THE ROLE OF NATURAL RESOURCES AND THE SOCIAL CAPITAL IN EU’S GROWTH STRATEGY- EUROPE 2020

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EXTENDED ABSTRACT

Today Europe faces one of the most dramatic economic challenges and simultaneously sets out its 2020 strategy. The strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and climate/energy.

European Union develops a methodology where “locality” is the key for the development and the growth. Smart specialization is promoted by the Community as the major strategy which contributes to the smart growth of Europe towards 2020.

Smart Specialisation means recognition of the unique character and the assets of every area, highlighting its competitiveness advantages and mobilizing local actors and resources for a future, driven by excellence. We should bear in mind that the development of the European regions should balance economic growth with sustainability. Human capital is the stock of competencies, knowledge, attributes, embodied in the ability to perform labor so as to produce economic value. Social capital refers to the networks to the bonds the relations and the norms that a certain community has developed among its members. The self-organization and the social cooperation norms are characteristics of social capital.

Natural resources and social capital show successful examples of sustainability throughout time and place. In many cases, locals manage their natural resources, act as a community, and they have chosen the collective action as the driver to sustainability. But development assistance has paid too little attention to how social and human capital affects environmental outcomes. A certain category of natural resources, the common property resources or commons are the case where the interaction between the ‘environmental’ and the ‘social’ led to sustainable environmental and economic outcomes.

This paper argues that the lessons of the commons where communities are created, their members co-operate, develop and apply plans of sustainable use of the natural resources achieving sustainability would be useful in implementation of EU strategy for 2020.

Keywords: EUROPE 2020 strategy, smart specialisation, commons, natural resources, social capital

1. EU’s 2020 STRATEGY

According to the president of European Commission “the European Union is working hard to move decisively beyond the crisis and create the conditions for a more competitive economy with higher employment” (European Commission, 2012a).

The goal is the growth with a strong and effective economic system which will be smart, through investments in education, research and innovation; sustainable towards a low-carbon economy; and inclusive, creating jobs and achieving poverty reduction. The strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and climate/energy. This is the Europe 2020 Strategy (European Commission, 2012a).

European Union develops a methodology where “region” is the key for the development and the growth. It is believed that a close co-operation between national, regional and

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local government will bring the EU's priorities closer to people, strengthening the feeling of ownership needed to get everyone involved in moving Europe towards the 2020 targets. In many EU countries, the regional or local authorities are responsible for policy areas linked to the Europe 2020 strategy such as education and training, entrepreneurship, labour market, infrastructure or energy efficiency. It is crucial that all levels of governance be aware of the need to implement effectively the Europe 2020 strategy on the ground so as to achieve smart, inclusive and sustainable economic growth, and that each plays its part in introducing the necessary changes. The European Union's Committee of the Regions helps mobilising regional and local authorities. It has set up the Europe comprising more than 150 regions and cities networking on growth and jobs, exchanging good practices and contributing to the EU debate on EUROPE 2020. To involve and enable local and regional authorities to contribute to achieving Europe 2020 goals, the European Commission provides an online networking platform (European Commission, 2012b).

In Europe 2020 strategy paper, it is recognised that “crisis has wiped out years of economic and social progress and exposed structural weaknesses in Europe’s economy”. The European Union is transformed facing long-term challenges. With a smart, sustainable and inclusive economy Europe will deliver high levels of employment, productivity and social cohesion. The smart specialisation is the way to achieve these goals. National regional research and innovation strategies for smart specialisation (RIS3) are integrated, place-based economic transformation agendas that (European Union, 2012)

- focus policy support and investments on key national/regional priorities, challenges and needs for knowledge-based development, including ICT-related measures;
- build on each country's/region's strengths, competitive advantages and potential for excellence;
- support technological as well as practice-based innovation and aim to stimulate private sector investment;
- get stakeholders fully involved and encourage innovation and experimentation;
- are evidence-based and include sound monitoring and evaluation systems.

