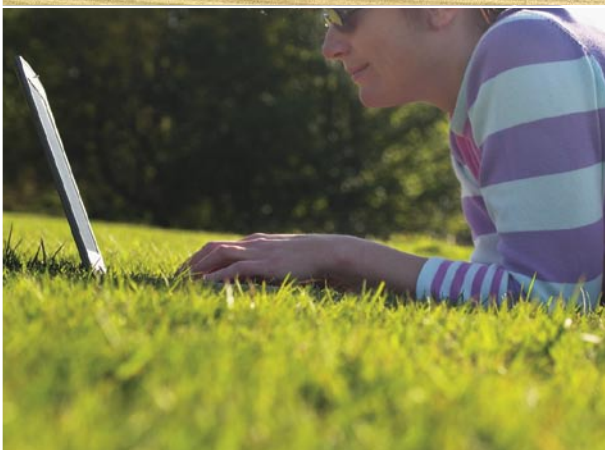


OECD Rural Policy Reviews

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Foreword

With gains in agricultural productivity leading to a dramatic reduction in farm employment, rural regions across the OECD now depend on a wide range of economic engines for growth. Increasing globalisation, improved communications and reduced transportation costs are additional drivers of economic change in rural areas. Traditional policies to subsidise farming have not been able to harness the potential of these economic engines. In 2006 the OECD published a thematic report *The New Rural Paradigm: Policies and Governance*, which seeks to explain the shift in rural development policies to account for these important economic changes and the new approach to governance that these policy approaches require.

Policies to develop rural places are beginning to take into account the diversity of economic engines as well as the diversity of rural region types. On the aggregate, rural regions face problems of decline with out-migration, ageing, a lower skill base and lower average labour productivity that then reduce the critical mass needed for effective public services, infrastructure and business development, thereby creating a vicious circle. However, there are many other rural regions that have seized opportunities and built on their existing assets, such as location, natural and cultural amenities, and social capital. The success of such dynamic rural regions is evident in regional statistics.

Promoting rural development poses numerous policies and governance challenges because it requires co-ordination across sectors, across levels of government, and between public and private actors. OECD countries have therefore been undergoing a paradigm shift in their approaches to accommodate such important challenges. The most defining characteristics of this shift are a focus on places rather than sectors and an emphasis on investments rather than subsidies.

The multi-disciplinary nature of rural development has contributed to the lack of comprehensive analytic frameworks to analyse and evaluate multi-sectoral, place-based approaches. The OECD will continue to work with other stakeholders worldwide to fill this knowledge gap. The OECD's work on rural development through the Group of the Council on Rural Development, created in 1990, was intensified with the creation in 1999 of the Territorial Development Policy Committee (TDPC) and its Working Party on Territorial Policy in Rural Areas. These bodies provide governments with a forum for discussing regional and rural development. In early 2006, under TDPC's guidance the Directorate of Public Governance and Territorial Development (GOV) launched a series of national rural policy reviews, such as this one, to deepen international knowledge in this field.

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List of Acronyms

BSE	Bovine Spongiform Encephalopathy or Mad Cow Disease
CAP	Common Agricultural Policy
CCAGS	Crofting Counties Agricultural Grants Scheme
CHGS	Croft House Grant Scheme
CPP	Community Planning Partnerships
COSLA	Convention of Scottish Local Authorities
ERDF	European Regional Development Fund
ESF	European Social Fund
GDP	Gross Domestic Product
GVA	Gross Value Added
FMD	Foot and Mouth Disease
H&I	Highlands and Islands
HIE	Highlands and Islands Enterprise
HICES	Highlands and Islands Croft Entrant Scheme
ISA	Infectious Salmon Anaemia
LAG(s)	Local Action Groups
LEC(s)	Local Enterprise Companies
LMC	Land Management Contract
LFASS	Less Favoured Areas Support Schemes
NRN	National Rural Network
NTS	National Transport Strategy
PR	Predominantly Rural
PU	Predominantly Urban
RCTI	Rural Community Transport Initiative
RDC(s)	Rural Development Contracts
RDP	Rural Development Plan
RPPT	Rural Public Passenger Transport Grant
RPSGS	Rural Petrol Stations Grant Scheme
RSPA	Rural Service Priority Areas
RTF	Rural Transport Fund
SEn	Scottish Enterprise
SME	Small and Medium Enterprises
SRDP	Scotland Rural Development Programme 2007-2013
TIFF	Total Income from Farming
UHI	University of Highlands and Islands

Assessment and Recommendations

Rural Scotland¹ as a whole evidences good socio-economic indicators as compared to urban and intermediate areas...

On average, rural areas in Scotland show better socio-economic and wellbeing indicators than urban areas. The population in accessible rural areas has the highest levels of income; average household income in 2005 was GBP 22 010 (114%) in accessible rural areas, GBP 19 878 (103%) in remote rural areas and GBP 18 867 (98%) in the rest of Scotland. Rural areas show comparable or better health standards and practices than urban areas. In rural areas, life expectancy is 3 years higher than in urban areas; cancer, emergency admissions and the prevalence of smoking and drug use are lower. Educational attainment figures show that although predominantly rural regions, have a higher proportion of people without qualifications (24% compared with 17% and 15% in intermediate and urban regions) they also have higher levels of tertiary education attainment (32%) than intermediate and urban regions (27% and 28%, respectively). Indeed, Scotland's rural regions have the highest levels of tertiary education attainment for predominantly rural regions in the OECD. Rural areas also report higher employment rates (79%) and lower unemployment rates (3%) than urban areas. Finally, rural areas experience higher levels of liveability, neighbourhood security and home ownership.

... with some regions displaying the highest GDP per capita growth in Scotland...

The majority of predominantly rural regions had rates of growth above OECD average, and some performed among the top growing regions in Scotland (1998-2003). Scottish rural regions have lower GDP per capita levels (75% of national average) than intermediate and urban areas (83% and 103% respectively, 2003 figures) and lower than many OECD regions. All of which are in the first and second quartile among 364 rural regions in 26 countries. However, in terms of growth, with the exception of two regions (Orkney and Shetland Islands), all predominantly rural regions in Scotland had positive GDP per capita growth from 1998 to 2003, and with the exception of two (Perth and Kinross and Stirling), all had higher growth than the OECD average (1.6%). Moreover, the two regions with highest growth [Inverness and Nairn, West

Moray, Badenoch and Strathspey (5.2%) and Caithness and Sutherland, Ross and Cromarty (3.8%)] had comparable rates of growth with the two highest growing urban regions in Scotland, namely North Lanarkshire (5.6%) and Glasgow City (5.5%), and higher than Edinburgh City (3%), ranking in the third quartile of OECD rural regions in terms of growth. The disparities among rural regions are mostly related to productivity (which is lower than the national average in all rural regions but with marked differences similar to the differences in GDP per capita growth) and to specialisation in low productivity sectors (particularly some regions which are still strongly dependent on agriculture).

... and experiences a positive migration balance.

In contrast with the trend seen in rural regions across many OECD countries, rural areas in Scotland have been the net receivers of population since the late 1980s. The rural population has increased from 19% in 2001 to 21% in 2004. Immigrants in accessible rural areas are often young families, 72% of which are younger than 39 years old, 70% are couples and 56% of them have one or more children. They are also often professionals, 16% work in higher managerial, 30% hold lower managerial and professional positions. 53% of the immigrants in accessible rural areas come from Scottish urban areas and 20% are from other parts of the United Kingdom. They have strong linkages and interaction with urban areas; 52% of the population in accessible rural areas commute to urban areas. These immigrants represent an opportunity for rural areas but raise issues related to commuting congestion, car dependency and increasing demand for land, housing and services.

Yet, there is still a significant divide between remote and accessible rural areas with regions facing serious challenges in terms of ageing, outmigration, poor economic performance and access to modern services.

However, the situation is quite different in many remoter rural regions, which lag behind on some indicators and are qualitatively different because of their sparse population. Analysis of the Index of Multiple Deprivation reveals very fragile areas within rural areas, particularly in the periphery and islands. Many suffer from lower income, employment, skills and health as well as inadequate infrastructure, higher costs of key inputs and lower access to services (30% of the areas with low provision of services are in remote rural regions). For example, the Western Isles which has a GDP per capita of 60% of the EU average, low enterprise formation, poor health indicators, net

outmigration and negative population change. Nevertheless the area is attractive to some; immigrants to remote rural Scotland are mainly in older age groups and a significant share, 30%, are from other parts of the United Kingdom. Addressing these “pockets of ageing”, service delivery mode and sustainability concerns are essential.

The economic profile of rural Scotland is evolving, with services largely outpacing the primary sector...

Today, the rural economy is dominated by the services sector, which accounted for 43% of employment in 2004. The weight of the agriculture sector has been steadily contracting in the last two decades. Agriculture represented only 1.3% of Scottish GVA and 11% of rural employment in 2004 with a steady increase in the share of part-time employment.² The industry has been hit hard in recent years by BSE and the food and mouth disease crisis³ and is still highly dependent on subsidies. From 1997 to 2005 the Total Income from Farming (TIFF) was below the level of subsidies in real terms, which had been above GBP 500 million (at 2006 prices) only reaching a similar level in 2006 at around GBP 550 million. Scotland's rural economy is experiencing a “second wave” of diversification differing from the “first wave” in that it is no longer linked only to farm households but to a significant housing boom and stronger entrepreneurial activity. This is evidenced by the rising creation of firms in construction (+610 firms) and real estate services (+1 525 firms) in predominantly rural areas from 2000 to 2006. Nevertheless, businesses tend to be small and operate in niche markets and the better-paying jobs remain concentrated in the largest urban centres.

... and tourism, forestry and energy production benefiting from the country's large natural and cultural resources and increasing domestic and international demand.

Rural areas account for 98% of the land mass in Scotland and are home to high value natural amenities: characteristic landscapes (there are 40 designated National Scenic Areas), forests (covering 17% of Scotland), mountains, islands, beaches, biodiversity. Cultural and historical assets are also remarkable. Despite the often difficult climate conditions, these assets are generating new income streams for the rural economy through recreation and tourism (which has already 7 600 firms in predominantly rural region and provides about 14% and 9% of the jobs in remote and accessible rural areas respectively) and

through sustainable production activities such as forest products (softwood production tripled over the period 1980-2000) and renewable energy (which in 2004 accounted for 11.5% of the electricity generation in Scotland – compared to 3.8% in the United Kingdom – and of which the share coming from sources such as wind, wave, solar power, thermal and bioenergy increased from 0.6% to 2.6% in 2004). However, the environmental impact of rural development (i.e., urbanisation and pollution), and possible conflict between uses of natural assets (i.e., for tourism and energy production) are issues of concern.

In sum, the analysis of rural Scotland reveals a high degree of spatial heterogeneity, calling for a flexible policy, tailored to the opportunities and needs of different places.

The analysis highlights the need for the government to respond flexibly and in a way that is adapted to the different characteristics of its rural regions.

1. **Strengths:** many strengths of Scotland are rural in nature. These include: abundant land area as well as rich natural and cultural resources; higher standards of living and a distinct social capital and cultural traditions; a stable and relatively diversified economy, with good employment and entrepreneurship indicators.
2. **Opportunities** include higher population growth and positive net migration of “neo-rurals”, growing sectors such as tourism and renewable energy and potentially greater urban-rural and international interaction and exchanges.
3. **Weaknesses**, specific to some remoter rural areas, include relatively lower and stagnant levels of GDP per capita, higher costs of living, transport and housing; car dependency and lower access and quality of services; low labour productivity, a predominance of low skilled jobs and dependency on subsidies for agriculture.
4. **Threats** are mainly represented by depopulation and ageing, especially in certain fringe areas, cost and closure of key services as well as the expected reduction and reform of CAP and EU structural funds.

Scotland’s approach to rural policy is innovative and rapidly evolving but it is still suffering from a sector-by-sector focus...

The approach to rural policy in Scotland has evolved continuously since the 1960s. This process has been led by various reforms at EU and UK levels. As a result of devolution in 1999, Scotland now has its own chapter in the UK Rural

Development Strategy and its own Scotland Rural Development Programme. The Scottish Government (former “Scottish Executive”) published its first rural policy document, *Rural Scotland – A New Approach* in 2000. The document emphasised the need for more collaborative and outcome-oriented policies focusing on diversifying and growing rural business, increasing wages and delivering better services. This strategic focus is emphasised in the Government’s most recent rural policy document, *Rural Scotland: Better Still, Naturally*.

Scottish rural policy currently relies on a fairly centralised approach balanced by consultation with stakeholders at national level and a sector-by-sector rather than a territorial focus. This approach has brought substantial advantages, in particular the wider attention paid by policy makers to all aspects of rural life, beyond agriculture. However, despite important innovations in the last few years, this approach is increasingly showing its limitations and need for reform.

Key critical issues are: 1) weak integration of rural, regional and sectoral policy design; 2) complex delivery mechanisms at both national and local levels and a plurality of operational classifications of rural areas for policy purposes; 3) high level of public expenditure for agriculture and a predominantly environmental focus chosen for this sector in the future; 4) modest local participation and adaptation of RDP to place-specific situations.

... weak integration of rural, regional and sectoral policy design...

As discussed above, Scotland has an official document outlining a strategy for rural development. However, in policy practice, since each sector looks at rural policy with its own objectives and priorities in mind there are issues of coherence, weak integration and poor visibility. As a result, rural policy appears as a subsidiary policy within each sector. The presence of conflicting policy designs between sectors is often quite evident in the different approaches of the Scottish Government and Enterprise Networks (which combines both Scottish Enterprise and Highlands and Enterprise interventions). The issue of coherence and integration of policies impacting on rural areas is not just one of national policy. Rural development policy within the EU is embedded in a multi-governance framework, including several layers of institutional actors, at different levels, which participate in the formulation and implementation of policies. These components are administratively linked but they do not respond to a unified vision or approach. The national framework is not fully integrated with the EU framework, which has different sets of regulations, compliance requirements and procedures.

... and a complex, segmented delivery system at both national and local levels.

More than 100 agencies work on rural development issues but there is no single body focussing on rural areas or a comprehensive and distinctive policy for rural areas. At the national level, the Ministerial Committee on Rural Development has contributed to the co-ordination of policies for rural areas, since 2000. At the local level, 32 Community Planning Partnerships were introduced in 2003 to provide a local mechanism and prioritisation, promoting complementary approaches and delivery amongst service providers. Furthermore over 60 Rural Partnerships have been established to help deliver community action plans around Scotland. The result of this proliferation is an overlap of different delivery mode approaches and agencies each claiming relevance, new functions, and constituency support.

It is widely recognised that the current organisation is costly and ineffective, and that a “proper joiner” is needed. To compound this already complex delivery system, the sector-by-sector approach adds a multiplicity of “sector cultures” with their own modes of delivery and performance indicators set by their parent Department of funders. The critical issue is thus the extreme complexity of both the design and the delivery system linked with rural policy. This segmented approach at both national and sub-national level is not well equipped to “regionalise” the interventions within an area and create effective horizontal linkages between agencies and actions.

The SRDP is overall a sound strategy, setting clear objectives, but there are concerns with the high level of expenditure for agriculture, its sustainability and the predominantly environmental focus chosen...

The strategic plan for realising sustainable rural development policy as outlined in *Rural Scotland: Better Still, Naturally* is in the Scotland Rural Development Programme (SRDP) 2007-2013. The SRDP is a comprehensive strategy that does take into consideration the wide concerns of rural areas, but this vision is not reflected in budget allocations. Farming in Scotland is still heavily subsidised, although this may change in the medium-long term. With respect to Pillar 2 of the Common Agricultural Policy (CAP), according to official data approximately GBP 1.6 billion will be available to fund the SRDP 2007-2013, of which GBP 1.1 billion will come from the Scottish Government. GBP 1.124 million will be spent improving the environment and countryside through land management (Axis 2). Consequently, the focus of rural policy

(within the EU framework) will concentrate substantially on the environmental dimension and that the other options offered by the regulation have been largely discarded making interventions within the EU framework heavily agricultural in nature. The territorial interventions for the diversification of the rural economy, addressed in the third axis and aimed at the whole rural population, will account for 16% of the total rural budget and are also partially aimed at farmers.

Even though measures not financed under the RDP can be accommodated under national spending programmes, the decisions taken over Axis 2 resources indicate a clear strategic choice in favour of the production of environmental public goods in rural areas by farmers and land managers. This allocation does not appear well balanced, particularly in relation to previous policies and ongoing socio-economic trends in rural Scotland. Regional and place-based approaches to rural development have a more articulated and multi-sectoral view of the environment. This implies that there should be a “balance” between environmental, economic and social objectives also in rural areas, since environmental payments are not likely to have major impacts on growth and job creation. Whether the more comprehensive vision presented in *Rural Scotland: Better Still, Naturally* will be able in practice to rebalance and integrate the sector approach of the SRDP with the regional and national components of rural policy remains to be seen.

... and the sub-optimal use of the two key rural development schemes.

The environmental land management efforts of Axis 2 in the SRDP absorbs approximately 70% of the Programme’s total funding, the bulk of which will go to the Less Favoured Area Support Scheme (LFASS) and Rural Development Contracts (RDCs – formerly Land Management Contracts). Both are “horizontal”, “stand alone” delivery mechanisms. Whilst RDCs are available to a wide range of beneficiaries, not just farmers and foresters, **LFASS** is open only to farmers and crofters who meet specified eligibility criteria. The LFASS’s logic is based on compensating with a premium farmers who operate in areas with some kind of agricultural handicap. However, since LFASS covers 85% of the agricultural land in Scotland and is associated with extensive grazing of cattle and sheep, this wide coverage makes it in practice a horizontal measure. The interim LFASS Scheme for the period 2007-2009 will consider a redistribution of funding from “standard” to “very fragile areas”. The critical aspect of this measure is its purely compensative nature and its lack of linkage to other actions, which may be complementary (tourism, typical products) or go beyond this fatalistic vision of agricultural disadvantage.

The full introduction of Rural Development Contracts (RDCs)⁴ should contribute to a sustainable land-based sector which plays a key role in rural development and helps to achieve a high standard of land stewardship. RDCs have their roots in the reform of the CAP in 2003 and now occupy a central role in the SRDP by making payments for the delivery of environmental, economic and social benefits. The critical issue with RDCs is that they are open to a wide range of beneficiaries, not just the historic farming and forestry sectors. No collective initiatives for joining up RDCs by type of beneficiary have been established so far with the exception of possible linkages with the Rural Partnerships. The linkage with Leader Groups, which would have allowed for a stronger link between farmers, land managers and the wider rural economy, was considered in the consultation for the SRDP but not implemented.

Centralisation and the lack of adequate bottom-up participation to rural policy hamper the design of measures adapted to the different parts of rural Scotland.

Prior to devolution, regions and local rural areas were able to articulate their own strategies and the mix of policies that best fit their strengths and weaknesses as well as negotiate the necessary funding within the Structural Funds. Devolution coupled with the framework created by Agenda 2000, significantly changed the governance of rural policy. The transparency of the planning process increased with devolution since the consultation of individual stakeholders was extended considerably. For example, a high level Stakeholder Group was set up (the Scottish Rural Development Programme Stakeholder Group) to engage the community in the preparation of the SRDP, a number of innovative community-based programmes (like the “On the Ground” programme) were introduced and a Ministerial Committee on Rural Development was created. However, decisions about policy design remained at the national level. The current, largely EU driven, system of design of rural policy does not truly engage local leaders and foster creativity and innovation but rather fosters a “subsidy mentality” whereas local actors adapt to top-down strategies to get resources even if that is not exactly what is needed in their territory. There are numerous examples of poor adaptation of sectoral policy to local conditions. Housing and transportation are two such cases.

Scotland needs a distinct, integrated rural development policy, with a decentralised, area-based delivery system...

The original motivation for adopting a sector-by-sector approach at national level might have been justified when all rural policy was considered as coinciding essentially with agricultural-related needs. But this may be less true today given the evolution of both Scottish rural areas and the EU framework. It is recommended that Scotland aim for a distinct vision of policy for all rural areas, one that is comprehensive and integrated, capable of mixing sectoral and territorial approaches and developing linkages, exchanges, between the agricultural sector (farmers and land managers) and the other sectors of the rural economy. The convergence of sectoral policies in a coherent policy for rural areas can be realised gradually over time.

From the delivery perspective, a comprehensive and distinct vision of rural policy may be built with a “regionalisation” or “decentralisation” of delivery mechanisms accompanied by a geographic differentiation of rural areas, either by “macro” regions or more “micro” regions. One-stop-shops have been a successful experiment in Scotland, but are limited to facilitating administrative access to existing interventions and operate at a small territorial scale (micro level). These could be developed gradually to develop linkages with other local agencies, develop joint monitoring and follow up of multi-sectoral projects, providing feed back to the central level about integrated needs. The simplification of the complex delivery mechanisms should follow closely the logic of the “rural vision” that has been selected; if an area-based, decentralised approach is chosen then sectorial agencies at local level need to form a partnership and co-ordinate their work at that level. This should improve the effectiveness of the present co-ordination mainly at Ministerial central level.

... a stronger co-ordination of sector and territorial policies...

Linking the “silos” of central government should be an explicit policy priority. Horizontal integration should be reinforced at the centre to ensure a balance between needs and sectors, accompanying the Ministerial Committee. This is both an administrative and a political process and requires going beyond the rhetoric of joined-up government. No actor or sector should be dominant, but rather each can act as a check and balance to the other. A “regionalisation” of policy formulation can spur different sectors at local level to integrate spontaneously. These area strategies may be “joined up” at national level in a

second step, co-ordinating and understanding the different regional strategic needs, in order that each “sector” policy includes them in their sector programming. The regionalisation of the current policy approach should complement the classification of rural areas presently adopted; remote areas do not all evolve in the same way and accessible areas change in relation to the changes in the urban centres that act as a reference. An internal differentiation of Scottish rural areas on the basis of “regional” policy areas will provide a better information on the factors that influence disadvantage in rural areas. The visibility of a comprehensive and distinct rural policy design would also be enhanced by developing a software classification system of public expenditure that would give a quantification of the “rural spend” for all sectors. This would help with internal monitoring and assessment of rural policy. It would also help make transparent, particularly externally, the various components of rural policy.

... and reinforced partnership, place-tailored approaches.

A place-tailored approach to rural policy and programmes characterised by a stronger local participation and wider stakeholder involvement is key. The consultation procedure is complementary but does not substitute for the participation, deliberation, negotiation and agreement of stakeholders. Despite recent changes in the approach, the current system still largely empowers farmers and land managers rather than involving a multiplicity of rural actors on an equal footing. A critical issue is the creation of effective mechanisms at various institutional levels to accompany consultation practices. Stronger local participation and wider stakeholder involvement are to be seen as key factors not only to improve knowledge sharing and the effectiveness of policy but also as a means to foster social cohesion. Work is underway to establish a National Rural Network in Scotland through the SRDP to support and assist in the delivery of the 2007-2013 programme. The NRN will group the organisations and administrations involved in rural development. The successful establishment of the Network will be important in determining the capacity of the Scottish Government to dialogue with different interest groups on rural and rural-urban development issues.

A widely shared and participative approach to rural policy would benefit from stronger innovative community development frameworks such as LEADER which has proved to be effective in promoting consensus, coherence and integration of rural policies. Lessons learned from its success could be used to strengthen other partnership-based initiatives (like the CPPs). Additionally, discussion on the future of LFAs payments should consider the importance of reforming this instrument to make it more responsive to wider rural needs that are characteristic of today's rural areas. Their compensatory nature for rural

disadvantage could gradually include consideration of farming handicaps of a physical nature, but also of the valorisation of products and activities which can provide additional incomes for farmers by linking them more closely with the rural economy. Similarly, on RDC issues, three directions could be considered: 1) promote area exchanges and networking between land managers, so that they improve their environmental knowledge-base collectively; 2) promote exchanges between RDCs and local action groups/local partnerships so that an integration between farmers and wider rural activities takes place; 3) agencies delivering RDCs should be increasingly active or co-operate in the delivery of other rural measures.

Scottish rural development strategy should find a better balance among interventions...

Scottish strategy for rural development should find a better balance among interventions to respond to the wider needs of rural development. Decisions over the use of CAP Pillar resources limit environment concerns to a narrow perspective. In the current vision, the environmental dimension has been considered mostly in terms of public goods that farmers and land managers could deliver to society. Environmental sustainability is a wider concept that should encompass the whole mix of activities present in a specified area. Given the sectoral approach adopted by Scottish rural policy within its EU-agricultural component, the other components of rural policy should promote other objectives such as the competitiveness of agriculture, forestry and the food industry, as well as the quality of life and the diversification of the rural economy. This way would complement the environmental interventions and “rebalance” the different axes of rural development policy with other sources of funding. If this is not done, a concentration of rural policy almost exclusively on environmental interventions is a risk, because of the financial sustainability in the medium-long term, and because such a vision continues to assume that rural areas are populated only by farmers and land managers. By contrast, the context analysis and ongoing trends show that the growing prosperity of the rural population in Scotland is due to the economic development of specific economic sectors which often have fewer linkages or complementarities with environmental payments than presently conceived.

If not managed in a balanced way, environmental payments, by privileging a non productive vision of rural space, could discourage the diversification of the rural economy, either by inhibiting opportunities for local enterprises to find industrial sites and workers, or by keeping the demand for services below a minimal critical mass, by rewarding a “rentier” mentality. On the other hand, if managed in a balanced way, environmental “goods” could produce mutually reinforcing diversification effects with the wider rural economy and quality of life.

... account for the distinct character of the Highlands and Islands and aim at raising the profile of the south of Scotland.

Rural policy in Scotland has largely focused on the Highlands and Islands which is both the most remote part of the country and the majority of the rural territory. However in terms of population, more rural Scots live outside the Highlands and islands area than in it and their development issues should also be an integral part of rural policy. The Highlands have been subject to special intervention measures, notably the creation of the H&I development Board (now H&I Enterprise, HIE). The special focus on the H&I worked; in fact after a century of decline, the fortunes of the region turned and the 1971 census reflected a population increase for the first time in over 100 years. Moreover the H&I experienced a 15% increase in population during the 40 year period from 1961-2001 with a further 1.7% increase in 2001-2005. Also, unemployment is now lower (2.4%) than in Scotland (2.8%). Initiatives such as the *University of the H&I* should be pursued with more vigour to build on this success and move the economy upwards to get the most out of both its natural and cultural resources and the expanding knowledge-based economy.

Similar efforts could be made to address the challenges of the south of Scotland, which according to many observers suffers from a public spending bias in favour of the Highlands and Islands and the central belt. Social exclusion in the South of Scotland is a particularly serious problem that needs to be further analysed and treated in its distinct character as opposed to other parts of Scotland and the urban areas. Local community capacity needs to be developed in the region and efforts should be invested in strengthening local economic networks in order to build a stronger and more positive identity associated with quality of life and natural amenities. The provision of services, including transport and business services will be critical to this end. The re-establishment of a body (such as the South of Scotland Forum) with a similar structure to H&I Enterprise should also be considered.

... and would benefit by more networking and closer linkages with counterparts in the United Kingdom and abroad.

Scotland's rural policy would benefit by more circulation of local good practices. The quantity and quality of innovation in Scotland's rural areas is remarkable and should be better exploited. On the practitioner side only LEADER groups have been involved in networking and transfer of knowledge about rural development, mostly with other European groups. It is important to favour

wider knowledge and information sharing across Scotland's rural areas and exchanges with other local actors both within Scottish areas and abroad. There is a rich experience in providing rural expertise from Scotland to national, EU and international level organisations, about rural development policies. This intellectual capital built over the years by Scottish Universities, research networks and consultancies is an asset that should be used more extensively both with local policy practitioners as well as local policy makers. Scotland's rural policy would also benefit from closer, more explicit linkages with counterparts in the United Kingdom and abroad. The present multi-governance (EU + UK + National) framework could be considered an opportunity for an improved and more coherent presentation of Scottish rural policy, with its distinctive features, in outside policy and institutional circles. This would not only give better external visibility to Scottish policy, reinforcing its internal recognition by stakeholders, but could contribute also to the discussion and transfer of local policy innovations at global level.

Key priorities for Scotland's rural policy include:

Addressing the shortage of rural housing and the increasing demand for space for multiple uses by directly tackling the rigidity of land use regulations.

Land reform, housing and crofting appear as distinct features of Scottish rural areas. They are relevant aspects for rural development policy because they are related to a key problem; the scarcity of available land and a rigid regulation of land use. This regulation acts as a constraint on an otherwise very abundant physical resource and limits the opportunities for the diversification of activities and for living in rural areas. Scotland's land tenure system has remained throughout modernisation highly concentrated and land use regulation has remained very rigid. As a result, land management and land reconversion decisions are often outside the influence of the local population. This situation is quite different from that found in other countries of Europe.

In Scotland, landowners, especially large ones, have found an important source of rent from protectionist policies and later in the CAP, and this support in turn is capitalised in higher values for their land. For this and other reasons, landowners have often little interest in selling or diversifying their activities. The National Planning Framework does stress that economic diversification is vital to the future of rural Scotland and policies have used indirect instruments to facilitate rural housing (like subsidising social housing for low-income families or other priority groups or the cost of ferries that haul building materials). This bottleneck would be better addressed directly instead of indirectly through other instruments.

The Land Reform Act passed after devolution has had the explicit objective of removing land-based barriers to sustainable development. Differently from traditional land reforms, it is not individuals who receive the land, but Communities as a whole. Of the 170 community purchases across Scotland between 2003 and 2006, only in 18 cases was there full land management with economic outputs. Clear targets in terms of land and housing supply must be established to monitor the effects of legislation changes and proceed to further action if necessary to ensure that targets are met.

Crofting plays an important role especially in the H&I as a system to retain the population in rural areas through public support, by controlling rents and providing security, and indirectly as a system that gives access to rural housing. In the rigid land-use context of today's Scotland, the protection of crofting would not be understandable from a sector perspective but it becomes more so when the need for housing in rural areas is considered. To the external observer the role of crofting today, and the attention from policies that this form of tenure attracts, is justified not so much by its farming functions, which are declining, but by providing the possibility to live and work in other sectors in rural areas.

Service delivery policy and related investment strategies to tackle the challenges linked with quality education, the healthcare needs of an ageing population and the improvements of rural transport infrastructure.

Service delivery is a key factor for both social cohesion and competitiveness in rural Scotland. The Scottish Government has made a strong commitment to provide a level of service in rural areas that is not greatly different from those available in urban areas. For instance, Scotland's National Transport Strategy (NTS) recognises the need for rural communities to ensure better access. Maintaining such commitment in Scotland remains a significant challenge. Scotland has a rapidly ageing rural structure that is accompanied by a birth rate that is below replacement levels. In addition the majority of the rural territory in Scotland is sparsely settled with people living in small dispersed communities. A modern, multi-sectoral policy for the development of Scottish rural areas should include a careful, spatially differentiated, investment strategy in the key public service areas of education, healthcare and public transport.

Education is a major challenge for rural areas. To Scotland's credit, current statistics show better performance in rural areas than in urban. This suggests that much of the challenge of delivering high quality education in small and remote communities has so far been met. But as rural populations fall in some remoter areas and the minimum efficient scale for providing a high quality education expands, it is proving difficult to keep education at a high level. Scotland has recently embarked on a programme to keep community schools

open in rural areas. A major innovation in higher education is the new University of the Highlands and Islands (UHI) currently in formation, whose decentralised and collegiate structure with presence in the main islands and small towns in the region, as well as rural learning centres in many remoter spots, provides an example of an innovative approach to the education needs of rural regions.

Health care is a growing problem in rural areas. The ageing population implies a need for expensive new investments in facilities that are geared toward meeting the specific health needs of an older population. However, without major changes in demographic structure, the peak demand for these facilities will be over in less than two decades leaving excess capacity. Moreover any increase in facilities will require an expanded labour force to operate them, yet there is close to full employment in many Scotland rural areas. Where new health-care workers will come from is uncertain in this environment, especially given the high rate of out migration of 18 to 30 year olds. Scotland has historically recognised the challenges of delivering health care in remote rural areas and has created innovations to address these problems. Despite efforts to improve rural health care, recruitment and retention of doctors and other health care professionals remains a significant problem. There are two main innovations to be considered which relate to each other. The first is increasing use of remote health care techniques for diagnosis, consulting, and training. The second is the use of paramedics to support general practitioners. Techniques of this kind can reduce costs, ease recruitment problems and keep clinics and smaller hospitals open in rural areas.

Public transportation in Scotland is both a challenge and a factor that complicates the resolution of other public service issues. In rural areas, transportation is key to moving products and visitors and expanding the effective size of local labour markets. Efficient transportation is vital to each of its strategic sectors (see sections below on agriculture, tourism, forestry and energy). Scotland has made a commitment to public transit that involves efforts to encourage people not to rely solely on automobiles; a measure consistent with the UK tax policy on automobile fuel. In urban areas this is offset by major investments in buses and other forms of public transit that offer a reasonable alternative to private automobiles. In rural areas the potential for public transit is a problem; in Scotland's rural areas road improvement is a major issue, while in the Islands the ferry service plays a similar role.

High transportation costs and disruptions in access are important impediments to businesses and to tourists as well as to Scottish citizens. The Government made major commitments to improving road and ferry access and to enhancing regional air service that can provide crucial rapid access to isolated communities. The Government owns and subsidises several airports

at Inverness and throughout the H&I and operates programmes such as the “Air Discount Scheme” which provides for 40% off the core air fare for residents in several remote rural regions. Current and planned Public Service Obligation (PSO) lifeline air routes also represent important steps in the direction of providing access and enhance social inclusion in remote regions. However, the high costs of transport infrastructure means that many areas still lack adequate access. Without resolution of the transport problem, the use of larger regions to deliver services forces increased costs onto the rural population, even though it may reduce direct government outlays. Innovative rural service delivery schemes have been developed and should be reinforced. The Community Planning Partnerships can play a key role in introducing a more client-oriented, place-based service provision and in delivering a much needed “variation” to central policy. Other initiatives whose scope could be widened include the *Closing the Opportunity Gap* and the on-going efforts on 22 Rural Service Priority Areas (RSPA) identified according to the Scottish Index of Multiple Deprivation.

Opportunities for economic development and diversification require looking beyond agriculture for the future of Scottish rural regions...

There are specific areas in Scotland where farming remains a profitable activity and in these areas there is evidence of higher levels of investment, greater productivity and farm consolidation. For agriculture to remain viable in this part of the country support should be provided to facilitate a transition to a more market-oriented structure. This will entail some farm consolidation and greater intensification of production but with more efficient management. Better management will entail both a greater focus on improving rates of return on farm investments but also farming in a way that does not adversely affect the countryside. Analysis shows great opportunities for economic development and diversification in rural Scotland, that go well beyond agriculture and that are, occasionally, linked to agriculture. This has been reflected in planning advice on the opportunities for rural diversification. For the vast majority of Scottish farms the combination of small scale, adverse climate and soil conditions and distance from markets make successful commercial agriculture improbable.

In principle the majority of Scottish farmers should benefit from a reallocation of CAP funds away from direct support for output towards a broader context for agricultural support (multifunctionality) that increases funding for marginal areas. Traditional direct payments are clearly biased towards larger farms in highly productive areas. Thus how LFA regulations evolve will be of vital importance to the evolution of Scottish agriculture and to the role it plays in rural development. An important consideration is whether LFA support will shift its focus from simple maintenance of farms in areas that have

production disadvantages to a greater focus on how farms in LFAs contribute to a larger rural economy. It may well be the case that in parts of Scotland the primary value of agriculture is its contribution to the landscape. Green payments or payments for extensive production schemes may help keep much of the current grazing system intact and allow it to continue to serve as a source of tourism income. While farming may no longer provide the direct source of income in rural communities the presence of farming may make it possible to develop a strong tourism industry that includes agro-tourism, hiking, bird and wildlife watching and other recreational activities that are based upon the specific landscape.

... developing niche tourism...

Globally the tourism industry is seen as expanding at a high rate of growth and rural Scotland with its distinct identity and resources is well positioned to build upon the growing demand and realising this potential will require specific investments. Also sustainability entails that in expanding tourism opportunities there has to be a balancing of development and preservation. For this approach to be successful: tourism has to become embedded in a large part of the rural territory and in each region a range of activities both passive and active have to be available. Many of these do not have to be large scale and indeed the hallmark of this approach is small scale because no particular place or destination is a global destination by itself. Instead it is the complete set that makes rural Scotland a destination.

Scotland has opportunities in piecing together a diverse set of smaller scale attractions that collectively offer a wide variety of tourism opportunities. A similar tourism-based development strategy can only be successful if the human resources to support the environment are in place. The quality and price of the offer is a main concern. In many rural areas there are few people with either formal training or a background in the tourism industry. In some rural areas there is considerable local controversy over the effects on the community of moving to a larger tourism sector. The lack of housing for seasonal workers, the impact of visitors on local housing prices and a fear of congestion are associated with an expanded tourism sector. Also, tourism development will entail dealing with two emerging strains on social cohesion. The first is the capacity of rural communities to accept and welcome tourists. The second is the capacity to assimilate newcomers, often foreigners, as new workers in small rural communities.

... making the most out of forestry...

Forestry is an important sector for Scotland offering multiple options for development including both production of tradable commodities and public goods. The link between forests and tourism is very clear. This includes

activities such as wildlife viewing, walking and a growing mountain biking sector. As multiple use becomes more important the management of forests becomes more complex. Balancing tree harvest objectives with wildlife preservation and human recreation requires better management practices. And support schemes should be designed to encourage forest managers to capture all the benefits that can come from forests (as it is the case for mountain biking tracks or other recreational activities).

Since the early 20th century Scotland has seen a major increase in the area covered in forests. Scotland plans to continue to expand its forested area in the future to roughly 25% of the land area, up from the current 17%. This next round of forest expansion offers opportunities to achieve new rural development goals. In particular additional forests may be suitable in some peri-urban areas in the Central Belt region where forests can help revitalise an otherwise depressed area by improving its visual attractiveness and help providing a new “sense of place”. In all cases, it will be important to develop a “governance of forests” that is able to balance the different needs deriving from national conservation objectives and local development needs. More research is required to clarify the preferences of citizens (as well as tourists) as to the kind of forestry that is valued in scenic terms. This needs to be clarified in order to provide more solid and transparent basis for decisions on support schemes.

... and energy resources...

High energy prices and the concern with global climate change have increased attention on finding novel ways to produce energy. This opens up interesting opportunities for rural Scotland.

Scotland has the highest renewable energy production, use and projected growth in the United Kingdom. In 2004, total electricity generation from renewable resources was 3.8% in the United Kingdom and about 12% in Scotland. As part of the Climate Change Programme, the targets set by government for 2010 (18%) and for 2040 (40%) are ambitious and signal a strong commitment that could benefit Scotland in terms of power generation but also in terms of environment and domestic and international image.

In Scotland there is a strong focus on wind and ocean-based approaches. Expanding transmission capacity can be difficult. First, it imposes high local costs on landowners whose property the transmission lines cross and the least cost routes often parallel existing transportation corridors and second, where power lines run along a scenic road, adverse visual effects and possible impacts on tourism are created. Nevertheless, it should be possible to expand the use of wind energy in Scotland through careful siting of both wind farms and transmission lines as well as appropriate use of under-sea and under-ground

lines. Doing so will likely lead to higher costs, but the benefits to other rural activities will offset the higher expense.

The other main alternative energy option in Scotland is wave and tide power. This technology is still in a fairly rudimentary state, but by investing in its development, Scotland has the potential to not only obtain a new source of energy but also become a leader in the design and manufacturing of power systems. However, just as with wind power, the two obstacles to transmission capacity and negative visual effects are issues respectively for off-shore locations and for facilities built across the mouth of bays. In addition, many remoter communities can become self-sufficient in renewable electric energy, as has been shown by Gigha and some of the Orkney Islands. Communities should be encouraged to develop renewable energy both for their own supply and for “export” where feasible, as this will provide them with long-term sources of revenue for investment in other activities.

... and creating an environment that is supportive to Scottish rural SMEs via policies targeting human resources development and access to technology...

At present rural Scotland has relatively low rates of unemployment and relatively high rates of new business start-ups, although this varies from place to place. These are positive indicators that suggest the combination of public policy and Scottish entrepreneurial behaviour can be effective in providing income and employment opportunities. The high rate of entrepreneurial start-ups in some rural areas suggests that there is a strong foundation for SMEs. However the relatively modest number of firms that advance to higher levels of employment point to problems in growth. The most likely causes for slow growth are difficulties in expanding demand, which requires access to foreign markets and local labour force shortfalls. Expanded efforts by Enterprise Scotland to help identify and penetrate foreign markets could be a useful way to stimulate growth. Moreover, there are significant “lagging” areas such as the Western Isles, Caithness and Sutherland, and Western Dumfries and Galloway, where a number of factors conspire to limit the level of enterprise creation.

The recent report on the Scottish innovation system identified key weaknesses in rural innovation in both the north and the south of Scotland. Some initiatives (like “Fusion” in Inverness) are showing good results in terms of fostering innovation and knowledge sharing that are crucial to Scottish rural businesses. Reinforcing and expanding them should be considered. Workforce development is important, because the rural population of Scotland is ageing and shrinking, which reduces the number of workers, and because Scotland is not competitive in the production of tradable goods and services that employ a significant amount of low-skill, low-wage labour. An

important dimension of human capital development is related to the opportunity to obtain specific skills related to employment. This is more difficult in rural Scotland given the small and dispersed population that makes many formal training programmes cost ineffective. Alternate strategies such as distance learning and grants to allow individuals to obtain training in urban centres can offset some of these disadvantages but not all.

... improved business services...

Business services are especially a problem in rural areas where it is often difficult to find basic accounting, marketing and management advice locally. Internet and other remote sources can partially address this gap, but they do not provide the same face-to-face experience as direct consultation. The two arms of Enterprise Scotland, Highlands and Islands Enterprise (HIE) and Scottish Enterprise (SEn), have considerable in-house expertise that is available to SMEs and this provides a vital service. The gaps are more evident in services for businesses interested in expansion.

For stronger entrepreneurial activity to take hold a broader financial services industry is needed. At present, resources are often supplemented by funds from the major banks in Scotland to firms that are credit-worthy but, small loans to Scottish rural SMEs are less profitable than large firms. As a result, while there is often adequate funding for firms to start a business through owner equity and government support there are usually problems in terms of access to working capital and to funds for expansion. In this context, there is too much reliance on SEn and HIE. A broader set of financial intermediaries than currently exists is necessary, particularly those that are able to provide equity finance and associated management resources to firms. The potential role of financial institutions as partners of government and members of the community should not be underestimated. Several experiences across OECD countries show that active involvement by financial institutions in public-private partnerships and in local governance bring significant benefits not only in terms of increased financial resources but also in terms of the strategic intelligence, networking and technical skills that these players can add to rural development plans.

... and targeted firm support to avoid market distortions and dependence on subsidies.

Within rural Scotland there appears to be growing recognition that change is necessary in the overall approach to firm support. Two common concerns are the sensitivity of the current economy to CAP reform and to the loss of EU regional development funds in all but the Highlands and Islands area (and a significant reduction even there). There is growing interest in diversification as support for traditional activities is withdrawn.

