SUCCESSFULLY COMBATTING RURAL DEPOPULATION THROUGH A NEW MODEL OF RURAL DEVELOPMENT: THE HIGHLANDS AND ISLANDS ENTERPRISE EXPERIENCE

REPORT OF THE TAIEX-REGIO VISITING GROUP OF CUENCA, EVRYTANIA, LICKA-SENJ, SORIA AND TERUEL- SOUTHERN SPARSELY POPULATED AREAS-

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Article 174

In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion.

In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.

Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.

Article 175

Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 174. -...-

- Treaty on the Functioning of the European Union -
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1. Introduction

On November 10, 2016, the European Commissioner for Regional Policy, Corina Cretu, held a meeting in the city of Teruel with members of the “Diputación General de Aragón” and local administrations, as well as with several representatives of the civil society. It was discussed the need to promote the development of articles 174 and 175 of the Treaty on the Functioning of the European Union to address the problem of the economic and demographic decline of areas suffering from severe and permanent demographic or natural handicaps throughout Europe. As a result of the contacts made on that occasion by the Director General of Territorial Planning of the Aragon government with the members of the Commissioner's team, he considered the possibility of coordinating the performance of a study visit to the Highlands and Islands of Scotland within the framework of the TAIEX-REGIO Peer 2 Peer tool, which is aimed at facilitating the exchange of experiences between representatives of European public administrations or their agencies and collaborating entities in the achievement of the purposes contemplated in the Treaties of the European Union.

The study visit took place between May 2 and 4, 2017. The group was composed of three representatives from each of the five sparsely populated territories of NUTS 3 recognized by the European Union. The team sought to include members of the respective regional administrations or territorial development agencies, business associations and local development agents. The objective of this mission was: 1. To understand and study the successful Scottish model, developed over decades for the recovery of a large rural area with strong natural and demographic disadvantages - especially in the case of its most delicate areas-. 2. To disseminate known examples of success in the field in the territories of origin. 3. To gain insight on how to reproduce the success achieved in Scotland, and how to realistically spread those to the five territories considered sparsely populated in Southern Europe.

At the epicentre of the success achieved in the North of Scotland and, therefore, of our visit, is Highlands and Islands Enterprise (HIE). Since 1965, this territorial development agency has assumed the mission of removing from its territory the demographic and economic decline in which it had been for centuries, making the
region an attractive territory to live, work, study and invest. A fundamental part of this report will focus on the description of the vision, mission and structure of this agency.

For the authorities and civil society agents of the five NUTS 3 sparsely populated territories in the South of the European Union - the Spanish provinces of Cuenca, Soria and Teruel, the Croatian county of Lika-Senj and the Greek district of Evrytania - the case of the Scottish Highlands is the one that is of most interest when considering those examples which may help to address the complex problem of economic and demographic decline in the most fragile rural areas, principally by virtue of the following issues:

- Both the Highlands and Islands of Scotland and the most unpopulated territories of the Mediterranean Europe present geographical and environmental limitations that have conditioned their socioeconomic development: from their eccentric position with respect to the main axes of economic and commercial development; passing through abrupt mountainous areas which reduce internal and external accessibility and reinforces its character as a remote territory; until, in many cases, a climate and bio-geographical conditions -quality of soils, abundance of slopes, etc.- which are not favourable enough for the development of sufficiently productive agrarian activities as to serve, at the same time, as a basis for the subsequent industrial development of its economy.

- On the other hand, and unlike the Nordic territories, both the Scottish Highlands and the less populated regions of southern Mediterranean Europe have historically been “humanized territories” thanks to a network of stable settlements. However, in relatively recent times, the economic and social change resulting from the industrial revolution and the expansion of the urban phenomenon -as well as critical sociological issues- unleashed a global scenario from which the demographic, economic and functional crisis that a significant part of the European rural environment lives principally derives. The Scandinavian case is noticeably different. There, the dominant territorial dynamics was and is still of an eminently natural and non-anthropic nature.
it cannot be said that a process of “depopulation” or dehumanization of the territory is being witnessed. Instead, the term “repopulation” becomes more accurate, since it introduces a qualitative nuance especially relevant.

- In addition, despite the extensive experience of the northernmost Scandinavian regions in their struggle to maintain a growing economic dynamism and retain and attract people, the success of Highlands and Islands Enterprise in achieving clearly positive results in terms of the implementation of a model of sustainable and successful economic and social development has been much clearer and incontestable. Although there is still much to do and not all of their regions have reached the desirable levels of improvement, today it may be said that the Highlands and Islands of Scotland have managed to revitalize their languishing traditional based economy, as well as giving it a global dimension which was unthinkable just a few decades ago. Without this change it would not have been possible to reverse their demographic decline.

This report includes the reflections and teachings shared by all the participants and which are based on findings made by each one of them in the field, during the study visit to Scotland. These findings, which represent the basis of the proposals in this report, are included in an Annex.

Thus, the purpose of this document is to transmit the acquired knowledge to the administrations -both political and technical level- that work to counteract the negative consequences of depopulation and the socioeconomic decline of a large part of the rural environment, especially in the case of areas with serious or permanent natural or demographic disadvantages. In the same way, this document is also intended for society in general, seeking not only to raise awareness about the economic, social and demographic problems suffered by a part of the European rural environment - a consequence of a set of negative externalities derived from the current social and economic globalized system and that, for the moment, the administrations and society as a whole have not been able to correct-, but also, to disseminate the realization that there are successful responses that, like the Scottish one, have led to awareness-raising, reflection and joint action among all the territorial actors, which we consider to be its fundamental keys.
In short, both with the study trip and with this document in which its results are presented, it is intended to contribute to spread the best-known practices in Europe fighting against the demographic and socioeconomic decline that affects the rural environment. The incentivisation of a change in the rural development policies in the Mediterranean area is also pursued by adapting to our own reality the same guidelines and principles that are guaranteed by the half century of incontestable success achieved by Highlands and Islands Enterprise in the Highlands and Islands of Scotland.
2. Learning

Just a century ago Europe was rapidly moving from being an eminently rural and agrarian society to an urban and industrial one. Nowadays, in a context of economic and social globalization, this trend has reached such a degree that many remote, mountainous and sparsely populated rural areas, of an aging population with structural and permanent deficits to compete and progress in the 21st century world, are increasingly experiencing economic marginalization and -as a result of it- they are facing their imminent and complete population extinction.

In this process, only the rural areas near and well connected with the urban centres and large conurbations have managed to attract economic growth and new population\(^1\). Their new settlers are usually people who often seek to improve their quality of life, access housing at more affordable prices than in capital cities or undertake businesses that, even though closely linked to the city and its inhabitants, contribute to introduce new economic activities in a medium traditionally dominated by primary activities. However, as we move towards territories further away from the areas of greater dynamism -territories almost always with more difficult orographic conditions, with poorer communication infrastructures, which tend to suffer significant deficiencies in terms of connectivity to new communication technologies and, also, which tend to present a deficient endowment in terms of basic public and private services for the population-, we note that the lack of opportunities that determined the great rural exodus of the 20th century remains or has even aggravated.

The need to address such a serious and complex problem as the rapid decline of the rural world is raising in more and more countries a growing general consensus on the need to launch new measures that successfully address the problem. A problem whose persistence shows that, after several decades of policies of rural development and territorial cohesion conceived at all levels -from European to regional and local-, much of what has been done so far in rural areas is inadequate or insufficient. The bleak state that has been reached in some rural areas of Europe - especially those where the

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\(^1\) In this respect, see the report of the OECD -2016-: OECD Regional Outlook 2016: Regions for Inclusive Societies, OECD Publishing, Paris. It may be downloaded in [http://dx.doi.org/10.1787/9789264260245-en](http://dx.doi.org/10.1787/9789264260245-en)
remote, mountainous and sparsely populated character is combined - is alarming and demonstrates the failure of conventional territorial development policies.

Faced with this finding, a widely shared feeling has been generated: there exists a great lack of ideas about how to proceed to avoid the disappearance of hundreds of localities with all that it entails. Also derived from this, a public debate in which two very relevant features stand out has been gaining strength in several countries. These two features include, firstly, the lack of clear criteria regarding what means, strategies and actions should be established to stop and reverse this process and, secondly, the existence of consensus in society and its politic representatives on the need to address this problem with much greater determination, although at the moment there do not seem to be political differences regarding the possible solution formulas to be considered.

Thus, on the one hand, we could speak of a social and political consensus regarding the formulation of the problem and its consequences. On the contrary, in a negative sense, there exists a lack of clear and detailed ideas -beyond well-intentioned, but excessively vague pronouncements- about which realistic and successful measures should be applied. This political and social consensus should be understood, therefore, as an asset to take advantage of in order to design and carry out long-term policies, which we believe are the only viable ones due to the complex nature of the problem.

The rural decline, component and consequence of a change in the functionality of past times, is a process of long development over time and its amendment also requires both sustained long-term action and a holistic vision of the territory and its difficulties, overcoming traditional urban-rural relations defined in terms of contrast and antithesis

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2 In this regard, we understand as essential to address the construction of a new territorial model that provides planning tools, management systems and administrative boundaries capable of responding to contemporary economic and social challenges, reformulating an organization of the territory that is still heir to the one that emerged from the industrial revolution, in some cases.

3 Similarly, it is essential to address a reformulation of the social order. A reformulation that must be aimed at ensuring that societies, especially those in rural areas with greater difficulties, are able to construct new spatial spaces and functions through the organization of territorial and social models which characterizes the global context in which we live.
in favour of a new paradigm based on mutual complementarity\(^4\). The experience known by the TAIEX-REGIO visit group to the Highlands and Islands of Scotland confirms the effectiveness of having a strategy and an agency of great autonomy as a formula to guarantee a long-term continuous action and, at the same time, transfer to the action plan the political and social consensus existing in the United Kingdom with respect to the problem of that territory, preserving it from the characteristic fates and fluctuations of the political cycles. Nothing suggests that the establishment in other countries and regions of organizations, tools and autonomous programs of the ordinary performance of governments may be unfeasible or give worse results than traditionally applied management formulas, which have not been able to successfully address such a complex challenge.

Although several factors have played a decisive role in achieving the good results of HIE, it is important to point out the weight that its wide capacity for proceeding has had in carrying out the actions to promote economic and social development that we will explain below. The result of this autonomous and flexible conception is right in front of our eyes: the HIE agency has been successful -the success we are looking for in our declining rural areas- and the Highlands and the Scottish Islands have recovered from their economic and demographic deterioration. Today, after more than fifty years of effort, adaptation, learning and perseverance, its inhabitants look ahead with optimism.

In light of the findings made in Scotland by the TAIEX-REGIO visiting group of the most sparsely populated areas of southern Europe -as listed in the Annex to this report - its members wish to contemplate the possibility of reproducing, in the territorial area that in each case is considered pertinent, the creation of an autonomous agency for the development of rural territories in a strong economic and demographic decline, and that it enjoys a great autonomy not only organizational but also in terms of its ordinary performance.

\(^4\) Although the functional logics of a territory cannot be understood apart from the interrelations with its local and global environment, throughout this report we have been referring specifically to the rural environment and its development in the understanding that, in the current functional model, it is precisely the rural area that presents a clearly negative and worrying evolution -and therefore it would not be reasonable to speak of the rural and the urban separately-. Therefore, our interest is to find out how the rural environment may be added to those forces that determine the current socioeconomic model and that turn some territories into “winners” and others into “losers”. 
In our territories there is practically no integral planning for the development of the rural environment. This does not mean that there are no plans and measures that promote it, but these do not start from a holistic approach to development. On the contrary, these plans and measures are designed in a merely partial -and as a consequence biased- manner, often based on the promotion of a single sector or group of economic activities, omitting the complex and multifunctional character of the rural environment, both in economic and social terms.

In other cases in which the range of possibilities towards diversification is broadened, the means, competences and structure needed to carry it out are not available. This means that the praiseworthy efforts of the administrations and agents that work in promoting the development of rural areas are partial and incomplete. Furthermore, they do not generate lasting effects as they are not accompanied by other important actions that address all the other essential premises for the development and life of people in the world -both rural and urban- of today. On the other hand, in the absence of tangible changes for an improvement of the general situation of rural areas -especially of the most vulnerable and punished by depopulation-, there is an ongoing demand for an increase in financial resources with which it seeks to tackle the problem from numerous instances. However, experience shows that when these resources are obtained, due to the lack of consistency with other premises of development, most of the actions to which they apply hardly generate lasting and sustainable results on their own.
3. The agency

In contrast to the disparity and dispersion of efforts and resources by the public bodies most directly concerned by this growing problem, the TAIEX-REGIO visiting group was able to verify the utility of having an instrument such as the HIE for the achievement of the positive results obtained in the economic and demographic recovery of the Highlands and Islands of Scotland. As far as we are concerned, there are several features that explain its success and that, to the extent possible, it would be highly advisable to replicate and adapt in those territories for which the same positive result is sought. These main features are the following:

3.1 Autonomous and depoliticized organization.

We consider the case of a public agency financed with public funds and with the capacity to manage them autonomously by applying them to investment projects of interest for the economic and social development of the territory. In its performance it enjoys **full autonomy of action with respect to the rest of public administrations**. It also owns the capacity to carry out a comprehensive planning of the territory in the short, medium and long term, although, within the framework of the general planning that may be adopted at any time by the competent government agencies. For its part, the agency participates in the process of developing the regular strategic framework, relying on its own experience and objectives and the contributions of civil society in its field of action, so that the general planning framework and that of the territory under consideration are not unnecessarily contradicted. In this sense, the general planning framework should bear in mind that the agency must be able to act as a tool adapted to the specific limitations of a territory as weak as the one considered, in which conventional economic development formulas have not generated the desired positive effects.

As an autonomous public agency, its board of directors must be appointed by the government of which it directly depends in each area -which must be the organism which responses to the ultimate extent for its management- but its members should not

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5 Obtained through the local government reform Law of 1975, with which HIE was given a distinctive and key role in the planning and implementation of the Regional Development Strategy.
be active public or political positions, but people chosen for their qualifications and professional and intellectual credibility. In the HIE case, lawyers, businessmen, technicians, university professors, financial experts, economists, journalists, cultural technicians, etc., are included. Its members are gradually renewed at the end of their mandate -with the option of being re-elected-, so that there are no breaks in their line of work and a necessary continuity of action of their governing body is ensured⁶.

Being an autonomous agency, it must have an elected board and selected staff with meritocratic criteria, with high motivation and identification with the territory and its people and with its mission, with ambitious, flexible, dynamic and imaginative approaches, which plan conscientiously their performances. Its personnel has to be composed of labour professionals recruited through open and public calls for employment and with the procedures of a professional selection that meets their qualifications and competence, as it is done in any company. The agency would not count with civil servants, except for those that make up the unit of intervention, audit and control of legality.

Being a public agency, it would have to submit to the procedures of transparency and evaluation of its activity through reports that it should present annually to the government it depends on, as well as to the pertinent economic and financial audit and control procedures proper to public bodies. The agency should also contemplate the procedural changes that it would be necessary to introduce in this field to ensure that a scrupulous control of public funds would not be pernicious to the agility, flexibility and effectiveness that an agency of these characteristics would need for the performance of its mission.

