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A Network Approach to Baltic Rural Development: A Discussion of the Relational Assets as Local Factors for Development?

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Interim Report

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**A network approach to Baltic rural development – A discussion
of the relational assets as local factors for development?**

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Abstract

New ideas suggest that a distinctive feature for successful rural development includes a high degree of mobilisation and organisation of local actors and institutions. These relationships are referred to as an area's "relational assets" and are argued to be central local factors for rural development since they draw on social properties of networks made up of local institutions, economic agents and rural residents. This paper explores "relational assets" as a local factor for rural development. It seeks to capture differing meanings and perceptions of the "relational assets" and their relevance and perspectives for the Baltic countryside. The paper is an initial discussion on whether networks and relational assets are meaningful notions in Baltic rural development work. What are the assets, how can they be assessed and what challenges does a post-socialist setting pose?

About the Author

Lise Herslund is from the Institute of Geography in Copenhagen. She is currently writing a Ph.D on rural development in the three Baltic States of Estonia, Latvia and Lithuania. The Ph.D-project studies the problems and possibilities for diversification of the rural economy and the promotion of non-agricultural activities. The thesis is a cooperation work between the Institute of Geography, the Danish Forest & Landscape Research Institute and the Centre for Regional and Tourism Research.

This paper was written while Lise Herslund participated in IIASA's Young Scientists Summer Program (YSSP).

A network approach to Baltic rural development – A discussion of the relational assets as local factors for development?

Lise Herslund

Chapter 1 Introduction - Relational assets as a local factor for development

The rural areas in the Baltic States have experienced a dramatic change in agricultural practices and in the level of rural social standards and services since the dissolution of the Soviet Union. The question is how to improve the situation. The potential for rural development is often assessed along a formal scoring on a host of local factors. Traditionally these were the more traditional “factors of production” of land and capital. As the rural areas have become more diversified local economies, the regional development models have increased in complexity and so have the number of factors and variables for development. More specialized indexes have been developed to assess competitiveness and fragility of rural regions pointing at a wide range of variables. Performance indicators like migration rate and change in GDP are combined with more structural measures like population density, housing quality, education level and the sectoral distribution of the local economy.

The Baltic countryside scores considerably below the EU average on all factors and qualifies as a fragile rural area. Previously according to regional development theory, if an area was lagging behind in development, state agencies could provide transfers of money to improve the local conditions by building roads and modernizing agriculture. However, it has become widely recognized that areas with the same resources and local factors can develop very differently. New ideas suggest that a distinctive feature of successful rural areas include a high degree of mobilisation and organisation of local actors and institutions. A study on employment creation in rural areas (RUREMPLO)¹, - a statistical analysis of socio-economic indicators in 465 regions in the EU, showed that leading and lagging rural regions² hardly showed any differences for quite a number of the socio-economic factors like participation rate, education level and sectoral structure of employment. The positive performance in creating rural employment resulted from specific territorial dynamics that according to many rural researchers are not properly understood, but included characteristics such as regional identity and entrepreneurial climate, public and private networks. Thus, the overall finding was that the networks and relationships between local actors were an essential and decisive factor. These

¹ RUREMPLO is the acronym for the EU project “Agriculture and employment in rural regions of the EU” conducted by researchers in 9 EU member states in the years 1997-1999.

² Leading rural regions and lagging rural regions are classified according to the performance of non-agricultural employment growth in the 1980s and early 1990s. A region is considered to be leading when the growth rate of non-agricultural employment was 0.5 percent point above the national growth rate. On the other hand a region is considered to be lagging when the growth rate of non-agricultural employment was 0.25 percent point below the national growth rate (Eeposti et al., 1999).

relationships are referred to as an area's "relational assets". This paper explores "relational assets" as a local factor for rural development. It seeks to capture differing meanings and perceptions of the "relational assets".

The motivation for writing this paper is an earlier field study I conducted on local agricultural change and nature conservation in a rural area in Lithuania. This study gave an idea about the importance of local links and relationships in the development of the Baltic countryside. Due to lack of communication and coordination between local institutions and the public, a development project on environmentally friendly agriculture failed to reach the farming community for whom it was intended.

