EURACADEMY ASSOCIATION

EUROPEAN ACADEMY FOR SUSTAINABLE RURAL DEVELOPMENT

THEMATIC GUIDE FOUR

Social Capital and Sustainable Rural Development

EURACADEMY THEMATIC GUIDE SERIES

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EURACADEMY ASSOCIATION
European Academy for Sustainable Rural Development

THEMATIC GUIDE FOUR
Social Capital and Sustainable Rural Development

This Thematic Guide was written by a team of Euracademy Association members and external experts.
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Social Capital and Sustainable Rural Development

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PREFACE

Euracademy Association is a pan-European, non-profit membership organisation devoted to capacity-building of rural communities in Europe. The Association brings together planners, researchers and practitioners of rural development from a host of European countries. A Summer Academy on a theme pertinent to sustainable rural development is organised every year in a different location; also, a Thematic Guide is published every year and a distance learning course is run, on the same theme as the Summer Academy. In addition, the Association organises conferences, undertakes research and co-ordinates EC-funded projects with a view of building up a body of knowledge on sustainable rural development. These activities aim to prompt lifelong learning opportunities amongst members of rural communities, by using a variety of educational means.

This is the Fourth Thematic Guide in the Euracademy series. It is designed for use as a reference tool in the Fourth Summer Academy, to be held in Ilmajoki, Finland, from 3 to 12 June 2005. It aims to provoke the reader's thinking on such key questions as:

- What do we mean by Social Capital ?
- How does the concept fit into the approach to Sustainable Rural Development ?
- How may we build social capital in the rural areas ?
- What should public bodies do to encourage the strengthening of social capital ?
- Where does civil society fit into this picture ?
- How can social capital contribute to economic development in rural areas ?
- How can it contribute to the sustaining of cultural heritage, tradition and environment?

For the Euracademy Association, this issue is part of the broader challenge of **sustainable rural development.** It inevitably cross-relates to, or overlaps with, the themes of the three previous Summer Academies, each of which had a Thematic Guide:

1. Sustainable Rural Tourism

2. Information Society and Sustainable Rural Development.

3. Diversification of Rural Economies.

At some points in this Fourth Thematic Guide, we refer to specific sections in the three previous Guides. The Thematic Guides are offered gratis to members of the Euracademy Association.

This Guide is two parts:

- **Part I: Understanding social capital**, defines what we mean by it (chapter 1), and suggest its place and significance in sustainable rural development (chapter 2).
- **Part II: Tools for creating and using social capital in rural development,** examines
  - how social capital can be created and applied 'from the bottom up' by rural communities and rural movements (chapter 3)
  - how social capital can be used to support economic development and entrepreneurship in rural areas (chapter 4)
  - how social capital can contribute to, and gain from, the cultural and environmental heritage (chapter 5)
  - how social capital can be facilitated 'from the top down' by governments (chapter 6)

Good reading!
The Euracademy Association

Part I: Understanding Social Capital

What do we mean by Social Capital?

This chapter defines social capital, and briefly outlines the background of the social capital debate. It seeks to clarify the relations of the different components of social capital by distinguishing between sources, consequences and social mechanisms of social capital.

1.1. **Capital**. Before defining social capital, let us look at the word capital. It is defined in the Concise Oxford Dictionary as:

> Stock with which a company or person enters into business; accumulated wealth, especially as used in further production".

1.2. This definition has a strong economic focus. But the essential idea -of accumulated wealth, which can be used in pursuing an activity- is easily applied to social, environmental or other fields. Thus, in the field of local development, we now readily talk about:

➢ physical capital, such as buildings, equipment, hardware and software

➢ environmental capital, such as healthy ecosystems, pure rivers, and landscapes

➢ cultural capital, such as arts, crafts and collective memories

➢ human capital, including the personal skills, knowledge, health of the people.

1.3. Social capital fits within this 'family' of different kinds of inherited or accumulated wealth.

1.4. Before leaving the broader idea of capital, let us emphasise that the wise businessman seeks to increase his capital, rather than allow it to diminish. The wise householder maintains the fabric of his house, so that its capital value does not fall. In the same way, the wise community seeks to strengthen its social capital, not allow it to diminish.

1.5. **Networks.** As will be discussed in detail below, the social capital of a society or community is represented by the nature and extent of its personal networks and institutional relationships, together with the shared values and understandings that facilitate cooperative behaviour and support collective endeavour. This particular character of social capital reflects older agrarian cultural practices. Indeed, the notion of social capital first appeared in Lynda Hanifan's discussions of rural school community centres (Hanifan 1916, 1920).

1.6. The argument is that, other things being equal, societies and communities with higher endowments of social capital will be wealthier, more informed, better governed, and less marked by conflict than those with lower stocks of social capital. It is important to note two types of benefits accrued by social capital:

➢ **Quality of life**. Social capital is perceived to contribute positively to quality of life for those who are in the networks which it comprises. It is more pleasant to live with people whom you can trust and communicate with. This trustful interaction is perceived to have also a positive impact on people's health .(Kawachi et al. 1997; Hyyppä & Mäki 2001).

➢ **Cooperation**. It has been suggested that social capital can facilitate cooperation within and among groups, and thus improve the efficiency of society and contribute to democracy, innovation, learning and the creation of human capital etc (Coleman 1988; Putnam 1993; 2000; Woolcock 1998; OECD 2001).

1.7. Networks are, by their nature, highly varied. They may be:

➢ between individuals, or voluntary organisations, or companies, or a mixture of these

➢ at local level, say within a village community, or at a district or county level, or at national or even interna-tional level

➢ between network members who are fairly equal or relatively unequal, in terms of resources, influence or political power.

1.8. Networks are in principle flexible and have permeable boundaries. They can be place-specific (communities of place) or interest-based (communities of interest). Virtual communities, including e-learning communities are also included in the networks that generate social capital (Daniel, Schwier and McCalla, 2003). Social capital cannot be thought of as a property of closed and bounded rural communities, which merely perpetuates the myth of rurality as a preserve of old traditions. And yet, on the other hand, social capital is very much linked to ideas of place and identity. Where social capital brings positive benefits, it is likely to be associated with a plurality of cultural identities, a mixing and interweaving of spatial scales, and strong links to the multiple historical themes that characterize European rural areas. This variety in networks means that there is no standard form of social capital. It means that, in order to grasp the significance of social capital and to learn how to use it as a positive force in rural development, we have to face up to this variety in the nature of networks, how they arise and how they operate.

DEFINING SOCIAL CAPITAL AND ITS MANY DIMENSIONS

By Petri Ruuskanen, University of Jyväskylä, Department of Social Sciences and Philosophy, Finland

Introduction

In the recent years, there has been a lively discussion about the social dimension of economic life. In the discussion it has been emphasised that social and institutional factors have an important role to play in understanding economic and social development. In the other words, in addition to natural resources, physical capital (e.g. equipment, buildings, hardware, software etc.), labour and human capital (e.g. people's knowledge, skills, health etc.) we should pay attention also to "social capital". It also tries to clarify the relations of the different components of social capital by distinguishing between the sources, consequences and social mechanisms of social capital.

Bright and Dark Sides

The social capital literature states that certain features of a social organisation, such as networks, norms and trust, can improve the society's efficiency by facilitating the coordination of actions within and among groups (see e.g. Coleman 1988; Putnam 1993; 2000; Woolcock 1998; OECD 2001). A typical example of the beneficial function of social capital can be put, for example, as follows:

> *[A] group whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish much more than a comparable group lacking that trustworthiness and trust. /…/ [In a farming community] where one farmer got his hay baled by another and where farm tools are extensively borrowed and lent, the social capital allows each farmer to get his work done with less physical capital in the form of tools and other equipment. (Coleman 1990, 302–307; see also Putnam 1993, 167)*

The basic social capital argument, as outlined above, emphasising the importance of trust in social interaction and cooperation, fits our common sense well. It is easy to find many positive outcomes of social capital as trusting cooperation. In social capital literature it is stated, for example, that social capital enhances the performance of economy and society by facilitating the cooperation and coordination of actions, reducing transaction costs and improving the flow of information in social networks. It has also been stated that social capital is crucial in the learning and creation of human and intellectual capital.

At the same time some scholars have referred to the "downside of social capital" or the problem of "too much social capital". Tight social relations and norms within a group can restrict the social mobility of the group members and lock them into conventional ways of thinking. (e.g. Portes & Sensenbrenner 1993; Portes & Landolt 1996). They can also serve to exclude others. It takes trust and capability to coordinate the actions of firms to form a cartel and fix the prices, which is obviously beneficial for the members but injurious for society. This means that on the one hand social capital can solve problems, but on the other hand it can also produce them: it can slow up absorption of innovations in the community and thus weaken economic growth and social development. It also can promote segregation of society e.g. by maintaining separation between different social an ethnic groups.

As a result of the multifaceted nature of this phenomenon, it has been difficult to define social capital unambiguously. Many theoretical tendencies have been developed that emphasise different aspects of social capital. Some scholars, for example, tend to emphasise the individual's position in the overall structure of social networks as a source of *personal opportunities* (Burt 1992). Others place more emphasis on the collective dimension of phenomena, such as the norms and trust that arise from dense community networks (Coleman 1988) or from historical institutions and the "civicness" of society (Putnam 1993; 2000). And still others emphasise the bounded solidarity and trust within a particular status group of mutual recognition (Bourdieu 1986; Portes & Sensenbrenner 1993).

As we can see, there are substantial differences between the different theoretical tendencies. Some see social capital as an individual's resource, others as a group-specific resource and others as a public resource.

The varying nature of social capital

Bonding and bridging social capital

The attempts to clarify the concept have mainly drawn on Mark Granovetter's (1973) work on "strong" and "weak" ties in social networks. When analysing social networks Granovetter distinguishes between strong and weak social ties. By strong ties he means relations characterised by large time commitments, emotional intensity and intimacy. In other words, they are ties between people who consider themselves similar. Weak ties, on the other hand, refer to relations between different people and identity groups. They connect individuals and groups who move in different circles, and thus have access to different information sources. They also increase social cohesion at the macro level of society by bridging different social groups.

In much the same way, social capital has been distinguished for its "bonding" and "bridging" dimension (e.g.

Gittel & Vidal 1998; Putnam 2000). Bonding social capital refers to the relations of people who already know each other, feel cultural belonging and share a common identity. Bridging social capital refers to relations that bring people (or groups) together who did not know each other before or knew themselves to be unalike. While bonding social capital facilitates cooperation within a group, bridging social capital lubricates interaction and cooperation among groups and thus reduces segregation.

Both bonding and bridging social capital mainly refer to the "civic society". Or to put it in another way, they refer to horizontal ties between equal agents. Thus, they ignore the different power relations often involved in social networks. It has to be remembered, however, that most social networks, such as business networks, also include a vertical dimension. In other words, the relations between firms and organisations often involve an asymmetric dependency and asymmetric power relations.

Horizontal and vertical networks

It is sometimes stated that the existence of vertical networks is contradictory to the idea of social capital. As Putnam puts it:

> *"A vertical network, no matter how dense and no matter how important to its participants, cannot sustain trust and cooperation. Vertical flows of information are often less reliable than horizontal flows, in part because the subordinate husbands information as a hedge against exploitation. More important, sanctions that support norms of reciprocity against the threat of opportunism are less likely to be imposed upwards and less likely to be acceded to, if imposed. Only a bold or foolhardy subordinate, lacking ties of solidarity with peers, would seek to punish a superior." (Putnam 1993, 175)*

The statement seems to exclude the vertical networks that include unequal power relations, such as subcontracting networks, from the sphere of social capital. Putnam, however, seems to overestimate the efficiency of power in vertical networks. The case of both pure horizontal or pure vertical or hierarchic network relations is quite rare in the real world. The dimension of unequal power, for example, inheres in most social networks. Even in associational life – which is a typical example of horizontal networks in the social capital literature – actors very often hold different status positions and have different access to resources, and thus, these networks also include a vertical dimension. The same logic holds for vertical networks. They are rarely pure superior–subordinate relationships, but relationships which are embedded in larger social tissue, such as institutions and social norms. The role of the state-led and the other public institutions, for example, is important in lubricating the friction between actors in different power positions. The institutions, as a "third party", can develop effective enforcement of contracts and impose credible sanctions against malfeasances, which can create decent behaviour and support mutual trust in vertical relations as well.

Linking social capital

Michael Woolcock has actually emphasised the importance of bringing institutions and state-society relations to the concept of social capital. As he points out, the capacity of social groups in their collective interest depends crucially on their capability to link with formal institutions (Woolcock 2000, 23). In addition to the "bonding" and "bridging" dimensions of social capital, Woolcock distinguishes a third dimension of social capital: "linking" social capital (e.g. Woolcock 1999). Linking social capital refers to contacts between actors who are unequal in their power and access to resources.

The concept of linking social capital is fruitful in analysis because it allows us to abandon the illusion of pure horizontal networks of equal actors. As Szreter has pointed out, it also allows us to analyse the kinds of relationships that can form across somewhat artificial dichotomies, such as state vs. civic society, state vs. market, public vs. private, formal vs. informal, and so on (Szreter 2002, 580–581). It also allows us to recognise that institutions and public policy have an important role in the development of social capital. They can, for example, provide facilities and resources to support partnerships, networks and associations and help to make bridges and links between different actors and communities.

Mechanisms of Social Capital

To provide an answer to the question "Why does social capital facilitate cooperation?" it is reasonable to distinguish between the sources (or the inputs), the consequences (or the outputs) and the social mechanisms which mediate the sources and the consequences.

It is usually *trust* and *communication* which implicitly mediate the inputs and outputs of social capital in major social capital theories. For Coleman (1988), for example, social networks and norms create trust and communication (or flow of information), which enable the birth of a favour bank among participants. It makes sense to help others –e.g. to lend tools– when you can count that others' help you –e.g. to borrow tools– in the future. It is obviously not a question of simple causality, but causality goes both ways: while interaction (e.g. lending and borrowing) creates trust, trust also facilitates interaction. However, the causal arrow seems to basically go from interaction to trust (Brehm & Rahn 1997).

Trust can be defined as accepted vulnerability to or accepted dependence on others (Baier 1986). Thus, commitment of resources, for example, to an activity where the outcome depends on the behaviour or attitude

(such as possible ill will or incompetence) of others requires trust. Communication, on its behalf, requires availability and understanding of cultural signals, i.e. a certain amount of shared language, understanding and cognitive capabilities of the actors (see DiMaggio 1994, 39).

Sources of social capital can be found at the individual, community and macro levels. At the individual level, enlightened self-interest can create trust and good communication, if the interaction between individuals is continuous (e.g. Axelrod 1984). At the community level, firstly, networks of strong ties, or "bonding social capital" – characterised by shared identity, norms and mutual recognition – all produce trust and communication within a community. Secondly, networks of "weak ties" or "bridging social capital", facilitate the generalisation of trust and communication between actors from different communities and identity groups. Thirdly, networks and institutionalised relationships among unequal agents link actors at different levels of society ("linking social capital") (Woolcock 1999; Szreter 2002). At the macro level, formal institutions can facilitate the production of trust and communication.

Social capital is not necessarily bounded by any particular geographical location or "community of place". Globalisation and development of new communication technologies, such as the Internet, email, mobile phones, etc., seems to transform the nature of social networks and communities. Thus social capital can be created at local, national or transnational communities, if actors acknowledge their common interests and have means to communicate with each other. It is also possible that the traditional, local social capital that arises from personal interaction and norms of a local community will more and more be complemented and/or substituted by social capital that is embedded in virtual networks of communication and trust which are not so time or place bound.

The consequences of social capital can be divided to "direct" and "indirect". Social capital produces, on the one hand, direct consequences, since it is more pleasant to live with people whom you can trust and communicate with. It also seems that trustful interaction has a positive impact on people's health (see e.g. Kawachi et al. 1997; Hyyppä & Mäki 2001). On the other hand, social capital produces indirect consequences (or "production benefits"): it facilitates cooperation, collective action and coordination of action. (see Figure 1).
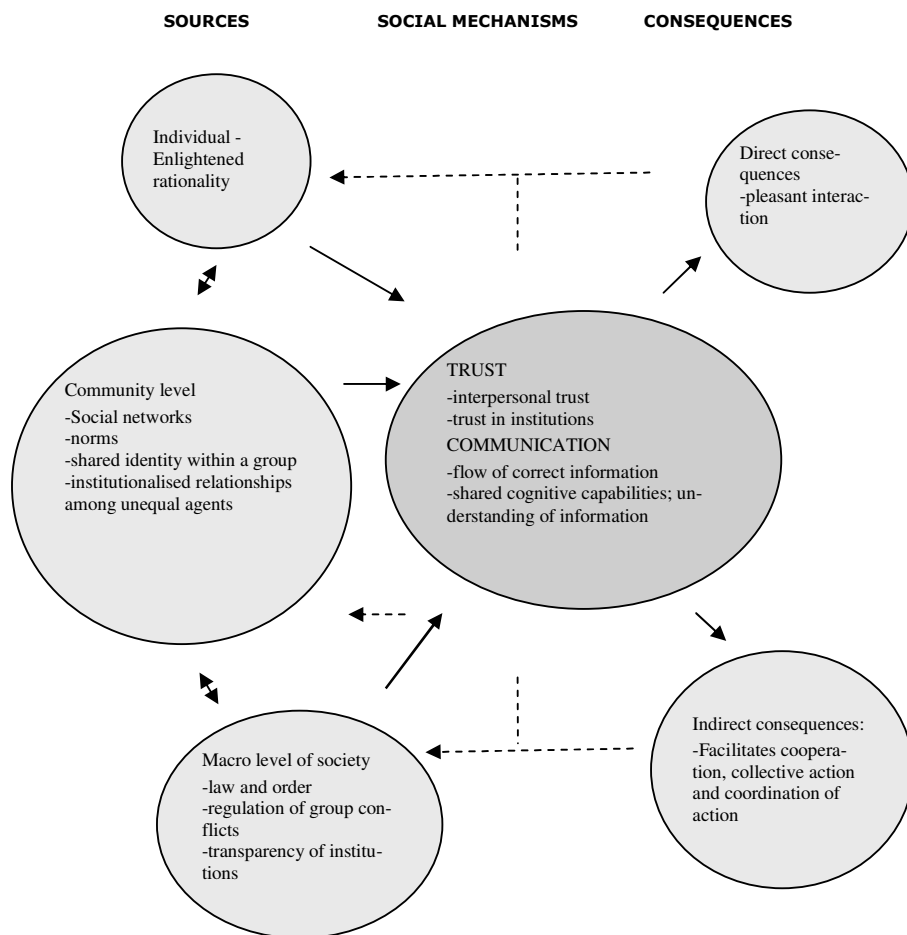

Figure 1. Sources, mechanisms, and consequences of social capital (see Ruuskanen 2001).

Differentiation of social capital

It is obvious that different social and institutional settings and social structures reveal different combinations of trust and communication. Some social settings produce a limited scope of communication and bounded trust, while others promote more generalised trust and open communication.

	TRUST	
	High	**Low**
Open	**"Social cohesion"** - Contracting - Group conflicts are regulated by formal institutions	**"Perfect market"** - Opportunism **- Competition coordination cooperation**
Locally limited	**"Amoral familism"** - Segregated social capital **-** Cooperation within groups	**"Amoral individualism"** - War of all against all
COMMUNICATION		

Figure 2. Dimensions of Social Capital

Figure 2 tries to illustrate how social capital is dependent on its context. Certain conditions may favour generalised trust and open communication at the expense of distrust and disguising, and this will be reflected in the actors' attitudes towards cooperation. If mechanisms of generalised trust and open communication dominate, it is more probable that people will cooperate and share knowledge, i.e. the social environment supports social cohesion. In certain social environments, however, trust and communication between actors can be very local or limited to the networks of small groups of mutual recognition. In other words, the social environment may support Hobbesian "amoral individualism" or "amoral familism", described by Banfield (1958). The social environment may also sustain the combination of low trust and open communication ("perfect information"), which supports competition and opportunism, or the "perfect market".

It is probably the space between "social cohesion" and "amoral familism" that we usually mean when we refer to social capital and its bright and dark sides. When the bright sides refer to generalised trust and open communication, the darks sides refer to segregated trust and communication. It is obvious that when using social capital as a tool to support economic and social development in rural communities we should find measures to strengthen all three forms of social capital: we should be able to support trust/trustworthiness and communicative practises in local communities, extend the scope of trust/trustworthiness and open communication and create communicative links between agents at different levels of societies. In this way it is possible to strengthen the positive and avoid the negative consequences of social capital.

Questions arising from chapter 1, for your to reflect on and discuss during the Summer Academy:

1. Which networks do you personally belong to? Are they interest-based, or locality-based?

2. Do you think that these networks deserve to be thought of as social capital? In which ways do they bring the advantages of social capital to you? And the disadvantages?

3. Do you know of any other networks that generate social capital?

4. Do these networks improve the quality of life of those within the network?

5. Do they facilitate cooperation between those within the network?

Note down other issues that you may wish to raise at the Summer Academy

Social Capital as a resource for sustainable rural development

The focus of Euracademy is on sustainable rural development. The successive Summer Academies and Thematic Guides have focused on different aspects of this broad theme:

2002 Thematic Guide 1 – Developing sustainable rural tourism

2003 Thematic Guide 2 – Information Society and sustainable rural development

2004 Thematic Guide 3 – Diversification of the rural economy.

The three previous Thematic Guides are available to participants in the Summer Academy 2005. We therefore do not here repeat the full conceptual treatment of sustainable rural development that appears in Chapter 1 of both Guides 1 and 2. But we do offer brief definitions of rural development and of sustainability, and we briefly summarise the way that thinking on rural development has evolved over the last nearly 20 years – the same period that has brought the concept of social capital strongly into the field of development generally. There is in fact a close link between these two stories.

Sustainable rural development

2.1. We offer a definition of rural development and of sustainable development

2.2. **Rural Development.** We have used the following definition of rural development. It is:

> *"... a deliberate process of sustained and sustainable social, economic, cultural and environmental change, designed to improve the quality of life of the local population."*

2.3. Note particularly the following points about this definition ;

➤ The emphasis on a deliberate and sustained <u>process</u>. Rural development is not a short-life business. It needs to be pursued over a long period of years and in a deliberate way.

➤ The process must be <u>sustainable</u>, in the sense that is described below

➤ The four other adjectives - social, economic, cultural and environmental - show the width of the subject and the need to take an <u>integrated</u> view.

➤ The word <u>change</u>. Rural development is not about protecting the status quo. It is about deliberate change in order to make things better.

2.4. The focus on improving the life of the <u>local population</u>. Some 'rural' (or 'regional') development in the past has been motivated by national needs (e.g. for electricity, water or defence), rather than the needs

of local people. National needs may indeed be met through local development, and any successful meeting of local needs will contribute indirectly to national well-being. But the modern concept of rural development has a prime focus on the needs of the local population.

2.5. **Sustainable development.** The widespread commitment by international agencies, governments and others to sustainable development springs from the 'Earth Summit' held in Rio de Janeiro in 1992. That great conference accepted the definition of sustainable development offered in 1987 by the Brundtland Commission:

> *"Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs".*

2.6. Another definition of sustainable development that is frequently used is:

> *"Development that produces a continuing flow of social, economic and environmental benefits".*

2.7. **Criteria for judging sustainability.** These definitions are a useful starting-point for thinking about sustainability. But they provide no basis for assessing whether a particular programme or project of local development is truly sustainable. We need a definition which assists such assessment, and which reflects the emphasis on an integrated and community-based approach.

2.8. Sustainability is not simply a matter of respect for the environment. It relates to all four of the 'legs' or pillars of local development - people, economy, environment and institutions.

2.9. The following criteria, which may be applied to programmes or projects of local development, express this wide view of sustainablility.

2.10. **People**. To be sustainable, development must observe the principles of:

➤ Fairness, democracy and security

➤ Equity and fair treatment for all, including special help for the poor and a concern for women, children and ethnic minorities

➤ Quality of life for all the people

➤ Leadership by the people, in partnership with government

➤ Respect for the memory of ancestors, and for the rights of people not yet born.

2.11. **Economy.** To be sustainable, development must:

➤ Help to strengthen and diversify the economy of the locality

➢ Ensure that local people gain substantial benefit from the local activity

➢ Promote the long-term prosperity of the locality, rather than simply their short-term benefit

➢ If possible, avoid causing harmful side-effects elsewhere in the national, regional or local economy.

2.12. **Environment.** To be sustainable, development must:

➢ Respect natural systems and the integrity of the environment

➢ Minimise the use of non-renewable resources

➢ Consume natural resources no faster than nature can renew them

➢ Make efficient use of all resources used

➢ Avoid causing pollution and other adverse impacts on the environment.

2.13. **Institutions.** To be sustainable, development must:

➢ Contribute to the strengthening of institutions, including civil society

➢ Build and sustain partnerships and other aspects of social capital

➢ Be within the capacity of human institutions to control and manage,
in a way that meets the other criteria stated above

➢ Not cause unsupportable costs in the future.

2.14. **Sustaining and enhancing 'capital'.** Another way of stating this idea of sustainability is to say that we should always strive to maintain and enhance the capital resources of the area that we are dealing with. These capital resources are a permanent stock of assets, belonging to the locality, on which the future well-being of the people and the place may depend. As explained in chapter 1, this capital may include physical, environmental, economic, human and social capital. In this sense, social capital is not only – as we show below – a resource for sustainable rural development: it is also a resource that should be protected and enhanced by sustainable rural development.

How rural development policy has evolved

2.16. Rural development, as a distinct major policy area, has only emerged in Europe during the last 20 years. Before that, it was either subsumed within the policies for agriculture or seen as a sub-set with regional development policies. Then in the 1980's came three events which radically altered the picture:

➢ First, in the early 1980s in the European Union, the success of the Common Agricultural Policy (CAP) produced, for the first time, a surplus of milk, meat, wheat, wine and other products within the European Union. This forced the EU to start rethinking the policy of support to farmers which was tied to yet more production.