⁶ In the Evrytania region, as in sparsely populated regions of Croatia and Spain, there is no autonomous body with characteristics and entity comparable to HIE and that is capable of designing and implementing a long-term strategy that is consistent with the general strategic framework of the rest of the region, generating its own income, being able to act without completely depending on the funds of the Government and the EU, and working with transparency and good governance practices. However, in Evrytania there was a company in the past that had that purpose, but went bankrupt and now the Regional Authority, which holds the Planning and Development competences of the Strategic Local Development Plan for the region, is working together with the Municipality of Karpenissi to create an entity that will have a key role in the implementation of the strategic development of the region, independently of the political cycles.
An adequate selection of personnel and a deliberate practice of generating a certain “company culture” should encourage and consider criteria such as identification with the territory, optimism, motivation and enthusiasm, determination and understanding of cultural, social and personal circumstances that are basic in the development of every human community. Moreover, it should guarantee the integration and good harmony of its actions within the framework of the general economic and social strategy of the territory.

All this would generate confidence in the agency and the general respect for its autonomy and its technically qualified performance criteria. Thus, ensuring the agency a sufficient autonomy of will and action to interrelate and cooperate with other administrations and public and private entities, as well as national and international organizations must be one of its main assets. Therefore, operating with autonomous criteria, identifying and selecting niches of opportunities and solvent projects in the different economic sectors, districts and local communities, it would provide advice, technical and financial support, assistance, monitoring and evaluation of all its projects and initiatives to improve its methods and its planning. Hence, its role would be to intervene where there is no direct action from other public authorities or private investors in order to solve the deficiencies that occur in terms of development.

As a result, almost all their actions should be carried out in collaboration with other public entities, companies, universities, local and regional administrations, European partners, etc. Moreover, the agency must have a natural vocation to establish agreements and understandings with the rest of the actors relevant to its mission and should rarely act alone, even less behind the other relevant actors or in a dialectic of confrontation with them.

This should not hinder in order that the agency clearly identifies what legal and administrative obstacles may complicate the integral development of the vulnerable territories targeted by its mission, making use of its autonomy to carry out an inter-institutional dialogue before the authorities of any level of government with the purpose of making the changes that may be necessary in their area of competence. Likewise, it should be consulted in all planning and legislative processes that affect its mission and territorial scope of action.
3.2 Medium and long term planning.

Given the structural nature of the challenge the agency must face, its actions as a general rule should not be oriented to the short term but to medium, long and very long, without prejudice to the setting of horizons, objectives and intermediate evaluation processes.

The team of professionals that has to design and execute the associated plans and projects must act consistently and sensitively with social realities and with public opinion. Opposite, it should not be directly questioned or improperly pressured in the heat of political debates or by the action of interests that do not contribute in the attainment of the social and politically agreed general objectives. According to HIE’s own conception, “planning is a process, not a debate”. Thus, it is necessary to conciliate in a balanced way such a premise with the evolutionary expectations of society beyond opportunistical polemics or controversies of limited perspective.

Then, planning must address an integral concept of development, in which geographic, economic, social, cultural, psychological, etc. factors have their particular importance and provide themselves mutual feedback to generate positive dynamics within a holistic conception of development. In addition, the planning shall have to adjust to a very refined and flexible analysis to take into account the different circumstances and degrees of fragility of each specific area of the territory and adapt to them, as well as the potential impact that each action may have in each regional, local, social, sectorial, etc. context or scope.

Notwithstanding the foregoing, the agency shall have to strive to make its actions - even at the most local and reduced level- consistent with the context of the global economy, international trade, new challenges, etc. to generate an economic framework capable of maintaining a sustainable development and of competing in an internationally open context.

To sum up, it must be able to maintain a vision of medium and long term, but simultaneously, to show a great capacity for adaptation as it acquires experience or the circumstances change, even in what affects its own internal organization and methods of work.
3.3 Presence and action on the territory.

The agency must work with land management instruments to effectively influence the area or zones targeted, defining as far as possible functional territorial spaces on which to operate.

The HIE example highlights the relevance of having a permanent physical presence in each functional territory defined by the land management strategy established in the framework of the planning process.

Direct contact among development agents and technicians agency with individuals and collectives in the territory which has to be worked to develop the projects, and their knowledge of the local reality and of the people who may act as catalysts for community or business development initiatives are very important for the development strategy and for the generation of perceptions and states of opinion of trust, optimism and entrepreneurial spirit.

It is also important that the agency develops from its core a proactive work dynamic that is able to “go and find out” for those who may potentially play a fundamental role as promoters of a project instead of waiting for them to respond to the public calls. Recall that we are considering a society affected by high doses of fatality, pessimism, immobility, apathy, very high average age, high rate of masculinity and poor adherence to entrepreneurship and innovative initiatives in which, in addition to all the above, the geographical limitations, the deficits of equipment, services, infrastructures and the limited possibilities of having enough human and financial capital for projects of a certain size pose also a worrying problem. Faced with such impediments it is more necessary than in any conventional context to maintain a special effort that puts the management authorities in direct contact with the realities and actors on the ground in order to make sense of programs and projects through communication formulas and equal treatment.

Related to all this, the implementation of a development agency like the one we are considering should bring with it a valorisation of the local action groups that operate in the rural environment, either integrating them into their own structure of territorial
action or supporting, promoting, collaborating and financing their activity. At this moment, the LEADER groups move in a growing state of precariousness or are directly questioned, precisely when their role on the ground in the task of generating alternative rural development is more necessary than ever.

Thus, the local offices of the agency and/or local action groups, integrated or concerted with their work structure, would have the purpose of identifying and generating activities and opportunities for the origination of endogenous and self-sustaining growth, which is based on entrepreneurship and the capabilities of people, and on the effective and sustainable use of resources and assets of the territory. For these resources, the agency must offer encouragement, advice, support, follow-up and, - always in a limited way in the amount and duration- subsidies and financing under preferential conditions. In the case of HIE, the work of these agents on the territory of the Highlands and Islands of Scotland has achieved that the levels of entrepreneurship in this area are above the average of the United Kingdom.

In this regard, the visiting group has pointed out the interest of taking advantage of the similar models of demarcation inferior to NUTS 3, already existing in the considered territories, and to which the scope of action of the local action groups would adhere.

Some of the advantages offered by these groups are their consolidation over time - more than 25 years of activity in the case of Spain and Greece and almost 5 years in Croatia-, their proximity and knowledge of the territory they manage, and their generally acceptable degree of autonomy to approve projects audited by regulations developed in cascade from the European instances up to the state and regional law. These projects have as main reference the Rural Development Plans of each autonomous community, and as a guide for their execution, the territorial strategies of each action group with seven years of validity. However, this example of autonomy

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7 In the case of the three most sparsely populated provinces of Spain, in Soria we would be talking about four local action groups, in Cuenca about five groups and in Teruel about seven, with demarcation over the territories of their respective provinces with the exception of the capitals. To know what they are and how they act: [http://www.redruralnacional.es/leader/grupos-de-accion-local](http://www.redruralnacional.es/leader/grupos-de-accion-local). In the most sparsely populated area of Croatia, the county of Lika-Senj, the local action group LAG Lika acts: [http://lag-rika.hr/](http://lag-rika.hr/)
present deficiencies that should be taken into account if we look for Scottish-like models or if it is pursued to make a more integrated or concerted use of the local action groups for the future -for example, under the umbrella of a specific agency-. Firstly, each model focuses only on the territory assigned to it, so it would be advisable to develop a superior structure, which could coincide at NUTS 3 in a network of local action groups -in the case of Teruel and Cuenca, they already exist-. Due to the local action groups act and may act on projects of great local importance -demands of municipalities, companies, associations, etc.-, the reason for the creation of a network makes sense in relation to actions that require a greater territorial incidence, as it is the case of the extension of broadband or other infrastructure and vital actions for the whole of each of the NUTS 3 territories. Secondly, the planning of the aforementioned programs -LEADER- has an approximate duration of seven years, which is why a longer duration planning should be taken into account, especially for the competences that would remain within the orbit of each network. It would be ideal that this planning transcended to 30-40 years, keeping in mind the objectives pursued, without it being an obstacle to maintain the strategies coming from the LEADER programs that should be coordinated with those of greater temporal amplitude.

3.4 Culture of cooperation.

The HIE example describes an agency specifically created for the generation of sustainable development in a remote, mountainous and sparsely populated area with large structural deficits. The pertinence of its creation lies in the proven incapacity of the ordinary administrative structures and tools to achieve this objective. However, as we have pointed out above and as verified by the TAIEX-REGIO visiting group, HIE has acted from the first moment in permanent cooperation with these public institutions, as well as with private companies, rural communities, educational and research centres, European organizations, etc. Its role and position in the struggle of the public powers in favour of the local socio-economic development and against depopulation and rural decline has been to get there where other public bodies and private companies failed to reach or achieve positive results. But precisely for this reason, HIE maintains a
constant coordination in its actions, incorporating as partners the most qualified or necessary entities for the conception and execution of its activities.\(^8\)

According to these premises and findings, the implementation of an agency - or of several, depending on the territorial area to be considered - that played the same role as HIE in other regions with serious problems, would not have to question the pre-existing institutional, competency, and territorial architecture.

On the contrary, from the autonomy and neutrality that its professional character must give it, the agency’s capacity for dialogue and agreement with the different administrations and public and private entities should suppose a fundamental empowerment in the efforts that these have been making in the support and revitalization of the rural development, and that are called to continue doing in the future.

3.5 Efficiency, responsibility and control.

It is usual to formulate the problem and the solution to the problems of economic and demographic development of the rural world in terms of money and, undoubtedly, a new strategy of rural development will need to have adequate resources. However, as experience shows, the way to use the money and attention to the cost-effectiveness ratio turns out to be as important as money. The monitoring of the actions and their subsequent evaluation -even for the medium and long term- should always be present in all their interventions to ensure that level of quality in the management and in the results.

Therefore, the analysis of the projects to be financed must be approached from the perspective of their potential impact on the implementation of sustainable activities, which generate a lasting and effective effect on the economic and social activity of each rural community and its demographic situation. It should not be invested in whatever with the aim to be able to say that money has contributed to a depressed and

\(^8\) Some of the participants of the group have recalled in this regard some concrete examples such as Sodebur’s (http://www.sodebur.es/es/burgos/), development agency of the Diputación Provincial de Burgos or other departments and organizations that have extensive experience and are used to work on European projects and in collaboration with municipalities, companies and associations of entrepreneurs, local development agents, etc.
depopulated rural territory. It is as important to know in what to invest the money as in what not to do it. There are numerous known cases of investments in rural areas - projected by all levels of the administration-, which have ended up in sterile, oversized or worthless actions on the economic and demographic sustainability of the areas in which they have been carried out.

Therefore, it is necessary to study in what to invest according to a previous solid technical analysis, based on the experiences and realities on the ground and singling out the nature of each case: there are actions that in certain places would not make much sense and in others in which they are still essential to provide a basis for further development -provided that in the planning purpose new actions that give continuity to that investment are contemplated, of course-. The planning and management criteria of the territory are fundamental to ensure the results and the organisation of the space, its uses, its communications, its endowments, etc. The resources cannot be distributed with mere “distribution” criteria between municipalities nor for actions lacking economic sense or an adequate fitting with the objectives of the essential organization of the territory⁹.

In the same way, of all the actions carried out, there must always be a follow-up, a subsequent evaluation and, when appropriate, a redefinition of future practices and strategies based on the results. Often, for an area such as the rural one and a problem such as the one we are dealing with, this evaluation exercise of the carried out actions should be longer than usual and span several years. Thus, it becomes important to use

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⁹ Regarding the difference between applying or not applying this type of criteria and controls, it is enough to cite an example: considering the population of the Highlands and Islands -466,000 hab., the 94.4 million Euros of the budget of HIE for 2017 suppose an expense of 202 € per person and year. For its part, the 60 million of the Teruel Investment Fund -FITE- represent an investment of € 441 per person per year. If we compare the results obtained in both territories in terms of population -brilliant in the Scottish case, whose population has not stopped growing since the first year of HIE activity, and mostly disappointing in the Aragonese case- we will understand to what extent our fundamental problem is not about the money, but how to make its use give the desired results. If we extrapolated the HIE spending level to the entire Aragonese population residing in rural and intermediate areas -408,738 inhabitants- the budgetary needs would be € 82,565,000. Undoubtedly, such a financial effort is within our possibilities, but this comparison clearly shows that our currently disappointing cost/effectiveness ratio - Teruel has continued to lose activity and population at a rate of 0.5% per year during the term of the FITE, while the population of the Highlands and Islands of Scotland has grown by 0.5% every year - demands a change in the way things are done in favour of an effective local socio-economic development in contrast with the depopulation and rural decline.
the information that emerges from the evaluation processes in order to improve the effectiveness and effectiveness of future actions.

Therefore, if the activity of the agency has to be autonomous, the obligations of transparency, exemplary management and responsibility in the use of public resources are fundamental. The agency must give a report of its performance regularly, without prejudice to the enormous amount of information displayed on its website\(^\text{10}\). HIE develops and sends an annual activity report to the minister responsible for territorial development, who reports about it to the Scottish Parliament. Likewise, as a public agency, and in spite of working with business methods and structures, it counts with an audit and intervention unit whose members fit into the body of public auditors.

However, it is obvious that the internal control activity and the applicable regulations do not prevent HIE from acting with agility, using a multitude of collaboration formulas with third parties and even acting, before the management authority -the Scottish government-, as the sole applicant of the entire package of European funds allocated to the development of its territory. Then, these funds are fully used -as if they were an Integrated Territorial Investment- to be applied to all the projects and programs carried out within the framework of their planned activity.

To conclude, it would be necessary to reflect and, if it comes to that, adopt the appropriate measures to ensure that the current procedures for intervention and control of legality do not excessively limit the degree of flexibility and adaptability that would require an instrument of action against rural decline and depopulation, agile and effective as it is being considered.

\(^{10}\) [http://www.hie.co.uk](http://www.hie.co.uk)
4. Rethinking territorial development: premises of holistic development

The current global economic, financial and social flows that happen in any area of the planet affect each territory in a very different way. This depends to a large extent on local sociology, its degree of real involvement with the future of its immediate community and the ability to take advantage of supra-regional dynamics. It is a reality that affects all systems of local and regional socioeconomic development and that responds to the essential parameters of the urban world. Thus, it means the culmination of a process of transition from an economy with a strong agrarian base to an industrial and service one, which is incorporated to vast flows of capital and people, with a high concentration on the main urban systems and a global extension of urban functions over the territory. This makes the traditional distinctions between urban and rural areas inappropriate for the definition of the essential premises of development in each field, but especially in the rural areas. The consideration of this general whole should invite a thorough review of the way in which numerous European, national and regional policies approach the issues related to the so-called “rural spaces” and, very particularly, of our own conception of rural development.

A conception of development that in our days has as its basic reference the primary sector is and shall be unable to maintain the current levels of population in rural areas\(^{11}\). This fact determines the main difference between the concept of rural development adopted by HIE and the one that prevails in most countries in the rest of Europe.

