

## TOWN Interim report: ANNEX 5

### Small and Medium-Sized Towns (SMSTs)<sup>1</sup> and European Policies

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#### *Introduction*

The last two decades have witnessed an increasing focus on the role of cities and regions at global, European, national and sub-national levels. In terms of thinking within the European Union (EU) regions, including city-regions/metropolitan regions, are seen as playing a key role in Europe's development. In fact, it is widely asserted that cities have been, and in the future will be, the engines for regional, national, European innovation and economic development. Cities have increasingly been seen as the 'drivers of the economy and of European economic competitiveness' and this emphasis has been considerably strengthened by firmly linking cities to the Lisbon-Göteborg Strategy (see CEC, 2005 and 2009) and wider policies on cohesion (e.g. CEC, 2006a). However, the focus has overwhelmingly been on larger cities and capitals while the roles and functions of SMSTs have rarely figured in these debates.

More recently there has been growing recognition, although not necessarily an increased understanding, of their significance. For instance Cities of Tomorrow (CEC, 2011a, p1) notes:

Only 7 % of the EU population live in cities of over 5 million inhabitants compared to 25 % in the USA. In addition, 56 % of the European urban population – around 38 % of the total European population – live in small and medium-sized cities and towns of between 5 000 and 100 000 inhabitants.

Along with this there is more awareness of SMSTs significance for rural areas, in terms of preserving people's well-being/quality of life, as (local) service centres, countering migration to urban areas and rural depopulation and as part of regional economies and thus their overall role in achieving "...balanced regional development, cohesion and sustainability of the European territory." (ibid, p4).

While this is to be welcomed at European level it has not been accompanied by the development of a range of policies specifically directed at SMSTs. As we noted in the TOWN bid SMSTs span several policy domains, indeed they do not really 'fit comfortably' into any of these, particularly when the focus is on smaller towns (i.e. populations between 5,000 and 50,000) as is the case with our project. Given this the approach adopted in this working paper is to sketch out how SMSTs have been addressed, if at all, by the European level<sup>2</sup> in relation to our two relevant broad policy sectors:

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<sup>1</sup> The issue of how our object of analysis (i.e. SMSTs) will be defined is addressed in a separate working paper and thus will not be considered here.

<sup>2</sup> Here we restrict ourselves to considering the policy literature/documents of the European Union as it is beyond the capacities of the current project to consider the national policies of all states included in the ESPON space. However, when the 10 case studies are carried out this will involve consideration of the national (and regional) policy literature on SMSTs and provide valuable additional input into our understanding of the different ways SMSTs are viewed across Europe, policy approaches and policies. This should also provide material for comparative policy analysis that can feed into our final policy recommendations.

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- Regional Development - Territorial/Spatial Development
- Rural Development

The second topic, rural development, will figure most strongly in the discussion, partly because it is the policy area in which the project team has the least experience but also because it is most intuitively related to SMSTs, although it should not necessarily be assumed to be the most important factor influencing their development as they, just like larger towns and cities, are strongly influenced by wider national, European and global developments – in other words they are not immune to the vicissitudes of wider economic, social and cultural forces but the way(s) in which they are affected by these forces are likely to differ when compared to larger towns and cities and perhaps be more affected by their specific regional context and spatial location (e.g. as an ‘isolated SMST’ or one that is part of a metropolitan region).

It is important to note that SMSTs are rarely the specific objects of analysis or policy in either of these policy domains. Moreover, although we have identified these two policy domains in which to consider SMSTs separately in fact, as will become clear, there is considerable overlap between them with regard to how SMSTs are viewed, although their role(s) may be seen in rather different ways and the policies in each policy domain take somewhat different forms. Nevertheless, it will become apparent that there are some important elements of complementarity between them in terms of normative assumptions, policy approaches and specific policy interventions. This is most obvious in Territorial/Spatial Development and Regional Development falls under the rubric of Cohesion Policy, although, interestingly, similar themes and issues can be identified in the Rural Development policy literature. This ‘separation’ has important implications for the coordination and integration of policies and this applies not just to those considered here but a wide range of other policies that have implications for SMSTs (e.g. services of general interest, transport, energy, economic and industrial policy).

It is also worth bearing in mind that SMSTs are located within particular contexts and that this has a bearing on how we conceive and understand them. For instance in terms of the typical ESPON typologies we might talk of SMSTs located in Mountainous, Coastal, Islands, Outermost/Peripheral, Agricultural/Rural, Urban, Peri-urban, Metropolitan Regions, the implication is that we cannot treat SMSTs as a homogenous (policy) object. Although in reality there is a tendency to understand and address SMSTs (in both conceptual and policy terms) in the frame of particular ‘urban-rural narratives’ (see Spanish Presidency 2010) and to view them as a predominantly ‘rural’ phenomena.