➢ Second, in 1988, the European Commission published a report, 'The future of rural society', which recognised that the CAP and the Regional and Social Funds, taken together, were failing to address the real needs of the rural regions, indeed were actually contributing to serious problems in the rural areas, for example the massive impact of modernised agriculture on the environment. The report stated plainly that rural areas needed more than a policy focused on agriculture. Its publication coincided with the end of the Council of Europe's Countryside Campaign 1987-88. which (as we will show in chapter 3) had a significant impact upon rural movements and thus on the creation of social capital related directly to rural development.

➢ Third, in 1989 came the collapse of the Iron Curtain and of the Soviet Union, which removed at one blow the Soviet market upon which Central European farmers had depended. Very soon, this caused the collapse of the state and collective farms, which were not only the main employers in many rural areas in central and eastern Europe but also the main providers of social support for the rural communities, in the form of crèches, kindergartens, social tourism, care for the elderly etc. This collapse of state and collective farms was, in short, a major diminution of social capital in those rural regions.

2.17. **The well-being of rural areas**. For these and other reasons, the emphasis in rural policies has shifted away from "more food at low cost" to a wider concern with the well-being of the people, the economy and the environment of rural areas. In particular, there is a concern to strengthen and diversify the economy of rural regions. In the European Union, this shift in policy was crystallised in a few key policies or initiatives:

➢ The LEADER Initiative, launched in 1991 (see chapter 4)

➢ The Review of the Common Agricultural Policy, in 1992

➢ The Cork Declaration on Rural Policy 1995.

2.18. **Agenda 2000.** These moves all applied to policy within the EU, with its 12 member states increasing to 15 after the accession of Austria, Sweden and Finland in 1995. But the prospect of eastward enlargement pushed the Union towards a further significant shift in policy, which is reflected in Agenda 2000, the major set of policies agreed at the Berlin summit of March 1999. These policies cover the period 2000 to 2006. Here, we emphasise only the provisions relevant to rural development. Briefly stated, these are:

➢ A gradual reduction in funds for support of production, processing and export of food

➢ The creation, within the CAP, of a 'second pillar' related to rural development

➢ The Rural Development Regulation, under which EU member states produce and implement their own rural development programmes, with features drawn from a 'menu' of possible actions set by the Regulation

➢ The LEADER+ initiative, aimed (like its predecessors LEADER I and LEADER II) at promoting action by local partnerships to pursue integrated rural development in many regions of the EU

➢ The SAPARD programme (Special Aid for Pre-accession in Agriculture and Rural Development) of-

fered by the EU to the 10 Central European countries – including Hungary - which were then candidates to join the Union.

2.19. Agenda 2000 thus prompted a new generation of rural development programmes, both within the existing EU and in the accession countries. These programmes are not standardised, in that governments are free to choose the features within the EU 'menu' that they wish to pursue. Moreover, many of the governments have their own rural development programmes, in addition to those which are part-funded by the EU.

2.20. **Looking ahead.** Now, in 2005, the European Union is focusing on the next programming period, which will run from 2007 to 2013. Since early 2004, there has been a major debate in the European Commission, the European Parliament and the member states about the future strategic direction for the Union, the policies that should apply, and the size and allocation of the Union's budget for the period from 2007 onwards.

2.21. The proposed EAFRD. In the context of this strategic review, the European Commission has proposed the creation, from 2007, of a new fund focused specifically on Rural Development – the European Agricultural Fund for Rural Development. The EAFRD is structured around three main objectives or 'Axes':

➢ increasing the competitiveness of the agricultural sector, through support for restructuring

➢ enhancing the environment and landscape, through support for land management

➢ enhancing the quality of life in rural areas and promoting diversification of economic activities.

2.22. The third of these Axes is of crucial importance, in that it clearly establishes that rural development is about all sectors of rural life, not only about agriculture. But the three areas of action are not separate, each in a watertight container of policy and action. They are linked to each other. For example, farmers can gain new income from stewardship of environment; high-quality landscape can attract entrepreneurs to live in the countryside, or be the basis for rural tourism; new industry can bring added value to the products of farms and forests.

2.23. **LEADER**. The draft Rural Development Regulation also makes provision for a fourth 'cross-cutting' Axis, namely a continuation or 'mainstreaming' of LEADER, not as a Community Initiative (which it has been till now) but as an integral part of national rural programmes. We explain in chapter 4 the significance of LEADER, as a major contibutor to the creation and strengthening of social capital.

The rural areas of Europe

2.24. Rural areas embrace over 90% of the land area of Europe. In the European Union alone, over half of its population lives in rural areas, including those who live in small towns. These rural areas contain a high diversity of landscape, a rich and highly varied heritage of natural and cultural features, and a vast resource of human skills and energy. They produce much of Europe's food, timber and other natural resources. Their local economies are increasingly diverse, contributing products and services which benefit all Europeans and enrich Europe's export trade. They offer space and facilities for the recreation of Europe's citizens, and for large and growing numbers of visitors from other lands.

2.25. **Variation between rural areas.** Rural areas vary enormously in character – from the peri-urban areas around the cities to the high mountain pastures; from the Mediterranean lands of olive and wine to the reindeer grazing areas of Lappland; from the puszta of Hungary to the green fields of Ireland. The needs of rural areas vary greatly from region to region. Many rural regions near the cities are changing rapidly in character, as city workers look for new homes there or urban enterprises move out onto green-field sites. In such places, rural people may be tempted away from jobs in farming or may be unable to buy houses at inflated prices. By contrast, many of the more remote, marginal or mountainous regions of EU15 have been losing population over long periods of time, and this process still continues. In such places, the local economy tends to be fragile and narrowly-based: it is difficult to sustain the public services: young people tend to move away from the area: there is often a lack of public investment: public and commercial services tend to withdraw to the cities.

2.26. In the new member states and the accession countries, there are serious weaknesses in the rural areas, inherited from the socialist period - notably uncompetitive agriculture, a great number of small semi-subsistence farms, and very few jobs in other economic sectors. This situation affects millions of people, and points towards the need for substantial EU- and national expenditure in training and job creation in the rural areas over the next decade. Failure to strengthen the rural economies in these countries could lead to mass migration to cities in both east and west Europe, with serious impacts on unemployment and social support systems.

2.27. **The character of rural areas.** Rural areas are marked by a small scale of settlements, communities and enterprises; often, by a strong sense of place, based upon local traditions of building, farming, crafts, customs, language and the like; and by a high quality of natural environment. This character has already been gravely damaged in many rural areas by large-scale or standardised developments, driven from an urban perspective. The challenge now is to recognise the diversity and local character of rural areas as a major contibutor to the quality of rural life and an asset for all Europeans; and to protect and enhance, rather than damage, that distinct character.

2.28. **Civil Society.** A further aspect of disparity between rural regions – and one highly relevant to social capital - is in the relative strength or weakness of civil society, by which the voluntary and other organisations which seek to work for and represent the interests of communities or interest groups. Some

rural regions have an active civil society, because of long tradition, political culture, education levels etc; and benefit from this in terms of the ability of rural populations to take initiative and an active part in promoting their own well-being. Others have weak civil society, because of centralist governments, social apathy or dependence, or other reasons; and therefore lack this ability among the rural populations to take initiative.

2.29. **Social capital.** Nevertheless, many rural communities are rich in networks and shared values, precisely because they live in small settlements, are somewhat isolated from other communities, and need to live in harmony together. Moreover, rural people may depend on each other for help, for example at harvest time or when building a house or a barn; and may find much of their social life and entertainment in each other's company. They often have, and place great continuing value on, cultural traditions of music, dance, dialect, arts, crafts, customs, festivals and other activities. This social and cultural capital is an asset for rural development, and something precious that should be protected and enhanced in rural development processes.

2.30. Small and market towns. A 'rural area' or region may well include one or more small towns or even a larger urban unit. The economy of such an area is not related only to farming, forestry or similar activities of the primary sector: it also includes activities based in the towns, such as manufacture and services. The towns provide services and cultural activities which are crucial to the rural communities around them: in turn, the rural people supply goods and services to the people in the towns. Thus, when we speak of rural communities and economies, we refer to that mixture of social, cultural and economic activities which is found within a rural region, in both the towns <u>and</u> their related hinterland. The relationship, and mutual support, between such towns and their rural hinterland is a vital aspect of the networks that comprise social capital in these rural regions.

Rural development – a multi-actor arena

2.31. We suggested earlier that rural development is

> *… a deliberate process of … change, designed to improve the quality of life of the local population.*

2.32. In this sense, rural development is <u>for</u> the people. But it should also be pursued <u>with</u> the people, and <u>by</u> the people.

2.33. The development of a locality should be based on the interests, and the involvement, of the community living in that area. They are the basis for sustainable development because:

➢ they know best what are their problems and needs;

➢ they control many of the resources - land, buildings, local products - upon which

➢ development is based ;

➢ their skills, traditions, knowledge and energy are <u>the main resource</u> for development ;

➢ their commitment is vital: if they do not support an initiative, it will die

2.34. But rural development cannot be an activity of the local people alone. Their lives depend on, or are heavily influenced by, the actions and decisions of companies, organisations and public agencies operating at local, regional, national and international level. The goods that they buy, the services that they need, the regulations that they must observe, the markets that they serve, the policies that affect them, are all ingredients in the rural development process.

2.35. **Partnership.** Over the last decade, there has been growing realisation that rural development is not a matter that can be pursued by government alone, or by the rural people alone, but is matter for effective **partnership** between government and people – or rather (more widely) between government, all relevant sectors and actors, and the rural people who are themselves the prime beneficiaries but also prime actors in this complex drama.

2.36. This realisation of the need for partnership is reflected in the LEADER programme, which we describe in chapter 4. It is reflected also in many policy statements. For example the Budapest Declaration on Rural Innovation, presented at the Final Conference of COST Action 12 in Hungary in 2002, made plain that the crucial way to facilitate and promote rural development is through new state-community relationships which can both empower and discipline the efforts of local voluntary actors and groups (Budapest Declaration 2002).

2.37. **The challenge for social capital.** Achieving effective partnerships in a multi-actor arena poses a major challenge in terms of social capital. If the people alone could pursue rural development, they could use their own local, mainly "horizontal" networks, with strong ties, and a "bonding" dimension of social capital. But if many sectors – public, private, commercial, voluntary - are to be involved at local or sub-regional level, then networks have to be created between people who may not know each other, who are in part unequal in resources and power, who may have to learn to trust each other. For this a "bridging" dimension of social capital has to come into play. And if, as usually the case, the regional or national government is a key player, and even (behind it) the European Union or other multi-national bodies, then a yet more complex networking and "linking" dimension of social capital is needed, vertical in character, with great built-in disparities between the actors in terms of resources, influence and power.

2.38. The article that follows illustrates this vertical, "linking" function of social capital, when it is incorporated in a rural development policy at national level. The case of Finland provides a rich ground for discussion on how social capital may provide a useful political tool for mediating rural policy, making it more effective and more democratic at the local level.

DISTRIBUTED RURAL POLICY AS SOCIAL CAPITAL PROMOTION

By Torsti Hyyryläinen, Univ. of Helsinki, Institute for Rural Research and Training, Mikkeli Unit, Finland

Rural policy is a relatively young field of political activity in Finland, but it is not lacking in ambition: it is aiming high. It is this that makes it so interesting, not only for researchers but also for ordinary citizens. My aim here is to outline the strategic architecture of Finnish rural policy and to discuss its relation to the concept of social capital.

Social capital as such is intimately connected with human survival. It is an essential requirement for human interaction, for without social capital, society at large will collapse, and it can also reinforce the abilities of society as a whole and its constituent communities to identify problems and to resolve them in a creative and innovative manner.

The approach to be adopted here is a theoretical and methodological one, but one in which the analyses are backed up by personal experiences acquired over a period of some 10 years as a researcher and participant in various sectors of rural policy. The point of departure is a reading of the principal rural policy texts and an attempt to trace its strategic core.

This article is closely linked to that of Petri Ruuskanen in this same volume, which similarly discusses social capital. My aim is to pursue his argumentation further by combining it with an example of the system lying behind Finnish rural policy. For those who are unfamiliar with the topic, a concise introduction to Finnish rural policy is provided by Eero Uusitalo (2004; see also http://www.mmm.fi/ytr/english/english_1.htm).

Social capital in a strategic context

The strategy

The strategy we need as both a message and architecture for the governance of human collaboration consists of knowledge management, human leadership and the exercise of power.

1) It is a message which informs our partners clearly and in an illustrative manner of our common goal and aspirations.

2) It is an architecture which creates a space for collaboration and interaction.

On the other hand, a strategy is not a document, but a continually developing form of activity in which the goal and aspirations are in interaction with implementation and context. Since the strategy constructs a space for collaboration and communication, strategic activity is a manifestation of collaborative expertise.

Strategic activity is organized interaction and communication, i.e. knowledge management and human leadership that is directed towards certain mutually accepted aims and creative problem-solving.

A good strategy is contextual and contentual, i.e. it is linked to its purpose, while a bad strategy is one in which the vision, the goals and the aims are divorced from practice and implementation.

A good strategy strengthens trust between people, while a bad one increases distrust. Thus a good strategy can increment social capital, i.e. human interaction, trust and collaborative expertise, while social capital will in turn increase the capacity of communities to develop and promote development.

I will concentrate in this article on the strategic architecture of the Finnish rural policy system, approaching it from the perspective of social capital, in which case the crucial questions are:

➢ Which actors are empowered by the strategy?
➢ Where is the strategy managed?
➢ Whose knowledge is used in formulating the strategy?
➢ Who will learn from the strategy process?

Civil society

The Budapest Declaration on Rural Innovation, presented at the Final Conference of COST Action 12 in Hungary in 2002, criticizes "innovation" as an unqualified good that leads directly to rural development, and adopts a very critical approach to the concept of innovation as a component of rural development that determines the conditions under which development is beneficial for rural communities or creates disadvantage among specific rural groups. The declaration believes in building up innovative activities which stem from actors within civil society. The crucial way to facilitate and promote rural development is through new state-community relationships which can both empower and discipline the efforts of local voluntary actors and groups (Budapest Declaration 2002).

Civil society is thus the crucial arena for the formation of social capital. According to Bullen and Onyx (1998), social capital is created from the myriad of everyday interactions between people. It is not located within an

individual person or within the social structure, but in the space between people. It is not a property of the organization, the market or the state, though all of these can engage in its production. They argue that social capital is an empirical concept and that it is possible to measure it in local communities. Thus they point to generic social capital factors that can be measured, and also to eight distinct elements that appear to define social capital:

➢ participation in the local community
➢ proactivity in a social context
➢ feelings of safety and trust
➢ neighbourhood connections
➢ family and friendship connections
➢ tolerance of diversity
➢ value of life
➢ work connections

According to the World Bank (1998), social capital is an element of sustainable development. A wide range of academic studies show us that if we want to promote social capital we should direct our strategies towards the great diversity of civil society interactions. It is evident at the same time that this question is closely linked to existing power relations.

As Ruuskanen writes in his article, Michael Woolcock has emphasized the importance of bringing state-society relations into the concept of social capital. The capacities of social groups in their collective interests depend crucially on their ability to establish links with formal institutions (Woolcock 2000, 23). These are essentially contacts between actors who are unequal in terms of power and access to resources.

Distributed strategic intelligence

Meyer (2001, 157-158) argues that a strategic intelligence network facilitates the appropriate examination of certain changes in the past, present and future. The concept can be applied in many contexts, including rural development. The field of rural/regional development as multi-actor arena is illustrated in **Figure 1**. Policy makers are important actors, but only as part of a much larger process, as there are always many other crucial partners and stakeholders to be taken into account. Meyer points out that this has some important policy implications with respect to all forms of strategic intelligence:

➢ Policy decisions are frequently negotiated in multi-level/multi-actor arenas and related actor networks.
➢ The negotiating actors pursue different interests, represent different stakeholders' perspectives, construct different perceptions of "reality" and refer to diverging institutional frameworks.
➢ Successful policymaking normally means compromises achieved through the alignment and re-framing of stakeholders' perspectives.
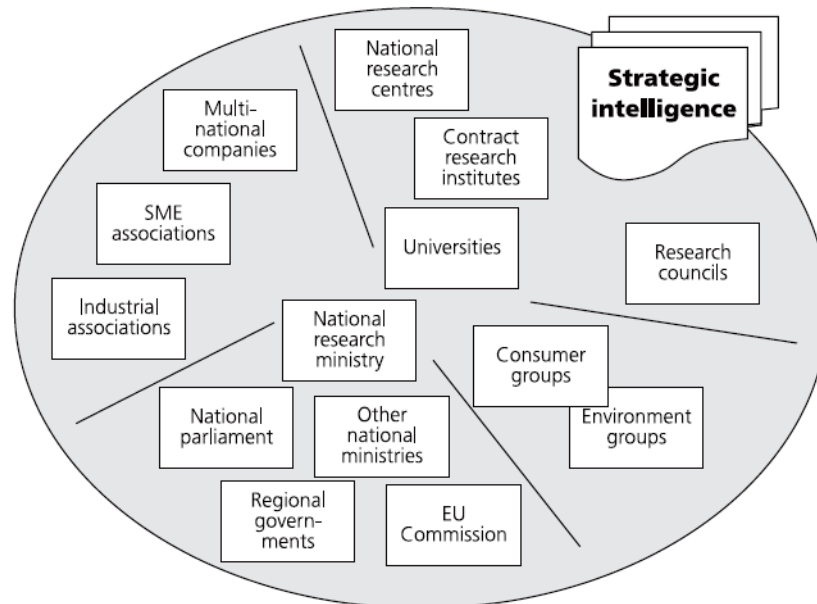

Figure 1: Description of a multi-actor arena, adapted from S. Kuhlmann (Meyer 2001, 158).

Different national and regional actors have to be integrated, just as the various activities related to certain themes have to be incorporated appropriately in the knowledge management network. Distribution of the relevant knowledge amongst a great number of actors requires a highly sophisticated networking structure and creates a huge challenge, which can be described in the following ways:

➢ the creation of an architecture of "infrastructures" for distributed intelligence by the horizontal and vertical linking of existing regional, national, sectoral etc. strategic intelligence facilities,

➢ the establishment of brokering "nodes" for managing and maintaining the infrastructure, offering an "enabling structure" that allows free access to all strategic intelligence exercises undertaken under public auspices and provides a directory that facilitates direct connections between the relevant actors,

➢ adequate resources.

(Meyer 2001, 159)

***Figure 2**: Distributed strategic intelligence as a knowledge management network, adapted from S. Kuhlmann (Meyer 2001, 159)*

A distributed rural policy network

The roots of Finnish rural policy stretch back no more than about 25 years, as it is regarded as having taken shape in a systematic sense only in the late 1980s, with the wide European rural development campaign. It was during the following decade that orally expressed rural policy began to develop written, systematic principles.

The first national rural policy programme was published in 1991, another in 1996 and a third in the year 2000. The latest one, the fourth of its kind, was published in 2004, to apply to the period 2005-2008 (Maaseudun kehittämisprojekti 1991; Rural Policy Committee 1996; 2000 and 2004).

These documents form a significant, logically progressing body of data on the construction of Finnish rural policy, a series of statements of its strategy and organization at the level of principles and ideals at each point in time. This historically arranged series of publications provides significant material for analysis and critical discussion, as it incorporates the essential message, strategy and aims of Finnish rural policy and measures for its practical implementation.

By analytical reading, we can find the core of the Finnish rural policy strategy from these four national programmes, and are able to recognize Finnish rural policy as a multi-actor space in which strategic intelligence is managed in a distributed way. In summary, the rural policy system can be characterised as:

➢ a multidimensional system in its actions
➢ a multi-level system in terms of the spheres in which problems are formulated
➢ both a broad and a narrow system in terms of substance
➢ a interactive system in its vertical and horizontal relations
➢ a contextual system in the (types of) areas and actors (partnerships) that its covers
➢ a contentual system in terms of its themes and problems

A wide range of people from different organizations and communities, from villages and enterprises to ministries and international organizations, are involved in the network. The strategy is challenging, and diversity may be said to be the main characteristic of the policy system, as also seen in the strategic architecture.

The strategy is thus not a written sentence or document but a comprehensive form of activity that is linked to the field of practical development by innumerable bonds top form a set of concrete measures and projects. It is precisely through these measures that human, financial and social capital can be committed to the implementation of this policy, and it is through feedback on these measures that the strategic architecture develops.

It is particularly important to consider how rural policy *empowers* new actors. This empowerment perspective is in my opinion one of the central issues in the evaluation of the rural policy strategic architecture, other elements of the strategy for the creation of social capital being:

➢ distributed strategic intelligence
➢ a distributed management system
➢ private-public community partnerships
➢ multidisciplinarity
➢ vertical and horizontal interactions
➢ open problem-solving forums
➢ programme-based orientation
➢ a strong tradition of direct participation

Towards an integrated rural policy and new partnerships

New structures are required in rural policy that operate between sectors, and cooperation and development procedures are called for. All this presupposes knowledge and expertise that crosses sectoral boundaries. It is also becoming essential to employ new concepts and to create new meanings for cooperation at the national, regional and local levels.

A search has been going on for a long time in the sphere of Finnish rural policy for a solution to the problem of creating a truly integrative policy, as we know from experience that this is a matter of achieving both 1) structural and 2) functional changes at various levels. It is crucial to point out the need for a synergy of macro and micro-level activities in order to create adequate conditions for successful rural living.

As far as national policy is concerned, it is essential to increase interaction between the ministries involved with rural affairs and to clarify the relative powers and responsibilities of the central government and the regional authorities. Some progress has been made at the central government level in Finland. Rural policy is basically an integrated policy, and the Rural Policy Committee that has been coordinating it at the national level since 1992 contains representatives of a number of ministries. It also has a number of working groups (10-15) concerned with particular aspects of rural policy, and produces its own publications, funds rural research and development projects, draws up rural policy programmes and supports discussion on rural policy in society at large. This represents a unique form of long-term consultation and has already proved invaluable.

At the local government level, Finland is divided into 432 units known as municipalities. Each municipality is responsible for the development and welfare of its own area and residents. It has become increasingly obvious in recent years, however, that the smaller rural municipalities are unable to muster the resources necessary for development, and they have begun to form groups for this purpose. This has led to the emergence of somewhat larger functional units, known as sub-regions, as a significant new local level for regional development. There had certainly been an opening for units of this kind below the level of the region, not least as areas of suitable size for the operation of local action groups (LAGs).

It would thus seem that regional development in Finland during the present decade will be a matter of cooperation between local authorities at the sub-region level and measures planned and undertaken by local action groups, for it is precisely within these groups that the inhabitants, communities, enterprises and local authorities will have the best opportunities for crossing sectoral boundaries and creating common strategies. The crucial phenomenon is that the municipal authorities have taken the new local action groups as forums for local development processes. This has called for high levels of networking, interaction and communication skills, for the nucleus of such activity lies in the joint formulation of strategies and the shaping of local initiatives into projects.

Significant new forums for partnership were constructed at the central government, regional administration and local levels within the Finnish rural policy system in the course of the 1990s which possess a potential for generating innovations. It may be noted, however, that the new partnerships implemented at the regional level have entailed far less innovative elements than those at the central government or local level, as the regional forums for partnership set up in order to administer EU programmes have so far been mainly forums for local élites, dominated by civil servants and politicians, and scarcely any new participants have been attracted. Since participation is based on hierarchical positions in certain regional organizations, the members represent

largely the same motives and interests as earlier and their ways of working are highly conservative and dominated by established routines. It is difficult to gain information on the activities of these groups, and thus they have remained an unknown quality as far as the general public is concerned. In practice, however, it is these local élites that distribute the vast majority of the EU development project funds that are available in Finland.

The national Rural Policy Committee is an exception in the Finnish culture of political decision-making, in that it has not only constructed a link between various ministries but it has also made a determined effort to extend its network in the direction of both experts and local rural actors. Considerable devolution has taken place in the processes by which decisions are prepared, and the committee can be regarded as a notable pillar of rural policy discourse in Finland at the present time. It can thus be said that rural innovations in this country are worked up at both the central administration and local level through the creative processes of constructive new partnerships.

Finnish rural policy has made significant practical efforts to create new local structures and partnerships. The most important single factor in this has been the setting up of a nationwide network of LAGs since 1996, partly under the stimulus of the European LEADER programmes (LEADER II and LEADER+) and the equivalent national POMO programmes (POMO and POMO+). At present there are 58 of these action groups in different parts of the country, and experiences of their work have been encouraging, in that more extensive cooperation is now taking place between the local inhabitants, communities, entrepreneurs and municipal authorities and new people and ideas have been mobilized. These new local partnerships have blended in well with the long tradition of local (municipal) government in Finland and contribute to the continued strengthening of local participation.

Micro-interactions

Local activity, personal commitments and investments in social capital are of great importance in the context of rural policy. Both physical and human capital is to be found in the countryside, but both are sparsely distributed. Given the correct procedures, these scarce resources can be identified more efficiently and gathered together so that they can have a creative influence on each other (see Hyyryläinen 2003).

Many Finnish villages have had voluntary Village Committees to attend to their development needs since the 1970's (at present 4000 in number), and the structure of this traditional activity is now being revised. The rise of project work carried out on a professional, paid basis alongside the ancient tradition of voluntary, unpaid "*talkoo*" work that has prevailed in the Finnish countryside has greatly altered internal relations and responsibilities within these village activities, and there is a general awareness in the villages of the nature of the challenges facing these activities and of the need for new people, ideas and development tools.

Village activities are seeking a new impetus from expanded cooperation. Neighbouring villages, experts of various kinds, local action groups and even international actors are proving to be significant partners for village activists and entrepreneurs nowadays. The cooperation networks are still relatively weak, however, and contacts between actors are somewhat haphazard, so that the new forms of cooperation may be looked on as attempts to solve this problem. One urgent question that comes to mind is that of how local initiative can be linked in a flexible manner to a sub-regional development environment.

One important precondition for cooperation at the sub-regional level is that the sub-region should possess the corporate networks and responsibility structures on which cooperation can be built up. Social capital implies a capacity for working together with others in groups, organizations and social networks for the common good, and can be learned only by experience of such interaction and activated by establishing interaction and networking. The promotion, maintenance and utilization of social capital calls for skill and hard work, together with the correct methods and operational models.

It is important to note that both the structural and individual conditions required for the emergence of this social capital already exist. The process calls for norms and trust structures and also for personal commitments and personal investments. The crucial question is how these two sets of conditions can be met simultaneously.