Despite the efforts made in the areas of greatest potential growth in the primary sector -which were mainly those related to fishing-, and the reforms introduced in the regime of ownership and use of land, the low profitability of the agricultural holdings in the Scottish Highlands and Islands led to the discarding of the primary sector, without

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\(^{11}\) According to Eurostat data, the primary sector accounts for only 2% of the GDP of the UE but the population that lives in rural areas is already less than 30% and continues to decrease. Given the expectations generated in the rural environment by the tourism of interior -rural and urban, 10% of the GDP- and the renewable energies -less than 3%- we can get an idea of its current limitations as a complement to the agrarian and extractive activities. With all the nuances and points that can be made to a reasoning like this, based on large magnitudes, it is obvious that the gap between population and wealth is excessive. So, the main question is if it could be realistic to expect that the 30% of our population settle for just over 2% of the wealth produced to live and thrive in rural areas and especially in the more remote and mountainous areas.
transformation, as one of the seven sectors of growth on which the development of the activities of this organization is based and on which the economic recovery is sustained. Furthermore, HIE determined to cover in its performance all the set of economic development premises that rule in urban areas and in the rest of the world with the aim to plan the actions to undertake.

As a consequence, the HIE planners recognized realistically the function that the primary sector could carry out in their mission. Then, they assigned to the sector the role and space that corresponded to it within a concept of broad-spectrum, complete, and holistic rural development, in accordance that all sectors of the economy and all the material, social, cultural and psychological factors contribute and count with it. According to this vision, there is not just a primary or “core” sector of development, but multiple sectors -especially those that may accommodate a greater potential growth-, and none of them should be promoted so exclusively that all other complementary economic areas, that allow a balanced and increasingly diversified endogenous growth, are neglected.

The essential components of this holistic development model encompass tangible and intangible features and have evolved over time -for example, as the weight of the service sector increased and, above all, with the emergence of new information and communication technologies-, and come to correspond with those that govern urban development itself, although in many cases, given the peculiarities of the rural environment, are provided and managed in different ways. These essential components or premises of development are:

- The provision of **infrastructures and basic equipments, and accessibility** to essential supplies in affordable and quality conditions.
- The **offer of accessible and quality housing**.
- The **availability of basic services for the population** and adequate access to them taking into account the time factor, both to public services - educational, health and social – as well as nearby commercial activities or certain cultural and leisure offer.
• **Connectivity** - internet broadband, mobile telephony-, communications and adequate portability.

• **Legal framework** - in all areas, from taxation to the management of natural resources- consistent with the realities and needs of the rural environment.

• **Presence and generation of entrepreneurial attitudes** in the social environment with the ability to contain talent and attract entrepreneurs through appropriate opportunities and incentives.

• **Presence and training of qualified workers** with the capacity to attract exogenous human capital through the offer of job opportunities.

The greater the quantity, quality and variety of these entire essential factors available to individuals and businesses in a given territory, the easier it will be to maintain and attract the population, especially young people. Consequently, the absence or insufficiency of any of these premises severely hinders or prevents the achievement of a sustainable development that allows restoring the demographic balance. In some cases, such as communications and broadband connectivity, they are a *sine qua non* for all other premises to continue making sense and do not end up disappearing due to lack of functional coherence between them.

According to the number and importance of the shortcomings, no territory or settlement that does not have availability or easy and fast access to all these essential elements has viability in the short, medium or long term. In other words: to generate the development that the rural environment needs, the policies to be applied must result in the provision of these premises in their entirety; if they do not achieve it within a period of time -which may be very brief in some cases- or if they lack of any of them permanently, all the others are inefficient for their own development, and investments for their implementation or maintenance are meaningless. So, partial, and uncoordinated actions, and those lacking planning and functional organization of the territory to which they are intended, are not enough. Unfortunately, this is the situation generally prevailing in our most disadvantaged rural areas, a situation that the example of HIE should induce us to change.
Therefore, if we want to establish the essential conditions so that it is possible to reproduce the economic successes of other spaces, we must discard the fundamentally agrarian paradigm and oriented to the primary sector which is continue still maintained with respect to the development in rural areas. These essential conditions include those that today determine the decisions of individuals on where to develop a life project, in what place and how to live and where to invest. In addition, these people seek to have a reasonable guarantee that they and their successors may have the same opportunities to prosper as if they lived elsewhere. We must stop understanding the rural term as something associated with the work of the land, and begin to understand it as an extensive geographical space. That is, a dispersed, multifunctional social and economic space, with high environmental quality and in which to live and prosper, making use of their material and human assets and attracting new talent and entrepreneurs. This is not only possible, but also necessary and beneficial for the whole society of every country.

In accordance with the experience verified by the work of HIE, the solid and realistic rural development program must ensure equal opportunities with respect to the urban environment for all areas of the territory, so that the rural environment fully participates in the dynamics of the global economy. To do so, it must invest in ensuring the supplies, in each territory -defined according to the criteria of a methodical and consistent exercise of territorial planning-, of each and every one of the essential premises set out above. Thus, the premises constitute a wide variety of services, infrastructures and basic equipment, to which every human community, regardless of where it is located, must have at its disposal in order that its constitutional right to equal opportunities is guaranteed.

Only to the extent that the provision of the mentioned essential budgets is gradually verified, progress may be made in the implementation of economically viable activities in each functional unit. At present, and due to the essential nature of its availability for the development of economic, social and cultural life, it is essential to prioritize the implementation of the access to ICTs -especially to retain and attract young people-. This aspect well deserves some added considerations before concluding this chapter.

**Connectivity is nowadays essential** to be able to carry on the seemingly simpler business in economically and demographically weaker areas. This need becomes even
more urgent when considering development actions. From the point of view of business, Internet combined with a sufficient accessibility in terms of communications, transport and logistics, allows us to overcome the weight of the geographical factor in terms of the location of companies and their professionals. The growing increase in the percentage of people who develop their professional careers through teleworking - 17% at the moment in the European Union - also indicates its possibilities for the retention and attraction of population in rural areas. In addition, given the difficulties for the provision of certain services or businesses in the most remote, mountainous and sparsely populated areas, the possibility of using the Internet for the provision of certain health, social and educational services opens up a whole range of opportunities. Therefore, the effective use of Internet brings the possibility of overcoming many of the disadvantages that these areas have with respect to the urban and rural areas better communicated and attended.

But both in Scotland and in any other territory, the logic sequence of the market systematically relegates the most remote and sparsely populated areas to the end of the list of consumers to be served, especially when the service is linked to the deployment of an expensive infrastructure. In the most extreme cases, investments never arrive: these areas represent such a limited potential market that it is not easy to recover the costs of a specific technological infrastructure before it becomes obsolete or undersized. Hence the HIE\textsuperscript{12} and the local administrations and neighbourhood communities are making heavy investments to fill this gap. Thus, if it is not addressed in our territories, it will further open the existing wound in the access to development opportunities between the urban environment and the most fragile rural areas.

The systematic postponement in the provision of access to high-capacity connectivity -including broadband or mobile phone coverage- in these territories constitutes a permanent structural deficit, putting them in a situation of endemic disadvantage in the development race, a deficit whose rectification usually depends on the regional governments which choose to act on it. Because of this, it makes sense to devise a

\textsuperscript{12} A sign of the importance attributed to this factor is that at the moment the implementation of broadband access to the entire territory of the Highlands and Islands of Scotland is the largest single investment ever made by HIE.
solidary and stable funding diagram for regions that have serious and permanent natural or demographic disadvantages, the main victims of this structural deficit. An extrapolation of it to other fields, in which the extraordinary cost of providing and maintaining infrastructures, equipment and basic services in remote, mountainous and sparsely populated areas is calculated, should be part of the financial package associated with the response strategies to the depopulation and decline of these rural areas.

When analyzing the different aspects related to the activity of HIE in the Highlands and Islands of Scotland, the need to have access to a broadband connection of large capacity throughout the territory has appeared recurrently. It is considered that those population centres that lack acceptable internet coverage have a serious impediment to their present and future development that threatens their viability. If access to quality communications is a benefit for the entire population, it is particularly important when it comes to retaining and attracting young people, who are totally linked to technology, and even more in areas with greater difficulties in accessing educational resources, commerce, leisure, social relations, information and professional opportunities.

It is essential that the actions currently carried out within the scope of the programs contemplated by the European Structural Funds -ERDF, EAFRD or ESF-, and aligned with the objectives established by the European Digital Agenda -DAE- prioritize in financing technological solutions that enable the further evolution at the expected speeds. The actions that are currently being carried out within the scope of the action plans promoted by the public sector for the deployment of new generation networks -NGA- should allow the establishment of a basic infrastructure totally reusable for the evolution to 5G. For this, it is necessary that the deployment of 4G wireless solutions in rural areas may be encouraged and stimulated. Since in rural environments it is at this moment unrealistic to think of massive fiber optic deployments, it is necessary to prioritize the current deployment of 4G networks that will establish the basis for the future implementation of 5G technology. To do so, it would be necessary, as a first step, to recognize 4G -LTE- technology as a new generation access network. This shall allow

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13 As stated by the European Commission in the document "Connectivity for a competitive digital single market - towards a European Gigabit society", 5G connectivity will rely on 4G connectivity and fixed networks.
that solutions based on these deployments may benefit from the existing aids for the
achievement of the objectives established by the Digital Agenda for Europe (DAE).
5. Empowering rural communities

The census regression of rural areas and their economic decline has tangible effects in the incompetence to maintain generational replacement and in the gradual loss of business, public services, buildings and cultural and patrimonial assets. But along with this material deterioration, among a large part of the population that still remains in the villages that are being emptied, a general feeling of helplessness, loneliness, distrust, loss and fatality predominates.

The demographic problem experienced by a part of the European rural environment is not only quantitative but also qualitative. Consequently, as worrying or even more than the lack of inhabitants shown by the census is the “quality” of the population that still remains in the rural environment. Its demographic structure, characterized by a high degree of aging and masculinity, is by no means the most suitable to assume the challenges facing the territory or to take advantage of the opportunities offered by the global scenario. The rural environment requires, more than ever, a population capable of undertaking, innovating, and redesigning new economic and social relations between themselves and with the urban environment. In definitive, it demands a community able to revitalise its “human capital”, understanding it as the necessary incentive for change.

HIE was aware from the first moment of the importance of this type of psychological and social factors closely linked to the demographic structure in qualitative terms. For that reason, it was proposed to work on the human and social aspects of rural reality within its holistic approach of development. The generation of development had to start both from the existing human capital in the territory and from those who, motivated by their own business, work or life projects, were called to go live and work in the Highlands and Islands.

Therefore, in order to mobilize in this effort all available endogenous human resources, HIE launched a series of practices and actions that seek to strengthen rural communities. It basically consisted in the establishment of direct and regular contacts
with local communities\textsuperscript{14}. Through the agents that operate in each of the functional areas defined by HIE, the agency has been providing direct information to those people or groups of people who show a certain leadership capacity, who have valuable ideas about how to improve the life of its neighbours or to solve problems of their community. It also has encouraged them to elaborate projects of all kinds that favourably affect in the living standards of the neighbours, in their welfare or in the stimulus to entrepreneurship, using local resources\textsuperscript{15}. Such projects have often influenced the local and regional culture, the traditional language, artistic creation, the promotion of associations, the local information media, the provision of certain infrastructures, highly demanded services and equipments, the exploitation of endogenous natural resources to the benefit of the community, tourism, handicrafts, locally produced food, etc.

The response of the population is usually diverse and the same degree of success is not always obtained. Neither, all forms of local empowerment have to respond to the same pattern or formula. But the experience of HIE shows that where the neighbours have mobilized to take social entrepreneurship actions, individual entrepreneurship has reappeared and the arrival of other entrepreneurs has been much quicker and easier. Thereon, it emerges the maxim coined by HIE: “there is no successful enterprise without a successful local community”\textsuperscript{16}.

One of the most effective formulas, and one well advocated by HIE, is to carry out local entrepreneurship initiatives of social economy companies. These may adopt any

\textsuperscript{14} People who live in the different population centres, their nearby settlements and who are not in municipalities themselves or have any legal personality or administrative entity, although they participate in the local government from which they receive basic services.

\textsuperscript{15} A very important role in this sense is played by the local action groups of Cuenca, Lika-Senj, Soria and Teruel. In addition, an ITI (Integrated Territorial Investment) has been launched in Teruel as an instrument that would allow European funds to be directly received to combat depopulation, whose results could mark a change for sparsely populated territories. While the Central Greece Regional Authority is currently promoting CLLD (Community-Led Local Development) and ITI plans in Evryritania to exploit and develop local entrepreneurship and capacities.

\textsuperscript{16} See the examples of the towns of Ullapool and Achiltibuie, presented in the annexes.
of the different forms and modalities recognized in commercial law\textsuperscript{17}. Their social nature lies in the purpose of its activity: to satisfy a lack or need of the community that no public administration or private company is covering. Although they often lack profit, -because its benefits are reinvested in the improvement of the activity, in restoring the initial investment contributed by the neighbours through participations or in purposes of social interest-, they are not exempt companies from reaching the necessary viability in economic terms, something that would threaten their own sustainability and future existence. It is therefore a matter of betting on a business model in which the economic benefits are enough to guarantee that the real expected benefit is achieved: the maintenance of basic services to the population, the employability and the autonomy of people at risk of exclusion, or the access to a diversified and quality cultural and leisure offer that in turn contributes to strengthening the local community.

\textbf{Instilling entrepreneurship} is a pedagogical task that encompasses an appropriate education in values and attitudes within the framework of the family and society as well as within the educational system itself. In this regard, there is still much to be done, especially if we consider the peculiarities of entrepreneurship in such complicated environments as the most aging, sparsely populated, mountainous and remote areas, aspects that are hardly addressed in the typical business schools. If entrepreneurship in all its aspects -business, social, cultural- is fundamental in the urban environment, in rural areas it is absolutely crucial for the possibilities of development and even of survival of a community.

\textsuperscript{17} In this sense, in Spain, Law 5/2011, of March 29, on Social Economy, limits the consideration of social economy companies exclusively to cooperatives, labour companies, mutual societies, special employment centres, insertion companies, associations of fishermen, associations dedicated to the care of disabled people and people at risk of exclusion and foundations. This limitation is incomprehensibly reductionist with respect to the business formulas with which a community could pursue social and community interest purposes and benefit from the same supports and incentives recognized. This restriction does not exist in the Scottish case, and it would be important to suppress for the Spanish case. Likewise, it would be interesting to consider the possibility of introducing public incentives to socially responsible investment funds. In Croatia, social entrepreneurship has not been developed yet, but resources from the European Social Fund have been allocated for its promotion. On the other hand, the Central Government of Greece is putting in place the necessary legislative tools, but there is a lot of work to be done. In fact, the State must increase its efforts in the promotion of social enterprises, which may be an answer to the problem of unemployment in Greece and in the region of Evrytania.
The experience confirmed by the visiting group indicates the importance of the territorial development agency making direct contact with rural communities and knowing village to village the real needs and the concrete possibilities of generating wealth in each one of them. In Scotland, a lot of effort has been devoted to motivation and, with this, real business opportunities in the communities have been materialized. In addition to this, having an ‘Academy of social enterprise’ to provide the training required by social entrepreneurs, and a social enterprise program in the education system, has been decisive in the success in instilling entrepreneurship and training to a large number of people, many directly involved in this way of promoting rural development.