If economic change is driven largely by the availability of government support rather than by market opportunities there is little chance that diversification will result in long run competitiveness. Scotland could benefit from an even more investment-oriented approach to support that looks for leverage with private funds. For example, it is possible to develop groups of private investors who are prepared to invest in businesses that are successful but have to expand in order to capture the next round of opportunity. These “angel networks” provide a way to match specific firms with investors interested in that specific enterprise. AceNet in eastern Ohio is an example of a successful matching activity that has provided mid-size firms with the financial resources to expand. Elements of this approach already exist in specific places and sectors, but it could be more broadly adopted.

A new approach to rural development would require a deep understanding and policy recognition of urban-rural linkages.

In Scotland, as in most OECD countries, the highest rates of population growth are found in the urban fringe and in adjacent rural areas. This is blurring the edge between rural and urban. Rural places in the shadow of an urban centre have specific opportunities and problems but their development is often driven by urban interests, whether it is through urban expansion or through urban imposed limits on growth. Because Scotland is small; it must find ways to co-ordinate its development strategies so that all the pieces are mutually reinforcing. For example, to expand tourism requires that the urban features of Glasgow and Edinburgh be jointly marketed with the rural features of the Highlands and Islands or the Borders area.

In Scotland there are two distinct regions with urban linkages. The Central Belt strongly connected to Edinburgh and Glasgow and the South of Scotland comprising the Borders Region and Dumfries and Galloway. In the Central Belt the key issue is how to implement a city-region policy that recognises the role of rural areas and is not excessively urban in its orientation. Rural revitalisation in the central belt is at least as important as urban regeneration if the attractiveness of the region as a whole is to be enhanced. Strategies to improve connections between Edinburgh and Glasgow (rail or road) to create a larger region, as well as the possible creation of a single International Airport, will have major implications for the rural area in between the two cities. Choosing wisely where opportunities occur can increase the returns for the entire region.

In the Scottish Borders and Dumfries and Galloway, because the region is in close proximity to five large urban centres, opportunities for higher order urban functions are limited. This means that integrating urban and rural development strategies in a partnership of equals approach is likely to be a sound strategy. In both regions the two key policies that will determine how

urban and rural areas interact are housing and transportation. A housing policy that continues to hamper the construction of new homes in rural areas will limit development opportunities. Similarly, transport policies that fail to connect rural and urban communities will impede development. Transport policy has to be seen as having distinct but linked urban and rural dimensions.

Summary

Rural Scotland represents an important resource for national development and growth, but large unexploited potential remains. Devolution has granted the Scottish Government a high degree of autonomy in designing its rural policy. This has taken the form, so far, of a fairly centralised approach with a strong sectoral bias towards agriculture and environmental concerns. Analysis shows the high degree of heterogeneity of Scottish rural areas. In order to adapt to the opportunities and threats of its different rural regions, the Scottish approach to rural policy should evolve towards a more integrated one, capable of achieving coherence among sectoral policies, while involving a wider set of stakeholders in policy design and implementation. Policy delivery should also be streamlined and spatially differentiated to meet the different needs and opportunities of Scottish rural regions.

An agenda for reform should address the following priorities: 1) addressing land property and housing related issues; 2) economic diversification in key emerging sectors such as tourism and energy production; 3) service delivery improvements both to rural citizens and to businesses as well as 4) actions to identify and exploit rural-urban linkages. These reforms are becoming urgent in light of the forthcoming reforms of EU CAP and structural fund policies that may affect rural Scotland in major ways.

Notes

1. Two definitions of rural territories are used in this review: 1) The OECD Regional Typology, based on population density, which defines predominantly rural regions (PR), intermediate regions (IN) and predominantly urban regions (PU) according to the share of population that lives in areas of less than 150 inhabitants (more than 50%, 50% to 15%, and less than 15%, respectively). 2) The Scottish Executive Urban Rural Classification, based in population settlements and remoteness which classifies as rural those settlements with a population of less than 3 000 inhabitants and classifies as accessible those that are within less than 30 minutes from an urban centre (of at least 10 000 inhabitants) and as remote otherwise. Other categories of this classification (under its 6-fold version, the one used in this report) are Accessible and Remote Small Towns (3 000-10 000 inhabitants and same remoteness criteria as rural), Urban Areas (10 000-125 000) and Large Urban Areas (125 000+). The OECD definition is used mostly for cross-country comparison, the Scottish Executive's definition for finer analysis of Scottish trends.

2. With one out of two employees and two out of three among occupiers and spouses in 2004 working part time.
3. Although an even greater impact has been suffered by other sectors such as tourism which did not receive compensation.
4. Formerly Land Management Contracts.

Chapter 1

Profile of Rural Scotland

This chapter provides an overview of the socio-economic forces at work in rural Scotland. Firstly, it sets out the foundation for analysis by defining rural, and providing further details on the scope of Scotland's rural territory. Secondly, the chapter analyses demographic and socioeconomic trends in rural Scotland. Thirdly, it takes a close look at the rural economy, analysing its performance, structure and sources of comparative advantage. Finally, the chapter provides a synthetic overview of the main strengths, opportunities, challenges and threats of rural Scotland.

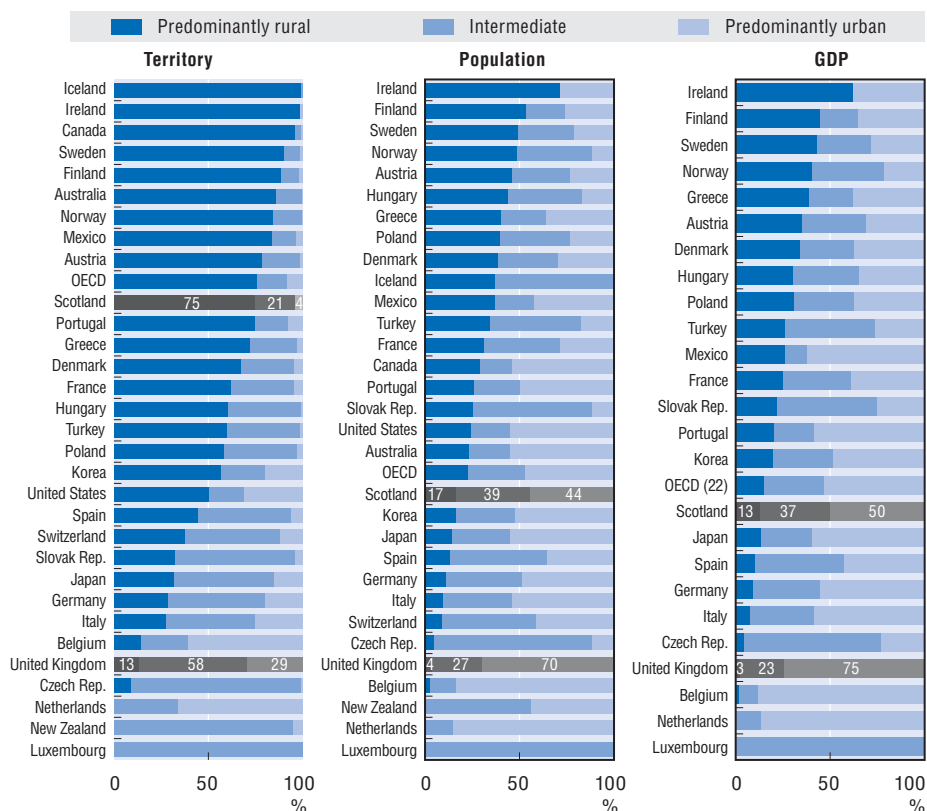
1.1. Key points

- According to the OECD definition, Scotland's "predominantly rural" regions account for 75% of Scotland's territory, 17% of its population and 13% of its GDP.
- Scotland's rural areas as a whole display good socio-economic indicators as compared to urban and intermediate areas. Income levels are higher in rural areas than in the rest of Scotland and rural regions show on average better health standards, boast high levels of tertiary education, higher employment rates (79%) and lower unemployment (3%). Finally, liveability and neighbourhood safety levels are higher (the perception of insecurity and the poor-place-to-live ratings of neighbourhoods are much lower than in urban areas) and the levels of home ownership are higher (a third of the houses in rural areas are owned compared with a fourth in urban areas).
- Most rural regions had rates of growth above the OECD average, and some performed among the top growing regions in Scotland, despite having lower GDP per capita levels (75% of national average) than intermediate and urban areas.
- In contrast with the trend seen in rural regions across many OECD countries, rural areas in Scotland have been net receivers of population since the late 1980s. The share of rural population has increased from 19% in 2001 to 21% in 2004.
- However, there is still a large gap between remote and accessible rural areas. Many remote rural regions, particularly in the periphery and islands, lag behind on several indicators (income, employment, skills and health). These zones often suffer from inadequate infrastructure and higher costs of transportation.
- The economic profile of rural Scotland is evolving with services (43% of employment in 2004) largely outpacing the primary sector and economic diversification showing the potential of rural Scotland in sectors such as tourism and energy production. The weight of the agriculture sector has been steadily contracting in the last two decades. Agriculture represented only 1.3% of Scotland GVA and 11% of rural employment in 2004 with a steady increase in the share of part-time involvement with one out of two employees and two out of three among occupiers and spouses in 2004 working part time.

1.2. What is “rural” Scotland?

There are multiple definitions of “rural”. This review utilises both the OECD regional classification and the Scottish Executive¹ Urban Rural Classification, based on settlement size and remoteness (see Box 1.2 and Annex 1, Table 1.A1.2). Scotland, the northernmost country in the United Kingdom is highly rural in character. This is reflected in the vast share of rural territory (7.8 million hectares) and low population density relative to England² and many OECD countries (Figure 1.1). According to the OECD regional classification, 75% of Scotland’s territory corresponds to predominantly rural regions, which would place Scotland within the top ten of OECD countries with the highest share of rural territory, just below Austria, Mexico and Norway. While the percentage of population living in rural regions (17%) is not high, it is not far from the OECD share (23%), and Scotland is one of the few countries where the rural population share is rising. It

Figure 1.1. **Weight of Scotland’s rural areas**



Box 1.1. The two definitions of rural used in this review

Two definitions of rural territories are used in this review:

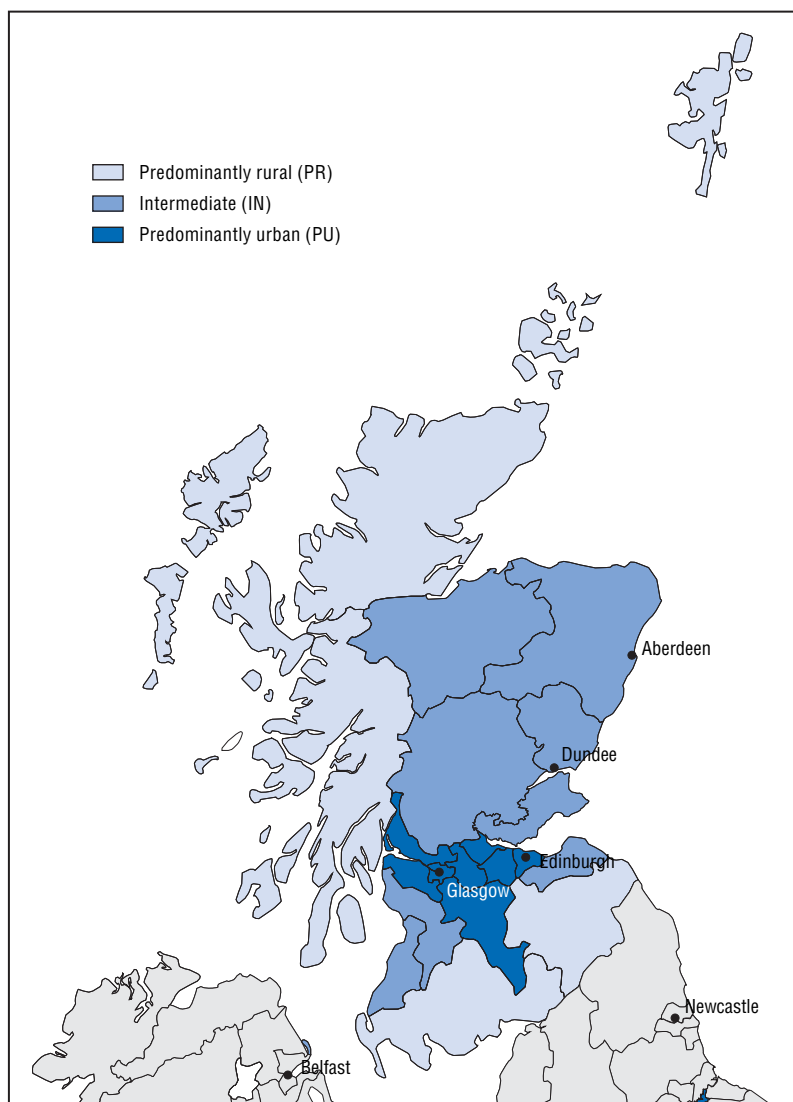
- The OECD Regional Typology, based on population density defines predominantly rural regions (PR), intermediate regions (IN) and predominantly urban regions (PU) according to the share of population that live in areas of less than 150 inhabitants (more than 50%, 50% to 15%, and less than 15%, respectively).
- The Scottish Executive Urban Rural Classification, based on population settlements and remoteness which classifies as rural those settlements with a population of less than 3 000 inhabitants and classifies as accessible those that are within less than 30 minutes from an urban centre (of at least 10 000 inhabitants) and as remote otherwise. Other categories of this classification (under its 6-fold version, the one used in this report) are Accessible and Remote Small Towns (3 000-10 000 inhabitants and same remoteness criteria as rural), Urban Areas (10 000-125 000) and Large Urban Areas (125 000+).

The OECD regional classification is based on population density of small territorial units (electoral wards in the case of Scotland). At this territorial level both the OECD definition and Scottish Executive's definition converge not only in the relative weight of rural territories (95-98%) but also in the share of rural population (21-22%). However, for international comparisons, the OECD aggregates territories into regions. Scotland itself is considered as a region within the United Kingdom at the so called territorial level 2 (TL2 or NUTS 2 for the EU), and is divided into 23 regions at territorial level 3 (TL3 or NUTS 3). Nine of these regions are predominantly rural regions (See map in Figure 1.2).

The correspondence between the two classifications is summarised as follows: predominantly rural areas contain 94% of the remote rural areas and 70% of the accessible rural areas; the rest is captured by intermediate areas. Evidently there are some urban areas within the predominantly rural regions, and more importantly there are rural areas outside the nine predominantly rural regions, however, the OECD methodology does capture the most relevant features of the rural areas and more importantly is able to compare them with similar regions across the OECD.

These two definitions are used throughout this review taking advantage of their comparative advantages, the OECD definition for its comparability across countries, and the Scottish Executive's for its account of remoteness which is a critical feature in rural Scotland. (Please refer to Annex 1 for further details on these definitions.)

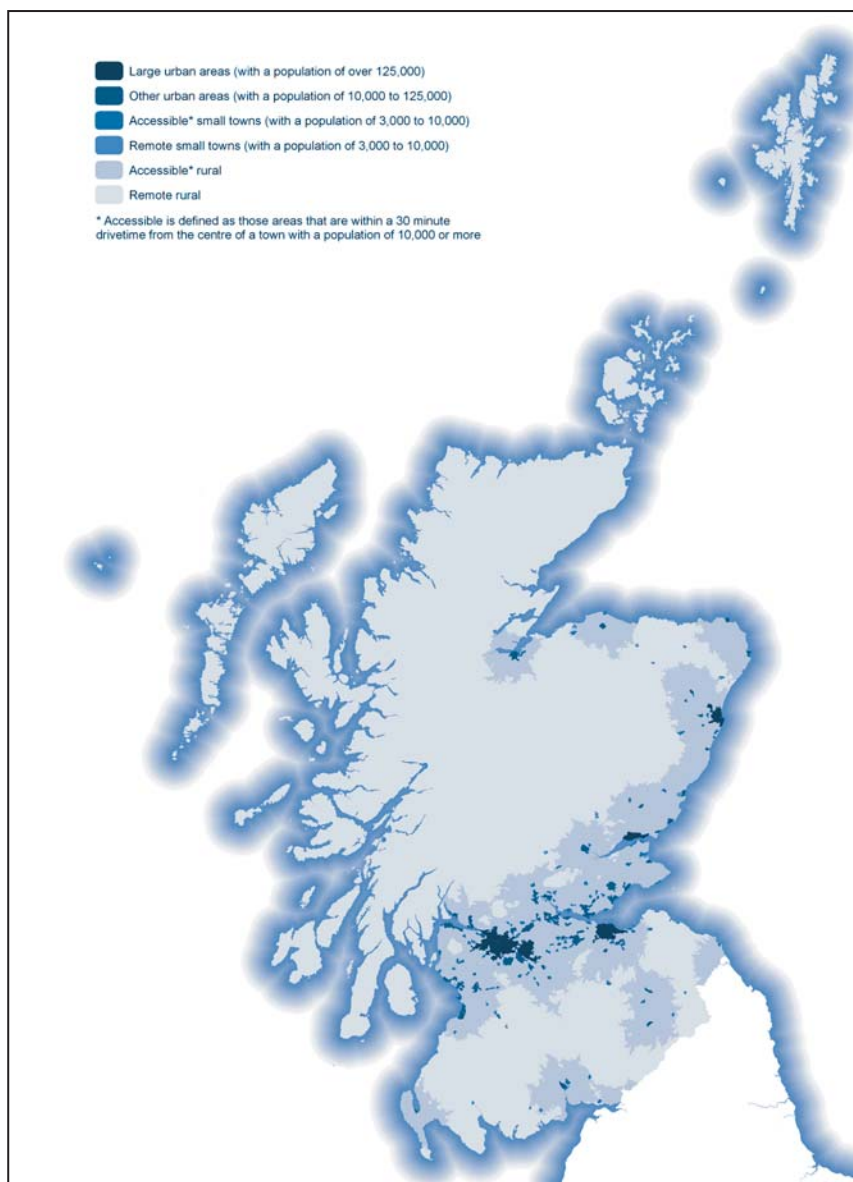
Figure 1.2. **OECD rural, intermediate, urban classification**
2007 (TL3)



is estimated that close to 13% of the Scottish GDP corresponds to predominantly rural regions, which is slightly below the total OECD share (15%).

Rural Scotland is endowed with a remarkably varied geology and natural landscapes.³ In fact, it contains most of the country's natural richness and a large part of its cultural and historic assets. A significant portion of Scotland's

Figure 1.3. **Scottish executive urban rural classification**
2005-2006



Source: Scottish Executive.

rural territory is classified as agricultural land (6.12 million hectares, 78%), but the mountainous terrain and harsh climatic conditions limit land use.⁴ After a significant effort of planting and restocking forest cover increased from 5% in

the 1900s to its present size, 17% of Scotland's territory (80% in remote rural areas, 20% in accessible rural areas). Besides the forests, natural assets include a coast line of over 10 000 km of which 765 km are beaches, 170 300 ha of inland waters and 51 000 km of rivers, 828 mountains and very characteristic and unique landscapes (40 are designated as National Scenic Areas).⁵

Scotland's built heritage monuments play a vital role in supporting the tourist infrastructure and provide important job opportunities to rural areas. Rural areas hosts a large number of the 345 properties in care of Historic Scotland (HS) these include prehistoric standing stones, medieval abbeys, gardens, palaces, lighthouses, cathedrals and castles spanning over 5 000 years of Scotland's history and culture. Moreover, as a result of direct evidence of past human action 7 800 sites were designated scheduled ancient monuments (SAMs) in rural Scotland.

1.3. Rural Scotland displays good socio-economic indicators as compared to urban and intermediate areas.

Rural Scotland as a whole displays good socio-economic indicators (see Table 1.1) as compared to urban and intermediate areas and experiences a positive migration balance. Scotland's rural areas challenge the profile typical to other OECD rural areas that of backwardness with respect to out-migration, ageing, lower educational attainment, lower average labour productivity and overall low levels of public service (OECD, 2006 New Rural Paradigm).

The population in accessible rural areas has the highest levels of income: average households income in 2005 was GBP 22 010 (114% of the national average) in accessible rural areas, GBP 19 878 (103%) in remote rural areas and GBP 18 867 (98%) in the rest of Scotland.⁶ The higher income of accessible rural areas, and even that of remote rural areas however, tends to be concentrated in those rural areas close to the central belt of Scotland (Edinburgh-Glasgow corridor), which correspond geographically with the intermediate regions under OECD regional typology (see maps in Figures 1.2 and 1.3). According to this typology, intermediate regions display the highest levels of income (100% of national average), closely followed by predominantly urban regions (98%) and only then, by predominantly rural areas (93%) (Scottish Neighbourhood Statistics Database, 2005 figures).⁷ Rural areas show comparable or better health standards and practices than urban areas (for instance life expectancy is three years higher, cancer and emergency admissions are lower and so is the prevalence of smoking and drug use).⁸ Educational attainment figures show that although predominantly rural regions, have a higher proportion of people without qualification (24% compared with 17% and 15% in intermediate and urban regions)⁹ they also have higher levels of tertiary education attainment (32%) than intermediate and urban regions (27% and

Table 1.1. **Selected socio-economic indicators by type of area**

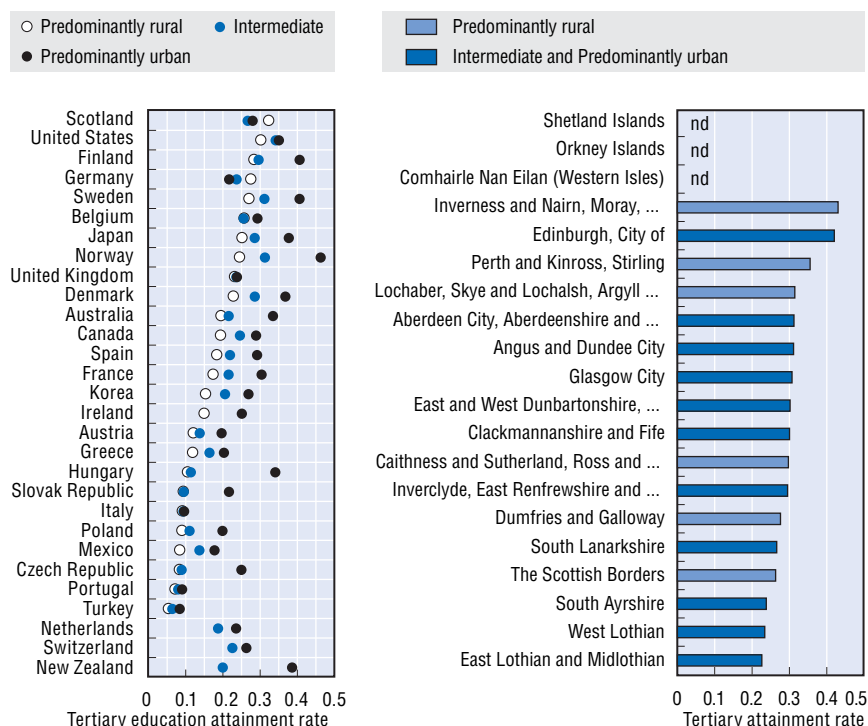
	Scottish Executive Urban Rural Classification				OECD regional typology			
	Year	Remote rural	Access-ible rural	Rest of Scotland	Year	PR	IN	PU
Income								
Average mean household income as percentage of national average	2005	103%	114%	98%	2006	93%	100%	98%
% of the population with an income lower than GBP 10 000	2005	24%	20%	25%				
% of the population with an income higher than GBP 30 000	2005	20%	26%	17%				
% of total population that are income deprived	2005	9%	8%	15%				
Health								
Life expectancy males	2004	77	77	74	2004	75	75	74
Life expectancy females	2004	82	81	79	2004	80	79	79
Emergency admissions per 100 000 population	2004	8 606	7 799	9 524	2005	9 365	9 421	9 265
Cancer admissions per 100 000 population	2004	2 537	2 584	2 759	2005	2 660	2 850	2 810
% population that smokes	2004	17%	23%	27%	2004	24%	27%	27%
Drug misuse, citizen report/per 100 000 population (1)	2005	1%	2%	6%	2006	149	268	298
Education								
% of population with no qualifications					2006	24%	17%	15%
% tertiary education attainment (2)	2005	26%	28%	22%	2001	32%	27%	28%
Employment								
Labour force participation rate	2005	83%	83%	79%	2005	83%	80%	79%
Employment rate	2005	79%	79%	74%	2005	79%	75%	74%
Unemployment rate	2005	3%	3%	6%	2005	3%	4%	5%
Self employed	2005	21%	15%	8%	2001	14%	9%	8%
% of working population that are employment deprived	2005	9%	9%	12%				
Wellbeing and safety								
% Rating their neighborhood as a poor place to live	2005	2%	5%	9%	2005	4%	7%	8%
% of population feeling very safe at home	2005	89%	82%	75%				
% experiencing vandalism, graffiti of damage to property (3)	2005	3%	6%	12%	2002	8%	17%	21%
Crimes and offenses per 10 000 population					2006	1 646	1 753	1 792
House tenure								
% owned outright	2005	44%	35%	27%	2001	33%	24%	22%
% buying with loan/mortgage	2005	28%	37%	38%	2001	33%	39%	42%
% renting social	2005	14%	18%	26%	2001	22%	30%	31%
% renting private	2005	9%	8%	7%	2001	12%	7%	5%

Note: Numbered rows indicate that there is not direct comparability between the indicator available under the Scottish Executive Classification and the OECD typology.

Source: Indicators for the Scottish Executive Urban Rural Classification (2005-2006) are mainly from the Scottish Household Survey 2004/2005, the Scottish Index of Multiple Deprivation 2006 and Scottish Neighbourhood Statistics, 2006. Indicators for the OECD typology are averages of the respective local authorities in each type of area and are from the Scottish Neighbourhood Statistics Database.

28%, respectively). Indeed, Scotland rural regions have the highest levels of tertiary education attainment for predominantly rural regions in the OECD (see Figure 1.4).

Figure 1.4. **Tertiary educational attainment in OECD regions and Scotland regions**



1.4. Scottish rural regions displayed strong labour market performance

Labour markets displayed strong performance in Scottish rural regions. The rate of employment in 2003 was 79% higher in rural areas than in urban ones and the rate of unemployment was 3% lower (Annual Population Survey, 2005). In addition, employment opportunities in rural regions tend to be more balanced among gender and age groups than in urban and intermediate regions. Predominantly rural regions in Scotland recorded lower female unemployment rates (1.8%) and lower youth unemployment rates (5.3%) than intermediate regions and predominantly rural regions (see Figure 1.6). The condition of employment as measured by the index of employment deprivation (see Annex 2, Box 1.A2.1 and Figure 1.A2.3) also reflects a better situation in rural areas, where only 9% of people are employed in deprived

conditions in contrast to 12% in urban areas (SIMD, 2006). This is due in part to the higher percentage of self-employment (21% in remote rural areas and 15% in accessible rural areas in contrast to 8% in urban areas), and to the surging dynamism of the service sector economy, especially in tourism, financial services, public services (education and health), communications, services to persons and services to business.

A surge in labour market opportunities may cause local labour shortages in certain sectors inducing positive net migration flows to these areas. In fact the recent surge of migration flows in Scottish rural activity is very much related to availability of employment opportunities (see Box 1.2).

Box 1.2. Local Labour markets and immigrants – the challenges of rising housing prices

Migrant workers are an important part of the workforce in Scottish rural areas. Local shortages of labour typically occur in sectors where the conditions (e.g., seasonal work, long hours, low pay and irregular hours) make it difficult to recruit local labour. In some sectors (especially food processing, hospitality and agriculture) migrant workers are increasingly seen as a permanent solution to local labour markets. This is in contrast to other sectors (i.e., construction, and to a lesser extent engineering), where migrant workers are seen as a temporary measure to address the lack of young apprentices. The changing demography of rural regions – as a result of the positive flow of migration – should be addressed by insuring adequate infrastructural requirements (housing, education, health, etc...).

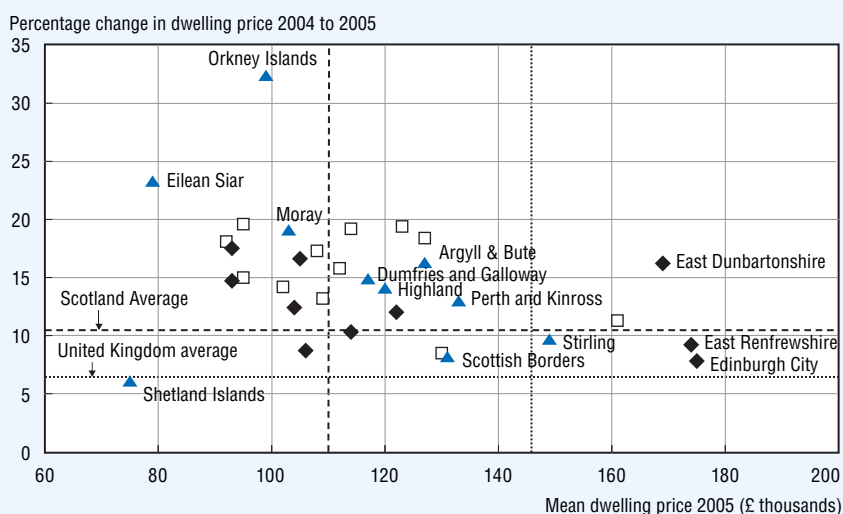
Affordable housing infrastructure is particularly challenged by the recent surge in housing prices. On the one hand the steady rise in the number of households (between 1991 and 2005 the number of households increase by 11%) translates into a higher housing demand. On the other the supply of housing is limited by the availability of land which tends to be scarce and concentrated. The supply shortage and rising demand induces housing prices to surge (see Figure 1.5). Several predominantly rural regions such as Angyl and Butte, Dumfries and Galloway, Highland and Scottish Borders already have prices above Scotland average and Stirling already has prices higher than the UK average. Considering a longer period of time, the increase becomes more evident. In Highlands and Islands the increase in median house prices was 70.9% from 2002 to 2005 compared to 56.1% in Scotland. The only exception in this trend for the H&I region is Shetland.

Positive migration flows further increase the demand of housing and therefore prices. An important land reform was undertaken in 2003 intended to address the problem of concentrated ownership (57% of private land is owned by one hundredth of one per cent of the population).

Box 1.2. Local Labour markets and immigrants – the challenges of rising housing prices (cont.)

This reform was supposed to increase the diversity in the way the land is owned and managed, and promote less concentrated ownership but instead, the reform allows communities to buy land rather than individuals. (Issues related with land reform are discussed in Chapters 2 and 3).

Figure 1.5. **Housing prices rising in predominantly rural areas**
2004-2005



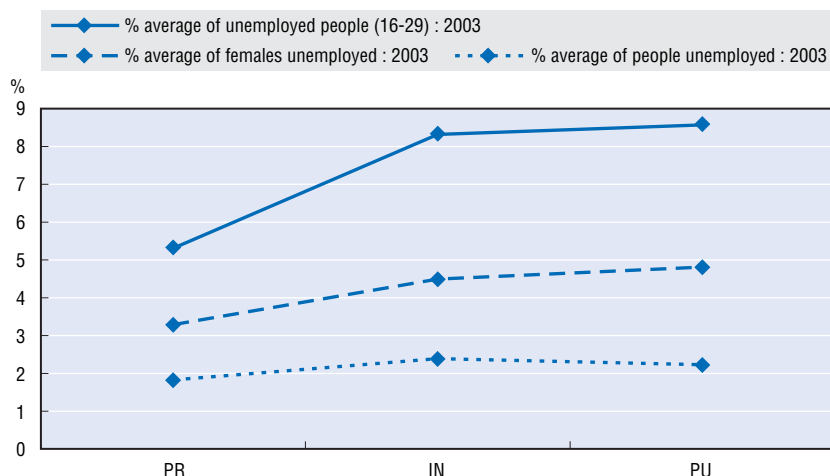
Source: Office for National Statistics.

Finally, liveability and neighbourhood safety levels are higher – the perception of insecurity and the poor-place-to-live ratings of neighbourhoods are much lower than in urban areas (Scottish Neighbourhood Statistics Database)¹⁰ and one third of the rural population own their homes compared with a fourth in urban areas. (Scottish Neighbourhood Statistics Database).¹¹

... and rural regions have been net receivers of population since the late 1980s

In contrast with the trend seen in rural regions across many OECD countries, rural areas in Scotland have been the net receivers of population since the late 1980s. In 1901, the Scottish population stood at 4.5 million, in 1950s it was just above 5 million, in 2005 it was 5 094 800, and it is projected to

Figure 1.6. **Female and youth unemployment by type of area (Scotland)**
2003 (OECD typology, TL3)



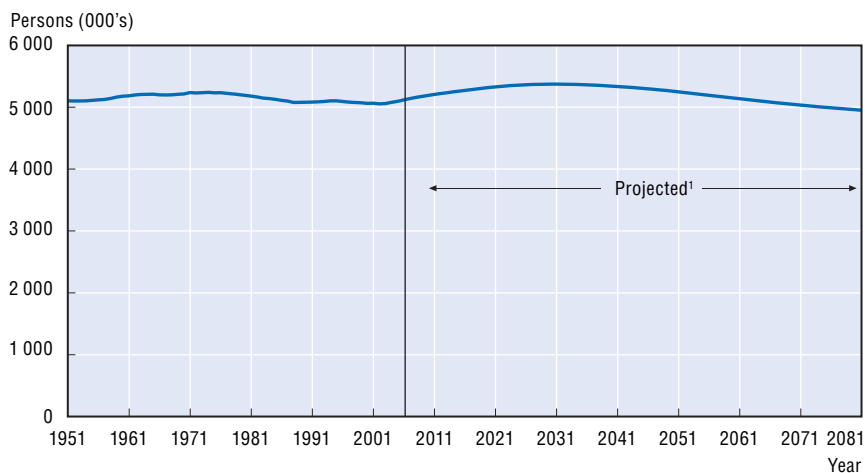
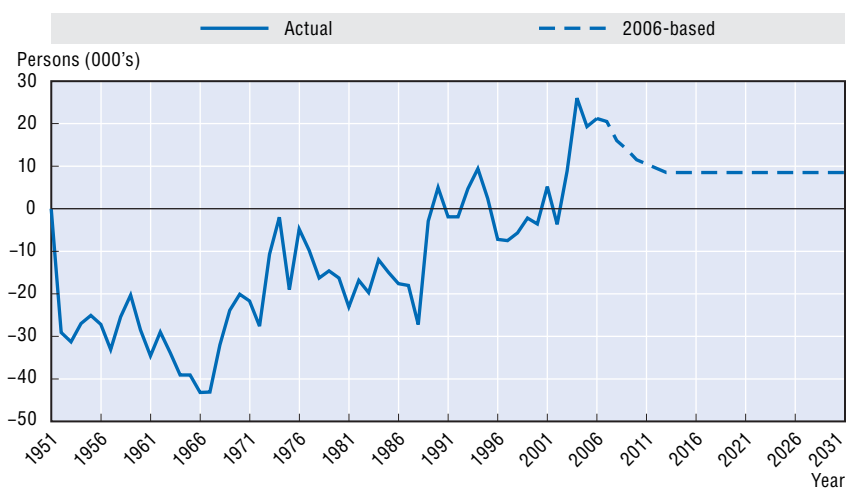
Source: Scottish Neighbourhood Statistics Database.

stay around the same levels well into the 21st century (see Figure 1.7, first graph).¹² Moreover, this stability is linked to the net migration and natural population growth which “mirrored” remarkably well (see Figure 1.7, second graph). The strong out-migration rates compensated for the baby boom of the 1950s to 1970s and during this period, the population reached a peak at 5.24 million in 1974. A period of gradual population decline started in the 1980s as birth rates dropped significantly but this fall was accompanied by a reduction in net out-migration. This trend reverted during the 21st century and net migration has been positive and rising as more citizens from within the United Kingdom and other European countries choose to live in Scotland, and noticeably, in rural Scotland.

The share of rural population has increased from 19% in 2001 to 21% in 2004. In contrast, the population living in intermediate areas remained relatively constant and the population living in predominantly urban areas declined by close to 7% (see Figure 1.8, panel A). While a trend away from predominantly urban areas towards intermediate regions has been perceived across OECD countries since the mid-1990s, the share of population in predominantly rural regions has continuously declined since the 1980s in most countries and in the OECD as a whole (see Figure 1.8, panel B).¹³ In the Scottish case, remarkably, population growth is occurring not only in accessible rural areas but also in some remote rural areas. According to the Scottish Executive Urban Rural Classification, from 2001 to 2004, the rural population in accessible rural areas increased by 4.21% and in remote rural

Figure 1.7. Population trends in Scotland

Estimated and projected population 1951-2081

**Natural change and net migration, 1951-2031**

1. 2006-based.

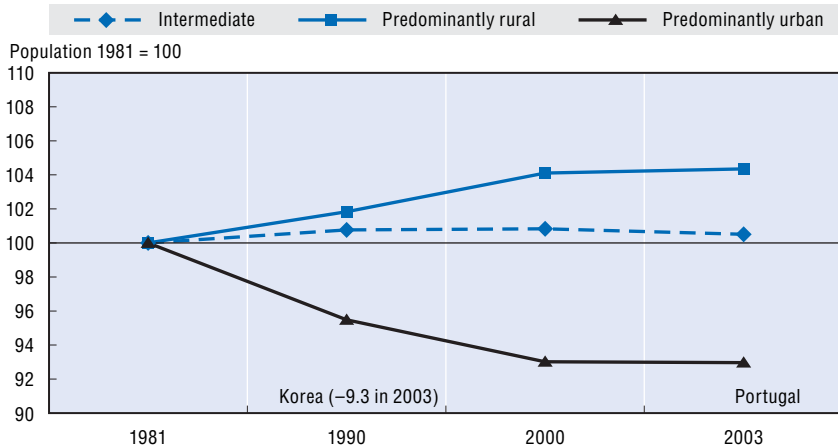
Source: General Register Office of Scotland.

areas by 3.18%. The region of the Highlands and Islands illustrates this new rural immigration wave. After close to a century of population decline this region experienced a population revival during the 1970s, growing 15% from 1961-2001 (see Box 1.3).

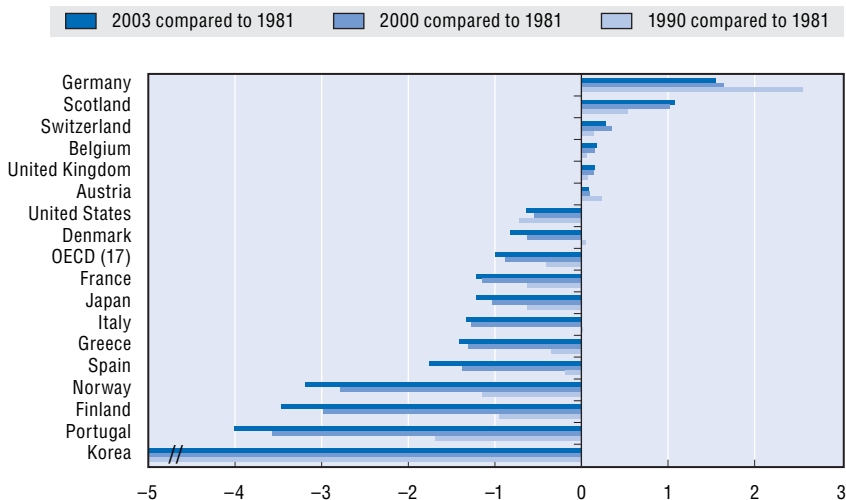
Figure 1.8. **Trends in the population of Scotland compared with OECD countries**

1981-2004 (OECD regional typology, TL3)

A. Population of Scotland by type of region



B. Change in predominantly rural share for selected OECD countries



Note: The graph in panel B shows change (in percentage points) of the share of population in predominantly rural areas for the countries for which information is available for the 1980-2003 period, using the same typology for their regions through the whole period.

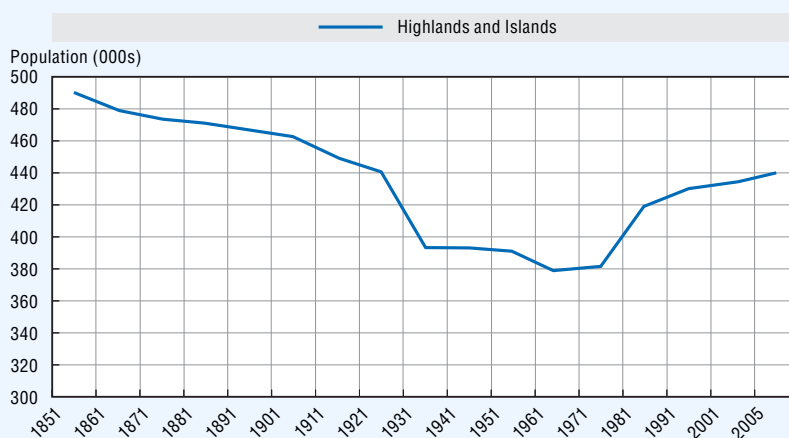
While the profile of out-migrants from accessible and remote rural areas are similar (young people), the profile of immigrants to these areas is clearly differentiated and immigrants to accessible rural areas tend to be young

Box 1.3. The population revival of the Highlands and Islands

The highlands and Islands region is an example of a successful reversal of out-migration in Scotland. The region is considered rural (and mostly remote rural) by both the OECD and Scotland's Rural Urban typology. It has a population of 440 000 and a population density of approximately nine people per km, making it one of the most sparsely populated parts of the EU. The city of Inverness is the only large conurbation within the region. It has a population of around 50 000, and more than 130 000 people live within the reaches of its labour market. Outside this area, only Elgin on the Moray coast has a population of over 10 000.

Following more than a century of decline, at the 1971 census, the region saw its population rise for the first time in over 100 years with a 15% increase in population during a 40-year period from 1961-2001 (see Figure 1.9 below). Nonetheless, out-migration remains a problem for some remote and fragile areas.

Figure 1.9. Longitudinal pattern of demographic change



Source: General Register Office for Scotland, Census Data.

The main reasons to move to the area are the intrinsic characteristics – quality of life and scenery – of the region, according to a study conducted by the Highlands and Islands Enterprise (HIE) network in 2003. Recent figures from the JobCentre Plus show that some 1 156 applications for National Insurance numbers were made in the Highlands and Islands by people arriving from the European Union in the period February to July 2006.

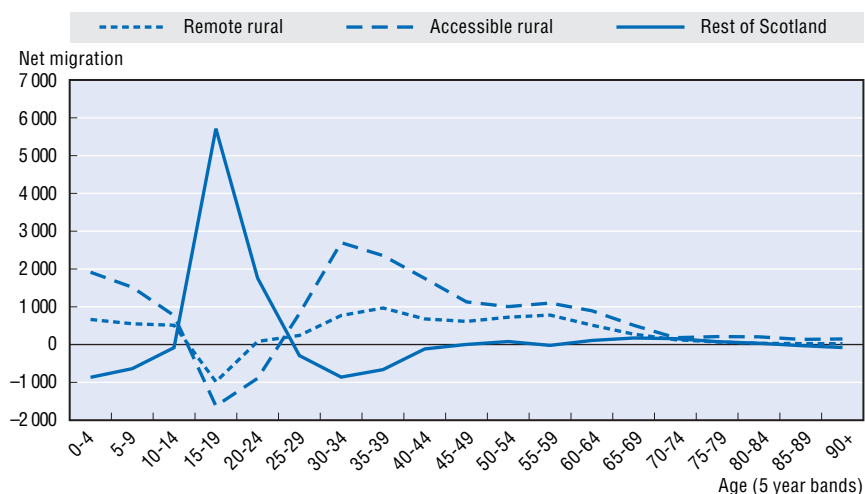
Box 1.3. The population revival of the Highlands and Islands (cont.)

