



## THE IMPORTANCE OF RURAL SERVICES

Rural services account for most of the economic activity and the majority of jobs in rural areas. With a share of 65% of the rural Gross Value Added (GVA)<sup>(1)</sup> in 2013 in the EU, services include:

- both public and private services for people (education, health, public transport, social care, dentists, post offices, shops, garages, etc.);
- services for business (finance, consultancy, etc.).

Nearly all can be provided by public, private, third sector or a mix of organisations.

However, despite their importance, services are generally a 'dependent' part of the economy. Logically, service decline follows a decline in population and jobs in other sectors. But it is also influenced by other supply and demand factors which need to be considered when designing sustainable business models for rural services.

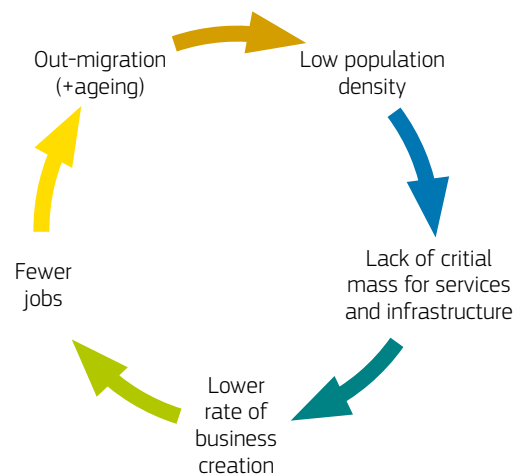
## FACTORS SHAPING THE BUSINESS ENVIRONMENT FOR RURAL SERVICES

**Low density, sparse settlements and population decline:** small populations, low density, dispersed settlements, and a difficult geographical terrain all complicate and drive up the unit costs of providing services in rural areas. In some, but by no means all European rural areas, these characteristics are reinforced by job loss and population decline.

**Globalisation and underlying changes in the pattern of demand** have fundamentally altered the sourcing of many goods and services. The concentration of retailing into larger supermarkets, increased use of private cars and electronic communication can all reduce demand for rural services, while a growing interest in healthy, environmentally sustainable products and services can pull in the other direction.

**Public sector cutbacks, mergers and rationalisations** have caused deterioration in public sector rural services such as schools, healthcare, post offices and public transport. These are often the immediate triggers of community initiatives for revitalising rural services. The public sector pulls out, but the private sector does not find it profitable enough to move in. A mix of politics, economics and social choices frame how services are provided and the responses to these challenges. Services can be provided either through the private, public, third sectors or a partnership between two or more of these. The boundaries between them are fluid, vary from place to place and country to country.

Figure 1. Circle of declining rural regions



Source: OECD Rural Policy Reviews: Strategies to Improve Rural Service Delivery, OECD

1 [https://ec.europa.eu/agriculture/sites/agriculture/files/cap-indicators/context/2016/c10\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/cap-indicators/context/2016/c10_en.pdf)

## BUSINESS MODELS FOR REVITALISING RURAL SERVICES

There is no single business formula for revitalising rural services. The following examples of approaches are explored by the private, public, and third sectors, as well as partnership models of service delivery.

### The private sector model

Private sector businesses need to generate profit in order to survive. The key question is whether the level of demand is sufficient to justify a business proposition: will the income be sufficient to cover costs and generate enough profit to pay back loans and reward other sources of finance? For large companies operating on a national or global scale the answer often is no, they can do better elsewhere. For the smaller, more territorially rooted enterprises, there appear to be four main strategies.

MULTI-SERVICE HUBS	MOBILE SERVICES
Colocation into multi-service hubs provides one means by which rural service businesses can survive or even thrive. These can be planned, as is happening in rural Finland and Belgium. Equally, hubs can develop in a more organic way, as when a garage takes on the post office and then develops a food retail function.	These can provide essential services to local communities while at the same time ensure the viability of small firms by increasing their customer base. Examples include mobile dentists, vets, building maintenance and shops of various kinds.
DIGITAL DIVERSIFICATION	SHORT SUPPLY CHAINS
Architects, lawyers, consultants, and other professionals can all provide a wide range of services using digital solutions..	These have long been an adaptive strategy for small food firms to gain a competitive edge.

### The public sector model

This model aims to provide public welfare services - often free at the point of delivery, in a way that gives equal life chances to all, usually filling the gaps from the private sector. In some cases, part of the cost may be covered by a service or entry charge, but in general, any deficit will be covered with public money from taxation and/or public borrowing.

As most governments are looking to make economies, the higher unit costs of providing public services in rural areas makes them especially vulnerable to cutbacks. Some of the main public-sector responses<sup>(2)</sup> are listed below:

- **Integrated service delivery:** as with the private sector, various strategies for colocation, collaboration, and cooperation among public service providers are possible – both to spread costs and improve quality. For example, the French ‘[Poste](#)’ is used both to visit elderly people and to carry walkers’ rucksacks.
- **Alternative planned and more flexible delivery systems:** some of the problems of maintaining small municipal offices can be overcome, for instance, by ensuring that these are hubs for a wider range of council services. Hub and spoke service delivery models are being implemented in many countries. Mobile services are also an option, as with the private sector.
- **Creating markets** for public services can help retention. In many countries, legislation has often driven a contracting-out process. It is likely that many tasks such as snow clearance can be more efficiently provided by a farmer than by the municipality. Similarly, local people can often provide better care for the elderly and disabled than agency staff who have to travel long distances.

