

## LOCAL NETWORKS AND TERRITORIAL CAPITAL

Ciprian Alupului<sup>1</sup>

**Résumé.** Le nouveau contexte économique et politique de la mondialisation et les crises économiques successives ont conduit à une redéfinition du rôle de l'échelon local. La coopération au niveau local à travers des réseaux offre plusieurs avantages difficiles à obtenir grâce à des stratégies individuelles appliquées. La coagulation des différents acteurs locaux peuvent être plus souvent expliquée par l'identification d'un actif situé spécifique (capital territorial) qui ne peuvent bénéficier que lorsqu'il est administré en commun. L'objectif de cet article est d'analyser la fonctionnalité des réseaux locaux configurés de sorte que qu'un capital territorial particulier soit mieux mis en valeur.

**Keywords:** *networks, territorial capital, governance*

### 1. Introduction

Development processes are affected by a series of cyclical phenomena with varying intensities that have the ability to turn theories and concepts of forms of organization and cooperation at regional level. These transformations are possible in these times due to obvious need for adjustments able to cover new solutions to identified problems. For example, globalization and the recent economic crisis can be classified as those phenomena that have been able to influence a number of territorial reconfiguration processes. Globalization with a strong feature of standardizing generated a counter-reaction of *glocalization*, which is nothing but an affirmation of global premises to demonstrate that the specificity of a particular geographic area is important. The economic crisis has affected both states and regions, regardless of size or location, but also large corporations or family businesses. Local level was perhaps the most detrimental, especially in countries that have not had the necessary resources to offset the effects of economic restructuring, relocation of production and depopulation. In this case, counter-reaction consisted in the process of redefining the role of local level that through local network is able to fill some gaps facing. The coagulation of different local actors can be most often explained by identifying a located specific asset (territorial capital) that can benefit only when administered in common.

Analysis and evaluation of cooperation at horizontal level for the administrative units involved in land development projects can lead to a better understanding of factors that may motivate such decisions. The theme is closely related to the feasibility of suggested solutions for effective communication in order to formulate long term development, a culture of partnership, the constructive cooperation between public and private actors from a set of features of a given territory. The topic is important in the context of discussions on stimulating responsible participation of citizens in decision-making of regional and local,

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<sup>1</sup> “Al. I. Cuza” University of Iasi, Faculty of Geography and Geology, ciprian.alupului@uaic.ro

which is the foundation of effective governance, promoted at European level through territorial cohesion policy.

## **2. Networks: places and flows**

Globalization through its processes has led at some point to a reduction of the local level relevance in the context of an expanding economy and media development. Distances no longer have the same impact on human activity and the temptation to act globally has become the main threat of those economies still not adapted to new realities. However, as an antinomic reaction to this process of levelling, we are witnessing a grouping of local level, willing to play a more representative role, at least economically. This *neo-localism* is a voluntary and deliberately process, relying on the preservation of the main features without avoiding interaction with other areas (Strassoldo, 1992, 47). This brings a new perspective on the local level, which often is seen as being unable to hold a relevant position in the economic field and limited power to impose decisions taken at national level.

The apparent minimal role may also be caused by apparent lack of human and financial resources, these usually concentrating in large cities. For this reason, we are witnessing a process of regrouping in the form of regional networks aimed at development from some elements mutually recognized by those involved. Enhancement of these *assets* can be made by through means of associative groups that have the great advantage of ensuring a better funding, more efficient organization and better representation of local interests.

According to the new realities, a potential competitive advantage of a region can no longer be considered an element of a development process, if that space remains isolated. The key seems to be the ability to connect to different local networks, to develop a series of relationships. Once configured, these networks do not remain inert, but vary continuously looking for suitable moments. Network society - a concept promoted by Castells (1996) implies a new type of organization based more on transparency, participation, combined with a minimization of the role of bureaucracy. Beyond the much-needed efficiency, the emphasis also comes on what matters, what is important for every member of society.

The concept of network with wide applicability in technical fields (chemistry, computer science, physics, biology, etc.) was successfully taken by the social sciences in order to represent how individuals interact. Sprenger (2001), based on the finding that today everything is connected in different ways, defines the network as *a process in which several participants or groups of participants are involved who work towards a common goal on the basis of a common conviction or vision. This process is not, as a rule, based on formal contracts, but is founded on trust, partnership and the conviction that all those concerned profit from it.* For territorial development policies, network concept implies the existence of some form of joint ventures or partnerships between a variety of actors who may include representatives of administrative units, from the business environment or civil society members. The purpose of these associations is to develop a certain area where all involved people to benefit, given that parties have sufficient resources to act individually. The decision to implement such a network can be determined by many factors: competence lacking in the existing institutions, requirements regarding the new partners, the missing of the local funds and resources, the increasing of the importance of soft factors for localization (Radu, 2007). However, most times, the main factor motivating the acceptance process through a network of cooperation is the location of actors in a geographic area that has a certain specific. This can be defined as a specific territorial capital, for that it reveals some benefit that can be transformed after in the main development factor of a territory.