A significant policy factor related to the population revival of H&I was the establishment of the Highlands and Islands Development Board in the mid-1960s (which took advantage of the oil discovery during the late 1960s to jumpstart the H&I's economic turnaround), predecessor of the HIE established in 1991.

Source: Highlands and Islands Enterprise.

professionals and families. A recent analysis of migration trends in Scotland¹⁴ provides evidence of the profile of migrants to and from rural areas. As shown in Figure 1.10, of the 37 400 out-migrants from accessible rural areas, and 12 300 from remote rural areas in 2001; the peak age of immigrants was around 30 years old. They were young families (72% younger than 39 years old, 70% couples, 56% of them with one or more children) and professionals (16% work in higher managerial and 30% hold lower managerial and professional positions) that come from Scottish urban areas (53%) or from other parts of the United Kingdom (20%), with strong linkages and interaction with urban areas reflected in high commuting levels (52% of the population of accessible rural areas commutes to urban areas). These immigrants represent an opportunity for rural areas but raise issues related to commuting congestion, car

Figure 1.10. Net migration by age bands and migration area
2004



Source: General Register Office for Scotland, 2005 (Based on Scottish Executive's Urban Rural Classification, 2003-2004).

dependency and increasing demand for land, housing and services. In contrast with immigrants to accessible rural areas, immigrants to remote rural areas tend to be closer to retirement age. The peak, in terms of their age profile is 35-40 years but extensive until 55-59 years (see Figure 1.10), 37% of them being older than 40 years (see Figure 1.10).¹⁵

1.5. Some rural regions rank among the highest in terms of GDP per capita growth in Scotland...

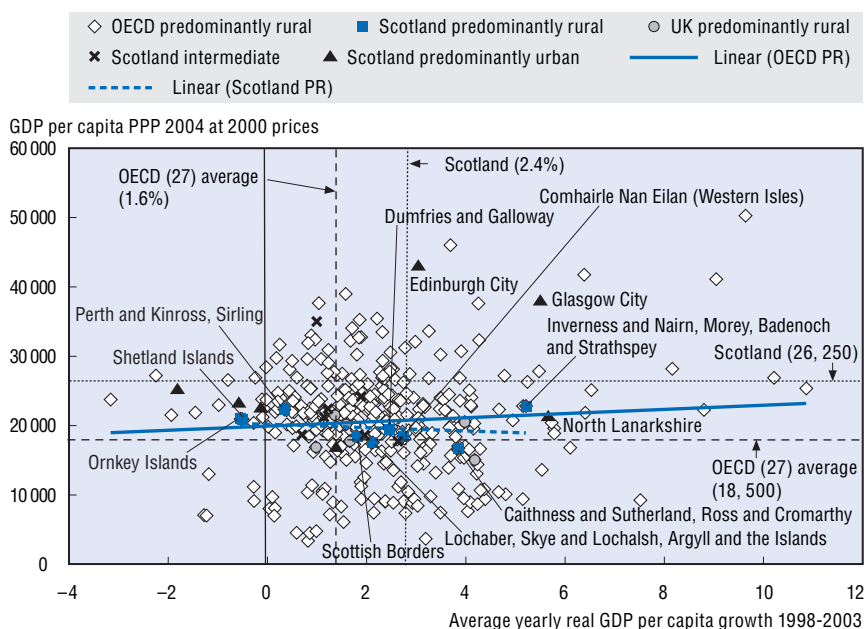
The performance of the Scottish rural economy is mixed, with some regions displaying the highest GDP per capita growth in Scotland. As noted previously, an estimated 13% of the Scottish economy as measured by its GDP originates from nine predominantly rural regions. This figure is close to the estimation for the OECD as a whole (15%) and much higher than the 3% produced in the United Kingdom's predominantly rural areas (see Figure 1.10).

The majority of predominantly rural regions had rates of growth above OECD average (see Figure 1.11), and some performed among the top growing regions in Scotland (1998-2003). Scottish rural regions have lower GDP per capita levels (75% of national average) than intermediate and urban areas (83% and 103% respectively, 2003 figures) and lower than many OECD regions (all of them are in the first and second quartile among 364 rural regions in 26 countries). However, in terms of growth, with the exception of two regions (Orkney and Shetland Islands), all predominantly rural regions in Scotland had positive GDP per capita growth from 1998 to 2003 and with the exception of two (Perth and Kinross and Stirling), all had higher growth than the OECD average (1.6%). Moreover, the two regions with the highest growth [Inverness and Nairn, West Moray, Badenoch and Strathspey (5.2%) and Caithness and Sutherland, Ross and Cromarty (3.8%)] had comparable rates of growth with the two highest growing (urban) regions in Scotland, namely North Lanarkshire (5.6%) and Glasgow City (5.5%), and higher than Edinburgh City (3%), ranking in the third quartile of OECD rural regions in terms of growth.

Among other factors, productivity growth has played an important role in the better performing regions. Figure 1.11 shows the relationship between productivity growth and GDP per capita growth for the predominantly rural regions in Scotland and other OECD countries. If the region of Shetland Islands is omitted (it is an exception because they had negative GDP per capita growth but the highest GDP per worker growth) there is clearly a positive relationship between productivity growth and GDP growth within PR areas in Scotland, even higher than the relationship observed among OECD PR regions. In 1998, productivity ranged from 68% of the national average in Shetland Islands to 95% in Perth and Kinross and Stirling. In 2003, the gap with the national average diminished for many of these regions ranging from 77% in Inverness and Nairn,

Figure 1.11. **Performance of Scottish PR regions among OECD PR rural regions**

GDP per capita and GDP per capita growth



Badenoch and Strathspey to 95% in Dumfries and Galloway. Lower productivity might reflect skill shortages, specialisation in low productivity sectors (see below). Nonetheless, productivity as measured by GDP per worker (at place of work) remains lower than the national average in all rural regions.

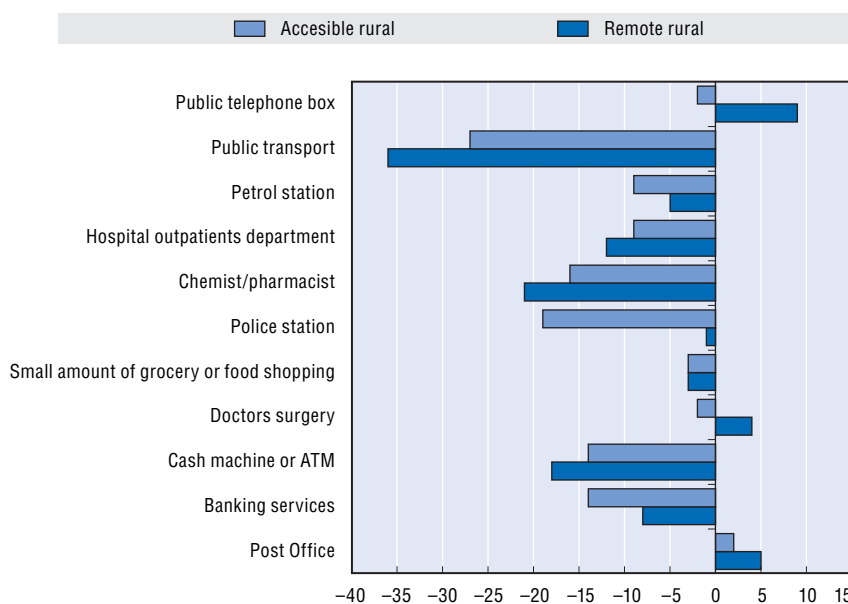
... but there is still a significant divide between remote and accessible rural areas

There is still a significant divide between remote and accessible rural areas with regions facing serious challenges in terms of ageing, out-migration, poor economic performance and access to modern services. The situation is quite different in many remoter rural regions, which lag behind on some indicators and are qualitatively different because of their sparse population. Analysis of the Index of Multiple Deprivation reveals that within rural areas, there are very fragile areas, particularly in the periphery and islands¹⁶ which are deprived in several ways (including income, employment, skills and health) and suffering from inadequate infrastructure, higher costs of key inputs and lower access to services (30% of the areas with low provision of services are in remote rural regions).¹⁷ An example is the Western Isles which has a GDP per capita of 60% of the EU average, low enterprise formation, poor

health indicators, net out-migration and negative population change. Immigrants to remote rural Scotland are older and a significant per cent come from other parts of the United Kingdom (30%) which points to the potential of these areas. These trends raise the issue of how to deal with “pockets of ageing” and concerns in terms of service delivery modes and sustainability.

Growth in accessible rural areas in Scotland is related to the increased demand for on-site quality services. See Figure 1.12 which compares the satisfaction levels with services across urban, accessible rural and remote rural regions.¹⁸

Figure 1.12. **Difference in level of satisfaction in rural areas with respect to urban areas, 2004/2005**



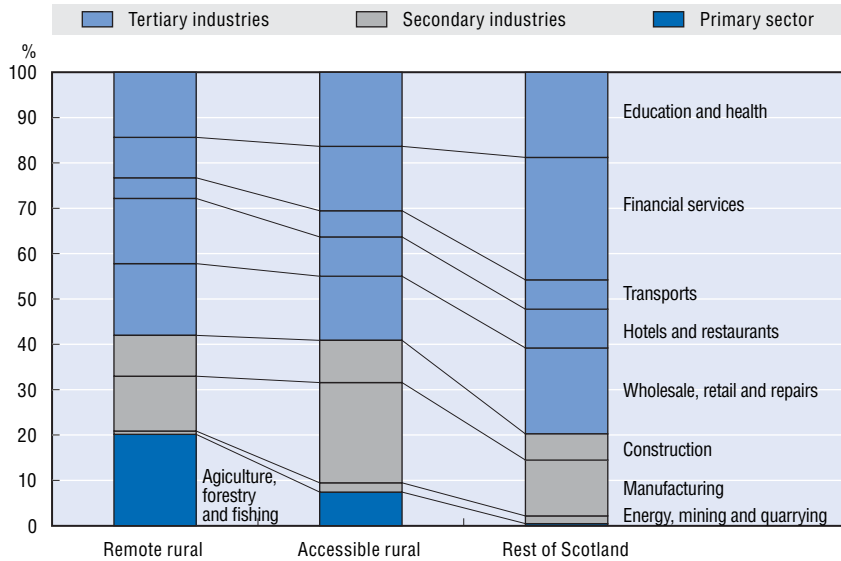
Note: Difference between the percentage of people finding services very or fairly convenient in rural areas with respect to urban areas.

Source: Scottish Household Survey, 2004/2005 (Based on Scottish Urban Rural Classification, 2005-2006).

1.6. The economic profile of rural Scotland is evolving, with services outpacing the primary sector...

The rural economy is today dominated by the service sector which accounted for 43% of employment in 2004, with tourism being relatively more important in remote rural areas, financial services in accessible rural areas and public services (education and health) being important in both (see Figure 1.13).¹⁹ The weight of the agriculture sector has been steadily contracting; in the last two decades, agriculture represented only 1.3% of Scotland GVA and 11% of rural

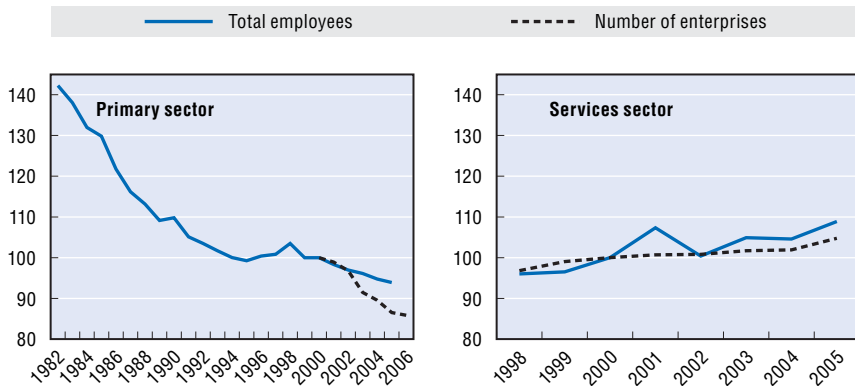
Figure 1.13. **Employment by sector and geographic area**
2004, Scottish executive urban rural classification



Source: Scottish Executive ONS (IDBR), 2004, based on employees.

employment in 2004 with a steady increase in the share of part-time involvement with one out of two employees and two out of three among occupiers and spouses in 2004 working part time. Figure 1.14 shows the trends in employment and number of firms in the agricultural and services sector. The number of

Figure 1.14. **Comparative evolution of primary and service sectors in predominantly rural areas**
Number of firms and employment 2000-100

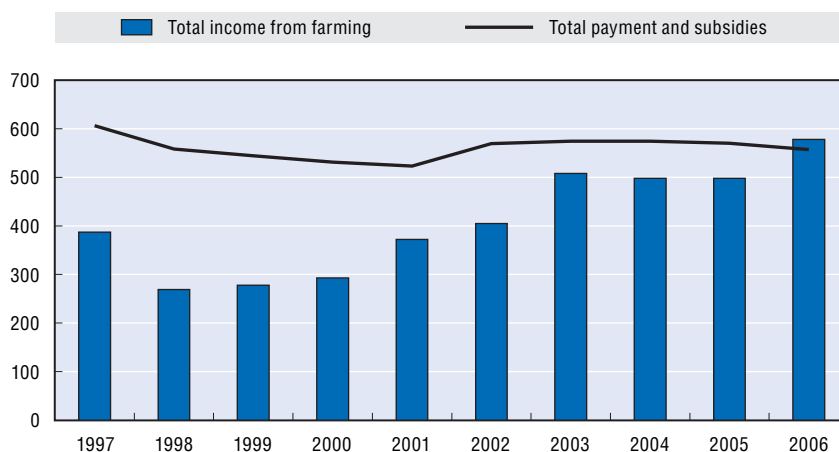


Source: OECD, based on data from the Office for National Statistics, Annual Business Inquiry.

employees in Scottish Agriculture (including regular, casual and seasonal staff) declined from 38 141 in 1982 to 26 808 in 2000 (–42%) and further to 25, 176 in 2005 (an additional –8%).²⁰ The figures including occupiers of farms and spouses show a similar pattern: 76 295 in 1982 to 69 522 people (–10%) in 2000 and further to 67 626 (an additional –3%) in 2005. The number of firms registered in the primary sector declined from 11 700 in 2000 to 10 140 in 2006 (–13%), while the number of firms in services (in PR regions) increased from 24 000 to 26 000 over the same period, an 8% growth. This structural adjustment has been accompanied by a contraction in the GVA of the agricultural sector from GBP 942 million in 1997 to GBP 604 million in 2005 accounting for 1.3% of gross value added in Scotland in 2005. The industry has been hit hard in recent years by BSE and food and mouth disease crisis (although an even greater impact has been suffered by other sectors such as tourism which did not receive compensation) and is still highly dependent on subsidies.²¹ From 1997 to 2005 the Total Income from Farming (TIFF) has been below the level of subsidies in real terms (see Figure 1.15), which had been above GBP 500 million (at 2006 prices) only reaching a similar level in 2006 at over GBP 550 million.

Figure 1.15. **Total income from farming production and payments**

Real terms, 1997-2006



The contraction of agriculture as the backbone of the rural economy has not been homogeneous across all rural regions. As evidenced by OECD rural regions, diversification of the rural economies is positively correlated with higher GDP per capita levels, or conversely the share of the primary sector is negatively correlated (correlation coefficient of –0.51). This is also true for Scotland although to a minor degree (C.C. of –0.17) as Figure 1.16 shows. Although for OECD countries, diversification from agriculture seems not to have any relationship with GDP per capita growth (C.C. of 0.004), as Figure 1.17

Figure 1.16. **Degree of diversification and GDP per capita levels**

OECD and Scotland's predominantly rural regions

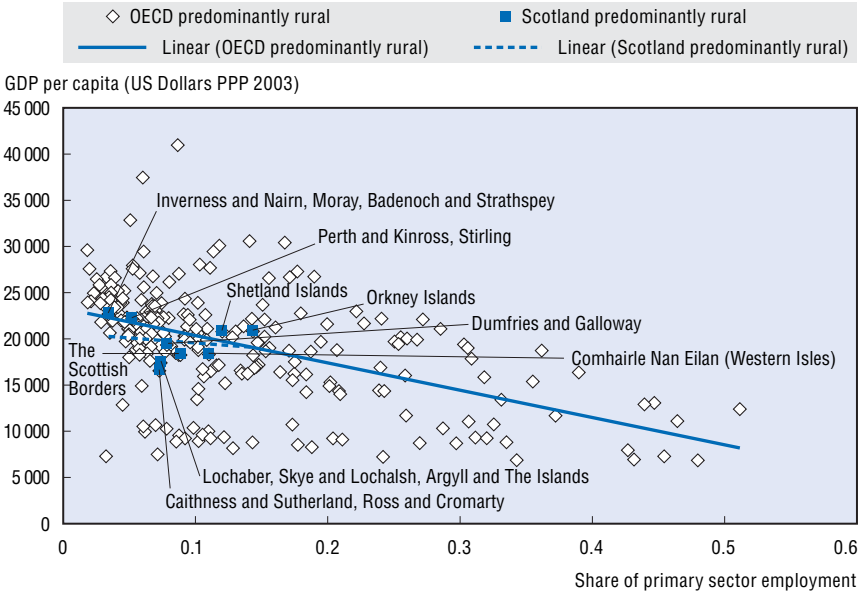
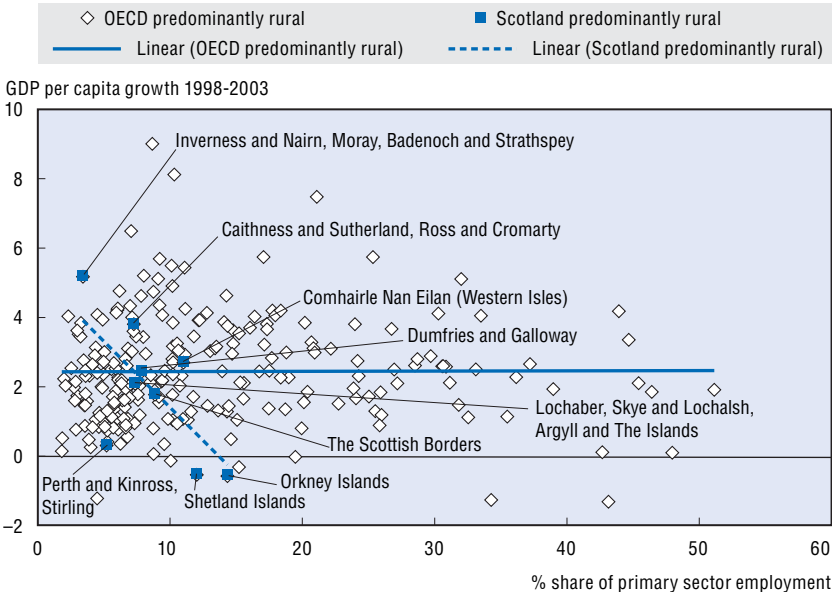


Figure 1.17. **Degree of diversification from primary sector and GDP per capita growth**

OECD and Scotland's predominantly rural regions



shows; in Scotland, there is a strong negative relationship (-0.67) between the share of agricultural employment in PR regions and GDP per capita growth.

... and diversification driven by tourism, renewable energy production...

Tourism is benefiting from Scotland's large natural and cultural resources and increasing domestic and international demand. As discussed at the beginning of this chapter, Scottish rural areas are home to high value natural and cultural amenities: characteristic landscapes (there are 40 designated National Scenic Areas), forests (covering 17% of Scotland), mountains, islands, beaches, biodiversity). Cultural and historical assets are also remarkable. Despite the often difficult climate conditions, these assets are generating new income streams for the rural economy through recreation and tourism (which has already 26 595 firms in Scotland and 3 815 in predominantly rural regions and provides about 14% and 9% of the jobs in remote and accessible rural areas respectively). Over half of Scotland's population each year seek out opportunities for informal recreation in the countryside. The most prominent activities of informal recreation are walking, mountaineering, horse riding, canoeing, sailing or fishing, and increasingly bird watching and mountain biking. Although the monetary streams and job creation for several of these activities are difficult to measure, some accurate figures exist. For example, it is estimated that walking activities generate an impact of GBP 1.8 billion per year (2000). Similar exercises for birdwatching activities show that this activity generates in Scotland approximately GBP 6.7 million and 170 full-time jobs (RSPB Scotland).

Sustainable production activities such as forest products (softwood production tripled over the period 1980-2000) and renewable energy (which accounted in 2004 already for 11.5% of the electricity generation in Scotland – compared to 3.8% in the United Kingdom – and of which the share coming from sources such as wind, wave, solar power, thermal and bio-energy increased from 0.6% to 2.6% in 2004) are also showing great dynamism and potential for development. However, the environmental impact of development of rural areas (i.e., urbanisation, pollution due to greater commuting), and possible conflict between uses of natural assets (i.e., for tourism and energy production) are issues of concern.

... as well as the dynamism of construction and real estate services

A second wave of diversification is driven by sectors such as construction and related services. The number of start-ups provides evidence of dynamism and diversification of the rural economy. Table 1.2 shows that in 2004 almost half of the new enterprises in Scotland were created in rural areas; 1 630 new

Table 1.2. **Enterprise start-ups by geographic area**
2004, Scottish executive urban rural classification

	Remote rural	Accessible rural	Rest of Scotland
Number of registrations	1 630	3 965	5 960
% of all registrations	14%	34%	52%
Area population aged 16+	227 317	531 114	3 331 515
Start ups per 10 000 population	72	75	18
Start ups per 1 000 firms	55	74	91

Source: Scottish Executive, ONS (IDBR), 2004.

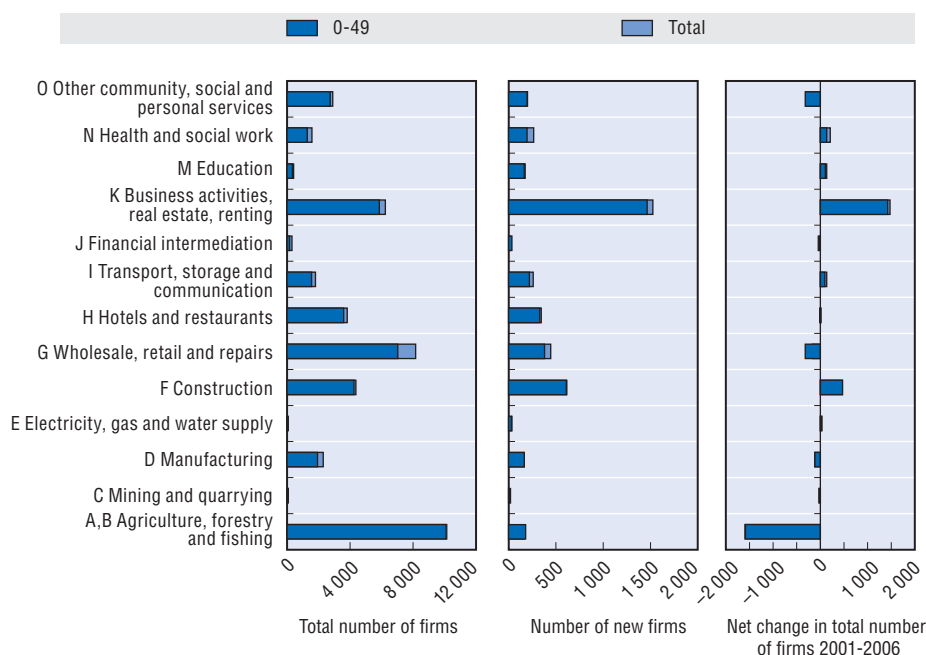
enterprises were registered in remote rural areas (14%) and 3 965 in accessible rural areas (34%). The start-ups per 10 000 population are more than three times higher in rural areas than in the rest of Scotland (72 and 75 for remote and accessible rural compared to 18 in the rest of Scotland). The start-up rates per 1 000 firms are lower in rural areas than in the rest of Scotland reflecting the smaller size of the business stock, which implies that the new businesses are broadening the private sector in rural areas.

The first wave of diversification took place within farms and new firms were created in certain sectors where rural areas have comparative advantage. From 1982 to 2005 the ratio of part-time to full-time farming increased from 0.39 to 0.95 (almost one to one) among employees and from 0.61 to 1.4 (almost two of every three) among occupiers and spouses, revealing a significant shift toward less full time involvement in farming and a growth in new endeavors as secondary businesses or in many instances, as the primary activity with farming activity in a secondary role (Planning Advice Note: Rural Diversification). As of 2005, 22% of farms are engaged in some form of on-farm diversification. Alternative sources of income include processing farm produce, retailing (for example through farm shops, farmers' markets and mail order) and entry into markets such as tourism, commercial recreation, forestry and energy crops.

Scotland's rural "second wave" of diversification differs from the "first wave" in that it is no longer linked only to farm households but to urban-to-rural migration, a significant housing boom, and stronger entrepreneurial activity. This is evidenced by the creation of firms in construction (+610 firms) and real estate services (+1 525 firms) in predominantly rural areas from 2000 to 2006 (see Figure 1.18). Despite the good development in terms of creation of new firms, most of the businesses tend to be small (84% in remote areas, 61% in accessible rural areas) and operate in niche markets while the better-paying jobs remain concentrated in the largest urban centres. Figure 1.18 also shows that the net growth in the total number of firms tends to be lower than the number of firms for all sectors during 2000-2006, with some sectors being negative; agriculture (–1 500 firms), retail and wholesale trade (–320) and manufacturing (–115).²²

Figure 1.18. **Number of enterprises, new firms and change in predominantly rural areas**

2006, new firms and change 2001-2006, OECD typology



Source: Scottish Executive, ONS (IDBR).

1.7. Summary

The analysis of rural Scotland reveals a high degree of spatial heterogeneity. This highlights the need for the government to respond flexibly and in a way that is adapted to the different characteristics of its rural regions.

1) Strengths: many strengths of Scotland are rural in nature. These include: abundant land area as well as rich natural and cultural resources; higher standards of living and a distinct social capital and cultural traditions; a stable and relatively diversified economy, with good employment and entrepreneurship indicators.²³ 2) Weaknesses, specific to some remoter rural areas, include relatively lower and stagnant levels of GDP per capita, higher costs of living,²⁴ transport and housing; car dependency and lower access and quality of services; low labour productivity,²⁵ a predominance of low-skilled jobs and dependency on subsidies for agriculture. 3) Opportunities include higher population growth and positive net migration of “neo-rurals”, growing sectors such as tourism and renewable energy and potentially greater urban-rural and international interaction and exchanges. 4) Threats are mainly represented by depopulation

and ageing, especially in certain fringe areas,²⁶ cost and closure of key services²⁷ as well as the expected reduction and reform of CAP and EU structural funds. Moreover, due to higher demand and low availability of land, housing prices are increasingly forcing some locals out of the property market while increasing the number of unoccupied holiday homes. Table 1.3 provides an overview of the strengths and weakness in Scotland's rural areas.

Table 1.3. **Rural areas SWOT analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> • Large area • Higher standards of living • High levels of human capital • Good labour market indicators • Stable and diversified economy • High entrepreneurship • Abundant natural resources • Positive international image • High value-added typical products (Whisky, etc.) • Attractive landscape • Rich cultural heritage 	<ul style="list-style-type: none"> • Lower GDP per capita* • Higher costs of living • Lower access and quality of services • Less than optimal tourist offer • Commuting and car dependency • Low productivity* • Agriculture subsidy dependency • Labour market lock-in • Small businesses and low business growth • Low availability of land and housing
Opportunities	Threats
<ul style="list-style-type: none"> • Positive migration • Immigration of "neo-rurals" • Business development and diversification • Forestry and energy sector outlook • Growing "silver economy" • Growing national and international niche tourist market • Greater urban-rural interaction • Increased valuation of environment and related activities • Increasing accessibility to broadband technology • Possible reforms of local authorities 	<ul style="list-style-type: none"> • Fringe depopulation • Ageing • "Brain drain" • Becoming "commuter-land" • Increasing housing prices • Increasing level of unoccupied housing space • Closure of key services • Rising costs of fuel and transport • Forthcoming reductions in EU subsidies • CAP reform • Tradition loss • Conflicting use of natural assets • Climate change

Note: Some of the factors listed under "strengths and opportunities" only apply to accessible rural areas. Similarly, factors denoted with an * under "weaknesses and threats" only refer to remote rural areas.

Notes

1. The Scottish Executive has been recently re-named "Scottish Government". The two terms are used in this report: Scottish Executive is used in particular when the text refers to a period during which that was the official denomination.
2. While the United Kingdom as a whole has a high population density (245 people per km²), which places it fifth among OECD countries (after Korea, Netherlands, Belgium and Japan), within the United Kingdom, for centuries, the population

density in England has been several multiples of that of Scotland, today being six to one (383 in England versus 65 in Scotland).

3. Natural Heritage Futures Overview document.
4. Most agricultural land is rough grazing and 85% is classified as Less Favoured Areas; the area of land used for crops, fallow and set aside represents only about 10% of the total agricultural area.
5. Background Report.
6. However, excluding those rural areas close to the central belt of Scotland (considered intermediate regions by the OECD) the level of income in predominantly rural regions is 93% of national average. Looking within income brackets, while 25% of the urban households fall into the lowest income bracket (less than GBP 10 000) the corresponding percentages for remote rural and accessible rural areas are 24% and 20%. In contrast, while in urban Scotland only 17% of households have an income higher than GBP 30 000, in remote and accessible rural areas, the percentage is 20% and 26%, respectively (Scottish Household Survey 2004/2005). This is confirmed by the Scottish Index of Multiple Deprivation (SIMD, 2006), which shows that the percentage of population that are income deprived is lower in rural areas (9% and 8% for remote and accessible rural respectively), than in the rest of Scotland (15%).
7. This is more consistent with what occurs in most OECD countries and what is observed using GDP per capita figures as proxy of income, which will be analysed in more detail later.
8. Both types of rural areas have a higher life expectancy rate (77 and 82 years for male and female respectively) than the rest of Scotland (74 and 79) (General Register Office of Scotland, 2004 figures) and show through several indicators, both under the Scottish Executive Urban Rural Classification and the OECD regional typology, that the health status and practices tend to be comparable or better in rural areas than in urban areas. For example, there are less emergency admissions and cancer admissions per 100 000 population (8 600 and 2 500 for remote rural areas and 7 800 and 2 600 for accessible rural areas compared with 9 500 and 2 800 for urban areas), and there is less prevalence of smoking and drugs misuse than in urban areas; 17% of the population smokes in remote rural compared with 23% in accessible rural and 27% in urban; the report of drug misuse as a problem by citizens is of 1%, 2% and 6% for the types of areas respectively; the drug misuse per 100 000 inhabitants is, under the OECD typology, 149 for PR regions, while it is of 268 and 298 for IN and PU regions, respectively (Scottish Household Survey 2004/2005 and Scottish Neighbourhood Statistics, 2006)
9. Noticeably, the proportion of people with degrees, professional qualifications or higher levels of education, are higher in accessible rural areas and remote rural areas (with 28% and 26% respectively) than in urban Scotland (where the average is 22%). This finding is confirmed under the OECD typology, which shows that although predominantly rural regions have higher proportions of people without qualification (24% compared with 17% and 15% in IN and PU regions) (Scottish Neighbourhood Statistics, 2006); surprisingly enough, they have higher levels of tertiary education attainment (22%) than intermediate and urban regions (18% and 19%, respectively). Indeed, comparable data at the OECD levels shows that Scotland rural regions have the highest levels of tertiary education attainment in the OECD (See Figure 1.8). Moreover many of the regions with the highest population shares with respect to tertiary qualifications are rural regions. Some of which include the regions Inverness and Nairn, Moray, Badenoch and Strathspey;

Perth and Kinross and Sitirling; and Lochaber Skye and Lochash, Arran and Cumbrae and Argyll and Bute (OECD Regional Database, 2001 figures).

10. Based on 2005 figures.
11. Based on 2001 figures.
12. According to Macrone (2001) this unusual situation makes Scotland an exception in the EU, since no other country has had such low levels of population growth over the century and no country has such low population growth today.
13. This is an atypical occurrence among OECD countries. Exceptions in this pattern are the United Kingdom, Switzerland, Belgium and Austria, but the increase in the share of predominantly rural areas in Scotland (of 1 percentage point) is not matched by any of these countries.
14. Migration and Commuting in Urban and Rural Scotland. Scottish Executive (2005), based on data of the Census 2001.
15. Those migrating to remote rural areas come in lower proportions from large and medium Scottish cities (26%) and a significantly larger proportion came from another part of the United Kingdom (30%), and a similar proportion from outside the United Kingdom (7%). They tend to be couple households (71%), half of which have dependent child(ren). They are more likely to be self employed (15%) or unemployed (11%) than in accessible rural (10% and 6% respectively), and a lower share previously had higher (12%) or lower managerial positions (27%).
16. The Index shows that there is a U-shaped curve highlighting that the most critical situations are on the one hand in the inner cities and on the other hand in the other periphery.
17. See Annex 2, Figure 1.A2.1 and Box 1.2 for more information.
18. However, despite enjoying better access to services, residents in accessible rural areas tend to be more dissatisfied with service quality than the residents in remote rural areas.
19. Detailed employment figures by sector using the Scottish Executive Urban Rural Classification show that by 2004, the service sector accounted for 60% of employment both in remote and in accessible rural areas although with a different breakdown. In remote rural areas, the most predominant services sectors in terms of employment were wholesale, retail and repairs (16%), hotels and restaurants (14%) and education and health (public) services (14%). In accessible rural areas, education and health services had the highest share (16%) followed by wholesale, retail and repairs (14%) along with financial services, which had a relatively high share (14%) compared to remote rural areas (9%) and it is half the share of the rest of Scotland (27%) (This is a relevant factor that will be discussed later in the context of the previous analysis on commuting and the contribution of immigrants). The other 40% of employees is split half and half in remote rural areas into the agriculture, forestry and fisheries sector and secondary industries (Energy, Mining and Quarrying, Manufacturing and Construction). In accessible rural areas 33% is employed in secondary industries (with manufacturing accounting for 21%) and only 7% are employed in the primary sector (Figure 1.13).
20. In contrast, employment in services in predominantly rural areas (with figures available only from 1998) increased from 174 000 in 1998 to 198 000 in 2005, a 13% increase (9% from 2000).
21. The BSE outbreak crisis in 1996-97 severely affected the beef sector and was considered a "major disaster for Scottish agriculture", followed by a period of poor

currency exchange rates and depressed commodity prices until 2001. These difficulties were exacerbated by Foot and Mouth Disease which struck early in 2001.

22. According to the Annual Survey of Small Businesses (2003), rural enterprises are generally less ambitious in terms of growth: firms in remote and accessible rural areas compared with urban Scotland are less likely to have sustained growth (10%, 13% and 11% respectively) and new growth (15%, 18%, 23%) and are more likely to experience no growth (68%, 62% and 57%). In spite of these the perception of owners about the health of their business is significantly optimistic (53% and 64% saying their business was doing very well or quite well in remote and accessible rural areas respectively) and not very different from that reported in the rest of Scotland (55%). Importantly to note is that financing seems not to be the greatest obstacle since 77% of firms in rural areas reported having obtained finance from their first source without difficulties, although a higher proportion was unable to obtain financing (16% in remote rural, 12% in accessible rural compared with 13% in the rest of Scotland). Regulation and taxation in remote rural areas, and regulation, competition, taxation and cash flow in accessible rural areas are listed as the greatest obstacles to success by rural businesses. Recruiting and keeping staff and lack of broadband access are more often identified as an obstacle in remote rural areas.
23. Rural areas have stable economic growth, and while their economy is less dynamic than urban, they have higher labour force participation rates, employment rates, self-employment rates, and lower unemployment.
24. Few rural areas improved in their GDP per capita relative to national levels from 1995 to 2003 and all of them are in or below 80% of Scottish average. Despite personal income is close to national average and lower in fringe areas, they face higher costs of housing, construction and some basic products.
25. Certain rural areas have strong reliance on agriculture. This is generally of low productivity because rough grazing is the predominant use of agricultural land and a high proportion of the land is in "less favoured areas".
26. Sparse and declining populations could lead to a decline in traditions and negatively impact natural heritage conservation and tourism.
27. Closure of key services is typically due to financial or inability to attract relevant labour.

ANNEX 1.A1

Rural Scotland Defined

The following explains the OECD and Scottish definitions of rural Scotland and their relation.

- For the OECD as for the EU, Scotland is one of the 12 regions in the United Kingdom (TL2 level for the OECD, NUTS 2 for the EU). Given the large size of this region and its mix of population densities, it is considered an Intermediate Region (IN), i.e., neither predominantly rural (PR) nor predominantly urban (PU).
- At a lower regional level (TL3 in OECD nomenclature, NUTS 3 for EU) Scotland is divided into 23 regions of which nine are considered to be predominantly rural accounting for 75% of the territory and 17% of the population.
- The previous two regional aggregations are based in smaller administrative units (electoral wards in the case of Scotland), which are classified by the OECD as rural or urban according to their population density. At this level (TL5 or LAU2 in Scotland) 95% of the land area and 22% of the population of Scotland is considered rural.¹
- According to the Scottish Executive Rural Urban Classification (based on population levels and distance from urban areas), rural Scotland accounts for 98% of the land area of Scotland and is home to 1 million out of the just over 5 million people that live in Scotland (21%).

Scottish definition of rural

The Scottish Executive has its own urban rural classification for Scotland – The Scottish Executive Urban Rural Classification, 2005-2006. This classification is based on two criteria: settlement size and accessibility based

¹ While this level shows parameters closer to Scotland's definition it is not optimal for international comparisons due to the large number of units and the lack of comparable indicators at this level.

on drive time. Its purpose is to help develop the rural evidence base to ensure that rural and remote communities in Scotland have their distinct needs reflected across the range of government policy and initiatives.

The Scottish Executive's core classification divides Scotland up into six types of area as follows:

Table 1.A1.1. **Scottish executive urban rural classification**

1. Large urban areas	Settlements of over 125 000 people
2. Other urban areas	Settlements of 10 000 to 125 000 people
3. Accessible small towns	Settlements of between 3 000 and 10 000 people and within 30 minutes drive of a settlement of 10 000 or more
4. Remote small towns	Settlements of between 3 000 and 10 000 people and with a drive time of over 30 minutes to a settlement of 10 000 or more
5. Accessible rural	Settlements of less than 3 000 people and within 30 minutes drive of a settlement of 10 000 or more
6. Remote rural	Settlements of less than 3 000 people and with a drive time of over 30 minutes to a settlement of 10 000 or more

Settlements of 3 000 or less people are classified as rural. The classification can also be extended to an 8-fold version that distinguishes between remote and very remote rural areas, but for the purpose of statistics, it is often collapsed to a 3-fold version – Rest of Scotland (1-4), accessible rural (5), and remote rural (6).

The classification is updated every two years to ensure that changes in settlement populations are accurately reflected, the current one being for the years 2005-2006. The predecessors of this classification were the 2003-2004 Scottish Executive Urban Rural Classification, the 2001 Scottish Household Survey Urban Rural Classification and the 2000 Scottish Household Survey Urban Rural Classification.

OECD definition of rural

The OECD has classified regions within each member country. To take account of the differences and establish meaningful comparisons between regions belonging to the same type and level, the OECD has established a regional typology according to which regions have been classified as predominantly urban, predominantly rural and intermediate using three criteria:

1. **Population density.** A community is defined as rural if its population density is below 150 inhabitants per km² (500 inhabitants for Japan to account for the fact that its national population density exceeds 300 inhabitants per km²).

2. **Regions by % population in rural communities.** A region is classified as predominantly rural if more than 50% of its population live in rural communities, predominantly urban if less than 15% of the population live in rural communities, and intermediate if the share of the population living in rural communities is between 15% and 50%.
3. **Urban centres.** A region that would be classified as rural on the basis of the general rule is classified as intermediate if it has an urban centre of more than 200 000 inhabitants (500 000 for Japan) representing no less than 25% of the regional population. A region that would be classified as intermediate on the basis of the general rule is classified as predominantly urban if it has an urban centre of more than 500 000 inhabitants (1 000 000 for Japan) representing no less than 25% of the regional population.

For Scotland, the identification of rural communities according to the first criterion is done at LAU2 level, which corresponds to electoral wards (1 229*) (See Table 1.A1.2). At this level, the division between rural and urban

Table 1.A1.2. **Territorial classifications for Scotland**

	England	Wales	Scotland	Northern Ireland	Total
NUTS 1 (EU)/ TL1 (OECD)	Government Office Regions (9)	Country (1)	Country (1)	Country (1)	12
NUTS 2(EU)/ TL2 (OECD)	Individual counties or groups of counties/ London boroughs/ metropolitan districts/ unitary authorities (30)	Groups of unitary authorities (2)	Groups of whole/ part unitary authorities and/or local enterprise company areas (4)	Country (1)	37
NUTS 3 (EU)/ TL3 (OECD)	Individual counties/ unitary authorities or groups of counties/ London boroughs/ metropolitan districts/ unitary authorities/ county districts (93)	Groups of unitary authorities (12)	Groups of whole/ part unitary authorities and/ or local enterprise company areas (23)	Groups of district unitary authorities (5)	133
LAU 1	Individual London boroughs/metropolitan districts/ unitary authorities/ county districts (354)	Individual unitary authorities (22)	Individual or groups of whole/ part unitary authorities and/or local enterprise company areas (41)	Individual district unitary authorities (26) areas	443
LAU 2	Electoral wards/ divisions (7 976*)	Electoral divisions (881*)	Electoral wards (1 229*)	Electoral wards (582*)	10 668

Source: "Standard Area Measurements for Statistical Outputs for Geographies in the United Kingdom: Guidance Notes", ONS *Geography*, December 2005.

reflects similar results as the Scottish Executive Urban Rural Classification, rural representing: 95% of the land area and 22% of the population.

The regional aggregation resulting from the second and third criteria is done at Territorial Level 2 (NUTS 2 in EU nomenclature) which for Scotland refers to four groups of local authorities and at Territorial Level 3 (NUTS 3) which corresponds to 23 groups of local authorities or Local Enterprise Companies (see Table 1.A1.2). At this level, regions are not classified as being rural or urban *per se*, but depending on the share of population living in rural communities, they are classified as predominantly rural (PR), intermediate (IN) or predominantly urban (PU). Therefore, each of the three types of regions contains some rural and some urban communities but to a different degree.

At TL3 level, there are nine predominantly rural regions (PR) which account for 75% of the territory and 17% of the population, seven intermediate regions (IN), accounting for 39% of territory and 21% of population, and seven predominantly urban regions (PU), accounting for 43% of the population and 4% of the territory. The map in Figure 1.3 shows Scotland's TL3 regions according to the OECD regional typology. Table 1.A1.3 shows the percentage of rural and urban communities (LAU2) included in each of these types of areas.