The paper will first give an outline on concepts that deal with the importance of local social relationships in the development of regions. Inspiration comes from concepts and ideas found in industrial districts, clusters and business networks and social capital (e.g. Putnam, 1993; Coleman, 1988; Amin & Thrift, 1995). Secondly, their relevance and application in the Baltic countryside are discussed. An example of relational assets in the Baltic countryside is given from the field study in Lithuania. My aim is to provide an account of main points and features of these concepts and their relevance and perspectives for development in the Baltic countryside. This is an initial and exploratory discussion on whether networks and "relational assets" are meaningful notions in rural development work in the Baltic States³. What are the "relational assets", how can they be assessed and what challenges does the Baltic setting pose?

Chapter 2 Concepts on networks and relational assets

Regional development theory stresses that circumstances in the general economy now favor "clusters" and "districts"(e.g. Cooke, 1998; Castells, 1996). The term industrial cluster, generally associated with the work of Porter (1990), suggests that clusters develop best within a network of firms in related and supporting industries. This is not a new idea. Marshall (1920) pointed out that the cost advantage of locating close to upstream and downstream firms could lead to the development of a "Marshallian District" populated by firms tied into a mesh of contractual relationships and physical transactions. The explanation for the success of the industrial clusters is not only the lower transaction costs but that clusters of companies give way for diffusion of innovations and develop local workforce skills and specialized infrastructure. Districts like Silicon Valley, the German Baden-Württemberg and Emilia-Romagna in Italy are among the different success examples brought out in various reports. A newer concept, the "learning region", emphasizes the crucial role of information and knowledge. This idea suggests that regional competitiveness is bound up with the ability of firms through networks with businesses and institutions to absorb, disseminate and effectively utilize technical and market knowledge (Morgan, 1997; Asheim, 1996).

³ I have recently started Ph.D-study on problems and possibilities for Baltic rural diversification at the Institute of Geography at the University of Copenhagen in cooperation with the Danish Forest & Landscape Research Institute and the Danish Centre for Regional and Tourism Research.

The broader concept “institutional thickness” has also become a key theme in the debate on what “local factors” are important. This notion goes beyond just interrelations between businesses and stresses the presence and interaction of a diverse set of institutions as central. The institutions can be development agencies, training agencies, financial institutions, local authorities, industry associations, unions, research institutes and individual firms.

Social capital is another broad concept referring to the internal and cultural coherence of society (e.g. Grootaert, 1998). Social capital adds the dimension of public engagement and participation as a condition for development. The most referenced definition of social capital is associated with Putnam. He views social capital as a set of “horizontal associations” between people and stresses the importance of public organization. Social capital consists of social networks more particularly “networks of civic engagement” and associated norms. Social capital embodied in norms and networks of civic engagement has an effect on the productivity of the community and is argued to be a precondition for economic development as well as for effective government and networking between businesses (Putnam, 1993).

The above concepts take different focus points on relational assets. Some emphasize the networks and links between companies, others stress the linkages between a diversity of institutions and yet again others highlight public participation, engagement and motivation as a major factor for development. The challenge is to assess the relational assets as the nature of these relationships is more or less tangible. Theoretical and conceptual studies on networks far exceed the number of specific empirical assessments. The assumption that networks or clusters are structured around formal transactions and responsibilities alone have been the basis for numerous mathematical modeling studies. Network analyses have been conducted by identifying the number of input-output linkages, contracts and frequency and number of telephone calls (e.g. Fujita et al., 1999). However, much of the work on the nature of linkages which bind businesses and institutions together deal with traditional formal and physical business transactions but stress that informal, loose and less tangible social contacts or information flows are the key (e.g. Amin, 1999; Amin & Thrift, 1995). The following paragraphs will look deeper into the nature of the relational assets. Ideas of loose, local and diverse relationships will be brought forward to discuss the nature of relational assets and how these can be assessed.