One final point should be emphasised: it is apparent from reading the relevant policy literature that while there has been a growing recognition of the role(s) and functions played by SMSTs in their local and regional contexts this still pales into insignificance when compared to the attention given to larger cities and capital cities, indeed it is not stretching things too far to suggest that much of what is stated about SMSTs in policy documents is largely rhetorical and superficial. It is likely that we will have to look to the national level, particularly in the case studies, for examples of specific policies directed at SMSTs; although even here we may well find that policy is ‘underdeveloped’ and focuses on particular ‘national peculiarities’ (e.g. market towns in the UK).

### *Regional Development - Territorial/Spatial Development*

There is significant overlap between Regional Policy and Territorial/Spatial Development Policy and both operate under the general umbrella of Cohesion Policy which was created in 1993 following the Maastricht Treaty on European Union with the aim of supporting economic and

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social development in Member States, reducing disparities and facilitating convergence as part of Economic and Monetary Union. The Structural Funds (ERDF, ESF, EAGGF, and FIFG) plus Community Initiatives are key elements of Cohesion Policy and support development in less favoured or lagging regions. Nevertheless it is worth briefly discussing Regional Policy first as it pre-dates Territorial/Spatial Development policy.

Regional Policy has its origins in the desire, dating back to the Treaty of Rome, to reduce regional disparities. However, one can only begin to really talk about Regional Policy after the 1973 enlargement of the Community based on an agreement that set up the ERDF in 1975 (for a useful history of this period see Bache, 1998, chs.2). Since that date with progressive enlargements and the establishment of the European Union it has expanded and its significance, both in policy and financial terms, has grown considerably. The broad aims of Regional Policy may be described as seeking to strengthen economic, social and territorial cohesion by reducing disparities between the levels of development of regions and countries of the European Union. A variety of instruments have been developed over the years to support this – i.e. the Structural Funds. The Structural Funds were directed at a range of regions considered to be less favoured or lagging. For instance in the period 1988-2006 the qualifying regions were able to access a series of funds related to Objectives 1 to 6, access to which was determined by the conditions in the region (e.g. access to Objective 1, which accounted for the bulk of the funds, was restricted to regions where the GDP per capita was less than 75% of the EU average). Post-2006 this was simplified to 3 Objectives. What is of relevance for our purposes, however, is Objective 5b which supported rural development.

Objective 5b aimed to facilitate the development and structural adjustment of rural areas and ran for the period 1989-2006. The projects financed under this Objective sought to support new economic activities, infrastructure and human resources and environment. One of the interesting aspects of this was the introduction of the concept of an integrated approach to rural development programmes. Developments in this period began to forge a link between agricultural structural (adjustment policy) and a territorial approach to target regions which placed considerable emphasis on developing a long-term strategic approach, integration of different policies, partnerships, networks and the involvement of a wide range of partners or stakeholders as we now call them, Objective 1 also followed a similar general path. Rural areas were able to benefit from all 6 Objectives, although it has been argued that rural areas derived most benefit from Objective 1 programmes. Regardless of the specific issues associated with which particular Objective was most beneficial to rural areas the general point is that what began to emerge during these years was something akin to what has been described as a New Rural Paradigm (see for instance OECD, 2006; van der Ploeg and Marsden (eds), 2008; de Rooij et al (eds) 2010). While SMSTs undoubtedly benefited from these developments, particularly through individual national programmes and their articulation with the relevant EU Structural Funds, there is little evidence that at European level they were the specific objects (or targets) of programmes within the Structural Funds whether this be Objective 5b or any of the other Objectives. Thus there has largely been a ‘policy silence’ within European Regional Policy vis-à-vis SMSTs that has only recently begun to be recognised and addressed.

While Regional Policy has a long history than Territorial/Spatial Development the two have essentially become on and the framing ideas (or dominant discourse) underlying Regional Policy has been increasingly influenced, one might argue structured by, thinking on Territorial/Spatial Development. This policy discourse has been closely associated with the development of the European Spatial Development Perspective (ESDP, 1999) and its subsequent evolution. It is worth recalling that the ESDP identifies three basic goals: “economic and social cohesion; sustainable

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development; balanced competitiveness of the European territory” (ESDP, 1999, p10) which are to be “...pursued in combination, with attention also being paid to how they interact.” (ibid, p11). This will take the form of balanced and polycentric development within a framework of competition and cooperation. The themes outlined in 1999 have remained central to subsequent developments, although it is clear that competitiveness has always been, indeed has become increasingly, dominant. Europe 2020s notions of ‘smart, sustainable and inclusive growth’ are very much in this tradition and the aspiration for ‘balanced development’ across the European space.