The point of departure to be considered below is that the villages are still of importance as *places* for living and conducting business and that they have a special meaning for the people who live in them. They are not the same social communities as they used to be, of course, not even in Finland, for people nowadays tend to have numerous varying identities, only some of which are associated with their own immediate living environment. But even so, the villages can be looked on as nodes at which social capital can be generated through thinking, imagining and doing in connection with common issues and innovations. The essential thing as far as the local construction of social capital is concerned is to achieve a genuinely new, creative problem-solving process.

It is crucial to develop models for analysing interaction between local actors in a more comprehensive manner. This would enable a picture to be obtained of the principal actors and modes of operation involved in successful local development and of the main forms of expertise and support that villagers require for their own development projects.

Figure 3: *A network model of local partnership for rural innovations (Hyyryläinen 2003).*

The above model places emphasis on the villagers' perspective, i.e. that of the people who live and work in the village permanently or on a part-time basis. A sustainable point of departure is provided by a set of aims decided on communally by the villagers, the resources available and the degree to which these resources are recognized. The villagers' investments in the network take the form of their own commitment, human capital, local knowledge and voluntary work that they contribute to the projects.

The processing of villagers' initiatives and implementation of the resulting projects calls for cooperation between public and private partners. The purpose is not to set out to develop and implement ideas alone, but always through partnerships. These partners, who may be individual sympathizers or experts from various organizations, invest their own capital in the joint projects in the form of their knowledge and skills, either administrative or substantive.

The third instance is the local action group. These groups composed of inhabitants and entrepreneurs living or operating in the area in question and representatives of village committees, societies and local authorities (municipalities) form the broader development environment, a "field of creative competition", in which various ideas, transformed into projects, can be mutually compared. The local action group invests the (inter-sectoral) knowledge available to it through its actors in the network and channels public funds into development.

A local development network arises out of practical commitments to the vitality of the countryside and its villages and simultaneous investments in it by numerous private, public and community instances. The creation of modes of operation and mutually agreed rules and regulations is a matter of strengthening the social capital available locally. The mobilization of new people and new ideas is a major precondition for success, but this in turn requires strengthening of the responsibility structures and the provision of better operational models, for without these local development is likely to become too great a burden for the few people who are active in it.

Once this local network model can be made to work in practice, development will become a continuous process in which initiatives arising out of the needs, ideas and commitment of the actors in the villages are processed into projects together with partners and returned to the local action group for evaluation and assessment relative to the funding available. Those projects that gain acceptance in the action group as being in accordance with its strategy will be implemented in cooperation with the partners.

Mainstreaming the LEADER method into Finnish Rural Policy

I have been involved recently, together with Päivi Pylkkänen, in studying the almost ten-year process of mainstreaming the LEADER method in Finland. We found two broad factors explaining its effectiveness: the network-based national rural development policy, and the viability and functional capacity of the civil society (Pylkkänen - Hyyryläinen 2004).

The prime condition for mainstreaming LEADER has been the strategic capacity and trust that has existed at the level of the national Rural Policy Committee. This cross-sectoral policy-making and advisory body was able to create a strong strategy for mainstreaming LEADER. The power of the network lay in the fact that it could act simultaneously in different domains and its work was not perceived as a sectoral issue.

The second important condition was the rapid adoption of the method by local people and communities, building on a well–rooted, functional civil society to implement new forms of social organisation based on social capital. A prerequisite for the formation of social capital is trust, and individual social trust in turn helps to build cooperative social relations upon which effective social and political organisations can be constructed – a bottom-up process.

The LEADER method has been assessed to be generally legitimate and to fit well into Finnish rural policy. One challenging aspect is still its requirement for decentralized management and financing, i.e. the autonomy of the LAGs. The devolution of management from the state authorities to new partnerships is a difficult issue. It is a question of power shift. The local action groups have created new local political spaces in which direct participation, for example, has a more important role. Nevertheless, there continue to be key individuals and parties within the central administration and beyond who remain, if not hostile, at least sceptical with regard to the idea of such a power shift.

The existing national legislation stems from the conventional top-down development approach and is far from favourably disposed towards a reversal of the process. Room can be created for all the other specific LEADER features, but when it comes to the power of decision over the state budget there has been and still is a restriction pertaining to the status of an aid-granting body: the allocation of funds rests with the public authorities, and the LAGs, as private associations, do not constitute a public authority. This is an issue that will have to be resolved if LAGs are to be granted broader financial autonomy.

Conclusions

As Ruuskanen argues in his article, it is obvious that when using social capital as a tool for supporting economic and social development we should find measures to strengthen and support trust/trustworthiness and communicative practises in local communities, extend the scope of open communication in society and create links between agents at all levels in society. This is in line with the ideas of Woolcock (1998), who suggests that social capital can attain positive outcomes to the extent that both embedded and autonomous social relations prevail at the micro and macro levels.

> *"This happens when people are willing and able to draw on nurturing social ties 1) within their local communities, 2) between local communities and groups with external and more extensive social connections to civil society, 3) between civil society and macro-level institutions and 4) within corporate sector institutions. All four dimensions must be present for optimal development outcomes."*
>
> *Woolcock (1998, 186-187)*

It has been shown repeatedly that rural policy is a broad field in which conditions for success need to be created in many ways and by many instances. It is necessary at the national level of regional policy to realize that regional differences place differing demands on practical development, whereupon a differentiated rural policy can be invoked to construct modes of operation that are sensitive to the characteristic features of a particular area. The Finnish rural policy paradigm has taken crucial steps in this direction. The strategic architecture of the policy can be described in the following way (**Figure 4,** Hyyryläinen 2003):
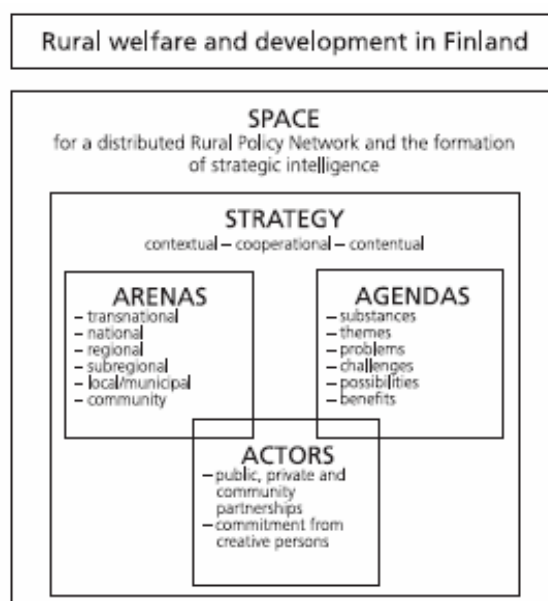
Questions arising from chapter 2, for your to reflect on and discuss during the Summer Academy:

In your country:

1. What is the general character and strength of civil society? and what is its role in contributing to policy for rural areas?

2. Would you say that rural communities generally are rich or poor in networks and shared values?

3. Is there an operating partnership between government and people in rural development? at which level local, regional, national?

4. What factors facilitate such partnership, in your experience?

5. And what factors make it difficult?

Note down other issues that you may wish to raise at the Summer Academy

Part II: Tools for creating and using social capital in rural development

CHAPTER 3.

Creating and applying Social Capital "from the bottom up"

3.1. This chapter explores the ways in which social capital can be generated and applied from within the rural communities themselves.

3.2. As we explained in the chapter 2, rural communities vary enormously in situation, in character, and in the strength or weakness of their economic structures, their social facilities and their civil society. Thus means they vary also in:

a. the extent of the real <u>need for improvement</u> in the collective quality of life: a prosperous community, with ample services and a good infrastructure, may not need much by way of rural development

b. the inherent <u>strength of their social capital</u>, and thus in their ability to take initiative if that is needed.

Changing lifestyles and character of rural communities

3.3. Moreover, the character of rural communities is constantly changing, and this brings change both in the needs for improvement and in the social networks within the communities. For example, many traditional rural communities were rather introverted, culturally isolated, more or less homogeneous. They formed a close, territorial group, with strong social ties. Their solidarity was based on their common roots in, and attachment to a distinct place; on shared work and shared resources, such as common grazing lands; on social contacts within the community, such as festivals, dances and church services; and on customs, rather than on formal contracts.

3.4. But today, the openness of society - with a shared national or even world culture and much personal mobility - has created more heterogeneous communities, less introverted, less isolated, with wider networks. People now may have less loyalty to one particular place; may find their work or shopping or social activity away from the place where they live; and may relate to other people increasingly through formal ties such as purchases or contracted services. They may relate as much to a wider area - say a micro-region - as they do to one particular village; and their sense of the improvements that may be needed may focus on this wider area, for example

seeking better supermarkets rather than supporting the village shop.

3.5. At the same time, people tend to become more privatized, for example by finding their entertainment increasingly in the home in front of the television, rather than going out to meet their neighbours for communal activity. As they become more affluent, they tend to have their own equipment, and to be able to get work (such as house extensions) done by contractors: that means that they do not need to call on their neighbours for loan of tools or for help in erecting a barn, and they become less inclined to give such help themselves.

3.6. These changes can lead to a reduction in the social contact and cooperation which generate social capital, and are driven by it. In turn, this can lead to a reduced ability to address the collective needs of rural communities. For example, in Finland, there has been a noticeable fall in the number of people in the villages who are willing to offer the traditional voluntary work upon which many communal services depended in the past. In this sense, Social Capital is diminishing (Hyyryläinen 1999, 98-99). Cultural capital can also disappear in the pressure of globalisation and cultural uniformity. Therefore, the challenge is to find the ways to maintain and utilise these forms of capital in post-modern society.

Community development

3.7. Community development may be the answer to maintaining existing and building new social capital. To involve people in the process of rural development, aiming to establish "participative democracy" at the local level, the first step is to establish **trust**, not only among the local inhabitants and enterprises, but also between them and the public bodies that take decisions and have funding responsibilities. The second step, and a key to the involvement of communities in communal action towards development, is **leadership**. There is no standard pattern for this: leadership may come from the people who have formal roles in local communities, such as the mayor or the priest, or from some person, or team, who is formally appointed as animator. It may also come

from those whom the Swedes call ' fiery spirits' - individuals of any age or position who feel the drive to improve the life of their community or to celebrate or protect a part of its heritage or social structure.

3.8. Community development may depend primarily on animation and leadership from within, but can be facilitated also by external support, such that provided by local authorities, regarding in particular local economic development. However, the structure of local authorities varies considerably from country to country. Some countries -for example France, Hungary and the Czech Republic- have local authorities at village or commune level, with the power to raise local taxes and to take significant initiative. Other countries - for example Sweden, England and most of the German länder- have structures in which the smallest local authorities with any serious power are the districts or gemeinde, which may have a population of over 100,000. Such authorities may have significant resources, but they are not truly "local". These differences in the structure of local government help to explain the pattern, which is now evolving in different parts of Europe, of both **local and sub-regional mechanisms** for taking initiative and for involving the citizens in local development.

Rural movements

3.9. In some of the countries that have lost (or never had) local authorities at village or commune level, we observe alternative methods to take action at that level. In rural Sweden, for example, each elected local authority at district level may not only serve a large population, but may cover an enormous area, so that a village may be two or three hundred kilometres from its district capital. Remoteness of settlements, and hard winters, meant that the Swedes were always accustomed to being self-reliant as individual and as communities. So, when (in the 1960s and 1970s) they faced growing difficulties in the villages because of the loss of village school and other threats to local services, they reacted not only by protesting to the district authorities but also by taking action themselves.

3.10. From this has emerged a remarkable pattern of local action groups, which vary in their formal or informal structure, but which may be seen as a form of 'participative democracy', to set alongside the elective democracy at the district level. There are now over 4,000 such groups throughout that country, supported by county-level federations of these groups and a national movement, the Popular Movement Council. The local action groups represent vivid examples of bottom-up accumulation of social capital, which not only improved the quality of life of the rural communities, but also helped to create important links with the authorities, in order to achieve their aims (vertical "linking" social capital).

3.11. The model of local action groups developed in Sweden and Finland has been followed by other countries, and a pattern of **national rural movements** is emerging, especially in the countries of Northern and Eastern Europe. Similar organisations

exist in some countries of Western Europe, for example the Netherlands and Wales. A study of these national rural movements has been undertaken by Vanessa Halhead, who is herself active in rural and community development in Scotland. In her forthcoming report, *'The rural movements of Europe'*, she analyses the growth, nature and impact of these national movements (Halhead, 2005):

The rural movements that have developed in Europe over the last 30 years represent an organised approach to providing a network and voice for rural areas, their people and the many organisations working for rural development. Faced with many threats of rural decline, centralising policy, globalisation of markets and European integration, the rural people of the Nordic and Eastern European countries have organised themselves to raise the challenge of a new rural Europe. They work at village, regional, national and international levels to make sure that the voice of the rural people is heard at every level of decision-makingoice on the European stage, and are likely to become key players in the European Union.

3.12. The experience of the different rural movements reveals the following functions as most important in defining their role:

➢ *mobilising, networking and supporting local development at the grassroots level*
➢ *providing co-ordination and focus on rural development*
➢ *co-ordinating the diverse rural development organisations*
➢ *providing a 'market place' for rural communities to raise the rural profile*
➢ *linking local issues and actions to the policies of local and regional authorities*
➢ *building a European rural network to strengthen the position of rural areas in the EU.*

3.13. Rural movements increase social capital, by boosting the participation of civil society in the processes of planning, decision-making and implementation of rural development. Vanessa Halhead concludes that village action plays a critical role in building local confidence, pride, relationships, capacity and integration. This is building on the long-established traditions of cooperation in villages, which are found in all rural areas, and providing a new framework and focus for this within the context of modern society. The importance of social capital in supplementing reduced public resources and services is recognised in all countries, and is an incentive for government support to civil society.

3.14. Very many rural communities have been adversely affected by loss of rural population, weakening of local democracy and the welfare state, and the transition to a monetary economy. The village action movement provides inspiration and motivation to build the social capital, so as to make rural communities more sustainable. The many creative ideas and solutions to local problems become common property as part of a collective movement. These can be traded for external funding and translated into contracting of local service delivery. At a further stage of

development, it has been recorded that villages become their own economic development agents.

3.15. This description by Vanessa Halhead shows how rural communities in a growing number of countries are not only becoming increasingly active at local level, but are also organising themselves into movements which give powerful support to all their members. These movements are seeking to reach out to governments, and to contribute effectively to the partnership between governments and people, which is so crucial for rural development.

3.16. Eero Uusitalo gives below a detailed description of such a movement in Finland.

Social gatherings and meetings to discuss issues of mutual concern greatly enhance social capital

COMMUNITY BUILDING-HOW TO CUMULATE SOCIAL CAPITAL BY STRENGTHENING THE RURAL COMMUNITIES TROUGH LAGS AND VILLAGE MOVEMENT.

By Eero Uusitalo, Ministry of Agriculture and Forestry, Finland

Research of the developing countries includes many analyses of the functioning and vitality of the communities, mechanisms of adjustment, development and disintegration that occurs in them. In general it is stated that outside forces have caused both rapid positive and negative changes, while the internal changes initiated by the members of the community are usually slower but also more enduring. Seldom the authors have mentioned Social Capital, though in fact it has been the phenomenon described.

Social Capital cumulates in many ways

It is obvious that needs and qualifications define the ways how Social Capital will accumulate whether it is sectoral or horizontal. Local communities in Finland have experienced both.

About 100 years ago the ways the Finnish society now functions started to take form and were elevated by the national ideals and thoughts of independence. Stronger national goals increased also local Social Capital. Especially it was accumulated by starting local associations to promote different functions: supporting youth, advising the farmers, raising awareness of the temperance movement, sports etc. It was natural to build on in a *sectoral* way and there was no lack of participants. Till 1950´s this was the way of development, but after that, the different modern media - especially television - started to compete and replace the active participation to the associations. In the 1960´s migration decreased the population in rural areas, which meant also less active members in the associations. By the year 1995 when Finland became a member of the European Union, the functionality of the local communities was rather weathered with some exceptions. The Village Movement had started on the 1970´s, but the various activities launched in the context of the regional development programmes of EU, were not created yet.

The Village Movement started as a movement to evaluate its position in the society. When Finland became a member of the EU there was a risk, that the development work of the villages would be taken over by other actors outside the Village Movement, unless it moved from informal functioning towards more organised and goal oriented forms of development work. This process was supported by the introduction of the Leader II initiative in Finland.

With the help of Village Movement and Local Action Groups the accumulation of Social Capital changed from a sectoral orientation to a horizontal one. This phase will probably continue for some time, for it is connected to gathering the old, now rather weak associations together and absorbing them. This radical but necessary development will take about 10-15 years to complete, but it is important that the process has started.

Over a hundred years ago rural areas were developed through specialisation. With the present demographic structure, knowledge and technology, the main line for development and securing the vitality of the rural areas is "horizontality" i.e. combining resources, and this is not just for the Civil Society. It is a challenge and a condition for success also for the public organisations. It would be very valuable if this kind of thinking and development could be adopted more widely.

Creating matching pairs between the civic activity and the administration

An important force for achieving regional development is the will of the citizens; local action is needed to mobilise it. The European Union has not used the local level possibilities to their full potential, but on a methodological level it is more advanced than many of the member countries. When people feel they are doing meaningful voluntary work, they become more committed to the regional development tasks and this attracts also private funding. These aspects are needed everywhere in the future rural policy. In Finland there is a phrase "carried water doesn´t stay in the well" and when the top down measures decrease, the results improve.

There is a need for administrative organisations at all levels to get best results from their rural policy. Equally the civil society needs functionally varied units to mach the relevant administrative levels for planning, decision making, implementation and follow up. When the connections, information exchange and key person relationships between the civic actors and administrators function well, both the tools of the rural policy and its results will be better.

Far too often the concept "rural area" is used without defining what is meant by it. The problem is not so much in its regional limits but in its contents. When the word "rural" is used in policy, it should be approached from the cross-administrative and cross-functional perspectives.

The rural policy network consists of many levels of administrators and civic actors, all of them with matching pairs in the cross-administrative or cross-functional units. On civic actor level the matching units are the local village associations, local action groups, regional village associations and national village associations – or rural parliaments in some countries. Also at the transnational level a matching unit is forming to work with the administrators of the European Union. On the government side, the matching units are municipalities, munici-

pal business partnerships, Regional Councils, Employment and Economic Development Centres; and at the national level the Rural Policy Committee set by the Finnish government and also the ministries and EU-administrators (figure 1).

Figure 1.

The Network of Rural Development Policy

Levels	NGOs[1]	GOs[1]
Local	Village association	Municipality
Microregional subregional	LAG	Subregional unit of municipalities
Regional	Regional organization for local actors	Regional unit for horizontal affairs
National	Village action movement rural parlament	Rural policy committee
EU	Unit for transnational cooperation	EU-officials

[1]All organizations are crossfunctional or -administrative

The development of the Village Movement and the Local Action Groups

Village Movement

The present Village Movement was widely analyzed by academic action research in the 1970´s. It is a movement of the periphery, because it was first adopted in the Northern and Eastern parts of Finland. Although during that time there were protests against the decision makers in government, Village Movement was very clearly an non-political initiative.

During the next 10 years village committees, open to all village residents, were established to eventually cover almost the whole country. Cooperation, voluntary work (e.g. renovate the village hall - this type of work is referred in Finnish as "talkoot") and influencing the decision makers at different government levels were among the aims of the movement. The self-esteem of the villages was restored, but the results were in practice limited to the free expression of opinions and spending time together. The step towards strengthening the villages was anyhow taken.

The strong beginning was followed by a time of stagnation for a few years. The generation that started the movement changed, but the same social circumstances that gave birth to the Village Movement were still present. Friction started to develop between the movement and some municipalities and also between the movement and some old associations. The everyday life was demanding and the achievements did not meet the expectations. The next step forward was taken when Finland became a member of EU and it started taking responsibility for developing villages with the help of different EU initiatives, funding and projects. For about three years there were two "parties" in the Village Movement: those who wanted to continue on a voluntary basis and those who wanted to start concrete development work with economic risks included. The latter party won.

At the same time the village committees were transformed to associations and cooperatives to make it possible to use the public funds. At the moment 2300 villages of the total of 3900 in Finland have a village association. Contradictions between different actors have disappeared or diluted. But there are big differences between the activity levels of the villages. In hundreds of villages the achievements and results are plenty, but there are also hundreds of villages where the social capital does not help to increase the material capital. In total the villages are responsible for many projects and this way the proportion of the passive villages is decreasing over time.

Local Action Groups

Local Action Groups (LAGs) are "a Brussel´s gift to Finland". It is worth noting that the citizens were inspired by Leader II. The structural fund programmes were not accepted in the same way. The acceptance of Leader II was noted also in the governmental administration, and the equivalent national programme POMO was initiated, to activate other development groups outside Leader. Together, national and EU initiatives covered two thirds of the country. By the end of 2001, the mainstreaming of the LAG activity had reached practically all the rural areas of Finland.

The Finnish Local Action Group development is characterized in addition to mainstreaming also by the variety of the membership and the ways the LAGs are administered. They strengthen Social Capital both in their region and in the local community association. In principle the LAGs have attracted the municipalities and other agencies of their region to join as members. The broad-based membership may cause occasional difficulties, but in general it is an obvious benefit in the project world. During the present programme period, the 58 LAGs have run or are running over 5000 projects in total. Many LAGs have established their position as valuable regional developers. Both internal and external expectations for their role and functions are growing.

On the one hand the LAGs did not land on "a field not sown" and there have been such comments as "we could have done those things, too, and taken the money paid for it" from others, outside the groups. On the other hand the role of the municipalities has been crucial, because they are involved with the development work, the administration of the LAG, they fund (some of) the activities and also provide expertise. But although they have a strong role, they are not allowed to decide alone which projects will be funded. The same goes for the other members. The working methods of the elected democracy and the participative democracy sometimes collide. However, the municipalities have realized that they managed to mobilize more developers with their 13 % share of the LAG funding than by their solely own initiatives.

The Finnish LAGs are being trimmed to top form, though some of the areas of operation need to be readjusted, work methods sharpened, division of tasks agreed, cooperation between the LAGs and other associations increased and the level of knowledge needs to be raised. In general the base for the future development work is laid well.

The preconditions to achieve results in LAGs

In many EU member countries the third generation of Leader-initiatives is running, but in many others - like Finland - it is only the second one. The best results have been achieved where the original ideals of Leader have been put to practice. When Leader funds have been targeted to the old associations, often the development activities have also been old. New results have not been achieved.

The precondition for the success in the Leader activities is adopting the perspective of the citizens and the inhabitants of the villages. That is why the activities need to be organized by an association or a cooperative with a wide membership. All members are equal, and public and private actors are integrated instead of being on the opposite sides as usual. This kind of cooperative consortia may adopt also new tasks and the connections between different actors are established. Step by step the LAG improves its abilities to take responsibility of the region.

Channeling development work through the LAGs is a demanding method. There are over 900 LAGs in Europe and they all are different from each other. At its best a LAG is able to mobilize a lot of people to take care of the development tasks much the same way as in the Village Movement. At its the worst a LAG is like any other association and the essential elements of substantial and functional expanding will not be accomplished.

The conditions for fruitful LAG development work are rather hard:

1. Local Action Group is a mix of different types of members like associations, enterprises, farms, individual citizens and local administration. It has a wide variety of tasks and thus this extensive structure is needed.

2. The persons working in a LAG need to feel that they have real power and independence in the decision making. It is their right to compare alternatives and choose how to use the funding they have.

3. A LAG has its own plan and program, which means assuming responsibility of developing the home region on both persistent and systematic ways.

4. It is important that the projects are wide ranging

5. A very efficient method is to have all three parties presented in the board of the LAG: local administration, local enterprises and local associations. In Finland this has been proved to be working.

6. The goodwill of the regional and national administration is necessary, and to achieve it is not impossible at all. The possible doubts towards LAGs seem to disappear in 3-4 years

7. LAGs achieve best results when the Civil Society is functioning well.

If the tradition of the Civil Society is weak, the first task is to organise cross functional local associations. It will not take a long time to do this.

When the LAG type of work is functioning well, it changes the relationships between the civic actors and ad-

ministrators. The real power shifts to the local actors and the administrators are more and more expected to take the role of wise advisors. Even though a LAG is a mix of different actors, a single project may be the responsibility of one municipality, enterprise or association.

The directions and practices of the rural policy

The rural policy system has now been built in Finland for 16 years. After about 30 years of preparing it, it is the new, fourth national Rural Policy Programme for the years 2005 – 2008 in which the different parts of the system or methods of the development policy are clearly visible.

Figure 2 summarises the Finnish rural policy system including the methods for both narrow and wide rural policy, showing the different levels of action needed and also listing the different types of rural areas, that continue their differentiated development, and because of this also differentiated policy and development methods are continuously in demand.