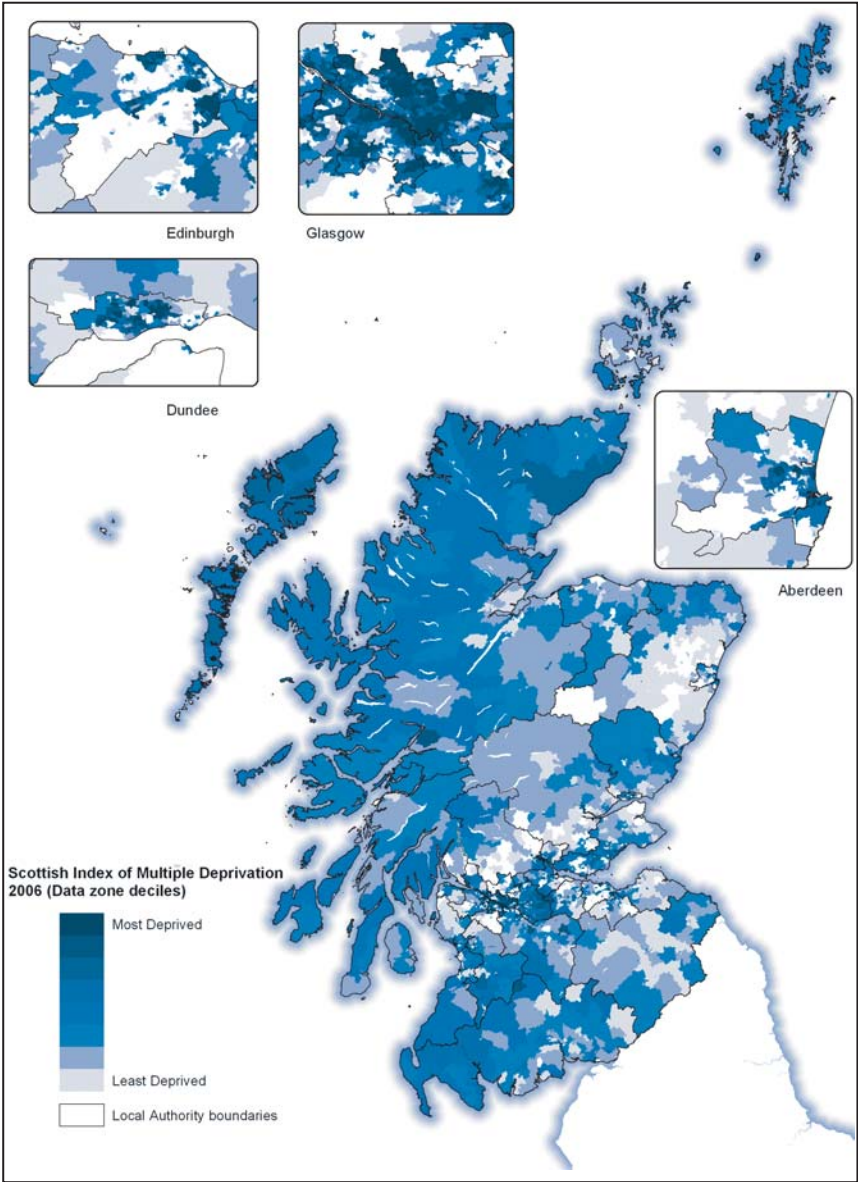
Table 1.A1.3. **Per cent of urban and rural communities by type of region**
2003

Data		OECD typology			Grand total
		PR	IN	PU	
Rural	% population	62.83%	24.86%	4.37%	22.50%
	% area	99.26%	89.13%	45.76%	95.18%
	Count of LAU2	229	134	21	384
Urban	% population	37.17%	75.14%	95.63%	77.50%
	% area	0.74%	10.87%	54.24%	4.82%
	Count of LAU2	117	351	377	845
% population		100.00%	100.00%	100.00%	100.00%
% area		100.00%	100.00%	100.00%	100.00%
Total count of LAU2		346	485	398	1 229

ANNEX 1.A2

Additional Maps

Figure 1.A2.1. **Scottish index of multiple deprivation map**



Source: Scottish Executive.

Box 1.A2.1. Scottish index of multiple deprivation

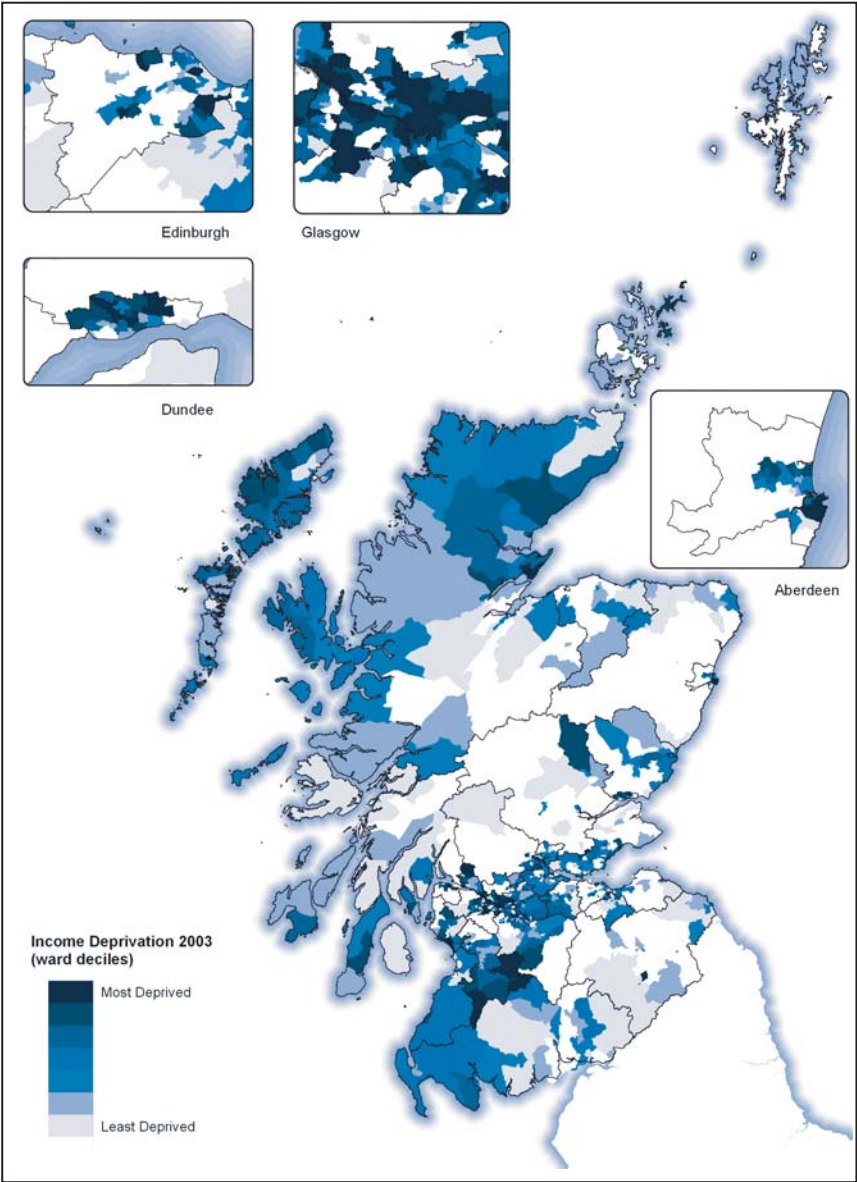
The Scottish Index of Multiple Deprivation (SIMD) helps develop national and local policy and service delivery. The Index is based on the small area statistical geography of data zones, which contain, on average, 750 people, configuring 6 505 data zones.

The overall SIMD is a weighted sum of the seven domain scores which cover specific aspects of deprivation:

- **Current income deprivation.** Made up of eight indicators provided by the Department of Work and Pensions. Low income is measured by the proportion of adults and children receiving low income benefits. The information is provided by the Department of Work and Pensions. There were changes in the composition of this domain between 2004 and 2006: while in 2004 it accounted for eight indicators, in 2006 only five were used.
- **Employment deprivation.** Made up of four indicators that identify those people who want to work, but due to unemployment, ill health or disability are excluded from the labour market.
- **Health deprivation.** Made up of seven indicators which focus on mortality and morbidity. It measures health inequalities associated with low income and deprivation and, as such, identifies areas with higher than expected level of ill health or mortality given the age/sex profile of the population.
- **Education, skills and training deprivation.** Uses indicators to direct measure lack of educational qualifications in children and adults, absenteeism and lack of progression to higher or further education.
- **Geographic access and telecommunications.** As opposed to the drive time domain used in 2004, the 2006 domain is measured by two sub-domains: drive time to six services (primary and secondary school, GP, post office, and shopping facilities) and public transport time to three services (GP, post office, and shopping facilities). This domain captures a set of problems such as financial costs, time and inconvenience that operate at an area level and are seen by many as problems in their own right.
- **Housing deprivation.** Direct measure of inadequacy of housing covering physical conditions and suitability. The domain is measured by two indicators: overcrowding and availability of central heating. This domain was new for the 2004 index, but had a lower weight in 2006 because the out-dated data available (only data from the 2001 Census for both indexes), thus the comparisons are not applicable.
- **Crime.** The 2006 index developed a Crime and Social Order domain including a combination of crime incidence data, fear of crime measures and incidence of social disorder, incivilities and malicious fires. The domain is constructed with recorded measurements on crimes of violence, domestic housebreaking, vandalism, drugs offences, and minor assault.

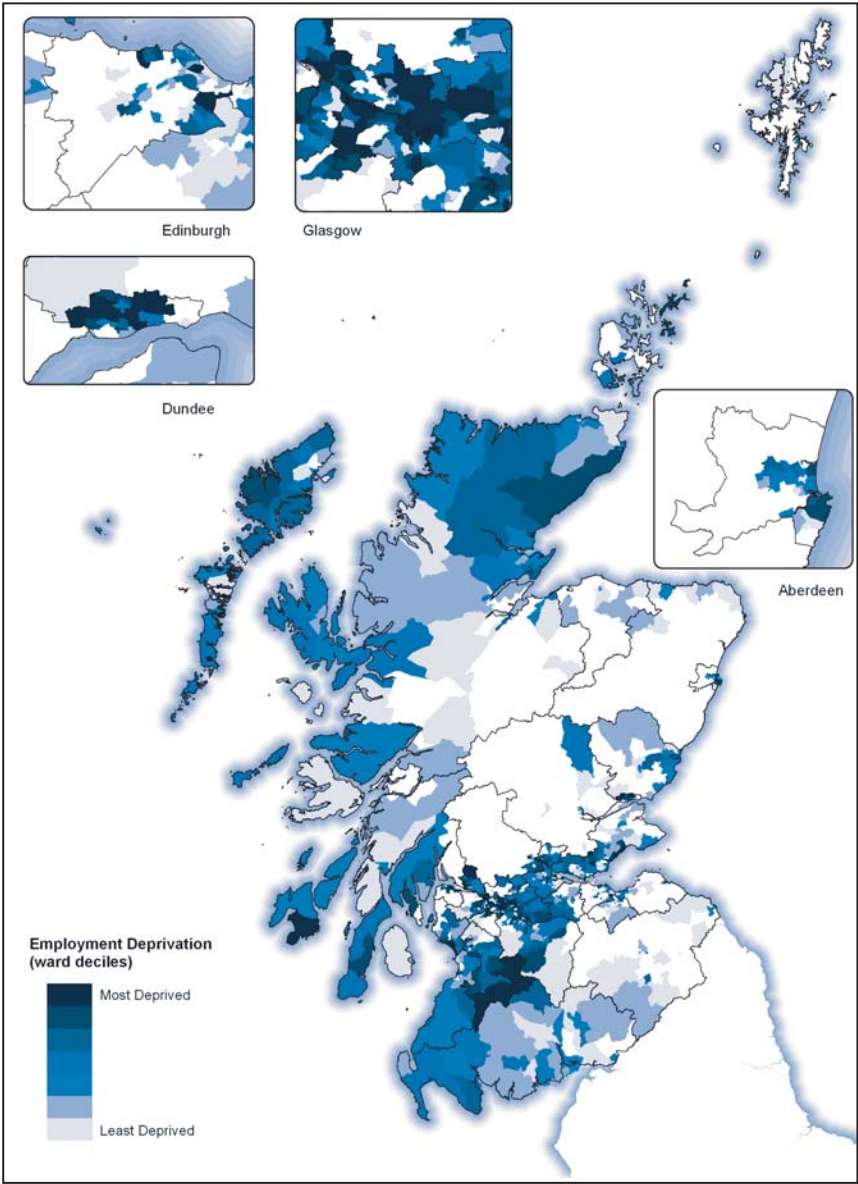
Source: Scottish Executive (2004), *Summary Report Detailing the Domains, Indicators, and Methodology of SIMD 2004*, Chapter 4, "Domains and Indicators", SE, Edinburgh, Scottish Executive (2006), *Scottish Index of Multiple Deprivation 2006: Technical Report*, Part 4, "Domains and Indicators", SE, Edinburgh.

Figure 1.A2.2. **Income deprivation in Scotland**



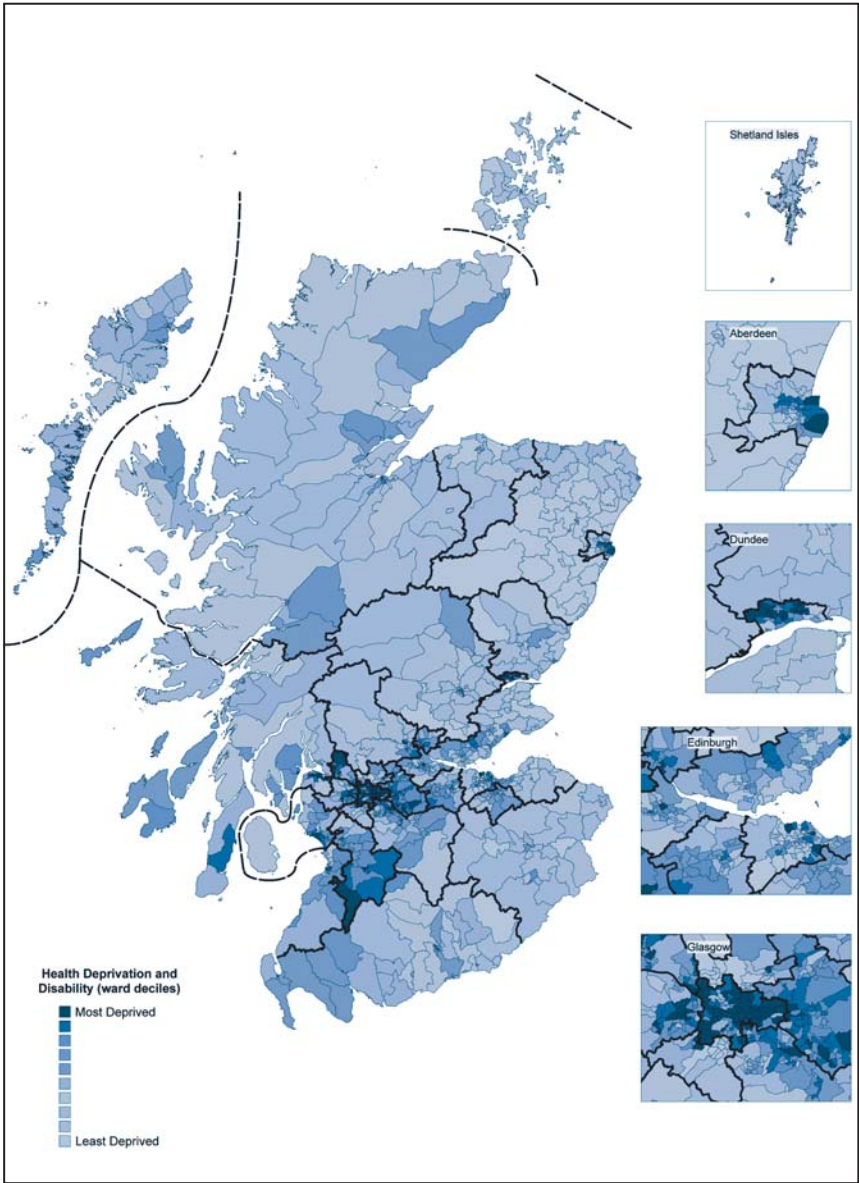
Source: Scottish Executive.

Figure 1.A2.3. **Employment deprivation in Scotland**



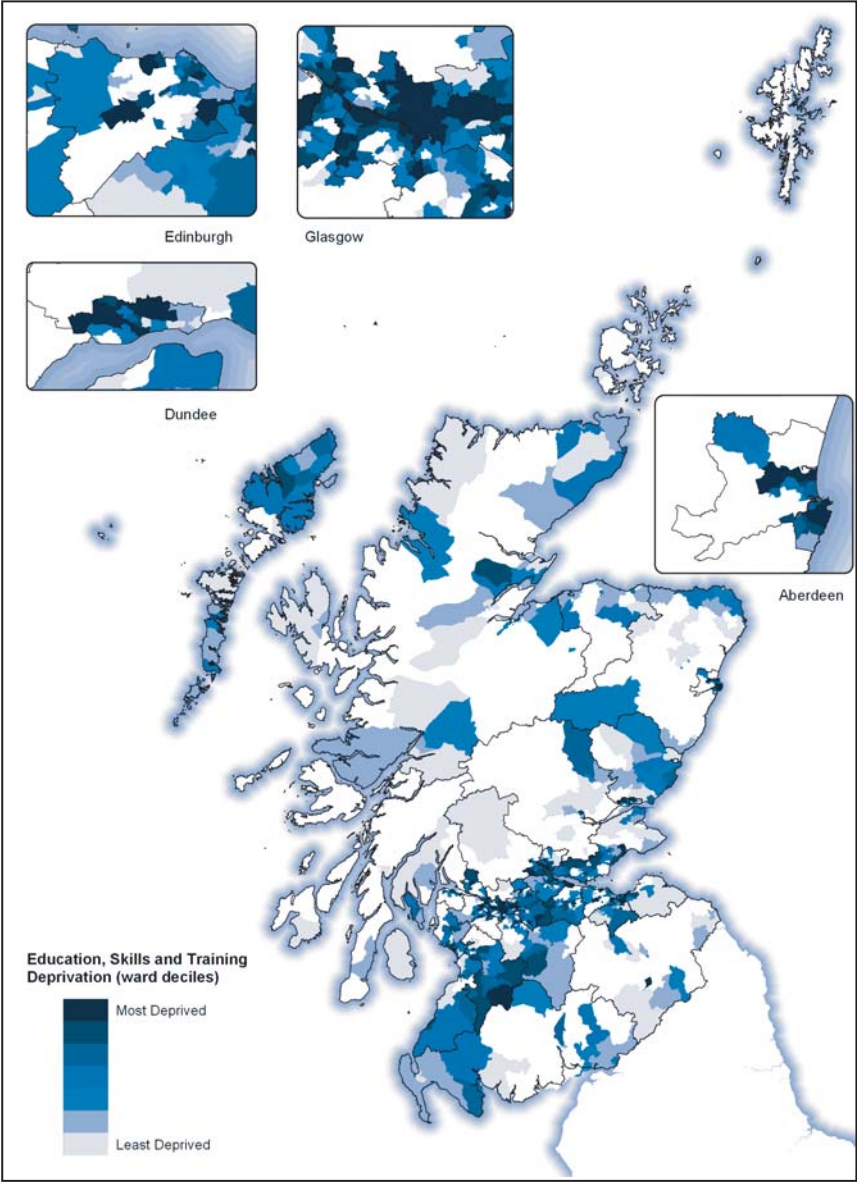
Source: Scottish Executive.

Figure 1.A2.4. **Health deprivation and disability in Scotland**



Source: Scottish Executive.

Figure 1.A2.5. **Education, skills and training deprivation in Scotland**



Source: Scottish Executive.

ANNEX 1.A3

Additional and Extended Table

Table 1.A3.1. **Scotland's input-output table**

Year

Industry	Input of Industry												Final demand						Total demand for products
	Agriculture Forestry and Fishing	Mining	Manufacturing	Energy and water	Construction	Distribution and catering	Transport and communication	Finance and business	Public admin.	Education, health and social work	Other services	Total intermediate consumption	Consumers	Government	Gross capital formation	Exports RUK	Exports RoW	Total final demand	
Agriculture, forestry and fishing	620	1	823	1	16	51	4	16	7	3	4	1 548	760	2	75	671	207	1 715	3 263
Mining	1	75	783	90	106	19	6	12	2	3	1	1 098	14	0	17	1 281	372	1 683	2 781
Manufacturing	92	72	2 369	20	468	454	204	458	368	236	57	4 799	2 256	0	807	11 065	10 753	24 881	29 679
Energy and water	19	24	345	2 350	10	86	39	115	92	113	24	3 216	1 096	0	1	1 370	18	2 485	5 702
Construction	27	61	92	84	2 078	92	48	1 198	366	132	35	4 212	256	0	5 405	1 064	58	6 784	10 996
Distribution and catering	138	67	1 039	14	174	318	150	378	104	156	38	2 577	14 004	3	281	608	973	15 868	18 446
Transport and communication	68	136	543	34	81	946	2 290	1 801	406	264	78	6 646	2 470	0	127	2 578	450	5 626	12 273
Finance and business	221	552	1 515	390	956	1 887	1 103	7 155	1 573	676	538	16 564	9 064	12	934	10 440	2 308	22 758	39 322
Public admin.	2	3	27	5	13	7	32	369	44	2	2	506	143	12 138	74	5	2	12 362	12 868
Education, health and social work	13	0	47	16	7	13	35	337	240	1 216	29	1 953	2 450	11 517	6	396	147	14 515	16 467
Other services	11	4	115	22	11	73	111	506	296	83	769	2 000	3 386	1 054	216	300	50	5 007	7 007
Total domestic consumption (purch prices)	1 211	995	7 698	3 026	3 919	3 948	4 022	12 345	3 498	2 883	1 575	45 120	35 898	24 726	7 943	29 778	15 338	113 683	158 803
Imports from rest of UK	472	486	6 478	690	1 244	1 831	1 719	4 505	1 801	1 211	576	21 014	12 100	0	2 813	0	0	14 913	35 927
Imports from rest of World	332	315	4 188	116	531	809	567	1 700	1 335	718	316	10 928	6 895	0	1 670	0	0	8 564	19 492
Total intermediate consumption (purch prices)	2 015	1 795	18 365	3 833	5 694	6 587	6 308	18 550	6 634	4 813	2 466	77 061	54 893	24 726	12 426	29 778	15 338	137 161	214 222
Taxes on products	-92	46	65	41	15	193	243	1 351	837	467	73	3 239	6 022	-8	1 275	1 034	250	8 572	11 811

Table 1.A3.1. **Scotland's input-output table (cont.)**
Year

Industry	Input of Industry												Final demand						Total demand for products
	Agriculture Forestry and Fishing	Mining	Manufacturing	Energy and water	Construction	Distribution and catering	Transport and communication	Finance and business	Public admin.	Education, health and social work	Other services	Total intermediate consumption	Consumers	Government	Gross capital formation	Exports RUK	Exports RoW	Total final demand	
Taxes less subsidies on production	-112	12	215	138	43	543	93	189	0	1	70	1 192							
Compensation of employees	485	828	8 328	645	3 457	7 619	4 056	8 754	4 371	10 181	2 844	51 568							
Gross operating surplus	966	99	2 706	1 045	1 787	3 503	1 573	10 478	1 026	1 006	1 554	25 743							
Gross value added at basic prices	1 339	939	11 249	1 828	5 287	11 665	5 722	19 421	5 397	11 187	4 468	78 503							
Total output at basic prices	3 263	2 781	29 679	5 702	10 996	18 446	12 273	39 322	12 868	16 467	7 007	158 803							

Source: Scottish Executive, www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Input-Output/OutputSupply.

Chapter 2

Policy Assessment

The main question discussed in this chapter is: what is the policy response to the rural challenges in Scotland? This chapter aims to understand the policy approach Scotland is explicitly adopting for rural areas. As such, it discusses the overall approach to rural policy and the official Scottish Rural Development Strategy (SRDP), analyses the current spending in rural areas and discusses the governance mechanisms underpinning the design and delivery of rural policy. First, this chapter begins with a review of the evolution of the Scottish approach to rural development and rural policy, since devolution. Second, it discusses the current policy focus and subsequent spending decisions. Third, it looks at the aspects of governance that characterise rural policy design and implementation. Throughout this chapter a number of critical issues are put forward that appear to be obstacles to an efficient and effective rural policy in Scotland.

2.1. Key points

- Scotland's approach to rural policy is innovative and rapidly evolving. Its evolution has been led by various reforms at EU (Common Agricultural and Rural Policy) and UK levels. As a result of devolution in 1999, Scotland now has its own chapter in the UK Rural Development Programme.
- Scottish rural policy is still suffering from a sector-by-sector focus, weak integration of rural, regional and sectoral policy design and, despite recent innovative initiatives, a segmented delivery system at both national and local levels.
- The issue of coherence and integration of policies impacting on rural areas is not just one of national policy. The national framework is not fully integrated with the EU framework, which has different sets of regulations, compliance requirements and procedures.
- A plurality of operational classifications of rural areas coexists, and produces an information base that is of limited use for policy purposes. The "official" definition based on settlement threshold and remoteness is not always used consistently in policy documents and by different sectors and does not always describe satisfactorily the set of factors that have been attracting resources to rural areas.
- Despite recent changes in the right direction, centralisation and the lack of adequate bottom-up participation to rural policy, as well as a weak recognition of the diversity of rural areas, hamper the design of measures adapted to the different parts of rural Scotland.
- The Scottish Rural Development Plan (SRDP) for 2007-2013 is a sound strategy, setting clear objectives. However, there are concerns with the high level of expenditure for agriculture, its sustainability and the predominantly environmental focus. Also, analysis reveals a sub-optimal use of the two key rural development schemes: the Less Favoured Area Support Scheme (LFASS) and the Rural Development Contracts (RDCs – formerly Land Management Contracts).

2.2. Scotland's approach to rural policy is innovative and rapidly evolving...

The approach to rural policy in Scotland has evolved continuously since the 1960s. This process has been led by various reforms at the EU (Common

Agricultural and Rural Policy) and UK levels. After devolution in 1999 (see Box 2.1), Scotland gained its own chapter in the UK Rural Development Strategy and introduced its own Scotland Rural Development Program. Rural policy at both UK and Scotland level has traditionally been led by departments of agriculture with strong links to farming groups. Since 2000, there have been significant institutional changes exemplified by the creation of the UK's first Department of Rural Affairs and in Scotland the merger of agricultural, fisheries rural and environmental responsibilities into the Scottish Executive Environment and Rural Affairs Department (SEERAD). The recent policy framework has thus not been one of stability and accepted practice by all stakeholders, but rather a moving one, with “old” and “new” approaches, contrasting expectations for the future and a shifting balance of powers influencing decisions over rural development.

Box 2.1. **Devolution, Scottish Parliament and powers**

The Westminster Parliament is the sovereign legislature; it serves the whole of the United Kingdom and has set Statute law for Scotland since 1707. The Scottish parliament was created by the Scotland Act of 1998. From 1888 to 1999 Scottish affairs was overseen by the British cabinet ministry, headed by the secretary of state for Scotland under the Scotland Act a number of matters were devolved – moved to the jurisdiction of the Scottish parliament. Thus, after taking office the Scottish Parliament, assumed many of the responsibilities once held by the secretary of state. The competence of the Scottish parliament to legislate (“legislative competence”) is contingent on whether it has jurisdiction over the matter or whether it was reserved and remaining under the authority of Westminster. *Reserved* matters include defense, international relations, fiscal and economic policy, drugs law, broadcasting and some others. Whereas *devolved* matters; include health; education; local government; social work; housing; planning; tourism, economic development and financial assistance to the industry; some aspects of transport (including the Scottish road network bus policy and ports and harbours); law and home affairs; the police and fire services; the environment; natural and built heritage; agriculture, forestry and fishing; sport and the arts; and, statistics, public registers and records.

Source: House of Commons (2003), An Introduction to Devolution in the UK, *House of Commons Library Research Papers*, RP 03/84 and House of Commons (2001), Basic Outline of Devolution in Scotland and Wales, *House of Commons Library Standard Notes*, SN/PC/1382.

Starting at a high level, the Scottish Government's top priority is “growing the economy”. The Framework for Economic Development in Scotland (FEDS)¹ sets out the vision for Scotland as a whole, and looks at how economic

development can be achieved in Scotland within the global economy. FEDS aims to build up economic activity throughout Scotland by promoting skills, enterprise and innovation all across the territory, while recognising the need for targeted regional interventions to promote more balanced growth. Since much of Scotland is defined as rural, regional development and rural development become synonymous in many areas. To encourage and promote economic development in the currently less densely populated and more peripheral parts of Scotland, the Government is seeking to foster a wide range of communities, to retain people in rural areas and to promote equality of opportunity. Interventions, such as Regional Selective Assistance or the smaller Processing and Marketing Grants, and support for tourism development promote opportunity, by encouraging investment, employment and productivity. Equally, other initiatives seek to improve the capacity of communities to self-organise to identify local priorities and access government assistance. In such cases, regional measures, underpinned by spatially disaggregated data, play a key role in targeting and reducing disparities, and delivering economic growth across all of our regions.

The Scottish Government (formerly “Scottish Executive”)² is responsible for rural development in Scotland. If there is a reserved policy issue (one with which responsibility lies with the UK Government) that affects rural development in Scotland, then the Scottish Government works with the UK Government departments to ensure that Scottish issues are represented accordingly. The Scottish Government published its first rural policy document, *Rural Scotland – A New Approach*,³ in May 2000. The document placed emphasis on the need for policies that are more outcome oriented with a focus on collaboration and setting as priorities diversification, growing rural business, increasing wages and delivering better services. This strategic focus is emphasised in the Government’s most recent rural policy document, *Rural Scotland: Better Still, Naturally*,⁴ which lists the following as its policy roadmap to achieving sustainable rural development in Scotland:

- Broadening and strengthening the rural economy including the skills base.
- Protecting, maintaining and developing the natural and cultural assets.
- Improving the accessibility and quality of services people and business depend on.
- Addressing the challenges and opportunities of population change.
- Promoting social and economic inclusion.
- Helping to build resilient, sustainable rural communities.
- Improving stakeholder engagement.
- Improving focus, delivery and measurement of progress towards the main outcome.

The Enterprise networks are expected to play a vital role in stimulating the rural economy and facilitating their seamless integration into the overarching “grow the economy framework” of the country, in addition to reinforcing any other Government strategies. The Enterprise networks are guided in this effort by the 2001 Government publication, *A Smart Successful Scotland* the strategic economic development agenda for Enterprise networks and their partners. According to *Rural Scotland: Better Still, Naturally*, the Enterprise units are responsible for the economic development of Scotland’s rural areas. While the networks act as administrative hubs, providing policy guidance, strategic direction and funding, the on-the-ground day-to-day activities and face of the network is the Local Enterprise Companies (LECs). Table 2.1 provides an overview of the different LECs in Scotland.

Table 2.1. **Local enterprise companies**

Scottish Enterprise network area	Highland and Islands network area
Ayrshire	HIE Argyll and the Islands
Borders	HIE Caithness And Southerland
Dumfries and Galloway	HIE Innse Gall
Dunbartonshire	HIE Inverness and East Highland
Edinburgh and Lothian	HIE Orkney
Fife	HIE Moray
Forth Valley	HIE Shetland
Glasgow	HIE Skye and Wester Ross
Grampian	
New Lanarkshire	
Renfrewshire	
Tayside	

Source: Scottish Executive.

... but it is still suffering from a sector-by-sector focus...

Scottish rural policy, as it stands today, relies on a fairly centralised approach balanced by consultation with stakeholders at national level and a sector-by-sector rather than a territorial focus. Within the sector-by-sector approach each policy sector (health, tourism, transport, education, etc.) is supposed to review its policy on the basis of rural needs and address them effectively. This approach has some advantages, in particular the wider attention paid by policy makers to all aspects of rural life, beyond agriculture.

The Scottish approach, although innovative in many aspects and despite the important changes that occurred in the last few years, is increasingly showing its limitations and need for reform. Key critical issues are: 1) weak integration of rural, regional and sectoral policy design; 2) complex delivery mechanisms at both national and local levels and a plurality of operational

classifications of rural areas for policy purposes; 3) high level of public expenditure for agriculture and a predominantly environmental focus chosen for this sector in the future; 4) modest local participation and adaptation of RDP to place-specific situations. These issues are discussed in the following sections.

... weak integration of rural, regional and sectoral policy design...

Linkages between complementary factors of rural development are more difficult to address efficiently with a sector-by-sector approach at national level. As discussed above, Scotland has an official document outlining a strategy for rural development. However, in policy practice, each sector has its own objectives and priorities, and looks at rural issues from its own perspective so, there are as many “visions” and designs of rural policy as sectors. This not only raises issues of rural policy coherence between them, but it demonstrates the absence of a comprehensive overall design, weak integration and poor visibility. Table 2.2 provides an overview of some sector policies within the Scottish Government that impact rural development and their strategic policy priorities. As a result of the diverging paths, rural policy seems more like a subsidiary policy within each sector framework rather than an overarching theme driving the policy direction. The conflicting policy design is not only present in the horizontal intra-governmental relationship; it is also evident in the vertical relations between the Scottish National Government and other entities pertinent to rural development. For example, the different approaches of the Enterprise Networks (which joins up Scottish Enterprise and Highlands and Enterprise interventions) and the Scottish Government. Box 2.2 details the rural policy priorities of the Enterprise Networks.

The issue of coherence and integration of policies impacting on rural areas is not just one of national policy. Rural development policy within the EU is embedded in a multi-governance framework, including several layers of institutional actors, at different levels, which participate in the formulation and implementation of policies. In this framework, there are three key policy components to consider: 1) one within the EU-agricultural framework; 2) the second with the EU-Structural Funds framework; and 3) the third belonging to the national framework with a wide sector approach (see Box 2.3).

These components are administratively linked but they do not respond to a unified vision or approach. The national framework is not fully integrated with the EU framework, which has different sets of regulations, compliance requirements and procedures. Moreover, there are concerns regarding the reinforcement in the future of the separate nature of agriculture and environmental measures within rural policy and the poor linkages in place to

Table 2.2. **Different sector policies in Scotland that impact rural areas**

Sector	Policy priority
Agriculture	According to <i>A Forward Strategy for Scottish Agriculture, Next Steps</i> the Scottish farming industry should be at the forefront of sustaining rural development. The Government strategy is to “work better with food producers, retailers, and better meet market demand; to contribute to rural communities and strong rural areas; and to be a leading player in the protection and enhancement of the environment, with an increased emphasis on climate change and a landscape-scale approach”.
Fisheries	Fishing is important in the remote and fragile coastal communities in Scotland; the catching sector employs 5 276 fishermen. The fish processing sector has 285 units and employs 10 917 people. Based on the <i>Sustainable Framework for Scottish Sea Fisheries</i> the aim is to create a Scottish sea fishing industry that is sustainable, profitable, supports strong local communities and is managed effectively as an integral part of coherent policies for the marine environment. It sets out a policy approach that nurtures marine resources and safeguards the marine ecosystem but ensures competitiveness and profitability through business efficiency and improved market focus. Success in its policy objectives, should be measured by improved science, and governance; more stock above safe biological limits, positive trends in marine environment indicators; improved global competitiveness, more value added products commanding higher prices, more export success, improved economic returns for fishermen and continued contribution of the economies of remote and fragile communities.
Aquaculture	Scotland is the third largest producer of farmed salmon in the world. They produce around 4 000 tonnes of shellfish per year and the value of the Scottish salmon production is estimated at GBP 300 million per year with added value of between GBP 300 million and 400 million and a retail value of GBP 700 million. The salmon farming industry supports the employment of 8 500 people, 4 500 of which live in the Highlands and Islands.* Based on the <i>Aquaculture Strategy</i> the aim is to have a “sustainable, diverse, competitive and economically viable aquaculture industry” and to deliver “high quality, healthy food” and “social and economic benefits” to communities, particularly in rural and remote areas. The overarching strategic framework calls for the industry to remain internationally competitive and nationally economically viable by utilising nature-friendly means, minimising damaging ecological impacts and cultivating strong community relations.
Forestry	Forestry Commission Scotland acts as the Government’s forestry department and manages 668 000 hectares of forest land. Fifty-five thousand hectares of national forest land are covered by some type of informal or formal agreement between Forestry Commission Scotland and local communities. Most forest areas are in remote rural areas. Afforestation forest programmes create jobs and bring in economic activities to the local areas. However when the afforestation period ends, the activity lessens because it becomes care and maintenance of the forest, which means less jobs, housing de-occupation and less local managers. According to the <i>Scottish Forestry Strategy 2006</i> , the main objectives are to increase community involvement in forestry; increase access to forests and woodlands; develop a more efficient timber supply chain; develop the market for forest products and increase forest tourism; help tackle climate change; protect biodiversity and the historic and cultural environment.
Tourism	In Scotland, the tourism industry is valued at an estimated GBP 4.2 billion and employs approximately 8% of the population. It is more significant to the rural economy than the urban economy because many of these jobs are in rural areas but the jobs are usually seasonal with low compensation making it difficult to attract and retain staff. In the <i>Scottish Tourism: A Tourism Framework for Change</i> (2006) the government pledged to increase the revenue across the industry by 50% by 2015. All tourism-related policies focus on: understanding the market and Scotland’s place in it, consumer trends, the competition, managing the quality of visitor experience, introducing a culture of enterprise and innovation and ensuring ease of travel and access to tourist sites in an economically, socially and environmentally sustainable manner.

Source: Scottish Executive (2006), *Rural Scotland: Better Still Naturally*, Scottish Executive (2005), *A Forward Strategy for Scottish Agriculture: Next Steps*, Scottish Executive (2005), *A Sustainable Framework for Scottish Sea Fisheries*, Scottish Executive (2003), *Aquaculture Strategy*, SE, Edinburgh; Edwards, T. (2007), “Rural Affairs and Fisheries: Subject Profile”, Scottish Parliament Information Centre (SPiC) Briefing, 07/22.

Box 2.2. Rural strategic priorities for the Scottish Enterprise and Highlands and Enterprise

Scottish Enterprise Network (SEn): Business is the focus of the SEn and the strategic direction as derived from *A Smart, Successful Scotland* is to stimulate better and faster levels of economic growth by working with businesses to improve their productivity and share the risk of their investment. SEn works in partnership with private and public sectors and aims to secure the long-term future of the economy in its area – by making industries more competitive. Investments take the form of skills training, new technology research, or financial investment for business growth and they depend on the LECs to identify the projects that add economic value to Scotland.

Since the SEn is responsible for rural and non-rural areas, a Rural Group within the Enterprise unit shapes the direction of rural policies. They work to ensure that the rural economy makes a significant contribution to Scotland's overall economic success and has a recognised and valued role within successful metro regions and thriving key Scottish industries. The Groups main function is to ensure that in the planning phase of any initiative or programme the SEn anticipates and develops effective responses to rural issues and opportunities. In the short-term, the Group is focused on two things: 1) developing new rural opportunities that are linked to/derived from city regional development and/or priority industry growth; and 2) elevating

SEn Rural Group Strategic Priorities for 2006-2009

Stimulate the diversification of the rural economy:	By linking activities in rural industries; <i>i.e.</i> , farm development with food and drink forestry with energy and assisting with diversification among the traditionalists.
Enable the development of competitive, sustainable business in rural areas:	By increasing the focus on and support for economically significant companies in both key regional industries such as forestry, construction and textiles; encourage co-operation especially in the agricultural sectors for example develop new ways of sharing expert resources.
Contribute to the economic sustainability of small communities through enabling co-operation and leadership:	By supporting communities to access new economic opportunities. Working with partners to enable small community to develop the capacity to be entrepreneurs, maximising the economic opportunities of those communities and supporting the wider economic development aims. Facilitate private sector ability to input and provide leaders of economic development in their areas.
Increase the availability and attractiveness of rural places for economic development activities:	By enabling the development of new property and regenerations solutions; developing priority inter-LEC projects; developing and promoting alternative "quality of life" locations for growth businesses.
Enhance the operation of the rural labour market and raise standards of working practices:	By enabling individual in rural businesses to acquire new business skills; create more opportunities for rural employers to recruit graduates; develop rural labour market information to people; promote the adoption by employees of modern working practices; promote innovation leadership culture.

Source: Scottish Executive Background Paper – Enterprise Networks – Rural Spend.

Box 2.2. Rural strategic priorities for the Scottish Enterprise and Highlands and Enterprise (cont.)

the value of the primary assets goods and services produced in rural areas. To this end, they are pushing for the incorporation of “new sectors” alongside traditional business; more competitive innovative business; enhanced transportation and ICT infrastructure; and the generation of more knowledge workers. Priority industries as outlined by SE include energy, tourism, food and drink.

Highland and Islands Network (HIE): The HIE shares the same national strategy and adds another, strengthening communities which calls for building capacity and leadership that enhances the natural and cultural heritage and creates community assets. In addition to funding, the HIE works with different actors at different levels to identify initiatives that reflect the HIE priorities or “Five Ps”: population, place, productivity, pay and prospects:

HIE Policy Priorities – the “Five Ps” to secure economic prosperity in rural areas

Population	More people living, working and studying in the Highlands. Stimulate the proviso of affordable housing, and an open-arms approach to newcomers, recognising that the scale of population increase needed will not come from return migrants alone.
Place	Enhance and capitalise on assets, build a role as international gateway. International standard gateways have quality built environments, with civic leaders, planners, developers and people who lived there and worked consistently to make it attractive and distinctive.
Productivity	Create more business of scale, harness ambitious leaders and generate capital investment. The focus of business development needs to be on raising productivity in all economic sectors.
Pay	A steady expansion of employment in higher-paying economic activities.
Prospects	Belief in the areas prospect for success translates into wide range of investment throughout the area. Investing in cultural assets and sports; improving the overall attractiveness of the area demonstrates the viability of the community to the residents.

Source: Highland and Islands Enterprise (2005), A Smart, Successful Highlands and Islands: An Enterprise Strategy for the Highlands and Islands of Scotland, Inverness, Scotland.

connect agriculture (and forestry) to food chains, to the wider rural economy, and to the interventions in other sectors. This is true both of the Scotland Rural Development Programme within the EU framework, and of the wider rural policy which includes national funding for other sectors. The risk of an even weaker integration of policies for rural areas is therefore greater in the next programming period. This peculiar effect is the result of a combination of different factors related to the EU framework and the process of reform of the Common Agricultural Policy on the EU side, and the pressures of Scottish landowners and farmers on the other to “get back” as much as possible from

Box 2.3. Rural development policy within the EU

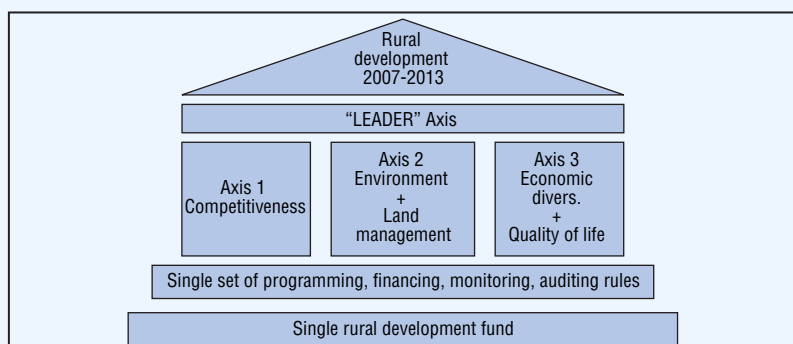
Rural development policy is based on three main legal instruments: EU strategic guidelines for rural development, Council Regulation on support of rural development by the new European Agricultural Fund for Rural Development (EAFRD) and Commission Implementing Regulation.