As we noted in the original bid document the role of SMSTs was first acknowledged in the ESDP in 1999, although the reference to the role(s) of SMSTs was at a rather general level and lacked detailed analysis and understanding of their position and role within Europe’s spatial structure. In terms of policy options the ESDP suggested: “Promoting integrated spatial development strategies for city clusters in individual Member States, within the framework of transnational and crossborder co-operation, including corresponding rural areas and their small cities and towns.” (ESDP, 1999, p21). The ESDP also recommended strengthening the role of SMSTs as development hubs, supporting partnerships and networks at national and transnational level, improving transport links (whilst acknowledging that high-speed transport networks may disadvantage many SMSTs) and supporting their role as providers of services of general interest.

What was apparent from these early comments on SMSTs was that they were largely considered to constitute a ‘homogeneous category’ (or at least undifferentiated body) of towns and it failed to appreciate the wide range of places included in the category SMSTs and the roles/functions they played. Indeed, it might be argued that they were primarily understood in terms of their location within particular metropolitan or city-regional contexts where it could plausibly be argued polycentric urban structures existed. The roles of what have often become known as ‘market towns’ or isolated small towns has until recently been largely ignored. The Fourth Cohesion Report (CEC, 2007) did pay more attention to their roles and functions and their complex relationship with surrounding areas. Thus (referring to towns with populations between 5,000 and 100,000) it pointed out:

Towns can benefit rural areas through the services they provide, while people living in towns can equally benefit from being close to rural areas. Towns can, therefore, serve as centres of development for rural areas, as markets for the products produced there and a focus for employment services of all kinds and cultural and recreational activities. There is a mutual dependence between rural towns and the surrounding areas since the viability of the services the former provide is partly dependent on the demand in these surrounding areas. Consequently, cooperation between rural and urban authorities is important for spatial planning and development.

Towns are important in strengthening territorial cohesion either by supporting polycentric development or by offering key services to surrounding rural areas. There are a number of examples of towns in reasonable reach of each other cooperating by sharing the functions they perform and between them providing a range of services and amenities. Such cooperation contributes to less spatial concentration and to more a balanced pattern of regional development. (ibid, p59)

The *Green Paper on Territorial Cohesion* (CEC, 2008) brings together many of these issues and emphasises Europe’s territorial diversity. Indeed, it is this territorial diversity that is portrayed as one of Europe’s major strengths and this, in principle, supports a greater emphasis on the position and role of the smaller places we focus on in this project. The emphasis is very much on

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identifying and supporting the strengths of a diverse range of places and supporting endogenous growth as a way forward that will benefit all countries, regions and places – the ultimate win-win situation. Generally there has been considerable optimistic rhetoric surrounding this approach which tends to ignore the potential for there to be winners and losers and that regional disparities, both between countries and within them, have proved to be remarkably resilient. Indeed one report, the Sapir Report (2003) questioned the usefulness of such approaches (i.e. Cohesion Policy) and noted:

In practice...there is simply not enough relevant regional GDP data for statistical procedures to distinguish the effects of cohesion policies in the absence of data on other regional characteristics, such as initial income, human capital, local industrial structures, quality of local administration, the peripheral nature of the region, and of random influences. The net result is that it is not possible to establish conclusively what the relative performance of these regions would have been in the absence of EU cohesion policy and other policies. (ibid, p6).

While many consider the Sapir Report to have been overly pessimistic and excessively focussed on the economic dimension (to the detriment of the social and environmental dimensions), it does raise issues regarding the (economic) impacts of the sorts of policies pursued under the general rubric of Territorial/Spatial Development and Regional Development.

What this brief overview of thinking on Regional Policy and Territorial/Spatial Development (within the general framework of Cohesion Policy) indicates is that particularly since the publication of the ESDP there has been an increase in awareness that SMSTs do have a role to play in Europe's spatial and territorial structure and its development<sup>3</sup>. A point emphasised in relation to Europe 2020 (CEC, 2010) by the accompanying Territorial Agenda 2020 (2010) which argues "In rural areas small and medium-sized towns play a crucial role; therefore it is important to improve the accessibility of urban centres from related rural territories to ensure the necessary availability of job opportunities and services of general interest". (p8; see also Hungarian Presidency, 2011, pp53, 54 and 80-81).