Figure 2. Organisation of rural policy in Finland
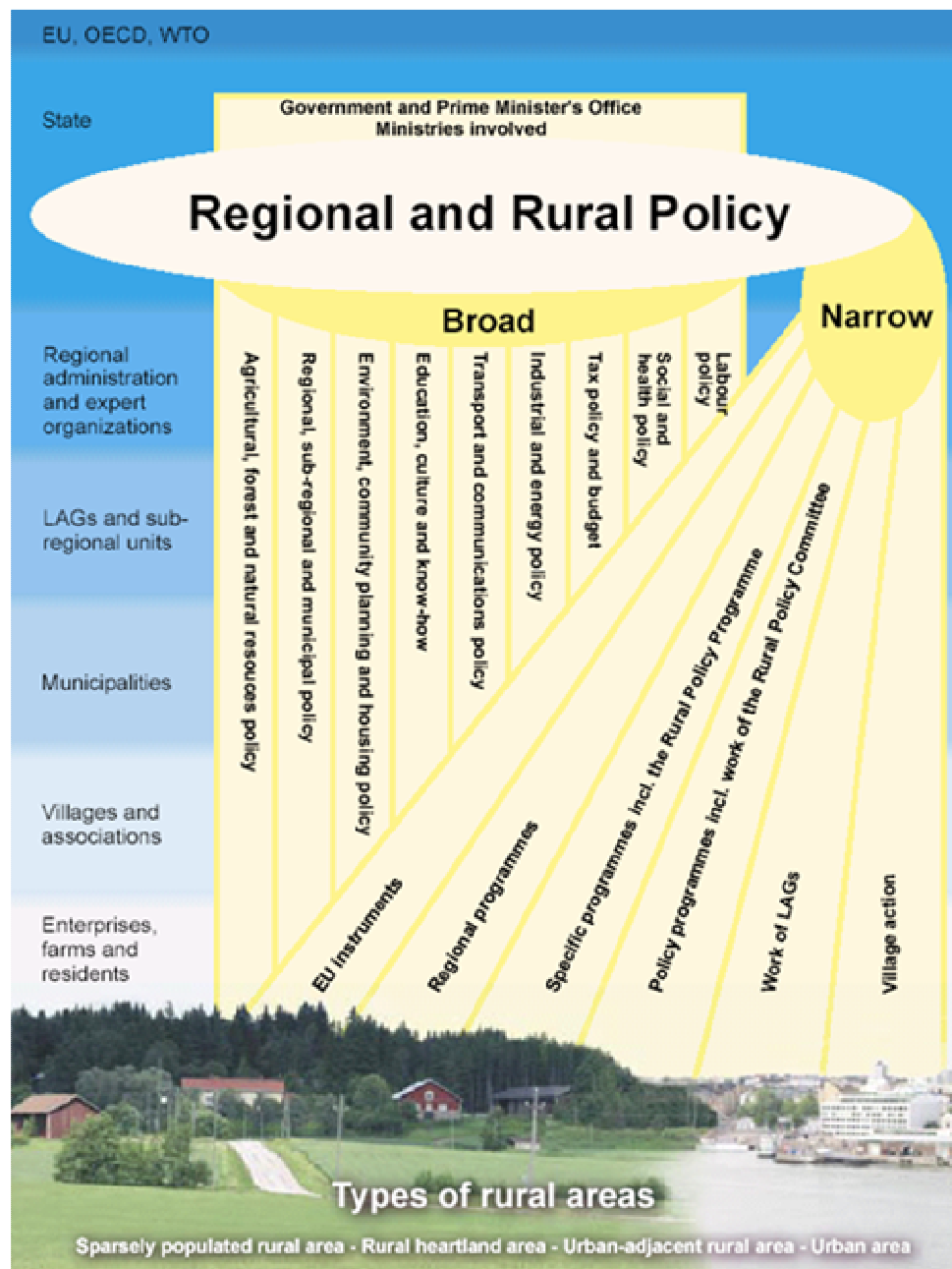
Successful rural policy requires a few starting points that do not come up in some other policies in the similar way. These are e.g. emphasizing the spontaneous actions of the rural communities, aiming to combine both intellectual and economic resources, enhancing the interaction between the rural and urban areas, representing the financial support to the local communities and enterprises as equally valuable, trying to find different ways for development according to the type of the rural area and demanding the society to treat enterprises in a similar way not depending on if they are connected to farming or not, the entrepreneur is unemployed or it is not interested in diversifying the enterprise. The different sectoral policies usually have their own separate answers to these starting points - and usually the consequences do not help to maintain a strong, vigorous countryside.

The genuine, cross administrative cooperation between different organisations calls for responsible actors at all levels, e.g. the Rural Policy Committee operates at a central administrative level, rural development associations (LAGs) at a sub-regional level and village associations at local level. At the regional level, a clear administrative unit, which is responsible for preparing and setting guidelines, is missing. The rural divisions of the Regional Management Committees provide though a good start for this work and the development is progressing to this direction.

Rural policy is network-like and that is noticeable in many ways in the new national rural development policy. The Rural Policy Committee, village associations, rural development associations (LAGs) and most of the theme groups work as networks. This method is worth developing – especially in those regions where it is still weak.

It is often beneficial to continue strengthening the development lines that have proved to be productive. These include partnerships, bottom up decision preparation and decision making, creating tight knowledge networks parallel to the knowledge centres, recognizing even the smaller opportunities for jobs with the help of providing start up funding for the new enterprises or developing the process of making rural contracts. It was only four years ago that the basic directions of developing the rural areas were questioned and as a consequence the knowledge networks were not included in the rural policy of the Council of State. Luckily those were accomplished even without the top level political support.

Half of Finland consists of the sparsely populated rural areas that are the most challenging ones to develop. One aspect that makes the work even more difficult is that the decision makers, municipalities and regions that belong to this group by both national and European Union level criteria, fail to recognize it. That´s why e.g. the regional development plans are too similar. In the new national development plan for the rural areas there are many proposals especially valuable for the sparsely populated areas. They deserve the political support both nationally and regionally.

The ways the Village Movement and LAGs strengthen Social Capital

The rural policy in Finland consciously depends a lot on the local actors. Village movement and the LAGs gather up the resources of their region by horizontal work methods, and thus they are essential parts of the rural policy system. They both are characterised by versatile membership, wide ranging tasks and enthusiasm stemming from the participatory democracy.

Still the origin of the Village Movement and the LAGs is different: the former is a purely national product that sets an interesting example to the citizen actors of many other countries, and the latter stems from the European Union but was recognized as a functioning approach for Finland. The different origin had its influence in the beginning and the actors worked in separate groups, but now there are more and more of active citizens that have experience of both ways to do development work. This is very valuable Social Capital at the local level

Social Capital is increased also by the genuine experiences of achieving results, and both Village Movement and the work of the LAGs have provided plenty of them. The set goals were small in the beginning, but now they are growing to match the actions taken, and the projects are getting more demanding and bigger within both the Village Movement and the Local Action Groups. The local development work has transformed from spending spare time together and lobbying to developing and taking responsibility for the services and infrastructure of the community.

The municipalities carry a lot of the responsibility to organise services, and before they were also responsible to provide them. Nowadays the providers are more and more private enterprises and so called "third sector associations". This development is also a growing challenge and an opportunity to the Village Associations and the Local Action Groups.

The birth, strengthening and activity of the Village Associations and the 58 regional rural development associations have caused discussion about the necessity of the new work methods and organisations. The old, sector based organisations feel that they have to compete with the newcomers, even though they admit the time for the local action on narrow sectors is over. The thought seems to be, that the funding – even though channelled trough projects – used by the Village Associations and LAGs would have been enough to support the old associations instead of creating new ones. But this is not just a question of having activities but especially of

what kind of activities and functions are initiated. Does the local development work meet the needs that locally are experienced and expressed? In this sense it is more efficient from working on sectors to compile social and economical capital horizontally by bringing together different actors.

In many situations cross functionally organised work is able to help a sectoral association, but in fact some kind of reorganising of the tasks is happening and it cases some "tug of war" of the power. If the sectoral associations were supported too many relevant issues would be ignored and excluded of the activities not meeting the needs of the present situation.

As a member of the European Union Finland has been forced to diminish its semi-socialistic public economy. Finland can still be called a welfare state, but the expectations towards the own activity of the citizens is growing. The relationship between government officials and the civil society is changing in a way in which the importance of the latter is getting stronger. The Finnish Village Movement is recognized as a good example of new ways to organise citizen activity.

The use of project funding has been efficient, and the abilities of the Village Movement and the LAGs to mobilize active and responsible persons have been good. Though the state cannot be set completely free from its economic responsibility, more results are now achieved with less public funding through the functioning system of the local communities. Social Capital somewhat compensates economic capital and financial support from e.g. the state, and the process works on both ways: more power is shifting from the public sector to the civil associations when they more and more adopt the tasks and responsibilities that used to belong to the public organisations. The accumulation of Social Capital strengthens the participatory democracy and the power of the citizens.

Questions arising from chapter 3, for your to reflect on and discuss during the Summer Academy:

1. Do you consider the community where you live, or the one you are familiar with, as introvert or extrovert? Homogeneous or heterogeneous? Are there cultural events regularly organised which enhance binding of the community?

2. What would you suggest as a "gateway" to open up the community and promote the creation of social networks?

3. How would you assess the area where you live or are familiar with, as a thriving or suffering area? How could the situation be reversed through strengthening the local social capital?

4. Is there a strong voluntary culture in the area where you live? If not, how do you think local communities could be motivated to offer voluntary work?

5. Are there any kind of rural movements in your region, of the sort described in paragraphs 3.9–3.10?

Note down other issues that you may wish to raise at the Summer Academy

Case study 3.1.

Community development and social capital in northern Sweden

This case study describes the developing process of a local group in a small rural community in Northern Sweden, from a bottom up perspective. It includes success factors and problems and it thereby creates an opportunity for discussion and exchange of experiences, culminating with an acknowledged development strategy for integration at all levels.

Myckelgensjö is an old agricultural village dated from the 16th century, beautifully situated on Lake Myckelgensjön in the hinterlands of the municipality of Örnsköldsvik, 600 km north of Stockholm. Until the early 1950s the main income for most families in the village was based on forestry combined with small-scale farming. The village was self-sufficient and had a school, 3 groceries, 3 cafés, taxi agency, garage, tel. exchange agency, hairdresser, midwife, post office, and cinema. From mid 1950s the forest industry became more and more mechanised and fewer employment opportunities were offered. The population dropped from about 300 (1950) to 90 (2005) inhabitants, and now the village has one grocery shop, a school and one farmer left.

In the early 1980s the village football club started organising small folk music and poetry events as a new way to collect money for maintenance of the sports grounds and at the same time to liven up village life. The first event was successful and the club organised in 1985 a very successful agricultural one-day event with demonstrations with horses and dogs at work and a market with local products and handicrafts. This event attracted about 1500 spectators to the village. The whole profit of the show was donated to a national association for disabled sportsmen and therefore the event received much attention from the local press. The teamwork behind this success and the attention drawn during and after the event, resulted to a feeling of pride, affiliation, affinity and self-confidence amongst villagers. The event kept been organised every summer for a decade and the village became well known.

Another village association based on voluntary work was launched in mid-1980s to cater for needs the football club could not attend to. The village association had managed to improve streetlights, build a football club house and a camping site, create a fishing pond, restore an all activity house, create an environmental-friendly village sewage system (the villagers received an award for this), and had cooperated in a 3-year EC funded project in cooperation with 4 other villages. Their latest action was driven by a crisis in 2004 when the village shop, owned by a big supermarket chain, suddenly closed down. The villagers quickly responded through forming a business association which now runs the shop. The factors for success, and survival indeed, of this small community include:

➢ The village has a history of being self-supporting/ sufficient because of the long distance to town, and locals have been used in jointly solving their problems and maintaining a community life.

➢ Locals although are not well-educated they possess practical skills and competences. Also, other talents such as leadership, planning and networking skills are available amongst the villagers.

➢ Successful events and positive experiences in team-working, helped the villagers avoiding crises and threats and looking for opportunities.

➢ Letting people do what they're good at.

➢ Crises: Threats or opportunities? Both the village shop and the school have been threatened to be closed down several times in the past twenty years. This had forced villagers to come together to discuss and decide how to go about to protect and save their own future living environment.

➢ Common vision. Collective planning and responsibility in brainstorming sessions, workshops and meetings helped them to set common goals and draw action plans (who?, what?, where?, when?).

➢ Over the years the village association has developed a large network (horizontally and vertically) and good relationship with local authorities.

➢ Participation in a conference on innovative rural development in Holland in 1998 expanded their network and enriched their experience through discussions with practitioners, project managers, volunteers, academics, politicians etc.

Villagers in traditional dress

However, problem factors include:

➢ Lack of time. Volunteers need to take off from work time to plan and implement their activities, something that inevitable creates tension and negative feelings with their employers.

➢ Economic resources are insufficient.

➢ Local development groups have no "legitimacy". Decisions are made over their heads.

➢ Lack of back-up systems and difficulties in getting access to professional networks, important information, courses, seminars etc (= rendering them powerless on occasions)

➢ Lately, other restrictions are imposed from EC project regulations, set goals, indicators etc.

➢ Instead of being offered the opportunity to carry out own projects, local development groups often are the target groups for "top down"-managed projects of authorities and other large organisations.

➢ Very little education opportunities are available to local (volunteer) animators, initiators, project leaders. Most courses, studies and study visits are designed and addressed to professionals.

Overall though, practical group activities are positive and effective methods for community development; while work together, people talk easily about village issues, problems and how to solve them. Visions and new ideas are shared and discussed, which is a very important factor for the sustainability of their community, given they collectively have a diverse and rich pool of knowledge, skills, experience, talents, motivation, engagement and willingness to take responsibility in and for a process of change. These were critical factors for the successful results in Myckelgensjö. It shows that people at the village level can contribute on all levels to the development process by offering and sharing their time, energy and practical skills. Other factors considered essential for the success are publicity, exchange of experience and networking at different levels, as well as political support.

The villagers had a finely put together stand in an International Tourist Fair

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Case study 3.2.

Community initiatives promoted jointly by NGOs, village renewal groups, rural women and young people in the Naklo powiat, Poland

Brief note on the administrative structures in Poland: Small settlements (villages) do not have a local government, but often an elected official called "soltys" (village leader) who works mainly on a voluntary basis. A village which has a soltys is called "solectwo". The lowest administrative level (local government) – with staff and budget – is "gmina" (municipality), which usually has several thousand inhabitants and covers several villages. Most of the decentralised administrative decisions are taken at this level. Above gmina is "powiat" (county), and then "voivodship" (region).This case is about the powiat of Naklo, situated in Kujawsko-Pomorskie voivodship in north-western Poland.

In Naklo powiat, the stimulus for the community initiatives has been a dissatisfaction with the quality of everyday life. Local leaders and community members in the powiat formed in 2001 an informal group of professionals involved in rural development to start a social movement to improve living conditions. They proposed to the powiat authorities to introduce a Village Renewal Programme. This was a first and unique so far initiative at powiat level (such Programmes have been only implemented at two voivodships, Gdansk and Opole, and they were based on the Austrian/German model of village renewal). As a result, in the years 2002-2004, about 30 local village renewal groups have been formed (usually at solectwo level), which supervised the implementation of over 50 projects, out of which 25 were co-financed by the powiat authority with 27.000 Euro. An equal amount was invested by local communities. Projects implemented include:

1. Sports and recreation: playgrounds were built or restored, bicycle tracks were created;

2. Appearance of the village: improvement of village centres, planting trees, renovating bus stops, making flowerbeds, putting benches, clearing refuse dumps and road shoulders;

3. Leisure: building meeting places for the inhabitants, children' playgrounds, provision of equipment in village halls;

4. Environment: reclamation and stocking of fishponds, necessary cutting and trimming of trees and shrubs, creating tree lanes.

The above projects brought together a group of people, that rapidly grew larger and resulted in tighter social bonds between community members. Indeed, the Village Renewal Programme provided to locals the opportunity to meet and discuss problems and draw strategic action plans. Some of the informal groups formed have evolved to formal associations, which continue their activities based on the enthusiasm of active inhabitants. Some tangible outcomes of the Village Renewal Programme include:

➢ Two Non-public Primary Schools are run since 2003 by a local Village Association, which had succeeded to obtain funding for organising summer and winter vacations, trips and competitions, offer meals and equipment, carry renovation work etc.

➢ A publication called "The experience of the Village Renewal Programme in the Naklo powiat", was financed by the powiat authority for dissemination.

➢ Two Fora bringing together different Village Associations, Regional Authority officials and other NGOs have been organised in order to present projects carried out in different villages and exchange experience. The fora resulted in the creation of a Partnership of Associations, which is coordinated by an elected Committee, with the aim to: promote networking and joint activities among the different Village Associations; support active informal groups in the area to set up formal Associations; and expand the network to include all major stakeholders in the powiat, including businesses, social partners, etc. The Partnership also organises training courses for rural leaders on preparing applications for funding, project and financial management (a total of 172 people have been trained); and submit proposals for EC (eg. LEADER, EQUAL) and state funding and organise other fundraising activities – a grant of 10.000 Euro has been received by the Polish Academy of Philanthropy with the aim to organise holidays for 600 school children, parishes' and culture clubs' members.

➢ Several grant contests have been organised, for example "Children Holidays for PLN 500" and "The first powiat culinary contest"; the winning products of the latter have competed in the voivodship contest "Our culinary heritage" and took the first prizes in two different categories. The winners were women and this has greatly enhanced their self-confidence.

➢ The Partnership bow enjoys the trust, respect and support of the local and regional authorities, because they have proven that they plan activities according to the needs of the local populations. The majority of local authorities (gminas) has an official appointed for cooperating with local NGOs; the Mayor of the Municipality of Szubin has set the example of appointing to this post a member of one of the local Village Associations in Szubin, who has good contacts with the local community and an intimate knowledge of the neighbourhood's needs.

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Case study 3.3.
Social capital - a necessity for economic development, Sweden

Eastern Kiruna is part of the Kiruna municipality, close to both Finland and Norway, with a population of 4000. It is a multi cultural community, where three different languages are commonly spoken, and with strong religious beliefs (lestadianism). Its residents commute to go to their jobs and the distance to the Municipal seat is 190 km. The area is very rich in natural resources, which are in many cases used for income generation, but suffers from high unemployment, remoteness and overall low income levels.

This is an interesting case showing how some active citizens have decided to "educate" themselves and reverse the bad economic situation they were faced with. In 1990, a voluntary association was set up called "Village Development Group of Eastern Kiruna" which tried to build on social capital for furthering economic development. They have concentrated on discussions of the problems and the future prospects of their village, while at the same time trying to persuade villagers to opt for the common well-being of the community rather than the narrow individual interests. During regular meetings held, they have used as a reference for defining social capital, economic development etc Robert D. Putman's book, which was based on a research study in Italy during the 1970s, on how institutions develop and adapt to their social environment. The main result of the research study was that a strong civil society was the determining factor for economic development; namely, economic growth is interwoven with the sense of citizenship, in that the more people were engaged in volunteer and other associations, the better democracy functions and citizens perceive the common good.

The book has provided a valuable platform for discussions among the members of the Village Development Group, in order to plan their local development strategy and set up their goals. The village group was assisted by an educated local resident who discussed with them about building trust and cooperation, and had explained to them the three different kinds of capital available in their community: physical (i.e. money, infrastructure), human and social. Examples were discussed, such as that of a female singer who makes a living from live performances in local pubs etc: she did not need much physical capital to do her job and she had the human resources (i.e. her talent), but the essential element for her success was the social capital, i.e. her good contacts and support from fellow villagers.

The outcome of these meetings was that local residents have realised that self-help and joint grassroots efforts are essential for claiming financial support from above, either the state or the municipality.

An interesting, recent example, is the opportunity to get broadband in Eastern Kiruna, provided that 20% of all households supported the idea. Local authority officials and the Village Development Group worked for a whole year to convince villagers about the importance of broadband for the future, without success. In a second trial, however, they have been successful following a different approach: instead of asking for villagers' contribution towards the common good, villagers were treated as individuals who would end up without broadband whilst others would get it.

This case shows how a group of active residents managed to show to the local community that they either have to compromise with limited services and ambitions overall, or jointly fight to get better services and sustain the viability of their community. The Village Development Group, through the insistence of its most active members and collective action, had succeeded in improving infrastructure, promoting better employment opportunities and furthering economic prospects of the village. However, there have been difficulties in persuading people to offer time and voluntary work for the Village Development Group, apart from just paying for their subscription.

Winter is tough in the region

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Case study 3.4.

PREPARE - Partnership for Rural Europe

The PREPARE programme aims to strengthen civil society and to promote multi-national exchange in rural development, notably in the countries of Central and Eastern Europe, some of which joined the European Union in May 2004 while others fall outside the EU.

The programme stands on the belief that rural development is most successful and sustainable where strong partnerships are created at national and local level, and where local people are actively involved in the process. But in some parts of Central and Eastern Europe civil society, in the sense of active local democracy and non-government organisations (NGOs), is not yet strong enough to be an active partner of government in rural development.

PREPARE aims to strengthen civil society in rural areas; and to promote dialogue, trust, confidence and co-operation between local actors, governments and all stakeholders of rural development, at all geographic levels. The partnership wishes to see rural communities empowered to participate in decision-making related to sustainable rural development.

The above aims are pursued through:

1. Country-specific national programmes.

These promote dialogue and co-operation between different actors in rural development. The programmes vary according to the needs of each country, but may include national seminars, regional workshops and other exchanges, all leading towards a structure of cooperation which can bring lasting benefits. The first PREPARE national programme was launched in 2001 in Slovenia: this led to the creation of the Slovenian Rural Development Network. A similar initiative in Latvia in 2003 led to the creation in late 2004 of the Latvian Rural Forum. In the Czech Republic and Poland, programmes of training for animators of local action groups have been supported.

2. Multi-national exchanges

Three successful Travelling Workshops have been organised –in Estonia and Sweden in 1999, Hungary in 2000, Finland in 2002– which enabled key people in the then pre-accession countries to see and discuss the active involvement of local communities in rural development. The partnership aimed at organising one event of this kind each year, in order to bring together people from many countries, to stimulate debate and to exchange experience. In October 2003, the first multi-national Gathering of the PREPARE Network was held in Slovakia, preceded by Travelling Workshops which started in all the accession countries. In June 2004, PREPARE arranged for 50 people from 10 Central European countries to attend a Co-operation Forum in Cáceres, Spain, organised by the Spanish LEADER Network. In September 2004, the second PREPARE Gathering was held in Bulgaria, preceded by Travelling Workshops in that country and in

Romania: this event was attended by 110 people from 22 countries, including new neighbour states of the EU (Kaliningrad, Belarus, Croatia, Bosnia & Herzegovina, Serbia-Montenegro, Macedonia and Albania). The third PREPARE Gathering will be held in Lithuania and Latvia in October 2005.

3. International networking.

A formal PREPARE Network has been set up, to enable exchange and mutual support between all who are interested in rural development throughout Europe. This is served by a dedicated website (www.PREPARENetwork.org). There is a growing amount of mutual support among people within the Network. For example, experts from the PREPARE partner organisations (see list below) are involved in programmes of civil society development, training of LEADER-type action groups etc in many countries within and beyond the EU.

The programme is funded from a variety of sources, public and private. The current work is mainly funded by a generous grant from the C S Mott Foundation. The PREPARE Organising Group consists of Forum Synergies; ECOVAST, the European Council for the Village and Small Town; Swedish Popular Movements Council; Swedish Federation of Rural Economy and Agricultural Societies; Kodukant, the Estonian Movement of Villages; Hungarian Rural Parliament; Slovakian Rural Parliament; Slovenian Rural Development Network; Polish Forum on the Animation of Rural Areas; Finnish Village Action Movement; and Lithuanian Rural Communities Union.

Project meetings enhance the social capital in the partnership, boosting the project's progress through brainstorming

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Case study 3.5.

Rural development agents share their skills and expertise through a common portal, Finland

In rural West Finland, the social capital is enhanced through a virtual web portal designed to promote co-operation between different rural development agents. These are people working in municipalities, educational institutions, development organisations, village associations or local action groups and may be operating as project officers, project managers or as rural entrepreneurs. The virtual platform acts both as an efficient communication channel and a resourceful database for information on rural development agents' skills and activities. The portal features a person register, project database, event calendar and a black board. In the person register the skills and expertise of individual rural development agents are listed. The project database contains information on the projects the members are working with. In the event calendar rural development agents can find information on up-coming seminars, trainings and other events. In addition, rural development agents can put up an ad to the portal's black board when they are looking for experts with particular skills etc. The portal was designed against a number of parameters identified in Laura Iisakka's study (http://www.statistics.gov.uk/socialcapital/) such as:

1. Participation - The portal is based on voluntary participation and enthusiasm of the network members. The key words are the appreciation of one's own skills and competence, the willingness to share knowledge and the desire to learn from other actors. The portal facilitates the mutual learning process of rural development agents and the identification of best practices in rural development. The portal makes it easier for an individual to participate in the loose community of rural development agents since it is a concrete tool and a communication channel. It makes it easier to contact other rural development agents and to find experts with specific competence among them. It is a tool to access information that is not documented elsewhere.

2. Control and self-efficacy - The portal gives the users an opportunity to influence the way their communities and regions are planned and developed. They gather experience and new ideas from others, useful contacts, but they also get the chance to compare and mirror their own activities and ideas to work carried out elsewhere in the country. This results in a feeling of self-control and self-efficacy – an attitude of "I can" and "I belong to a network of experts" which enhances work motivation. Moreover, given that development actions and projects, especially in rural areas do not usually attract much attention from the media, the portal is a very efficient dissemination tool, as well as a means to transfer best practice.

3. Knowledge of the structure and features of communities - In modern times, rural development is not only about agriculture but is largely project-oriented. The portal provides a sound board for debating the changing scene in rural areas and the diversification of rural life, appealing especially to rural youth, who wish to help sustain the livelihood of their home regions.

4. Social communication, networks and support - Rural development agents work often alone or in a small organisation. Through the portal they are brought together in a network of colleagues, who share similar concerns and interests, such as need for information on professional fields, funding sources, administration, etc. Planning future activities is also easier through the portal; partner search for large projects is possible through the portal's person register where rural development agents' skills and interests are filed. Short descriptions of previous and on-going projects can open possibilities for new projects between actors with a similar interest who wouldn't necessary know each other without the portal. The virtual portal also offers advice and support through a resource unit of experts, as well as information on employment opportunities.

5. Trust, reciprocality and social cohesion - In the network trust is based on the assumption that the members support each other's activities and in the end everyone is working for the same cause. Because there is a fee for the registration to the portal, only truly interested individuals become members of the network. It is, however, a long process to learn to be more open about one's own work and past experiences. This portal is a starting point to a more proactive way of sharing knowledge and skills between rural development agents.

Project-oriented rural development and the challenges this line of work sets, are still rather new, so it is crucial that cooperation between rural development agents is facilitated. The key goal which binds them together is the creation of a vital and viable rural community, able to sustain the infrastructure and livelihood of rural regions.

ICT in several occasions facilitates the strengthening of social capital

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CHAPTER 4.

Social Capital, economic development and entrepreneurship

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4.1. We described in chapter 2 how the emphasis in rural development has shifted from a main focus on agriculture to a wider concern to strengthen and diversify the whole rural economy. There is widespread need, in the rural regions of Europe, to sustain and increase the strength of local economies. In this chapter, we focus on how social capital can contribute to economic development and entrepreneurship.