2. THE SOCIAL CAPITAL

The idea that social norms guide economic activities according to Woolcock (1998) derives from Scottish enlightenment and Edmund Burke who stated that markets cannot function without prior existence of norms and moral principles. Adam Smith (1776) believed that while the man pursues its interests, simultaneously is hold by moral sense (Woolcock, 1998).

But even in Aristotle and very later in the works of Durkheim and Marx there are the roots of social capital. Becker, James Coleman and Robert Putnam gave the contemporary use of term social capital (Lehtonen, 2004). For Coleman (1988) “social capital is a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors –within the structure”.

During the nineties, new explanations of economic development are the “object” of social sciences. A growing number of studies have suggested that the process of growth is determined not only by economic factors, such as natural capital, physical capital and human capital, but also by the economy’s social and institutional structure. In 1993, Robert Putnam (Putnam, 1995) tried to explain the different institutional and economic performance of the Italian regions as the result of the influence exerted by some aspects of the social structure, summarized into the multidimensional concept of “social capital”. He analysed social capital emphasizing its function on macro level. He defined social capital as the social elements –social norms, social networks and trust which lead to collective action.
Woolcock (1998) defines social capital as the information, trust and norms of reciprocity inhering in one’s social networks and Fukuyama (2001) states that it is an instantiated informal norm that promotes cooperation between two or more individuals.

The contribution of social capital to growth is commonly accepted, to the point that the World Bank studies the link between social relations and economic development. In 1998 a working paper with the title “social capital: the missing link” and “the hope to contribute to the international debate on the role of social capital as an element of sustainable development” was published by the World Bank trying to measure the social capital and to determine empirically its contribution to economic growth and development, recognizing that “countries with similar endowments of natural, physical and human capital have achieved very different levels of economic performance. So have regions or cities within the countries."

OECD (2001a) defines social capital as networks together with shared norms, values and understandings that facilitate cooperation with or among people. Grootaert and Van Bastelaer (2001) stated that social capital has a profound impact in many different areas of human life and development: it affects the provision of services, in both urban and rural areas; transforms the prospects for agricultural development; influences the expansion of private enterprises; improves the management of common resources; helps improve education; can contribute to recovery from conflict; and can help compensate for a deficient state. Social capital is critical for poverty alleviation and sustainable human and economic development (Dolfsma and Dannreuther, 2003).

3. THE SOCIAL CAPITAL AND THE NATURAL RESOURCES

A criticism against the tripartite description of sustainable development was raised the last decade about the significance and the priority given to each pillar and the bonds between the pillars.

The social dimension of sustainable development should be stopped to be considered as the weakest pillar. Until recently the “environment matter” was the main concern of sustainability trying to convert “environment” to “economy matter” bearing in mind that the market prices of natural resources must reflect the full environmental costs and benefits of economic activity (OECD, 2001b).

Less attention was paid to social dimensions of the environment. Even thought if someone studies the statement of OECD he can detect a call for integrating environment and society. It is also interesting that somehow the declarations of the meeting of ministers (12 years ago) are similar to today Europe’s strategy (OECD, 2001a). Critique for the triplet conception about sustainability is intense in the past decade.

Another model, the bio-economy model, replaces the three pillars by three concentric circles, the environment circumscribing the social dimension, and the economic sphere constituting the innermost circle. In this case economic activities meet human needs while at the same time protects the environmental systems necessary for human existence. The social defines the economic activities, but at the same time confined by environmental limitations (Lehtonen, 2004).

The interaction among natural resources and society is an issue that has been extensively analysed. Hardin (1977a; b; c) with “the tragedy of the commons” refers to a set of problems that people face and have to do with the use of the resources which are not amenable to technological solution. People harm natural resources and the likelihood this damage to be greater is for a certain category of resources, the common pool resources or commons like forest, water, wildlife, grazing land, fisheries etc. The solution that Hardin suggests is “mutual coercion, mutually agreed upon”.

