in fields such as technology transfer and training provision. In addition, a cultural-territorial identity may also serve as a main catalyst in raising local consciousness towards cooperation.

4. **Try to affect the balance of power in external networks in such a way that local actors benefit to a reasonable extent from these networks, for example, with regard**
to the transfer of technological and organizational know-how and public funds. Such benefits may contribute to a continuous recreation of regional competitiveness and innovation capability.

5. Adjust administrative structures, i.e., the linkages between the local, regional, national, and EU authorities, in such a way that the administrative structure stimulates and responds to bottom-up initiatives.

6. Use a comprehensive territorial development plan, based on the strengths, weaknesses, opportunities, and threats of the region, and integrate all measures and projects within the scope of this plan.

Local policy makers and entrepreneurs are the main actors in implementing these measures. In many cases, however, local actors will not or only partially manage to bring about these new developing routines. Therefore, often encouragement from upper administrative levels or other external actors such as development agencies and universities will be required. The recommendations above partly coincide with current practices, among others, the use of a territorial plan is quite similar to the development plans prescribed in EU structural policy, and the principle of public/private partnerships is also applied in EU structural policy. It can be said that these recommendations are not new but have already been floated for a longer time in the literature. However, our analysis of theories and international comparison of case studies in leading and lagging rural regions provide a broader empirical basis that the six issues given above are still among the key issues in economic development of rural regions during the last decades.

Additional building blocks for strategies
Within the framework of this guideline, the following, more specific recommendations—depending on whether they suit the needs of the region—may be selected and applied. However, these recommendations should not be equated with a guaranteed ‘success formula’ which always results in more jobs. The recommendations have to be seen rather in terms of building blocks, which may contribute to shaping prerequisites for economic development. In the recommendations no attention is paid to the way in which they have to be implemented, since that exceeds the scope of the present study.

Integrate infrastructure investment in a broader development process
Physical infrastructure is an important factor for rural development. The case studies show that investment in infrastructure alone is not sufficient to trigger positive rural development. It will not in itself create employment opportunities, except during the construction period. Comparison of the case studies provides evidence that in the longer run infrastructure investment management makes a significant difference. In several case study regions, improved connections to major transportation networks inside and outside the region have been essential for making transport of products and services more efficient. In most regions efforts have also been made to create new industrial sites, equipped with water treatment plants, electronic communication infrastructure and other facilities. This suggests that infrastructure investments should be integrated into a broader comprehensive development concept, and accompanied by a set of complementary incentives. Such a comprehensive development concept should be based on a systematic assessment of regional strengths and weaknesses, as well as future opportunities and threats.
Valorize rural amenities

Almost all case study regions have some valuable rural amenities which contribute to their ‘local identity’. However, the existence of these amenities is not sufficient to explain employment dynamics, but the degree to which these assets are managed and valorized by actors to generate added value and employment. In the valorization of amenities a kind of ‘product differentiation’ can be recommended: by developing uniquely attractive features, rural regions can distinguish themselves from others. Rural amenities have to be managed in such a way, that the sustainability is not endangered. In particular, overexploitation should be avoided.

Improve the perception of amenities by local actors

There is often a gap in the perception of rural amenities by rural people and by those outside rural regions. An important precondition in the valorization of rural amenities is that rural actors are conscious of the values of rural amenities, i.e. that they understand that unspoiled nature, attractive landscapes, historic villages, etc. are scarce resources and unique development assets that should be kept in a good state. This is not only a service for tourists and leisure-seeking urban populations. The consciousness of living in a unique village may have spin-off effects for the rural population as well, as it can break a negative circle and result in new energy and activities. Rural renewal schemes can help to initiate such processes.