### 3. The locus of territorial capital

The main feature of "territorial capital" is to determine, by comparison to another area, a singularity that can define the kind of added value necessary in the coagulation of a development strategy. Each region has a specific territorial capital which is distinct and generates more revenue for certain types of investments than others. *Territorial capital refers to the stock of assets which form the basis for endogenous development in each city and region, as well as to the institutions, modes of decision-making and professional skills to make best use of those assets* (OECD, 2001). Factors that determine such territorial capital can be: geographical location, size, climate, traditions, natural resources, quality of life, but may include the existence of infrastructure and industrial parks as favourable elements of economic activities. This will interact with the institutions, practices, rules and research centers that will make possible creativity and innovation. Territorial capital can be a material (tangible) one, but equally can be an immaterial / informal / intangible (social capital, human capital) one (see Figure 1).

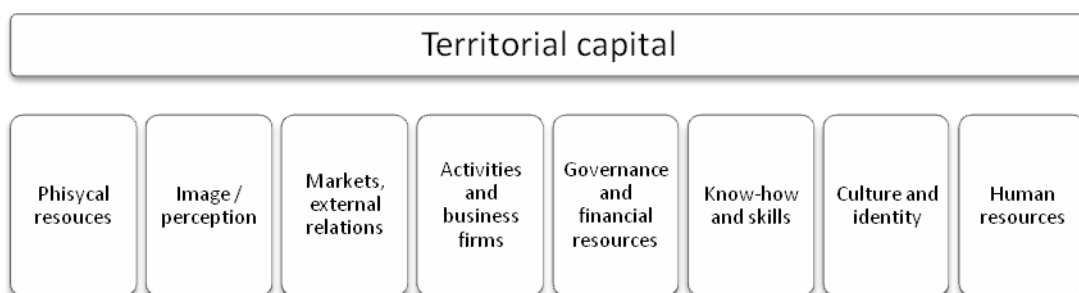
Table 1: A theoretical taxonomy of the components of territorial capital (Camagni, 2008)

	<b>Tangible goods</b> (hard)	<b>Mixed goods</b> (hard + soft)	<b>Intangible goods</b> (soft)
<b>Public goods</b>	Natural and cultural resources-  Social overhead capital: - infrastructure	Agencies for R&D transcoding Receptivity enhancing tools Connectivity Agglomeration and district economies	Social capital (civicness): - institutions - behavioural models, values - trust, reputation
<b>Impure public goods</b>	Proprietary networks Collective goods: - landscape - cultural heritage (private "ensembles")	Cooperation networks: - strategic alliances in R&D and knowledge - p/p partnerships in services and schemes Governance on land and cultural resources	Relational capital: - associationism - cooperation capability - collective action capability - collective competencies
<b>Private goods</b>	Private fixed capital stock Pecuniary externalities (hard) Toll goods (excludable)	Relational private services operating on: - external linkages for firms - transfer of R&D results University spin-offs	Human capital: - entrepreneurship - creativity - private know-how Pecuniary externalities (soft)

Importance of territorial capital has become more obvious with increasing importance given to the location, as an area of expression for a certain type of identity cannot be ignored. For example, some buyers use during the purchase of consumer products a number of justifications that are based on subjective factors (origin, brand history, ingredients). In turn, producers are more interested in the geographical aspects that can lead to an increase of profit. On the basis of economic calculation an important role is played by the identification of that territory which may provide certain infrastructure, a specific type of specialization, a natural resource.

Kunzmann (2009), in a study dedicated to medium sized towns situated in the South Baltic Arc, identifies a number of intangible characteristics that can be classified as territorial

capital: cultural traditions and local identity (history behind Community local spirit); tacit knowledge of the community (skills / crafts passed down from generation to generation); loyalty of local entrepreneurs, easy and informal dialogue between citizens and administration, entrepreneurial creativity, a good relationship between urban and rural neighbourhood, informal networks that provide connections with international environment. As for natural resources, these are among the defining features of a particular place, and are the result of a context that cannot be artificially assumed. In the methodology proposed by Leader program (1995) for analysing the territorial capital are taken into account eight components (key points): natural resources and their management (natural resources, historic and infrastructure), culture and territorial identity (values, interests, attitudes), human resources, know-how and skills (specific skills), institutional relations and administrative capacity at local level (governance, fiscal resources), economic activity (concentration and typology), and relations with the outside market, the perception of that territory (internal and external).