2.1 Loose and informal networks?

Granovetter (1985) has suggested that networks of weak and loose ties might be more dynamic than those dominated by tight ties. Weak ties offer economic agents the benefits of both cooperation and access to a varied environment for new learning. Tight ties pose the threat of becoming too rigid resembling illegal relationships and delay creative thinking. In literature, ties allowing for dissemination of knowledge and innovation are also often described as informal. Networks are not only formal contracts and set responsibilities but also informal social relations based around trust, reputation

and face-to-face interaction (e.g. Cooke, 1998). Informal in this context means loose and flexible social networks based on trust and not informal in the sense of criminal and unlawful relations. The Italian successful “industrial districts” have networks often based on social and familial ties between small and highly specialized enterprises. These structures have allowed for rapid transfer of information and encouraged collaboration for the mutual benefit for the participants (Piore & Sabel, 1984).

The importance of loose and informal linkages and networks has received a great deal of attention as part of the debate regarding the decline of large corporate structures behaving like self-sufficient islands to a production structure characterized by businesses’ outsourcing and subcontracting parts of their production. Today businesses depend more on linkages and collaborative relationships to supplier companies and other firms, institutions and business agencies (Cooke, 1998). As firms outsource more of their production and services in the supply-chain, they have to be conscious of and sensitive to links based on good social networks opposite a command structure more typical of a hierarchical cooperative organization. The relations are heterarchical rather than hierarchical. Heterarchy is according to e.g. Cooke (1998) the condition in which network relationships pertain based on trust, reputation, custom, reciprocity, reliability and openness to learning. Thus, in the study of industrial clusters entrepreneurialism is not only a function of individual talents but more so of good social networks (Grabher & Stark, 1998).

The assessment of the social contacts demands a more qualitative approach. When assessing the “institutional thickness” of an area Amin & Thrift (1995) stress the importance of institutions and actors being actively engaged with, and conscious of each other. Moreover the different institutions need a high level of contact, cooperation and information interchange. Structures of domination and patterns of coalition and degree of collective representation of what are normally sectional and individual interests are other aspects for assessment. Also, whether the interaction means socialization of costs, control of opportunistic behavior and the development of a common agenda must be evaluated (Amin & Thrift, 1995, p. 102).

2.2 Diverse networks?

Complexity and diversity in institutional networks are also stressed as positive indicators of dynamism and collective initiative. This is in contrast to statements, which stress the need for simplification and the elimination of redundancy within the institutional system. Here a distinction must be made between a diversity of institutions and actors and an excessive number of public institutions becoming a bureaucratic jungle (Copus et al., 2000). Another distinction can be made between many institutions coordinating and integrating efforts and many institutions working independently of each other resulting in fragmentation of decisions and a weakened potential for interrelated planning. Many institutions with no coordination and interaction might result in a mix of orientations and goals that can inhibit even minimal cohesiveness. Such chaos and overlapping of responsibility can be a major obstacle to development, but Stark & Grabher (1998) also argue that such ambiguity can be an asset. They see the

success story of the Italian industrial district from an institutional perspective. A broad set of heterogeneous institutions and organizational forms ranging from business centers, international design ateliers, technologically advanced medium-sized firms to small artisan firms have led to development. The key to success is not systematic coherence but organizational richness and diversity. And this also includes richness in civil engagement.

According to Putnam (1993) a main reason for the successful development of the Italian regions of Tuscany and Emilia-Romagna is that these regions have many active community organizations. These regions he refers to as “civic” regions. “Uncivic” regions are then regions where engagement in social and cultural associations is rare. In “uncivic” regions the inhabitants have the point of view that public affairs are somebody else’s business: the bosses’ and the politicians’. Laws are made to be broken, but fearing others lawlessness, everyone demands sterner discipline. Trapped in these vicious circles nearly everyone feels powerless, exploited and unhappy. Instead, strong traditions of civic engagement, - such as voter turnout, newspaper readership, and membership in choral societies, Lions Clubs and soccer clubs showed to be the hallmarks of a successful region (Putnam, 1993). The operationalisation and measurement of Putnam’s approach is fairly straightforward. He counts civic associations, their members and the number of times they meet. Many studies on social capital have followed Putnam’s work. National surveys on social capital are conducted asking individuals on their trust and feeling of community, use of networks, membership of clubs, voting and voluntary work etc. (e.g. SCBS, 2000).