Follow a multisectoral approach

Rural employment creation results from complex processes of economic growth and decline, structural change, adjustment and innovation. The case study regions showed an increase in employment in the branches of community services, wholesale and retail trade, restaurants and hotels and financial services during the period 1980-1995, along with a decline of agricultural employment. Besides, several case study regions also showed a rise in employment in the manufacturing and construction sectors. This diverse pattern of employment growth suggests that tourism is not the only potential source of rural employment growth, but only one amongst many other branches. Hence policies aiming at encouraging rural employment creation should follow a multisectoral approach, mainly by providing the necessary conditions for local agents.

Strengthen zoning of economic activities by spatial planning

It appears that firms and actors tend to move to towns and agglomerated parts, a reflection of the attractiveness of concentrations to actors. Such concentrations often result in synergy effects. Spatial planning can be used as a policy instrument to enhance this concentration of activities by providing well-equipped business sites in certain zones. Attractive locations for such concentrations of activities are towns, waterways or motorways. In a number of regions larger towns are lacking, which often hampers economic development. In order to create a structure with some larger towns, spatial planning can be used to stimulate the creation of business sites in one or two villages/towns of the region. A concentration of economic activities in some parts also provides the advantage that it contributes to safeguard the attractiveness of rural amenities and living conditions in other parts of the region.
Attract newcomers
The case studies show that newcomers to rural regions, immigrant populations, entrepreneurs and policy makers from outside the region, or even tourists can play an important role in establishing external links. Local actors, who have stayed outside the region for a long time, and return to the region, can also be counted in the group of newcomers. Due to the fact that newcomers tend to have a different attitude from the local actors, they are often able to mobilize local actors. They can feed experiences into internal networks, help mobilize local actors and act as local leaders. They can provide access to external know-how and markets. They can project a positive regional image which supports advertising and marketing of local products.

Strive after a territorial match
The case studies suggest that the opportunities for a favourable performance in development are better if the territorial perimeter of the relevant public and private institutions involved in the regional/rural development process - be they public administrations, labour offices, chambers of commerce, or other non-governmental organizations - matches the same territory. This helps to reinforce regional identity, create a commonly shared development vision, and facilitate joint development efforts. Where such a territorial match is achieved, it seems easier to set up networks of partners, strengthening coherence and cohesion internally and mobilizing external support from outside the region.

Aim at an appropriate regional mix of skills
Education and training definitely play an important role in matching labour supply to demand and thereby in encouraging employment creation. The role of education is however highly complex. It is not the attainment level as such, but rather an appropriate regional mix of skills that matters for successful rural employment growth. Proper targeting of education and training is required to ensure a better regional balance. It should be taken into account that this is a dynamic process as firms may change their labour demand due to shifts in production. Such shifts may emerge from a transition from bulk production towards a production that is more flexible, service-intensive and customer-oriented, in which firms prefer medium-skilled labourers to unskilled labourers. For example, in those regions where employment growth was particularly high in industrial firms, there was a large demand for workers with medium-level technical skills. Establishing technical schools and promoting professional training both within and outside enterprises are priorities. Employers themselves were interested in equipping manual workers with professional qualifications by providing on-the-job training. In those regions where strong regional networks and partnerships existed, the matching of skills seemed to work particularly well.

In the preceding of this section we have tried to outline a guideline comprising six key issues and a number of additional building blocks, all directed towards encouraging economic and employment growth in rural regions. We now conclude this section with some final remarks.
Recommendations for strategies: in conclusion

One of the main differences between leading and lagging case study regions seems to be related to the degree of mobilization and organization of local actors, be they private or public. Therefore, local actors emerge as the main target point in our recommendations for strategies towards economic development in rural regions. Capacity-building and strengthening the cooperation in networks and partnerships have been suggested as main vehicles for transforming an attitude of apathy or dependency into one of spiritedness and self-reliance. Another main recommendation refers to the use of a comprehensive territorial development plan, based on assessment of the strengths, weaknesses, opportunities and threats of the region, in which all measures and projects are integrated. In addition to these general recommendations, we have formulated a number of specific recommendations, which may contribute to shaping the necessary conditions for economic development under certain circumstances, and which may be selected and applied if they suit the needs of the region.