4.2. In chapter 1, we introduced the idea that social capital can bring outcome or benefits which include not only improved quality of life but also improved cooperation in social and economic fields. The general proposition is that social capital, as represented by various forms of collaborative networking in businesses, civic associations and public agencies, creates effective synergies among different interests involved in the economic development of rural areas.

Practical illustrations

4.3. These theoretical concepts can be well illustrated by practical examples, in the rural field, ranging from barter in the informal economy, through cooperation and communal enterprise to sophisticated partnerships of economic actors, and networks of knowledge which assist entrepreneurs and drive forward economic activity.

4.4. **The informal economy.** Over many centuries, millions of peasants throughout rural Europe depended on subsistence, in which the family consumed what they themselves produced, and might sell or barter a surplus of food, goods or services in order to buy what else they need. This activity, which we now sometimes call the 'informal economy', was almost invisible in macro-economic terms, but was of vital importance to the people involved. It is still the reality today for many millions, for example the 7.5 million farmers living at or near subsistence level in central and eastern Europe. In the terms used in chapter 1, it is a crucial example of "horizontal" networking, and of a "bonding" dimension of social capital.

4.5. The value and legitimacy of this way of life should be recognised by those who manage rural development. In the field of 'third world' development, this recognition is reflected in a growing emphasis on livelihoods, as an alternative (or complement) to creation of jobs. 'Livelihood' means, for a household or a community, the ability to sustain life, and a reasonable standard of living, from the resources that are available locally and their own efforts. The concept is valuable also in Europe, and may lead (for example) to support for small farms.

4.6. **Local exchange networks.** In modern times, the concept of barter is being formalised in many places through Local exchange networks, or LETs, through which people in a locality come together into a formal process for exchange of skills, goods or services, on a basis which does not involve money for any transaction. Any input of skills, time or goods brings s notional credit of a unit of the local notional currency: any acceptance of such services or goods from others brings a notional debit. This system can be of enormous help to people who are unemployed or on low incomes. It depends on trust and communication, which we described in the Chapter I as the key characteristics of social capital.

4.7. **Cooperatives.** Many parts of Europe have a long history of cooperatives in agriculture and in other aspects of rural life. They include trade and craft guilds; agricultural cooperatives; credit unions; mutual-guarantee groups; cooperative banks; and many other forms of cooperation. They have the effect of providing help, support and confidence to the individual people and enterprises who belong to them; of returning to those who create it the benefit of communal wealth; and of enabling whole communities or networks of people to achieve far more, in terms of social and economic development, than would have been possible through individual endeavour. A vivid example of this is shown by the description of a cooperative bank in Finland, Case study 4.2.

4.8. **Networks of enterprises**. Much of the economic activity in rural areas is led by small and medium-sized enterprises, who employ an large part of the rural labour force. Competitiveness, whether they operate at a strictly local level or at a wider transregional level, is the key for their survival and thriving. Networks or "clusters" of enterprises can mobilise resources, take more risks and deal with crisis more readily, based on collective action and mutual complementarity: this is what Cornelia Flora (1997) calls *entrepreneurial social infrastructure"* (see also chapter 6). In seeking local viability, enterprises may become members of wider networks of suppliers, customers, fellow enterprises and supporting bodies, such as local authorities and NGOs. Such networks may generate social capital, by building trust, upon which trade depends, which in turn consolidates the 'chain' between supplier, processor, merchant and customer which is at the heart of economic activity. They may also offer the opportuinity to generate whole new flows of economic activity into a rural area.

4.9. Examples of successful networks of enterprises, which are supported in their activities by local authorities and the voluntary sector come from the tourism sector in rural areas. Wine routes or heritage

trails (see Thematic Guide One) bring together different types and sizes of service and goods providers, public service providers and policy-makers, as well as conservation bodies or pressure groups, concerned with the natural or cultural heritage of the area. A partnership between these different 'stake-holders' not only promotes their economic development interests but also helps to resolve conflict over the objectives and the methods of rural tourism development.

4.10. **Networks of knowledge.** Social capital could facilitate the development of knowledge capital (Nahapiet and Gohoshal, 1998) and sharing of knowledge could also help to build social capital. Virtual communities are established through the internet, which by itself is the basis of an enormous network. Such communities, that may have a beneficial effect

for the generation of social capital in rural areas, may have varied objectives: providing visibility for a rural area, marketing the local products, building the capacity of local enterprises and the human capital of the area in general through e-learning. Thus, rural enterprise can be encouraged and supported by networks which are geographically dispersed, especially virtual networks. The advent of the information society has facilitated the operation of such networks in recent years. A fine example of this is provided by the virtual web portal in West Finland, described in Case study 3.5.

4.11. The article that follows takes a more strategic approach to the contribution of social capital to rural development, utilising the results of the AsPIRE research project, funded by the European Commission.

Women entrepreneurs in open air markets in the Nordic countries (above) and South Europe (below)

SOCIAL CAPITAL AND RURAL ECONOMIC DEVELOPMENT

By Patrick Commins and David Meredith, Rural Economy Research Centre, Dublin, Ireland

Introduction

Classical economics identified land, labour and physical capital as the basic factors influencing economic production and development. Neo-classical economists introduced the concept of human capital to convey the idea that the productive use of the three basic factors depend on a society's stock of educated and trained workers. Within the past decade social scientists have drawn attention to specific qualitative features of the structure and functioning of civic society as important variables in economic and social development.

Social Capital and Economic Development

Social capital as a concept has been used in a range of social science disciplinary concerns. Indeed, its usage has been such that some writers suggest that it risks trying to explain too much with too little (Woolcock 1998: 155). The OECD Centre for Educational Research and Innovation, however, draws on a range of empirical studies to suggest that social capital is likely to have positive economic and social benefits (OECD 2001:52-61). While evidence of its macro-economic benefits is mixed – due to the confounding effects of measurement problems as well as contextual and cultural factors – analysis at the subnational level seems to be more revealing.

Social capital can facilitate regional learning networks that allow for information flows, mutual learning and economies of scale. Firms can benefit from norms of trust embodied in various types of interfirm or intra-firm networks; these are underpinned by relationships of trust that facilitate coordination and reduce transaction costs. Business networks can generate long term benefits by reducing overhead costs, sharing information and imposing sanctions on opportunistic behaviour. In open and flexible labour markets, social capital is a valuable resource in job searching. At other levels, civic associations provide modes of effective networking and skills for collective action. Forms of civic engagement can create trust, reciprocity and cooperation, thus helping to discourage anti-social or 'self-interested' behaviour. The general proposition is that social capital, as represented by various forms of collaborative networking in businesses, civic associations and public agencies, creates effective synergies among different interests involved in the economic development of rural areas.

These manifestations of collective endeavour, it is hypothesised, are important elements in helping to reduce the disadvantages associated with rural locations. At a more basic level social capital is a resource, an asset that can be converted into productive use, making possible the achievement of certain ends that in its absence would not be possible (Coleman 1988a: S98). According to Putnam, social capital reflects an ability to improve the 'efficiency' of society by facilitating coordinated actions – actions that, in this instance, are manifested in concrete achievements in local economic development.

Social capital is also expected to improve the efficiency of other forms of capital – human capital, financial capital, environmental capital. In the case of human capital, for example, the presence of highly educated individuals in a community or larger territory will not, of itself, be sufficient to enhance local economic potential. This requires, in addition, forms of organisation, channels of information, and supportive networks based on trust, cooperation and commitment (Dhesi 2000: 203).

As stated, social capital can contribute to the development of human capital. In a local development context this is apparent when local leaders—persons who are proactive in local economic affairs—act as catalysts in stimulating collective endeavour. The corollary of this activism of citizen-leaders is that there will be greater government responsiveness to local needs, with consequent benign impacts on programme design and delivery systems. There is thus created a virtuous circle of social capital formation, through the building-up of civic leadership capacity, responsive systems of governance, support for participatory community based initiatives, and the further development of a community's social capital. The combination of strong public institutions and organised communities is a powerful force for development (Evans 1996: 1130). These comments refer primarily to horizontal social capital, i.e., at local level, where positive links can exist between community coalitions and local government. However, rural and regional development theory and practice suggest such horizontal networking, across local communities as well as within individual single communities, must be complemented by vertical linkages to regional, state or national (federal) entities. In this context constructed social organisations or structures are essential for taking advantage of the potential of social capital (Flora et al. 1997: 625 and 629). These will be apparent in 'synergistic' relationships between 'bottom-up' to 'top-down' development agencies.

Social Capital and Networks

The concept of 'networks' is central to the meaning of social capital. Networks here are structured relationships between actors, characterised by a relatively high degree of interaction and collaboration. Networks are objectively observable in the behaviour of actors who enter into associative activity. To be sustained over any

length of time networks must have some basis in the subjective dispositions of actors. Specifically, they will have some degree of sharing in common values, norms, beliefs, and understandings, as well as in the sanctions and rules that govern network behaviour. These subjective elements underpin collaboration and collective effort. Social capital, therefore, is defined here as networks, together with the shared meanings that facilitate cooperation within and among acting units in the context of regional economic development (OECD 2001:41).

Social Capital and Governance

Whereas the term 'government' denotes the formal institutions and structures of the state, the concept of governance' is broader and draws attention to the way political power is distributed and exercised. It is used to signify the development of 'styles of governing' in which governmental and non-governmental organisations work together. There is some shift of responsibilities away from the state and towards the private sectors, or to civil society. A complex set of institutions and actors are drawn from, but also beyond, government, while there is a certain blurring of boundaries and responsibilities for tackling social and economic issues. Many groups in the social economy, for example, perform functions that were once seen as the traditional tasks of formal government (Goodwin 1998: 5-9). New dependencies and relationships are emerging between the state, the market and civil society.

The connection between social capital and governance lies in the proposition that the capacity to achieve policy goals does not depend simply on the authority of formal government. Governments now tend to concern themselves with 'enabling', 'managing', or 'steering', rather than relying on direct intervention. Forms of partnership are established between governments and stakeholders, merging public agencies and non-governmental (civil) interests in collaborative action.

For the purposes of rural economic development governance is seen as the interactions between public sector institutions, private organisations and third-sector associations within the context of the development of rural areas. These interactions will involve networks of collaboration (between policy influentials, policy makers, deliverers of policies), processes of civic engagement, the structuring of coalitions for the pursuit of specific goals, the establishment of shared understandings, and the nurturing of trustful relationships – all of which are central to the concept of social capital.

Decomposing Constituent Elements of the Social Capital Concept

Understanding social capital and how it relates to rural economic development and systems of governance it is possible to consider how social capital is constructed. Conceptual distinctions can be made among the elements of social capital as follows:

➢ Antecedents: Background factors, which predispose a population towards civic engagement and activism (e.g., history and style of public administration; socioeconomic and demographic composition). The nature of interactive relationships (processes) is also influenced by the broader socio-political and cultural context (values, ideologies, etc.). Societal values provide meaning for group affiliations, and for the content of group interactions. The local political culture influences network formation and the degree to which local networks link up with external networks

➢ Structural sources of social capital: This is the 'civic and social infrastructure'; durable networks of more or less institutionalised relationships. In civic society those concerned with economic development are likely to include producer groups, cooperatives, trade unions, local development associations. Structures set the conditions and opportunities for network interactions.

➢ Processes: The qualitative nature of the interactions (e.g. their orientation towards capacity building, their provision of learning experiences, sharing of information, their emphasis on liaison and coordination, the nature of decision-making, etc.). This heading may also include the density of interaction, levels of network participation, meanings attached to the interactions, and alliance-building among networks.

➢ Products/outcomes: Forms of social capital in the more strict sense, i.e., norms (practices), trust, reciprocal behaviour, information, access to resources, enhanced collaborative skills. Communities or regions can develop an identity, a collective consciousness, a sense of capacity to take collective action, and to demonstrate the potential of 'agency' in face of 'structural' determinants.

➢ End benefits: Economic development; enhanced human capital; more effective institutional performance, revenue raised for community projects; a coherent territorial 'project' capable of transforming the local economy.

An Illustrative Profile: Following from the above set of conceptual distinctions, Table 1 outlines an illustration of the social capital profile for rural areas, in the context of local economic development. That is, it excludes structures concerned with such arenas as the environment, education, or arts/culture. It makes distinctions between: (i) background factors which, hypothetically, influence social capital formation; (ii) structural sources of social capital—the various networks of civic engagement; (iii) processes of interaction in such networks; and (iv) the products/outcomes and benefits in terms of economic development (including physical infrastructural development) of the study areas.

1. BACKGROUND/ANTECEDENTS: FACTORS WHICH, HYPOTHETICALLY, INFLUENCE SOCIAL CAPITAL DEVELOPMENT, POSITIVELY AND NEGATIVELY	
Economic and Socio-demographic Composition	
Positive Influences	• High levels of human capital • High population density • Range of occupations • High levels of local newspaper circulation • High listening audience for local radio • High levels of viewing local television
Negative Influences	• High rates of out-migration • High levels of commuting (low attachment) • High incidence of 'new residents' (low attachment to area) • High incidence of individual wealth ('isolates' individuals from local community) • High incidence of social exclusion (also 'isolates' individuals)
2. SOURCES: NETWORKS OF ENGAGEMENT	
a) Statutory Agencies (Boards, councils, governing bodies)	• Local government • Local arms of central state departments • Regional authorities • State-sponsored (parastatal) agencies
b) Civic Associations	• Cooperatives • Local financial organisations (credit unions) • Local development associations • Business networks/chambers of commerce • Trade unions • Representative associations (e.g. producers) • Special interest groups • Issue-based or advocacy/campaigning groups
c) Vertical/Synergistic Partnerships of a) and b)	• Partnerships of statutory and civic interests (e.g. LEADER) • Local/external linkages, especially to 'core' regions (e.g., lobby organisations of emigrant or ethnic groups)
3. PROCESSES WITHIN NETWORKS	
	• Consciousness-raising • Information dissemination (e.g., newsletters) • Provision of relevant training/capacity building • Involvement in planning or decision-making • Formation of alliances (horizontally or vertically) • Establishing a vision for regional development
4. PRODUCTS, OUTCOMES, BENEFITS TO STUDY AREA	
a) Products/Outcomes	• Agreed agendas for collective action • Enhanced capacities for local development • Prescriptive norms (e.g. to produce quality products) • Build-up of reciprocal obligations and trust
b) Benefits	• Increased investment in local projects • External investment attracted • New business formation/new employment • Increase in self-employment • Increase in tourism revenue • New markets identified • Improvement in access infrastructures

Social Capital in Europe

The propositions outlined in Table 1, that social capital, as represented by networks, helps activate and generate human capital, build up trustful relationships, enhance the flow of useful communication and improve the responses of public authorities to problems of regional development, were recently tested in a EU funded study (Aspatial Peripherality, Innovation, and the Rural Economy-AsPIRE, EU Fifth Framework Programme; Contract Number QLK5-2000-00783).

It was found that the organizations surveyed were instigated locally ('bottom up') in a limited sense only. This is somewhat surprising given the focus in the litrature on the role of 'bottom-up' organisations in social capital formation and activation. However, 'Top down' or external influences were significant for a number of reasons:

➢ the impact of EU initiatives e.g. LEADER, INTERREG,

➢ trends in governance systems supporting and promoting consultative structures,

> new concepts of partnership in public administration
> the proliferation of lobby groups with national or supranational scales of operation.

Because of these structural features, the mandates and legitimacy basis of organisations derived from a number of sources – their memberships, legislative guidelines and their incorporation into governance systems as partners with public institutions. Organisational assets and resources were limited, but not confined to funds generated from within their own memberships. Public funding was an important source of finance. Organisations are active in seeking benefits for their members – lobbying to influence policy or otherwise obtain concessions. They also provide support services, seek to inform and educate, or act as surrogates or complements for public authorities in delivering services. As regards activities that are consistent with generating social capital, little difference was observable between the case study regions. There was a difference in emphasis organizations placed on particular activities. Those rural areas close to large urban centers stressed 'establishing working relationships with similar organizations and groups' whilst those in more peripheral regions gave a high rating to promoting a sense of common purpose and cooperation. In a number of other respects differences were observable along the lines hypothesised. In reporting 'significant achievements' more peripheral regions gave greater emphasis to social capital type accomplishments – improving the intensity and quality of networking, building trust, co-operation and commitment for economic development. Likewise, on the assumption that certain types of governance systems facilitate collaborative networking among actors in regional development, those interviewed in peripheral regions considered their systems as the more positive. That is, governance systems were seen as more flexible, inclusive, decentralised, co-ordinated and less formal.

Conclusion

This paper presented the background to and structural composition of social capital as it applies to rural economic development. Social capital was defined as networks, together with the shared meanings that facilitate cooperation within andamong acting units in the context of regional economic development. Results from the EU funded AsPIRE project were presented. These highlight the significance of 'Top-Down' interventions in activating social capital.

Questions arising from chapter 4, for your to reflect on and discuss during the Summer Academy:

1. In you country, how would you describe the character of the government, e.g. in relation to centralist attitudes, complexity of structure, or openness to partnership with the people?

2. Does your country have a coherent structure for facilitating cooperation and partnership between government, people and other actors?

3. In a specific sub-region of your choice, who would be the essential -and who the desirable- partners in a cooperative process of rural development?

4. What direct experience do you have of the informal economy? do you think that it is important in the economic well-being of rural areas in your country? If so, how should it be sustained?

5. Do cooperatives play a significant role in the rural economies of your country? what is that role?

6. Do you belong to any 'networks of knowledge', wider than your home community? Could those networks contribute positively to rural development?

Note down other issues that you may wish to raise at the Summer Academy

Case study 4.1.

Agricultural cooperatives - a type of social capital structure that has not achieved its economic and social goals, Greece

The cooperative movement in Greece is virtually limited to the agricultural sector of the economy. It has taken the form of agricultural cooperatives that are organised in area-based cooperative unions and are represented at national level by the federation of co-operative unions.

Cooperatives were officially established for the first time in the second decade of the last century. There are more than 7.000 cooperatives with a membership that is close to 900.000 and cover the whole of Greece. The economic goal and rationale for their formation was and still is to overcome through cooperation the difficulties and obstacles faced by farmers because of the very small size of farm landholdings and their fragmentation. Through cooperation economies of scale can be achieved, productivity and produce quality can be enhanced; farmers can be part of the stages of the primary sector value chain, i.e. the processing and packaging of their produce and its sale to the consumer; they can bypass, or negotiate from a position of strength with, private wholesalers and the food processing industry and secure a higher share of the economic value of their work. At the same time, there was also a socio-political goal and rationale, namely the empowerment of the peasant class (which up to 3rd quarter of the last century represented the majority of the population of the country) vis-à-vis monopolistic capital in the form of intermediaries between the farmer and the consumer.

Support for the agricultural cooperatives has been a standard part of agricultural policy in Greece. Government support took the form of legislation enabling cooperative to undertake certain functions and investment grants. Thus cooperatives have been able to take official responsibility for the administration of the state credit for their farmer members, have been financed to establish produce processing and packaging plants, and have been encouraged to take on marketing functions. Government support was particularly strong under the socialist government, which came to power in 1980, whose ideology was especially consistent with the political rationale of cooperation.

However, with a few exceptions, agricultural cooperatives failed to achieve their goals, whether economic or socio-political. Despite their democratic government structure, they became instruments of party political power and of personal advancement of local elites. The majority of their members were not involved in the governance of their cooperatives beyond voting in board elections, whilst in some of their functions, e.g. state credit administration, cooperatives operated as if they were an arm of the state administration. The decline of the agricultural sector, its gradual loss of competitiveness in the 80's and 90's, and the inability to compete with the private agri-food industry, has reduced the role of cooperatives and made them more dependent on the state.

Under these circumstances, cooperatives have not been able to have a distinctive effect on the development of the agricultural sector in Greece. They were not able to become an instrument for the modernisation of the sector and the infusion of entrepreneurship into the farming activity, as well as a vehicle for the strengthening of social cohesion and community emancipation. The social capital they were expected to generate, was not eventually materialised.

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Case study 4.2.

OP Bank Group - the history of a cooperative credit society now transformed to a major bank still treasuring the old values, Finland

At the end of the 19th century Finland was a Grand Duchess of Russia, with some autonomy. 90% of people lived in rural communities and a majority of the population -like small farmers, crofters and labourers on land– continued to live in poverty. Banks did not give them loans and illegal conduct was rife.

Doctor Hannes Gebhard considered cooperation and self-help based on cooperative activity a solution to both economic and social challenges of the time, and he became familiar with village cooperative credit societies on his study trips to Germany. He was supported by significant economically influential people, and the new movement started. Cooperative Societies Act came into force in September 1901. The Imperial Senate approved the bylaws of the Central Lending Fund of the Cooperative Credit Societies in March 1902. Almost a thousand enlightened civil servants and representatives of the economy were made shareholders, and the founding meeting was held in Helsinki on 14 May 1902. The necessary State subsidy was secured and the Central Lending Fund of the Cooperative Credit Societies started its activities in the summer of 1903. Its activities were made known trough travelling consultants and publications.

The notion of cooperative system was easy to adopt because people in the countryside were used to working together. Now they had a chance to improve their economic situation through cooperation. Especially in the poorer areas, enthusiasm was great and as many as 400 cooperative credit societies were created in a decade. A loan from the cooperative society was used for the purchase of tools, seeds, cows and cowshed, and a little later, new land to cultivate and dwellings.

In order to get serviced from the credit society, one had to become a member. That meant taking responsibility for the loans from the credit society. All members had the same say in the affairs of the cooperative credit society and in a close-knit rural community, the borrowers were known. Loans had to be used for the agreed purpose: dug ditches were measured, cleared fields and completed buildings were checked. The "cash day" was once a month and the cooperative credit societies operated in farmhouse living rooms or parlours. The only permanent employee was a part-time bookkeeper. The aim was to establish a credit society in all rural municipalities. The agricultural structure and services in the area of a credit society – and especially the moral and economic level of its inhabitants – were carefully scrutinised. To get loan reserves, a credit society applied to the Central Lending Fund of the Cooperative Credit Societies and inspectors paid visits to check its operations and to give advice.

From 1920 cooperative credit societies began to resemble banks, in particular when they received the right to accept deposits from non-members. A campaign was launched to attract savings, social evenings were arranged and saving boxes distributed to schools and homes. The notion of the cooperative society ran parallel to the values of the rural community: a person fulfilled his obligations trough hard work and sensible saving. The world economic depression beginning at the end of the 1920s resulted in 2000–3000 houses going under the hammer every year. With the help of the Central Lending Fund, the cooperative credit societies were able to save thousands of farms from financial ruin and easing the distressed state of municipalities. During the depression many cooperative credit societies had merged and started to provide daily services for their customers. The cooperative credit societies had grown into the largest financiers of agriculture and they granted loans to cooperative dairies and slaughterhouses.

Finland was drawn into the war in 1939 and after the 105 days of Winter War and the Continuation war that followed, the terms of peace were harsh including handing over large areas of land to the Soviet Union and war reparations, but the entire nation bore the responsibility together. Paying the war reparations and at the same time housing more than 300.000 evacuees and 400.000 soldiers was an extreme effort, especially when there was an acute shortage of everything. The cooperative credit societies provided almost 80% of the housing loans throughout the country and nearly 90% of the credit for the reconstruction of Lapland.

The revival of the international economy was soon reflected in Finland, too. Trade and export grew and when rationing was abolished in 1956 cars, radios, and home appliances appeared in the shops. The stronger economy enabled the development of the Welfare State and now everybody attended the elementary school, vocational schools educated a labour force to meet the needs of fast developing industries, and secondary school were built within reach of increasing numbers of students. The 1960s and 1970s brought changes in the structure of Finland. Agriculture was mechanised and both farming and forestry became more efficient. There was less to do but more people to do it than before, because the large postwar generation was approaching working age. By the end of the 1960s, the population in the countryside dwindled by almost 700.000 as Finland was the fastest country in Europe to urbanise from an agricultural society straight to a service-oriented society.

More city cooperative credit societies came into being and they established service outlets wherever there was a demand. Village credit societies fused with municipal credit societies into stronger units and so on into regional credit societies. The image of the cooperative banks in public's mind changed rapidly into

the bank of wage earners. The OP contractual system, implemented in 1974 which included the promise of a loan, speeded up the change. The OP contract changed banking behaviour, as customers began to concentrate their affairs on one bank. The belief in continued growth and the ease of obtaining a loan towards the end of the 1980´s led to economic overheating and increased risks. As a result of the international recession and the change in economic relations, the country's economy was drawn into the deepest recession and bank crisis in its history in the first half of the 1990s. Due to the moderate policies of the OKO Bank Group, the cooperative banks survived these critical years trough their own efforts. The tradition of mutual responsibility, through which it was possible to effectively apportion risks, was of crucial help. The period was not easy.

Owner membership was a distinguishing competitive factor that rose naturally in the cooperative banks. From the start, membership had been one of the pillars particular to the cooperative societies. The cooperative banks could sincerely highlight their role as servant of all popular groups. At the best, the owners and the customers of the cooperative banks are the same parties: when the interests of customers and owners are the same, a genuine partnership is achieved. The positive development has shown that an operational model accentuating localization and independence has been sound and successful.

Since June 2003 The OKO Bank Group has used the name OP Bank Group. It is the leading bank in forestry and the primary joint partner of the Finnish forest owners. It is the largest home loan provider in the country. Its share in financing primary production is over 60%. It has over 150.000 business customers and also European Union has chosen OP Bank as its primary bank in Finland. Throughout its history, the OP Bank Group has grown alongside development in the country and for over a hundred years it has been a significant agent and builder of well-being and the civil society for Finland.

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Case study 4.3.

The Hellenic Association of Tourist and Travel Agencies – a business cluster, Greece

The Hellenic Association of Tourist and Travel Agencies (HATTA) was launched in 1927 and ever since plays a significant role in the tourist industry and tourist policies of Greece. The Association was originally a professional syndicate which catered mainly for professional, legal, financial and administrative matters of interest to the tour operators in Greece. HATTA has over 1200 members who jointly employ about 15.000 people.