2.3 Local networks?

Some of the network concepts, although essentially geographical, are generally associated with relatively large regions or even national space. Others stress the significance of local networks and linkages and claim that local ties have a direct impact on a region’s competitive potential. Well-functioning local networks result in more well developed external linkages. It is the geographical proximity that plays a unique role in supplying the looser relationships that give way for innovations because information and knowledge are better consolidated through face-to-face contact. This is not only due to the transactional advantages of proximity, but because face-to-face contact can provide a higher degree of trust and understanding often constructed around shared local values and norms (Maskell et al. 1998).

Storper (1997) suggests that a distinctive feature of areas where local development has been successful has been the strength of “untraded interdependencies”. By this he means that local networks and relationships cannot easily be transferred to other areas since they draw on local social properties of networks made up of local economic agents. Thus, the socio-cultural environment within which such networks develop is important. Evolutionary economists that conceive economic agents and firms embedded in history, routines, influences of environment and institutions inspire these ideas. Economic life is both an instituted process and a socially embedded activity and therefore context-specific in its evolution (e.g. Samuels, 1995).

The conceptual framework associated with social capital also emphasizes that the development of networks is context-specific. Social capital is not capital you can bring with you. The key empirical difference between human and social capital, according to Coleman (1988) is that social capital is realized in relations between individuals and groups not in individuals in isolation. By contrast, human capital is found in individuals, so that when people move in and out of various social contexts, their human capital, whether formal education or organizational skills, goes with them rather than stays embedded in the local context. Local networks take time to build up and are dependent on the particular social relations in an area. Additionally, the concept of “institutional thickness” stresses the importance of a strong presence of both institutions and institutionalizing processes locally to constitute a framework of collective support for individual agents, a culture of collective representation and shared norms and values which serve to constitute the “social atmosphere” of a particular locality.

2.4 The nature of the relational assets

Summing up, researchers agree on the importance of network building. A common point is that the highly dynamic regional economies draw extensively upon local assets for their competitiveness. The existing social relations and political arrangements form the outcome of more global trends and generate specific local outcomes. Economic success is not only dependent on the presence of entrepreneurs and firms but upon the characteristics of the entire local economy, the various actors and institutions, the relationship between them and the environment in which they operate.

There is much literature about the importance of networks; however assessing them is somewhat unclear. The more intangible nature of linkages such as the degree of looseness, informality or tightness is difficult to grasp. Diverse, loose and local networks were stressed as essential for successful participation in a fast-changing global economy. However, the links could be too tight and inhibit creativity, innovation and competition. The networks could also be too complex and result in chaos. Public organization and engagement could be lacking. In addition, can civic associations only be considered social capital if they achieve desirable outcomes? In this case, agreement somehow must be obtained on what constitutes desirable outcomes and whether associations strive for such an outcome. Is it relevant to talk about relational assets in an analysis of Baltic rural development and what problems present themselves in their application? In the following chapter the relevance and application of network ideas in the Baltic countryside will be discussed.

Chapter 3 Relational assets as local factors for development in the Baltic countryside?

The situation in the Baltic countryside has changed dramatically since the break-up of the Soviet Union. A fall in the agricultural production by approximately 30% - 50% from 1990 to 1994 has left many rural areas having to cope with distress and social exclusion (OECD, 1998). The loss of the markets in the former Soviet Union, the fall in domestic consumption, competition with imported products and the gradual adjustment to the new economic environment, not to mention the complex process of land reform, have brought about a dramatic change in the income base for rural inhabitants. The financial collapse in Russia in 1998 meant that Baltic producers yet again lost their key export market. In 1999 the Estonian overall food production declined by 20% (Exportinfo, 2001).

In the years after independence, urban residents moved to the rural areas. People received land back and the growing of food was a way to survive the transition. This trend has turned in some rural areas to selective migration of the young and educated from the rural to urban areas (Krisjane, 2000; ESO, 2001).