Ostrom’s work reveals that societies have developed diverse institutional arrangements for the management of these natural resources and avoided destruction in many cases. Ostrom and her scholarship emphasized how societies interact with natural resources in order to maintain long-term sustainable resources, designing eight principles. For stable
common pool resources she also highlights the role of effective communication, internal trust, reciprocity and the nature of the resource system (Koumparou, 2002).

In the theory of commons, one of the elements that determine the success or failure of local strategy is to what extent encourages continuous communication between users on the conditions inherent in that natural and social environment. The norm of cooperation, and also the meta-norm contributes to the successful sustainable management plans of sustainability. These plans contribute to social cohesion too. The reciprocity inherent in collective action is the element that ensures joint agreements. The role of norms is particularly important, as they maintain the cohesion of the society and protect them from behaviors that threaten the reciprocity (Koumparou, 2002).

In the cases where collective management of the natural resources is successful, Norms Trust and Networks are embedded. Reciprocity is the forth component of the social capital in commons. Norms and networks are widely embedded, with trust being seen either as an additional element of social capital or a close proxy for the level of social capital present in a community (Koumparou, 2002). Ostrom argues that the management decision should be made as close to the natural resource and its appropriators, in order to achieve a stable sustainable and coherent development (Koumparou, 2002).

According to Willis (2012) the principles of so called community management “has become a central metaphor for ecological policy” and her scientific findings can “guide organisations in the realm of community engagement”.

Pretty and Ward (2001) argue that everywhere in both developing and developed world environmental policy and its exercise is addressed to individuals and not to groups or even more to “localities” or communities.

The theory of commons where locals create “communities” is the matrix where the characteristics of social capital can easily be detected and to be understood how it works, achieving the excellence, the sustainability, with the three pillars equal developed. The research on common-pool resource embedded the study of social capital. It was the first attempt to find out how groups-communities and no individuals interact with the environment in a perfect way. The study of Commons brings to light examples of “social behaviour” on environment.

The creation of an organization and the development of cooperative strategies for the use of a common pool resource, they do not guarantee that this organization will survive over time. Many efforts to reach cooperation strategic fail after a few years. The original conception of the nature of the problem, the alternatives for cooperation, the possibility of mutual trust, the communication between members, transformed over time. Persons following the rules of common property interact with the others and the natural resource and they will decide if they transform their organisation in order to adapt better to specific environmental conditions. Adaptation to a new situation is a difficult process, where often a foreign intervention, is necessary. However, this should be done in a way that it will not alter the basic characteristics of the community and also will enforce those action plans that have worked effectively already targeting sustainable use of resources.

Pretty and Ward (2001) underlines the role of external agencies or individuals who can act or work both with individuals to increase their knowledge and skills, their leadership capacity and their motivation to create new local associations with the right rules and norms.

In the story of commons there are many examples throughout the word where societies develop diverse institutional arrangements for managing natural resources. Community or common property found in several industrial countries: Spain, Ireland, Swede, Norway, USA, etc. What distinguishes them is the unique identity of each community and the way to address the challenges without jeopardizing the function of the resource (Koumparou 2002).
4. CONCLUSIONS
European Union (2012c) ascribe the failure of previous strategies to the fact that

- They lack an international and trans-regional perspective, i.e. the regional innovation and Economic system is often considered in isolation.
- They are not in tune with the industrial and economic fabric of the region.
- There is too much public involvement in Research and Development which is not sufficiently business driven.
- A sound analysis of the region's assets is missing.
- There is a 'picking winner's syndrome'.
- The best performing regions are copied without consideration of the local context.

As Hunka and de Groot (2011) mention the implementation of Water Framework Directive-WFD (2000/60/EC) in Poland is a notable example of policy implementation in environment sector “the only role left to the concerned locals after consultations is the role of protester”. According to WFD (2000/60/EC) “participants should include representatives from the competent authorities, the European Parliament, NGOs, the social and economic partners, consumer bodies, academics and other experts”.