However, this increased recognition has not been accompanied by any specific analysis and policies. A good example of this can be seen in the *Leipzig Charter* (German Presidency, 2007) which makes only passing reference to SMSTs. Where such places are considered it is usually in the context of their position and role within the wider context of a particular region (e.g. metropolitan, mountainous, sparsely populated) and their individual economic and service roles/functions and interrelationships (e.g. network connections) and their actual (or specific) 'local' roles/functions tend not to be considered. Nor are the wider European relationships of such places the focus of attention; once again it is larger medium sized cities that are of interest. This is not to deny the value and interest of such studies (e.g. Kunzmann, 2009; Price Waterhouse, 2010); merely to note that they do not necessarily shed much light on the places our project is concerned with. These wider (non-local) relations are considered to be increasingly important given that while many SMSTs are largely orientated to and mainly interact with their immediate surroundings others are linked into much wider networks of a regional, national and even global

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<sup>3</sup> It is worth bearing in mind that such actions are an important part of territorial cohesion. Territorial cohesion, along with the more long standing notions of economic and social territorial cohesion, is now part of the Treaty on European Union (art. 1.3) and in the Treaty on the Functioning of the European Union (art.4, 14, 174). Thus we can now talk of economic, social and territorial cohesion elements of an 'integrated' Cohesion Policy.

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nature. This suggests that SMSTs may simultaneously operate at a number of different spatial scales, perhaps fulfilling different roles/functions in relation to each of the scales and that they are much more complex than has previously been thought. In terms of our projects it means that we have to be alert to the possibility that even within the case study areas SMSTs may have quite different and varied, roles/functions depending on their particular spatial location/situation.

### *Rural Development*

#### General background the changing structure of rural areas and CAP

For understandable reasons many people automatically associate rural development with agriculture, in the minds of many there is still an assumption of rural areas being dominated by an agricultural economy. While in some rural areas this may remain true in many others the situation has changed dramatically. For instance as far back as 1988 the European Commission (CEC, 1988) noted:

For many years agriculture was rural society's main source of employment and income. But there have been major changes since the 1950s. Nowadays, agriculture is still one of rural society's main components, but it no longer plays a dominant economic role in the Community. Its share of employment in the Community of Twelve fell from 11.2% in 1975 to 8.4% in 1985; out of a total of 166 regions in the Community there are now only 10...in which farming still accounts for 30% of employment generally. And there are 118 regions (71% of the total) in which fewer than one in 10 of all jobs are those of farmers or farmworkers. (p17).

These trends have continued since then (see CEC, 2012) with rural areas undergoing continued restructuring and diversification, and while the expansion of the EU in recent years has brought in new member states with significant agricultural sectors they too are experiencing radical, and often rapid, restructuring processes that are reducing the significance and size (both in terms of the workforce and GDP) of the agricultural sector. As pointed out by the European Commission (CEC, 2012):

According to DG AGRI estimates, the primary sector in EU27 reached around €199.8 billion of value added in 2008 and accounted for 1.8 % of total GVA. In 2008, the primary sector's share of total rural GVA in rural regions was 4.5 % and in intermediate regions it was 2.3 % of total intermediate GVA. Over the last decade, the declining share of primary activities has mostly affected rural regions. In all regions the decline over the period 2000-2008 was about 35% - 40 % from the 2000 levels. The primary sector still accounts for a larger proportion of GVA in EU12 than in EU15 — with the absolute share of EU12 double that of EU15 (8.3 % vs 3.9 % in 2008) — but its contribution to GVA in both areas is in decline; and while in EU15 it could be claimed that there was stabilisation over the three-year period 2006-2008, the economic changes in EU12 caused a loss of almost one third of the primary sector's importance in GVA. (p14)

The document goes on to note:

In fact, only a few countries make up the driving force behind these rather drastic changes, and these are the countries where agricultural employment and farms' concentration have been the highest in Europe in the last decade. Significantly, by 2008 none of the Member States managed to maintain the same share of primary activities in GVA as they had in

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2002... In contrast to primary activities, the shares of the secondary and tertiary sectors in GVA steadily increased over the period 2000-2008, confirming the previous findings from 2006. (ibid, p14-15)

This provides an indication of the changes that have taken place in rural areas and it worth noting that natural resources and environmental quality are key drivers of growth in many rural areas with diversification being the dominant trend. This includes growth based on the (endogenous) development of local industries and innovative businesses drawing upon local entrepreneurship (often associated with –in-migration to rural areas from urban areas) and locally based networks. Indeed, it seems to be that areas which lack these latter two characteristics (local entrepreneurship and networks) are precisely those where more traditional agricultural economic forms remain dominant and are in the words of the Commission "...a cause for concern with respect to their future general competitiveness and viability." (ibid, p16).