The rural transition has resulted in a decline in the importance of agricultural production to a level more comparable to that in the EU but also in unemployment rates that are much higher than the EU. In GDP share the importance of agriculture has decreased and was in 1999, 3.6% in Estonia, 4.5% in Latvia and 7% in Lithuania (ESO, 1999; LV, 2000; LS, 2000). In Estonia, employment in the agricultural sector has decreased more than two times in comparison to 1989. A total of 173,800 people were engaged in the primary sector in 1990, in 1998 only 61,000 were engaged in the sector (ESO, 1999). Still more people are engaged in agriculture than in the EU countries. In 1998 the share employed in the primary sector was 10% in Estonia, 17% in Latvia and 21% in Lithuania (Nordregio, 2000). In general a higher percentage of the population live in rural areas than in the EU countries. In all three countries around 30% of the population lives in rural municipalities (STAT, 1999, 2001).

Rural unemployment and the number of inactive (mainly retired) people increased throughout the nineties (see table 1 for example of Estonia). According to Raagma (2000) this development has resulted in a rise in secondary and illegal activities and left rural societies distanced from formal structures. A field study I conducted in Lithuania also showed that absent local networks and distrust to formal structures was a distinctive feature in the Baltic rural area.

Year	Rural Unemployment Rate*	Rural Labor Force Participation Rate**	Rural Inactive in Thousands***
1989		76.9	82.9
1990		75.5	88.9
1991	1.2	74.3	93.9
1992	3.0	72.2	99.1
1993	6.6	70.2	103.3
1994	8.0	70.1	104.3
1995	10.6	68.5	114.1
1996	11.1	68.1	116.0
1997	11.3	65.1	137.3
1998	10.5	64.4	138.9
1999	12.9	63.5	143.9
2000	13.8	63.9	144.3
2001 (first quarter)	14.5	63.2	141.5

Table 1. Rural unemployment rate, labor force participation rate and number of inactive people in the Estonian countryside since 1989 (ESO, 2001).

*Ratio between the unemployed and the labor force.

**Ratio between the labor force and the working age population

***Inactive means retired, disabled, students and discouraged people.

3.1 A local economy? The relational assets in a Lithuanian rural area

The purpose of the field study was to find out how the rural population in the Nemunas Delta in Lithuania had adapted to the changes from having worked at collective farms to now being individual landholders. The aim was to assess how a newly designated Regional Park influenced their agricultural practices. The vision of the Park included low-intensive grazing and environmentally friendly farming methods.

Before independence, agriculture in the Nemunas Delta was made up of collective farms and a grass-pellet processing unit. All farm workers received a household plot of approximately 3 ha where they grew potatoes and vegetables besides their work for the collective (Misekis, 1998). Independence meant that energy subsidies to the grass-pellet production stopped, resulting in a breakdown of most of the agricultural production in

the area (Nauseda, 1998). The collective farms went into liquidation and the land was made available for privatisation. All the former farm workers and people living in the rural area were offered the opportunity to buy the household plot they had cultivated in the collective farm. The workers got vouchers or checks to purchase their household plots or other assets such as machinery and buildings from the collective farm (Misekis, 1998).

The restitution of agricultural land to former owners and their heirs was based on the small-scale farm structure of the pre-war period. Property rights and ownership in force before 1940 were chosen as the basis for land reform. This limited the size of the emerging individual farms. In addition, parcels of land were often divided between numerous heirs leading to fragmentation of land. In 1998 it was not possible to purchase land not claimed, as the land restitution process had not ended. Legal titles to land are still missing in many cases and land market is only slowly developing keeping the sizes of farms small (Misekis, 1998).

Today almost all rural inhabitants in the area are involved in small-scale individual agriculture. Four thousand people live within the Regional Park boundaries, spread out on approximately 1000 individual agricultural holdings. Their landholdings are very small. More than 50% of the landholdings are of 0-3 ha. Fifty rural households (equal to one out of twenty of the households in the designated park) were interviewed in 1998 on their farming, other incomes and expectations for the future. Additionally, local institutions and organizations such as the Regional Park office, the local agricultural administration, and the farmers union were interviewed about their goals, activities, communication with and information to the public.