HATTA undertakes the responsibility for joint promotion of tour operators in national and international tourist fairs and has a dedicated website to disseminate its activities and enhance information and communication networks. HATTA has also a helpdesk that takes care of professional, administrative and financial management issues of its members; and offers legal advice on employment law as well as other support to its members.

In recent years, HATTA expanded its activities to include research and analysis of the tourist industry in Greece, by reviewing at regular intervals and providing information on tourist flows and preferences. It has also introduced in the late nineties the Committee of Countryside Activities, comprising 12 of the most active tour operators who organise "adventure tourism" packages in Greece. The remit of the Committee is to promote countryside activities throughout the country, fostering cooperation among its members for devising effective and sustainable strategies for the development of mild and alternative forms of tourism; in the Greek context, the latter may be interpreted as forms of tourism alternative to the mass "sea and sun" tourist product of Greece. These are necessary, to diversify and supplement the activities offered in the coastal areas and to prolong the relatively short tourist season (July-August).

Moreover, the Committee of Countryside Activities formed by HATTA, realising that in Greece alone over 30,000 people participate in rafting annually decided to offer training for certified guides based on the fact that there is not an official state certificate granted to rafting guides. For this reason, they introduced in November 2003 a training course for rafting guides in order to promote quality and safety in rafting. One school has been organised so far by HATTA, in which approximately 100 participants were certified.

The following certificates are granted from HATTA:

1. Rafting Guide–Level 1 -
2. Rafting Guide–Level 2
3. Trainer of Rafting Guides
4. Trainer of Rafting Guides' Trainers

The above certificates are linked to the size of the group the Guide is allowed to accompany, as well as the difficulty level of the river where the rafting tour is taking place. The course includes training on offering first aids, on team psychology and courtesy to customers and on other skills required in order to be in charge of a rafting tour.

This is a successful example of a private initiative, aiming to overcome a shortage in professional qualifications certified by the state. The certificates of rafting guides granted by HATTA are recognised among its members and have succeeded in enhancing safety and quality tourism, which appeals both to the domestic and the foreign market. Also, the Association with its extensive membership represents a business cluster, which increases the capacity of its members to attract more customers and to lobby the government, making efforts to influence the formulation of tourist policies.

A certified rafting guide preparing inflatable monorafts

Contact: http://hatta.gr

Case study 4.4.

Project Five Villages - holiday resorts in a living countryside

The neighbouring counties of Västernorrland and Västerbotten are situated in Northeast Sweden. Västerbotten is 1/8 the size of Sweden with 260.000 inhabitants, of which most live by the coast. This makes the interior region sparsely populated with as low as 1 person/km². The largest employer is the public sector followed by manufacturing and commerce. Västernorrland county has similar socio-economic characteristics with Västerbotten.

The five villages that participated in the project are: Myckelgensjö, Trehörningsjö (Västernorrland), Åmsele, Örträsk and Fredrika (Västerbotten), which all face typical rural problems of unemployment, depopulation and declining services. They also share a common history and cultural and natural heritage. In an attempt to curtail the rural out-migration, these five villages came together in 1995 to develop a project based on collaborative promotion of the tourism potential of their area. The starting point was a workshop held in 1995 in the village of Örträsk in order to better capitalise on the village's assets for the benefit of tourism. Several women, mainly, who attended the workshop expressed a desire to exchange experiences and ideas with villages close by, and this is how the joint-village project started. The project was positively received by local populations; project teams set up in each village, held a local consultation exercise where the following common priorities were identified:

➢ halt the population decline;
➢ increase the number of companies in the village;
➢ develop the tourist potential of the villages;
➢ strengthen co-operation between the five villages.

In addition to a common action plan, each village established an individual plan setting out goals and targets at village level. Several months were then spent preparing and submitting applications for financial support to the local authorities. This procedure proved complex, mainly because it involved two different counties and several different municipalities. Eventually, in 1997 the 3 year project officially got off the ground, funded with a total of 1,2 million Euro (50 % of EU Objective 6 funds and 50% co-funded by local authorities).

Each village either elected or appointed a local project leader to steer the project. The project leaders received intensive training in project management and marketing, and were part-time employed. Ad-hoc working groups of interested members of the communities were set up to oversee the implementation of a particular project. An inventory of existing and potential tourist facilities (businesses and activities) in each village was compiled. Parallel to the compilation of this inventory, the project launched an information campaign, through the village newsletters, joint participation in tourism fairs, demonstration tours organised for media representatives and tour operators, a joint brochure and a website. To promote interest, the village communities were invited to take part in study visits in other popular tourist destinations nearby. Training in marketing, tour guiding and handicrafts was also offered. An IT centre was built in each village to promote more efficient inter-village communication. At village level, a number of actions have been carried out such as, building a snowboard track, a bird-watching tower, installation of disabled facilities in a fishing ground, restoration of buildings of cultural interest, development of thematic package tours or weekend events, such as cheese and butter making demonstrations. Public meetings were also regularly held to discuss various tourist assets of the area that the local population felt worth investing on.

Cheese making demonstration in an old farm, and a consultation workshop

Innovative elements of this project have proven to be the bottom-up approach that mobilised the local population and reinforced social cohesion and the area's identity. As a result of this project, the number of visitors increased drastically in 2 years, 18 new enterprises and 18 new jobs have been created, and many training sessions have been held in order to sustain and/or revive local handcraftsmanship.

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Case study 4.5.

The Höjdarna women's business network: Today and in the future

Höjdarna is a network of 60 women entrepreneurs in Kävlinge, South Sweden which was established 10 years ago. Eligible to become members of the network are women who have a business concept and a rather small company. Current members include businesses active in several sectors, such as services, ranging from office work (administration, translation, web design, accounting, printing) to practical work like hairdresser; education (ICT, project management, economy); consulting on issues related to the environment, care, communication and rehabilitation; and commerce bringing together tourism enterprises, shops, media, art, real estate etc. Several local key actors participate also in the network, representing the public, private and voluntary sectors at national, regional and local levels.

The members appoint a Planning group which communicates regularly with all network members to collect ideas, needs and plan their activities. Regular monthly meetings are held, where the women discuss their own business needs, listen to outside experts invited to give lectures on entrepreneurship and/or to, usually, a couple of business presentations from their members. Meetings are also social events where the members eat and socialise, as well as take part in training. Training activities organised include: training on practical matters when starting a business (eg. finances, law, insurance, tax, equipment); on use of ICT and the Internet as a useful tool for marketing their company and for on-line communication among them; on ergonomics, conflict resolution and negotiation skills, leadership, product pricing etc. The network participates also in EC-funded projects aiming to promote hygiene, entrepreneurial skills, women's health issues, a forum for joint marketing efforts, etc.

The Höjdarna women's business network puts particular emphasis on efficient communication and effective dissemination of their activities. This is achieved through the publication of a regular newsletter, press releases, a dedicated website, other promotional material such as brochures and leaflets, as well as mouth-to-mouth advertisement. Also, Höjdarna women are constantly trying to collaborate with other networks sharing similar interests, such as the Regional Advice Centre NRC Syd and with educational and training institutes, such as the ResursCentrum. They also participate in business awards, such as the nomination of the businessman/woman of the year in the region, as well as other umbrella organisations run by active and reputed women "leaders" in Sweden.

A network meeting

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Social Capital and the Cultural and Environmental Heritage

This chapter focuses on how social capital in rural communities can draw on the cultural and environmental heritage of those communities; and how, in turn, it can contribute to the conservation, enhancement and imaginative use of that heritage.

In the Thematic Guide One "Developing Sustainable Rural Tourism", chapter 4 discussed how heritage can be a valuable source for the development of rural tourism, and in turn how tourism can help to protect and manage that heritage effectively. The cultural and environmental heritage of a place provides important assets for economic development, although this option has been over-emphasised in recent years, to the extent that it has been seen by many rural communities as a panacea to overcoming their economic backwardness and depopulation problems. Nevertheless, tourism remains a very popular activity in rural areas, and the move to invest in the local heritage for endogenous development has been encouraged by many European programmes, including LEADER and the Structural Funds. Culture has been also recognised by the European Commission as an important creator of jobs and as a valuable channel for social inclusion (Joint Report for Social Inclusion, DG EMPL, 2004).

There have been long arguments on the use of culture and heritage as a "commodity" for tourism development. Although the economic benefits cannot be overseen, more and more voices of concern are raised regarding the commercialisation of culture and the loss of the cultural identity of rural communities because of such commercialisation. Local and regional identity, in particular, has been recognised as an important source of motivation for rural development and has been connected to social capital. A sense of identity can facilitate commitment to local collective action (Hanon and Curtin 2004). Several examples are provided in Thematic Guide One of rural communities that built a strong local identity around their heritage, be it a monument, a festival, a traditional culinary product, a sporting activity, which in turn was used as a "flag" to rally the support of the local inhabitants and market their area as a tourist destination. The influence of local governance structures and market forces should also be taken into account when considering the social capital created in such cases as above, where flexible and open networks built on strong identities, become the prerequisite for entrepreneurial success.

The distinction between local and regional identities has been also discussed, because the regional level has been recognised as the most appropriate for economic and social development by the European Un-

ion, and rural development strategies are being formed with reference mostly to that level. Meisted (2004) examines how regional identities contribute to rural development initiatives in Ireland. He concludes, on the basis of case studies, that regional identities often refer to new institutionalised territorial regions and they must be considered as complementary to local identities, the latter being the true force for community development. However, these new regional identities create a form of social capital that arouses and affects the attitude and behaviour of inhabitants and outside actors and is integrated in the development strategies of regional initiatives.

The article below discusses the influence of culture in community development and in the economic and social well-being of rural communities, with social reference to the experience gained by projects connected with culture and heritage.

Natural and cultural heritage is a resource for social capital, binding people together with the common goal to protect them

CULTURAL HERITAGE AND TRADITION AS A MEANS TO CREATE AND SUPPORT SOCIAL CAPITAL

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Social and cultural capital

The cultural and environmental heritage is itself a significant form of capital. For this purpose, let us call it cultural capital. It is, so to speak, a 'sister' of social capital, and (as we shall see) often closely connected to it. It may include landscapes, cultural and natural features, historic buildings, arts, crafts, local knowledge and ways of doing things and much else. Cultural capital is based on the consciousness of individuals and communities about their own culture and its normative structures, whereas social capital is based on trust and networks. They are distinct ideas, but it has been suggested that cultural capital may be seen as a 'substance' or a 'quality' of social capital (see Jeannotte 2003).

However, cultural capital as a concept is not unambiguous. In Bourdieu's (1984) view, it is a capital of individuals, not collective capital as such, and it refers to things such as the consumption of specific cultural forms, and to distinctions between people as members of specific classes. The precise mechanisms by which various forms of capitals interact are very complex. In this chapter the focus is on social and cultural capital as collective forms of capitals, more than on the connections between different forms of capital or different research traditions concerning social and cultural capital.

Cultural capital as a contributor to social well-being

Recently, the cultural and environmental heritage has come into a central role within regional, or rural, development. There are two perspectives to this. On the one hand, the heritage is seen to have significance in helping to define the distinct identity of a region, to strengthen pride in the region among its citizens, and thus to enhance regional cohesion. On the other hand, the heritage is seen as a resource which can be used directly in strengthening and marketing the image of a region, and thus in contributing to improving economic development and the creation of jobs (Lakso & Kainulainen 2001; Kainulainen & Suutari, 2002.)

In rural areas, the heritage can also be seen as means to improve social and economic welfare and to consolidate social capital. For example, the cultural resources of an area may include folklore, patois, cultural landscapes, local art exhibitions as well as local dramas, traditional foods and historical settings. These may be used to sustain the social solidarity of the local people and to sustain their pride in their own area. This pride in turn may lead to the active strengthening of the cultural capital, by cooperative effort among the people. A fine example of this is provided by case study 6.2, the Blean initiative.

When the identity of the communities is strengthened and when people learn how to use the local cultural resources, it can also contribute to communal well-being. Social and cultural capital together can promote well-being in local communities. For example in Finland citizens in Swedish speaking communities are found to stay healthier and live longer than Finnish speaking residents in the same areas. Researchers have attributed this difference to the fact that the Swedish speaking communities have been able to create their own networks of trust and norms of co-operation and to feel that their lives are secure. (Karisto 1994, 30; Hellsten 1998, 32–33; Hyyppä 2002)

Cultural capital as a contributor to economic development

Local knowledge, skills and social relations are resources that can be utilised by local communities and turned into economic capital. In rural development, social, human and cultural capitals are important elements, which can be transformed and realised into economic success (Kortelainen 1996, 133–134). There is overlap among these three types of capitals and they all appear to be instrumental in promoting well-being of the individuals who invest in them (Jeannotte 2003, 38).

The *culture economy.* For these reasons, there is increasing emphasis in rural development programmes throughout Europe on the use of the heritage. Ray calls this the *culture economy approach to rural development*. Essential in this approach is the economic aspect, by which producers in an area may market themselves to consumers both within and outside that area. (Ray 1998, 3–4)

The culture economy approach to rural development reflects the attempt at local level to compete effectively in the global economy, by establishing the distinctiveness of the place and by using some kind of a 'local protectionism' as a help to control the economic, social, cultural and environmental effects. Culture can be seen here as a some kind of 'shock absorber' between local and global levels (Valpola 1998, 81–84).

There can be distinguished three underlying foundations for the culture economy approach to rural development. First, the nature of so called post-modern society, disorganised capitalism or as Beck and Lash (1995)

put it, reflexive modernity, will cause major changes in social structures which reverberate in our everyday life. Characteristic of reflexive modernity are processes of globalisation, individualisation and weakening of social bonds. In this circumstance, culture can become standardised and commercialised. (Ilmonen 1992, 100 and 1994, 9; Beck 1995, 27–29; Lash 1995, 154; 68-69; Ray 1998, 4–5; 48; Hall 1999, 57–62.) The culture economy approach , by focusing on the local dimensions of culture, can help to moderate the impact of these processes on local communities and local social capital.

Secondly, the European Union's rural development policy encourages regions to plan and implement strategies that are based on local resources. Through these strategies, regions may both find links into broader European economic structure, and retain their distinctive character through a focus on local culture.

The third factor is the growth of so called 'new regionalism', which is leading to attempts to preserve the cultural identities of the regions and to enhance the role of the regions as political arenas and actors in increasing economic competition. This new regionalism, focused on areas which are smaller than nation states, can be seen as counterforce to globalisation (Ray 1998, 4–5; Keating 1998 72–78; Deas & Giordano 2003.)

Projects connected with heritage

These links between social capital and the cultural and environmental heritage are expressed in a growing number of projects in many parts of rural Europe. Many of these projects have been supported by the European Union, through the Structural Funds, the LEADER programme and other programmes. Through such projects, the voluntary work and entrepreneurship of rural areas has been tied to European policies. This is no wonder, because a fundamental target of the European Union's regional and rural policy is to develop economic and social cohesion between regions.

When cultural projects are examined, the main question is whether the social processes manage to build something new based on the resources offered by local culture and community (e.g. Häyrynen 1994, 38). Evaluations and experiences of Leader, ERDF and ESF -funded cultural projects in Finland in South Ostrobothnia province (e.g. Hirvonen & Kainulainen 2002; Suutari 2003) suggest that these projects have not necessarily increased co-operation as such. However, they have contributed to community spirit and a sense of togetherness, which becomes evident in maintaining and regenerating objects that are significant symbols for the local community.

Community spirit. This contribution to community spirit can itself be significant. At a time when traditional communities have been losing their meaning, it is even more important to boost the idea of 'us' and 'our region' as visible and successful actor in the competition of places and regions. When communality in traditional sense has diminished, more and more has been discussed about how the changes in regional consciousness have increased the need to experience and to create identities. Projects can thus be an expression of existence and they can give a chance to self-definition as well. By having common goals and will, belief in future can be created and development can be positively animated. In practice that means recognising shared issues and promoting them together.

Local pride can be a significant element in social capital, and one which can motivate cooperative action. An initial interest in developing tourism can lead to an enhanced pride among the local people for the heritage of their place, including wildlife, local history, historic and archaeological sites, traditional art and crafts, ethnic and spiritual riches etc. Raising the "local sensitivity" level in this way can be a major factor in community development and in encouraging a sustainable approach in local life. The South Pembrokeshire Action for Rural Communities (SPARC) encouraged people in South Wales to come together to discuss the local features and traditions which they themselves value and which might be used as the basis for tourism. From this has risen a series of local trails which visitors are encouraged to follow and which are presented in a standard series of trail brochures published by SPARC. This initiative enabled villagers to appreciate their own heritage, become proud of it and join forces to guard it, drawing at the same time the economic benefits from visitors through a planned tourism product.

The past as an asset for the future. The ways in which cultural projects emerge affects strongly how they proceed and what kind of impact they will have on the region they take place in. If the start of a project is driven by funding instruments and does not emerge from past activities or genuine development needs, it may fail to gain the lasting commitment of those involved. There must be a real desire to focus on the cultural assets. For example, when something that is seen as part of an area's identity (such as a prominent historic building) is threatened, the popular counter-reaction may cause activism and a desire for continuity, and may thus provoke a significant project with lasting impact.

In the context of continuity, the past has a significant role. Elements of the past can be used to diminish uncertainty, at a time when society is constantly changing. In cultural heritage projects, the objective often is to save and store traditions for forthcoming generations. Collective and shared tales and stories of past events are a part of the confirmation of local identity (Knuuttila 1996). Histories of villages, writings about past working methods or local celebrities, local dramas etc. can be seen as constructors of local and regional identity: they add consciousness of one's own region, its traditions and its distinctiveness. These narratives are

some kind of 'identity commodities' that people can use in their identity building processes (e.g. Puuronen 1998, 38).

However, change in rural culture has altered rural lifestyles in villages so much that even if traditions and cultural symbols of identity can be sustained, it may be questioned whether they can create and support identity in the same way as before (Manninen 1984, 147). Traditions and habits that remain alive in local level are more and more affected by external pressures and trends. Therefore those traditions and habits are changing and they will easily get detached from their genuine context (Giddens 1995, 142–144). In that case only some kind of symbolic layer survives as the trace of the past. This seems to be case quite often, for example when local habits are transformed into touristic attractions.

It can be said that certain elements of social and cultural capital have lost their original meanings. For example, traditional working methods are no longer needed in their original purpose (Kortelainen 1996, 133–134). Thus the question remains, how they can be utilised or transformed to respond the challenges of present-day? Consequently, when identity is something that is constantly changing, it cannot be attached to a certain mould or model of authenticity and eternity that is found on the past. This accurate interpretations of the past become a crucial part of this continuous process of identity building. (Hall 1990, 222–225.)

Interpreting the past. Interpretations of the past are not always successful in cultural projects. Petrisalo describes how the project which was set to present Carelian and Orthodox culture in Korpiselkä-house in Northern Carelia failed due to its wrong order of processes. The problem was that the image of the perfect Orthodox-Carelian culture was first planned and then anchored to a place, so the image did not arise from the local context. Thus, it did not bring any continuity into local culture and tradition. It was rather more or less assumed that constructed image could transform into social and cultural conventions related to the image. Tradition was thus understood primarily as the instrument and object of socio-cultural change, not as a dynamic subject itself. In this away, the existing local way of life was forgotten and instead the rather artificial image of the past culture in modern way was created. (Petrisalo 1994, 80–81.)

Authenticity. Traditionally experiencing what is authentic and exotic has been a central issue in tourism, even though in modern mass tourism they are in some way latent factors. The search for the authentic and exotic stems form history and art. For example, Robinson Crusoe arouses dreams of desert island in readers' and travellers' minds, and today's adventure holidays can be seen as a modern form of early expeditions. But nowadays authenticity is alive mainly in imagination and stereotypes. Everywhere, tourists are offered 'originality' and 'authenticity' which turn out to be constructed purchasable products. Many of the ceremonies and rituals which create images of 'originality' are more like stitch-ups. On the other hand rituals constructed for tourism cannot be seen as purely negative, because often the demands for tourism weigh in keeping alive traditional habits and skills.

Opinions vary on this subject of authenticity. Boorstin (1964), Eco (1985) or Baudrillard (1988) consider authenticity somewhat irrelevant for the tourists of today. Boorstin suggested that, as experiencing authenticity and originality becomes more and more difficult, demand will increase for pseudo-events and reproductions. MacCannell disagrees with that as he states that tourist searches some kind of authenticity, which however is increasingly institutionalised and commercialised (Urry 1990, 8). Institutionalisation changes authentic into inauthentic in a certain way, but as MacCannell states, getting to know an alien culture would otherwise be too difficult. As an example he mentions traditional handicraft, which on 'real life' is usually found in private settings, making it difficult to see the work in progress. However, due to demand, the traditional manufacturing and handicraft work has been staged, which means that it has been made more visible for tourists. This, however, does not necessarily mean that originality and authenticity will totally disappear, but this simply gives a better appearance and possibility to increase incomes. (Urry 1990, 8–9).

To sum up, in post-modern thinking the neo-traditional aspects are not necessarily threatening and the question of originality is not straightforward or simple, because the modern tourist does not necessarily expect to find originality and authenticity in destination. (Kupiainen & Sihvo 1994, 301–303). The commoditisation of the past is not threatening if the projects arise from a local cultural context and local characteristics and at the same time animate locally-based development. These kind of projects can strengthen local identity by creating continuity.

Defining local identity. The main question is whether emphasising locality and regionality is a real reflection and outcome of the interaction between the residents of the area or just a tourism-motivated endeavour to create artificial 'culture regions' or images of them (Paasi 1986, 24). Produced and marketed 'images', in which the interpretations of past are distorted, cannot offer the basis for identity building and therefore ultimately for the self-sufficient development of the region. Essential in developing cultural products is to pay attention that the very core or essential features of the culture does not change in a way that the original meanings will be diminished or distorted. When creating cultural products for the use of tourism, they should be founded on observing the local cultural context and understanding the history of the subject, not just short-sighted pursuit of interests. Only then can be achieved a use which is culturally sustainable.

Because regional and local identity is constructive by its nature, it is essential to figure out what or who defines the collective identity. Reproduction of community is linguistic process based on communication and co-

operation which leads at its best to unforced unanimity. Community is an entity constructed by transforming traditions and culture, securing of which requires as broad value- and norm-based understanding about the interpretations of community's past and future as possible. (Ilmonen 1992, 112–113; 1994 34–35.) In a focus of this definition and building of identity are the interpretations concerning past and future as well. Cultural projects can at their best be 'occasions' for these shared interpretations.

Conclusion

The quantitative and measurable results are not the most important goal or achievement for cultural projects. Purpose of projects must be searched for their significance of creating and sustaining (symbolic) communities and local identities. The meanings and 'benefits' of cultural projects are in their cultural practises and in those conventions and basis of which individuals and especially communities build and strengthen their existence.

Projects on the one hand express the social capital of the region (social networks inside and outside the region, ability to act for common goals etc.): on the other hand they also strengthen social capital through acts of development. Social capital can be strengthened both internally and externally by development projects. The internal viewpoint is attached to improving co-operation in the sense of community spirit and togetherness: the external aspect means that new relations are created, for example with surrounding villages and funding organisations. The successful implementation of projects requires always at some level the existence of social and cultural capital relate to the focus of that project. It is essential that projects are tied and attached to the local milieu of culture and action, when projects are being developed and implemented. The projects should arise from local socio-cultural context, as only by doing so they can assure and bring continuity into local and regional development activities.

Questions arising from chapter 5, for your to reflect on and discuss during the Summer Academy:

1. How would you describe the relations between social and cultural capital?
2. *What cultural projects have been implemented in your area that especially have strengthened social capital?*
3. *What elements of culture have been utilised in those projects?*
4. Could you describe the mechanisms that have strengthened social capital in those projects?
5. Has the question of authenticity been relevant in those projects? If so, in which way?

Note down other issues that you may wish to raise at the Summer Academy

Case study 5.1.

Combating Social Exclusion of Ethnic Minorities & Immigrant Communities through Culture, Greece

The European transnational project 'Combating Social Exclusion of Ethnic Minorities and Immigrant Communities Through Culture', (short name "Culture-Exchange") aims at the facilitation of the social inclusion of ethnic minorities and immigrant communities in Greece, Ireland, Spain, the Netherlands and Poland, through raising visibility of their cultural heritage and promoting common cultural production with the host or majority community. The project started in 2003 and will run till the end of 2005. The project seeks to promote 'good practice' related to issues that are of concern to ethnic minorities and immigrant communities, such as:

➢ Raising visibility of the cultural heritage of ethnic minorities and immigrant communities.

➢ Facilitation of cross-cultural exchanges.

➢ Empowerment and capacity building through skills development.

➢ Reinforcing their networking with non governmental organisations (NGOs), public bodies and other ethnic minority and immigrant community organisations.

To achieve the above objectives the project organises in the five participating countries cultural events, promotes networking with NGOs, public bodies and other immigrant and ethnic minority groups, organises workshops and festivals, etc. Moreover, a multicultural centre is established in each country to provide a meeting place for the immigrants where they can get both expert and practical support and advice; and which is acting as a "vehicle" for mobilising public opinion towards open-minded and welcoming attitudes of immigrants by host or majority communities.

Women and children immigrants discussing in the multi-cultural centre "Filia"

It Greece, the multi-cultural centre is called "Filia" ("Friendship") and is situated in Fira, the capital of the island of Santorini, in the Cyclades. The Centre is supported in its tasks by the Office of Secondary Education, the local authorities and NGOs, which take part through their representatives in the Coordinating Committee set up. The day-to-day running of the Centre is organised by two women managers, a Greek and an Albanian, both teachers. The local branch of the Prefectural Authority of Cyclades offered space in the premises of the Prefecture of Fira to house the activities of the Centre. Activities planned include:

➢ Albanian language courses for the children of immigrant families and other children interested in the language.

➢ Computer courses and cultural activity workshops using IT.

➢ Music, dance, painting classes and art and craft workshops according to demand.

➢ Organisation of cultural events, festivals, performances and competitions in cooperation with the schools of the island.

A social gathering organised in the multi-cultural centre "Filia" is a chance for celebration and for getting together

All training courses to Albanian and other children and their families is delivered by qualified teachers. The project has been received very positively by the local community, both the immigrants and the endogenous islanders. The results of the project will be presented in a publication, which will take the form of a Good Practice Guide, which will provide a useful tool for practitioners in the field.