Main priorities:

- Improving the competitiveness of the agricultural sector through support for restructuring, modernisation, innovation and quality production.
- Enhancing the environment and the countryside through support for sustainable land management and the remuneration of environmental services.
- Enhancing the quality of life in rural areas and promoting diversification of economic activities. This includes improved access for the rural population to basic services and infrastructures as well as the promotion of new employment opportunities outside agriculture.

Implementation through three axes

(see Table 2.2 for further details on the axes)



Programme steps:

1. EU strategy document sets out the EU priorities for the priority axes: It identifies the areas important for the realisation of community priorities and contains a range of options which Member states could use in their national strategy plans and rural development programmes.
2. National strategy plans translates the EU priorities to the member state situation and ensures complementarity with the Cohesion policy.
3. Implement the National Strategy Plans: National or regional rural development programmes that articulate the four axes through different measures.

Source: European Commission – Directorate General for Agriculture.

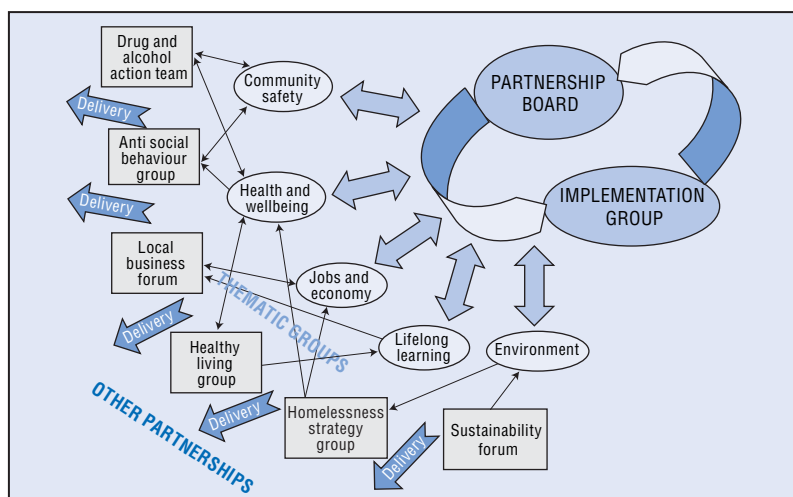
the second Pillar, fearing further reductions in the first Pillar (direct decoupled payments).

... and a complex, segmented delivery system at both national and local levels

There are more than 100 agencies working on rural development issues. There is no single body focussing on rural areas or a comprehensive and distinctive policy for rural areas. At the national level, the Ministerial Committee on Rural Development has contributed to the co-ordination of policies for rural areas, since 2000. At the local level, Community Planning Partnerships (32 of them) were introduced in 2003 to provide a local mechanism and focus for collaboration and prioritisation, and to promote complementary approaches and delivery amongst service providers. Figure 2.1 outlines the typical CPP structure. To date over 60 Rural Partnerships have been established – involving CPP member bodies and others – to take local action to build assets, and help deliver community action plans around Scotland.

The probable reason for this proliferation are the changes in the last ten years that have been both institutional –devolution – and policy design related – the codification of the consultative process and the emphasis on fostering partnerships and stakeholder engagements – at the EU level and at the

Figure 2.1. **Typical CPP structure**



Source: Scottish Government (2006), "Community Planning: An Initial Review", Audit Scotland

national level. The result is an overlap of different approaches and agencies with different delivery modes, each claiming relevance and new functions (and budget), with the backing of some constituency. It is widely recognised that there are too many, that it is costly and ineffective, and that a “proper joiner” needs to be found. The sector-by-sector approach, which is in place, compounds this already complex delivery system, by adding a multiplicity of “sector cultures” with their own modes of delivery and performance indicators set by their parent department or funders. The critical issue, in Scotland, is the extreme complexity in both the design and the delivery system linked with rural policy.

This is an extremely segmented approach at both national and sub-national level is not equipped to “regionalise” the interventions within an area and create effective horizontal linkages between agencies and actions.⁵ The problem is not only one of effective delivery, or joining up agencies for a better efficiency, the problem is the integration of policies at local level, finding how they mutually reinforce each other or are in conflict, decentralise decision making, not reproducing new top-down agencies but that can also give feed back to the centre on possible improvements and new needs, adapt policy packages to local conditions.

The sector-by-sector approach affects not only the coherence of rural policy but also its visibility. In fact, an overall vision of rural policy can only be reconstructed *ex post*, through the budget, calculating the “rural spend” for each sector, or compiling a list of the actions in rural areas that each sector has realised. So far, there has not been an *ex ante* strategy, integrating into a comprehensive vision all the different strands that today make up rural policy in Scotland.

A plurality of operational classifications of rural areas coexists, and produces an information base that is of limited use for policy purposes. The “official” definition based on settlement threshold and remoteness is not always used consistently in policy documents and by different sectors and does not always describe satisfactorily the set of factors that have been attracting resources to rural areas.

2.3. The SRDP is a sound strategy, with clear objectives...

The strategic plan for realizing sustainable rural development policy as outlined in *Rural Scotland: Better Still, Naturally* is in the Scotland Rural Development Programme (SRDP) 2007-2013.⁶ The SRDP contains a set of measures for delivering the policy outcomes and using funds received from the European Union and other resources. The SRDP narrows the policy scope to achieving a number of specific outcomes as drawn from the Scottish Government and a range of EU and domestic strategies pertinent to economic

development, the natural heritage and the delivery of public services. These outcomes are supported by three thematic axes in line with the three thematic axes laid down in the new EU Rural Development Regulation (1698/2005): Table 2.3 denotes the relationship between the axes, the outcomes, and the principle priorities associated with each axis.

Table 2.3. Relationship between axes, outcomes and priorities in the 2007-13 SRDP

Axis	Key outcomes	Priorities
Axis 1: Competitiveness in agriculture and forestry	Improved business viability	Encourage restructuring and new and innovative activities generate improvements in product quality and facilitate collaboration among producers and encourage new entrants. Increase market focus, encourage business planning Invest in training and development and knowledge transfer Promote an efficient and environmentally sustainable industry.
Axis 2: The environment and countryside	Biodiversity and landscape, improved water quality and tackling climate change	Maintain traditional agriculture landscapes and encourage high nature value farming, crofting and forestry systems Ensure the viability of land management businesses. Protect and enhance biodiversity. Tackle climate change and protect communities from other environmental hazards through woodland creation and land management practices the mitigate and facilitate adaptation to climate change. Improve water quality. Support to enhance animal health and welfare.
Axis 3: Economic diversification and quality of life	Thriving rural communities (business development, landscape and historic environment, public enjoyment and understanding, rural services and infrastructure)	Add wider value to rural goods and services encouraging the development of business, including tourism, that can capitalise on the high quality of rural Scotland's natural and historic environment. Build capacity in local communities, through training and skills development and through support for the creation and development of micro-enterprises and social enterprise service providers. Support rural services and infrastructure at a local level through support for local facilities in rural communities.
Axis 4 LEADER		Increase the capacity of local community and business networks to build human capital, stimulate innovation and local co-operation.

Source: Scottish Executive (2007), Scotland Rural Development Programme 2007-2013: Rural Development Regulation (EC), No. 1698/2005 (submitted June 2007), SE, Edinburgh.

The SRDP contains a number of different mechanisms for realising outcomes. These include: the Rural Development Contracts (RDCs), The Less Favoured Areas Support Scheme (LFASS); and LEADER.

RDCs links Pillar 1 and Pillar 2 of the Common Agricultural Policy support, it demonstrates complementarities by combining economic, social and

environment measures under single contracts of assistance to land managers and other businesses. It aims to provide a simplified approach for businesses by providing a “one-stop-shop” for applicants to seek advice on and apply for measures under the scheme. It has three support tiers. Less Favoured Area Support Schemes (LFASS) is a programme that compensates farmers and crofters for permanent disadvantage and supports land managers in primarily upland and remote areas. Farms are in a LFA if the location has: 1) “permanent handicaps” which includes: altitude, poor soils, climate and steep slopes; 2) de-population or has very low densities of settlements; and 3) experiencing poor drainage, inadequate infrastructure or needs support for rural tourism, crafts and other supplementary activities. The LEADER initiative (see Table 2.4) targets community and economic development in rural areas and encourages projects that emphasise co-operation and networking between rural areas. Described as a community-led approach to development, it is dependent on the partnerships of local stakeholders (Local Action Groups, LAGs) engaged in the formulation, funding and implementation of initiatives. LEADER is an integral part of the SRDP because it supports innovative and pilot projects, which give communities an opportunity to try new ways to improve quality of life in the area.

The third tier of the RDCs goes a step further by incorporating a number of agri-environment schemes including: the Farm/Agriculture Business Development Scheme; the Rural Stewardship Scheme; the Natural Care Scheme; the Organic Aid scheme; farm projects under the processing and market Grant Scheme; and the Scottish Forestry Grants Scheme. With

Table 2.4. Population and surface area of LEADER+ areas

Area	Population (Inhabitants)	Surface area (km ²)
Argyll, the Islands and Lochaber	88 436	11 444
Cairngorms	23 658	6 516
Dumfries and Galloway	144 856	6 396
East Fife	59 430	464
Lomond and Rural Stirling	28 679	2 437
Moray	86 000	2 238
North Highland	50 408	12 833
Northern Isles	41 920	1 468
Rural Tayside	94 873	6 071
Scottish Borders	108 280	4 743
South Lanarkshire	75 477	354
Tyne Esk	68 528	837
Western Isles, Skye and Lochalsh	39 600	8 506
Total	910 145	64 307

Source: Scottish Executive (2007), Scotland Rural Development Programme 2007-2013: Rural Development Regulation (EC), No. 1698/2005 (submitted June 2007), SE, Edinburgh.

approximately 9 000 agreements in force and assistance from these schemes totalling close to GBP 30 million per annum agri-environment schemes have proved to be effective result oriented tools. They encourage environmentally friendly farming practices, and benefit biodiversity and wildlife and support a range of management measures aimed at conserving and enhancing the countryside. For example, through these measures: farmers and crofters have re-created natural habitats, allowed grass margins to grow between fields, renovated shelter belts, created ponds and wet areas, and planted trees and hedgerows. One thousand miles of hedgerows have been planted under the Rural Stewardship Scheme which has helped to enhance the landscape and provide food and cover for birds, invertebrates and small mammals. Thus far the Organic Aid Scheme has supported the conversion of some 180 000 hectares of land to organic farming, making an important contribution to protection and enhancement of the environment through biodiversity, pollution control, energy efficiency and soil protection benefits. This has allowed farm farmers to diversify and take advantage of the opportunities that organic farming can provide, in turn providing support to rural economies.

In addition, Crofting (a specific form of land tenure in Scotland, see Box 2.4) contributes to many aspects of life in remote rural communities and there are number of different crofting specific schemes that work to reinforce the value of crofting in rural communities. The Croft House Grant Scheme (CHGS) provides geographically targeted grants to build new houses and rebuild and improve existing croft houses, thereby enabling the crofter to live on the croft. The Crofting Counties Agricultural Grants Scheme (CCAGS) provides grants to crofters and certain other occupiers of land to aid and develop agricultural production on crofts or holdings in the Crofting Counties. The scheme contributes to the general policy of compensating crofters for disadvantages of climate, scale, terrain and remoteness and to preserve an agricultural base in the Highlands and Islands. The Highlands and Islands Croft Entrant Scheme (HICES) encourage new young farmers to enter and stimulate innovation in crofting development.

The range of interventions described above is supported through the European Agricultural Fund for Rural Development. However, Scotland's rural areas also benefit from the European Structural Funds which are made up of the European Regional Development Fund (ERDF) and the European Social Fund (ESF). In the 2000-2006 funding stream, European Structural Funds was worth over GBP 1 billion in Scotland. They are designed to support Scottish economic development and help Scotland's economy move beyond the EU average GDP by match-funding local economic development activity. The Funds are delivered through partnership with a range of organisations outside of the Government – largely local authorities, the Enterprise Networks, higher and further education and the voluntary sector. Agreement on the EU budget

Box 2.4. Crofting

A croft is a small agricultural area of land with grazing rights in a common grazing area. The croft is the land that is occupied as a tenancy and the crofter, the tenant, pays rent to the land owner who retains title. Crofters have security of tenure and which allows them to pass on the tenancy to a member of their family or assign the tenancy to a non-family member. Crofting was legalised in the 1880s, to protect the tenants from any at will action on the part of the landowners, including eviction or resettlement.

To date there are more than 17 700 crofts in Scotland, and 11 500 crofting households with a population of 33 000. Many crofts are small – around five hectares – and cannot sustain the full time employment of a crofter. Jobs in fishing tourism and other jobs in the rural industry and service sectors are important in providing an off croft source of employment. Crofting land is generally poor quality and constitutes permanent pasture with additional areas of rough grazing. Crofting agriculture is based primarily on rearing of store lambs and cattle for sale to lowland farmers for fattening or as breeding stock.

Scotland's history is replete with different movements to change the land ownership structure. The most recent and arguably most effective turn began with the Crofting Reform Act of 1976. The 1976 Act gave the individual crofter the right to buy his croft whether the landowner wanted to sell or not, allowing farmers to graduate from mere tenant farmers to land owners. In accordance with the 1976 Act, the HIBD developed amendments clarifying its compulsory purchase powers, to state how to deal with "extreme cases of underuse or misuse of land which have led to loss of employment or income in the local community or which are significantly hampering the provision of such employment and increases in local incomes". The right to buy provision resulted in nearly 4 300 croft houses and 3 000 crofts passing into private ownership between 1976 and 1996. Communal Croft land ownership began, long before it was legally recognised, when in 1993 a group of 100 Assynt crofters bought their land, 21 000 acres. Following suit, in 1997 the Islanders of Eigg, the Abriachan in 1998, the people of Knoydart in 1999, the residents of Gigha in 2002 and the North Harris islanders bought 50 000 acres in 2003. Formally, the Scottish Feudal law was repealed in 2000 and two years, later the right to buy was extended to whole communities. Under the law, rural communities had the right of first refusal on the sale of estates and croft communities could buy as a collective. Recent changes include: the Crofting Reform Act 2007 which allows new crofts to be created and allows statutory small landholders to convert their holding to crofts; and allows crofters to diversify the use of their crofts and common grazing. It closed a loophole from the 2003 Act, by allowing crofting communities exercising their right to buy, to buy any leases over the croft lands.

Source: The Scottish Office (1998), *Land Reform Policy Group: Identifying the Problems*, Chapter 5, "Crofting", www.scotland.gov.uk/library/documents1/lrpg05.htm, accessed 9 April 2008, Hughes, J.T. (1982), "Policy Analysis in the Highlands and Islands Development Board", *J. Opl Res. Soc.*, Vol. 33. No. 12, pp. 1055-1982, Highlands and Islands Development Board (1978), "Proposals for Changes in the Highlands and Islands Development (Scotland) Act 1965 to Allow More Effective Powers over Rural Land Use", www.caledonia.org.uk/land/documents/HIBD%20Land%20Powers.pdf, accessed 8 April 2008.

for 2007-2013 was reached at European Council on 17 December 2005. The agreement means that Structural Funds will continue to be available throughout Scotland, albeit at considerably reduced levels. Scotland as a whole will receive around 40-45% of the current allocation in 2000-2006.⁷

Identifying the overall budget available for Scottish rural areas is not an easy task; but a tentative estimation can be made. The Scottish Government Draft Budget 2007-08⁸ sets out the Scottish Government spending plans for 2007/2008. It focuses on the priorities for each portfolio area and the resources to be allocated. There are ten portfolio areas: Environment and Rural Development, Justice, Health and Community Care, Education and Young People, Finance and Public Service Reform, Transport, Enterprise and Life Long Learning, Tourism, Culture and Sport, Communities and Parliamentary Business. Within each of these portfolios, budgets are allocated in order to achieve the outcomes and objectives of the policy areas, rather than allocated spatially. As such, it is very difficult to derive an overall figure for the level of

Table 2.5. Summary of Scottish Government investments in rural development

Categories of rural investment	Budget	Comments
Rural development	GBP 126 million in 2006-07 rising to GBP 130 million in 2007-08.	This comes under the Environment and Rural Development portfolio. See the next table for a breakdown of this expenditure.
Highlands and Islands Enterprise (rural spend)	GBP 95 million in 2006-07, rising to GBP 103 million in 2007-08.	This comes from the Enterprise and Lifelong Learning portfolio. It can be assumed that all money spent by HIE (apart from in Inverness) will be in rural areas.
Scottish Enterprise (rural spend)	GBP 87 million in 2006-07, rising to GBP 92 million in 2007-08.	This comes from the Enterprise and Lifelong Learning portfolio. Highlands and Islands Enterprise (HIE) and Scottish Enterprise form the Enterprise Network. The attached link provides more details of their rural spend. Further details on the work of HIE will be made available in due course.
Rural transport, measures include ferry services and Highlands and Islands air services	GBP 112 million in 2006-07 rising to GBP 115 million in 2007-08.	This comes from the Transport portfolio.
Health (Rural Health Boards)	GBP 879 million in 2006-07	This comes from the Health and Community Care portfolio and only includes funding to health boards that cover mainly rural areas.
Structural Funds	GBP 551 million between 2007-13 broken down into GBP 117 million for Highlands and Islands (mainly rural) and GBP 434 million for the rest of Scotland (mixture of urban and rural).	Structural Funds are made up of the European Regional Development Fund (ERDF) and the European Social Fund (ESF). These funds will be going to a combination of rural and non-rural areas, though as before, it can be assumed that the component going to Highlands and Islands will be almost entirely to rural areas.

Source: Scotland Rural Development Programme 2007-2013.

investment in rural areas. In addition, depending on the portfolio being assessed different methods of defining rural areas have to be used in the calculation process. Nonetheless, some aspects of a portfolio's budget can be readily linked to specific rural policies. For example, in the Environment and Rural Development portfolio, there is expenditure specifically for Rural Development. Tables 2.5 and 2.6 give an approximate summary of Scottish Government investments in rural areas that are available from the Scottish Government Draft Budget 2007-08.

Table 2.6. Rural development spending plans

More detailed categories of spending (level 3)

GBP, thousands	2002-03 budget	2003-04 budget	2004-05 budget	2005-06 budget	2006-0 budget	2007-08 budget
Less Favoured Areas Support Scheme	60 100	60 966	60 967	61 000	61 000	61 000
Land Management Contracts*				11 850	17 600	
Rural Stewardship Schemes	4 900	9 833	13 122	15 499	27 318	29 888
Environmentally Sensitive Areas Scheme	11 362	11 143	9 305	8 596	9 170	11 162
Countryside Premium Scheme*	6 940	3 726	2 628	5 220	7 907	9 907
Organic Aid Scheme*	5 631	6 178	8 440	2 327	2 617	2 617
Habitat Creation Scheme*	338	360	360	359	359	359
Bee Health					51	
Farm Woodland Schemes*	5 814	6 703	7 172	7 175	7 175	7 175
Rural Partnership Fund	2 923	3 123	5 273	5 674	5 933	5 973
Farm Business Development Scheme	8 995	6 970	7 900	9 000	5 300	8 970
Agricultural Business Development Scheme	3 198	3 050	2 960	3 580	3 580	4 700
Marketing Development Scheme	921	940	960	980	980	980
Crofting Building Grants and Loans Scheme	2 000	2 004	2 005	1 906	1 206	2 706
Crofting Counties Agricultural Grant Scheme	3 000	3 162	3 000	3 162	3 162	3 162
Crofting Counties Development Scheme		90	203	303	420	
Highlands and Islands Marketing Scheme	2 200	1 882	1 000	860	860	950
Lowlands Marketing Scheme	1 364	3 794	3 794	3 452	6 452	8 252
Support for Scottish Agricultural Organisation Society	309	315	320	325	333	325
Farm Waste Grant Scheme	1 800	6 800	4 800	4 000	1 800	
Farm Business Advice Scheme		2 000	2 000	2 000	2 000	2 000
Other	2 488	2 525	87	822	763	42
<i>EC Income and funding receipts from the DEFRA Rural Payments Agency</i>					-40 026	-30 135
Total	124 283	135 564	136 296	148 090	125 960	130 033

Source: The Scottish Executive: Draft Budget 2007-2008.

... but there are concerns about the high level of expenditure for agriculture and the predominantly environmental focus chosen...

Farming in Scotland is heavily subsidised (see Figure 1.13). In the medium-long term this is subject to change; at the time of writing, the CAP Health Check⁹ is being discussed which is likely to cause an adaptation of the CAP to an evolving set of circumstances over the 2008-2013 period. The forthcoming review of the European budget due to be concluded in 2009 and the ratification of the EU Reform Treaty scheduled to come into force in 2009, are also important elements that may impact future EU spending; including the CAP (and in particular to the budget available for Pillar 1) and the allocation to Scotland.

As for Pillar 2 of the CAP; the Scottish Government has indicated (as part of the UK submission to the EU Commission) its position regarding rates of voluntary modulation.¹⁰ These rates will be: 5% in 2007, 8% in 2008, 8.5% in 2009, 9% in each year from 2010-12 inclusive. Moreover official data indicates that approximately GBP 1.6 billion will be available to fund the SRDP 2007-13, of which GBP 1.1 billion will come from the Scottish Government. The split by RDR Axis will be:

- GBP 254 million for Axis 1 – Improving the competitiveness of the agricultural and forestry sector.
- GBP 1 124 million for Axis 2 – Improving the environment and countryside through land management.
- GBP 181 million for Axis 3 – Improving quality of life through diversification of economic activity.
- Over GBP 40 million will be available to support LEADER activities.

This means that the focus of rural policy (within the EU framework) will concentrate substantially on the environmental dimension and that the other options offered by the regulation have been largely discarded. This makes interventions within the EU framework heavily agricultural. The territorial interventions for the diversification of the rural economy, addressed in the third axis and aimed at the whole rural population, will account for 16% of the total rural budget and are also partially aimed at farmers. Even though measures not financed under the RDP can be accommodated under national spending programmes, the decisions taken over Axis 2 resources indicate a clear strategic choice in favour of the production of environmental public goods in rural areas by farmers and land managers. This allocation does not appear balanced, particularly in relation to previous policies and ongoing socio-economic trends in rural Scotland. Whether the more comprehensive vision presented in *Rural Scotland: Better Still, Naturally* will be able in practice to rebalance and integrate the sector approach of the SRDP with the regional and national components of rural

policy remains to be seen. In this case the “re-sectorialisation” argument would be less of a critical issue because it would be compensated by the other rural policy components dealing with the non-agricultural dimensions of rural needs. The issues of integration of actions and complexity of design would remain in any case very critical.

The environmental focus is based on the expectation that future payments to farmers (both from the first as well as the second pillar) will be increasingly made on the basis of the environmental services that farmers will be able to provide to society in general. Furthermore, it flows from the assumption that the management of land assets provides “public goods” benefits and should be appropriately rewarded by public resources, since the market fails to do so. It is an approach that abandons the intensive and “productivist” approach to farming in favour of extensive techniques, low in inputs, respectful of the environment, sustainable over time, aiming at the conservation of the landscape and rural heritage, animal and plant health. This approach appears well suited to Scottish agricultural conditions based on extensive practices and grazing, it also responds to a stronger demand for food safety from society in general, particularly sensitive in an area which has been hit in the recent period by problems of Foot and Mouth disease and the impact of BSE which affected in significant ways farmers and the wider rural economy, especially tourism (see Box 2.5). It is also coherent with the interest of landowners of large estates, which still hold the majority of land in Scotland and fear further reductions in direct payments support.

However, the interpretation of this approach is very closely connected to the reform of agricultural policy and to the expectations of the future of first Pillar payments to farmers, giving a sector-based interpretation of the way in which environmental concerns are considered. The key relationship is considered to be only between agricultural activities and environment. Regional and place-based approaches to rural development have a more articulated and multi-sectoral view of the environment. In the past these policies have experimented with practices like leisure activities (sports, tourism) or economic activities (environmental services, ecological constructions), which address environmental concerns and are able to generate profits in the market. Rural policies cannot legitimate themselves only on this “environmental” basis, but should also be able to show the positive contribution that rural development and its policies can make to overall economic growth and in the creation of jobs (in the EU jargon this new orientation is known as the Lisbon Agenda). This implies that there should be a “balance” between environmental, economic and social objectives also in rural areas, since environmental payments are not likely to have major impacts on growth and jobs.

Box 2.5. The impact of food and farming crisis on the Scottish rural economy

The BSE, ISA and Foot and Mouth disease showed the vulnerability of rural Scotland to food and farming crisis. Paradoxically, they also highlighted the importance of tourism and non-farm businesses to the Scottish rural economy.

1986-1995 Bovine spongiform encephalopathy (BSE) or mad cow disease

BSE began in 1986 in the United Kingdom; Scotland's first case was reported in 1987. Farming practices in the United Kingdom changed in the late 1970s, and the revised law authorised the preparation of animal feed with animal remnants. It was later determined that BSE is linked to an infectious agent, which is spread by consuming infected brain tissue from the same or other animal species. Therefore, the revised process facilitated the transmittal of BSE and it was subsequently brought under control with the BSE Order 1988 ruminants protein feed ban. The BSE Order prohibited the feeding of protein derived from ruminants to cattle and other ruminant animals. Another precautionary measure was the pre-emptive compulsory destruction requirement mandating the destruction of suspected infected cattle. During this period beef was the mainstay of Scottish farming; it was the largest sector with an economic contribution of approximately GBP 530 million representing about 30% of the entire Scottish agricultural output. Unfortunately, by the time the pre-emptive measures took effect the livestock industry had already sustained intense damage. The losses were acute cattle prices dropped, exports were banned and the beef market collapsed. This affected every stage of the beef cycle from the upland breeders, the lowland "finishers" who fatten the cattle for slaughter, the auction marts, abattoirs and the processing industry. In the end, farmers lost nearly 200 000 infected cattle while another four and a half million asymptomatic cattle less than 30 months of age were pre-emptively killed.

1998-1999 Infectious salmon anaemia (ISA) crisis

ISA is a "flu-like" viral disease which causes fish to bleed internally. ISA transmission is related to disinfection practices. It was established that the ISA pathogens were spread through well boat movements—the shipment of live fish to either the processing plants when the wells were unloaded or the harvesting station causing contact with contaminated waste waters. The first outbreak of ISA was detected in 1998 in a salmon farm in Loch Nevis, it spread to 11 farms and was suspected on another 25. In response to the outbreak a compulsory slaughter regime was adopted with infected and surveillance zones created. Infected farm could not stock their pens for six months. Furthermore the measure called for clearance of infected sites and controlled the movement of fish in affected areas. The ISA outbreak damaged the salmon-farming industry in Scotland; it forced the slaughter of some 4 000 tons of fish and affected close to 25% of Scottish production.

Box 2.5. The impact of food and farming crisis on the Scottish rural economy (cont.)

2001 Foot and mouth disease

FMD is a highly infectious disease caused by an RNA virus affecting cattle, pigs, sheep, goats and other cloven hoofed animals. FMD was not new to Scotland; there had been previous small breakouts in the 1960s and the 1980s, but the outbreak of 2001 was the largest and most damaging for the farm and non-farm industry. At the time of the outbreak, the agricultural market was still recovering from BSE, regaining consumer confidence and adapting to CAP reforms. By the end, 735 500 animals were slaughtered; 87 700 were cattle, 643.900 sheep and 3.4 thousand pigs. Under the Livestock Welfare Disposal Scheme another 262 300 were slaughtered and 188 000 under the Light Lamb Scheme. The FMD outbreak evidenced the interdependence of the different industries in the rural economy; tourism, one of Scotland's most important industries, contracted. VistaScotland estimated a loss in tourism revenue of between GBP 200 million to GBP 250 million for Scotland; Dumfries and Galloway and Borders reported a loss of close to 14% in tourism revenue. Many other rural activities were affected by the closure of the countryside and the ban on movement of animals and personnel from farms. It affected hunting, fishing and small business, such as forestry contracting work. Moreover, compensation to farmers for the livestock slaughter (GBP 171 million) failed to cover the costs incurred by farms without stock or farming disrupted by movement restrictions.

Source: Murray, A.G., R.J. Smith and R.M. Stagg (2002), "Shipping and the Spread of Infectious Salmon Anemia in Scottish Aquaculture", *Emerging Infectious Diseases*, Vol. 8, No. 1, The Royal Society of Edinburgh (2002), *Inquiry into Foot and Mouth Disease in Scotland*, Edinburgh, The Royal Society of Edinburgh (2001), *Royal Society of Edinburgh to Investigate ISA*, Edinburgh, Scotland, Defra (2006), *The BSE Inquiry: The Report*, Defra, London, www.bseinquiry.gov.uk/report/index.htm, accessed 8 April 2008.

... and the sub-optimal use of the two key rural development schemes

Axis 2 of the SRDP absorbs approximately 70% of the programme's total funding, the bulk of which will go to the Less Favoured Area Support Scheme (LFASS) and Rural Development Contracts (RDCs – formerly Land Management Contracts). Both are "horizontal", "stand alone" delivery mechanisms.

Whilst RDCs are available to a wide range of beneficiaries, not just farmers and foresters, LFASS is open only to farmers and crofters who meet specified eligibility criteria. The LFASS's logic is based on compensating with a premium farmers operating in areas with some kind of agricultural handicap (other than mountainous areas). However, since LFASS cover 85% of the agricultural land in Scotland and are associated with extensive grazing of cattle and sheep, this wide coverage makes it in practice a horizontal

measure.¹¹ A proposal for giving greater weight (increased payments) to “very fragile areas” was considered during the consultation on the SRDP. The interim LFASS Scheme for the period 2007-2009 will consider a redistribution of funding from “standard” to “very fragile areas”. This form of intervention cannot be considered innovative or responding to a new environmental concern in rural areas, it has no linkage with other rural development or agricultural measures in any of the axes. The critical aspect of this measure is its purely compensative nature and its lack of any linkage to other actions, which may be complementary (tourism, typical products) or go beyond this fatalistic vision of agricultural disadvantage. In fact in its review of the LFA policy, the EU Court of Auditors has indicated that many areas that are eligible for these benefits have developed since the 1970s successfully and cannot be considered disadvantaged and, as a result, the policy should be reviewed.

Rural Development Contracts (RDCs – formerly Land Management Contracts). The full Rural Development Contracts concept has three tiers: Tier 1 – Single Farm Payment and cross compliance; Tier 2 – RDC Land Managers Options (formerly LMC Tier 2 Menu Scheme that was launched in 2005) and Tier 3 – RDC Rural Options (consisting of a combination of measures from all 3 Axes) which is new to the 2007-13 programme. The full introduction of RDCs should contribute to a sustainable land-based sector which plays a key role in rural development and helps to achieve a high standard of land stewardship. RDCs have their roots in the reform of the CAP in 2003 (through LMCs) and now occupy a central role in the SRDP by making payments for the delivery of environmental, economic and social benefits. The critical issue with RDCs is that they are open to a wide range of beneficiaries, not just the historic farming and forestry sectors. No collective initiatives for joining up RDCs by type of beneficiary have been established so far with the exception of possible linkages with the Rural Partnerships. The linkage with LEADER Groups, which would have allowed for a stronger link between farmers, land managers and the wider rural economy, was considered in the consultation for the SRDP but not implemented.

2.4. Centralisation and the lack of adequate bottom-up participation to rural policy...

In the pre-devolution period the three Structural Funds – the agricultural, the regional and the social funds – operated in an integrated way. There was one programme for the three funds with an explicit territorial approach, which included rural development. This situation facilitated geographically more articulated policies (objective 1 and objective 2 areas in the EU jargon of the times) for rural areas. In 2000 this situation changed due to two coinciding facts: devolution and its centralisation needs and the establishment of a “second Pillar” within the Common Agricultural Policy, requiring the elaboration of

“Rural Development Programmes” for the 2000-2006 programming period, oriented predominantly by sector needs (CAP reform), and only marginally by territorial development. The changes in rural policy framework at the EU level, although unrelated to Scottish devolution, in fact acted in the same way on rural policy, promoting a shift of rural policies towards a more agricultural sector approach, and at the same time “decoupling” rural policy from regional policy, which was coherent with the sector-by-sector approach of devolved Scottish rural policy. For regional and rural areas these changes proved to be quite significant.

While prior to devolution, regions and local rural areas were able to articulate their own strategies and the mix of policies best adapted to their strengths and weaknesses, as well as negotiate the necessary funding for its implementation within the Structural Funds, in the post-devolution situation and in the framework created by Agenda 2000, the governance of rural policy changed quite significantly.

After devolution, the consultation of individual stakeholders was extended considerably. In this sense, the transparency of the planning process increased with devolution. A high level Stakeholder Group was set up (the Scottish Rural Development Programme Stakeholder Group) to engage the community in the preparation of the SRDP and worked with an internal Policy board, and a network of specific policy and stakeholder groups. The other stakeholder group category included rural groups like LECs, LAGs, COSLA, HIE, SEn, Crofters Commission, Rural Estates, Unions, Scottish Council Voluntary Organisations, Leader and more.¹² In addition, a number of innovative community-based programmes like the “On the Ground” programme were introduced (see Box 2.6). Furthermore, the Scottish Parliament has been very open to the public in order to bring rural issues to the legislature. A Ministerial Committee on Rural Development was created, chaired by the Rural Affairs Minister, reporting progress regularly to the Cabinet.

However, decisions about policy design are taken at national level. The current, largely EU-driven, system of design of rural policy does not engage local leaders and foster creativity and innovation but rather seems to foster a “subsidy mentality” whereas local actors adapt to top-down strategies to get resources even if that is not exactly what is needed in their territory. The politically sensitive issue is the loss of empowerment that the community, local and regional level are experiencing as a result of the change in the system of governance of rural policies. The new system has empowered farmers and land managers and the agricultural policy approach, with a preference for a compensatory rationale in the design of interventions rather than a recognition of the multiplicity of rural actors.

Box 2.6. **Scottish rural governance: recent, innovative community-based schemes**

In 2002 the Government established the **Rural Voices Action Research Competition** as a pilot funding programme to support community participation in researching projects for rural communities. The central purpose for the programme was to strengthen services to rural communities by having the communities consult on aspects of local services. The competition encouraged individuals and groups involved in community development to bid for action research projects that entailed community consultation, to access, develop or design aspects of local service provision. The objective was to develop expertise in community participation that would lead to a bank of communities with consultation techniques. Supported by the Governments Land Use and Rural Policy budget, it tapped into the strong interest among communities and at its zenith brought forward 145 funding bids totalling GBP 1.1 million. It recommended 26 projects for approval and 24 received grant funding allocation totalling GBP 167 268, of which 21 completed the agreed activities.

In 2005, the **“On the Ground”** programme was introduced as a tool to improve the interaction between the different actors on the ground in farm-related sectors. It places emphasis on closer integration of activities and the goal was a more joined-up and efficient public services delivery by improving interactions, encouraging linkages as well as promoting efficiency in the way actors work together and the way assets are utilised. It targets public bodies focused on the protection, management and the enhancement of landscapes, environment and natural heritage. To achieve this, it works with local government and CPPs giving advice to farmers, land managers, communities or businesses, clarifying aims and objectives; facilitating cross-agency working arrangements and providing more “one-stop shop” for landowners and managers.

Community Development Trusts are community organisations their aim is to achieve the sustainable regeneration of a community and are concerned with the economic, social and environmental and cultural needs of their community. Usually based in communities with low service provision, or amenities, development trusts are initiated by local people who seek a stake in the local process of change and improvement. They work with other private and public sectors organisations and are involved in a range of activities from: running a local post office; developing play parks; managing housing developments to developing renewable energy projects. They stress capacity building in rural communities, self-help and self-reliance and believe that community regeneration achieved through community owned enterprise is the best way.* To ensure sustainability and financial independence they engage in enterprise activities like purchasing and developing local assets.

* www.dtascot.org.uk/whatis.cfm.

Source: Scottish Executive.

... hamper the design of measures adapted to the different parts of rural Scotland

The centralisation of policy design and governance has led to a preference for “horizontal” measures applicable throughout rural Scotland, to the detriment of a geographical differentiation of policy design by area, with a territorial perspective and an adaptation of measures to more localised conditions. Under the Scottish rural-urban classification criterion 98% of the territory is rural, widening significantly the scope of rural policy both in agricultural and territorial terms but reducing the appetite for any further distinctions of the rural space. The selected distinction of rural areas, in the current classification, in two categories – accessible and remote rural areas – does not seem to favour a sufficiently elaborated approach to rural areas. On the one hand, when used for contrasting the situation and trends in rural areas with that of urban areas, accessibility and remoteness do not appear to be key elements in discriminating the disadvantages of rural areas; on the other hand, this classification does not match any administrative territorial unit, it is therefore useful for a differentiated delivery of rural policy from the national level, and then only for some policies (like public service), rather than for a decentralisation of policy making at sub-national level. The combined effect of all these decisions has been a weakening of the recognition of rural diversity from a geographical point of view, with a more modest role attributed to regions and localities.

There are numerous examples of poor adaptation of sectoral policy to local conditions. This is most striking in terms of housing and transportation, but evident in other sectors as well. Strict land use policies in rural areas may make sense in southern England and to some extent in the central belt of Scotland, but imposing a similar policy framework in rural Scotland has made land for housing a scarce resource and a real constraint for economic development and the quality of life.¹³ Similarly a transportation policy that is designed to reduce energy consumption and congestion associated with cars in metropolitan regions causes disproportionate burdens in rural areas.

Notes

1. www.scotland.gov.uk/Publications/2004/09/19872/42430.
2. Following elections in 2007, the Scottish Executive has been renamed “Scottish Government”. This report will use predominantly the current wording. The report still refers to the “Scottish Executive” when this improves clarity (for instance when referring to past initiatives or in quoting sources).
3. www.scotland.gov.uk/library2/doc15/rsna-00.asp.
4. www.scotland.gov.uk/Publications/2007/03/27152428/0.

5. Reportedly, within the SRDP, “RPACs” will have an input from local agencies and bodies which should assist in developing these horizontal linkages.
6. www.scotland.gov.uk/Topics/Rural/RDR/strategicplan.
7. More information can be found on the Structural Funds pages of the Executive’s website – www.scotland.gov.uk/Topics.
8. www.scotland.gov.uk/Resource/Doc/146893/0038508.pdf.
9. The Health Check represents an opportunity for the European Commission to streamline and modernise the CAP. It will build on previous reforms by improving the way the policy operates based on prior experience and adapt it to new future challenges. It will ask three main questions: 1) how to make the direct aid system more effective and simpler; 2) how to make market support instruments, originally conceived for a community of six relevant in the world today; and 3) how to confront new challenges, from climate change, to bio fuels, water management and the protection of biodiversity. See http://ec.europa.eu/agriculture/healthcheck/index_en.htm.
10. Voluntary Modulation is the transfer of resources from the Single Farm Payment (Pillar 1 of the Common Agriculture Policy) to the Rural Development Fund (Pillar 2 of the CAP).
11. The LFASS payment rates are subject to differentiation by land quality.
12. www.scotland.gov.uk/Topics/Rural/RDR/Admin.
13. However, National planning guidance is increasingly recognising that major changes are taking place in the rural economy and that some aspects of planning policy need adjustment. Scottish Planning Policy (SPP) 3: Planning for Housing (2003) requires planning authorities to ensure that the housing land requirement for each housing market area is provided in full. SPP 3 is currently under review, with the intention of consulting on a revised draft later this year. One objective of the review is to ensure that planning authorities respond more quickly where there is evidence that development plan provision of housing land is not keeping pace with the actual need for new housing. SPP 15: Planning for Rural Development (2005) encourages planning authorities to adopt a more proactive attitude towards meeting land use needs in rural areas. SPP 17 (paragraphs 11 and 12) recognises the different circumstances applying in rural areas and planning authorities have made clear that they too recognise that they cannot operate policies designed for congested urban regions.

Chapter 3

Policy Recommendations

This chapter puts forward a number of policy recommendations to help the Scottish rural policy adapt better to the heterogeneous and rapidly evolving context it faces. It first addresses the need for an integrated, place-based, better-targeted approach and discusses policy options based on national and international experiences. The second part of the chapter identifies and discusses a set of issues that, far from being exhaustive, emerge as key policy priorities for the future of rural Scotland: housing and land reform; service delivery in the fields of education, healthcare and infrastructure; strategies for economic diversification; and rural-urban linkages.

3.1. Key points

This chapter puts forward the following policy recommendations:

- In order to meet the challenges and exploit the opportunities of its rural regions, Scotland needs a distinct, integrated rural development policy with a decentralised, area-based delivery system, allowing for the geographical adaptation of rural policy and the stronger co-ordination of sector and territorial policies.
- Better targeting rural policy to different rural areas will also involve rethinking the present classification of “rural” and the way this is used not only for analysis but also for policy making.
- Scottish strategy for rural development should find a better balance among interventions to respond to the wider needs of rural development and of a fastly diversifying rural economy. It should both account for the distinct character of the Highlands and Islands and aim at raising the profile of the south of Scotland.
- A place-based approach to rural policy and programmes characterised by a stronger local participation and wider stakeholder involvement is key and could be pursued by strengthening innovative community development frameworks such as LEADER.
- Scotland’s rural policy would benefit from a stronger circulation of local best practices as well as closer and more explicit linkages with counterparts in the United Kingdom and abroad.
- Key priorities for Scotland’s rural policy should include:
 1. Addressing the shortage of rural housing and the increasing demand for rural space for multiple uses by directly tackling the rigidity of land use regulations that inhibit the sustainable development of rural communities.
 2. Service delivery policy and related investment strategies to tackle the challenges linked with quality education, the healthcare needs of an ageing population and the improvements of rural transport infrastructure.
 3. Opportunities for economic development and diversification require looking beyond agriculture for the future of Scottish rural regions and develop niche tourism, building on Scotland’s exceptional natural and cultural heritage, make the most out of forestry and energy resources. An

environment that is more supportive to Scottish rural SMEs could be obtained via policies targeting human resources development and access to technology, improved business services and firm support that is better targeted to avoid market distortions and dependence on subsidies.

4. A new approach to rural development would require a deep understanding and policy recognition of urban-rural linkages. This will be crucial, in particular, to realise the potential of the Central Belt as well as the Scottish Border region and Dumfries and Galloway.

3.2. Scotland needs a distinct, integrated rural development policy...

The lack of a comprehensive, integrated and distinct rural policy in Scotland appears today more as a weakness than as a strength, affecting in substantial ways governance, both in terms of design and delivery. The original motivation for adopting a sector-by-sector approach at national level might have been justified when all rural policy was considered as coinciding essentially with agricultural related needs. But this may be less true today given the evolution of both Scottish rural areas and the EU framework. The objective of widening the scope of rural policy has been obtained. Today the disadvantages of having many visions of rural policy, one for each sector, with a consequent lack of visibility and coherence, are greater than its acquired advantages, especially in light of having a strategic approach to rural development and improving the efficiency of its delivery.