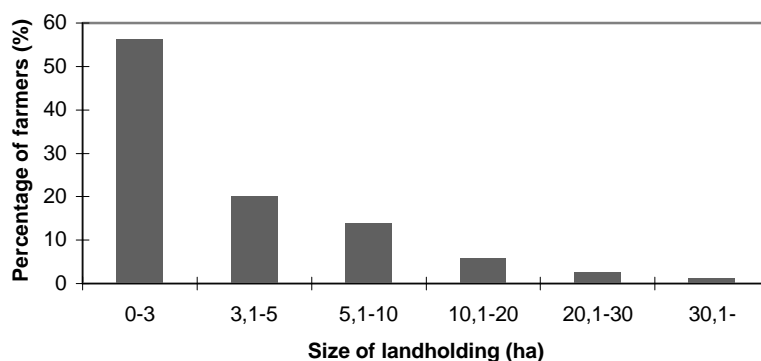


Figure 1. Illustrates the distribution in size of landholdings and land tenure of all agricultural land users in the Regional Park (SDS, 1997; SDS, 1998).

Most households grow potatoes and vegetables for home consumption and some sell milk. A large group of farmers still farm the small plots in much the same way as the household plots were farmed in the past; however this is being done without the security

network and the supplementary wage income from industrial production and the collective farm.

	VEGETABLES/ POTATOES	GRAIN	MILK	MEAT
Total share of farmers involved in this production	100%	65%	90%	56%
Only for home consumption	90%	70%	5%	
Local market	10%	10%	12%	8%
Manufacturing industry		3%	83%	92%

Table 2. Shows the share of farmers involved in the different productions and the orientation of the production (Sample).

Small-scale farming supplies the household with basic necessities. These activities are combined with other income generating resources such as pensions, unemployment benefit and informal petty jobs. As most rural inhabitants have access to land, the retreat into semi-subsistence farming is a real option when there is a lack of other employment opportunities. For many the only alternative, after the splitting up of the collective farms and processing units, was self-employment in farming. Most households consider farming as the only possibility for surviving (table 3). Farming is not a way of life or a way of making a profit; in most cases farming resembles a wage-earning job- a means to survive and a safety net.

REASON FOR STARTING FARMING	PERCENTAGE OF RESPONDENTS
- To make money	0%
- Only possibility	54%
- Got land	16%
- Wanted to be independent	11%
- For my children	16%
- To be in nature	3%

Table 3. The farmers' reasons for starting a farm (Sample).

The age structure of the sample is interesting as regards the unequal age distribution (fig. 2). The average age of the farmers is 51 years. Less than 5% of the farmers are under 30 years old and almost 1/4 of the respondents over 60 years. Looking at the entire sample 1/5 of the farmers receive pensions. A pensioner gets 200 Lt (60 \$) per month, which makes it very difficult to survive without other contributions to the

household economy, for instance from the cultivation of food crops like potatoes and vegetables or production of fodder for animals.

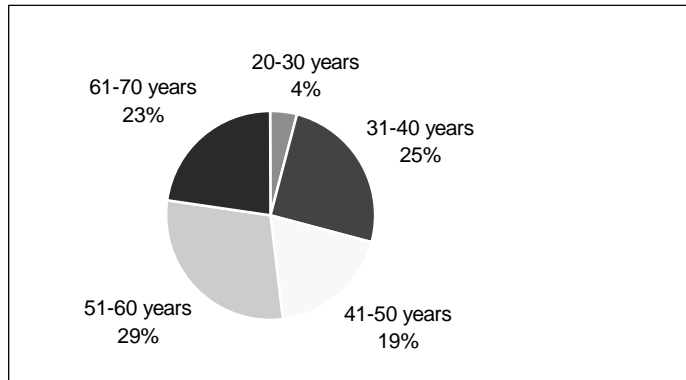


Figure 2. Age structure in the sample (Sample).