2 Those responses were identified by the ENRD Thematic Group on Smart Villages: [https://enrd.ec.europa.eu/smart-and-competitive-rural-areas/smart-villages\\_en](https://enrd.ec.europa.eu/smart-and-competitive-rural-areas/smart-villages_en)

- **Bridging a public service to a third sector provider** may be desirable. Whether with housing associations delivering affordable homes or newly formed NGOs providing library services, an arm's length third sector provider is now often preferred. For instance, by creating a charitable trust, [YouthBorders](#) (Scotland, UK) substantially increased the available funding and improved young people's involvement in the area.
- **Attracting incomers** may help. Some Italian, Spanish and Swiss communes are now providing grants to incoming families in an effort to maintain populations. Anything that can be done to sustain or increase numbers of residents or visitors is likely to help retain municipal and private services.

## The third sector model

Third sector, not-for-profit bodies are at the forefront of innovative approaches to service provision. They are often providers in the absence of state or market alternative and are most influential where there are strong civic cultures. Some of the organisational models identified in the EU are outlined below.

- **Cooperatives:** They have a long tradition and their reach has broadened. The remote Danish island of Samsø has transformed its local economy through green energy cooperatives. Well-designed national policies provide the incentive platform on which this radically innovative solution has been built. Cooperation can extend into other services. Even carbon trading cooperatives have been started for small forest owners in Scotland.
- **Community organisations, trusts, foundations:** [Community trusts](#) in Scotland, UK, are examples of local people coming together to form a trust which commits to supporting the community by income-generating activity. In [Portsoy](#), Aberdeenshire, what started as traditional boat festival has now acquired significant income-generating enterprises. These trusts work at a community level to deliver services ranging from retail, to village halls, to electricity supply and community transport.
- **Social enterprises:** These have been developed widely across Europe to provide social care. By definition, social enterprises do not distribute profits. An initiative in [South Tyrol](#), Italy, created a not-for-profit system run by women farmers to address care needs of young and elderly people. It provides a much-needed service and increases farm household incomes. The social enterprise solution found widely in 'care farming' provides a well-tested format for this type of service. The [Buurtzorg care network](#) in the Netherlands has expanded rapidly and offers an efficient care model much valued by end-users and insurance companies. In general, third sector bodies have more people at the operational end and fewer at the bureaucratic end of the service supply chain.

## The partnership model

Partnerships bring together different actors from private and/or public and/or third sector groups. The idea is that the whole is greater than the sum of the parts and that improved service provision can be achieved through collaborative effort. The partnership is the catalyst to enhanced service.

Different actors can come together, as in the Finnish collaborative service hubs or, in the environmental field, in Catchment Management Partnerships which have moved water management from a hierarchical, top-down process to collaborative structures where different interests can come together and learn as on the [River Tweed](#) in Scotland, UK.



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## WHAT CAN POLICY DO TO MAKE A DIFFERENCE?

Policy needs to think in terms of catalysis. It can help prevent service decline and nurture innovative responses in various ways. The following table illustrates some areas where policy can be useful under each of the business models.

### Policy support for business models

BUSINESS MODEL TYPES	SUPPORT MECHANISMS
Private sector	Training for new entrants in business management and e-marketing; mentoring schemes; supporting local purchasing of inputs and short chain initiatives; grants for small-scale processing; and direct sales.
Public sector	Scoping of alternative delivery models; incentivising population in-migration and business development; developing spoke and hub models to rationalise services; working from home policies can keep people in rural communities and increase local demand for services.
Third sector	Mentoring new social enterprises and providing early years nurture (like <a href="#">Inspiralba</a> , Scotland, UK); grants for community business formation; training schemes for managers and volunteers; supporting e.g. community energy and community land initiatives for self-provision.
Partnership	Taking a holistic view of services and supporting collaborative approaches which link any of the above three sectors to enhance efficiency.

## HOW CAN WE MAKE BETTER CHOICES ABOUT THE BEST MODEL FOR SERVICE DELIVERY?

The identification of the right model depends directly on the context of each territory, the features of their communities and entrepreneurs. The following points should be considered when deciding on the best business models for revitalising service delivery.

- Access to information** on possible demand trends and the capacity of the provider – municipal, private or third sector – to provide a service within budget or at an acceptable level of profit. When communities choose to act, this needs to be based on realistic appraisals of market size, skill sets and possibilities for service enhancement.
- Consideration of the full array of rural services embracing the private, public, third sectors and self-provision (self-service):** the mix between sectors varies greatly over time and space and is shaped by political and civic cultures. There are advantages and disadvantages of each model. Individual households and communities do have choices and can influence outcomes.
- Territorial or spatial planning** means thinking about where service provision can be located to be maximally available to satisfy demand/need while at the same time controlling costs.
- A multi-service provider may be one solution:** in areas with more stable populations, changes in supply, demand and technology can create challenges. There is scope for novel solutions such as an underemployed doctor in rural Spain providing online advice to patients anywhere in the world, given appropriate language skills.
- The enabling role of public authorities for new and alternative delivery systems:** experimentation and innovation can be nurtured by well-framed policy.
- Encouraging upskilling of the workforce** (including volunteers) in the service sector. Whether it is differentiating their offer, developing customer care skills, smart local sourcing or developing multi-service hubs, there are many different ways to develop smarter businesses involved in service provision (e.g. use of ICT). Local Action Groups (LAGs) and Rural Development Programmes (RDPs) are often in a position to support such training and mentoring.
- Third sector and partnership approaches** are key to the delivery of many services in disadvantaged communities. Whether through cooperatives, social enterprises or any other not-for-profit business form, they have the ability to draw on wider funds, operate in partnership with the public sector and deliver added value services at low cost.