It is recommended that Scotland aim for a distinct vision of policy for all rural areas, one that is comprehensive and integrated, capable of mixing sectorial and territorial approaches and developing linkages, exchanges, between the agricultural sector (farmers and land managers) and the other sectors of the rural economy. The OECD *New Rural Paradigm* (2006) could offer useful elements in shaping this vision. The NRP calls for changes in the conception and implementation of rural policy from the traditional sector-based approach to one that is place-based (see Table 3.1). In this way, Scotland should consider the whole 98% of the territory that is classified as rural and describe the specific problems that low density populated areas have in Scotland. It should go beyond the sector-by-sector approach by addressing the problems and linkages between different aspects of rural life: for example how transportation costs influence the diversification of economic activities and job opportunities in rural areas; what are the service needs (housing, education, health, transportation) of the new population and business settling in rural areas and how they interact with the traditional needs of the local population; address the needs of specific rural areas with an adapted bottom-up multi-sector approach, integrated later both at local level first and then at

Table 3.1. **The new rural paradigm**

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

national level; address rural-urban exchanges and the particular problems that they raise for policy intervention, and which are different for Aberdeen, Dundee, Glasgow and Edinburgh.¹

The convergence of sector policies in a coherent policy for rural areas needs to be realised gradually over time, both with policy actions and improving the delivery mechanisms at area level. To ensure that such convergence does not lead to further centralisation it is important that local participation in defining the policy interventions go beyond consultation and that delivery mechanisms at the local level call for more than the support of policy measure uptake. This will require on the one hand a strengthening of the partnership, concerted, approach in policy formulation by different sectors and on the other the upgrading in terms of responsibility of the local/area agencies in the delivery of rural policies. Integration works better at the beginning and at the end of the policy process, and at a small territorial scale.

... with a decentralised, area-based delivery system...

From a national perspective and for elaborating a comprehensive national strategy for rural areas, it is necessary to establish linkages with clear forms of integration and demarcation. The visibility and coherence of rural policy at national level will depend on the possibility of seeing the whole picture, composed by these parts. The vision presented in *Rural Scotland: Better Still, Naturally* is going in the right direction but needs to be further implemented. The main weakness is the lack of integration between agricultural/environmental policies and all the other socio-economic policies for rural areas.

From the delivery perspective, a comprehensive and distinct vision of rural policy may be built with a “regionalisation” or “decentralisation” of delivery mechanisms accompanied by a geographic differentiation of rural areas, either by “macro” regions or more “micro” regions. The one-stop-shop experiments in Scotland have been quite successful but, they are limited to facilitating administrative access to existing interventions and operate at a

small territorial scale (micro level). They could be developed gradually and encouraged to form linkages with other local agencies, develop joint monitoring strategies and follow up on multi-sectoral projects, providing feed back to the central level about integrated needs (for more on one-stop-shops in Scotland, see Box 3.1). The simplification of complex delivery mechanisms should follow closely the logic of the “rural vision” selected. Therefore, if an area-based, decentralised approach is chosen then sectorial agencies at local level need to form a partnership and co-ordinate their work at that level. This should improve the effectiveness of the present co-ordination mainly at ministerial central level.

... and a stronger co-ordination of sector and territorial policies

Linking the “silos” of central government should be an explicit policy priority. Horizontal integration should be reinforced at the centre to ensure balance between needs and sectors, accompanying the Ministerial Committee. This is both an administrative and a political process and requires going beyond rhetoric of joined-up government. No actor or sector should be dominant, since each one acts as a check and balance to the other. The commitment to joining up seems to be defined largely at the level of ministries and executive offices in Edinburgh. In the future programming period, it would be important that the Scottish Government does not operate only from a sectorial perspective, dealing mainly with farmers and land managers, but incorporates also actions and projects linking the environment and farming with other sectors such as tourism, food chains and quality/typical products, transportation, business services, aiming at improving the overall competitiveness of rural areas.

The present horizontal and largely undifferentiated rural policy vision should be more “regionalised” in a first step, following a criteria that not only considers remoteness, but one that is able to integrate differentiated strategies for different types of rural areas, according to its specific strengths and opportunities. This regionalisation in policy formulation will facilitate a spontaneous integration of different sectors at the local level. These area strategies should be “joined up” at the national level and in a second step, co-ordinate with and demonstrate a comprehension of the different regional strategic needs, to ensure that each “sector” policy includes them in their sector programming. The regionalisation of the current policy approach should also complement the classification of rural areas presently adopted: remote areas do not all evolve in the same way, likewise accessible areas change in relation to the changes in the urban centres. An internal differentiation of Scottish rural areas on the basis of “regional” policy areas will provide a better information on the factors that influence disadvantage in rural areas. The visibility of a comprehensive and distinct rural policy design

Box 3.1. One Stop Shops

In many countries, the gap in rural public service provision is being filled by One Stop Shops (OSS). An innovative service delivery model, OSS operates like information hubs and provides access to a diverse number of programmes from one centralised point. The result decreased provider costs and increased access by rural dwellers to necessary services. OSS can take numerous forms: 1) it can be a single window transaction centre – facilitating application to a multitude of services from one access point or 2) it can be a physical location going beyond mere application to full service on the spot delivery. In the latter form, the type of service offered by OSS is much more comprehensive and includes anything from education, childcare, government information, referrals and advice, health/elder care, social support services (rehabilitation, housing support), to cultural and recreational activities. Driven largely by community need and involvement these “all purpose” service centres are expected to continue to grow in rural areas because they allow governments to provide rural services on the basis of cost-efficiency. Nonetheless, there are certain problems associated with OSS in rural areas and the Scottish Executive report, *Critical Factors in the Success of One Stop Shops as a Model for Service Delivery in Rural Locations* highlights a few. First, different administrative cultures in one space can lead to operation and management conflict. Second, there are constraints on the development of services and the different activities that can be offered due to the structure chosen (i.e., school building with limited access) or the different needs of service providers. Third, rural communities typically have difficulty procuring funding and the report questions the long-term viability of OSS in the face of financial limitations. A summary of the advantages and disadvantages of OSS for users and providers as observed in Scotland is provided by the table below.

One Stop Shops advantages and disadvantages in Scotland

Advantages	Disadvantages
USERS: <ul style="list-style-type: none"> • Services with greater flexibility and more user-friendly with better facilities • Improves proximity with access for all including lower income users • Saves on time, cost, and travel • Improves community confidence PROVIDERS: <ul style="list-style-type: none"> • Enables local service delivery, • Creates a collaborative working environment • Allows for higher quality of services • Cost effective 	USERS: <ul style="list-style-type: none"> • Centralised location with sometimes restricted access • Inconvenient location i.e. schools structure but non school activities • Common facilities diminish privacy PROVIDERS: <ul style="list-style-type: none"> • “Subpar” technology • Difficult to maintain staff • No dedicated space • Less direct client contact

Source: : Bryan, A., J. Bryden, H. Kirsty, F. Rennie and L. Young-Smith (2007), *Critical Factors in the Success of One Stop Shops as a Model of Service Delivery within Rural Locations*, Scottish Executive.

would also be enhanced by developing a software classification system of public expenditure that would give a quantification of the “rural spend” for all sectors. This would help with internal monitoring and assessment of rural policy making. It would also help make transparent, particularly externally, the various components of rural policy.

3.3. Better targeting rural policy will also involve rethinking the classification of “rural”...

The present rural classification is only partially “useful” from a territorial perspective, and is not influential from a sector perspective. It can be improved substantially not so much in the general delimitation of what is rural, but in the internal differentiation between rural areas. The assumption of the current classification is that disadvantage increases with distance from urban centres: this is based on central place theory and past experience. From this perspective the diffusion of economic development is seen as a spill-over effect from an urban centre. The development of Scottish rural economy has in part already occurred in terms of diversification of activities in manufacturing and services (the productive profile of rural areas is similar to that of urban areas) and shows that it has not always followed a centre-periphery logic. The Scottish urban-rural classification can describe the continuation of traditional centre-periphery dynamics, but is not able to catch new patterns of location and attractiveness that do not follow such rationale. One possible way for improving the classification while keeping the same logic would be to articulate better how urban centres are behaving, distinguishing those which continue to act as attraction poles for commuters and where driving time matters, from those which are no longer accomplishing that function. In any case an improved classification needs to distinguish declining rural areas from attractive rural areas since the policy tasks in each case are different.

The different types of rural-urban dynamics appear to be a key criteria in defining policy needs and this would suggest the consideration of a classification where the first step remains the present rural-urban differentiation based on threshold – which is the one being used at present – and the second step distinguishes geographical areas on the basis of development stage or type, or any other criteria that distinguishes the area (for example NUTS 3 areas). These could be large or small: this will be more of a political issue since it influences policy delivery. A gradual convergence, for different “portfolio” sectors, on a *common adapted classification* of rural areas would give better visibility and coherence to the present separate budget portfolios for rural areas. A more ambitious target would be to integrate policy packages from different sectors for different types of rural areas, “regionalising” at local level rural policy (all sectors).

3.4. Scottish rural development strategy should find a better balance among interventions...

Scottish strategy for rural development should find a better balance among interventions to respond to the wider needs of rural development. Decisions over the use of CAP Pillar resources seem to limit environment concerns to a narrow perspective. In the current vision, the environmental dimension is considered mostly in terms of public goods that farmers and land managers could deliver to society. Environmental sustainability is a wider concept that should encompass the whole mix of activities present in a specified area. Given the sectoral approach adopted by Scottish rural policy within its EU-agricultural component, it is necessary that the other components of rural policy should promote other objectives such as the competitiveness of agriculture, forestry and the food industry, as well as the quality of life and the diversification of the rural economy. This would complement the environmental interventions and “rebalance” the different axes of rural development policy with other sources of funding. If this is not done, a concentration of rural policy almost exclusively on environmental interventions seems a risky choice, both because of the financial sustainability in the medium-long term, and because such a vision continues to assume that rural areas are populated only by farmers and land managers. By contrast, the context analysis and ongoing trends indicates that the growing prosperity of the rural population in Scotland is due to the economic development of specific economic sectors which have fewer linkages or complementarities with environmental payments than presently conceived.

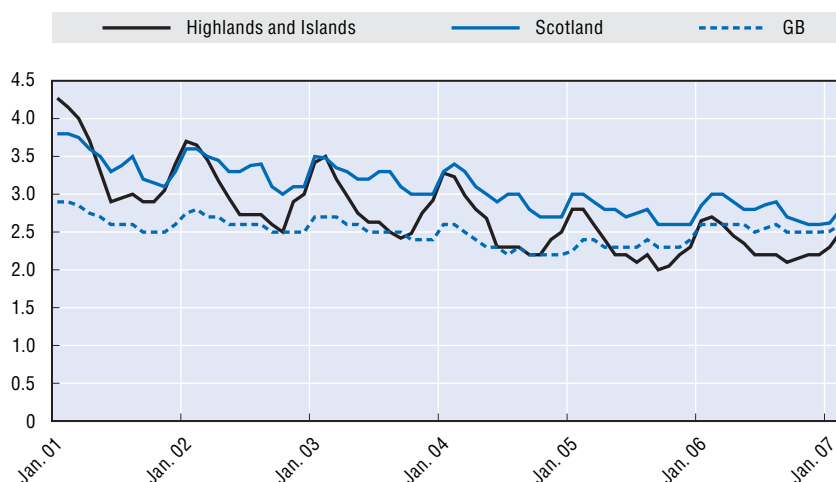
The “public goods” argument favouring a focus on environmental payments in the next programming period, may have the effect, within the Scottish land ownership structure, of maintaining under a different concept such rents and high value of land which are detrimental to the rest of the rural economy and quality of life (see recommendations below on land reform and housing issues). Furthermore, agricultural land would continue to enjoy the protection from competition for alternative uses by the present rigid land use regulation. In the likely event that present decoupled direct payments will be cut over time, the public goods argument can also provide a solid and stable rationale for a permanent continuation of public payments in exchange for services, which would then replace subsidies, but would still keep rural areas depending on public assistance.

If not managed in a balanced way, environmental payments, by privileging a non productive vision of rural space, could discourage the diversification of the rural economy, by inhibiting opportunities for local enterprises to find industrial sites and workers, or by keeping the demand for services below a minimal critical mass, by rewarding a “rentier” mentality. On the other hand, if managed in a balanced way, environmental “goods” could produce mutually reinforcing diversification effects with the wider rural economy and quality of life.

... account for the distinct character of both the Highlands and Islands...

Rural policy in Scotland has largely focused on the Highlands and Islands which is both the most remote part of the country and the majority of the rural territory. However in terms of population, more rural Scots live outside the Highlands and Islands area than in it and their development issues should also be an integral part of rural policy. The Highlands have been subject to special measures of intervention, notably the creation of the H&I development Board (now H&I Enterprise, HIE). The Highlands and Islands Development Board (HIDB) was created in 1965 by Parliament was mandated to improve the economic and social conditions of the Islands and integrate the region into the national economy. Oil was discovered in the North Sea; off the coast of Scotland in the late 1960s and early 1970s. The HIDB took advantage of this boom to develop local businesses in addition to the industries necessary for oil production and to explore other ancillary activities. The special attention provided to the H&I paid off; following more than a century of decline, the fortunes of the region began to turn around and the 1971 census saw the population rise for the first time in over 100 years. In fact the H&I experienced a 15% increase in population during 40-year period from 1961-2001 with a further 1.7% increase in 2001-2005. Also, unemployment is now lower (2.4%) than in Scotland (2.8%) (see Figure 3.1). Initiatives such as the *University of the H&I* should be pursued with more vigour to build on this success and move the economy upwards to get the most out of both its natural and cultural resources and the expanding knowledge-based economy.

Figure 3.1. **Unemployment in the Highlands and Islands**



Source: Nomis (ONS), March 2007.

... and aim at raising the profile of the south of Scotland

Similar efforts could be made to address the challenges of the South of Scotland, which according to many observers suffers from a public spending bias in favour of the H&I and the central belt (The Arkleton Centre, 2000). Social exclusion in the South of Scotland is a particularly serious problem and should be studied so it can be understood and treated in its distinct character as opposed to other parts of Scotland and the urban areas. Local community capacity needs to be developed in the region and efforts should be invested in strengthening local economic networks in order to build a stronger and more positive identity associated with quality of life and natural amenities. The provision of services, including transport and business services will be critical to this end. The re-establishment of a body (such as the South of Scotland Forum) with a similar structure to H&I Enterprise should also be considered.

3.5. A place-based, widely shared approach to rural policy is key...

A place-based approach to rural policy and programmes characterised by a stronger local participation and wider stakeholder involvement is key. The consultation procedure is complementary but does not substitute for participation, deliberation, negotiation and agreement of stakeholders. Now that the point at national level has been taken, it would be better – even from a political point of view – to shift to a second phase and rethink devolution implementation or vertical governance in less centralised terms. In modern society with high levels of education and pronounced preferences for a self-definition of individual lifestyles, the participation of rural actors in decision making, not only through consultation but also through various forms of deliberative democracy, has become much more important and demanded. The advantages of this “decentralisation of governance” should be considered for both the design and delivery of rural policy.

Work is underway to establish a *National Rural Network* in Scotland through the SRDP to support and assist in the delivery of the 2007-13 programme (see Table 3.2). The NRN will group the organisations and administrations involved in rural development.² The successful establishment of the network will be important in determining the capacity of the Scottish Government to dialogue with different interest groups on rural and rural-urban development issues.

Despite these recent changes in the approach, the current system still largely empowers farmers and land managers rather than recognising the need to involve a multiplicity of rural actors on equal footing. The logic followed to identify stakeholders is important: these may be organised by area or by sector, and the results of the consultation could be very different. A critical issue is therefore the creation of effective mechanisms at various

Table 3.2. Organisations and administrations involved in rural development which will form part of the National Rural Network in Scotland

Type	Industry
Forestry	Forestry Commission
Agriculture	National Farmers Union Scotland Scottish Young Farmers
Crofting	Scottish Crofting Foundation
Recreation and tourism	Visit Scotland
Supply-chain	Scottish Food and Drink Federation
Access	Scottish Natural Heritage National Access Forum
Environment	Historic Scotland Scottish Landscape Forum
Social and community	Scottish council for Voluntary Organisations Scottish Agricultural colleges
Local authorities and Community Planning Partnerships	Convention of Scottish Local Authorities
Energy	Scottish Renewables Forum
Water suppliers	Scottish Water National health Service
Landowners/land management	Scottish Rural Property and Business Association the Association of Deer Management Groups
Industry and enterprise	Federation of Small Businesses
Training and advice	The Farming and Wildlife Advisory Group, The Scottish Agricultural Colleges LANTRA- the Sector Skills Council for environmental
Scotland Rural Development Programme	Regional Project Assessment Committees Local Action Groups – especially LEADER
Government and public sector	The Rural and other Directorates of the Scottish Government The Scottish Environment Protection Agency The Crofters Commission The Deer Commission for Scotland
Consumers	The Scottish Consumer Council
Academic and research	The Association of Scotland's Colleges and Universities Scotland

Source: Scottish Executive (2007), Scotland Rural Development Programme 2007-2013: Rural Development Regulation (EC), No. 1698/2005 (submitted June 2007), SE, Edinburgh.

institutional levels to accompany consultation practices. Local development strategies and regional development strategies that were implemented successfully in the past, generating capabilities, and local visions, will be displaced and unsatisfied under the present approach. Stronger local participation and wider stakeholder involvement are to be seen as key factors not only to improve knowledge sharing and the effectiveness of policy but also as a means to foster social cohesion.

A widely shared and participative approach to rural policy would benefit from stronger innovative community development frameworks such as LEADER. The LEADER model has worked well in the past in promoting coherence and integration of rural policies, actors and delivery mechanisms, which provided the organisation of consensus on local development strategies. This successful model should be considered more carefully in the future, trying to reproduce and transfer the specific features of its success (local action groups, participation, bottom-up, integration of actions, multi-sectorial and innovative approach, transnational co-operation and networking) in strengthening other partnerships (CPPs), rather than intervening with the opposite logic of reducing former Leader groups to assist in delivering centrally defined and horizontal policies.

LFAs payments are expected to be modified at EU level in next few years, reconsidering the territorial basis and the criteria established more than 30 years ago. Therefore it would be desirable on the one hand to influence the output of this revision and on the other that this old instrument of agricultural policy be made more responsive to the wider rural needs characteristic of today's rural areas. Their compensatory nature for rural disadvantage could gradually include more substantial considerations of farming handicaps of a physical nature, but also considerations about the valorisation of products and activities which are distinctive for the area in question and could provide additional incomes for farmers by linking them more closely with the evolution that has taken place in the surrounding rural economy and in environmental concerns.

Tier 2 of RDCs Land Managers Options, as the name suggests is open only to land managers and has operated as the Land Management Contracts Menu Scheme since 2005. The new Tier 3 of RDCs Rural priorities will be new under the 2007-13 Programme and is open to a wide range of beneficiaries covering environmental, social and economic interests. The main difference between Tier 2 and Tier 3 is that whilst Tier 2 is non-competitive, Tier 3 is competitive and funds only those delivering best on the outcome required. Three directions for action should be considered in order to improve these instruments: 1) promote area exchanges and networking between land managers, so that they improve their environmental knowledge-base collectively and not only individually (area partnerships of land managers). Scotland, along with the United Kingdom should be addressing this through developing a Rural Network (a RDP requirement by the Commission) to allow information exchange and sharing of best practice amongst all those involved in rural development; 2) promote exchanges between RDCs and local action groups/local partnerships so that an integration between farmers and wider rural activities takes place; 3) agencies delivering RDCs should be increasingly active or co-operate in the delivery of other rural measures.

... and would benefit by more networking and closer linkages with counterparts in the United Kingdom and abroad

Scotland's rural policy would benefit from more circulation of local good practices. The quantity and quality of innovation in Scotland's rural areas is remarkable and could be better exploited. On the practitioner side only LEADER groups have been involved in networking and transfer of knowledge about rural development, mostly with other European groups. It is important to favour wider knowledge and information sharing across Scotland's rural areas and exchanges with other local actors both within Scottish areas and abroad. For instance, within this line of action, the creation of linkages and mechanisms of cooperation and exchange between individuals taking up RDCs between themselves and with other projects in different sectors in the same area could be developed, or providing collective services to a group in the same area, networking and exchange of practices between individual beneficiaries (this has been mentioned also above). There is a rich experience in providing rural expertise from Scotland to national, EU and international level organisations, about rural development policies planning and delivery. This experience includes international research networks and consultancies. This intellectual capital built over the years by Scottish Universities is an asset that may be used more extensively both with local policy practitioners as well as local policy makers in order to put in perspective, codify and better assess rural policy experience in different contexts.

Scotland rural policy would also benefit from closer, more explicit linkages with counterparts in the United Kingdom and abroad. The present multi-governance (EU+UK+National) framework could be considered an opportunity for an improved and more coherent presentation of Scottish rural policy, with its distinctive features, in outside policy and institutional circles. This would not only give better external visibility to Scottish policy, reinforcing its internal recognition by stakeholders, but it would also contribute to the discussion and transfer of local policy interesting innovations, such as the land reform act, thus using a wider audience for reflecting on innovative rural policy issues. Furthermore the significant experience that will be developed with sustainable land management know-how in the coming years is sure to be of great interest and use to foreign stakeholders dealing with similar problems at the global level.

3.6. Key priorities for Scotland's rural policy

Key priorities for Scotland's rural policy should include: 1) addressing land property and housing related issues; 2) fostering rural service delivery; 3) promoting rural business development and diversification; and 4) exploiting rural urban-linkages.

Addressing the shortage of rural housing and the increasing demand for space for multiple uses...

Land reform, housing and crofting appear as distinct features of Scottish rural areas. They are relevant aspects for rural development policy because they are related to a key problem: the scarcity of available land and a rigid regulation of land use. This regulation acts as a constraint on an otherwise very abundant physical resource and limits the opportunities for the diversification of activities and for living in rural areas. Physical space is not a scarce good in Scotland, but it is made scarce by the restrictive and rigid regulation that governs its use. This bottleneck should be better addressed directly instead of indirectly through other instruments. It is generally accepted that rural areas are becoming attractive for functions other than farming and the National Planning Framework emphasises economic diversification as vital to the future of rural Scotland.³ The demand for rural space translates into a demand for land for housing purposes. Housing for rural residents, land reform and crofting are thus connected aspects of Scottish rural policy.

Scotland's land tenure system has remained throughout modernisation highly concentrated and land use regulation has remained very rigid for various reasons. As a result land management and land reconversion decisions, to a large extent, are outside the control of the local population. The peculiarity of the Scottish land tenure system is that it has remained highly concentrated (002% of the population own two-thirds of Scottish land in private ownership) (Bryden and Geisler, 2007). This situation is quite different from that found in other countries of Europe. In Scotland, landowners, and especially large ones, have found an important source of rent from protectionist policies and later in the CAP system of price support. They receive high benefits from the present system of subsidies and this in turn is capitalised in higher values for their land. For this and other reasons, landowners have little interest in selling or diversifying their activities. There is a lively debate on the use of such property especially when owned by absentee owners mostly for status reasons or devoted to sporting ventures whose contribution to the local economies is questionable.

The Land Reform Act passed after devolution has had the explicit objective of removing land-based barriers to sustainable development. Differently from traditional land reforms, it is not individuals who get the land, but Communities as a whole. Of the 170 community purchases across Scotland between 2003 and 2006, only in 18 cases was there full land management with economic outputs. It is essential to establish clear targets in terms of land and housing supply, to monitor the effects of changes in legislation and proceed to further action if necessary to ensure that targets are

met. While a study on the impact of the reform is foreseen, from the information that has been gathered it appears that one of the intended or unintended effects of the reform has been instrumental in providing land for housing and leisure purposes for different communities, and especially non farmers or part-time farmers. If this is the case then it would appear that the land use for housing in rural areas is a problem that needs to be addressed more directly, primarily through more responsive development plan policies, which would seem to be the least costly and more efficient means for solving this problem (see Box 3.2). On the other hand the land reform as recently implemented fails to address the issue of high concentration of land ownership and its impact on wider rural development which is substantially influencing rural development policy.

Box 3.2. Innovative housing policy: the “empty homes” in Girvan

Girvan is situated 20 miles south of Ayr and is identified as an area of deprivation in terms of health, employment, educational attainment, and the proportion of benefit dependent population. The Carrick Arms Hotel is centrally located in Girvan, had been vacant for some time, and after severe fire damage did little to enhance the Girvan landscape. In 1999 the South Ayrshire Council agreed to go into partnership with the then Carrick Housing Association (now Ayrshire Housing) to bid for Empty Homes Initiative Grant to purchase and convert the Carrick Arms Hotel into six high quality flats for affordable rent. The key objectives of the project were to:

- Add to and improve the quality of housing stock available in Girvan.
- Make more effective use of existing buildings.
- Regenerate and enhance the amenity of the town centre through tackling dereliction.
- Provide a model solution that could be replicated elsewhere.

The bid for funding was successful and a grant of GBP 242 420 awarded, which along with private financing GBP 101 785 was to used to convert the hotel into six properties (completed in 2002) now owned and managed by Ayrshire Housing.

Source: Scottish Executive.

Crofting (see Box 2.4) plays an important role especially in the H&I as a system to retain the population in rural areas through public support, by controlling rents and providing security, and indirectly as a system that gives access to rural housing. The crofter, in the multiple ways in which it has been

protected in modern times by legislation, is today more interested in the benefits that the right of ownership of his rural house and agricultural buildings provide than in his farming since most crofters are today part-time farmers or are engaged in nonfarm activities. In the rigid land use context of today's Scotland, the protection of crofting would not be understandable with a sector perspective but becomes more so if we consider the need for housing in rural areas. To the external observer the role of crofting today, and the attention from policies that this form of tenure attracts, is justified not so much by its farming functions, which are declining, but by providing the possibility to live and work in other sectors in rural areas.

... by directly tackling the rigidity of land use regulations

The policies to facilitate or reduce the high cost of making housing and land available in rural areas have not dealt with the issue of land-use regulation, which in some cases appears to be the cause of the bottleneck between demand and supply. Housing was one of the issues guiding the recent land reform, and also some of the Crofts legislation. To date policies have relied on indirect instruments to facilitate rural housing, sometimes in quite original and imaginative ways. For example: subsidising social housing for low-income families or other priority groups, subsidising the cost of ferries that haul building materials, having schemes who favour a more efficient use of energy and renewables in houses, restructuring or selling state buildings and properties. The critical issue is that these indirect methods have come at a cost, and fail to address the rigidity of land-use regulations and its protection of agricultural use. It is now acknowledged that if quality of life and wider rural development are real priorities for the development of rural areas a different approach is required. In addition, shortages of “easily developable land” make it important to encourage the renovation of old buildings and make them suitable for occupancy and new uses.

Improving service delivery in the fields of education, healthcare and infrastructure

Service delivery is a key factor for both social cohesion and competitiveness in rural Scotland and in particular to tackle the challenges linked with quality education, the healthcare needs of an ageing population and the improvements of rural transport infrastructure. The Scottish Government has made a strong commitment to provide a level of service in rural areas that is comparable to those available in urban areas. For instance, Scotland's National transport strategy (NTS) recognises the need for rural communities to ensure better access. Maintaining such commitment in Scotland remains a significant challenge. Scotland has a rapidly ageing rural structure that is accompanied by a birth rate below replacement levels. Majority of the rural

territory in Scotland is sparsely settled with people living in small dispersed communities plus a significant share of the rural population resides on islands, which presents an even larger challenge. A modern, multi-sectoral policy for the development of Scottish rural areas should include a careful, spatially differentiated, investment strategy in the key public service areas of education, healthcare and public transportation.

Education is a major challenge for rural areas. It is well understood that the economic future of Scotland depends upon a highly educated and well trained workforce. To Scotland's credit, current statistics show better performance in rural areas than in urban. This suggests that much of the challenge of delivering high quality education in small and remote communities has so far been met. But as rural populations fall in some remoter areas and the minimum efficient scale for providing a high quality education expands, it is proving difficult to keep education at a high level. Scotland has recently embarked on a program to keep community schools open in rural areas. A major innovation in higher education is the new University of the Highlands and Islands (UHI) currently in formation, whose decentralised and collegiate structure with presence in the main islands and small towns in the region, as well as rural learning centres in many remoter spots, provides an example of innovative approaches to the education needs of rural regions.

Health care is a growing problem in rural areas. The ageing population implies a need for expensive new investments in facilities that are geared to meet the specific health needs of an older population. However, without absent major changes in demographic structure the peak demand for these facilities will be over in less than two decades leaving excess capacity. Moreover any increase in facilities will require an expanded labour force to operate them, yet in many rural areas in Scotland there is close to full employment. Where new health care workers will come from is uncertain in this environment, especially given the high rate of out migration of 18 to 30-year olds. Scotland has historically recognised the challenges of delivering health care in remote rural areas and has created innovations to address these problems. Despite efforts to improve rural health care recruitment and retention of doctors and other health care professionals remains a significant problem. There are two main innovations to be considered which relate to each other. The first is increasing use of remote health care techniques for diagnosis, consulting, and training. The second is the use of paramedics to support general practitioners. These kind of techniques can reduce costs, and ease recruitment problems, as well as helping to keep clinics and smaller hospitals open in rural areas, and hence avoid the problems of closure.

Public transportation is both a challenge by itself, and a factor that complicates the resolution of the other public service issues. Also,

transportation is a key issue for rural areas both in terms of moving products and visitors and for expanding the effective size of local labour markets. Efficient transportation is vital to each of its strategic sectors (see sections below on agriculture, tourism, forestry and energy). Most food products obviously are destined for export markets and so transportation is important both in terms of cost and timeliness which is especially important for the islands. Rural tourism is based on the existence of uncongested areas, but access to these areas should be easy especially given the trend for shorter holiday stays and an interest in experiencing multiple destinations. Finally while the major current challenges for renewable energy are technical production issues at the moment, the full potential of renewable power from remote areas can only be realised if the transmission grid is capable of transporting it from where power is generated to where it will be used. Scotland made a commitment to public transit which involves efforts to discourage reliance on automobiles; a position consistent with the UK tax policy on automobile fuel. In urban areas this is offset by major investments in buses and other forms of public transit that offer a reasonable alternative to private automobiles. Public transit is a problem in Scotland's rural areas; in the Islands the issue is frequency of ferry service, in other areas it is road improvement. The government has made major commitments to improving road and ferry access and to enhancing regional air service that can provide crucial rapid access to isolated communities. The Government owns and subsidises several airports at Inverness and throughout the H&I and operates programmes such as the "Air Discount Scheme" which provides for 40% of the core air fare for residents in several remote rural regions. Current and planned Public Service Obligation (PSO) lifeline air routes also represent important steps in the direction of providing access and enhance social inclusion in remote regions. However, the high costs of this infrastructure means that many areas still lack adequate access. High transportation costs and disruptions in access impact businesses, tourism and the everyday commute of Scottish citizens. Without a resolution of the transport problem, the use of larger regions to deliver services forces increased costs onto the rural population, despite reducing direct government outlays.

Innovative rural service delivery schemes have been developed (see Box 3.3) and should be reinforced. The Community Planning Partnerships can play a key role in introducing a more client-oriented, place-based service provision and in delivering a much needed "variation" to central policy. Other initiatives whose scope could be widened include the *Closing the Opportunity Gap* and the on-going efforts on 22 Rural Service Priority Areas (RSPA) identified according to the Scottish Index of Multiple Deprivation.⁴

Box 3.3. The Rural Transport Fund

The rural transport fund (RTF) was launched in 1998 to improve transport links in rural Scotland. The RTF comprises three different elements:

- Rural Public Passenger Transport Grant (RPPT). Enables local authorities to provide additional rural public transport services, including bus, rail and ferry, and to allow the subsidising of non-commercial routes in rural areas. All local authorities, except the four city councils, were eligible for a share of the money by special grant. The grant was awarded to each council with the balance distributed according to a formula reflecting factors such as sparsity of population, settlement patterns and remoteness from service centres, to assure councils with a higher element of rurality or remoteness to receive a greater share of the resources.
- The Rural Community Transport Initiative (RCTI). Aims at funding community transport projects, such as community minibuses, dial-a-bus services, taxibuses and voluntary car schemes, which would be of particular help in more remote areas of Scotland, particularly where there are no scheduled bus services or where the services are very limited. The grant was distributed at a national level and subject to competitive bids from community transport groups and other community organisations. Projects are selected by a Steering Group comprised by the Scottish Government, the Community Transport Association, COSLA, the Association of Transport Co-ordinating Officers and, until its demise, Rural Forum. Applications are selected based on criteria of improvement of transport accessibility of the area and with an emphasis on new and innovative ideas for provision.
- Rural Petrol Stations Grant Scheme (RPSGS). Assists rural petrol stations in meeting the cost of tank replacement and groundwater protection requirements. The fund is intended to focus on ensuring that a network of rural petrol stations is maintained, because locally available fuel suppliers are considered to be vital to accessibility in remote rural areas. The grants are awarded by Highlands and Islands Enterprise and Scottish Enterprise and distributed through the local enterprise network based on distance and regulatory criteria. In April of 2008 the residual funding for this initiative is expected to pass to the Enterprise Networks.

Note: During the publication phase of this document, certain changes are expected that will impact the Rural Transport Fund. The RPPT, RCTI and DRT initiative will close on 31 March 2008 and be replaced from 1 April 2008 by a new Enhanced DRT initiative, which will be delivered by LAs and funded through the SG's block grant to them. It will then be the responsibility of each LA in Scotland to allocate the resources available to it on the basis of local needs and priorities, having first fulfilled its statutory obligations and the jointly agreed set of national and local priorities, including the SG's key strategic objectives and manifesto commitments. The SG will, however, be ensuring that LAs honour existing RCTI funding commitments for the next two years, to ensure continuity of service provision. DRT provision will still feature in the Regional Transport Partnerships' wider consideration of transport needs at regional level.

Source: Scottish Government, *Evaluation of the Rural Transport Fund*, The Scottish Government Central Research Unit.

Exploiting opportunities for further economic diversification...

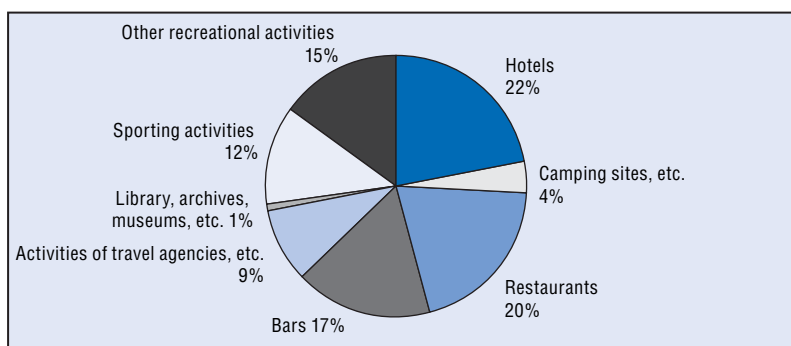
Scotland has a small but significant commercial agriculture sector that can be competitive in a more liberal agricultural policy environment. There are specific areas in Scotland where farming remains a profitable activity and in these areas there is evidence of higher levels of investment, greater productivity and farm consolidation. These farms are concentrated in the south of Scotland and along the eastern coast where climatic and soil conditions are more favourable. For agriculture to remain viable in this part of the country support should be provided to facilitate a transition to a more market oriented structure. This will entail some farm consolidation and greater intensification of production but with much more efficient management. Management may well be the key to the success of these commercial farms. Better management will entail both a greater focus on improving rates of return on farm investments but also farming in a way that does not adversely affect the countryside. Scotland has implemented an effective method to help commercial farms make this transition and it could be expanded to cover more parts of the country.

Analysis shows great opportunities for economic development and diversification in rural Scotland that, in some cases go well beyond but also can be linked to agriculture. This has been reflected in planning advice on the opportunities for rural diversification.⁵ For the vast majority of Scottish farms the combination of small scale, adverse climate and soil conditions and distance from markets make successful commercial agriculture improbable. In principle the majority of Scottish farmers should benefit from a reallocation of CAP funds away from direct support for output towards a broader context for agricultural support (multi-functionality) that increases funding for marginal areas. Traditional direct payments are clearly biased towards larger farms in highly productive areas. Thus how LFA regulations evolve will be of vital importance to the evolution of Scottish agriculture and to the role it plays in rural development. An important consideration is whether LFA support will shift its focus from simple maintenance of farms in areas that have production disadvantages to a greater focus on how farms in LFAs contribute to a larger rural economy. It may well be the case that in parts of Scotland the primary value of agriculture is its contribution to the landscape. Green payments or payments for extensive production schemes may help keep much of the current grazing system intact and allow it to continue to serve as a source of tourism income. While farming may no longer provide the direct source of income in rural communities the presence of farming may make it possible to develop a strong tourism industry that includes agro-tourism, hiking, bird and wildlife watching and other recreational activities that are based upon the specific landscape.

... developing niche tourism...

Globally the tourism industry is seen as expanding at a high rate of growth and rural Scotland is well positioned to build upon the growing demand. Scotland's distinct identity provides a solid base for territorial marketing on the world tourism market (see Figure 3.2). Between 1998 and 2004, the gross value added in the Scottish tourism-related industries rose 57% from GBP 2.2 billion to GBP 3.5 billion compared to 58% from GBP 24.7 billion to GBP 39 billion in the United Kingdom. As of 2004, the sub-sectors with the largest contribution were hotels (22%) and restaurants (20%). A major part of Scotland's global image currently involves the rural landscape. Within Europe, Scotland is one of a limited number of countries with a large area of accessible natural habitat. Because rural Scotland offers a diverse spectrum of rural experiences, ranging from agro-tourism through passive and active forest visits to wilderness activity; it can appeal to a wide variety of interests. However, each of these interests requires specific investments in constructing an infrastructure to support the tourism experience. If the infrastructure is absent or only weak, the benefit to Scotland is reduced.

Figure 3.2. **Profile of Scottish tourism and related sectors**



Source: Annual Business Inquiry (ABI) conducted by the Office for National Statistics (ONS).

There is a strong concern about sustainability within the Scottish government and among the general population. Infact the current high quality rural environment is a key part of Scotland's tourism success. This means that in expanding tourism opportunities there has to be a balancing of development and preservation. For this approach to be successful tourism has to become embedded in a large part of the rural territory and in each region a range of activities both passive and active have to be available. Many of these do not have to be large scale and indeed the hallmark of this approach is small scale because no particular place or destination is a global destination by itself. Instead it is the complete set that makes rural Scotland a destination.

Scotland has opportunities to piece together a diverse set of smaller scale attractions that collectively offer a wide variety of tourism opportunities.

The people who visit a locale may be interested in the specific physical features but they also interact with the local population. Thus a tourism-based development strategy such as the one advanced by the Scottish Government and various other bodies in Scotland can only be successful if the human resources to support the environment are in place. The quality and price of the offer is a main concern. In many rural areas there are few people with either formal training or a background in the tourism industry. In some rural areas there is considerable local controversy over the effects on the community of moving to a larger tourism sector. The lack of housing for seasonal workers, the impacts of visitors on local housing prices and a fear of congestion are associated with an expanded tourism sector. Also, tourism development will entail dealing with two emerging strains on social cohesion. The first is the simple fact that tourism results in strangers coming to a community and placing demands on the local economy. While tourism leads to new income and employment opportunities most of the growth is in service industries where success demands close attention to making customers happy. The Scottish population does not have a history of providing this type of response. Moreover, many local residents who do not directly benefit from tourism see the increased numbers of visitors as adversely affecting the quality of the environment and their personal lives. Finding ways to assimilate newcomers into small rural communities is vital if these places are to escape the social tensions that characterise many large urban centres.

... making the most out of forestry,...

Rural areas contain an already rich and growing set of natural and cultural assets (see Table 3.3). Forestry is an important sector for Scotland offering multiple options for development including both production of tradable commodities and public goods. The link between forests and tourism is very clear. This includes passive activities, such as wildlife viewing and walking, but also active uses, particularly a growing mountain biking focus. For example it is estimated that the recent creation of 150 km of mountain bike trails in the so called “7Stanes” (see Box 3.4) in southern Scotland have created an income stream of GBP 3 million and jobs for 72 full time equivalents (FTE).

As multiple use becomes more important the management of forests becomes more complex. Balancing tree harvest objectives with wildlife preservation and human recreation requires better management practices. Therefore support schemes should be designed to encourage forest managers to capture all the potential benefits that flow from forests (as it is the case for mountain biking tracks or other recreational activities). Since the early

Table 3.3. **Selected natural, environmental and historic assets of rural Scotland**

Category	Types	In rural areas		In Scotland	%
		Remote	Accessible		
Land	Total	69%	29%	7.8 million ha	100
	Agricultural			6.12 million ha	78
	Forest	80%	20%	1.3 million ha	17
Coastline	Total coast line				
	Beaches			763 km	
Inland waters	Lochs and reservoirs	170 000 ha			
	Rivers and canals	51 000 km			
Islands	Total			X islands	
Mountains	Total	828 peaks and summits			
	Of 3 000 ft or more	284 summits			34
	Between 2 500 and 3 000 ft	221 peaks			27
	Between 2 000 and 2 500 ft	234 peaks			28
	Of 2 000 to 2 500 ft	89 peaks			11
Landscape	Designated National Scenic Areas	40 NSA		1 million ha	
Protected areas	National Parks	2 parks			
	Natura 2000 Areas	X areas			
Biodiversity	Sites of Special Scientific Interest (SSSIs)			13% of total land	
Historic sites	Historic Scotland Sites			345 properties	
	Scheduled ancient monuments	7 800			
	World Heritage Sites	2 sites		4 sites	50

20th century Scotland has seen a major increase in the area covered in forests. Scotland plans to continue to expand its forested area in the future to roughly 25% of the land area, up from the current 17%. This next round of forest expansion offers opportunities to achieve new rural development goals. In particular additional forests may be suitable in some peri-urban areas in the Central Belt region where forests can help revitalise an otherwise depressed area by improving its visual attractiveness and help provide a new “sense of place”. In any event, it is important to develop a “governance of forests” that is able to balance the different needs as derived from national conservation objectives and local development needs. More research is needed to better ascertain the preferences of citizens (and tourists) with respect to forests in a manner that links the type of forestry to its scenic value. This information will allow for a more solid and transparent basis for decisions on support schemes.

... energy resources...

High energy prices and the concern with global climate change have increased the need to find novel ways to produce energy presenting interesting opportunities for rural Scotland. Scotland has the highest

Box 3.4. **Linking forestry and tourism: the 7Stanes Mountain Biking Project**

Mountain is a growing sport in the United Kingdom and there are an estimated 5.5 million mountain bikers in the United Kingdom. The “7stanes” are seven mountain biking centres spanning the south of Scotland, from the heart of the Scottish Borders to Dumfries and Galloway.* “Stane” is the Scots word for stone. The concept behind 7Stanes is simple: offering access to well serviced biking trails, adapted to all types of bikers and combined with an offer of accommodation, food and local products. In 2004, the International Mountain Bicycling Association named Scotland one of the “hottest places” to ride in the world and 7Stanes was integral to this recognition. The 7Stanes have been built and managed by the 7Stanes project which is a partnership between Forestry Commission Scotland and several organisations including: Scottish Enterprise Dumfries and Galloway, VisitScotland Dumfries and Galloway, Scottish Enterprise Borders, Dumfries and Galloway Council, Scottish Borders Council, Scottish Natural Heritage and the Heritage Lottery Fund. Day-to-day site management and maintenance of the 7Stanes is by Forestry Commission Scotland. This project is in part financed by the European Union.