Most of the households do not have a strong farming identity. Only a few large landholders are organised in a trade union. Farming communities do not exist in the Western sense as socially and politically strong units. This is partly because most rural inhabitants are wage earners in the collective farms or processing units, and partly because the rural community is made up of former urban residents who only have become farmers during the land reform process. According to the local Farmers' Union, the farmers that join the union see it as a substitute for the collective farm and expect it to take care of varying kinds of problems in connection with both agriculture and the general living conditions. The farmers do not see themselves as part of a farmers' organisation, but look upon the farmers' organisation as a kind of authority which is there to solve their problems (Bakutis, 1998). The collective farms were characterized by their multifunctionality, providing besides job and income, a range of social functions for the employees. The collectives also took on the role of providing services to the elderly, retired and disabled people (Misekis, 1998). In the process of farm restructuring the service functions were transferred to local government. This transfer of responsibility decreased these services in the rural areas by more than half. The Nemunas Delta rural area was taken back many years as far as social infrastructure was concerned (Nauseda, 1998).

The local system of actors and organisations is in a process of institution building. The institutional set-up is dominated in numbers of employees and funds available by different agricultural administration units. The Regional Park office has difficulties in influencing the strong agricultural administration. No formal links between the institutions have been established and the agricultural administration has no plans to promote environmentally friendly agriculture. The different official institutions are lacking resources to motivate and inform the rural residents on their activities. Only a number of larger farms have information about new national support schemes to modernise farming and the knowledge that a Regional Park has been established.

A main finding of the study is that individual rural households are very distanced from the local formal institutions. The households have in most cases no contact to any organizations or institutions in the local area. An important characteristic of the rural inhabitants is that they do not participate in public life. Most households want to be independent of the state. This is the major reason given for not looking up the advisory service or finding out about support facilities. Another reason for not making use of new support measures is that these do not fit the small-scale situation of most rural residents. Farmers do not have the means to co-finance loans or the skills to prepare business plans.

3.2 Assessment of the relational assets in the Baltic setting – a discussion

The relational assets in the Nemunas Delta are characterized by a lack of local institutions, civic organizations and rural businesses other than small-scale farms. Atomized units with lack of interaction and coordination distinguish the institutional structure. Legacies from the days of collective farming like household plot farming, low civic engagement and a limited number of institutions prevail, making it difficult for new initiatives to reach the area. Dmistrust and lack of interest in taking part in public life is a major obstacle for the initiation of a development project on integrating nature conservation with farming and rural development.

The Baltic rural situation challenges the approach to the assessment of networks and linkages. When formal organizations are few and the ones that are present to some extent fail to operate predictably, it seems relevant to assess whether such situations are paralleled by “social failure” where individuals and households refuse to cooperate and isolate themselves. The people who rely solely on such formal institutions might become socially excluded, since they have no other network to fall back on. At the same time if rural residents have no contact with formal structures they are difficult to reach and support. Granovetter’s (1985) distinction between tight and weak ties describes the situation well. Ideally tight ties are the solidarity ties uniting primary social groups and weak links are the connections to larger more extended and loosely knit networks of affiliation. The ability of people to “couple and decouple” from tightly knit social groups is a necessary precondition for accessing the resources of wider and more loosely connected social networks. While strong links might produce social cohesion and security, without weak links to wider networks, more insular groups risk isolation and fragmentation within the broader social context (Granovetter, 1973,1985).

Small-scale elderly farmers make up the largest proportion of the rural population and these people are economically weak, socially disorganized and have few traditions of cooperation. Increasing material poverty coupled with a shrinking base of resources and assets from wider social networks make the rural areas difficult to reach and influence. Raagma (2000) calls the situation the “hidden countryside”. Rural economies have become both economically and culturally traditional and intolerant towards official initiatives and restrict entry of innovative newcomers. Few investors come into rural areas with urban-based capital. Until now it has been mainly in the capital cities where new businesses have flourished and where foreign direct investment has been directed (e.g. Raagma, 2000; Noorkoiv, 2001).