Within its work methodology, a rural development agency should identify existing people or groups that are active, or simply better qualified for social entrepreneurship and for instilling positive values among their neighbours, due to their credibility, prestige, influence or social leadership. The agency support measures to these community groups should encourage other procedures in the territory to follow their example.

Thus, a program promoting social entrepreneurship in the rural world and, in general, the dynamics of associationism should be launched. Alongside this, it would be necessary to progressively instil more positive and proactive ways of thinking and generating trust in the community itself if it acted in a supportive and organized way to address its own problems, without depending exclusively on the action of the public administrations or private entrepreneurs from abroad. It is necessary that the agency sends requests for possible investments to see their potential and to count on with the municipalities so that they may facilitate the probable installation of business activities.

Training mechanisms should also be provided in rural entrepreneurship, especially in social entrepreneurship. Having trained people saves time, effort and lots of money. Study conscientiously and offer rural communities adequate advice to help them design economically viable investment projects that generate positive synergies in the economic, social and cultural climate of the community would avoid wasting resources on ruinous or redundant initiatives, sometimes disconnected of the most urgent realities.
and needs. In addition, it should be born in mind that all the regions, and their demands and opportunities are not equal.

Likewise, it is necessary to consider the positive psychological impact that certain changes may generate in the way of approaching the problems through the empowerment of the communities, the successful entrepreneurship projects arising from the collective initiative. Also, it should be important to born in mind the emulation capacity that may inspire in the immediate environment, fostering cooperation relationships between different municipalities. And the thing is, the future depends on the ability of the different communities to implement joint initiatives based on solidarity, and understanding and cooperation among equals. So, particular and immediate interests of each of the parties, which have been shown to take them away from a sustainable and lasting development, should be left aside.

It is fundamental that the legislative framework offers the necessary legal security for the launching of innovative business projects, favouring and stimulating the people who decide to organise and wager on to carry out entrepreneurship projects. The abolition of unnecessary bureaucratic obstacles, the ease and simplification of procedures, the shortening of deadlines, etc., must be permanently reviewed so that they do not limit the possibilities of development in rural areas. In addition, the legislation on social enterprise should not be reductionist and limited but adapted to the evolution and present realities of social entrepreneurship, which may take many forms and modalities that do not necessarily need to be understood in a dogmatic way as incompatible with its essential social purposes\textsuperscript{18}.

\textsuperscript{18} See footnote 15.
6. Rural entrepreneurship, innovation and support

The most fragile rural areas represent a small local proximity market and, as a consequence, outside the agrarian sector activity, the limited existing business network is mostly made up of small and highly undercapitalised businesses. HIE is aware of this reality and tends to lend its support to those companies that, regardless of their size or changes, have ambitious projects and are viable not only in economic, but also in socio-territorial terms.

Considering the holistic perspective that the authors of this report propose to apply also to the situation of our respective territories with serious and permanent natural and demographic disadvantages, and based on the findings made in our study visit, we consider it necessary that any territorial development agency of vulnerable rural areas have a multidisciplinary team of experts in different fields. They will have to work in the territory, get to know it firsthand - both its potentialities and the rest of the factors with territorial importance - and be able to advise companies and entrepreneurs on issues such as innovation, internationalization, marketing and communication, environmental sustainability or corporate social responsibility. In their work, they should also bring the resources of the agency closer to the companies and assist them in the preparation and presentation of the documentation required in each case, generating confidence and giving them the necessary advice in the essential areas of business that may generate growth.19. The technicians and legal staff of the agency, should make diagnoses to get the business design right and deal with the demand from the point of view not only of the obvious, but also of the more or less predictable impediments that may slow or prevent a particular project.

19 In the case of Evrytania, the Regional Authority has created 5 entrepreneurial centres or offices in each of the 5 sub-regions of the Central Greece region. The objective of these offices is twofold: firstly, to act as a one-stop shop for each person who wants to create a company in Evrytania or improve the existing one. The second aim is to promote the region of Evrytania as a friendly place for citizens, also recommending certain investment projects of special interest. In addition, in terms of promoting local entrepreneurship, the Center for Innovation in Central Greece has been created, in order to help the Regional Government, Municipalities and individuals to implement the Strategy of Smart Specialization in Research and Innovation of Central Greece. There is no doubt that these two regional structures will help local businesses to grow and take advantage of the EU Structural Funds.
Likewise, for HIE, innovation is one of the key issues in the entrepreneurship approach, something that is conceived as a cross-curricular objective of any company, regardless of its size. This is highlighted in HIE by the figure of the Account Manager, a technician who works in close contact with companies with the aim of becoming a key player when it comes to responding to the needs and challenges they face. Thus, innovation must stop being a fantasy, especially in the rural world, where it is most needed to put its potential at stake. It must be close to all levels for all sectors, collectives and in all corners of the territory.

The territorial development agency should act as an innovation incentive organism for the companies in the territorial area in which it operates, approaching the day-to-day of the territory -at the level of companies and civil society- in order to detect business possibilities and even activation of services among local communities.

The work praxis of HIE involves a process of control and subsequent evaluation of the initiatives and projects that benefit from its support, an activity that may last several years. This involves obtaining information that is used to improve procedures and decision making in future projects, programs and plans, as well as strengthening control over the proper use of the resources used.

The control and subsequent evaluation of the grants given to the projects, which is difficult to assume at present due to the overloaded public administrative structures, should be one of the fundamental tasks of a territorial development agency. To do this, it should establish a methodology for verification, control and statistical analysis and objective economic indicators on the social and economic return on investment -business or public- in rural areas.

In addition to the above, there are more determinants to entrepreneurship and few are as relevant as financing. Lack of credit cannot be an obstacle to entrepreneurship. The HIE example is clear: in addition of having a service of advice and support in the processing of grants, it maintains a continuous cooperative relationship with a venture capital entity specific to the Highlands and Islands of Scotland and the Scottish Bank of Investments, without prejudice to other occasional collaborations with different financial entities. In such an undercapitalised business environment, it is essential to
support financial institutions that operate in rural areas willing to adapt to their reality and to assume controlled risks in operations in order to guarantee the financing of projects.

From the point of access to financing, the Spanish case is supported by a type of entities closer to the realities of rural areas: the rural savings banks. These try to support local initiatives thanks to their presence in the territory with procedures and conditions that the great banking entities would hardly apply in their absence to their customers in rural areas. The current process of concentration and banking of the financial system should not lead to the disappearance of these entities. Rather, considering the negative evolution of the rural environment and the challenges and difficulties encountered by entrepreneurship initiatives there, they should be preserved and supported as leading actors in the creation of a sustainable and solid rural development. For instance, within the Croatian banking system, the HBOR (Croatian Bank for Reconstruction and Development) plays the role of a development and export bank established with the objective of financing the reconstruction and development of the Croatian economy. The HBOR was founded and is wholly owned by the Republic of Croatia. One of the main activities of the HBOR is to support the development of small and medium enterprises, something that could be adapted to local initiatives.

Likewise, the possibility of promoting the creation of investment funds of social responsibility, especially oriented towards the channelling of investments with regard to rural development projects, should be explored.

Regarding the regulatory framework and the procedures for the founding of companies and the realization of investments, HIE has among its tasks to identify the existing needs in this regard and the problems that the application of general legislation poses for the situations that are experienced in the most fragile areas. To do so, it brings up to the authorities and legislators the need to promote reforms that prevent that the formulation or application of laws means the establishment of barriers, burdens or disadvantages which entail a discrimination against the possibilities and the typical facilities of the urban environment companies.
The different laws, with their procedures and requirements, may even prevent certain businesses from arising in rural areas. Thus, laws, as norms of general significance, are governed by the principle of equality of citizens before them. But the reality is, that in many areas, and especially in those that affect economic life and entrepreneurship, it is assumed that the conditions of departure are the same throughout all the state territory, ignoring their possible harmful effects when they have to be applied in a field as disadvantaged as the rural world. The problems that affect rural development show not only the extent to which this presumption is wrong, but also that it has very pernicious effects that feed back its negative spiral of economic and demographic decline.

It is necessary that the legal requirements for business and activities in rural areas get used to their realities and increase their flexibility regarding their application. This principle should also cover tax legislation, seriously considering the possibility of establishing a more favourable tax framework\textsuperscript{20} for entrepreneurs who invest in rural areas (this aspect, already existing in the annual income tax declaration, should be highly debated before foreseeing the consequences of being registered or not in a locality).

As we referred in the previous chapter to the psychological and formative aspects of social entrepreneurship in a framework of strengthening of rural communities, private or individual entrepreneurship should also have incentivizing, training and supportive

\textsuperscript{20} In the case of Spain, it is currently being debated about the introduction of criteria of tax discrimination in favour of the inhabitants in the most depopulated rural areas, in view of the low level of investment or services received from public administrations in comparison with those that the inhabitants receive in urban areas, being their general tax burden the same. Another case of counterproductive legislation occurs with those farmers -many of them young- who try to recover the territory that they stopped cultivating, areas catalogued as land use but that new farmers cannot use to introduce new crops or expand existing ones due to the extremely restrictive forest legislation generally applied in Spain. Another example that may be cited is that of the villages who have taken refuge in some figure of recognition and protection of their urban complexes, in which the norms and criteria usually applied by the competent heritage commissions are so restrictive and not very collaborative with the search of solutions to the needs of the families that live in these homes -for example in their adaptation to people with reduced mobility, change of uses, improvements in habitability, comfort, energy efficiency, etc.-. For this reason, more and more people choose to abandon buildings and even the village. Some villages are even considering requesting its discontinuance. These are three examples of a long list of legislative and administrative barriers to rural development that have a very negative impact on the maintenance of the population. The fiscal and investment incentives in Croatia are partially based on the development index of local self-government units. This index is currently being revised and the new model must take into account some demographic parameters, such as the evolution in the population and the aging index.
instruments. The **promotion of the culture of entrepreneurship** in the rural world must now overcome enormous psychological barriers, blockages, social prejudices and static attitudes on which it is necessary and appropriate to put concrete actions and mechanisms in place as part of the indispensable action tools for the implementation of a new development model for rural areas. Aspects such as the generation of dynamics of cooperation, positive emulation, networking, release of private and public assets until now immobilized by psychological blocks, opening to innovative activities and novel situations, are necessary elements to motivate entrepreneurs, introduce new business, crops, techniques, productions, procedures and activities, take advantage of the assets of the territory, guide and reorient young people -and also adults- in their professional expectations. To this should be added a specific education that helps them to exploit the potential offered by their territory and to adapt the way of conceiving and doing business in a medium and in conditions so different from those of urban areas.

All this should contribute to create a favourable business climate where, until now, most of the economic activities typical of the urban environment are considered unlikely.
7. Talent attraction-retention. Recovering the “rural pride”

HIE has a vision of its territory that we all seek to achieve in our depopulated rural areas: “a highly successful and competitive region in which more and more people choose to live, work, study and invest”.

After fifty years of activity there is still much to be done, but today we may attest that in the Highlands and Islands of Scotland they are reaching their goal. This has not been the case in all areas at the same time or with the same intensity. Some, given their objective difficulties and the seriousness of their structural deficits, still have not achieved it, although, without a doubt, their deterioration has been mitigated and they will be able to grow in the future if HIE continues to exist and is allowed to continue working as before. Thus, from the HIE experience, there appear a series of ideas that should be present in the public debate on depopulation and rural decline, and that should inform and inspire the plans and actions to be adopted in the future.

As for HIE in Scotland, our sole and primary objective is to transform our rural areas into competitive regions, whose inhabitants have confidence in their chances of continuing to live and prosper in their villages in the future, so that if someone decides to leave it is by personal decision and not by lack of opportunities. The essential challenge is not in attracting or giving birth to new inhabitants in rural areas, but in generating opportunities for development that make this possible. The positive behaviour of the demographic parameters shall be no more than the logical and natural consequence of the failure or success of the development model that we apply. Neither, to get the people’s territory filled shall be the most important thing. Contrarily, it shall be that people who live in it -whether they are many or few- count with the necessary facilities to prosper and to trust that in the future they will continue to do so, as their descendants, their neighbours and those who may join them by going to live there. And it is that the demographic problem is a consequence, mainly, of a complication of economic development. A development that, in order to be possible, needs the indispensable budgets previously indicated and that in rural areas should also be based on the same premises as urban areas: diversification of productive sectors, adequate access to services, suppliers and markets; innovation and creativity, availability or
attraction of skilled labour, connectivity and effective communications, adequate infrastructure, equipment and public services, etc.

In spite of this, it is not realistic to expect the general demographic image of the rural environment to be the one that existed a century ago, neither in terms of quantity nor structure, at least in the short term. Now, the immediacy or not of the result does not justify inactivity. As we mentioned in previous pages, it is urgent to implement measures that contribute both to rejuvenate and feminize the demographic structure of the most vulnerable rural territories. In view of the natural evolution of the population, not only in rural areas but in Europe as a whole, marked by a progressive increase in mortality as a result of aging and alarmingly low birth rates, we understand that this structural change may only be expected from the arrival of an exogenous population in the rural environment and the return of a significant percentage of those who left and decided to reorient their life project towards the rural environment. This renewed social capital should be the engine of the new economy and society that we want for our peoples.

In this line of work, HIE has carried out sociological studies on the attitudes of young people in the Highlands and Islands of Scotland and the image, expectations and attitudes they have regarding their region. The information collected is relevant both to consider the ability to retain young people in the territory and to attract those who left or who are originally from other areas. This information may easily be extrapolated to other territories with similar challenges due to its rural, mountainous, remote and sparsely populated nature and is relevant when considering what makes a territory capable of retaining and attracting talent.

It is pertinent to clarify that the concept of talent includes the intellectual capacity and aptitudes of people to successfully develop certain activities, especially those that allow them to earn a living and, at the same time, generate benefits for the community. Frequently, from a political perspective, the attraction of talent has been addressed in a more restrictive way, limited to the scope of the scientific community -to avoid or counteract the “brain drain”- and the implementation of programs aimed at promoting return -usually to the research centres, located mostly in the big cities- of the emigrated talents themselves and, sometimes, also to attract others from abroad. However, the HIE
approach is based on a definition of talent that is not limited to individuals who develop skills of excellence in a specific field, but refers to anyone with certain qualifications that are demanded by the economy and the society of the territory.

The first conclusion highlighted in the HIE studies is the need to have a sufficient educational offer adapted to the needs of the territory. The availability of an adequate educational offer of quality, variety and proximity facilitates the settlement of young people without detriment to their education and training. In addition, it delays the age at which they migrate -if they do it- to complete their training and, if possible, to acquire a certain work experience. Once again, good connectivity and a good public transport system are fundamental for young people, but also the maintenance of an appropriate level and quality of the public education system is taken into account.