It is worth considering the Commission's 1988 document on *The Future of Rural Society* (CEC, 1988) a little more as it is often seen as "...the starting point of a genuine rural development policy in the EU." (RuDi, 2010, p24) and prefigures much of the subsequent debate and shares many of the same concerns and approach to be found in the wider European policies on Territorial/Spatial Development and Regional Development. The key issues facing rural development considered to originate in deep rooted changes in rural society in the post-war era related to the economic and social structures of rural areas, most notably the decline of agriculture. Three basic concerns are identified as governing the Commission's approach to rural development:

- (i) economic and social cohesion, in an enlarged Community of very pronounced regional diversity;
- (ii) the unavoidable adjustment of farming in Europe to actual circumstances on the markets...
- (iii) the protection of the environment and the conservation of the Community's natural assets. (CEC, 1988, p5)

The approach to rural development is to be based on (economic) diversification by utilising the indigenous potential of local circumstances and developing strategies appropriate to the social and economic conditions of each region. This requires a multi-sectoral strategy that integrates with other policy areas. Dialogue between and partnership involving a wide range of partners (see CEC, 1988, p62) is seen as central to the development and implementation of the strategies and the avoidance of "...errors of diagnosis that are all too common when planning is carried out from the outside." (ibid.p62).

In relation to regional policy and territorial/spatial development it is pointed out that it is necessary to ensure that there is "...a balanced geographical spread of economic activity." (CEC, 1988, p47) that will prevent the concentration of activities in a small number of larger places (towns). Indeed, the document argues for "...the establishment of a larger number of intermediate centres distributed evenly throughout the territory concerned...". (ibid, p47). Such intermediate centres may be similar to our focus on SMSTs and the concern for a balanced geographical spread certainly bears some similarities with key concerns of the ESDP and subsequent thinking on territorial/spatial development. There is also a clear recognition of the need to combine endogenous and exogenous resources, support for small businesses and the maintenance of services to rural society. However, despite the passing references to intermediate centres there is no detailed consideration of the role that SMSTs might play in rural development.

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Following on from the above, in terms of our project, it is also important to be aware of the *Cork Declaration* of 1996 by the Irish Presidency of the EU which proposed a ‘radical’ reform of CAP and the development of an integrated rural development policy that acknowledges the role of small towns and argues “...rural development must address all socio-economic sectors in the countryside.” and that it should support “...in all possible ways, local capacity building for sustainable development in rural areas, and, in particular, private and community-based initiatives which are well-integrated into global markets...”. The declaration places a strong emphasis on sustainable development, the integrated approach (explicitly promoting a territorial dimension and a multi-sectoral approach) and a diversified rural economic and social structure drawing on local capacities. Moreover, it identifies small towns “...as integral parts of rural development and key development factors...” along with partnership and multi-level governance. All of which requires an emphasis “...on participation, and a ‘bottom-up’ approach which harnesses the creativity and solidarity of rural communities. Rural development must be local and community-driven within a coherent European framework.”.

Despite these arguments EU rural development policy remains immediately, and understandably, associated with agricultural policy and thus with the Common Agricultural Policy (CAP). Agricultural policy is present in the Treaty of Rome (art. 39) and the CAP itself is one of the most longstanding European policies, having been introduced in 1962, and remains one of its largest policy sectors that absorbs what many see as a disproportionately large share of financial resources in what we now call the EU. The initial 5 key objectives were:

1. to increase agricultural productivity;
2. to ensure a fair standard of living for the agricultural community;
3. to stabilise markets;
4. to assure food supplies;
5. to provide consumers with food at reasonable prices.

Since its establishment CAP has undergone a range of (piecemeal) incremental reforms, although it is often argued that the system remains fundamentally the same as when it was introduced and that the whole policy sector is dominated by a degree of ‘institutional inertia’ to the extent that when reforms are introduced they are, despite the attendant policy rhetoric of change, merely adapted to operate in accordance with the existing policy frame and ways of working.