It is a new situation for the rural inhabitant to participate in the wider networks and to communicate with the authorities, to lobby for support or take part in local politics. The collectives had a centralized decision-making system executed by a management board that was often incorporated in the party hierarchy (Misekis, 1998). The public participation in decision-making in the Soviet times can be called “pseudo-democratic” and “constructed” (Lang, 1999). Most people were members of various organisations, labour unions, work brigades and party structures. But these organisations were penetrated by the state. Many researchers consider the lack of a “free-space”- a civil society⁴, for organised social activity a limiting factor for the development of a modern democratic society (Miller, 1992; Pickles & Smith, 1998). A separation of society into two spheres of activity, i.e. public and private, has been suggested as the principal characteristics of Soviet society. Soviet ideology gave priority to the individual’s public role and duties over any form of private activity. For lack of a civil society, a large “underground space” was created in which everybody was busy living their own lives, and establishing their own truths and norms, an idea studied especially by anthropologists (Mars & Altman, 1983; Larsen, 1998). The separation of society into the two spheres of activity, a public and a private one still prevails today. It is in the “private sphere” where you can build up a safety net; however, this cannot be accomplished in the public arena.

Rose (1998)⁵ calls this situation an hourglass society. At the base there is a rich social life, consisting of strong informal networks relying on trust between friends and face-to-face interaction. At the top (the macro-world) there is also a rich political and social life among the elite, who compete among themselves for power and wealth. However, the links between top and base are very limited and are characterized by civic distrust at the base. Transition studies on the change from planned to market economies most often assume that a successful transition will entail a specific form of change in the relationship between the public and private or formal and informal spheres and a more western-style balance between public and private practice will be established (Ellman, 1993). However, according to Gerner & Hedlund (1994), one should not expect a rapid systematic transformation to a western balance between public and private practice, as the western world is not easily transferable to this radically different socio-cultural context.

The difficulties in reaching an area characterised by structural vacuum and hidden or atomised institutions and rural residents, focus attention on absent ties in the local network also when talking policy for rural development. The challenge is to “export” relational assets. These were argued to be very context-specific and rest on specific local traditions and strong regional identities. Institutions can be created by policy intervention. What is more difficult is to create a process of institution building and networks of interaction and reconfigure what constitutes public life. The loss of the economic and cultural importance of agriculture has thrust rural inhabitants into a search for diversified and alternative strategies. Rural transition and development is about creating a new social field with new rules, actors and institutions.

⁴ The civil society can be defined as spheres of social activity free of interference of the communist party state; this being trade unions, political parties, environmental groups etc. (e.g. Miller, 1992)

⁵ Richard Rose has made a national survey of the social capital in Russia in 1998.

Chapter 4 Concluding remarks

The relational assets of an area included links between a diversity of institutions, shared agendas of development, business networks and associations, public engagement and participation and a regional identity. The argument is that the different networks and interrelations are interlinked and mutually dependent on each other. It is all these networks and their interlinkages that make up an area's "relational assets".

The Nemunas Delta Regional Park project is an example of how important it is to have a better understanding of the relational assets when working with rural development in the Baltic countryside. One can say that institutional strengthening, knowledge on the position and power of the locals responsible for the implementation and their connection (or rather lack of) to other authorities and the public that will have to be involved, consulted and informed throughout the project is essential. Networks and relationships are local factors in development, and policy cannot be uniform in all areas. Local culture and social particularities and its formal and informal institutions have to be considered for policy to become successful.

Local networks are good. But local linkages can also become too tight, narrow, and fragmented. In literature, "good" local networks are usually described as relatively loose ties between a diversity of institutions and associational networks. However, in the Baltic setting informal linkages are more synonymous with tight family ties and the secondary economy. The number of formal institutions, civic organizations and their membership do not seem to be enough to assess. The different socio-cultural context and the lack of structures and linkages in the Baltic countryside make the assessment of the relational assets difficult. Private businesses, formal and civic institutions are missing and there is a lack of contact, cooperation and information interchange. Thus, the networks must also be analyzed for informal linkages and lack of ties.

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