An education well adapted to the needs of the productive sectors of the territory increases the job opportunities of young people without forcing them to consider emigrating. In the same way that we have pointed out when referring to the promotion of entrepreneurship, the essential pillars of the system must include education for specific entrepreneurship in rural areas at all educational levels. The planning of the educational offering in rural areas should be adapted to the realities of the economy of the territory, including also the continuous training and professional recycling of workers to adapt themselves to the incursion of new activities. In the case of the most depopulated and aging rural areas, it is not uncommon for many entrepreneurship and job creation projects to encounter serious difficulties or even to end up being located in other areas due to the lack of workforce.

On the other hand, the own difficulties to adequately lodge and look after the workers and their families, and their complementary needs -health, education, transport, commerce, leisure, etc. - often make impossible the attraction and settlement of the workers coming from the urban areas that, further stimulated by an image of life in rural areas that undoubtedly needs to be improved21, could supply the deficit of human capital.

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21 This is another of the great pending subjects of rural development. Decades of disrepute of life in the towns against the attractiveness of the city since the times of developmentalism in the second half of
An adequate planning of the educational and vocational training offer should pay attention to the training of talent, adapted to the needs and demands of the existing job offer in the territory.

In any case, the attraction of talent is and shall be necessary to satisfy the lack of labour that many companies and activities have in the sparsely populated rural territories. On the other hand, as for almost everything else, it is necessary to develop plans, tools and methods, knowing the recruitment needs of companies in the short and medium term, in order to anticipate the problem of lack of human resources.

The University of the Highlands and Islands -UHI- plays a very important role in the creation of talent and in the launching of innovative business projects connected with the potentialities and needs of the territory.

It was conceived as “a university in, for and of the Highlands and Islands”, that is, to serve the needs of the territory by selecting disciplines and specialties with better professional opportunities in the labour market, support for rapidly growing sectors or of great potential, and research in those fields where new opportunities may be found and local challenges may be responded. And all this, without renouncing to the research excellence, which has given rise to important patents, the exercise of business consulting activities and the attraction to the territory of international companies specializing in the specific fields in which UHI is leading.

Although it is a public university of recent creation, its capital is public-private. The students of the region bet on this university because of its proximity and because they know that it is not only focused on teaching, but also that it is investigating in sectors that have a high potential for generating employment in the region. It is very remarkable the UHI's experience in integrating the higher education centres that already existed before its foundation- into the same network, as well as in assuring a remarkable

the twentieth century have strongly undermined the self-esteem of rural inhabitants -who frequently encourage their children to educate themselves to seek a better professional output and a life in the city- and, at the same time, especially with the loss of population, public services, private businesses and leisure offerings. All these facts have given rise to campaigns - well-intentioned but often self-defeating- that defend the rural by impacting more in its shortcomings than in its advantages, something that in the long term ends up being very dissuasive for those in the city who consider whether or not to accept an offer of work in a town. Today, despite everything, we must continue explaining in the cities that in the villages the living conditions have also improved a lot compared to the hard times of the past.
implantation throughout the territory of the Highlands and Islands, making them not only faculties with their specialties but also support centres for those who study all or part of their studies from distance, even living in the most remote areas. The intensive use of ICTs to make this possible is a reflection of the importance that investment in connectivity and use of new technologies has in order to carry out effective policies for the rural environment. Also noteworthy are the employment integration programs of its licensed, who carry out internships in companies in the territory, and who sometimes end up being hired as permanent workers.

The idea of having a university for the Highlands and Islands was pursued from the moment of the founding of HIE -then HDB- in 1965. From the beginning, HIE was clear about the need for a higher education system conceived from, by and for the territory that ensured the retention of talent and the use of it at the university, technological and research level in the regional development scheme. UHI attracts students, staff and researchers from around the world and develops national and international networks and links, thanks to its 13 academic partners and more than 70 teaching centres. Unfortunately, this perception of the importance that an institution as typically urban as the university may have for rural development is very rare in Southern Europe.

Spanish universities are making great efforts to stay in the line of innovation, research, educational excellence and projection of their activity on society and the economy. All this, situated in the middle of a debate about the proliferation of universities. However, we must ask ourselves if our universities also contribute as it is desirable to solve the urgent problems and challenges of the rural environment in which they are located. If until a few years ago the “divorce” between the university and the demands of society used to be talked about, nowadays, thanks to the reforms and efforts of recent years, this divorce seems to be disappearing in a general way, but unfortunately not to the same extent as regards the needs of this rural world in decline that is barely a few tens of kilometres away from the university campuses.

The HUI experience could also serve as a model for Lika-Senj County and other sparsely populated areas in Croatia. Higher education institutions in Lika-Senj County are scarce and difficult to access from more remote areas of the county. Therefore,
cooperation with similar institutions in other regions and the use of modern technology (e-learning) would increase access to educational opportunities in the county.

In the case of Evrytania, a more complete monitoring of local population trends could help identify which policies would be most appropriate in order to address the depopulation of the area. Without prejudice to this, the expansion of the Technical Institution of central Greece and, probably, its development at the university level will help to improve educational conditions and opportunities in the region.

The universities in each region should perceive and assume a much more decisive and influential role in the task of putting an end to the immobility in the economic and social development of the rural environment. Furthermore, they should bear in mind the training of specially qualified professionals for innovation and entrepreneurship, who are demanded in rural development and research in those domains that have a special interest for it. The Scottish example shows that, with an appropriate approach, the interaction of the university with the companies of the territory decisively favours the possibilities of innovation and growth also in the rural environment.

Talent is a human quality and when we talk about attracting or retaining it, we refer to people in any circumstance who need to cover all their needs. We are talking about couples, children, family life and social life. In particular, the situation and the role of young women is fundamental in the determination of the population in rural areas, wherever they come from; it is not by chance that one of the indicators of alarm on the degree of demographic deterioration of a rural population is its high index of masculinity.

In addition, the position of women in the social and family roles of our days has significantly changed, and today, they not only represent a weight factor in the decisions regarding the way of life and place of residence. Besides, their high educational and attitudinal qualification makes them a much more decisive factor when it comes to weighing the most appropriate measures and actions to ensure the recruitment of talent and the settlement in the territory of the people who can put it into practice in the framework of a successful development model.
It is of the utmost importance to make an extra effort to retain and attract the female population, contemplating the specific incentives in all areas - taxation system, financing, facilities in the workplace, entrepreneurial aids, truly integral birth policies and not exclusively those which are based on more or less timely financial aids, essential services for the compatibility of work and family life, etc. -

Another of the efforts made by HIE to help attract and fix population has focused on housing policy. The provision of homes with the proper qualities in terms of comfort, location, communications, services, etc., in affordable conditions for rent or purchase was essential while success in economic development attracted new settlers to the Highlands and Islands of Scotland.

But the situation of the considerable fixed capital assets in our sparsely populated rural areas is usually far from ideal: most of the properties are owned by people who, due to their age or family circumstances, are unable or unwilling to put them in the selling or renting market. Furthermore, in case of lending themselves to it, we would find a high percentage of properties that lack many of the habitability requirements that are currently demanded in the purchase of a family home - for example, in aspects such as thermal insulation or the heating - or many cases in which they would require important works of rehabilitation and reform. Moreover, it is essential to improve the conditions to guarantee access to housing, especially for young people. Access to decent and affordable housing for low wages that young people usually perceive remains a basic element - along with the list of essential premises already described in chapter 4 - to favour their emancipation and their settlement in the territory. It is therefore necessary to develop consistent housing plans as part of the development strategy of our rural areas where potential demands can be generated, and in which the rental or sale of homes in suitable conditions, guaranteeing the payment to the owners may be encouraged.

Last but not least, it is essential to incorporate the psychological and cultural aspects into the strategy of the new rural development. The decision to bet on staying in one's territory or choosing a village as the setting for a life project has to do not only with objective and material factors but also with others circumstances that belong to the field of ideas, desires and illusions, feelings and emotions, the need to establish new
rooting formulas or the subjective attribution of the value of things. In this light, the representations of life in rural areas that for many decades have spread and which have had a very negative impact on the population's attitudes -especially on the low regard of the rural population itself- become highly significant. These negative representations have fed the propensity to abandon the villages for anyone who wishes to carry out a project of full and successful life.

On the other hand, little by little, the attractions and the quality of life that may be achieved if living and thriving in rural areas have been extended among the urban population have gradually spread -associated above all with environmental, social, health, tranquillity and security values that have awakened a growing interest in recent years-. Despite this rediscovery, the truth is that, in addition to the objective obstacles that slow down the expectations of those who consider going to live in the countryside, there are still many psychological barriers and blocks in both the urban and rural population. All this hinders the process of adaptation and integration between the migrant population and the host society. Along with this, it plays a decisive role the typical ignorance about the environment, the resources that newcomers may access, and the way to make use of them in order to organize their lifestyle in a satisfactory manner and adapted to local realities. These are factors that may become very problematic when undertaking projects that should have a positive impact on the settlement of a new population and on the generation of new development formulas. Consequently, the accompanying, assistance and reception measures in the places of destination of the new settlers should be part of the foreseen actions carried out by the agency responsible for the new rural development.

In addition, it would be necessary to add to all the above a continuous marketing effort, properly conceived and executed, destined to “sell” the rural environment where there are people potentially attracted and willing to carry out their projects in it. A positive image should be also instilled among the rural population itself, introducing attitudes of self esteem -rural pride- that help to feed back a positive spiral, necessary to generate the basic conditions of trust and initiative that all economic and social development requires. Locally promoting the pride of belonging to the territory in order to create a greater and better link with it, and to reinforce identity symbols by fostering
educational and leisure activities related to cultural heritage, may represent an ideal way to improve self-esteem and establish positive and optimistic attitudes.
8. Conclusion

The experience of HIE demonstrates -contradicting with facts the defeatists judgments and omens of some people-, that even the most remote, abrupt, isolated, aged and depopulated rural areas may reach a healthy demographic balance and a state of economic prosperity that allows them to continue to exist and even grow in the globalized context of our era. Its experience also shows us that, for such a thing to be possible, there are no magic formulas or one-size-fits-all solutions that postulate that the answer lies in this or that essential aspect.

This is a problem of a complex nature, which therefore requires complex solutions in which it is necessary to intervene in a coordinated and coherent manner with very diverse actions, organized according to a work methodology that requires long-term planning and spatial planning. All this entrusted to a specialized entity formed by competent professionals who are endowed with great autonomy to work in the territorial sphere assigned to them.

An entity cannot and should not replace the public bodies that have been dealing with the problem until today. However, in a relationship of permanent collaboration and within the framework of a technically solid planning, it should set up and add the material and intellectual capacities and resources of these public bodies to their own in order to achieve the results that to date we have not been able to achieve in each of our regions.

The findings that we have set out in the Annex to this report document the success of the holistic approach adopted by HIE, which contrasts with the insufficient results of the basically mono-sectoral approaches -agriculture, primary sector- applied so far by most of the Member States of the European Union in their rural areas. According to the Scottish experience, development is a consequence of the adaptation of human

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22 Despite the important challenges that still exist, Evrytania participants value positively the policies already adopted by the Regional Authority and the implementation of its Local Development Strategy and consider that they are on the right track to address the isolation and depopulation of the region of Evrytania. In addition, they consider that the adoption of more dynamic policies for CLLD and ITI projects, for the adoption of legislation on the "Community Trust" and for the creation of social economy enterprises at regional, national and European level, shall help local communities with insulation problems to thrive.
communities to the passage of time, a requirement that forces us to evolve and to constantly question the premises on which the prosperity of people is built in each area. A development model based almost exclusively on a single sector or activity whose weight in the framework of the general economy is increasingly smaller, however solid and inelastic the demand for its production, will be increasingly unable to maintain the population in the territory in the context of an economy in which other sectors of activity have greater capacity to adequately remunerate the work and investment of a larger number of people. If such sectors and activities cannot thrive in the rural environment, it is expected that they concentrate there where they do have the precise conditions for it -the urban zones- and with them the population.

The experience of the Highlands and Islands of Scotland demonstrates the importance of creating a specialized agency such as HIE to successfully face the complex task of transforming the desolate scenario that represented that territory. It is a scenario very similar to the one we face today in other sparsely populated rural areas in the interior of Europe, so it makes sense to propose the creation of a similar tool adapted to our circumstances in order to provide consistency to the dispersed efforts of the different public administrations that must ensure territorial balance and the economic, social and demographic development of rural areas.

In the construction of a new development model for rural areas, several phases are involved. Firstly, a direct and permanent contact with the realities of each functional area that makes it possible in the future an action adapted to the objective situation of each field, especially as it affects the most remote, mountainous and sparsely populated areas, which shall need of a preferential treatment over the years. Secondly, a planning process that starts from an exercise of spatial planning of the territory in which it has to operate. Thirdly, and in accordance with such planning, the arranged action of the agency and its public and private partners in the provision of essential elements or premises of the new development as described and commented on in the preceding chapters. Among these elements, it will be necessary to address both the material and human components of the new model, understood in their wholeness, so they also include the psychological aspects, talent and motivation of people.
Hence, we trust that, in line with the best illustrated tradition of the culture of our continent, and with the story of the successful experiences learned from a people that despite all vicissitudes will always be part of our European family; we get to know how to arrive at concrete achievements that create an actual solidarity also with our most forgotten communities.
SUCCESSFULLY COMBATTING RURAL DEPOPULATION
THROUGH A NEW MODEL OF RURAL DEVELOPMENT: THE
HIGHLANDS AND ISLANDS ENTERPRISE EXPERIENCE

ANNEX

TO THE REPORT OF THE TAIEX-REGIO VISITING GROUP OF
CUENCA, EVRYRITANIA, LICKA-SENJ, SORIA AND TERUEL-
SOUTHERN SPARSELY POPULATED AREAS-

2-4 MAY 2017

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1. Introduction

This annex contains the data and findings made by the members of the working group that between May 2 and 4, 2017, visited the Highlands and Islands of Scotland under the TAIEX-REGIO Peer 2 Peer tool, which is mentioned within the introduction of the report “Successfully Combatting Rural Depopulation through a New Model of Rural Development: The Highlands and Islands Enterprise Experience”. This report includes the reflections, assessments and proposals made jointly by the participants from Cuenca, Evrytania, Lika-Senj, Soria and Teruel, which are five sparsely populated areas of southern Europe belonging to Croatia, Spain and Greece and which make up the SSPA network.

Photo 1. Participants of the visit group to HIE (May 2-4, 2017)

The working group (Photo 1) was made up by technicians of the respective regional governments, representatives of business organizations and a representation of the Local Action Groups of the five territories that constitute the SSPA network.
2. Conception and operation of *Highlands and Islands Enterprise*

To a large extent, the problems and challenges faced by the Scottish region of the Highlands and Islands are very similar to those suffered by the sparsely populated regions of southern Europe. These similarities become the first of the issues that drove us, the working group that make up the SSPA network, to be interested in the success experiences of a territory, in essence, similar to ours.

Firstly, the Highlands and Islands (*Map 1*) are a territory away from the main axes of communication and trans-European economic development, therefore, *peripheral and remote*. This is not only because of their eccentric position, but also because of the fact of having a particularly precipitous relief, added to the multitude of islands and the encroachment of the sea that characterize its coastline. All this ends up making the communications between the settlements of population especially expensive in time factor.