7Stanes impact on area business: Winkston Farmhouse, Bed and Breakfast

The Winkston Farmhouse is a Bed and Breakfast that has been in operation for over 25 years in Peebles, Scotland. In addition to accommodation they offer walks, access to the countryside and gardens. Approximately five years ago, when the owners noticed an increase in mountain biking visitors they decided to adapt their business to needs of the riders. This meant investing in bike store locks, bike racks and cleaning/maintenance facilities and more. After some changes, at the Winkston Farmhouse, riders could work on their bikes in the farm yard, wash and dry cycle clothing or have a meal (an optional breakfast and/or a packed lunch). In the evenings, services to bikers includes: a lift into town and/or a hot shower after a long day riding before heading home. Three years after making these accommodations, the owners noticed a marked increase in peak and off peak season visitors. Annual occupancy rose by 30% and by 40 to 50% during the off peak season. It is now estimated that one in three guests at the Winkston Farmhouse is a mountain biker with as much as two in three mountain bikers during the off-peak season.

* For more information see: www.7stanes.gov.uk/.

Source: Scottish Executive.

renewable energy production, use and projected growth in the United Kingdom. In 2004, total electricity generation from renewable resources was 3.8% in the United Kingdom and about 12% in Scotland. As part of the Climate

Change Programme, the targets set by government for 2010 (18%) and for 2040 (40%) are ambitious and signal a strong commitment that could benefit Scotland in terms of power generation but also in terms of environment and domestic and international image. In Scotland there is a strong focus on wind and ocean-based approaches. Expanding transmission capacity can be difficult. First, it imposes high local costs on landowners whose property the transmission lines cross and the least cost routes often parallel existing transportation corridors and second, where power lines run along a scenic road, adverse visual effects and possible impacts on tourism are created. For an economy that is trying to build its nature based tourism industry this is an undesirable situation. Nevertheless, it should be possible to expand the use of wind energy in Scotland through careful siting of both wind farms and transmission lines, as well as appropriate use of under-sea and under-ground lines. However doing so will most likely lead to higher costs, but the benefits to other rural activities will offset the higher expense. The other main alternative energy option in Scotland is wave and tide power.

Scotland's topography, with a large number of islands and a coastline with numerous bays, provides an ideal environment to focus on wave and tide generation schemes. This technology is still in a fairly rudimentary state, but by investing in its development Scotland has the potential to not only obtain a new source of energy but also become a leader in the design and manufacturing of power systems. However, just as with wind power, the two obstacles to transmission capacity and negative visual effects are issues respectively for off-shore locations and for facilities built across the mouth of bays. In addition, many remoter communities can become self-sufficient in renewable electric energy, as has been shown by Gigha and some of the Orkney Islands. Communities should be encouraged to develop renewable energy both for their own supply and for "export" where feasible, as this will provide them with long-term sources of revenue for investment in other activities.

... and creating an environment that is supportive to Scottish rural SMEs...

At present rural Scotland has relatively low rates of unemployment and relatively high rates of new business starts, although this varies from place to place. These are positive indicators that suggest the combination of public policy and Scottish entrepreneurial behaviour can be effective in providing income and employment opportunities. The high rate of entrepreneurial start-ups in some rural areas suggests that there is a strong foundation for SMEs. However the relatively modest number of firms that advance to higher levels of employment point to problems in growth. The most likely causes for slow growth are thus difficulties in expanding demand, which requires access to foreign markets and local labour force shortfalls. Expanded efforts by

Enterprise Scotland to help identify and penetrate foreign markets could be a useful way to stimulate growth. Moreover, there are significant “lagging” areas such as the Western Isles, Caithness and Sutherland, and Western Dumfries and Galloway, where a number of factors conspire to limit the level of enterprise creation. The recent report on the Scottish innovation system identified key weaknesses in rural innovation in both the North and the South. Some initiatives are showing good results in terms of fostering innovation and knowledge sharing that are crucial to Scottish rural businesses (see Box 3.5). Reinforcing and expanding them should be considered.

**Box 3.5. Spreading innovation and knowledge sharing:
the FUSION in Inverness**

Fusion is a not-for-profit membership company, limited by guarantee. With the support of the Highlands and Islands Enterprise network, it represents a public/private partnership. Fusion's role is to stimulate interest in innovation and entrepreneurship throughout the Highlands and Islands of Scotland. This is done through wide-ranging and practical events programming exploring all aspects of business innovation, and through creating extensive networking opportunities, allowing delegates to engage in conversations with like-minded entrepreneurs, with a view to sparking new ideas and collaborations, and generating fresh approaches to business challenges. Fusion offers a linking service, helping entrepreneurs to make contact with other businesses, organisations or individuals who may be able to assist them with their business challenges.

This non-for-profit company works closely with Highlands and Islands Enterprise and the associated LEC network, and with other organisations including academic institutions, Knowledge Transfer programmes, and other public sector bodies. Fusion was incorporated (as Fusion Scotland Ltd.) in August 2002. The founder members of Fusion were drawn from a variety of sectors: Research – including NHS Highland and UHI Millennium Institute; Business – including Lifescan Scotland Ltd., as the area's largest private employer, and Scotland Electronics (International) Ltd., as the area's fastest-growing company; Professional Service Providers – including Highlands and Islands Enterprise and HIE Ventures.

Source: OECD, based on Fusion, www.fusionlinking.co.uk/.

... via policies targeting human resources development and access to technology...

Workforce development is important, because the rural population of Scotland is ageing and shrinking, which reduces the number of workers, and

because Scotland is not competitive in the production of tradable goods and services that employ a significant amount of low skill labour. With a shrinking workforce and relatively high labour costs it is crucial that worker skills be of a high level so that labour productivity is high enough to make firms competitive. Compared to the new members of the EU Scotland is a relatively high cost location for conducting business and the success of its firms will hinge on high enough levels of labour productivity to justify a higher wage bill and other costs of doing business. Another dimension of human capital development is related to the opportunity to obtain specific skills related to employment. This is more difficult in rural Scotland given the small and dispersed population that makes many formal training programs cost ineffective. Alternate strategies such as distance learning and grants to allow individuals to obtain training in urban centres can offset some of these disadvantages but not all. A third human capital issue is the age structure of the labour force. The population of rural Scotland is aging rapidly and this implies a workforce that faces replacement issues, thus initiatives that target the young are important (see Box 3.6). Further, while experience can offset some of the decline in capacity associated with ageing, there are careers where younger individuals have higher productivity. Labour productivity is also affected by the level of capital intensity. Enterprise Scotland and various EU regional development programmes have made considerable amounts of money available for business investment over the past decades, and many of the industries appropriate to rural Scotland do not require large investments per worker. This suggests that capital is not a major constraint on business activity. A final factor affecting productivity is access to technology. Here too Scotland has made major investments in providing modern ICT to rural areas and in fostering the diffusion of new ideas.

... improved business services...

Business services are especially problematic in rural areas where it may be difficult to find basic accounting, marketing and management advice locally. Internet and other remote sources can partially address this gap (see Box 3.7), but they do not provide the same face-to-face experience as direct consultation. The two arms of Enterprise Scotland, HIE and SEn have considerable in-house expertise that is available to SMEs providing a vital service. Where the gaps are most evident is in services for businesses that are interested in expanding. Typically these firms need more specialised advice that is specific to their particular industry, which is not readily available in most rural areas.

For stronger entrepreneurial activity to take hold a broader financial services industry is required. Resources are often supplemented by funds from the major banks in Scotland for those firms that are credit-worthy. However

Box 3.6. **Determined to Succeed, a project funded by the Scottish Government**

The Scottish Government is very interested in the role that young, dynamic entrepreneurs can play in rural development. This is the cornerstone of the Government's strategy for Enterprise in Education. One aspect of this is, "Determined to Succeed" (DtS)* a project introduced in April 2004 to reinforce the *Smart, Success, Scotland* vision by bringing the enterprise culture to Scotland's young. Exposing the young to different opportunities and skills at an early age, will give the economy of Scotland the skills, new ventures and entrepreneurs it needs for continued growth. It sets out the key changes that are considered necessary to encourage a more self-confidence, self-reliance, ambition all leading to the enterprising culture – a "can do, will do" attitude. The expected result is confident young people building thriving companies across Scotland.

DtS starts in the classroom but is envisioned as a collaborative project with parents, business communities, local authorities and the Scottish Government all working together. The programme is widely supported by businesses and council leaders across Scotland. It has attracted investment totalling more than GBP 40 million in over three years. It challenges all Local Authority (LA) Education Departments in Scotland to work together with schools, business organisations, businesses, and other parts of the community to design and implement their own delivery plans setting out their targets and time-tables for action. Within these plans, LAs are required to address the recommendations of the Review of Education for Work and Enterprise in the context of local needs. According to a recent review of the DtS programme, the school/business partnerships for 2006 exceeded expectations: 22 000 teachers have been trained in enterprise education, here has been a 17% increase in the number of entries to the enterprise categories of the Scottish Education Awards.

One DtS project is the *Skills for Work – Rural Skills Development Course* at Balforn High School in rural West Stirlingshire. This is a weekly course, where students study land-based industries and jobs as well as health and safety and risk assessment. The high school formed a partnership with Strathendrick Partnership, in Rural Education (SPIRE) with the Forestry Commission, Loch Lomond National Park, Cashel Forest on Loch Lomondside, Daye Tucker of Carbeth Home Farm, Oatridge College, and several other local, land-based-industry employers. One afternoon a week, the students are expected to work with one of the partner organisations to learn more about rural skills.

* www.scotland.gov.uk/Resource/Doc/169018/0047040.pdf.

Source: Scottish Executive (2007), *Determined to Succeed*, SE Edinburgh.

Box 3.7. Digital technology at the service of rural people and businesses: The Distance Lab Project

Distance Lab, a wholly owned subsidiary was established in January 2007 by HIE in Forres. The Distance Lab is structured as a distributed research laboratory with satellite locations around rural areas in the Highlands and Islands. Inspired by the example of the MIT Media Lab, the Distance Lab aims to be a new world-class research institute carrying out both basic research and practical research into how digital media, information and communications technology can help people manage the impact of distance (in terms of space, time, society and culture) between individuals and communities. The Distance Lab is developing an interdisciplinary network of creative scientists, designers, artists, and engineers from all over the world. The lab places emphasis on building working prototypes and demonstrations of new technologies and channelling these into new products and services in the global marketplace. Going forward Distance Lab will focus on developing its role as a fully functioning research institute capable of attracting corporate sponsorship and elevating its training capacity to the same level as the other partner universities. The desired outcome is the establishment of a digital media cluster, reinforced by a self-sustaining research base supporting high-value employment.

Source: Highland and Islands Enterprise (HIE).

because Scottish banks are major international financial institutions their lending decisions are driven by relative returns in domestic and international markets. Small loans to Scottish SMEs are typically less profitable than large international participations. Thus while there is often adequate funding for firms to start business from owner equity and government support there can be subsequent problems in terms of access to working capital and to funds for expansion. In this context, too much reliance seems to be currently placed upon Scottish Enterprise and Highlands and Islands. A broader set of financial intermediaries than currently exists is required, particularly those that are able to provide equity finance and associated management resources to firms. Moreover small rural communities may not have a commercial bank office, or may have only one office. Even when there are multiple banks they often provide only a limited spectrum of services because there is insufficient demand. This means that rural firms may have a much more difficult time establishing an ongoing relationship with a financial institution than do urban firms. Finally, the potential role of financial institutions as partners of government and members of community should not be underestimated. Several experiences across OECD countries show that active involvement

by financial institutions in public-private partnerships and in local governance can bring significant benefits not only in terms of increased financial resources but also in terms of the strategic intelligence, networking and technical skills that these player can add to rural development plans.

... and targeted firm support to avoid market distortions and dependence on subsidies

The need for change in the overall approach to farm support is recognised within rural Scotland. Two common concerns are the sensitivity of the current economy to CAP reform and to the loss of EU regional development funds in all but the Highlands and Islands area (and a significant reduction even there). The view that diminished subsidy support will impact the rural economy in a negative way suggests that in the past decisions were driven not by the longer run competitiveness of the regions but by the availability of subsidies. Nonetheless, as the support for traditional activities is withdrawn, the interest in diversification has increased. What remains unclear is whether diversification will be driven by market opportunities or by a different set of subsidies. If economic change is driven largely by government policy there is little chance that diversification will result in long run competitiveness. The availability of subsidies for specific types of enterprise inevitably causes those enterprises to be chosen by entrepreneurs, especially if support levels are high. Conversely, if local entrepreneurs are left to identify market opportunities and are provided with modest levels of support to resolve technical and marketing issues there is a greater chance that the firms that are created will be viable in the long run. With the imminent reduction in EU regional support there will be pressure to revise development policy in ways that rely less on subsidies. In this environment entrepreneurs will have to be able to see the potential for adequate returns from the market before they commit their resources.

Scotland could benefit from an even more investment-oriented approach to support that looks for leverage with private funds. For example, it is possible to develop groups of private investors who are prepared to invest in businesses that are successful but have to expand in order to capture the next round of opportunity. These “angel networks” provide a way to match specific firms with investors interested in that specific enterprise. AceNet in eastern Ohio is an example of a successful matching activity that has provided mid-size firms with the financial resources to expand. Elements of this approach already exist in specific places and sectors, but it could be more broadly adopted. One example is the investment in developing multiple uses of forestry including, for instance mountain biking sites. Public support created the basic infrastructure by creating trails in public forests and providing funds

for tourist promotion to attract recreational and competitive riders. This encouraged complementary private investment in bike shops, guides and instructors, restaurants and accommodations, and more recently, bicycle manufacturing. In this case the public investment created an opportunity for significant private investment that added further income and employment.

In agriculture a similar strategic approach to new investment is possible. Investments in improving the management capacity of farmers that are accompanied by targeted applied research investments to provide technical practices can provide a pathway from dependency on production subsidies. By providing better management tools to farmers the government gives them the means to go beyond efficient production and move to identifying markets and appropriate marketing methods that can increase profitability. Opportunities exist in organic farming various niche markets that reflect the Scottish heritage.

Identifying and exploiting rural-urban linkages

A new approach to rural development would require a deep understanding and policy recognition of urban-rural linkages. In Scotland, as in most OECD countries, the highest rates of population growth are found in the urban fringe and in adjacent rural areas. The suburbanisation of society is a common phenomenon and it is blurring the edge between rural and urban. Rural places in the shadow of an urban centre have specific opportunities and problems. In one sense they are more attractive because it is possible to have access to goods and services that can only be found in larger centres. On the other hand their development is often driven by urban interests, whether it is through urban expansion or through urban imposed limits on growth. This creates a clear need to co-ordinate rural and urban policy. At the fringe economic and demographic growth is common although it typically takes place outside a coherent policy framework because it fits neither the urban nor the rural agenda.

Because the population of Scotland is predominantly urban, issues that are important to urban areas and urban residents dominate national policy, and the government is organised in a way that allows it to deal most efficiently with urban conditions. This urban bias may also be at the basis of difficulties in delivering policies to rural areas. When agencies are organised they tend to define internal administrative units in terms of the number of people each unit will serve. Moreover, while the territorial boundaries of administrative sub-units of various agencies tend to be roughly coincident in urban areas, this is seldom the case in rural areas because each agency established its own service districts and drew its rural boundaries somewhat arbitrarily. Because cities have relatively well defined limits and neighbourhoods there is a greater consistency in service regions and hence

greater potential for coordination. Because Scotland is small it must find ways to co-ordinate its development strategies so that all the pieces are mutually reinforcing. For example, to expand tourism requires that the urban features of Glasgow and Edinburgh be jointly marketed with the rural features of the Highlands and Islands or the Borders area.

While Scotland has identified the importance of proximity, it does not appear to have incorporated these implications in its rural policy. Rural is still, largely, seen as remote, despite the fact that in most countries the majority of the rural population and the majority of rural economic activity occurs in places relatively near urban centres. In Scotland there are two distinct regions with urban linkages; the first is the Central Belt that is strongly connected to Edinburgh and Glasgow with Stirling and Falkirk as secondary urban centres. Rural residents in this region are typically within a one hour commute of one of the four urban centres and so can be thought of as living in a peri-urban environment. The second area is the South of Scotland comprising the Borders Region and Dumfries and Galloway. This region lies between the major urban centres of Edinburgh and Glasgow in Scotland and Newcastle and Carlisle in Northern England. Moreover, the western part of the region is well connected by ferry service to Belfast in Northern Ireland which acts a fifth proximate urban centre. While the main focus of rural development policy in Scotland has been on the Highlands and Islands region, these two more southern regions have significant rural opportunities and constraints, and account for a larger number of rural people.

In the Central Belt the key issue is how to implement a city-region policy that recognises the role of rural areas and is not excessively urban in its orientation. It is acknowledged that Glasgow, and particularly central Glasgow, is in need of revitalisation, but policies that ignore development opportunities in more rural areas to promote less viable urban revitalisation efforts may be costly in the long run. It is unlikely that Glasgow can regain its past dominant position in terms of the share of Scottish population and GDP. Further, current trends suggest that much of the newer private investment that creates income and employment has taken place in suburban and exurban locations. Simple development models of a prosperous central city core driving development for the larger surrounding regions are no longer appropriate. Instead a true regional strategy that looks at the comparative advantage of: the central city, the suburbs, more remote towns and villages and the countryside as parts of a larger region should be adopted. A strategic approach to rural-urban linkages should also help to cope with uncontrolled urban sprawl and consequences in terms of service delivery, car travel and emissions. Rural revitalisation in the central belt is at least as important as urban regeneration if the attractiveness of the region as a whole is to be enhanced. Strategies to improve connections between Edinburgh and Glasgow (rail or road) to create a larger region, as well

as the possible creation of a single International Airport, will have major implications for the rural area in between the two cities. Improved transport links, unless they include no possibility for exit or entry other than at the end points, create new development opportunities in rural areas. Choosing wisely where these opportunities occur can increase the returns for the entire region.

In the Scottish Borders and Dumfries and Galloway there are strong links between the local urban centres and the countryside that reflects the relatively strong role of agriculture in the local economy. While production agriculture is declining in terms of its contribution to regional income and employment it remains an important component of the economic base because it is central to tourism and to food products. Because the region is in close proximity to five large urban centres opportunities for higher order urban functions are limited. This means that integrating urban and rural development strategies in a partnership of equals approach is likely to be a sound strategy. For example, the Crichton campus in Dumfries and the similar facility at Netherdale offers opportunities for providing various forms of higher education to local residents who might otherwise not invest in improving their skills. Moreover these sites offer the opportunity for targeted applied research projects that are driven by local needs and local development opportunities. Much of this research may not be a high enough priority to be undertaken at a larger university or private facility, but modest amounts of time and resources applied within the region can result in outcomes that make a significant improvement to the local economy.

In both regions the two key policies that will determine how urban and rural areas interact are housing and transportation. A housing policy that continues to hamper the construction of new homes in rural areas will limit development opportunities since firms cannot grow if workers cannot find a place to live. While this may be seen as a way to force development to take place in urban areas, a likely consequence is that it will cause development to take place outside Scotland. The consequence of this is likely to be continued out migration, particularly by young single adults and married couples who are most exposed to the housing shortfall. Similarly, transport policies that fail to provide options for rural residents or fail to connect rural communities to the larger world will impede development. Rural tourism, rural manufacturing and every other export oriented enterprise cannot succeed without good connections to their customers. If tourists must use most of their vacation time getting to a site they are unlikely to come. Similarly manufacturers who face high transport costs and lengthy transit times to ship materials in and products out are at a competitive disadvantage. While public transit may provide a viable alternative to the automobile in urban areas, and may indeed be superior if external costs of cars are considered, the potential for public transit in rural areas is highly limited. Low population densities, irregular

transit patterns and seasonality in demand all make mass transit an expensive approach. This means that transport policy has to be seen as having distinct but linked urban and rural dimensions.

3.7. Summary

Rural Scotland represents an important resource for national development and growth but large unexploited potential remains. Devolution vested the Scottish Government with a high degree of autonomy in designing its rural policy. This has taken the form, so far, of a fairly centralised approach with a strong sectoral bias towards agriculture and environmental concerns. Analysis shows the high degree of heterogeneity of Scottish rural areas. In order to adapt to the opportunities and threats of its different rural regions, the Scottish approach to rural policy should evolve towards a more integrated one, capable of achieving coherence among sectoral policies, while involving a wider set of stakeholders in policy design and implementation. Policy deliver should also be streamlined and spatially differentiated to meet the different needs and opportunities of Scottish rural regions. An agenda for reform should address the following priorities: 1) addressing land property and housing related issues; 2) economic diversification in key emerging sectors such as tourism and energy production; 3) service delivery improvements to both rural citizens and businesses as well as 4) actions to identify and exploit rural-urban linkages. These reforms are becoming urgent in light of the forthcoming reforms of EU CAP and structural fund policies that may affect rural Scotland in major ways.

Notes

1. Recent changes of the Scottish planning system are introducing strategic development planning for the four main city regions of Aberdeen, Dundee, Edinburgh and Glasgow. The objective is that, in each city-region, local authorities will work jointly to produce a plan which addresses strategic cross-boundary issues.
2. According to the programme, the NRN will focus initially on grouping the organisations and administrations involved in rural development; approving and establishing thematic groups based around the five key outcomes for the SRDP: capacity building of the Network to raise confidence and capability to successfully implement the Action Plan; knowledge transfer of good practice; experience and know-how; and training and advice.
3. Scottish Planning Policy 15: Planning for Rural Development (2005) and Planning Advice Note 73: Rural Diversification (2005).
www.scotland.gov.uk/Publications/2005/02/20624/51511
www.scotland.gov.uk/Publications/2005/02/20638/51727.
4. The Closing the Opportunity Gap (CtOG) programme contains a rural target concerning the most disadvantaged areas with special difficulties in accessing

services. CtOG's Target H indicates that by 2008 there should be an improvement in service delivery in rural areas so that agreed accessibility and quality are achieved for key services in remote areas and disadvantaged communities. Using the Scottish Index of Multiple Deprivation (SIMD), 22 parts of Scotland were targeted as Rural Service Priority Areas. This programme will work closely to the Community Planning Partnership areas were those 22 areas fall within. "Resources will focus on optimising funding to meet the needs of rural communities in the most appropriate way. Value for money opportunities for improved service delivery will be sought and encouraged. To this end, the Minister for Environment announced GBP 2.2 million of funding for the RSPA to support the targeted rural services work, and, to facilitate the CPPs to identify other sources of funding to support the on-going development of access and quality of targeted services in the RSPA." (Scottish Executive, www.scotland.gov.uk/Topics/People/Social-Inclusion/17415/CtOG-targets/ctog-target-h.)

5. Planning Advice Note 73: Rural Diversification (2005).

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Évaluation et recommandations

Globalement, l'Écosse rurale¹ affiche de bons indicateurs socioéconomiques par rapport aux zones urbaines et intermédiaires...

En moyenne, les zones rurales écossaises obtiennent de meilleurs indicateurs socioéconomiques que les zones urbaines. Il en va de même pour les indicateurs liés au bien-être. La population des zones rurales accessibles perçoit les revenus les plus élevés : en 2005, le revenu moyen des ménages atteignait 22 010 GBP (114 %) dans les zones rurales accessibles, 19 878 GBP (103 %) dans les zones rurales éloignées et 18 867 GBP (98 %) dans le reste de l'Écosse. Les zones rurales possèdent de meilleures normes et pratiques sanitaires que les zones urbaines (à titre d'exemple, l'espérance de vie est plus élevée de trois ans, les pathologies cancéreuses et les admissions d'urgence sont moins nombreuses, tout comme la prévalence du tabagisme et de la consommation de drogue). Les chiffres concernant le niveau d'études montrent que même si les régions essentiellement rurales enregistrent un pourcentage plus élevé de personnes sans qualifications (24 % contre 17 % dans les régions intermédiaires et urbaines), leur pourcentage de diplômés de l'enseignement supérieur est également plus élevé (32 %) que celui des régions intermédiaires et urbaines (respectivement 27 % et 28 %). Ainsi, les régions rurales d'Écosse obtiennent les meilleurs chiffres pour l'enseignement supérieur parmi les régions essentiellement rurales de l'OCDE. Les régions rurales d'Écosse affichent également des taux d'emploi supérieurs (79 %) et des taux de chômage inférieurs (3 %) à ceux des zones urbaines. Enfin, la qualité de vie et la sécurité des quartiers sont plus élevées (la perception de l'insécurité et l'appréciation du quartier comme un lieu où il ne fait pas bon vivre sont deux fois plus faibles que pour les zones urbaines), tandis que le pourcentage d'accession à la propriété est supérieur (un tiers des ménages en zone rurale possède son logement, contre un quart en zone urbaine).

... certaines régions réalisent le taux de croissance du PIB par habitant le plus élevé d'Écosse...

Dans leur majorité, les régions essentiellement rurales réalisaient des taux de croissance supérieurs à la moyenne de l'OCDE, et certaines se classaient parmi les régions écossaises à la plus forte progression (1998-2003).

Les régions rurales d'Écosse obtiennent un PIB par habitant inférieur (75 % de la moyenne nationale) à celui des régions intermédiaires et urbaines (respectivement 83 % et 103 %, chiffres de 2003) et à celui de nombreuses régions de l'OCDE (elles se situent toutes dans les premier et second quartiles parmi 364 régions rurales dans 26 pays). Toutefois, en termes de croissance et à l'exception de deux régions (Orkney et îles Shetland), toutes les régions essentiellement rurales d'Écosse ont enregistré une croissance positive du PIB par habitant entre 1998 et 2003, et toutes sauf deux (Perth and Kinross, Stirling) réalisaient une croissance supérieure à la moyenne de l'OCDE (1.6 %). Néanmoins, les deux régions qui arrivaient en tête (Inverness and Nairn, West Moray, Badenoch and Strathspey, 5.2 % et Caithness and Sutherland, Ross and Cromarty, 3.8 %) avaient des taux de croissance comparables à ceux des deux régions (urbaines) les plus dynamiques d'Écosse, à savoir North Lanarkshire (5.6 %) et la ville de Glasgow (5.5 %), et supérieurs à la ville d'Édimbourg (3 %), ce qui les classait dans le troisième quartile des régions rurales de l'OCDE en termes de croissance. Les disparités entre régions rurales sont essentiellement liées à la productivité (qui est inférieure à la moyenne nationale dans toutes les régions rurales, mais avec des différences marquées semblables à celles constatées pour le taux de croissance du PIB par habitant) et à la spécialisation dans des secteurs à faible productivité (surtout pour certaines régions qui restent très dépendantes de l'agriculture).

... et connaissent un solde migratoire positif.

Contrairement à la tendance constatée dans les régions rurales de nombreux pays de l'OCDE, les régions rurales écossaises sont des importateurs nets de population depuis la fin des années 80. La population rurale est passée de 19 % en 2001 à 21 % en 2004. Le profil des immigrants dans les zones rurales accessibles est souvent celui de familles jeunes (72 % ont moins de 39 ans, 70 % sont des couples dont 56 % ont un ou plusieurs enfants) exerçant des professions intellectuelles et scientifiques (16 % occupent un poste de direction et 30 % sont cadres ou assimilés) et qui proviennent de zones urbaines d'Écosse (53 %) ou d'une autre région du Royaume-Uni (20 %) ; ils continuent d'entretenir des liens solides avec les zones urbaines, comme en témoigne le niveau élevé des trajets quotidiens domicile-travail (52 % des habitants des zones rurales accessibles vont travailler dans des zones urbaines). Ces immigrants représentent une chance pour les zones rurales, mais posent aussi des problèmes liés aux embouteillages, à la dépendance à l'égard de l'automobile et à la demande accrue de terrains, de logements et de services.

On constate néanmoins un clivage marqué et persistant entre les zones rurales éloignées et les zones rurales accessibles ; certaines régions rencontrent de sérieux défis en termes de vieillissement de la population, d'émigration, de mauvais résultats économiques et de déficit d'accès aux services modernes.

Toutefois, la situation est tout autre dans de nombreuses régions rurales plus éloignées, qui sont en retard sur certains indicateurs et qui obtiennent de moins bons résultats économiques en raison de leur faible population. L'analyse de l'indice de carences multiples révèle que les régions rurales renferment des zones très fragiles, surtout en périphérie et dans les îles, qui sont défavorisées à plusieurs titres (revenu, emploi, compétences et santé) et qui souffrent d'infrastructures inadaptées, du coût élevé des matières premières essentielles et d'un accès difficile aux services de base (30 % des zones où l'offre de services est faible se trouvent dans des régions rurales éloignées). Les îles Hébrides en sont un exemple, puisqu'elles enregistrent un PIB par habitant de 60 % de la moyenne de l'UE, un faible taux de création d'entreprises, de mauvais indicateurs de santé, une émigration nette et un mouvement de la population négatif. Les immigrants vers les zones rurales éloignées d'Écosse sont principalement des personnes âgées qui viennent souvent d'autres régions du Royaume-Uni (30 %), signe du potentiel de ces zones. Ces tendances soulèvent la question du traitement à réserver aux « poches de vieillissement » et suscitent des préoccupations quant aux modes de prestation de service et à leur viabilité.

Le profil économique de l'Écosse rurale évolue, et le secteur des services devance largement le secteur primaire...

Aujourd'hui, l'économie rurale est dominée par le secteur des services qui représentait 43 % de l'emploi en 2004. Le poids de l'agriculture n'a cessé de diminuer au cours des deux dernières décennies. En 2004, elle générait seulement 1.3 % de la valeur ajoutée brute et 11 % de l'emploi rural de l'Écosse, tandis que la part de l'emploi à temps partiel augmente régulièrement.² Ces dernières années, ce secteur a été durement frappé par l'ESB et par la crise de la fièvre aphteuse³ et reste largement tributaire des subventions. Entre 1997 et 2005 et en termes réels, le revenu agricole total était inférieur aux subventions, qui dépassaient 500 millions GRD (prix de 2006), et n'a atteint ce niveau qu'en 2006 (environ 550 millions GRD). L'économie rurale écossaise connaît une

« deuxième vague » de diversification, qui se distingue de la « première vague » en ce qu'elle n'est plus uniquement liée aux ménages agricoles, mais aussi à l'essor du secteur du logement et aux créations d'entreprises. Cette tendance se reflète dans la création d'entreprises dans les secteurs de la construction (+610 entreprises) et des services immobiliers (+1 525 entreprises) dans les zones essentiellement rurales entre 2000 et 2006. Néanmoins, les entreprises sont souvent petites et opèrent dans des créneaux spécialisés, et les emplois les mieux rémunérés se concentrent toujours dans les principaux centres urbains.

... tandis que le tourisme, la sylviculture et la production d'énergie tirent parti des ressources naturelles et culturelles abondantes du pays et de la hausse de la demande nationale et internationale.

En Écosse, les régions rurales couvrent 98 % des terres et abritent des sites naturels de grande valeur : paysages caractéristiques (il existe 40 sites nationaux protégés), forêts (elles couvrent 17 % de l'Écosse), montagnes, îles, plages, biodiversité. Le patrimoine culturel et historique est également remarquable. Malgré le climat souvent rude, ce patrimoine procure à l'économie rurale des flux de revenus liés aux loisirs et au tourisme (secteur qui compte déjà 7 600 entreprises dans les régions essentiellement rurales et qui fournit respectivement 14 % et 9 % des emplois dans les zones rurales éloignées et accessibles) et aux activités de production durable telles que les produits forestiers (la production de bois de conifères a triplé entre 1980 et 2000) et l'énergie renouvelable (qui dès 2004 représentait 11.5 % de la production d'électricité en Écosse, contre 3.8 % au Royaume-Uni et dont la part provenant de sources telles que l'énergie éolienne, marémotrice, solaire, thermique et la bioénergie est passée de 0.6 % à 2.6 % en 2004). Toutefois, l'impact sur l'environnement du développement des zones rurales (urbanisation, pollution sous l'effet de l'augmentation des trajets quotidiens) et le conflit possible entre les différentes utilisations des actifs naturels (pour le tourisme et la production d'énergie) suscitent l'inquiétude.

En résumé, l'analyse de l'Écosse rurale révèle un haut degré d'hétérogénéité spatiale, nécessitant une politique souple qui s'adapte aux opportunités et aux besoins des différentes zones.

L'analyse met en lumière la nécessité, pour les pouvoirs publics, d'apporter une réponse souple et adaptée aux diverses caractéristiques des régions rurales.

1. **Atouts** : de nombreux atouts de l'Écosse sont ruraux par nature, notamment : un vaste territoire pourvu de nombreuses ressources naturelles et culturelles ; des niveaux de vie élevés, un capital social spécifique et des traditions culturelles ; une économie stable et relativement diversifiée, dont les indicateurs de l'emploi et de l'entrepreneuriat sont bons.
2. **Les opportunités** incluent une forte croissance démographique et une migration nette positive de « *néo-ruraux* », des secteurs en plein essor comme le tourisme et l'énergie renouvelable, un potentiel d'intensification des interactions et des échanges entre les zones urbaines et rurales et avec l'étranger.
3. Les **faiblesses** spécifiques à certaines zones rurales les plus éloignées englobent un niveau de PIB par habitant plus faible et qui stagne, un coût de la vie, des coûts de transport et de logement plus élevés ; la dépendance à l'égard de l'automobile et un moindre accès aux services par ailleurs de moins bonne qualité ; la faible productivité de la main-d'œuvre, la prédominance d'emplois peu qualifiés et la dépendance à l'égard des subventions agricoles.
4. Les **menaces** résultent principalement du dépeuplement et du vieillissement, surtout dans certaines zones périphériques ; à ceci s'ajoutent le coût et la suppression de services de base, ainsi que les perspectives de réforme de la PAC et de réduction des fonds structurels de l'UE.

L'approche écossaise de la politique rurale est innovante et évolue rapidement, mais continue de pâtir d'une orientation sectorielle...

L'approche de la politique rurale en Écosse évolue constamment depuis les années 60. Plusieurs réformes menées au niveau de l'UE et du Royaume-Uni sont à l'origine de ce processus. Sous l'effet de la dévolution des pouvoirs accordée en 1999, l'Écosse compte désormais son propre chapitre dans la Stratégie de développement rural du Royaume-Uni ainsi que son propre

Programme pour le développement rural. Le gouvernement écossais (anciennement « Exécutif écossais ») a publié en 2000 son premier document consacré à la politique rurale intitulé *Rural Scotland – A New Approach*. Ce document soulignait la nécessité d'engager des politiques qui soient davantage axées sur les résultats et qui privilégient la collaboration ; il fixait comme priorités la diversification, la croissance des entreprises rurales, l'augmentation des salaires et l'offre de meilleurs services. Cette orientation stratégique est reprise dans le dernier document consacré à la politique rurale publié par le gouvernement, *Rural Scotland: Better Still, Naturally*.

La politique rurale écossaise telle qu'elle est mise en œuvre aujourd'hui s'appuie sur une approche assez centralisée, nuancée par la pratique de la consultation avec les parties prenantes à l'échelon national et par une orientation secteur par secteur plutôt que territoriale. Cette approche procure des atouts considérables, notamment l'attention accrue que les responsables politiques accordent à tous les aspects de la vie rurale, au-delà de l'agriculture. Néanmoins, et en dépit d'importantes innovations engagées ces dernières années, cette approche montre de plus en plus ses limites et la nécessité d'une réforme.

Les questions essentielles sont les suivantes : 1) faible intégration des politiques rurales, régionales et sectorielles ; 2) mécanismes de mise en œuvre complexes tant à l'échelon national que local, et hétérogénéité des classifications opérationnelles des zones rurales à des fins politiques ; 3) haut niveau de dépenses publiques consacrées à l'agriculture et focalisation sur l'environnement à l'avenir ; 4) participation locale modeste et adaptation du Plan de développement rural aux situations locales spécifiques.

... d'une faible intégration des politiques rurales, régionales et sectorielles...

Comme nous l'avons vu, l'Écosse s'est dotée d'un document officiel définissant une stratégie de développement rural. Toutefois, dans la pratique, chaque secteur poursuit des objectifs et des priorités qui lui sont propres et aborde la problématique rurale sous un angle spécifique, ce qui pose des problèmes de cohérence entre eux, d'intégration et de visibilité. La politique rurale apparaît comme une politique subsidiaire dans chaque secteur. Les différences d'approche entre les *Enterprise Networks* (réseaux d'entreprises qui fédèrent les interventions de l'agence *Scottish Enterprise* et de l'agence gouvernementale *Highlands and Islands Enterprise*) et le gouvernement écossais illustrent l'existence de disparités dans la définition des politiques d'un secteur à l'autre. La question de la cohérence et de l'intégration des politiques ayant une incidence sur les zones rurales ne se limite pas à la sphère

nationale. Les politiques de développement rural au sein de l'UE s'inscrivent dans un cadre de multigouvernance qui fait intervenir plusieurs strates d'acteurs institutionnels, à différents niveaux, qui participent à la définition et à la mise en œuvre des politiques. Bien que liés au plan administratif, tous ces composants ne suivent pas une vision ou une approche unifiée. Le cadre national n'est pas pleinement intégré au cadre de l'UE, qui juxtapose différents ensembles de règlements, d'obligations de conformité et de procédures.

... et d'un système de déploiement complexe et segmenté, tant à l'échelon national que local.

Plus d'une centaine d'agences travaillent sur les questions de développement rural, mais il n'existe pas d'entité unique chargée des zones rurales ni de politique globale et spécifique pour ces zones. Au niveau national, le Comité ministériel sur le développement rural se charge depuis 2000 de coordonner les politiques en faveur des zones rurales. À l'échelon local, 32 *Community Planning Partnerships* ont été mis en place en 2003 ; ces entités locales chargées de hiérarchiser les priorités soutiennent les approches complémentaires et la mise en œuvre par les prestataires de service. En outre, plus de 60 *Rural Partnerships* déploient des plans d'action communautaire en Écosse. Cette multiplication d'agences génère un chevauchement des approches et des modes opératoires, chacune prétendant avoir son propre domaine de compétence, exercer des fonctions originales et bénéficier d'appuis.

Tous les observateurs reconnaissent que l'organisation actuelle est à la fois coûteuse et inefficace et qu'il faut trouver un « ciment commun ». Pour compliquer ce système de déploiement déjà complexe, l'approche secteur par secteur rajoute une multitude de « cultures sectorielles », chacune ayant son propre mode de prestation et ses propres indicateurs de performance établis par le ministère de tutelle. Le principal problème est donc l'extrême complexité du système de conception et d'application de la politique rurale. Cette approche très segmentée aux niveaux national et infranational ne semble pas être à même de « régionaliser » les interventions au sein d'une même zone, ni de créer des liens horizontaux efficaces entre agences au profit d'actions communes.

Dans l'ensemble, le SRDP est une bonne stratégie qui définit des objectifs clairs, mais certains s'inquiètent du niveau élevé des dépenses consacrées à l'agriculture, de sa viabilité et de l'orientation choisie en faveur de l'environnement...

Le plan stratégique pour une politique de développement rural durable, objet du document *Rural Scotland: Better Still, Naturally*, est contenu dans le Programme pour le développement rural de l'Écosse (SRDP) 2007-2013. Le SRDP est une stratégie globale qui prend en compte les différents besoins des zones rurales, mais les crédits budgétaires ne reflètent pas pleinement cette vision. Même si des changements sont possibles à moyen-long terme, l'agriculture écossaise reste fortement subventionnée. Dans le cadre du 2^e pilier de la Politique agricole commune (PAC), les données officielles indiquent que les ressources disponibles pour financer le SRDP entre 2007 et 2013 avoisineront les 1.6 milliard GRD, dont 1.1 milliard GRD proviendra du gouvernement écossais. 1 124 millions GRD seront consacrés à l'axe 2 (amélioration de l'environnement et des paysages grâce à la gestion des terres). Cela signifie que la politique rurale (dans le cadre de l'UE) se concentrera principalement sur la dimension environnementale, et que les autres options suggérées par ce programme sont largement écartées. Par conséquent, les interventions dans le cadre de l'UE ont une orientation agricole très marquée. Les interventions territoriales en faveur de la diversification de l'économie rurale, objet du troisième axe et ciblant l'ensemble de la population rurale, représenteront 16 % du budget total alloué aux politiques rurales et sont donc aussi destinées en partie aux agriculteurs.

Même si les programmes nationaux de dépenses peuvent intégrer des mesures non financées par le PDR, les décisions prises concernant les ressources de l'axe 2 traduisent un choix stratégique clair en faveur de la production de biens publics environnementaux dans les zones rurales par les exploitants agricoles et les gestionnaires de terres. Cette répartition budgétaire paraît déséquilibrée, surtout par rapport aux politiques précédentes et aux évolutions socioéconomiques actuelles de l'Écosse rurale. Les approches régionales et locales du développement rural adoptent une vision mieux définie et multisectorielle de l'environnement. Elles impliquent qu'un « équilibre » doit s'établir entre les objectifs environnementaux, économiques et sociaux dans les zones rurales, car les paiements environnementaux ne devraient pas avoir beaucoup d'incidence sur la croissance et la création d'emplois. On ne sait pas encore si la vision plus globale exposée dans le document *Rural Scotland, Better Still, Naturally* pourra, dans la pratique, rééquilibrer et intégrer l'approche sectorielle du SRDP avec les composants régionaux et nationaux de la politique rurale.

... et de la valorisation insuffisante des deux principaux programmes de développement rural.

L'axe 2 du SRDP absorbe environ 70 % des financements totaux du Programme, dont l'essentiel alimente le Programme de soutien des zones les moins favorisées (LFASS) et les Contrats de développement rural (RDC – anciennement Contrats de gestion des terres). Ces deux programmes sont des mécanismes de mise en œuvre horizontaux et autonomes. Alors que les RDC s'adressent à une large gamme de bénéficiaires, et pas seulement aux exploitants agricoles et sylvicoles, le LFASS est réservé aux agriculteurs et aux petits fermiers qui remplissent certains critères d'admissibilité. La logique du LFASS consiste à indemniser les exploitants situés dans des zones souffrant de certains handicaps agricoles. Mais comme le LFASS couvre 85 % des terres agricoles en Écosse qui sont essentiellement consacrées au pâturage extensif des bovins et des ovins, cette large couverture en fait dans la pratique une mesure horizontale. Le programme LFASS pour la période intermédiaire 2007-09 envisage une redistribution des crédits des zones « standard » aux zones « très fragiles ». Le principal composant de cette mesure, de nature purement compensatoire, n'est adossé à aucune autre action complémentaire (tourisme, produits du terroir) ou dépassant cette vision fataliste du handicap agricole.

Le déploiement à grande échelle des Contrats de développement rural (CDR)⁴ doit favoriser l'émergence d'un secteur agricole durable, qui est essentiel au développement rural et qui contribue à une bonne gestion des terres. Les CDR s'ancrent dans la réforme de la PAC de 2003 (par le biais des Contrats de gestion des terres) et jouent aujourd'hui un rôle central dans le SRDP en soutenant financièrement les initiatives générant des avantages environnementaux, économiques et sociaux. Le problème des CDR est qu'ils s'adressent à un large éventail de bénéficiaires, et pas seulement aux secteurs de l'agriculture et de la sylviculture. Aucune initiative collective visant à fédérer les RDC par type de bénéficiaire n'a été engagée à ce jour, à l'exception de liens possibles avec les *Rural Partnerships*. Le couplage avec les *Leader Groups*, qui aurait resserré les liens entre exploitants agricoles, gestionnaires de terres et économie rurale au sens large, un temps envisagé lors des consultations en vue du SRDP, n'a pas été retenu.