7.5 Research agenda

The insight gained from this study has raised some questions and identified gaps which require further investigation. In this final section, we will suggest some issues for the research agenda on economic development in rural regions.

Further research on theories which have not been matched
Lack of data in the case studies prevented us from matching two of our selected theories: Porter’s theory on the competitive advantage of nations and the growth pole theory. Future research on pattern-matching with these theories is recommended in order to assess the usefulness of these theories for explaining economic development in rural regions.

More insight in local processes
In this study we have concluded that capacity of local actors and networks are important assets for economic development in rural regions. This finding has been based on an assessment of the existing situation and hardly any attention has been paid to micro-processes behind capacity building and the creation of networks. Hence, further research is needed about processes behind capacity building and the creation of networks and public/private partnerships, as well as related local processes such as social inclusion and exclusion, the integration of newcomers/immigrants in networks, the formation of new enterprises and the adaptation of innovations. In such studies on processes, gender issues also deserve attention.

Procedures with less bureaucratic paperwork
Nearly all policy makers involved in the implementation of EU structural policy complain about the huge pile of bureaucratic forms to be completed at all stages of the programmes. At the local level, this often discourages initiatives of local actors who are not used to such time-consuming bureaucratic procedures. Of course, the European Commission might argue that these forms are needed to keep track of the efficiency and effectiveness of the spending of public money. Although these forms are also intended to be ex ante and ex post evaluations of policy performance, as a result of its complexity,
this objective is not always achieved. It should be explored, however, whether simpler and more transparent procedures can be designed. If such procedures are conceptualized as performance-oriented checks that enable and encourage a learning process within the system of rural development policy design and delivery, they might function as feedback mechanisms that are in the interest of the rural policy administration.

More efforts on regional data collection
Researchers in regional economic development often face the situation where issues and developments cannot be analyzed due to lack of data. Such situations arise, for example, when one wants to assess employment development within economic sub-branches such as tourism or specific kinds of manufacturing, or when one wants to get insight into the provision of basic services or commuting to certain parts of the region. Difficulties increase when one wants to compare such items among regions and for a longer time period. In a number of cases, different sources of data are available, for example, collected by Chambers of Commerce, municipalities, provinces and public employment services. However, usually such data is not easily accessible and mutually not comparable. Efforts to collect data systematically and to harmonize the collected data among regions should enrich research on rural regions in general and contribute to a better insight into economic development in rural regions in particular.

Understanding the role of regional centers
In our study we have focussed on employment development in the whole region, and only incidentally taken into account that a large part of employment was created in urbanized areas within the region. The role of small and medium sized cities in the economic development process deserves further research. Among the topics for research are their contribution to total regional employment growth, their role in providing jobs for population living in the surrounding countryside, and examination of thresholds for rural agglomerations, i.e. what is the critical level of the provision of services and institutional thickness for a rural city in order to generate a self-sustaining process of economic development. In this respect, the position of the rural city in the regional or national transport network and the impact of the distance of a rural city from a metropolitan area on economic development can also be taken into account.

Future role of rural regions
The validity of our findings is limited by the fact that they refer mainly to past developments. Thus, there is a need for some prospective analyses. Such analyses may address, for example, questions about the future role of rural regions in Europe. The case studies show that agriculture has continuously lost importance, and that tourism can only be part of the response. If, for the last decade, in most leading case study regions the industrial sector was crucial, it is unclear what kind of industries could survive in rural regions of high-wage countries, once competition from low-wage countries will get stronger. Also the question which needs to be addressed is about rural services that have the potential for export. In this respect, the impact of technology in general and that of information and communication technology (ICT) and the new economy in particular on the distribution of economic activities and population among urban and rural regions, as well as shrinking distances, should also be taken into account. In addition, capacity building of local actors to face the challenges of a changing economic base in rural regions deserves attention.