In addition, the climate is hard, therefore environmental conditions have not allowed, historically, the development of an agricultural activity much beyond the mere subsistence agriculture and livestock.

To the environmental conditions, they must be added the *political processes* inherited from the defeat suffered by the Jacobite clans of northern Scotland in their uprising against the British Crown, back in the second half of the eighteenth century. After the end of the revolt, there was a substantial change in land tenure in much of northern Scotland (*Highland Clearances*), leaving more than 80% of the land area in the hands of a small number of landowners who, almost immediately, replaced the local agriculture with large extensions of sheep,
relegating the previous owners to work as sharecroppers or "crofters". The result was that hundreds of thousands of Scots were forced to emigrate to the thriving urban centres of Edinburgh, Glasgow or London -immersed at that time in the midst of social and economic transformation resulting from the incursion of the first Industrial Revolution-, damaging the demographic structure of the Highlands and generating consequences that are still visible almost 250 years later.

Precisely, the late incorporation of the region to the intense process of industrialization -that characterized the nineteenth century in other regions of the British Isles-, condemned the Highlands economy. It only showed some dynamism in the service sector, largely thanks to the important weight of public administrations and their civil servants.

With this economic landscape and without a glimpse on the horizon measures aimed at correcting the situation, the outflow of population through emigration continued incessantly until well into the twentieth century. After the Second World War, this trend was encouraged by the lower wage level in the Highlands -even today the differential is between 10 and 15% lower than the average of the country- and by the definitive cultural change experienced by European society, which resulted in the definitive triumph of "the urban" in front of "the rural".

It was not until 1965, once noted that the delay of the Highlands with respect to the whole country was endemic and had a way of being irreversible, when the British government -inspired by the precedent of the Tennessee Valley Authority (1936) in the US- passed the Development Law for the Highlands and Islands of Scotland -the Highlands and Islands Development Scotland Act-. As a consequence, a specific public development agency was founded in this territory: the Highlands and Islands Development Board (HIDB), which later would become the current Highlands and Islands Enterprise (HIE).

HIDB started operating on November 1, 1965 with a budget of £150,000 and a technical team of six people. Since its inception, despite the complexity of the commended task -or perhaps precisely because of it-, the working group set up a culture
of optimism\footnote{This optimism may be appreciated from the first document, "First Report" of the Highland and Island Development Board. You may learn more by downloading the full document: http://www.hie.co.uk/common/handlers/download-document.ashx?id=1dfb0f9d-8cc6-4bb9-8886-fa4c22cfacc7} and ambition that is still present in all that is headed by the current Highlands and Islands Enterprise. They also adopted the basic principle that the desired socio-economic development could only be achieved through a holistic approach to the reality of the territory, making its strategy move away from sectoral and partial approaches and, in general, with poor results. Moreover, since its beginnings the agency marked as one of its fundamental challenges the encouragement of the direct involvement of society in the design and implementation of its development strategy. Thus, the strengthening of the social capital and of the structures that make up the local communities was a priority for the HIE, the same or more relevant than the traditional activation of the economic structure. As we shall see below, this social approach to development has been one of the fundamental keys to the success achieved by the agency.

At present, the legal nature of the HIE is that of a non-departmental public body -NDPB- or quasi-autonomous public body, also known as quasi-autonomous nongovernmental organization -QUANGO-, that is, an autonomous public body that is not integrated in any government department. Therefore, in many aspects of its day to day, it is more like the operation of a private company than that of a public body. In fact, its workers are not civil servants and almost 10\% of its annual budget comes from own resources generated as if it were just another actor in the market, e.g. by managing the sale of industrial land, providing advisory and consulting services, etc.

Precisely, one of the main problems faced by the agency in its beginnings was the lack of availability of land to carry out the projects of social and economic regeneration that the region needed in those first years of life of the agency. And the thing is, that at the end of the 1960s, rustic property remained concentrated in very few hands and, generally, these were suspicious of any change that affected the status quo acquired over the centuries. Faced with this obstacle, the HIDB led two actions: on the one hand, it initiated a process of consultation with the owners in order to involve them in the development strategy leaded by the agency. On the other hand, it urged the British parliament to promote legislative reforms. These reforms would allow liberating and
modifying certain land uses and, also, they would facilitate access to land ownership not only to individuals, but also to local communities.

Although the successes of the agency during its first years of life are transcendental to explain the achievements reached so far, it is also worth highlighting the fact that other elements had a very positive impact on the development of the region:

- **The reform of the local government** (1975). It was a legal modification aimed at rationalizing the administrative map and local power, and which had as a most significant measure the reduction of the number of municipalities in the region to only six.

- The beginning of the North Sea **oil exploitation** (70s) meant a boost for the region, although without reaching the economic transcendence that would have been potentially desirable. This was because of the absence of large port and industrial infrastructures which caused the Highlands could not take advantage of the added value derived from the transformation of oil, having to settle almost exclusively for the benefits derived from extractive activities. In this respect, only the Shetland Islands capitalized directly a significant percentage of the profits -at least considering the small scale of the local economy-. They held unlawfully direct rights over the exploitation of marine resources, which allowed them to negotiate with the oil companies with the aim to participate more directly in the benefits of the exploitation of their environment deposits. With them, they created an investment fund that began to finance transportation improvement projects between the islands and abroad, and which stimulated a rapid increase in population.

- The substantial increase of public investment by the State in the **improvement of communications**, and of its corresponding infrastructure, has made possible to palliate the secular backwardness that the region experienced in this area, linking from the 70s and until the 90s, successive strategic plans of transport.

- From the 90s, the focus in these plans moved from traditional infrastructures -ports, roads- to **telecommunications**, investing first in the

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substantial improvement of land line and mobile telephony networks and later in the broadband.

- With regard to the productive sectors, the fishing industry was strongly encouraged with the intention that it would become one of the main engines of the regional economy. Despite the abundance of fishing resources, and the tradition and the valued "know-how" over centuries, at the beginning of the 70s the fishing sector in the north of Scotland was deteriorated by the lack of port infrastructures and by a very fragmented business structure dedicated almost exclusively to the capture and not to the transformation. Thanks to the intervention of the HIE, considerable investment was made in promoting processes of innovation in matters of transformation -canning industry, fish farming- that managed to modernize the sector and to make it one of the main references of the Scottish economy.

- Something similar has happened with the tourism industry. In spite of the landscape, cultural and patrimonial potential of the Highlands and Islands, tourism has been a secondary activity for the regional economy for decades. The revitalization strategy of the HIE was based on the improvement of the tourist offer, encouraging private investment in hotel infrastructures and tourist services -the agency even coming to directly manage some hotels where the private initiative was not able to take advantage of the opportunities of the sector-, facilitating the appreciation of cultural and natural heritage and promoting the professionalization of the sector through ambitious training programs. On the other hand, important promotional campaigns were undertaken both in the United Kingdom and in the rest of Europe, which accomplished to position the region as a unique and high-quality tourist destination. In recent years, tourism activity in the region has experienced a renewed boost thanks to the promotion made by the audio-visual sector. The thing is that the Highlands and Islands of Scotland have become a huge set of television, film and advertising driven by HIE itself.

- For Highlands and Islands Enterprise, the promotion of culture -and especially traditional culture- has been one of the fundamental strategic investments, considering that it stimulates the settlement and commitment of individuals to the territory and helps to create an image of a territorial brand of a country that attracts visitors and new inhabitants. Thus, since its inception, the cultural industry has been
encouraged around the main historical and cultural values of the region, associating all the regional cultural representations with its own and distinctive brand image. Especially noteworthy is the work carried out in the recovery of the Gaelic language as a vehicle for all cultural representations of the territory: music, handicraft, artistic heritage, etc. Although it is only spoken by 12% of the population, Gaelic is the official language in the north of Scotland and is studied at all educational levels.

- We cannot finish the description of the main milestones and strategies carried out by the HIE without making special mention of the impact caused by the arrival, in 1980, of Structural Funds from the EU. In the case of the Highlands, the preferential destination of these funds was: support for companies, investment in the education system -especially in the creation of the Highlands and Islands University- and the impulse to the innovation as a link between both. The region has managed to take advantage of these extraordinary funds to transform and strengthen its economic structure. Undoubtedly, the fact that HIE was responsible for managing all the territorial cohesion funds allocated to the Highlands and Islands of Scotland from a strategic approach, coupled with the fact that the different national governments have not overlooked its responsibility to invest in the territory outside of European funding, -understanding its responsibility as a finite complement, and not as an eternal resource-, constitute two substantial differences with respect to the approaches usually followed in the Mediterranean countries. This way of understanding the policies of territorial cohesion may serve as an example in which currently only 7.5% of the total budget of the HIE comes from European funding.

In short, the theoretical basis, the set of long-term strategic principles and the actions and measures that we have briefly outlined so far are only the root causes that explain the achievements of the HIE. The thing is, that after fifty years of activity, the overall balance of its work may only be described in terms of success.
With regard to the demographic issue, and as shown in the data in *Graph 1*, it is not until the mid-1960s, coinciding with the birth of the agency, when the population of the region begins a **gradual period of growth** that leads it, in 2011, to recover the population figures of 1851. Therefore, it can be said that it has been achieved to reverse the long process of demographic deterioration suffered in its last 160 years of history.

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<tbody>
<tr>
<td>Argyll and the Islands</td>
<td>73,067</td>
<td>71,618</td>
<td>68,829</td>
<td>71,012</td>
<td>69,935</td>
<td>68,485</td>
<td>-4,582</td>
<td>-6.3</td>
</tr>
<tr>
<td>Caithness and Sutherland</td>
<td>40,877</td>
<td>40,836</td>
<td>39,868</td>
<td>39,926</td>
<td>38,462</td>
<td>39,732</td>
<td>-1,145</td>
<td>-2.8</td>
</tr>
<tr>
<td>Inner Moray Firth</td>
<td>89,614</td>
<td>99,235</td>
<td>112,865</td>
<td>126,740</td>
<td>133,490</td>
<td>153,293</td>
<td>63,679</td>
<td>71.1</td>
</tr>
<tr>
<td>Inver Gail</td>
<td>32,609</td>
<td>29,891</td>
<td>30,706</td>
<td>29,600</td>
<td>26,502</td>
<td>27,684</td>
<td>-4,925</td>
<td>-15.1</td>
</tr>
<tr>
<td>Lochaber, Skye and Wester Ross</td>
<td>28,815</td>
<td>31,819</td>
<td>34,189</td>
<td>37,072</td>
<td>36,962</td>
<td>39,107</td>
<td>10,292</td>
<td>35.7</td>
</tr>
<tr>
<td>Moray</td>
<td>79,325</td>
<td>79,245</td>
<td>80,131</td>
<td>83,616</td>
<td>86,940</td>
<td>93,295</td>
<td>13,970</td>
<td>17.6</td>
</tr>
<tr>
<td>Orkney</td>
<td>18,747</td>
<td>17,077</td>
<td>18,418</td>
<td>19,612</td>
<td>19,245</td>
<td>21,349</td>
<td>2,602</td>
<td>13.9</td>
</tr>
<tr>
<td>Shetland</td>
<td>17,812</td>
<td>17,237</td>
<td>22,772</td>
<td>22,522</td>
<td>21,988</td>
<td>23,167</td>
<td>5,355</td>
<td>30.1</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>380,866</td>
<td>387,028</td>
<td>407,780</td>
<td>430,366</td>
<td>433,524</td>
<td>466,112</td>
<td>85,246</td>
<td>22.4</td>
</tr>
<tr>
<td>Scotland</td>
<td>5,179,344</td>
<td>5,228,963</td>
<td>5,034,202</td>
<td>4,998,567</td>
<td>5,062,011</td>
<td>5,295,403</td>
<td>116,059</td>
<td>2.2</td>
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*Chart 1. Variation of the population by functional regions (1961-2011)*

In fact, *Chart 1* shows that between 1961 and 2011 the **population increased by 22.4%** -from 380,000 to 466,000 inhabitants-, numbers that may be considered as
unprecedented in any other European rural and mountainous territory. In addition, and in contrast, in the same period of time the Scottish population as a whole barely grew by 2%, so it is more than justified that the causes that explain this evolution have to be sought at a regional level.

However, in the Highlands and Islands there are still areas that lose population, such as the functional regions of Innse Gall (-15.1% since 1961), Argyll and the Islands (-6.3%) and Caithness and Sutherland (-2.8%). Although these population losses could be interpreted as indicators of an encouraging change of trend in the territories of the Mediterranean area, they look worrying in the Highlands and Islands and its socioeconomic and demographic context. Therefore, HIE understands as a priority that these three regions sign up to the trend of the rest of the territory, increasing the support for any initiative that serves as a lever to improve transport, housing or Internet access -the three fundamental shortcomings diagnosed in the case of these three territories-.

Another major concern regarding the demographic evolution of the region has to do with the migratory behaviour of the younger population. As shown in Graph 2, the migratory balance of the population between 15 and 24 years old continues to be negative as a result of the young people departure for studying.

Although the arrival of other age groups -especially those over 30 years old, in many cases returned once they finish their studies- manages to achieve a positive migration balance for the agency, direct work with these age groups is one of their strategic priorities. As we will detail below, the HIE started several years ago a sociological macro-study aimed at knowing the needs, concerns and expectations of the younger
people. The aim of the study is that its results would be taken into consideration in the design of all the development strategies promulgated from the agency.

Returning to the question related to the migratory balance, it has been the **arrival of an exogenous population** -not so much the natural evolution of the population-, the factor that explains the demographic recovery of the region. HIE maintains an attitude of "open arms" towards the population that, mainly coming from the rest of the United Kingdom, wants to settle in the north of Scotland. For this, it strives to offer reception programs for new inhabitants that include the promotion of the territory, facilities for access to housing, or accompaniment services for those who consider undertaking a business activity. But above all, the agency strives to offer the new settlers a project of integral life, in which quality employment according to their professional expectations is important. However, it also understands that the possibilities of establishing a young and highly qualified population, both native and foreign, are limited without an adequate provision of public services, a quality and diversified cultural and leisure offer and an open and dynamic social environment. For all these reasons, the possible consequences derived from Brexit and the way in which the withdrawal of the United Kingdom from the EU may affect the mobility of people is another major concern of *Highlands and Islands Enterprise*. 
2.1. The importance of planning

In order to explain how the exceptional results, that we have been reporting, had been achieved, it is necessary to take into consideration the work of the HIE in terms of strategic planning.