La centralisation et le manque de participation ascendante à la définition des politiques rurales entravent la conception de mesures adaptées aux différentes régions de l'Écosse rurale.

Avant la dévolution, les régions et les zones rurales pouvaient définir leurs propres stratégies et l'ensemble des politiques les mieux adaptées à leurs atouts et à leurs faiblesses, et négocier les financements nécessaires dans le cadre des Fonds structurels, mais la dévolution et le cadre instauré par l'Agenda 2000 ont profondément modifié la gouvernance de la politique rurale. Après la dévolution, la consultation des différentes parties prenantes a beaucoup progressé. À cet égard, la transparence du processus de planification s'est améliorée. Un groupe de haut niveau réunissant les parties prenantes a été mis en place (le Groupe des protagonistes du Programme pour le développement rural de l'Écosse) afin d'impliquer les collectivités locales dans la préparation du SRDP. Plusieurs programmes novateurs d'inspiration locale (comme le programme « *On the Ground* ») ont été lancés, et un Comité ministériel sur le développement rural a été créé. Toutefois, les décisions relatives à la conception des politiques sont prises à l'échelon national. Le système actuellement en vigueur pour définir les politiques rurales, largement inspiré par l'UE, n'associe pas réellement les dirigeants locaux et ne stimule pas la créativité et l'innovation, mais encourage au contraire le recours aux subventions ; les acteurs locaux se plient aux stratégies imposées d'en haut afin d'obtenir des ressources, même si elles ne correspondent pas exactement aux besoins sur leur territoire. Il existe de nombreux exemples de mauvaise adaptation de la politique sectorielle aux conditions locales, notamment dans le domaine du logement et des transports.

L'Écosse a besoin d'une politique de développement rural spécifique et intégrée, reposant sur un système de mise en œuvre local et décentralisé...

L'adoption d'une approche secteur par secteur pouvait être justifiée lorsque la politique rurale avait pour vocation essentielle de répondre aux besoins de l'agriculture. Aujourd'hui, cette approche n'est probablement plus de mise compte tenu de l'évolution des zones rurales écossaises et du cadre de l'UE. L'Écosse devrait travailler à une vision claire de la politique pour l'ensemble des zones rurales, qui soit à la fois globale et intégrée, capable d'associer des approches sectorielles et territoriales et de favoriser les liens et les échanges entre le secteur agricole (exploitants et gestionnaires de terres) et les autres sphères de l'économie rurale. La convergence des politiques

sectorielles dans une politique cohérente pour les zones rurales peut advenir progressivement.

Du point de vue de la mise en œuvre, une vision globale et spécifique de la politique rurale peut s'appuyer sur la « régionalisation » ou la « décentralisation » des mécanismes de déploiement, accompagnée d'une différenciation géographique des zones rurales (macro ou micro régions). Les guichets uniques ont été expérimentés avec succès en Écosse, mais leur rôle se limite à faciliter l'accès administratif aux programmes existants et ils opèrent à petite échelle territoriale (micro échelon). Ils pourraient nouer des liens avec d'autres agences locales, élaborer des activités conjointes de supervision et de suivi de projets multisectoriels, et fournir à l'administration centrale un retour d'information sur les besoins intégrés. La simplification des mécanismes de déploiement complexes devrait suivre la logique de la « vision rurale » retenue : si une approche locale et décentralisée est choisie, les agences sectorielles à l'échelon local devront former des partenariats et coordonner leur travail à ce niveau. Cela devrait permettre d'améliorer l'efficacité de la coordination actuelle, qui se concentre au niveau de l'administration centrale.

... sur une coordination plus poussée des politiques sectorielles et territoriales...

Décloisonner l'administration centrale doit être une priorité politique explicite. L'intégration horizontale doit être renforcée afin de trouver un équilibre entre les besoins et les secteurs et de relayer ainsi l'action du Comité ministériel. C'est un processus tant administratif que politique qui exige d'aller au-delà de la rhétorique de l'administration collective. Aucun acteur ni secteur ne doit être dominant, mais ils doivent s'autoéquilibrer. La « régionalisation » de la définition des politiques peut faciliter l'intégration spontanée de différents secteurs à l'échelon local. Dans un deuxième temps, ces stratégies locales peuvent être « fédérées » au niveau national, en coordonnant et en comprenant les besoins stratégiques différents des régions, afin que chaque politique « sectorielle » les intègre dans sa programmation. La régionalisation de l'approche politique actuelle devrait compléter la classification des zones rurales en vigueur : en réalité, toutes les zones éloignées ne suivent pas la même évolution, et les zones accessibles sont sensibles aux changements qui se produisent dans les centres urbains qui servent de référence. Une différenciation interne des zones rurales écossaises en fonction des zones de politique « régionale » fournira de meilleures informations sur les facteurs qui pénalisent les zones rurales. La visibilité d'une politique rurale spécifique et globale serait renforcée par l'élaboration d'un système de classification informatique des dépenses publiques, qui

permettrait de quantifier le « budget rural » pour tous les secteurs. Cela contribuerait à contrôler et à évaluer en interne la politique rurale. Par ailleurs, cette initiative conférerait une transparence aux diverses composantes de la politique rurale, surtout vis-à-vis de l'extérieur.

... et sur un partenariat renforcé et des approches adaptées aux spécificités locales.

Il est essentiel d'adopter une approche de la politique rurale qui soit adaptée aux circonstances locales et des programmes caractérisés par une participation locale plus large et une implication plus forte des parties prenantes. Le processus de consultation complète mais ne remplace pas la participation, la délibération, la négociation et l'accord des parties prenantes. Malgré le changement récent d'approche, le système actuel continue de miser sur les exploitants agricoles et les gestionnaires de terres au lieu d'associer tous les acteurs ruraux sur un pied d'égalité. La création de mécanismes efficaces aux différents échelons institutionnels pour accompagner les pratiques de consultation représente un enjeu décisif. Le renforcement de la participation locale et de l'implication des parties prenantes sont des conditions essentielles pour améliorer le partage des connaissances et accroître l'efficacité des politiques, mais aussi pour favoriser la cohésion sociale. Des travaux sont en cours pour mettre en place un Réseau rural national en Écosse afin d'appuyer et de faciliter la mise en œuvre du programme pour 2007-13. Ce Réseau regroupera les organisations et administrations impliquées dans le développement rural. La réussite de cette initiative conditionnera en grande partie la capacité du gouvernement écossais de dialoguer avec différents groupes d'intérêts sur les questions relatives au développement rural et rural-urbain.

Une approche de la politique rurale fondée sur l'adhésion et la participation aurait tout à gagner de l'établissement de mécanismes collectifs novateurs sur le modèle du programme LEADER qui s'est avéré efficace pour promouvoir le consensus, la cohérence et l'intégration des politiques rurales. Les enseignements tirés de son succès pourraient servir à renforcer d'autres initiatives reposant sur le partenariat (telles que les *Community Planning Partnerships*). En outre, la discussion sur l'avenir des paiements en faveur des zones les moins favorisées doit intégrer la nécessité de restructurer cet instrument pour le rendre plus réactif aux besoins du monde rural au sens large. Leur nature compensatoire des handicaps ruraux doit certes tenir compte des handicaps de nature physique, mais aussi de la valorisation des produits et des activités susceptibles de fournir des revenus supplémentaires aux exploitants agricoles en les ancrant dans l'économie rurale. Dans la même logique, trois orientations pourraient être envisagées pour les CDR :

1) promouvoir les échanges régionaux et la constitution de réseaux entre les gestionnaires de terres pour qu'ils améliorent collectivement leur base de connaissances sur l'environnement ; 2) encourager les échanges entre les CDR et les groupes d'action/partenariats locaux en vue de permettre l'intégration entre les exploitants agricoles et les activités rurales au sens large ; 3) impliquer les agences chargées de la gestion des CDR dans la mise en œuvre ou le soutien d'autres mesures en faveur du monde rural.

La stratégie écossaise de développement rural doit rééquilibrer les interventions,...

La stratégie écossaise de développement rural doit rééquilibrer les interventions afin de répondre aux divers besoins des régions rurales. Les décisions d'affectation des ressources de la PAC semblent considérer les questions d'environnement sous un angle étroit. Dans la vision actuelle, la dimension environnementale est appréhendée essentiellement en termes de biens collectifs que les exploitants agricoles et les gestionnaires de terres pourraient fournir à la société. La durabilité environnementale est un concept plus large qui doit englober l'ensemble des activités exercées dans une zone donnée. Compte tenu de l'approche sectorielle suivie par la politique rurale écossaise dans le cadre de la politique agricole de l'UE, les autres composantes de la politique rurale devraient poursuivre d'autres objectifs tels que la compétitivité de l'agriculture, de la sylviculture et de l'industrie alimentaire, ainsi que la qualité de vie et la diversification de l'économie rurale. Cela compléterait les interventions environnementales et « rééquilibrerait » les différents axes de la politique de développement rural avec d'autres sources de financement. À défaut, focaliser la politique rurale sur les interventions environnementales paraît un choix risqué, au plan de la viabilité financière à moyen-long terme et pour une deuxième raison : une telle vision part toujours de l'idée que les zones rurales sont peuplées exclusivement d'agriculteurs et de gestionnaires de terres, alors que l'analyse contextuelle et les tendances actuelles montrent que la prospérité croissante de la population rurale écossaise repose sur le développement économique de secteurs spécifiques qui ont souvent moins de liens ou de complémentarités avec les paiements environnementaux qu'on ne le pense à l'heure actuelle.

En l'absence de ce rééquilibrage, les paiements environnementaux qui privilégient une vision non productive de l'espace rural pourraient décourager la diversification de l'économie rurale, en dissuadant les entreprises locales de trouver des sites industriels et de recruter, ou en maintenant la demande de services au-dessous d'une masse critique minimale, récompensant une mentalité de « rentier ». À l'inverse, si la gestion des « biens » environnementaux est équilibrée, ils pourraient produire des effets de diversification qui se

renforcent mutuellement avec l'économie rurale au sens large et améliorer la qualité de vie.

... tenir compte du caractère particulier des hautes terres et des îles et s'employer à rehausser l'image du sud de l'Écosse...

La politique rurale en Écosse privilégie les hautes terres et les îles qui à la fois représentent la région la plus éloignée du pays et couvrent la majeure partie du territoire rural. Mais en termes démographiques, la plupart des Écossais ruraux vivent en dehors de ces régions, et leurs problèmes de développement doivent également faire partie de la politique rurale. Les hautes terres font l'objet de mesures spéciales, notamment la création du Conseil de développement des hautes terres et des îles (aujourd'hui H&I Enterprise, HIE). L'attention accordée aux hautes terres et aux îles a porté ses fruits : après plus d'un siècle de déclin, la région a amorcé un redressement et le recensement de 1971 a enregistré une augmentation de la population pour la première fois en un siècle. Les hautes terres et les îles ont vu leur population croître de 15 % entre 1961 et 2001 et de 1.7 % entre 2001 et 2005. De même, le chômage est aujourd'hui plus faible (2.4 %) que dans le reste de l'Écosse (2.8 %). Des initiatives telles que l'*University of the H&I* doivent être poursuivies avec plus de vigueur pour exploiter ce succès et stimuler l'économie afin d'optimiser les ressources naturelles et culturelles et tirer parti de l'essor de l'économie du savoir.

Des efforts similaires pourraient être déployés pour relever les défis du sud de l'Écosse, qui selon de nombreux observateurs souffre de l'orientation des dépenses publiques sur les hautes terres et les îles et sur la ceinture centrale. L'exclusion sociale dans le sud de l'Écosse, de par ses particularités qui le distinguent d'autres régions et des zones urbaines écossaises, est un problème lancinant qui doit être analysé et traité en profondeur. Il faut renforcer les capacités des collectivités locales et investir dans les réseaux économiques locaux afin de forger une identité positive plus forte associée à la qualité de vie et au cadre naturel. Les transports et les services aux entreprises seront essentiels à cette fin. On doit aussi envisager de rétablir un organe (tel que le *South of Scotland Forum*) doté d'une structure similaire à celle de *H&I Enterprise*.

... et promouvoir les réseaux et les liens plus étroits avec les homologues au Royaume-Uni et à l'étranger.

Une meilleure diffusion des bonnes pratiques locales serait profitable à la politique rurale de l'Écosse. La quantité et la qualité des innovations dans les zones rurales écossaises sont remarquables et devraient être mieux exploitées. Du côté des praticiens, seuls les groupes LEADER participent à la formation de réseaux et au transfert de connaissances sur le développement rural, principalement avec d'autres groupes européens. Il est important d'encourager un partage plus large des connaissances et des informations parmi les zones rurales écossaises et d'accroître les échanges avec d'autres acteurs locaux, tant en Écosse qu'à l'étranger. L'Écosse possède une riche expérience en matière de prestation d'expertise sur les politiques de développement rural auprès des organisations nationales, internationales et de l'UE. Ce capital intellectuel bâti au fil des ans par les universités, réseaux de recherche et cabinets de consultants en Écosse constitue un actif qu'il s'agit de valoriser au mieux avec les praticiens et les décideurs locaux. Les responsables de la politique rurale en Écosse gagneraient également à resserrer les liens avec leurs homologues au Royaume-Uni et à l'étranger. Le cadre de multigouvernance actuel (UE + RU + National) peut offrir l'occasion de présenter de manière plus pertinente et cohérente la politique rurale écossaise et ses particularités à des autorités politiques et institutionnelles extérieures. Cette initiative améliorerait la visibilité externe de la politique écossaise en augmentant sa reconnaissance interne par les parties prenantes, et contribuerait également à la discussion et à la diffusion des innovations de la politique locale à l'échelon mondial.

Les principales priorités de la politique rurale de l'Écosse incluent :

Remédier à la pénurie de logements en milieu rural et répondre à la demande croissante d'espace pour divers usages en s'attaquant directement à la rigidité des règlements sur l'utilisation des terres.

La réforme agraire, le logement et la petite agriculture sont des caractéristiques spécifiques des zones rurales écossaises. Ce sont des axes de la politique de développement rural parce qu'ils sont liés à un problème fondamental : la rareté des terres disponibles et la rigidité des règlements sur l'utilisation des terres qui agit comme un frein, alors même que les ressources physiques sont très abondantes, et qui limite les possibilités de diversification des activités et d'existence dans les zones rurales. Malgré la modernisation, le

régime foncier reste fortement concentré et la réglementation sur l'utilisation des terres est toujours très rigide. Par conséquent, les décisions de gestion et de reconversion des terres échappent souvent à la population locale. Cette situation est très différente de celle qui prévaut dans d'autres pays d'Europe.

En Écosse, les propriétaires fonciers, et surtout les plus grands, ont vu dans les politiques protectionnistes, puis dans la PAC une source de rente importante qui a conduit à l'appréciation de la valeur de leurs terres. Pour cette raison et pour d'autres, les propriétaires fonciers sont peu enclins à vendre ou à diversifier leurs activités. Le Cadre national de planification souligne que la diversification économique est décisive pour l'avenir de l'Écosse rurale, et les politiques mises en œuvre ont eu recours à des instruments indirects pour soutenir le logement rural (subvention du logement social pour les familles à faibles revenus ou d'autres groupes prioritaires, ou du coût des ferries qui transportent les matériaux de construction). Mieux vaudrait s'attaquer à ce goulot d'étranglement par des mesures directes.

La loi sur la réforme agraire votée après la dévolution avait pour objectif explicite de supprimer les obstacles au développement durable liés au régime foncier. À la différence des réformes agraires traditionnelles, ce ne sont plus les individus qui possèdent la terre, mais l'ensemble de la collectivité. Sur les 170 achats collectifs de terres réalisés en Écosse entre 2003 et 2006, 18 cas seulement ont donné lieu à une gestion intégrale générant des résultats économiques. Il est essentiel de fixer des objectifs clairs pour l'offre de terres et de logement, de mesurer les effets des changements législatifs et d'engager les actions supplémentaires nécessaires pour garantir que les objectifs seront atteints.

La petite agriculture joue un rôle important, surtout dans les hautes terres et les îles, pour maintenir la population dans les zones rurales grâce aux soutiens publics, en contrôlant les revenus et en garantissant une certaine sécurité, et indirectement comme mécanisme d'accès au logement en milieu rural. Face à la rigidité de la réglementation sur l'utilisation des terres, la protection de la petite agriculture ne serait pas justifiée dans une logique sectorielle, mais le serait davantage si l'on tient compte des besoins de logements en zone rurale. Pour l'observateur externe, le rôle de la petite agriculture aujourd'hui et l'attention politique que suscite ce régime foncier se justifient non pas tant par les fonctions agricoles qu'elle accomplit, qui sont en déclin, que par le fait qu'elle offre la possibilité de vivre et de travailler dans d'autres secteurs des zones rurales.

Élaborer une politique de prestation de services et des stratégies d'investissement correspondantes afin de relever les défis associés à la qualité de l'éducation, aux soins de santé d'une population vieillissante et aux améliorations des infrastructures de transport en zone rurale.

La prestation de services est un facteur essentiel de cohésion sociale et de compétitivité pour l'Écosse rurale. Le gouvernement écossais s'est engagé à fournir un niveau de service en zone rurale qui soit comparable à celui en zones urbaines. Par exemple, la Stratégie nationale de transport pour l'Écosse reconnaît la nécessité pour les collectivités rurales d'avoir un meilleur accès aux services. Tenir cet engagement n'est pas chose aisée. La population rurale écossaise vieillit rapidement et le taux de natalité est inférieur au seuil de renouvellement des générations. En outre, la densité de peuplement du territoire rural est faible, et les habitants vivent dans de petits villages dispersés. Une politique moderne et multisectorielle de développement des zones rurales écossaises doit s'appuyer sur une stratégie d'investissement soigneusement étudiée et géographiquement différenciée dans les principaux domaines de services publics : l'éducation, les soins de santé, et les transports publics.

L'éducation est un défi de taille pour les zones rurales. Au crédit de l'Écosse, les statistiques actuelles indiquent que les zones rurales obtiennent de meilleurs résultats que les zones urbaines. Cela laisse penser que l'Écosse parvient d'ores et déjà à dispenser un enseignement de grande qualité dans les petites villes éloignées. Mais à l'heure où des habitants s'implantent dans des zones encore plus isolées et où l'échelle optimale minimale pour fournir une éducation de qualité augmente, il s'avère difficile de conserver un enseignement de haut niveau. L'Écosse vient de lancer un programme visant à maintenir les petites écoles en zone rurale. L'Université des hautes terres et des îles (UHI) en cours de formation constitue une avancée décisive pour l'enseignement supérieur ; sa structure collégiale et décentralisée avec une présence dans les principales îles et petites villes de la région, ainsi que l'implantation de centres d'apprentissage ruraux dans de nombreux endroits éloignés fournissent un exemple de réponse innovante aux besoins éducatifs des régions rurales.

Les soins de santé posent un problème croissant dans les zones rurales. Le vieillissement de la population nécessite de réaliser de nouveaux investissements onéreux dans des infrastructures conçues pour répondre aux besoins de santé spécifiques de personnes plus âgées. Toutefois, en l'absence de transformations majeures dans la structure démographique, la demande maximale pour ce type d'infrastructures retombera dans moins de deux décennies, générant un excédent de capacités. En outre, toute extension des infrastructures devra s'accompagner de personnel supplémentaire pour les

exploiter, alors que de nombreuses zones rurales sont déjà proches du plein emploi. Dans ce contexte, on voit mal d'où pourraient venir ces nouveaux travailleurs de santé, surtout face au taux élevé d'émigration des jeunes âgés de 18 à 30 ans. L'Écosse est consciente depuis longtemps des difficultés posées par l'offre de soins de santé dans les zones rurales éloignées, et a innové pour relever ce défi. Malgré les efforts visant à améliorer la santé en milieu rural, le recrutement et la conservation de médecins et d'autres professionnels de santé demeurent problématiques. Deux solutions liées entre elles peuvent être envisagées. La première est d'accroître l'utilisation des techniques à distance pour le diagnostic, la consultation et la formation. La deuxième est de recourir à du personnel paramédical pour épauler les médecins généralistes. Ces techniques permettraient de réduire les coûts et d'atténuer les problèmes de recrutement, tout en évitant la fermeture des cliniques et des petits hôpitaux en zone rurale.

Les transports publics constituent à la fois un défi et un facteur qui complique la résolution des autres problèmes de services publics. Les transports en zone rurale sont essentiels pour permettre le déplacement des personnes et des biens et pour accroître la taille des marchés du travail locaux. Des transports performants sont indispensables à chacun des secteurs stratégiques de l'Écosse (voir les sections ci-dessous consacrées à l'agriculture, au tourisme, à la sylviculture et à l'énergie). L'Écosse s'est engagée à développer les transports collectifs afin d'inciter ses habitants à se détourner de l'automobile. Cette stratégie est cohérente avec la politique fiscale sur les carburants automobiles au Royaume-Uni. Dans les zones urbaines, cette stratégie est compensée par des investissements considérables dans les autobus et d'autres modes de transports publics qui offrent une alternative raisonnable à la voiture. En zone rurale, le potentiel de développement des transports publics est moindre, et l'amélioration de l'état des routes est un enjeu majeur. Sur les îles, les ferries jouent un rôle similaire.

Les coûts élevés des transports et les difficultés d'accès constituent un handicap de taille pour les entreprises, les touristes et les citoyens écossais. Le gouvernement s'est engagé à améliorer l'accès aux routes et aux ferries et à développer les liaisons aériennes régionales susceptibles de désenclaver les communautés isolées. Le gouvernement possède et subventionne plusieurs aéroports à Inverness et, dans les hautes terres et les îles, exploite des programmes tels que le « Air Discount Scheme », qui accorde aux résidents de plusieurs régions rurales éloignées une réduction de 40 % sur les tarifs aériens standard. Les obligations de service public applicables à certaines lignes aériennes contribuent de manière significative à améliorer l'accès des régions isolées aux services et leur intégration sociale. Néanmoins, les coûts élevés de ces infrastructures de transport en privent encore de nombreuses régions. Si le problème des transports n'est pas résolu, la nécessité de se tourner vers des

régions plus éloignées pour obtenir des services alourdira les coûts pour la population locale, même si les dépenses publiques directes peuvent s'en trouver allégées. Des programmes novateurs de prestation de services en milieu rural ont été élaborés et doivent être renforcés. Les *Community Planning Partnerships* peuvent contribuer à fournir des services locaux plus axés sur les usagers, offrant ainsi une « variante » appréciée à la politique de l'administration centrale. Les autres initiatives qui méritent d'être généralisées incluent le programme *Closing the Opportunity Gap* et les efforts actuels consacrés aux 22 zones prioritaires de service rural (RSPA) identifiées selon l'indice de carences multiples.

Le développement économique et la diversification des régions rurales écossaises ne passent pas seulement par l'agriculture...

Dans certaines régions d'Écosse, l'agriculture reste une activité rentable, et on constate que les investissements, la productivité et la concentration des exploitations agricoles y sont plus élevés. Pour que l'agriculture reste viable dans cette partie du pays, il faut encourager le passage à des structures davantage axées sur le marché. Cette transition implique la concentration des exploitations et l'intensification de la production, accompagnées d'une gestion plus efficiente. Mieux gérer signifie augmenter le rendement des investissements agricoles, mais aussi pratiquer une agriculture qui n'ait pas d'effet néfaste sur l'environnement. L'analyse révèle l'existence d'un fort potentiel de développement économique et de diversification des régions rurales écossaises, qui ne se limite pas à l'agriculture, même s'il lui est parfois associé. Ce potentiel inspire les conseils de planification sur les possibilités de diversification rurale. Pour la grande majorité des exploitations agricoles écossaises, le fonctionnement à petite échelle, les conditions climatiques et de sol défavorables et l'éloignement des marchés se conjuguent pour empêcher toute agriculture commerciale rentable.

En principe, la plupart des exploitants agricoles écossais devraient bénéficier de la réorientation des fonds de la PAC du soutien direct à la production en faveur d'une aide plus générale à l'agriculture (multifonctionnalité) qui augmente les crédits pour les zones marginales. Les paiements directs traditionnels privilégient clairement les grandes exploitations implantées dans des zones très productives. L'évolution de la réglementation sur les zones les moins favorisées conditionnera l'avenir de l'agriculture écossaise et le rôle qu'elle joue dans le développement rural. Une question importante est de savoir si le soutien des zones les moins favorisées se détournera du simple maintien des exploitations dans les zones souffrant de handicaps productifs au profit de la contribution de ces exploitations à l'économie rurale au sens large. Dans certaines régions d'Écosse, le principal intérêt de l'agriculture est probablement sa contribution à la préservation des paysages. Les paiements agricoles ou en

faveur de programmes d'agriculture extensive peuvent contribuer à protéger les pâturages existants générateurs de revenus touristiques. L'agriculture ne fournit peut-être plus une source directe de revenus dans les collectivités rurales, mais sa présence permet de développer un tourisme dynamique qui associe agrotourisme, randonnée pédestre, observation des oiseaux et de la faune et autres activités de loisirs qui tirent parti du paysage spécifique.

... il faut développer un tourisme de niche,...

L'industrie touristique connaît une forte croissance et l'Écosse rurale, avec son identité et ses ressources spécifiques, est bien positionnée pour profiter de cet essor, mais des investissements seront nécessaires pour concrétiser ce potentiel. La durabilité implique de concilier développement et préservation. Pour que cette approche porte ses fruits, le tourisme doit concerner une large frange du territoire rural, et chaque région doit offrir un éventail d'activités sportives et de repos. Ces activités n'ont pas besoin de s'effectuer à grande échelle, et cette approche se caractérise même par une petite échelle, car aucune destination en particulier ne présente plus d'intérêt que les autres. C'est plutôt l'ensemble de l'Écosse qui fait de cette région une destination de choix.

L'Écosse peut juxtaposer de nombreuses attractions de petite échelle qui, collectivement, offrent un large choix de possibilités touristiques. Cette stratégie de développement basée sur le tourisme ne peut réussir que si les ressources humaines adéquates sont disponibles pour gérer l'environnement. La qualité et le prix de l'offre sont déterminants. Dans de nombreuses zones rurales, rares sont les personnes possédant une formation ou une expérience dans l'industrie du tourisme. Dans certaines régions, la polémique fait rage sur les effets du développement du tourisme sur la vie locale. Le manque de logements pour les travailleurs saisonniers, les conséquences des visiteurs sur les prix de l'immobilier et la crainte d'un engorgement sont autant d'inquiétudes suscitées par l'expansion du tourisme. Par ailleurs, le développement touristique nécessitera de prendre en compte deux nouvelles menaces à la cohésion sociale. La première est liée à la volonté des collectivités rurales d'accepter et d'accueillir les touristes. La deuxième a trait à la capacité d'assimiler les nouveaux arrivants (souvent étrangers) venus travailler dans les petites villes rurales.

... exploiter tous les atouts des forêts,...

La sylviculture est un secteur important en Écosse qui offre de nombreuses possibilités de développement, y compris la production de biens marchands et de biens collectifs. Le lien entre forêts et tourisme est évident : observation de la vie sauvage, randonnée et pratique du vélo tout terrain. La gestion des forêts devient plus complexe car ces dernières sont soumises à des usages multiples. Concilier l'exploitation des arbres, la préservation de la

faune et les activités de loisirs nécessite de meilleures pratiques de gestion. Des programmes de soutien doivent être conçus pour inciter les gestionnaires forestiers à exploiter tous les atouts des forêts (comme c'est le cas pour les sentiers de VTT ou d'autres activités de loisirs).

Depuis le début du XX^e siècle, la surface boisée en Écosse ne cesse de s'étendre. L'Écosse compte poursuivre l'extension de ses forêts à l'avenir, afin d'atteindre environ 25 % du territoire, contre 17 % à l'heure actuelle. La prochaine étape de ce programme offre la possibilité de réaliser de nouveaux objectifs de développement rural. La création de forêts dans certaines zones périurbaines de la ceinture centrale pourrait permettre de dynamiser cette région dégradée en améliorant son aspect et en favorisant une nouvelle « perception du milieu ». Dans tous les cas, il faudra élaborer une « gouvernance des forêts » qui soit capable de concilier les différents besoins résultant des objectifs nationaux de conservation et des impératifs du développement local. Des recherches supplémentaires sont nécessaires pour clarifier les préférences des citoyens (et des touristes) quant au type d'exploitation forestière qui mette en valeur les beautés naturelles. On disposera ainsi d'informations plus solides et transparentes pour orienter les décisions de soutien.

... les ressources énergétiques...

Sous l'effet de la hausse des prix de l'énergie et du changement climatique, on s'efforce de trouver de nouveaux moyens de produire de l'énergie qui offriraient des débouchés intéressants pour l'Écosse rurale.

L'Écosse est la région du Royaume-Uni qui connaît le pourcentage le plus élevé de production et d'utilisation d'énergie renouvelable et le taux de croissance prévisionnel le plus fort. En 2004, la production totale d'électricité à partir de sources renouvelables était de 3.8 % au Royaume-Uni et d'environ 12 % en Écosse. Dans le cadre du Programme sur le changement climatique, les objectifs fixés par le gouvernement pour 2010 (18 %) et 2040 (40 %) sont ambitieux et traduisent une ferme volonté dont l'Écosse pourrait bénéficier en termes de production d'électricité, mais aussi d'environnement et d'image nationale et internationale.

L'Écosse mise résolument sur l'énergie éolienne et marémotrice. Il peut être difficile d'accroître les capacités de transmission. Premièrement, cela entraînerait des coûts élevés pour les propriétaires fonciers dont la propriété est traversée par les lignes de transmission, et les itinéraires les moins onéreux sont souvent parallèles aux couloirs de transport existants. Deuxièmement, lorsque des lignes électriques longent des routes touristiques, elles détériorent le paysage et risquent de nuire au tourisme. Il devrait néanmoins être possible de développer l'utilisation de l'énergie éolienne en Écosse en choisissant soigneusement les lieux d'implantation des

éoliennes et des lignes de transmission, et en recourant aux lignes souterraines et sous-marines. Les coûts d'un tel projet seront certes élevés, mais les retombées sur d'autres activités rurales compenseront les dépenses.

L'autre principale solution énergétique en Écosse est l'énergie houlomotrice et marémotrice. Cette technologie reste à un stade rudimentaire, mais en investissant dans son développement, l'Écosse peut se procurer une source d'énergie supplémentaire et devenir un chef de file dans la conception et la fabrication de génératrices. Mais comme pour l'énergie éolienne, les deux obstacles que sont les infrastructures de transmission et l'effet visuel négatif posent problème pour les installations en mer et dans les embouchures de baie. En outre, de nombreux villages éloignés peuvent devenir autosuffisants en énergie électrique renouvelable, comme c'est déjà le cas pour l'île de Gigha et certaines îles Orkney. Il faut inciter les collectivités locales à développer l'énergie renouvelable pour leur propre approvisionnement et pour l'exportation le cas échéant, car elles disposeraient de sources de revenus à long terme pouvant être investis dans d'autres activités.

... et créer un environnement propice aux PME rurales par des politiques ciblant le développement des ressources humaines et l'accès aux technologies.

L'Écosse rurale connaît actuellement un taux de chômage relativement faible et un taux de création d'entreprises relativement élevé, même s'ils varient d'un endroit à l'autre. Ces indicateurs positifs suggèrent que la politique publique conjuguée à l'esprit d'entreprise écossais peuvent créer des emplois et générer des revenus. La dynamique de création d'entreprises dans certaines zones rurales reflète l'existence de bases solides pour les PME. Néanmoins, le nombre relativement modeste d'entreprises qui recrutent traduit un problème de croissance. Les causes les plus probables de cette croissance atone tiennent à la difficulté d'accroître la demande, qui nécessite d'accéder aux marchés étrangers et de remédier à la pénurie de main-d'œuvre locale. Les efforts déployés par *Enterprise Scotland* pour identifier et pénétrer des marchés étrangers pourraient stimuler utilement la croissance. En outre, certaines régions restent en retard, comme les îles Hébrides, Caithness and Sutherland, Western Dumfries and Galloway, où une série de facteurs se conjuguent pour restreindre la création d'entreprises.

Le rapport récent sur l'innovation en Écosse met en lumière de graves faiblesses dans l'innovation rurale, tant au nord qu'au sud de la région. Certaines initiatives (du type « Fusion » à Inverness) donnent de bons résultats et encouragent l'innovation et le partage des connaissances, éléments décisifs pour les entreprises rurales écossaises. Il faut envisager de renforcer et d'étendre ces initiatives. La formation de la main-d'œuvre est elle aussi

importante parce que la population rurale d'Écosse vieillit et diminue, ce qui réduit le nombre de travailleurs, et parce que l'Écosse n'est pas compétitive pour la production de biens et de services marchands qui emploie une main-d'œuvre abondante, peu qualifiée et peu rémunérée. La possibilité d'acquérir des compétences professionnelles spécifiques constitue une dimension importante du développement du capital humain. C'est plus difficile dans les zones rurales d'Écosse compte tenu de la population réduite et dispersée qui compromet la rentabilité de nombreux programmes de formation. Les stratégies alternatives telles que l'enseignement à distance et les bourses d'études dans les centres urbains peuvent compenser certains de ces handicaps, mais pas tous.

Il faut améliorer les services aux entreprises...

Les services aux entreprises sont très problématiques dans les zones rurales où il peut être difficile de trouver des conseils de base en comptabilité, marketing et gestion. L'Internet et d'autres sources d'informations à distance peuvent pallier en partie cette carence, mais ne remplacent pas l'expérience du contact direct. Les deux branches de Enterprise Scotland, à savoir *Highlands and Islands Enterprise* et *Scottish Enterprise*, possèdent une expertise interne considérable qu'elles mettent à la disposition des PME, ce qui constitue un service essentiel. C'est en matière de services aux entreprises qui souhaitent se développer que le bât blesse.

Les entreprises ne peuvent prospérer sans services financiers de haut niveau. À l'heure actuelle, les grandes banques en Écosse octroient souvent des prêts aux entreprises qui sont solvables. Toutefois, les petits prêts aux PME rurales écossaises sont généralement moins rentables que de grandes participations internationales. Même si les entreprises disposent souvent de ressources suffisantes pour débiter leurs activités grâce à leurs capitaux propres et aux aides publiques, elles peuvent ensuite se heurter à des problèmes de fonds de roulement et d'accès aux crédits pour financer leur expansion. Dans ce contexte, il semble que *Scottish Enterprise* et *HIE* occupent une place excessive. Il faudrait élargir la gamme des intermédiaires financiers disponibles, notamment ceux susceptibles d'offrir aux entreprises un financement par émission d'actions et des ressources de gestion correspondantes. Le rôle potentiel des institutions financières en tant que partenaires des pouvoirs publics et des membres de la collectivité ne doit pas être sous-estimé. L'expérience de plusieurs pays de l'OCDE montre que la participation active d'institutions financières dans des partenariats public-privé et dans la gouvernance locale peut apporter des avantages significatifs, non seulement par l'offre de ressources financières supplémentaires, mais également en termes d'intelligence stratégique, de constitution de réseaux et

de compétences techniques dont les plans de développement rural peuvent bénéficier.

... et cibler le soutien aux entreprises pour éviter les distorsions sur le marché et la dépendance à l'égard des subventions.

L'Écosse rurale semble prendre conscience de la nécessité de modifier l'approche globale de l'aide aux entreprises. Les deux principaux problèmes sont la sensibilité de l'économie vis-à-vis de la réforme de la PAC et de la perte des fonds de l'UE pour le développement régional dans toute la région sauf les hautes terres et les îles (néanmoins concernées par une baisse significative). La suppression des aides aux activités traditionnelles éveille un intérêt croissant pour la diversification.

Si la mutation économique repose pour l'essentiel sur la fourniture d'aides publiques et non sur l'existence de débouchés sur le marché, il y a peu de chances que la diversification favorise la compétitivité à long terme. L'Écosse pourrait tirer parti d'une approche du soutien public davantage axée sur l'investissement et soucieuse de générer un effet de levier avec des fonds privés. Par exemple, on peut envisager de constituer des groupes d'investisseurs privés prêts à miser sur des entreprises performantes mais qui doivent s'étendre pour saisir de nouvelles opportunités. Ces « réseaux providentiels » permettent de faire le lien entre des entreprises spécifiques et des investisseurs intéressés. Le programme AceNet dans l'est de l'Ohio est un exemple d'activité de rapprochement réussie qui donne aux entreprises de taille moyenne les ressources financières pour financer leur expansion. Des composantes d'une telle approche existent déjà dans certains secteurs, mais son adoption pourrait être généralisée.

Une nouvelle approche du développement rural nécessite une compréhension profonde et une reconnaissance politique des liens entre zones urbaines et rurales.

En Écosse, comme dans la plupart des pays de l'OCDE, les taux de croissance démographique les plus élevés concernent la périphérie urbaine et les zones rurales adjacentes. La frontière entre rural et urbain s'en trouve brouillée. Les zones rurales situées à proximité d'un centre urbain ont des atouts et des problèmes spécifiques, mais leur développement est souvent conditionné par des intérêts urbains, que ce soit l'expansion des villes ou les limites à la croissance imposées par elles. Compte tenu de sa petite taille, l'Écosse doit trouver les moyens de coordonner ses stratégies de développement pour que toutes leurs composantes se renforcent mutuellement. Par exemple, l'expansion du tourisme nécessite une action de promotion commune des caractéristiques urbaines de Glasgow et

d'Édimbourg et des caractéristiques rurales des hautes terres et des îles et de la région des Borders.

En Écosse, il existe deux grandes régions qui entretiennent des liens avec les zones urbaines. La ceinture centrale, étroitement liée à Édimbourg et Glasgow, et le sud de l'Écosse qui englobe la région des Borders et le district de Dumfries and Galloway. Dans la ceinture centrale, le principal défi est de mettre en œuvre une politique de ville-région qui reconnaisse le rôle des zones rurales et dont l'orientation ne soit pas excessivement urbaine. La revitalisation des zones rurales situées dans la ceinture centrale est au moins aussi importante que la réhabilitation urbaine si l'on veut rehausser l'attrait de la région dans son ensemble. Les stratégies visant à améliorer les liaisons entre Édimbourg et Glasgow (par route ou voie ferrée) afin d'agrandir la région et le projet de construction d'un seul aéroport international auront des conséquences importantes sur la zone rurale située entre ces deux villes. Déterminer soigneusement là où se concentrent les opportunités peut accroître les retombées pour la région toute entière.

Dans la région des Borders et le district de Dumfries and Galloway, les possibilités d'exercer des fonctions urbaines de haut niveau sont limitées par la proximité de cinq grands centres urbains. Par conséquent, intégrer les stratégies de développement urbain et rural dans un partenariat basé sur l'égalité est probablement une bonne initiative. Dans ces deux régions, les deux principales politiques qui détermineront les interactions entre zones urbaines et rurales sont celles du logement et des transports. Une politique du logement qui continue d'entraver la construction de nouveaux logements en zone rurale limitera les possibilités de développement. De la même manière, des politiques des transports qui négligent de relier les collectivités rurales et urbaines freineront le développement. La politique des transports possède des dimensions urbaines et rurales distinctes mais liées entre elles.

Synthèse

L'Écosse rurale peut être un moteur du développement et de la croissance du Royaume-Uni, mais son potentiel reste largement inexploité. La dévolution a donné au gouvernement écossais un haut degré d'autonomie dans la conception de ses politiques rurales. À ce jour, ces politiques s'appuient sur une approche très centralisée qui favorise l'agriculture et l'environnement. L'analyse révèle une forte hétérogénéité entre les zones rurales écossaises. Pour saisir les opportunités et relever les défis pour les différentes régions rurales, l'approche écossaise doit privilégier une intégration capable d'assurer la cohérence entre les politiques sectorielles tout en impliquant un éventail plus large de parties prenantes dans la conception et le déploiement des

politiques. La mise en œuvre doit être rationalisée et géographiquement différenciée afin de répondre aux besoins spécifiques des régions rurales.

Les priorités de la réforme doivent être les suivantes : 1) s'attaquer aux problèmes de propriété foncière et de logement ; 2) engager une diversification économique dans les principaux secteurs émergents tels que le tourisme et la production d'énergie ; 3) améliorer l'offre de services aux citoyens et aux entreprises en milieu rural ; 4) prendre des initiatives pour identifier les liens entre zones rurales et urbaines et les valoriser au mieux. Il est urgent d'engager ces réformes compte tenu des prochaines révisions de la PAC et des Fonds structurels de l'UE susceptibles d'avoir des répercussions considérables sur l'Écosse rurale.

Notes

1. Ce document utilise deux définitions du territoire rural : 1) La typologie régionale de l'OCDE, basée sur la densité de population, qui identifie des régions essentiellement rurales (PR), des régions intermédiaires (IN) et des régions essentiellement urbaines (PU) en fonction du pourcentage de la population vivant dans des collectivités de moins de 150 habitants (plus de 50 %, 50 % à 15 %, et moins de 15 % respectivement). 2) La classification des zones rurales et urbaines de l'Exécutif écossais, basée sur les niveaux de peuplement et sur l'éloignement ; ce système classe comme rurales les zones comptant moins de 3 000 habitants, comme accessibles celles situées à moins de 30 minutes d'un centre urbain (comptant au moins 10 000 habitants) et comme éloignées toutes les autres. Les autres catégories de cette classification (dans sa sixième version, celle utilisée dans ce rapport) sont les petites villes accessibles et éloignées (entre 3 000 et 10 000 habitants et critères d'éloignement identiques), les zones urbaines (de 10 000 à 125 000 habitants) et les grands centres urbains (plus de 125 000 habitants). La définition de l'OCDE est généralement employée pour effectuer des comparaisons entre pays, tandis que celle de l'Exécutif écossais est utilisée pour affiner l'analyse des tendances en Écosse.
2. Avec 1 employé sur 2 et 2 propriétaires occupants et conjoints sur 3 qui travaillent à temps partiel en 2004.
3. Bien que d'autres secteurs aient été encore plus touchés, comme le tourisme qui n'a pas reçu de compensations.
4. Anciennement Contrats de gestion des terres.

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Rural Scotland represents an important resource for national development and growth, but large unexploited potential remains. Devolution has granted the Scottish government a high degree of autonomy in designing its rural policy, which has often been fairly centralised with a strong sectoral bias towards agriculture and environmental concerns. The analysis of rural Scotland reveals a high degree of spatial heterogeneity, calling for a flexible policy tailored to the opportunities and needs of different regions.

Many of Scotland's strengths are rural in nature, including an abundant land area, rich natural and cultural resources, higher standards of living, and a stable and relatively diversified economy with good employment and entrepreneurship indicators. In order to adapt to the opportunities and threats of its different rural regions, the Scottish approach to rural policy should evolve towards a more integrated one, capable of achieving coherence among sectoral policies while involving a wider set of stakeholders in its policy design and implementation. An agenda for reform should address land property and housing-related issues, economic diversification in key emerging sectors such as tourism and energy production, service delivery improvements to both rural citizens and businesses, and actions to identify and exploit rural-urban linkages. These reforms are becoming urgent in light of the forthcoming reforms of EU Common Agricultural Policy and structural fund policies that may affect rural Scotland in major ways.

This report will be of interest to policy makers, researchers, NGOs and others active in rural development.

A French translation of the Assessment and Recommendations has been included in this volume.

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