Despite attempts to reform CAP in 1999 (Agenda 2000) and 2003 (Mid-term Review) the system has proved remarkably resilient and resistant to change, due to a potent and deeply entrenched mix of political and sectoral interests at all levels from local to European that have either blocked or weakened reforms. Nevertheless in 2003 a Second Pillar was included in the CAP focused on rural development, although in financial terms it is tiny compared to the more traditional First Pillar. The rural development dimension (Pillar Two) received a further boost in 2005 with the creation of the European Agricultural Fund for Rural Development (EAFRD) that operates in the 2007-2013 programming period and which took on board the aspects of regional development previously included under Objective 5b (and other Objectives) of Regional Policy. This was set up alongside the much larger European Agricultural Guarantee Fund (EAGF) associated with Pillar One. The six strategic guidelines for rural development are:

- Improving the competitiveness of the agricultural and forestry sectors
- Improving the environment and countryside
- Improving the quality of life in rural areas and encouraging diversification

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- Building local capacity for employment and diversification
- Translating priority into programs
- Complementarity between Community instruments

There is also an intention to target EU support in order to enhance value added at the EU level, ensure links with the EU's main priorities and achieve consistency with other EU policies, particularly those on the environment and cohesion.

A key influence on the development of rural development policy has been the LEADER initiative, to which we will turn later in this section. But for the moment it is useful to briefly consider some of the general links between rural development policy and Cohesion Policy.

### Links to Cohesion Policy

As these issues have been thoroughly addressed by the research of the ESPON EDORA (European Development Opportunities in Rural Areas) project and the Framework 7 RuDi (Assessing the impact of rural development policies) project we will only highlight the key points. Together these two projects have produced some of the most comprehensive and systematic research on rural development and unlike much previous research on the topic have explicitly considered the links to a wider range of European policies including Cohesion Policy. The EDORA researchers (EDORA, 2010a and Dax, Kahila and Hörnström, 2011) confirm our conclusion that rural development policy has mainly taken place with the CAP and similarly that the relationship (and integration) with Cohesion Policy has been only superficial and transient. Indeed they talk about the evolution of Rural Development Policy occurring in parallel to that of Regional Policy with little collaboration between the two policy spheres (Dax, Kahila and Hörnström, 2011). Moreover, much of the apparently innovative debate surrounding the development of a strategic and integrated approach to rural development (e.g. CEC, 1988, the Cork Declaration and LEADER) appears to have failed to have a significant impact on the policies and practices of rural development and the overwhelming (sectoral) focus remains on agriculture.

Despite the rhetoric about adapting the CAP to support a more diversified rural economy and developing an integrated approach, both in terms of rural development policy and in relation to other EU policies (e.g. Cohesion Policy), with a significant bottom-up dimension the RuDi (2010, p37) researchers note:

With the integration of rural development policies, the CAP has extended its objectives beyond a sectoral policy is explicitly concerned with...spatial development. However, this territorial dimension has not been taken sufficiently into account. National strategies and RD programming have only partly reflected this concern.

They go on to point out that to date CAP has only been marginally influenced by notions such as balanced competitiveness, economic and social cohesion and polycentricity that are central to the ESDP and EU Territorial Agenda. As a result the integration between Rural Development Policy and Regional Policy "...is at best "immature"." (ibid, p63) and that Rural Development Policy continues to be dominated by sectoral approaches and deeply entrenched (agricultural) interests. Thus despite apparent similarities the links between Cohesion Policy and Rural Development Policy are largely superficial and the relevant policy communities appear to operate in splendid isolation.

### LEADER and Rural Development

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LEADER (*Liaison Entre Actions de Développement de l'Économie Rurale*) was launched as a Community Initiative in 1991 and has become the best known and most widespread element in EU Rural Development Policy, during its lifetime there were three versions: LEADER I, LEADER II and LEADER+. The 'LEADER approach', in terms of its core elements and development, shares much in common with an urban initiative - URBAN. Like URBAN it has received considerable publicity and been widely utilised across the EU, also like URBAN it was mainstreamed in the current programming period (2007-2013). It has also been the subject of considerable academic scrutiny during its life-time both as a stand alone initiative and in terms of its wider implications for EU Rural Development Policy (cf. Ray, 2001; High and Nemes, 2007; Maurel, 2008; Dargan and Shucksmith, 2008; Böcher, 2008; Thuesen, 2009)

While the LEADER approach has obviously evolved since its inception there has been a consistent core set of ideas and actions that have defined the essence of the approach, put somewhat simplistically it is a method that involves local partners in steering the development of their area. More concretely one can identify seven key elements that in combination constitute the LEADER approach:

1. Area-based local development Strategies
2. Bottom elaboration and implementation of strategies
3. Local public-private partnerships, known as Local Action Groups (LAGs)
4. Integrated and multi-sector actions
5. Innovation
6. Cooperation
7. Networking