Contact: http://www.culture-exchange.net/

Case study 5.2.

"Little Homeland" - social capital as an element to sustain the cultural heritage and strengthen the civil society, Poland

In 1993, the Cultural Foundation, a non governmental organisation set up in 1991 with the aim of supporting initiatives of culture development, introduced a programme called "Little Homeland – Tradition for the Future". The name "Our Little Homeland" was selected in order to set one's mind towards the world around us where we live our everyday lives, including the landscape, the nature, the people and the culture; it corresponds basically to a village, a town, a parish, an urban district, a region or one's own land. The aim of the programme has been to promote cultural and social creativity, providing also financial support in some cases for practical applications aiming to reinforce the local identity and community ties.

The central aim of the Cultural Foundation is to strengthen regional centres of contemporary Poland, outside major urban areas or well known places endowed with rich cultural heritage, in order to sustain the cultural heritage and strengthen the civil society. The Foundation's members strongly believe that economic transformation alone does not suffice for the well being and the sustainability of an area and its community, stressing that modernisation of life cannot occur in a "cultural vacuum". Moreover, emphasis on economic growth might threaten the area's cultural identity, weaken the community links and deepen conflicts among social groups, nations and religious majorities. More and more, people realise that preserving or reviving traditions and cultures can indeed bring multiple benefits to a locality, enhancing the social cohesion of the local community.

In this context, the Foundation made six rounds of open competitions for the most imaginative and interesting development plans of "Little Homelands". In drawing these development plans, locals were encouraged to form informal groups of individuals and representatives of local and cultural associations, religious groups, minority groups, local authorities, schools, art centres, local media and other stakeholders, in order to jointly propose "the vision for rebuilding the social capital" of their region. These competition calls were received with great enthusiasm in the whole country; 800 development plans have been submitted and almost one fifth have been realised.

The programme was sponsored by Channel 2 of the Polish TV, which offered the opportunity also for a very effective dissemination campaign nationally and abroad. 150 documentary films have been produced with the active involvement of the local residents, which show "Little Homelands" of many different, but always stubborn people, who have protected their right to autonomy and cultural and social identity.

Children and youngsters acting traditional scenes or drawing plans for their area's cultural history

Case study 5.3.

The Road of War and Peace in Ostrobothnia, Finland

This case is about an interregional project (Ostrobothia County in Finland and Västerbotten County in Sweden), co-funded by INTERREG IIIA between 2002 and 2005, aiming to promote history tourism in South Ostrobothnia and the the Gulf of Bothnia. The project is coordinated by the University of Helsinki, Institute for Rural Research and Training in Seinäjoki and County/Minicipal authorities. The areas have a long history, rich and original peasant cultures. The central aim of the project is the creation of the "Road of War and Peace" historic route based mostly on the Great Nordic War (1700–21) and the Finnish War (1808–09). The route is 300 km long and includes many battlefields in the area. It is being delineated along the old, beautiful riverside, country landscape and village roads, in specific parts though which are accessible by buses.

The project funds the creation of three visitor centres and several information points along the route, while at the same time tries to bring together tourism entrepreneurs who offer services that are based on the cultural heritage of the area. A brochure showing the route on a map and describing the areas' history has been produced in Finnish and Swedish. Many information points (i.e. signposts) have been built along the route with maps and other interesting information provided in Finnish, Swedish, and English - there are 28 information points along the Finish side of the tour. Two visitor centres were opened in the summer of 2004, one in Sweden and one in Finland, which describe the Finnish War; the third one, will be opened in the summer of 2005 in Finland and will describe the Great Nordic War. The visitor centres are equiped with modern techniques, visual material and texts and have their own brochures.

This case compares the different attitudes of local entrepreneurs and citizens, experienced in the various localities involved in the project. Some had, from the very beginning, realised the project's potential for tourism growth, demonstrated an "open" attitude for teamwork and been helpful with the activities of the project; others were more reluctant to cooperate and demonstrated a "close" attitude. Another obstacle has been luck of understanding of the importance for keeping a time schedule and for joint marketing.

For example, the visitor centres on the Finish side were built in Kuortane and Isokyrö villages. The community of the former village showed a great enthusiasm and got inspired by the history project. They were in constant cooperation with the project team, offering voluntary work and own resources. In particular, a small Village Society (Ruonan Rinki) assisted greatly in the creation and operation of the visitors centre, helping with the purchase and renovation work of an old, empty school building which was used to house the visitors centre. Part of the building is now used for education, part is the exhibition and information visitor centre and part has been rented as a café to an entrepreneur. The Village Society introduced the Story Travels Ltd tour operator which offers guided tours, organised by locals knowledgeable of the area's history. Sometimes, the guides dress up according to the era in order to offer a more realistic tour to the history route. The café entrepreneur has also learnt the area's history in order to give guided tours when no-one else is available and is responsible for opening the centre. Another example of good cooperation spirit can be found in the municipality of Sävar in Västerbotten, Sweden. Local activists and genealogists made a search of all the soldiers who fought in the battle of Sävar in August 19th 1809 and their descendants. The results are published in the Internet and one can find out possible ancestors either in the battle or among the civilians.

The Isokyrö village community, on the other hand, has not been so supportive of the project. The village has a long history dating back to the 14th century, at which time it was the centre of Ostrobothnia, and also has the oldest suspension bridge in Finland. A cooperation group which was formed in the area, attended the project meetings but shown no interest whatsoever, and did not offer any ideas or help. The Municipality also showed limited interest and there was no local entrepreneur found to run the visitor centre. In hindsight, there was a key group very proud of the area's history who were reluctant to share it with a, to quote their words, "from above" initiative coordinated by a University.

Comparing these different attitudes, one sees the importance of open-minded people who realise that self-help, in the sense of voluntary work, and a positive disposition towards the exchange of knowledge and opinions are essential elements for progress. Whereas, a "closed" community with little 'circles' that have far too strong opinions and are suspicious of outsiders, hinders the development process. Naturally, people have different opinions and visions, but in an "open" community these can be discussed over and mutual benefits agreed upon and pursued.

Contact: www.sodanjarauhantie.fi, www.savar.se/

Case study 5.4.

Social capital at the Athens 2004 Olympics – volunteers making the Games a success, Greece

The organisation of the Athens 2004 Olympics was highly acclaimed globe-wise and has ended with the most impressive record of volunteerism in the Greek history. Greeks have proven very highly motivated for volunteering to the Olympics, although the country has allegedly a weak voluntary sector, while volunteerism culture is rather poor. However, 45,000 volunteers have been recruited. What has motivated them? To quote a Greek volunteer:

"Let me help you by putting my small stone towards building the success of the Athens 2004 Games""

Indeed, volunteers had the satisfaction of contributing to the success of the Athens 2004 Olympic and Paralympic Games and the opportunity to live this unique experience. The aim of the Athens 2004 Volunteers Programme was to recruit volunteers from all walks of life in Greece and around the world in order to create a valuable human force who would assume a key role in the Games' success. They were private individuals, members of voluntary organisations, students, workers, or pensioners.

The raising awareness and information campaign for volunteerism has started in early 2001 with a number of events in Athens and the rest of Greece and press releases, supported by sports clubs, universities, volunteers agencies, governmental and non governmental organisations. At the same time, an international information campaign was also launched with a focus on countries where Greeks abroad live. A year later, the first Official Volunteer Application was circulated. The selection and placement of volunteers in appropriate positions was carried out through personal interviews conducted by specialised staff. Selection interviews started in January 2003 and were held in the Attica region as well as the other Olympic cities and Cyprus. A special questionnaire was forwarded to candidate volunteers living abroad who could not attend the interview in person. All volunteers who accepted the offers made to them by the Organising Committee attended training programmes.

Volunteers at work

These programmes have been specially designed to address the requirements of the Games, but also provide participants with broader knowledge and practical experience, on such issues as:

1. General information on Volunteerism and the Olympic Ideals and history of the Games.

2. Familiarisation with the venue for which they have been recruited.

3. Special Training to provide volunteers with information about how to carry out their duties successfully.

The training seminars took place in Athens and in the other four Olympic cities (Thessaloniki, Patras, Irakleion and Volos). In order to facilitate the work of volunteers during the Games, the Organising Committee offered to each volunteer the Athens 2004 Volunteer Uniform and any equipment required for the work they were assigned to do, meals and insurance during services and transportation to and from all service locations. The average length of time for which a volunteer was employed in the Olympic and Paralympic Games was 7-10 days. At the end of the Games, Volunteers received a certificate of participation, while the Athens 2004 Volunteer Division had planned various activities in recognition of their participation in the Games, such as a huge award ceremony.

The Volunteers have proven the heart and soul of the Games, as they greatly assisted visitors in numerous tasks and they overall gave a unique celebration vitality to the Games. In terms of the benefits with respect to strengthening the social capital, the Greek society despite of emerging in a voluntary culture, has also gained in practical terms through enhancements in skills, expertise and training of the workforce across many sectors. The workforce was called upon to manage large scale complex projects that required integrated planning and detailed coordination. Overall, a renewed civic pride, a massive surge in volunteerism and the return of the Olympic Games to their ancient birthplace were prominently the Legacy of the Athens 2004 Olympic Games.

Contact: http://www.athens2004.gr/en

The Athens 2004 Volunteer Division's award ceremony

Facilitating Social Capital "from the top down"

6.1. This chapter focuses on what government agencies and other formal organisations can do to encourage the formation and strengthening of social capital and its application to rural development. In chapter 2, we offered the idea that rural development is a multi-actor arena. The rural people should be prime movers, where they are willing and able to be so. But rural development cannot be an activity of the local people alone. Their lives depend, or are heavily influenced by, the actions and decisions of companies, organisations and public agencies operating at local, regional, national and international level. Thus, over the last decade, there has been growing realisation that rural development is not a matter that can be pursued by government alone, or by the rural people alone, but is matter for effective **partnership** between government and people – or rather (more widely) between government, all relevant sectors and actors, and the rural people who are themselves the prime beneficiaries but also prime actors in this complex drama.

6.2. Achieving effective partnerships in a multi-actor arena poses a major challenge in terms of social capital. It implies the need not only for "horizontal" networks between people, and between different sectors, at local and sub-regional level; but also for "vertical" networks which provide a link between people and government. Further, as we will show, it poses a challenge of horizontal linkage between different arms of government, at regional, national and even supra-national level.

6.3. **A formidable challenge.** This is, in truth, a formidable challenge. Very few countries have any long tradition of close working relations between (on the one hand) people and private or voluntary bodies and (on the other hand) government. Whatever their political complexion, governments tend to be centralist in outlook, with a metropolitan perspective, more familiar with urban than with rural issues. They tend to 'think big' in policies, programmes and funding, rather than at the small scale of enterprise or facility that is the norm in rural areas. They may be, or appear to be, arrogant in the use of their powerful position, and to assume that the only form of democracy is an elective one, rather than the participative democracy that animates (for example) the national rural movements.

6.4. **Complex structure.** A further crucial point is that government is by nature complex in structure and difficult for outsiders (and sometimes even for insiders!) to understand. The sheer size of government requires that it be divided into different Ministries and agencies, each covering a defined field,

such as Agriculture, Transport, Environment or Education. Inevitably, each different unit develops its own ethos, invents its own systems, defends its own territory against other such units. It is extremely difficult for such a structure to achieve an integrated approach, or to relate in a coherent or unified way to an outsider. A farmer for example, who has or wants to create a diversified enterprises, may find himself dealing with four or five different arms of government. In addition, government in many countries is divided into two, three or four geographic layers – national, regional, sub-regional, local – and this pattern produces further surfaces for friction, more difficulties in achieving an integrated and coherent approach.

6.5. **A strategic approach** The challenge described above, that is the challenge of achieving partnership between government and civic initiatives and movements representing different forms of social capital, for a shared effort in rural development, is an issue of the mechanisms of social capital. It is not enough to rely on human goodwill. There is need for clear principles and structures which can enable links and networks to be created and progressively enriched within government, between government and civil society, between civil society and the people.

6.6. Meyer (2001) argues that a central part of the solution to this challenge may be what he calls a 'strategic intelligence network'. He sees this as helping to achieve common understanding among the many people involved in multi-actor fields, of which rural development is one. Policy makers are important actors, but only as part of a much larger process, in which many other crucial partners and stakeholders play a part. Meyer points out that this has important policy implications with respect to all forms of strategic intelligence:

➢ Policy decisions are frequently negotiated in multi-level/multi-actor arenas and related actor networks.

➢ The negotiating actors pursue different interests, represent different stakeholders' perspectives, construct different perceptions of "reality" and refer to diverging institutional frameworks.

➢ Successful policymaking normally means compromises achieved through the alignment and reframing of stakeholders' perspectives.

6.7. Different national and regional actors have to be brought together, just as the various activities related to certain themes have to be brought into the knowledge management network. Distribution of the relevant knowledge amongst a great number of actors requires a highly sophisticated networking struc-

ture and creates a huge challenge, which Meyer suggests may include :

➤ the creation of an architecture of "infrastructures for distributed intelligence" by the horizontal and vertical linking of existing regional, national, sectoral etc. strategic intelligence facilities,

➤ the establishment of brokering "nodes" for managing and maintaining the infrastructure, offering an "enabling structure" that allows free access to all strategic intelligence exercises undertaken under public auspices and provides a directory that facilitates direct connections between the relevant actors,

➤ adequate resources.

(Meyer 2001, 159)

6.8. Applying the above concept, one could suggest that the strategy we need, to assist the creation and working of complex partnerships, consists of knowledge management, human leadership and the exercise of power. It is not a document, but a continually developing form of activity in which the goal and aspirations interact with implementation and context. The strategy constructs a space for collaboration and communication. The strategic activity within this space is organized interaction and communication, i.e. knowledge management and human leadership directed towards certain mutually accepted aims and creative problem-solving.

6.9. A good strategy is contextual and contentual, i.e. it is linked to its purpose, while a bad strategy is one in which the vision, the goals and the aims are divorced from practice and implementation. A good strategy strengthens trust between people, while a bad one increases distrust. Thus a good strategy can increase social capital, i.e. human interaction, trust and collaborative expertise, while social capital will in turn increase the capacity of communities to develop and promote development.

6.10. The opportunity and the challenge is to use social capital in the context of strategies for rural development , so that it becomes possible to release the energy and resourcefulness of the people in every locality, enabling them to take action to improve their own collective well-being, to strengthen their own local economies, to care for their own local environment and heritage. If this happens, every unit of public funding will gain a greater multiplier, every investment will bring a more sustained return, every local programme will be more accurately tuned to the actual and specific needs of that place and that community.

6.11. In the article that follows, the three levels of policy, national, regional/subregional and transnational/ global are discussed in relation to their beneficial or adverse effects on social capital accumulation and their consequences for rural development.

Partners getting acquainted in a project meeting through self-posters

Public open meetings are very effective ways for involving the local community and for promoting dissemination, communication and information networks

THE ROLE OF GOVERNANCE: HOW POLICIES AND INSTITUTIONS INTERACT WITH SOCIAL CAPITAL

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As already discussed in previous chapters, social capital and public policies are interdependent. Among the three types of social capital, "bonding", "bridging" and "linking", the last type refers more directly to the links that may be created between society and institutions or society and the state more generally. Such links show that public policy and institutions have an important role to play in the development of social capital (see chapter 1).

The literature on social capital usually deals with civic engagement, neighbourhoods, community building, corporate social responsibility, housing schemes, neighbourhood regeneration programmes, partnerships, safety and health projects or education activities. All these themes have a strong linkage to policies and institutions.

Policies often provide incentives for a "kick off" of the mechanisms that set social capital in motion, e.g. by helping to create partnerships, networks, consortia, associations, or community groups. Policies may generate new or sustain existing social capital by initiating appropriate activities and providing support. Good practice examples can also provide models for other communities to adopt. On the other hand, policies may be negatively influenced by the "dark sides' of social capital or may hinder the formation of healthy and positive social capital.

Social capital is formed at several levels: local, sub-regional, regional, national and EU. It is useful however to make the distinction between social capital that is generated by geographically defined communities and by interest-based communities. The latter include also virtual communities. Institutions and policies operate also at different geographical levels and across borders, addressing local, national and transnational communities.

The national level

The national level is important because the commitment of national governments to use policy instruments to reinforce and facilitate the formation of social capital provides guidelines for regional and local policy. However, as Robinson (2002) states, the policy process itself can either destroy or create social capital. This is why there should be some form of social capital audit, or some other way of measuring and monitoring the extent to which the design and delivery of policies affects social capital. Hence, the measurement of social capital by governments, including the development of indicators and benchmarks, signifies a serious intention to include social capital as a strategic issue in economic and social development.

There has been quite some discussion in the literature on how government intervention can help the accumulation of beneficial social capital. Although the need for measurement of social capital is emphasised as an indispensable tool for policy making, it is also accepted that the importance of historical and cultural factors as determinants of social capital makes it not very easy for policy makers to intervene. Nevertheless, Putman (2000) follows his analysis of the decline in social capital in the USA with an outline of policy proposals. These were based on the conclusions of a mixed group of policy makers and academics, who met over three years in Saguaro to discuss practical ways to rebuilt social capital. The six policy areas identified in the Saguaro Seminars include citizenship education, encouragement of community activities through flexible work-time, friendly urban design, encouragement of spiritual communities of meaning, use of communication technology to bring people closer rather than isolating them, increase participation in the arts and increase citizens' active participation in politics.

The measurement of social capital. A conference organised by OECD on the measurement of social capital (Helliwell, 2002) made also clear that social capital is based on different experiences and cultural background in different countries and therefore one should be very careful when compares the formation of social capital across cultures, their positive or negative effects and their relationships to policies. For example:

➢ In Japan, the workplace provides an especially large part of the networks and support systems of the working Japanese, so that employment and enterprise development policies take this fully into account (Helliwell, 2002).

➢   In the transforming societies of Eastern Europe and the former USSR, the old social capital structures collapsed and the emerging new social capital, linked to a highly unequal distribution of power and opportunities, reflects the economic policies of these governments (Helliwell, 2002).

➢ In the US, the terrorist attacks of September 11th 2001, increased the prominence of social capital that became a component of the government's recovery efforts. The freedom corps, the homeland security grant programme and proposals for expanding civic education fall within policy initiatives aimed at building community involvement and social capital at community level (Hudson and Chapman, 2002).

➢   In countries of southern Europe, the combination of centralised state structures and weak civic society

creates conditions favourable for clientelistic networks, fostering corruption and inhibiting the implementation of social and economic policy. Measures taken by governments to dissolve such networks are sometimes aired (Lyberaki and Paraskevopoulos, 2002).

Several countries have taken the initiative to measure social capital systematically, including such measurement in established social surveys that are repeated at regular intervals. For example, in the UK, the Office of National Statistics has assumed responsibility for the measurement of social capital and has included questions on different aspects of social capital in the General Household Survey, the Health Survey for England and the Home Office Citizenship Survey; in Spain, the Ministry of Labour and social affairs initiated the Quality of Working Life Survey, repeated annually, which includes a battery of questions relating to social capital, especially that one generated during working life in or around the work environment.

The regional or sub-regional level

The regional or sub-regional level is also important, because it provides the usual ground for the formation of development networks. The new regional identities, as mentioned in Chapter 5, are also considered important for the formation of social capital that is conducive to regional development. The delineation of this level of reference however seems to change, according to the strategic planning of the country concerned, or according to the needs of the area and the type of EU funding sought. Examples are provided the territories covered by LAGs and funded by the LEADER programme, or local projects introduced by governments or the EU (e.g. Finland or Ireland) as already referred to in previous chapters); or the strategic regions for rural development in France, called "pays". (Callois and Angeon, 2004).

Business clusters. Local clusters are defined as geographically concentrated businesses of different sizes, horizontally or vertically linked and operating in the same line of business (OECD, 2001). Clusters have been recognised as tools for economic development and for upgrading the international competitiveness of national industry. Clusters can be very diverse but involve particular relationships among firms, based on social capital generated by these relationships. Clusters occur only when there is sufficient number of firms sharing common needs, attracting resources and services that would not be available to an isolated company. They have a common identity outside. Looking at the features of clusters, social interaction is prominent in the process of cluster building. Such interaction consists of a mixture of co-ordination, co-operation and competition, extensive use of market exchanges and connected industries vertically and/or horizontally with suppliers, users and research institutions. Innovation, ability to adapt to change and added value are characteristics of clusters that are attributed to the social capital that provides the basis of their formation (Dina Ionescu, OECD, 2002). Cluster formation in rural areas can be an important component of local development. However it is recognised that there are serious difficulties of cluster development in rural and remote areas, especially where social capital is weak. Significant elements that impact cluster development in rural areas are the lack of demand and suppliers' proximity to networks, poor education and the lack of training institutions. Strong family ties, which are usually present in rural areas, may hinder the formation of business networks. Encouraging trust, networking and cooperation in such zones can lead to cluster formation and improved local economic performance. Clusters in rural areas have been specially supported by the Community Support Frameworks in Objective I areas.

Local Initiatives instigated from governments or the EU. Local Action Groups and other types of local institutions supported through EU programmes like LEADER or other national projects have a direct involvement with geographically defined communities and the social capital they generate. They usually bring together local/regional government, trade unions, businesses, voluntary associations, education institutions etc, aiming to produce a stable basis which to encourage local economic development. Such a stable basis draws to a large extent on the generation or reinforcement of local social capital. The members of these action groups often represent networks or have the capacity to mobilise the local population to form networks. Methods to encourage networking and the subsequent formation of social capital include:

➢ Providing facilities and other material and non-material resources to enhance the cooperation between individuals and businesses

➢ Providing information and knowhow on methods of networking and for further sources of funding

➢ Providing leadership and animation

➢ Promoting an ideology of cooperation for economic and social development

➢ Promoting decentralisation of governance to build the necessary local conditions for the encouragement of social capital.

At the sub-regional level, LEADER is a characteristic example of an EU policy that tries to bring together different actors of rural development in the Local Action Group (LAG), aiming to generate social capital by a "bottom up" approach. The LEADER Initiative has stimulated an integrated, territorial, partnership-based approach to rural development. This has brought great benefit to EU-15, not only to the areas that were directly chosen for LEADER programmes, but more widely, particularly in those countries - such as Finland, Ireland and Spain - which have chosen to 'mainstream' the LEADER approach by applying these same princi-

ples to their national rural development programmes.

However, in some cases, LAGs have become institutionalised, turned to yet another public institution implementing "top down" policies defined centrally but implemented with local actors. Such LAGS take often the form of a Development Agency set up by local and regional government organisations.

EQUAL is another example of EU policy that creates interest-based communities at regional or national level, operating on the same principle as LEADER, i.e "forging" partnerships among organisations that represent the interests at stake. The interesting difference between LEADER and EQUAL is that the latter encourages the creation of social capital for the enhancement of social inclusion and equality of opportunities, rather than concentrating on economic development objectives.

The French "pays" provide an interesting example of a national government's initiative, aiming to promote rural development by supporting and increasing the existing social capital. Created by legislation in 1999, the "pays" roughly have the same logic as that underlying the LEADER programme, aiming to stimulate a bottom-up approach to rural development.. However, while LEADER groups triy to develop multiple extra-territorial connections, thus emphasising the bridging aspects of social capital, the "pays" are based on the strength of community ties within a territory. These territories do not necessarily coincide with existing administrative boundaries, but their new institutional boundaries are defined to form a homogeneous unit in geographical, economic, social and cultural terms. A development strategy is then constructed to fit the resources of the area, called a "territorial charter", which reflects the local actors' commitment to making it work. This document is coupled with a convention of the local communities, which enables coordination of the local actors' intentions. The charter with the attached convention act as a recognition of the collective will of the local actors, a kind of "moral agreement" to support the development strategy fro the "pays".

The global level

Interest-based networks, partnerships and virtual communities. At transnational level, European projects funded by the European Commission directly or by other funding structures linked to the EC, provide ample opportunities for building interest-based partnerships and networks, generating social capital at European level. Of course, not all these partnerships are successful to such an end. To achieve social capital, the transnational "community" should have the qualities that were underlined in Chapter 1: should create bonds and trust and should respond to a need to share resources. Such a community should continue to exist after the end of the project, to generate European social capital. The Euracademy Association is a good example of a project partnership that evolved to an independent transnational community generating European social capital.

Interest–based communities are often created in response or in reaction to policies that relate directly or indirectly to the interests of a group, the members of which share common aims and concerns. Environmental groups are an example. In the island of Zakynthos, in Greece, the home of the rare careta-careta sea turtle, the closure of the government agency for the protection of careta-careta was followed by the spontaneous creation of a group of volunteers, locally and internationally, who offered help and undertook action for the protection of this rare species.

The creation of eco-labels for eco-tourism or protected areas is another example. Such labels are voluntarily adopted by businesses which have high environmental protection values and are usually introduced by voluntary associations (such as the Pan Parks or the Swedish Ecotourism Association, or the Greek Travel Agents consortium-see Case Study 4.3.). The shared interest in nature and its protection forms the basis for the creation of social capital that finds expression in the adoption of the common label. Government policies may support such efforts by recognising officially these labels (e.g. in Sweden).

Gender provides also often the basis for the formation of gender-based social capital on top of other forms of social capital that may be based on professional or other interest. Women's cooperatives and women's business networks have played a major role in the revitalisation of rural areas (see case study). As shown in thematic Guide I, women in remote communities or island communities have in many cases created substantial social capital through their co-operation and collaboration, and managed to develop several forms of rural tourism which helped to sustain or even improve the economic conditions of their communities. The role of EU funding through policies of rural revitalisation (through the LEADER programme or the Community Support Framework) has been substantial, mostly by providing the knowhow and some economic incentives for the women to start their cooperation. In the case of the Hojdarna women's business network (Case Study 4.5.), the local authority helped substantially the network to develop by providing financial support for setting it up and then for maintaining and servicing its coordinating activities. However, the network would not have survived for over 10 years, without the commitment of its members and substantial voluntary work offered by its leaders, on top of the business benefits it affords.