*Figure 1: Key point of territorial capital*

All these elements will vary from case to case, without necessarily being any proportion to guarantee the success of development strategies. In trying to assess the potential of a given territory will certainly also occurs the subjectivity of those involved in the analysis.

#### **4. From EU to local governance – strategies in territorial development.**

Each state is concerned, at least in theory, in economic and social welfare of all citizens, regardless their location. Differences in the degree of development can be often found within each country. These disparities are often caused by statistical measurements. The solution adopted for these problems consists of implementing strategies and policies to increase cohesion, to reduce economic disparities or rather to standardize the values of certain indicators accepted as favourable environments for social justice. These macro-strategies often aimed at intervention at infrastructure level, tax policies and benefits provided to investors to locate in a particular region. There are sufficient examples in Europe<sup>2</sup> which show that most of these measures have adverse effects for the concerned regions but also for the neighbourhood. When tax benefits were stopped or reduced, most investors have left the investment in search of other places that favoured an increase in profit. The neighbourhood has suffered from these policies focused on a particular region through the force of attraction of human capital and services.

<sup>2</sup> More than relevant is the example of Ciudad Real airport in Spain, a public investment of 500,000,000 euros which is not currently used, because of the crisis and the improper location.

An alternative to these macro-strategies are those policies that encourage specialization of regions. Naturally, this process cannot start from scratch, requiring a series of tests that can determine the existence of an advantage that can ensure long-term competitiveness. It may be related to physical factors that characterize a given territory (location, resources) or it can be connected to a series of rather subjective characteristics (traditions).

In this context it is necessary for territorial development policies to mainly help the areas taken into account first, to develop their own territorial capital (European Commission, 2006). One of the main objectives of the EU, faced with large economic disparities between regions, is to promote a strengthening of local and regional partnerships as a factor favouring the implementation of projects with a strong territorial impact and an improvement in the level of cohesion. Applicable territorial development policies at various levels have become key points on the European agenda and by adopting the concept of territorial governance at official level European officials tried to prove that “territory matters” in EU strategies. EU cohesion policy along with other policy packages for rural development, sustainable development, have a major impact on the development of regional networks. In this context they were defined six priorities for strengthening territorial capital and to promote territorial integration (European Commission, 2006).

1. Promoting a Territorial Policy for Metropolitan Regions, Cities and Other Urban Areas in a Polycentric Pattern as Motors of Europe’s Development
2. Strengthening Urban-Rural Partnerships and Ensuring a Sufficient Level of Public Services for Balanced Territorial Development
3. Promoting (Trans-)National Clusters of Competitive and Innovative Activities (by Strengthening the International Identity and Specialisation of Cities / Regions and Identifying Priorities for Cooperation and Synergies in Investments, including Cooperation on Territorial Development, Job Markets, Training, Education, R&D, Capital Risk for SME etc.)
4. Strengthening the Main Trans-European Transport, ICT and Energy Networks in View of Connecting Important Economic Poles in the EU and their Links to Secondary Networks (with Special Attention to Development Corridors, the Accessibility of Naturally or Geographically Disadvantaged Areas, Maritime Links and Connections to EU Neighbours)
5. Promoting Trans-European Technological and Natural Risk Management, Including Integrated Development of Coastal Zones, Maritime Basins, River Basins, and Mountain Areas
6. Strengthening the Main Trans-European Ecological Structures and Cultural Resources

Based on these priorities several training programs dedicated to supporting local partnerships have been implemented at EU level. LEADER is a Community initiative on rural development in 1990 co-financed by European Agricultural Fund for Rural Development - Axis 4. Leader is one of four initiatives financed by EU structural funds and is designed to help rural actors consider the long-term potential of their local region. Encouraging the implementation of integrated, high-quality and original strategies for sustainable development, it has a strong focus on partnership and networks of exchange of experience. LEADER is, like other European Commission initiatives, EQUAL for equal opportunities in employment, URBAN for urban areas in decline, or INTERREG, for cross-border cooperation - a special program that focuses on problems of rural development not covered by European Fund for Agriculture and Rural Development.

All these regional networks strongly supported at the EU are based on the principle of volunteering, and the types of cooperation may vary depending on various factors, not being any power relationship between the entities involved or some type of legal contract (Sprenger, 2001). The fact that the number of participants can vary constantly does not affect the functionality. These networks can be composed of territorial units represented by local government and the representatives of business (firms, chambers of commerce) or civil society. Each has the same rights and the decision to act is the direct result of negotiation and consensus.