<table>
<thead>
<tr>
<th>HIGHLANDS AND ISLANDS ENTERPRISE</th>
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<tr>
<td><strong>Purpose</strong></td>
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<tr>
<td>To generate sustainable and inclusive economic growth in the Highlands and Islands.</td>
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<tr>
<td><strong>View</strong></td>
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<tr>
<td>The Highlands and Islands are a highly successful and competitive region in which more and more people choose to live, study, work and invest.</td>
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<tr>
<td><strong>Priorities</strong></td>
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<td>• To support companies to help them achieve their growth aspirations.</td>
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<tr>
<td>• To strengthen communities and fragile areas.</td>
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<tr>
<td>• To promote the conditions to achieve a competitive region with low carbon emissions.</td>
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<tr>
<td>• To develop growing sectors and especially distinctive opportunities of our territory.</td>
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</table>

Table 1: Purpose, vision and priorities of Highlands and Islands Enterprise

As shown in Table 1, the objectives, mission and vision of the Highlands and Islands Enterprise do not differ, in substance, from what we can find in any other development agency that works to reverse the difficulties of a territory eminently rural and with difficulties in achieving a significant degree of competitiveness. Therefore, what is interesting about their experience lies not so much in the “what is done” but in the “how it is done”, and this is where the guiding principles of the strategy promoted by this agency acquire great relevance, highlighting the following:

- **Holistic approach**, Highlands and Islands Enterprise conceives of development **in an integral way**, as a multidimensional “whole” in which the economic is combined with the social, the environmental, and the cultural. And the point is that, if the territory has multiple and complex dimensions, the logical thing is to think that the strategy that has to contribute to the increase of its competitiveness also has this holistic conception very present. HIE avoids supporting or promoting any intervention of a sectorial nature that contradicts this principle and, therefore, does not contribute to sustainable and sustained growth, no matter how important the immediate benefits may be. With this, one of the fundamental principles of spatial planning is fulfilled - at least of the “good” ordering of the territory: what is beneficial for one of the parties must also be beneficial for the whole.
• **Technical autonomy.** The planning process carried out by HIE is headed by a technical-scientific analysis of needs, objectives, available means and methodologies to be implemented. Therefore, its action lacks any ideological bias, and this is only possible by virtue of the **autonomy of the agency**, recognized and preserved thanks to the broad political consensus that exists around the need not to influence decisions of a technical nature at a political level.

• **Cascading effect planning.** The strategic plan prepared by the HIE is not disconnected to the planning work carried out in other scales of administration. In fact, this plan is not only integrated into the framework of the **National Strategy of Scotland**, -so to speak, the strategic plan of the country-, but the HIE itself participates as one more actor in the writing of the objectives, actions and prioritization of this national strategy, so that the voice of the Highlands and Islands is always present in the process of developing a document as relevant as this is.

• **Scale.** The heterogeneous nature of the territory in terms of its needs, potential and basic conditions for development makes the HIE to apply **different criteria for the granting of aids**, considering issues such as strategic interest or its social impact even beyond the mere economic impact generated. Thus, small projects in small towns, even if these are not significant in economic terms, tend to end up prospering thanks to the direct support of the HIE. To operate effectively on the territory, the agency defined eight functional areas that do not necessarily have to coincide with the administrative division of the region (**Map 2**), once again showing that the priority is to provide an effective response to the needs of the territory, even beyond the political-administrative constraints.
• **Scale II.** The concern of the agency for “the local”, manifested in the close work that is done with the communities or in aspects such as the constant **search for rural promoters** and people with the capacity to mobilize the local society, its resources and energies; is not an obstacle for Highlands and Islands Enterprise to be very aware of the global context in which both the territory and its development strategy are integrated. Thus, HIE is present in national and international forums, especially in Europe, where it understands that its participation may contribute to achieve development opportunities or to strengthen its model of territorial intervention. A clear example of this global attitude is the generous reception that the agency gave to the representatives of the SSPA regions throughout this study trip.

• **Scale III.** The strategy of the agency always includes **three time horizons: short, medium and long term.** The combination of these three scales and their respective strategic documents helps to ensure that the planning activity is perceived as constant in time and space, which contributes to all resources and energies remaining active. With this, the possibilities of achieving sustainable and lasting growth increase.

• **Participation.** As we will deal in later pages, the agency considers that the **active participation of the different actors** with territorial importance is a priority, both for the fact of promoting transparency -everyone may know what is being discussed with regard to their future-, and for the need to count, from the very beginning, with the active participation of those who are called to implement the proposed measures: entrepreneurs, political representatives, interest groups, socio-cultural associations and, ultimately, the community in general. With regard to the process of preparing the development strategy, HIE has the support of any administration, organization, entity or group that may become interested in giving opinions and contributing. To this end, it periodically launches different participatory processes endowed with different participation tools, both in-person and online.

**2.2. Resources and governance**

HIE receives the most of its **funding from the State** -79.8 million Euros for the 2016/17 period, of which a part comes from the benefits of the national lottery of Scotland-, but also receives income through its **own resources** -8.7 million-, and thanks
to the **European funds** managed by itself -5.9 million-. Thus, its total budget for 2017 is around 94.4 million Euros, percentage distributed as follows:

- Support to businesses and social economy companies: 17%
- Strengthening local communities and fragile areas: 11.8%
- Development of high growth sectors: 17%
- Regional competitiveness: 22.5%
- Development support: 8.3%
- Operating costs: 23.4%

HIE usually contributes **between 10 and 25% of the financing of the projects** it subsidises. Its main objectives are to generate employment, to promote innovation and internationalization of its economy and to contribute to improve the economic and social network of the territory.

To participate in these grants, no calls are made as we are used to; **there are no deadlines**, so the funding opportunity is always open for those who intend to undertake a new economic activity, invest in their business project or for those communities that want to promote a social initiative.

Especially relevant is the fact that HIE not only limits itself to the requests that come from companies and other entities, but also, **through its local agents**, identifies those projects that are of special strategic interest. Then, they look for the potential public and private promoters that they suppose as more apt. If appropriate, even the HIE itself may act directly as a promoter. Undoubtedly this proactive attitude ends up having a very positive effect on the final results achieved.

At the European level, HIE participates in a multitude of cooperation projects and networks such as Interreg -northern periphery, marine regions, Atlantic regions-, research and innovation programs, and EU initiatives such as Urban or Life. They also carry out lobbying activities in Brussels with the support of House of Scotland, a commercial representation office located in the Belgian capital.

With regard to the justification and audit of its action, and despite its wide scope of operation, HIE must demonstrate that it adequately fulfils its work and that it manages
with **efficacy, transparency and rigor the public funds** available to it. Among other control and audit procedures, the agency must respond directly to the Scottish government about the manner in which it achieves the development objectives entrusted to it. Therefore, it is the government itself the responsible to give account to the parliament, assuming the political responsibility of the management carried out through HIE. Thus, the autonomy of the HIE with respect to the political level is granted by the Scottish Government itself, who understands that this guarantees the operation of the agency and the achievement of better results.

Regarding the human resources available to the agency, HIE has 326 workers distributed between its headquarters -located in the city of Inverness- and the other seven territorial centres established in each functional area -with between 5 and 12 workers in each one-. Its **management organisation chart** is headed by a president, a chief executive and ten members of the board of directors. All of them are appointed by the government according to their merits and qualifications and none of them has any activity or active political militancy. Its members have a mandate limited in time and its replacement does not occur in full, but in a staggered manner, in such a way that the transmission of knowledge to those entering the position is guaranteed, and incompatible ruptures with the need to maintain a continued action in the medium and long term are avoided.

Under the board of directors there is the Leadership Team made up of five members: a chief executive and four directors who are the heads of the areas of Regional Development, Strengthening Communities, Finance and Corporate Services, and Business and Sector Development. As adjuncts to this leadership team, we find two other positions: the Head of Business Improvement and Audit, and the Head of Human Resources. This board of directors meets weekly.

**2.3. Culture of cooperation with third parties**

As we advanced in previous pages, one of the keys to success of the strategy developed by *Highlands and Islands Enterprise* lies in its conception of the important role of the active participation of all territorial actors, from the formal and informal representatives of the small rural communities, up to the highest levels of the national government or the EU itself. HIE rarely carries out an action without first seeking the
complicity of all of them. Thanks to this culture of cooperation, the involvement of all actors at all levels is achieved -or at least this possibility is offered-, coordination and the sum of energies are facilitated, and -almost always- something so habitual and harmful as is the competition between administrations is avoided.

In this regard, it is worth remembering that HIE is a public body but that it is not integrated in a departmental or ministerial structure, so it enjoys sufficient autonomy and flexibility to act as a link between all spheres and actors, both public and private. In addition, it has the prestige and recognition on the part of all levels of the administration and society as a whole to perform this task of “arbitration”.
3. Strengthening of rural communities

“There is no successful entrepreneurship without a successful local community”

From its beginnings back in the decade of the 60s HIE highlighted the importance of identifying, motivating and supporting those people and groups that, with their ideas, determination and incentive, could encourage civil society to promote entrepreneurship and to overcome the weaknesses of a territory, in many cases, devoid of part of the necessary assets with which to generate development. These local promoters were -and turn out to be- fundamental, but just as in any other rural, unpopulated and aging territory, they do not tend to be very numerous, hence the agency has two priorities: to find them and, in case it fails, to create them.

At this point we consider it necessary to make a brief mention of the way in which the local administration is structured in Scotland, since we understand that this organization and its context can help to understand why it is so relevant the work that the agency develops with the local communities as development sources.

In Scotland there are only 32 county councils, six of them in the Highlands and Islands. Each one covers an extensive territory that includes different population centres, so at an administrative level and, what is more important, as regards the provision of public services, we meet a model of territorial organization very close to what in the Mediterranean area may be considered as dispersed habitat. Thus, the people who live in each of these population settlements constitute what we have been pointing out as a local community, a concept that, therefore, does not have an actual legal personality or administrative entity, but acquires a much more global character, addressing social, cultural and identity issues.

This dispersion of the habitat and its consequent distance from the municipal power have encouraged that, historically, civil society organized around the concept of community to lead initiatives to provide basic services whose promotion, in another territorial context, would be the sole responsibility of the administration.

This proactive attitude demonstrated by civil society is only possible thanks to the empowerment of rural communities, a strong culture of citizen participation and the encouragement of the voluntary initiative of individuals understood as an indispensable complement -through their own ingenuity and effort-, to the action of public
administrations. The motivation of these groups of people is based on the love they share for their land and for the community in which they live, assuming the conviction that, faced with the backwardness or deterioration of living conditions in the villages, it is better to act than waiting for the improvements promised by public administrations.

Therefore, HIE tries to know -especially through its agents in each of the areas in which it has divided the territory-, which people and groups are acting or can act as promoters of local activity from all points of view: cultural, social, caring, educational, entrepreneurial or governance. HIE advises these people and groups, guiding them, supporting them and offering them assistance on possible modalities of organization, ways of financing or searching for potential partners. The approach often generates a “multiplier and emulation” effect in other communities, which, in view of the results achieved in other parts of the territory, promote their own processes of social agreement in order to remedy their particular challenges. In short, the fundamental premise of the agency when it comes to promoting the strengthening of communities is clear: “better than asking us what you need, tell us what you are willing to do”.

The fundamental instrument for the social and economic revitalization in the communities -especially in the most remote and fragile ones- are the social economy companies. These are conceived on the basis of entirely business criteria -to be viable without the need for subsidies, at least beyond their phase of establishment and start-up-, and are oriented to satisfy their own needs. They usually adopt the legal form of trusts in Anglo-Saxon law: companies that carry out a commercial activity by entrustment and for the benefit of third parties -in this case of the community itself-.

The numbers show the success of the model: 22% of all social enterprises in the country are concentrated in the Highlands and Islands -with just over 8% of the population of Scotland-. In total they employ more than 7,000 people and have the collaboration of 14,000 volunteers who receive the appropriate education and training from the HIE and from the different communities in which they carry out their activity. In addition, 60% of these social enterprises are led by women.

In order to instil community entrepreneurship, empower and support it, Scotland has two important tools:
• The **Social Enterprise Academy**. It is an institution that offers training in which work-based practice is combined with accredited qualifications. The teaching program is developed and taught by social entrepreneurs and specialists, being very adaptable to the needs of each one and with practical and creative learning approaches. Its programs are designed from the ground up and respond to local needs. Furthermore, it offers four different programs: leadership, company, learning and social impact.

• The **Social Enterprise in Education Programme**, which instil social entrepreneurship in educational centres and whose objectives are:
  
  • Develop an understanding of the business model of the social enterprise.
  
  • Provide practical experience in setting up and running a social enterprise.

  • Support the Excellence Curriculum by offering practical opportunities that encourage participants to become successful students, safe individuals, responsible citizens and effective taxpayers.

Finally, it should be noted that, in the design of the activities headed by both local communities and social economy companies, the need to avoid situations of unfair competition to businesses and business initiatives present in the area is strongly considered. It is, however, a situation that does not usually occur, since social enterprises focus on filling the gaps that exist in the local economy.

3.1. Case study: Ullapool

For the direct study of these practices, the visiting group got to know firsthand two case studies. The first, in the town of Ullapool, dealt with the way in which the local community had managed to revert its demographic and economic situation thanks to the expansion, in a communal way, of the port of the town.

The town of Ullapool was born in 1788 thanks to the construction of a port by a fishing company, with which to exploit the fishing resources of the North Sea. It was, therefore, a population settlement linked exclusively to a single economic activity and where the vast majority of its inhabitants were also workers of the same company.
In the 90's the crisis suffered by the fishing sector caused the exploiting company to gradually get rid of all its assets in the area, threatening not only the viability of the created jobs, but more importantly, the very survival of the community. Thus, it was the inhabitants themselves who acquired these assets - warehouses, old offices and, of course, the fishing port itself -. Consequently the neighbours became, never better said, investors and owners of their future.

The change of ownership did not remove the problems of economic viability faced by the activity, but the other way around. For this reason, the residents of Ullapool understood that their survival necessarily went through an ambitious remodelling of the main asset of the project, that is, its port. Not only would it allow the fishing activities in the area to be modernized, but it would also diversify them thanks to new infrastructures that would allow the arrival of tourist ferries - which were beginning to provide service between Scotland and the Hebrides.

In these circumstances, the community partnership that managed the facilities - with the support and advice of the HIE- decided to reformulate its entire strategy and expand its capital by issuing new shares - between 300 and 30,000 Euros and with a maximum of 4% of capital -, renegotiating its debt and opting for European grants.

In this way, the Ullapool harbour company (Ullapool Harbour Trust, http://www.ullapool-harbour.co.uk/), built a dock adapted to large ferries (Photo 2), attracting thousands of tourists per year and tons of merchandise, and substantially improving communications with nearby territories, and from there - thanks to the investments made by the state on the roads - with Inverness, the capital of the region.
Based on this successful experience and the benefits it is generating for the locality - the financial plan of the harbour's managing body foresees the recovery of investments made in less than 20 years -, new investments have been made, both of economic and social character, among which we can highlight:

- The MacPhail Centre, where part of the profits of other local investment companies are spent to help children and young people with difficulties.

- Lochbroom Woodfuels, which is a social economy company dedicated to the manufacture briquettes for combustion, which not only enhances the forest resources of the area, but also helps the community to access a cheap and sustainable source of energy.

- Lochbroom Community Renewables, which is a society that projects the construction of a hydroelectric jump that provides renewable energy to the locality. Currently, the relevant authorizations are being processed and the initial project drafted.