Smart Specialisation as a tool for policy has to be carefully considered and must follow the 'place based approach' to economic development that has been promoted by both the European Commission and the OECD (European Commission, 2012c).

The smart specialisation can be used in all regions of European Union. Given the variables of the economic and institutional context between and within European regions must be approached with care. This will be done through consideration of the 4 following points:

1. The entrepreneurial process of discovery will work differently in every region. It will be easier for regions with high density of innovators or entrepreneurs.
2. Identifying sectors that can achieve critical mass should take into account the principles of regional embeddedness and relatedness. This allows firms to build on the skills.
3. Connectivity: the link emerging knowledge based industries to other actors within and outside the region. Here the term “social capital” refers to face to face interaction.
4. Integration of policies at regional level. A strategy to increase the attractiveness of a place for investors has to take into account social, cultural and legal issues in addition to purely economic considerations.

It is obvious that “region” is the key factor where technology and innovation highlights and supports the special characteristics achieving economic growth. The term region could be replaced by “locality” including economic, human and natural environment. European policy refers direct to human capital. The concept of human capital refers the stock of competencies, knowledge, attributes embodied in the ability to perform labour to produce economic value. But the social capital is in a way absent, or there is a narrow perspective of its concept. Connectivity is a vital aspect of social capital. The smart specialisation refers only to one aspect and to one of the five elements of the connectedness (Pretty and Ward 2001).

It is recognized that every region is different and we cannot apply a successful strategy or a plan of one region to another achieving the same perfect outcomes. The copy-paste of policies is not a good practice. There is a factor that makes every region unique even if the other parameters are similar, economy, natural resources, human capital and this is social capital.
The relations of trust between the government and the public determinate the policy implementation. The social capital represents the potential link between policy thinking and community action.

Pretty and Ward (2001) state that “in the face of growing uncertainty - like our time in Europe - the capacity of people both to innovate and to adapt technologies and practices to suit new conditions becomes vital. Some believe uncertainty is growing - if it is, then there is greater need for innovation. An important question is whether forms of social capital can be accumulated to enhance such innovation”, is very crucial.

Social capital is endured when reciprocity increases the networks between people and their relationships, leading to greater trust, confidence and capacity to innovate.

The fall of communism, the financial crisis in Latin America shift the academic literature to pay more attention to the role of institutions, governance and social capital in the development process. Also the European experience where the same strategies have different impacts in the members-states and the changes in some of them is unexpectedly slow provoke to investigate the role of social capital, or to take it into account in policies.

There is a neglected link of the 2020 strategy that is the social capital. Pretty and Ward (2002) state that vicious circle of failure is triggered when local – external connections are not two-ways, and in many regions of Europe trusty relationships are not incumbent. Social capital relates to the social norms, networks and trust. It can generate benefits to society by reducing transaction costs, promoting cooperative behaviour, diffusing knowledge and innovations, and through enhancements to personal well-being and associated spill-over (Productivity Commission, 2003). European Union seeks the antidote to the crisis, without taking into account the whole image of sustainable development. The third pillar or the second circle is neglected just like in the past. Policy refers only to persons not to groups. But the ‘local context’ includes natural resources, economy, humans and society.

The commons management practices that rely on cooperation and reciprocity involved individuals or groups condemn and remove competition and intense individualism. The element that largely determines the success or failure of these management plans is to what extent the institutions encourage constant communication between users about the conditions inherent in that natural and social environment. The relationships developed within an organization define the situation of the natural resource, but also identify interesting qualities of social life. The lessons from the commons and the theory of social capital will be very helpful in the implementation of European policy for sustainable development and economic growth. The unique asset of each region is not only the natural economic and human capital but also the networks, the relationships which the people of each region develop among them and to externalities, like governments, NGO’s etc.

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