There must also be taken into account the possible risks that may cause failure of such a strategy, partnership dissolution, even in advanced stage of such projects being often caused by lack of transparency among participating actors (Radu et al., 2007). Patrizia Messina (2011) identified in a study of communities in Italy four types of risks that may cause resistance of a community in association: cultural, political, organizational and economic. Cultural resistance is often determined by a conservatism shown for anything new for a community which allows for certain forms of isolation and the inadequacy to new trends. In turn, politics plays an important role in exacerbation of conflicts based on affiliation and ending with some interests more or less obscure. Cultural resistance type is more of a bureaucratic nature, determined by the presence of certain preconceptions about change and adapting to new types of action officials. Issues related to the economic component are considered to occur when a number of advantages are in threat, the association being seen more as a source of risk. All these four elements can also be embedded in the concept of *resilience* (Christopherson et al., 2010) which demonstrates that some regions with a medium development level prefer certain equilibrium.

## **Conclusions**

In most cases, writing a development strategy starts from the analysis of local resources to identify the existence of a certain type of potential. Once identified, resources are customized without taking into account a number of less tangible factors that can influence the apparent ability to implement an operational strategy. Territorial capital should also include those symbolic factors that can provide greater added value. Among these factors we may include elements difficult to operationalize given their more subjective nature (traditions, know-how, and specialized human resources).

In a globalized world with a high degree of interconnection cooperation through regional networks may be the recipe of a successful strategy for drawing a certain capital, due to the fact that it gives a series of advantages to all involved. Actors (institutional and non-governmental) have certain expectations about the benefits obtained in a certain reasonable period of time. A successful project consists precisely in finding the right balance between the resources offered by each actor and the resulting benefits. The main factor that determines a state of conflict is the reduced availability of those involved to achieve a constant state of consensus.

The functionality of these local networks is affected to a very high proportion by performance of the team designated to coordinate and represent the interests of those involved. Heterogeneity of actors and their interests can lead to the emergence of conflict situations that can be limited only by rational decisions and the involvement of charismatic leaders. Decision making process can be extremely difficult unless it is set from the beginning a set of rules accepted by all involved. During the course of such a partnership will appear countless moments where unanimity will be difficult to obtain, the only way in this case being

the acceptance of compromise. In this case the only motivating factor will not be a zero-sum game, but the certainty that each has won, and these gains are evenly distributed according to expectations, resources allocated etc.

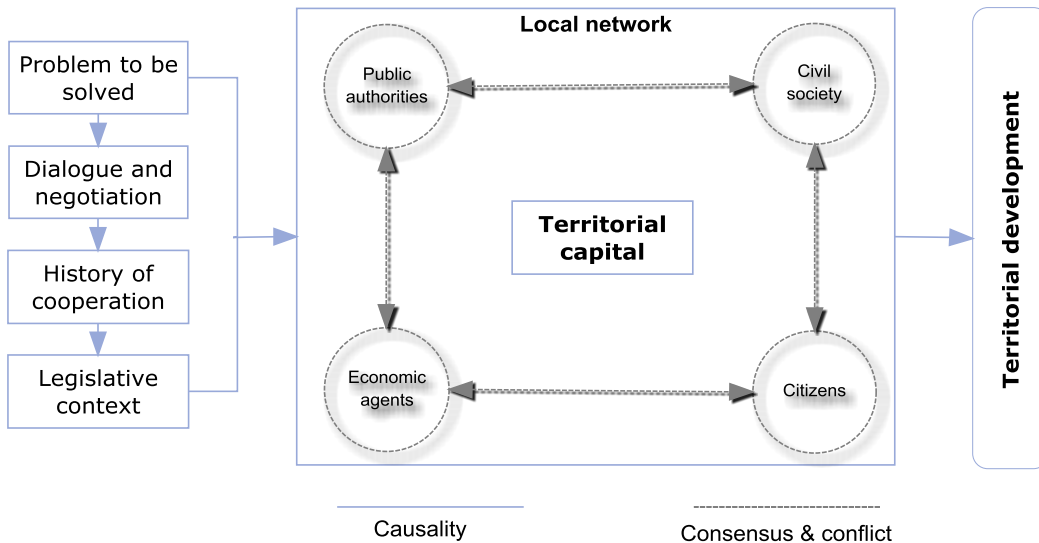


Figure 2: The functional matrix of local networks

Even if these networks locally built seem to be rather temporary structures particularly fragile, gains made for each part cannot be ignored. In a world dominated by competition rules, willingness to cooperate may be that competitive advantage that can ensure the value of a local specific.

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