Virtual networks are becoming widespread, forming on the basis of all types of interests, cultural, political, economic, social. However, such networks have been questioned as to whether they create social capital, or represent ephemeral associations without the basic ingredients of social capital, notably trust. Is technology

making it easier to build trust, especially in societies enjoying few trust-related resources, or is it a hopeless case running against the current of history? The internet is one of the strongest institutions of our times and its role in creating and sustaining networks cannot be underestimated. ICT has played a very important role in the consolidation of transnational partnerships and business communities. Virtual communities however that lack entirely the human contact, remain to be proved as generators of social capital.

Innovation, high technology and social capital. The linkages between social capital and high technology development have been also discussed widely. The Silicon Valley is put forward as an example of how social networks empower high technology market movements (Saxenian 1994) and a similar example is provided by the industrial districts of northern Italy (Pyke et al 1990). National policies for high technology development, including the creation and support of high technology parks and districts provide the cradle for these networks to form.

It is also widely accepted within the EU that innovation is fundamental to long term growth. Research conducted in the UK (Cooke and Clifton, 2002) showed that government programmes promoting collaboration among SMEs with the objective of improving their capacity to innovate, were based at policies aiming to increase social capital by supporting networking. As Cooke and Clifton state: *"innovation enhances SME competitiveness, networks are repositories of innovation; knowledge for SMEs and synergetic social capital can be employed by public policies to stimulate linkage".* Research in Denmark, Ireland and Wales showed that policies that supported the formation of social capital through networking activities, with the objective of improving SME performance and innovation capacities, produced significant results (Ionescu, 2002).

Issues raised

➢ The method of intervention by institutions and policies is crucial for the encouragement of social capital: often it is top down. As Paldam and Svendsen (2000) write: "*governments and international organisations area third parties. They may aim at increasing social capital but their interference might do more harm than good to social capital*". Policies should take into account the self-enforcing and bottom up dimensions that are characteristic of social capital.

➢ Transparency is a necessary quality of the institutions when they apply policies targeting the creation of social capital; trust between the supporting institution and the "community" is as necessary as trust between the members of the community. In southern Europe and in the new member states, for example, we have phenomena of mistrust towards public institutions and governments, due to corruption and non-transparent processes, which destroy the basis for the generation of social capital and its utilisation for social or economic purposes.

➢ Bureaucracy is also a negative factor that inhibits institutions to come close to potential "communities" and to create vertical relationships that form the foundations of "linking" social capital. Lack of trust towards the bureaucracy and the reinforcement of a top down approach linked with bureaucratic organisations diminish the effort for social capital formation.

➢ The role of ICT is important for sustaining interest-based communities beyond the local level. The question between trust-building efforts and the transition to the information society is an important one.

➢ There is a danger of institutionalisation of the social capital through the institutionalisation of the community that generates it. Several examples of rural cooperatives that have become institutions in themselves, distancing their targets from those of social capital, demonstrate this (case study).

➢ Social capital in rural areas is a vital source for social development and inclusion, not only for economic development. In remote and sparsely populated areas, where resources are scarce and services expensive, social capital may create resources for child care, or care of the elderly and the disabled. Policies that allow the funding of the premises and the operational costs of such services, have in many cases encouraged the involvement of volunteers. Examples (Portugal) of the transfer of social care services by public providers to local NGOs run by users or their families, show ways of consolidating social capital, although with a substantial risk of institutionalising it.

➢ Training for encouraging of social capital forms sometimes part of policies for the development of networks at national and EU level. The EU run for a number of years in the 1990s such a programme, aiming to train local leaders on how to generate social capital. Dissemination of best practice and exchange of experience among local or interest-based communities should be part of lifelong learning for local development managers and other leaders in rural areas.

Questions arising from chapter 6, for your to reflect on and discuss during the Summer Academy:

1. In you country, how would you describe the character of the government, e.g. in relation to centralist attitudes, complexity of structure, or openness to partnership with the people ?

2. Does your country have a coherent structure for facilitating cooperation and partnership between government, people and other actors ?

3. In a specific sub-region of your choice, who would be the essential – and who the desirable – partners in a cooperative process of rural development ?

4. Can you think of any national policies in your country that promote the formation of social capital?

5. Are there any successful policies at regional or sub-regional level in your country that invest in the accumulation of social capital to achieve rural development?

6. Do you participate in any virtual networks? What are the benefits from such participation for you?

7. Do you participate in any interest-based networks, that extent beyond your territory? Ha any level of government (regional, national, European) facilitated such networks?

Note down other issues that you may wish to raise at the Summer Academy

Case study 6.1.

Localising Sustainable Development trough the Development Programme of the United Nations

This case is a short summary of how two sub-regional projects of the United Nations Development Programme (UNDP) try to enhance Sustainable Development at local level in the Central and Eastern European Countries. Namely, working closely with local stakeholders the projects have assisted in strengthening local capacities to plan and implement economic development activities through strategic planning, research and training.[1]

The projects start from the idea that strong decentralised governance systems are critical for fostering sustainable development at regional level. If done correctly, decentralisation can promote more accountable and representative local government, facilitate civil society participation in decision-making and better match public services with local needs. Community capacity building, necessary to make decentralisation work at provincial, district and community levels, is also essential for sustainable development.

Based on expertise developed and experience gained in Central Europe and the Baltic States (especially Poland, Slovakia, Estonia and Lithuania), a pilot methodology for preparation and implementation of local sustainable development strategies has been developed by UNDP and is described in a publication called "How to Make Local Development Work: Selected Practices for Europe and the CIS". This publication sets out a modular approach to local development, on the basis of the Central European and Baltic experience. Five modules and the linkages among them are presented as the key areas important for local sustainable development:

➢ Socio-economic assessment and social mobilisation;

➢ Creating economic development incubators;

➢ Assessing and developing local-level public management capacity;

➢ Developing human capital; and

➢ Conducting environmental impact assessments.

It is important to use this experience and expertise to foster the development of participatory approaches in local development, in particular for the states of the South-eastern Europe and Eastern and Southern CIS (Commonwealth of Independent States). At the same time further support is required to better anchor the ongoing process of creating participatory approaches to local development in the region, in particular to develop enabling policies at national level. In view of

this, UNDP has introduced the following two sub-regional projects:

➢ "Creating the Conditions for Building and Implementing Sustainable Development Strategies at Local Level for Eastern and Southern CIS " cost-share by the Dutch MATRA programme and UNDP; and

➢ "Sustainable Local Development Strategies for South-eastern Europe" fully financed by the Ministry of Foreign Affairs of Norway.

The projects support local governments in formulating and implementing local development strategies. They assist in creating favourable policy and legal frameworks and other preconditions for successful local development. The target sub-region of the MATRA project is the Eastern and Southern CIS: Kaliningrad, Belarus and Ukraine. The Norwegian project is focused on the South-eastern European countries: Albania, Croatia, Bosnia and Herzegovina, Serbia and Montenegro including Kosovo and Macedonia. As far as the South-eastern Europe, the methodology for this sub-region is complemented with expertise from Romania, Bulgaria and Turkey. This is achieved by applying the following methodology to the two different sub-regions:

1. Local situation assessments are made with the aim to create a close partnership with the local government, local entrepreneurs and non-profit organisations in order to prepare the most realistic economic, social and cultural analysis possible. The results of this work are not treated as final and are referred to as "first findings", in order to allow local partners to modify the scope and possibly to check data. The purpose is to provide material for creative debate and joint analysis during the workshops organised.

2. Series of sub-regional training seminars are organised in each country, with the goals of:

➢ Strengthening the capacity of local and central government officials, NGO representatives, and other local stakeholders to create the enabling environments needed for successful decentralisation;

➢ Formulating and beginning the implementation of sustainable, effective local development strategies;

➢ Doing so on the basis of best practices developed in the Central European and Baltic states.

3. Advocacy workshops are organised in each sub-region for senior decision makers from various ministries, such as Economy, Finance and Environment (and from public administration reform units). Their focus is on identifying key preconditions for successful local development strategies, particularly in terms of fostering SMEs and micro-finance systems, fiscal decentralisation, and local administrative capacity development.

4. Cross-national teams of experts from countries where best practices have been identified (Poland,

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[1] Working under a mandate issued by the UN Secretary-General, The Regional Bureau for Europe and the Commonwealth of Independent States (RBEC) began the process of establishing offices and programmes in the Commonwealth of Independent States (CIS) states in 1992. Today, there are 30 programme countries in the RBEC region and UNDP country offices in 23 of them: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Serbia and Montenegro, Republic of Macedonia, Moldova, Poland, Romania, Russian Federation, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan; and the Programme Office in Kosovo.

Slovakia, Lithuania, Estonia, Romania, Bulgaria, Turkey) are formed to test the modular approach and to support local development initiatives. After the initial situation assessments, the cross-national teams, using the methodology set forth in the aforementioned UN publication, in order to prepare customised, practical programmes for local development in these areas. The teams supervise the action plans for implementing pilot initiatives selected.

5. The final project product in each community is the final sustainable development strategy, which includes the following:

1. Situation Assessment
2. Missions, visions and development directions
3. Pyramid of objectives
4. Action plan
5. Elements of the management strategy, including updating

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Partners in transnational project meetings exchange ideas and plan project activities

Case study 6.2.

The coordination programme for innovation and networking through ICT in Mancomunidad Camp de Turia, Spain

Camp de Turia's region is a typical rural area, acting as a "transition corridor" between the neighbouring L 'Horta region, where the regional capital is situated, and the less dense interior. The dominant sector is agriculture, while industry is also fast developing due to the proximity to the regional capital; the services sector is under-developed.

This is the reason why 22 key-actors of local development, the Regional Department of Economic Promotion of Municipalities and the Local Leader+ Group came together to promote services which are facilitated by the advent of ICT. The project was funded and supported by the Valencian Federation of Municipalities and Provinces (FVMP) and the Valencian Employment Service (SERVEF), which are promoting joint projects between municipal authorities in order to use telematic services for exchanging information on good practices and share resources. The duration of the project is two years and the budget 26.000 Euros.

Members of the network of local actors created

The main objectives of the project are:

➢ to develop a common vision of the area's future,

➢ to jointly design and harmonize all agencies' performances,

➢ to promote cooperation and exchange of information, know-how, best practices, experience and methodologies for local development,

➢ to stimulate common projects.

To achieve the above aims the project had created the "Net Agencies for Local Development", which feature an intranet communication tool between the local development agents participating in the project.

The coordination team

This tool offers a variety of telematic services including a distance learning programme on rural development, information on employment, on-line communication etc. There is a Coordinating unit formed by technical staff of the FVMP, SERVEF and the municipalities which offers advice and support on the use of the Intranet tool and which is responsible for planning and diffusing the project activities, identifying the services in shortage and in need by the local key actors, promoting joint activities such as seminars and networking with other associations at national and European level.

Local development agents, like the municipality technical staff, before the project was implemented used to work separately and with a narrow scope, thus failing to take into account an integrated territorial approach for the region and to gain the benefits accrued to networking. Now, even though it is early to evaluate the project's impact, there seems that a more effective, multi-level and transversal cooperation among municipalities, various departments (i.e. employment, urban planning, environmental and social policies) and administrative levels has been promoted through a combination of a top-down and bottom-up approach.

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Case study 6.3.

Euracademy Association – the European Academy for Sustainable Rural Development

The Euracademy Association is a European status, non-profit membership organisation which was created by a multi-national, inter-disciplinary team of university teachers, researchers and consultants of rural development, who have worked together for three years between 2000-2003 in the EC (Leonardo)-funded Euracademy project. The project's central aim was to promote in a real, practical and substantial way the sustainable development processes in rural areas; to achieve this, the partners have developed and piloted with great success two educational packages, including a mix of different "learning resources" made available to the learner, such as Summer Academies, practical work and networking, distance learning courses and publications.

The Association aims to promote capacity building in rural areas and mobilise animators and managers of rural development by offering them the opportunity to improve their skills, widen their experience, expand their professional qualifications, starting a personal itinerary of lifelong learning and providing ample space for networking and cooperation in the framework of European projects. To this effect, the Euracademy Association gives particular emphasis on human capital as a driver for rural development; on widening its membership in order to build a strong network of both the providers and "clients" of rural capacity building services and products; and on undertaking research and studies on sustainable rural development issues with a view of building up a body of knowledge on this theme.

During the last 2 years, Euracademy (i.e. both the project and the Association) has successfully organised three capacity building packages for managers and animators of rural development on the following themes:

➢ Developing Sustainable Rural Tourism,

➢ Information Society and Sustainable Rural Development, and

➢ Diversification of Rural Economies and Sustainable Rural Development in the Enlarged Europe.

These training packages included the delivery of three Summer Academies, in Sweden, Greece and Poland, as well as two distance learning courses, administered through the www.euracademy.org website; the publication of two illustrated thematic guides (manuals) on the first two themes; and the organisation of an international conference in Hungary on capacity building for rural development. 400 participants benefited from the above activities, coming from over 20 European countries. The 4th training package is currently being organised by Euracademy Association jointly with the Seinajoki Institute for Rural Research and Training (extra-funded by the Finish Ministry of Agriculture), on the theme of "Social Capital as a resource for Sustainable Rural Development". Other new activities include the publication of the 3rd and 4th Thematic Guides, to enrich the Euracademy Thematic Guide Series; the design and holding of distance learning courses on the 3rd and 4th themes; and the implementation of two EC (Leonardo)-funded projects seeking, the first, to adapt and transfer the first two training packages in the national accreditation systems of three European countries (i.e. UK, Norway and Romania), and the second, to validate and certify skills and competences, common in rural areas across Europe and acquired through one's professional life.

The Association members enjoy priority participation in the activities organised by the Association at reduced prices and have full access free of charge, through a personal code, to the electronic material published on the Association's website, including outlines of new educational or research projects initiated by the Association; and information on funding opportunities, events, publications, projects, training opportunities and regulations introduced at European Union level. They are also invited to participate in current or future activities of the Association as lecturers, tutors, researchers, consultants or partners in organising events and activities in rural areas. Members also receive support to create networks with others sharing similar interests and activities. The Association now counts a wide network of individual and corporate members, who act as a substantial pool of ideas, enthusiasm and initiatives related to the promotion of the sustainable development prospects of rural areas across Europe.

Ex Euracademy project partners were brought together with other participants to the project activities to implement new ideas for keeping the project's legacy

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Case study 6.4.

Relationship between Municipalities and LAGs in local rural development, Finland

Municipalities and Local Action Groups (LAGs) are the two most important local rural development agents in Finland. Municipalities have the traditional responsibility of local self-government, a right safeguarded in the Finnish constitution. All municipalities have a local council, which makes decisions about local affairs. The residents of the municipality elect the council every 4 years. The council appoints the municipal board to deal with practical matters that touch on community interests. Nowadays, Finland has over 400 municipalities[2].

may bring together 2–16 municipalities. As mentioned above, one third of the LAG's board comprises municipality representatives, thus contributing in the preparation of the LAG's development plan, but they have no right to intervene on its decisions. Municipalities receive about 20% of LAG's public funding. However, there have been some problems in their cooperation, partly because of the different administrative backgrounds of the LAGs and the municipalities. These problems and the overall situation in the rural development field have raised academic inter-
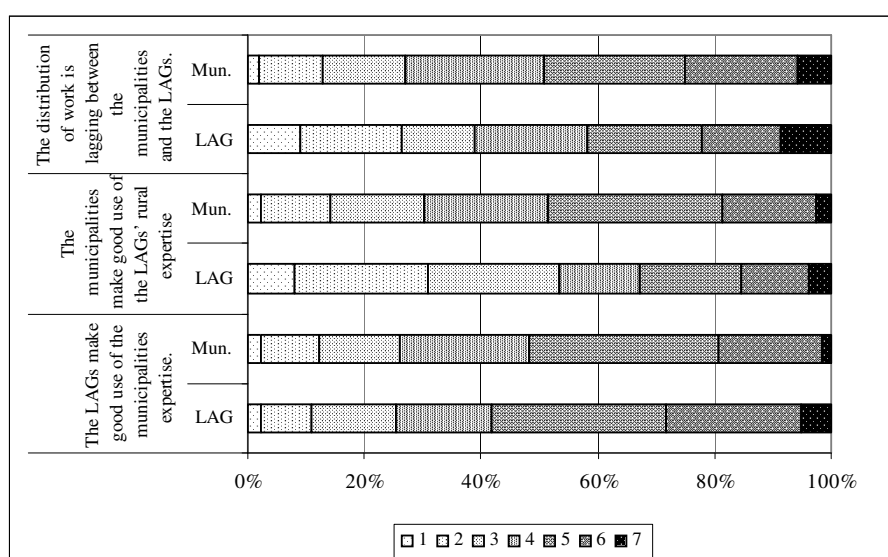

Figure: The respondents were asked to tell their opinion on the above statements in the scale of 1 to 7. 1 meaning total disagreement and 7 total agreement (municipalities n=573–577, LAGs n=407–411).

The LAGs represent a "local democracy minimum" of the EU. During the first years of Finland's EU membership there were two kinds of LAGs in Finland; European LEADER II and national POMO groups. For the current EU Programme period the LAG system has been mainstreamed to cover the whole country. At the moment there are 58 LAGs in Finland. Some of these are funded by the EU and some from national funds. However, their work is independent from the source of their funding. The LAG has a board, which consists of equal amounts of residents and representatives from local communities and municipalities. The LAG also has staff, who works on practical development tasks included in its development plan[3].

Almost all municipalities belong to one of the 58 LAGs and contribute in different ways to their work. A LAG

est. The University on Helsinki Ruralia and of Vaasa Levón institute have carried out a research project called *The Role of Municipalities and LAGs in the Making of Local Rural Policy*. The project was funded by the Rural Policy Committee and aimed to investigate the relationship between the municipalities and the LAGs. The basic idea was that both actors are needed in the Finnish countryside, but they should work in close cooperation instead of competing. Nation-wide surveys were conducted with LAG's employees and board members, municipal managers and elected officials. In total 1.998 questionnaires were posted and 1.015 were returned. In depth interviews were also conducted in five LAGs areas. The questionnaire had 61 statements/questions, 3 of which are shown in the figure below. These are selected to enlighten the relationship among municipalities and LAGs from the social capital point of view, namely cooperation in networks that can or cannot share norms, values and understanding.

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[2] Further information:
http://www.kunnat.net/k_etusivu.asp?path=1;161;279
(printed: 23rd of March 2005)
[3] Further information: http://www.maaseutuplus.net/localactiongroups/
(printed: 23rd of March 2005)

The medians of both respondents groups with respect to the 1st statement are at four, showing a neutral attitude. However, LAGs' respondents tended to give "stronger" opinions either good or bad in the scale (i.e. 1 and 7) than the municipality respondents. One fourth of municipality respondents think that there is a clear distribution of work between the two actors. Overall, it is clear they both suggested that distribution of work must be better defined. The 2nd and 3rd statements reflect the use of expertise of the other organisation, which can be seen as a sign of networking and cooperation. The medians of the respondents groups with respect to the 2nd statement vary (municipalities 4 and LAGs 3). 53,3% of LAGs respondents disagree and 48,7% of the municipality respondents agree with the statement. The municipality respondents feel more strongly about municipalities making good use of the LAGs' rural expertise. However, LAG respondents felt that the municipalities do not make good use of their expertise. Regarding the 3rd statement the median of both respondent groups is at five, showing that both groups agree that municipality's expertise are not efficiently used. About one fourth of the respondents of both groups disagree with this. This research highlighted that both municipality and LAGs staff can gain from a clearer and more effective distribution of their work; and that there are barriers in using each others expertise that must be overcome in order to enhance the social capital.

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Case study 6.5.
Creating networks and social capital through training: two examples from Finland

University of Helsinki, Institute for Rural research and Training, Mikkeli Unit provides two comprehensive training courses for rural developers, stemming from the need of new type or training and education for professionals. The courses, apart from enhancing learning opportunities on the versatile substance of rural development, also promote the creation and maintenance of networks between the different actors in the rural development. This way the courses contribute to strengthening the social capital amongst professional rural developers and within their spheres of influence.

Rural Studies is a multidisciplinary Master´s Programme for graduate students provided by a university network of nine Finnish universities, established in 2002 and based on a contract between the universities. Mikkeli Unit coordinates the consortium. The Programme was established as a response to the growing demand for knowledge and skills on rural development at university level. It offers students specialised knowledge and understanding on rural change, development policies and practises. The students are trained to work as researchers, rural developers and experts in rural policy. The way this programme is planned and implemented conceptualises the idea of network in a genuine way, as it is ubiquitous and cannot be owned or claimed by none of the participants exclusively. The results and resources are evenly spread throughout the network, and no member can benefit or piggyback on other members. While studying in the network, the students still remain in their own universities, where they also take their master's degrees.

The university network itself and its history is an indication of social capital in operation between people who are committed, willing and able to accomplish something they consider important. A group of people who wished to promote the status and increase the number of higher level education programmes in rural issues set as their goal the development of a study programme realised through co-operation between the 9 universities. Pursuing the programme's success meant that each person kept his/her side of the bargain, and with like-mindedness and engagement the common goal was attained. The human resources operating in the *Rural Studies network* consist of students, teachers, the network board and the administrative staff of the member universities. The social capital evolves and is built on the interaction between these actors. There are also people outside the university system who are important in building social capital within the network, namely people who work in different institutions involved with rural development, research and policy.

One important objective of the programme is to have the students into contact with people living in rural areas, and that is why part of the teaching is takes part in the countryside, away from the university lecture halls and virtual realities. Emphasis is also put on bringing students into contact with people working in rural development, rural research and rural policy and with existing networks in these fields. They come to learn the reality and every-day life of working with rural issues from both ends, i.e. bottom and top. The aim is that the students become familiar with the multiple meanings and experiences of questions and issues related to rural life. Hence, when they enter the job market they have a strong knowledge and skills basis to stand on.

Moreover, given that an important aspect of social capital is the belief that investment in social capital today brings returns tomorrow, the network offers students the opportunity to tie important bonds already from their student days. Their peer-students will be their future colleagues when they work in rural development, rural research or rural policy issues. The network also wants to lay ways for the students to the job market by identifying potential employers and inviting them in the Rural Studies network. The employers are an important source of information on the kind of knowledge and skills needed in the present and the future job market, and this information guides the on-going development of the Rural Studies programme. This way, relevance of the education offered to the job market needs is assured.

ALUKE is a continuous education training programme aiming to support a network of regional developers and to reach out people already working in the field of regional development. The course, which will take place for the first time in 2005–2006, will last just over a year and will have 25 participants, including employees and board members of local action groups and representatives of related training organisations.

ALUKE was born following recognition that:

➢ more attention than ever is being paid to regional policy and regional development in the global society,
➢ the problems attached to regional development are multifarious,
➢ there is a call for broad-based, dynamic expertise and problem-solving skills, but many organisations have limited resources in relation to the volume and importance of the work involved. This led to a situation where there has often been little time for learning and reflection amidst all the hurry (see Interim Evaluation of the Finnish LEADER+ programme, 2003) and there is also a danger that cooperation and exchange of views between regional development organisations will remain too narrow in scope.

The aims of the training programme are: to provide people already engaged in practical work with a clearer overall picture of the complexity of regional development and its background, showing various methods and debating future prospects in Finland and elsewhere in the EU; and to build students' ca-

pacity for developing their professional expertise in the principal content areas of regional development and regional policy, so that they will be able to make use of their skills in their own work.

The training provided is designed to support the emergence of trustworthy, self-steering rural development networks. A significant role will be played in this by mentors who are able to contribute experiences of their own and provide students with opportunities to attach themselves to networks formed by people trained in similar fields before. This will encourage cooperation networks between developers at different spatial levels, while the main advantages will be accrued to the localities where they work.

As the training is closely linked to the participants' own work, it should furnish the communities that they represent with the resources necessary for learning from past activities and analysing future needs. In this way the programme is designed to support organisations engaged in regional development and their employees in their efforts to carry out more successful developmental work in the future. The training combines face-to-face teaching, self-study, computer-assisted study, practical development work for the organisation where the student is employed and training related to this. Attention is paid to networking between participants and learning from each other. In between the periods of intensive study the participants will be studying on the Internet, employing a network platform as a learning and discussion environment in connection with both the study modules and the development project that they are working on.

The face-to-face teaching is planned to include lectures by experts with a wide range of experience in different aspects of regional development and will be supplemented by further reading (literature) and application of the knowledge in a working context. Although some intensive study sessions are planned to take place in the countryside with time set aside for reviewing regional development problems, the Internet networking tool will be invaluable for maintaining contacts between students during other times, as they are expected to come from different parts of the country. This way, students will be able to continue their work on resolving regional development problems in their own areas, with help from the instructors and mentors.

The students themselves are expected to possess diversified expertise, which will be exploited during the course. In this way new, productive cooperation networks is expected to emerge between the areas the students are coming from. The participants will be encouraged to build up their own body of expertise through investigative learning and working methods based on a problem-solving approach. A central place in the learning process is given to regional development questions and issues arising from the participants' own work, which will enable the combination of the investigative and critical approaches to learning.

People engaged in regional development, on either a professional or an amateur basis, are continuously faced with problems of resources, while the greatest problem is by no means always a shortage of money, but very often a shortage of time too. It is worth putting more effort into rationally organised networking that will boost mutual trust and sharing of knowledge, as this will decrease costs for all involved in the long term and prove beneficial for the regions involved in many ways.

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CHAPTER 7.

Further Reading

We offer below a reading list, which may help you to go deeper into the background of the subjects covered in this Guide.

The two earlier **Euracademy Thematic Guides** – *Developing Sustainable Rural Tourism,* 2003; and *Information Society and Sustainable Rural Development*, 2003 (both published by PRISMA Centre for Development Studies, Athens) - provide a detailed appraisal of the issues in these two fields of rural development, which overlap considerably with the theme of this new Guide. They also contain Further Reading lists. Both Guides may be accessed through the members area of the Euracademy Association website or ordered through www.euracademy.org

Websites worth visiting include those of:

➤ **EURACADEMY** – European Academy for Sustainable Rural Development at the website www.euracademy.org

➤ **ECOVAST -** European Council for the Village and Small Town www.ecovast.org

(see particularly the ECOVAST 'Strategy for Rural Europe')

➤ **PREPARE -** Pre-accession Partnership for Rural Europe www.preparenetwork.org

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