- Highland Community Broadband. It is a society that works to make high-capacity broadband reach the village through wireless links. Among its provisions is to facilitate access to 50 Mb broadband to at least 50% of the population of the area in 2018.
3.2. Case study: Achiltibuie

The other case study that the visiting group studied in situ was that of the village of Achiltibuie, a town near Ullapool and which, as in the previous case, suffers from the problems of a remote and sparsely populated community. Serve as an example, the fact that the 35 km that separate both locations can only be overcome thanks to a sinuous one-way road with sidings for the crossing of vehicles every 50 meters.

Achiltibuie has just 262 inhabitants and is 40 km from the nearest primary care medical centre, the supermarket or the secondary school; 90 km from a train station; 140 km from the nearest hospital and 150 km from an airport. In addition, it has poor Internet coverage of less than 5Mb of speed.

This community began its current process of empowerment with the organization in July 2009 of a "Have-your-say day" or day of opinion. Thanks to this participatory process, the main shortcomings that directly threatened the community were identified, highlighting the difficulties of access to affordable housing; the lack of basic conditions with which to encourage the attraction of companies, such as industrial land or access to energy networks; or the scarce endowment in terms of tourist services.

In response to these challenges, the neighbors formed the Coigach Community Development Trust, a kind of local development agency whose ultimate goal is to provide the community with the necessary financing with which to reverse all these structural weaknesses. The main tool that this organization has is the Coigach Community Development Company Ltd. (https://ccdcompany.wordpress.com/), created in March 2010 and from which emerged the following initiatives and subsidiary companies:

- Coigach Wind Power Ltd, company that in 2011 installed in the town a wind turbine of 0.5 Mw (Photo 3).
- Ben Mor Hydro Ltd, with which in 2011 a small hydroelectric plant, also of 0.5 Mw, was built.
- In 2012 the agency acquired the Summer Isles Smokehouse, an old facility dedicated to smoking of salmon.
• In 2014, the old schools of the town were acquired with the intention of promoting a community project linked to the tourism sector.

• In addition, in these last seven years different investments have been made aimed at improving the broadband service, expanding the small port of the town, the construction of a youth hostel, or different initiatives to promote business culture and entrepreneurship.

The social enterprises of Coigach have always sought the technical support of various entities, both public and private, from the HIE itself through the Development Trusts Association Scotland (DTAS) or the Highlands Small Communities Housing Trust (HSCHT), just to mention a few examples.
4. Development of entrepreneurship

The companies in the region are small and medium size, tend to present a high degree of decapitalisation and generally find difficulties facing their internationalization beyond local and regional markets.

Thanks to the investments made by the HIE in terms of infrastructures -mainly industrial land, supply networks and telecommunications-, the Highlands have substantially improved its attractiveness in order to generate economic activity, laying the basis of an "economic ecosystem" increasingly dynamic and diversified, benefiting both local entrepreneurs and exogenous business initiatives.

A fundamental part of this "ecosystem" is the role played by the HIE when contributing to the design of a stable regulatory and legal framework that takes into consideration the particularities of the territory and its socioeconomic structure. In fact, HIE actively participates in the writing of any norm or law that at a regional and state level may affect the Highlands and Islands and their territorial development.

HIE coordinates the set of opportunities in terms of economic grants for the promotion of innovation, at the local, regional and state levels. This service is offered by the different administrations as a single point of contact. In addition, it advises employers with regard to the request for grants and EU programs destined to this purpose.

The obstacles faced by local entrepreneurs in terms of access to financing are, mainly, the distance between them and the entities that provide financing, as well as the lack of knowledge on the part of employers of the different lines and financing mechanisms available. HIE advises entrepreneurs on any issue related to the financing of their business projects, both with regard to the lines financed from the agency itself and to other arrivals from public administrations.

Equally noteworthy is the accompaniment work that HIE performs with companies through the figure of the Account Manager (Technical Advisors). These technicians maintain close contact with entrepreneurs and entrepreneurs, providing them with tools that allow them to promote R&D&I strategies appropriate to each sector and the characteristics of their respective projects, including consulting, organisation of international events, forums, etc. This accompaniment work is carried out jointly with
other actors of the territory involved in the socioeconomic development of the region, such as the University or Business Associations. HIE has 35 *Account Managers* distributed throughout the territory, technicians who, as indicated, advise businessmen and entrepreneurs, but also local communities, social organizations, etc. In total, 631 organizations and entities of the territory are advised. The advice of these technicians is always customised, based on the knowledge of the reality of each initiative or business project, its promoters, and the economic context of the sector in particular, both locally, regionally, nationally and globally.

In addition, HIE works with the funding entities in order to consider the *socio-economic singularities of the territory and local entrepreneurs*, facilitating an intermediation that helps to dispel the possible doubts of the former, which have more to do with the lack of knowledge of the territorial reality that with the lack of viability of business projects. Within this line, apart from the grants offered through its selective regional assistance system (which operates with criteria that attend to the area in which it is invested, the size and magnitude of the investment, its impact on employment, the percentage of non-refundable funding required for the initial investment, etc.), HIE works in close cooperation with a venture capital company (Highland Venture Capital) and with the Scottish Investment Bank, which offer particularly favourable conditions with respect to those usually offered by other financial institutions.

**4.1. Case study: Aquascot**

Aquascot (www.aquascot.com) is a company dedicated to the production and processing of fresh salmon located in the town of Alness, near Inverness, the capital of the region. *It has 150 employees, who are also part of the company's social capital* along with the initial promoters of the project. The company is divided into two enterprises: the first transforms fresh salmon for direct sale in gourmet supermarkets, while the second is dedicated to *research on salmon production* and advising producers on issues such as food security, animal welfare, product development, marketing or commercialization.
Undoubtedly, the peculiarity of this experience lies in the fact that a company that was in serious economic difficulties was able, thanks to the intermediation of the HIE, to reverse its more than possible disappearance thanks to integrating its workers into the property of the company. Since then, the threats have not only dissipated, but the project's growth expectations are more than significant.

4.2. Case study: Porex

The second example that we learned about was Porex (www.porex.com), a North American multinational -it has production centres in the USA, Germany, Malaysia and Scotland- that manufactures porous plastic materials derived from polymers. These high-tech materials are applied to all types of filters, from medical equipment (probes, cannulas, catheters), ventilation and air conditioning systems, sanitation and water purification networks. They are also used in precision instruments for the measurement of practically any physical or chemical variable in sectors such as medical research, acoustics or the manufacturing industry of almost any piece of equipment.

Its settlement in the Highlands is justified according to two fundamental factors: on the one hand, the presence of important economic and fiscal incentives and, on the other hand, but not least, the fact of having found in this place an “ecosystem” suitable for the promotion of innovation that characterizes this type of companies. For HIE, the importance of establishing companies with a high technological component in their territory reside in the fact that they contribute decisively to diversify the local economy, associate a highly innovative sector with the territory, offer the possibility of generating
synergies and multiplying effects in other more traditional sectors of activity, and gives the chance for the return of highly qualified professionals and university students who, in case of not finding this type of company in their place of origin, would hardly return.

*Photo 5. Visit to Porex facilities*
5. Connectivity

Overcoming the digital divide affecting the Scottish Highlands has meant the largest investment ever made by HIE in its history. As a result, high-capacity Internet access through fiber optic has been extended to the entire region, including an important part of the most remote and depopulated populations.

The investment is being made in phases under a short and medium term Operational Plan that is reviewed and updated every three years. Its objectives are the following:

- Provide high-capacity broadband to companies, pursuing that access to this infrastructure increases the dynamism and diversification of business investment and that it is translated into a multiplier effect for the regional economy as a whole.

- Access to broadband as a fundamental tool for the attraction to the territory of business initiatives with a clear expansive tendency on a global scale and a high component in R&D&I.
- Increase the **accessibility to the internet of rural communities** -also to the most remote and smaller ones-, consequently achieving a substantial improvement in the living conditions of the population.

- Creation of a **competitive region with low CO2 emissions**, making majority access to high capacity ICTs a lever for a progressive change in the productive model of the region.

The most recent and currently in force plan is the HIE *Operating Plan 2016-2019* (*Map 3*). This is endowed with 146 million pounds of investment, and is implemented jointly with the operator Digital Scotland, the Scottish Government and the European Regional Development Fund, among other organizations and administrations.

Its goal was that by the end of 2017, the 86% of users would enjoy Internet access equal to or greater than 30 Mbps, and that **in 2019 that number would reach the 100%**. Partners involved in the Digital Highlands and Islands project include Digital Scotland, the Scottish Government, Broadband Delivery UK, Citizens Online and Business Gateway. Complementarily, HIE promotes a **training plan** aimed at companies and professionals get the most out of the new infrastructure, working with more than 3,000 companies.

Finally, an important effort has been made in order to ensure that all the territory has, at least, 3G telephone coverage.
6. Retention and attraction of talent

Regarding the emigration of young people from the Highlands, -which is one of the common denominators in territories like this-, the HIE starts from the core idea that the departure of young people from the territory should not be understood as something negative. What was understood as a serious problem was the lack of adequate conditions to guarantee the return of many of the young people who left the Highlands to complete their university studies.

Therefore, the challenge is to make the Highlands become an attractive territory to live, work and study, and in order to achieve it, three lines of work were implemented:

- To know, first hand, what are the aspirations of young people regarding their future in issues such as studies, their professional and professional projection, leisure, the concept of quality of life, etc.
- To identify the key factors that could make the region an attractive territory for the maintenance and, where appropriate, return of the young population.
- To comprehensively evaluate the set of policies designed in favour of young people.

One of the main tools of this strategy is the development of a sociological study (survey) in which young people are directly consulted on how they perceive their future, what their expectations are, how they value educational, work and personal opportunities which the territory offers them, etc.

Currently, two out of three young people want to stay in the region, positively assessing issues such as quality of life or job opportunities that are presented in the Highlands and Islands (Graph 3). In this change of perception of young people in their own territory has had much to do a set of reforms undertaken at all levels of the education system, from early childhood education, primary and secondary, to dual vocational training jointly with companies or the opportunity to access non-work placements, etc. The three most outstanding reforms have been:

- Foundation of the UHI (University of the Highlands and Islands).
• Increase in the **offer of university postgraduate programs and adaptation** of these to the labour opportunities present in the territory.

• Substantial increase of the **e-learning offer** thanks to the improvement in Internet access throughout the region.

### How would you describe the town or community in which you currently live?

*Source: ekogen, Survey of Young People, n=3,551*  

<table>
<thead>
<tr>
<th>Description</th>
<th>Strongly agree</th>
<th>Slightly agree</th>
<th>Slightly disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A place where I feel safe (n=3165)</td>
<td>55%</td>
<td>34%</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>A good place to bring up a family (n=3142)</td>
<td>51%</td>
<td>36%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>A place I am proud to be associated with (n=3029)</td>
<td>40%</td>
<td>38%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>A place I want to live in (n=3068)</td>
<td>35%</td>
<td>39%</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>A place where I feel included (n=5914)</td>
<td>22%</td>
<td>42%</td>
<td>20%</td>
<td>11%</td>
</tr>
<tr>
<td>A good place to live as a young person (n=3103)</td>
<td>24%</td>
<td>35%</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>A vibrant place in which to live (n=2519)</td>
<td>21%</td>
<td>33%</td>
<td>29%</td>
<td>17%</td>
</tr>
<tr>
<td>A place that is building upon its strengths (n=2913)</td>
<td>24%</td>
<td>42%</td>
<td>26%</td>
<td>12%</td>
</tr>
<tr>
<td>A place where it’s OK to be different (n=3010)</td>
<td>16%</td>
<td>33%</td>
<td>26%</td>
<td>23%</td>
</tr>
<tr>
<td>A place which values its young people (n=3006)</td>
<td>17%</td>
<td>36%</td>
<td>30%</td>
<td>17%</td>
</tr>
<tr>
<td>A place where the community’s needs are being met (n=2933)</td>
<td>19%</td>
<td>41%</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>A place where young people’s needs are being met (n=2905)</td>
<td>11%</td>
<td>30%</td>
<td>34%</td>
<td>25%</td>
</tr>
<tr>
<td>A place with plenty of job opportunities (n=3029)</td>
<td>5%</td>
<td>24%</td>
<td>35%</td>
<td>22%</td>
</tr>
</tbody>
</table>

**Graph 3. Summary of some of the responses to the study**

### 6.1. University of the Highlands and Islands

Undoubtedly, the University of the Highlands and Islands is a **fundamental piece in the strategy of maintaining the young population and attracting talent to the territory**. It has 13 academic partners (post-baccalaureate education schools, specialized schools, research centres) and 79 linked educational centres (*Map 4*). Their students are distributed as follows: Highlands and Islands (74%), rest of Scotland (19%), rest of the United Kingdom (2%), EU (2%), other foreign regions (3%).
Its educational strategy is based on three pillars:

- **Mixed online-offline teaching.** The distribution of its centres throughout the territory allows that there is never more than 30 miles (50 km) from a university centre to another one. In addition, all of them are interconnected with each other thanks to ICT. The role of new technologies is evidenced by the fact that the UHI is the largest user of videoconferencing for educational purposes in Europe.

- **Flexibility.** They provide all kinds of tools to facilitate learning and the training system, which adapt to when and where their pupils can study.

- **Cooperation.** They attract students from other territories to jointly investigate and exchange knowledge with pupils from the region.

The academic offer of UHI is closely linked to the reality and opportunities present in the territory. It includes training in specific and distinctive aspects of the economic and cultural structure of the region: from studies linked to the environment and the sustainable exploitation of natural resources, engineering and research in new
applied technologies or health sciences; to training closely linked to traditional culture such as the humanities, the creative industries or the Gaelic language.

Its **research activity is leading internationally** in areas such as research on diabetes, telemedicine and marine renewable energy, attracting the territory to exogenous companies in order to strengthen their training offer and generate new job opportunities through the joint university-company development of new products and technologies.

### 6.2. Attraction of talent

Regarding the attraction of talent, HIE starts from the premise that the socioeconomic and demographic model that the territory requires necessarily involves the arrival and settlement of a young population with a high degree of professional qualification. For this, it is essential to **offer attractive job opportunities** in innovative economic sectors or, at least, in professional activities or services other than traditional ones. The strategy of HIE goes through the fact that this new profile of active, young, highly qualified and socially dynamic population, shall be able to feed the modernization of the social and economic structure of the communities in which they settle. It is, in short, to generate a kind of “social economy of scale” that revitalizes trade, social relations within communities, the demand for public services, the educational offer and, of course, the economic activity and the labour market.

Understanding that people who respond to this profile of socio-economic "revitalizers" of the territory are influenced by a series of specific factors, HIE designs its **own attraction plan for each of the 8 functional areas** -districts- in which the region is divided. It carries it out by forming a local procedure appropriate to each particular circumstance but always integrated into a regional strategy that includes the following lines of work:

- Information about the region.
- Promotion and marketing abroad.
- Attraction.
- Retention.

In order to retain and attract the population, the system must be able to offer a **wide range of educational and employment options** for those who finish their studies:
internships, work and study compatibility, specialization courses, re-entry from work to education, training in the workplace. It must also provide a portfolio of services and basic conditions (soft landing) that allows the installation of newcomers: low cost rents, transportation bonuses, advisory services and community integration, etc.