There is no requirement that local LEADER projects should be implemented within pre-existing administrative boundaries, the focus is on identifying and working within small areas that are homogenous, socially cohesive territories that share common traditions, a local identity, a sense of belonging or common needs and expectations. Nor is the definition of the local area considered as fixed and static, as the Commission guide to LEADER (CEC, 2006b) points out:

The definition of a 'local area' is neither universal nor static. On the contrary, it evolves and changes with broader economic and social change, the role of farming, land management and environmental concerns, and general perceptions about rural areas.(p9)

The emphasis is very much on a bottom-up approach with a strong element of capacity building that seeks to construct a local partnership, draw in a wide range of local partners/stakeholders to identify the area's strengths and weaknesses, develop a sustainable strategy and implement it. One might argue that this is about recognising strengths and weaknesses in local *territorial capital* and developing mobilisation mechanisms and appropriate forms of local governance to achieve this. The emphasis is very much on innovation (not just in an economic sense but also in relation to social and cultural innovation) and learning. The Local Action Group (LAG) is central to the whole process. As the Commission guide noted "The LAG has the task of identifying and implementing a local development strategy, making decisions about the allocation of its financial resources and managing them." (CEC, 2006b, p10). As LEADER has evolved LAGs have been encouraged not only to build up local or regional networks; emphasis has also been placed on the need to participate in national and international networks as part of a learning and knowledge exchange process.

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As noted above in the current programming period LEADER has been mainstreamed as part of an attempt to facilitate the more widespread implementation of the LEADER approach within rural development. The degree to which this has been successful is open to question and there does appear to have been widespread variations between member states over this (as has proved to be the case with the mainstreaming of URBAN). As the Commission (2011c, p10) noted:

Specific difficulties have been pointed out by some MS. The mainstreaming of Leader has notably affected the flexibility of the approach as many MS limited the choice of projects to the predefined measures while Leader projects often do not fit into the eligibility criteria of the predefined measures.

This is not the place to attempt an assessment of LEADERs achievements, but given that it has been mainstreamed the Commission clearly believes it has achieved a sufficient degree of success to justify the approach being integrated into the mainstream of rural development to facilitate that process. Although it should be noted that the European Court of Auditors (2010) has raised questions about LEADER with regards to its added value, the role of LAGs and the achievement of a bottom-up approach as well as raising questions in relation to the financial management of some LAGs. Nor would it appear that, in general terms, LEADER has managed to significantly expand rural development policies in member states beyond the agricultural sector and actors (see EDORA, 2010a, pp22-23).

### *Conclusion: A New Rural Paradigm?*

It is a combination of the changes and developments outlined above that are considered to underlie and have driven what, in European terms and globally, has been described as the 'New Rural Paradigm'. This burgeoning literature is far too extensive to review here but one can identify key themes which are broadly similar to those noted earlier as deemed necessary to support endogenous growth. More recently there is been a reorientation that seeks to recognise the complex interaction of endogenous and exogenous factors, this is described as neo-endogenous growth (see Shucksmith, 2009; Gómez, Aznar-Sánchez and Pérez-Mesa, 2011). This approach emphasises the importance of utilising local resources (i.e. forms of territorial capital), of adopting a long-term strategic, spatially targeted approach and the role of governance, networks and the involvement of a wide range of (local) partners as well as building extra-local links/networks (e.g. with contiguous areas/regions such as urban agglomerations) and with other complimentary areas elsewhere in Europe. It appears to be very much in line with what has become widely known as the place-based approach (Barca, 2009). However, while Rural Development Policy has elements of a place-based approach there do appear to be problems in moving beyond a sectoral approach based on agriculture and agricultural actors/interests which suggests that this is not a multi-sectoral approach that genuinely builds on the full range of territorial capital in an area to enhance its attractiveness and that there is a lack of horizontal governance and networks as well as relatively little vertical integration.

While LEADER and the New Rural Paradigm have notions of partnership, programming and local participation as central elements in their ethos EDORA 2010b) has pointed out that "The participative approach...presumes the existence of strong institutions deploying strategic thinking. Such a presumption may be misplaced, with institutional capacity highly variable across areas of Europe." (ibid., p12). They also go on to question a key underlying assumption of the approach – that partnership approaches "...necessarily lead to better outcomes." (ibid, p12).

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Moreover, and more significantly for our purposes, while much of the activity carried out as part of Rural Development Policy clearly takes place in and around SMSTs there is little evidence to suggest that their roles/functions are specifically taken into account by Rural Development Policy or other European Policies (e.g. Cohesion Policy). Thus while there is a general recognition that SMSTs can operate as ‘local growth poles’ and have important functions as providers of services of general interest, employment, transport, etc, one cannot identify any policies within European Rural Development Policy that specifically targets them (although much the same can be said of Cohesion Policy). This may of course reflect the great variety of situations across rural Europe that makes it impossible to have a policy on SMSTs which goes much beyond the recognition that they have an important role to play in rural societies and development. At European level organisations such as ENRD, ECOVAST and the European Confederation of Towns and Municipalities of the European Union (CTME) are lobbying and promoting the role of SMSTs (as has URBACT) in rural development, but it remains open to question just how much influence they actually have when it comes to the formulation and implementation of European policy. For instance a recent policy brief from DG Agriculture and Rural Policy ‘The future of rural development policy’ (CEC, 2011b) makes no mention whatsoever about the role of SMSTs in rural development, so it would appear that despite the recognition of their role in the Cork Declaration (1996) there has been little progress on thinking about their role(s) and developing policies to support them. Moreover, there is no indication that the impact on SMSTs of the wider range of policies carried out by other DGs has been considered, not even to the limited extent that this has occurred with regard to (larger) urban areas.

The dominant policy narrative appears to be one in which the traditional ‘urban-rural dichotomy’ remains dominant and “...is primarily structured around settlement hierarchies and accessibility/remoteness from centres of population, with distance from urban centres the defining asset/handicap.” (EDORA, 2010b, p23). But as the EDORA team point out this is not the only way to understand the situation, they ask “...is the most important interaction *between the local and global*, or at least between local places and places elsewhere...” (ibid, p23) structured by local territorial capital. In fact they conclude that both forms of interaction are important if we are to understand how different places perform. This combined approach may offer a better way to understand the different situations and roles/functions of SMSTs in their contexts and thus a basis on which to develop an overarching policy framework that can support them. However, this requires a fundamental break with the dominant approach of current rural development policy which still largely remains anchored in its agricultural history. It also requires a more thorough going integration in horizontal and vertical policy terms of a wide range of European Policies as well as the development of integrative forms of governance/governing.

As we noted above at a normative level Rural Development Policy appears to share many of the concerns that are central to Cohesion Policy, but due to processes of ‘institutional inertia’ (one might even talk of ‘policy path dependency’) in this policy arena this has mainly remained at the level of rhetoric and largely subservient to more traditional interests of the local agricultural economy/actors and local/regional authorities. Within EU Rural Development Policy there has, to date, only been passing acknowledgement of the role that SMSTs can play (e.g. CEC, 1988, the Cork Declaration), while other policy areas (such as territorial/spatial development and regional policy) have not really taken them into account with the focus largely remaining on larger places. More generally while documents such as the ESDP (1999) and City of Tomorrow (CEC, 2011a) have acknowledged the role of SMSTs this has still to permeate the relevant policy communities to any significant extent. While there has been a recent recognition of the role that might be played by ‘secondary growth poles’ in the more balanced distribution of economic activity across the European space this does not, as yet, appear to have taken into account the roles that the smaller

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towns we are considering can play within a complex web of regional and European settlement patterns, population distribution and transport networks and flows of capital and people. Overall as Smith and Courtney (2009, p23) note “The role of small towns is currently undervalued throughout Europe and this represents an important policy gap.”. It is this ‘policy gap’ that needs to be seriously addressed and filled in, and not merely in relation to Rural Development Policy but in relation to how a whole range of policies impact on small towns and their future.

In terms of our project there are no clear ‘policy messages’ from the European level, thinking on the issue of SMSTs remains underdeveloped and fragmented. It is likely that we will have to attempt to identify relevant national and regional policies through the case studies and use them to try and construct (in a deductive sense) the wider policy implications for the European level in association with current thinking on spatial/territorial development associated with Cohesion Policy and RDP. Here we need to identify the following:

- Is there a national approach to SMSTs – does this take the form of a strategy?
- Are the implications of (national) sectoral policies for SMSTs taken into account?
- At the regional level are there regional policies on SMSTs?
- Is there an evidence base available?
- Which, if any, EU policies are utilised and how?
- What degree of latitude is there for SMSTs to work together both within a region and nationally (and cross-border/internationally)?
- What types of SMSTs exist in the case study region and what are their roles/functions?
- Are SMSTs in the case study areas working together?
- Do the SMSTs have either a local or sub-regional approach?
- Are their appropriate governance and decision-making arrangements in place?
- How is the private sector involved?
- Is civil society involved?

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