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A Framework of Neighborhood-based Development Initiatives.

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Abstract

This paper aims at investigating a potential translation of the regional territorial capital concept in a set of initiatives aimed at urban regeneration and economic development of deprived neighbourhoods. By re-casting the concept of territorial capital in a smaller geographical scale and reviewing the concept of the informal economy, the paper suggests a general framework of neighbourhood-based initiatives which can bring a trickle-up development effect.

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Keywords: Urban Regeneration; Endogenous Development; Territorial capital; Local Economic Development; Community Development Financial Institutions; Community Land Trust; Informal Economy; Local Currency.

1. Introduction

Over the last years, the territorial dimension has emerged as the essential feature within the economic development processes, both at regional and national levels. Already in the ‘80s, the endogenous development theorists recognized the importance of the territorial dimension highlighting the crucial role played by local tangible and intangible assets – local resources, local production, local entrepreneurial networks, local specializations, local governance - that a territory possesses and should leverage for its development (see Coffee & Polese, 1984; Cox & Mair, 1988; Stöhr, 1990; Garofali, 1992; Vasquez-Barquero, 2002). In 2001 the OECD introduced the novel concept of territorial capital within the policy debate, thus highlighting the role of the territorial dimension within the economic development policy framework. In particular, the OECD (2001) provided a set of factors constituting territorial capital, such as: geographical location, size, factor of production endowment, climate, traditions, natural

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resources, quality of life, agglomeration economies, business incubators, industrial districts, business networks, customs and informal rules. Based on the OECD conceptualization, the importance of territorial capital was finally recognized within the institutional policy arena with the document “Territorial State and Perspective of European Union”, presented at Informal EU Ministerial Meeting on May 2005 in Luxemburg. This document highlights the site-specific feature of territorial capital, its economic development potentials and the need for EU Member States to adopt territorial development policies (policies with a territorial approach to development) at regional level (EU Ministers, 2005). However this concept deserves to be deepened also at urban scale in order to draw useful insights within the urban regeneration and local economic development debate. By re-casting the concept of territorial capital in a smaller geographical scale and reviewing the concept of the informal economy, this paper aims at suggesting a general framework of neighbourhood-based initiatives which can bring a trickle-up development effect.

2. The need for a “Territorial Capital approach” at neighbourhood scale

The first scholar that implemented a theoretical taxonomy of the territorial capital concept was Camagni, in 2008. The importance of Camagni’s territorial capital conceptualization lies in the identification of the “grey areas” among the widely recognized factors constituting a territory. Camagni (2008) shows territorial capital’s factors by using a three-by-three matrix, where the two main dimensions are (Fig. 1):

- Rivalry: public goods, private goods and an intermediate class of club goods and impure public goods;
- Materiality: tangible goods, intangible goods and an intermediate class of mixed, hard-soft goods.

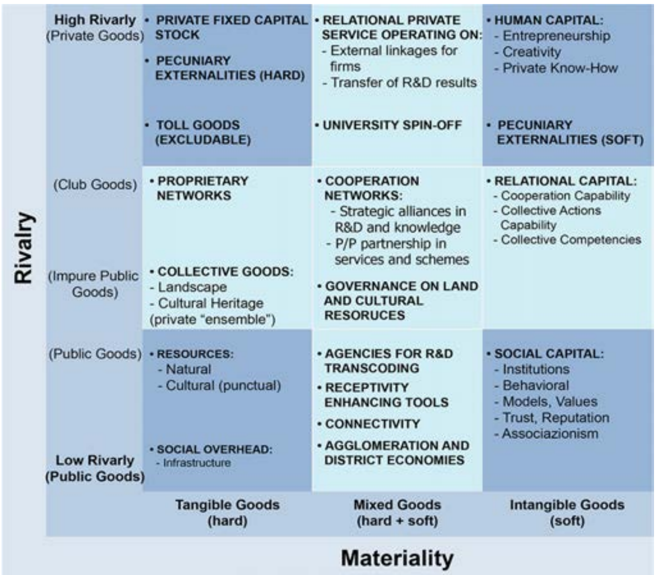

Fig. 1. The Territorial Capital Matrix. Adapted from Camagni, 2008.

The four extremes of this matrix, which Camagni (2008) defines “traditional square”, represent the traditional targets of public policies (public and private goods, human and social capital). The intermediate classes of factors, which Camagni (2008) defines “innovative cross”, suggests a new focus for local and regional policy makers. In particular, Camagni defines the potential policies focused on the innovative cross as reinforcing tools for the whole area’s economy for two reasons. First, these policies increase local competitiveness and attractiveness since the latter are interpreted “ […] as residing in creativity rather than in the pure presence of skilled labour; in local trust and a sense of belonging rather than in pure availability of capital; in connectivity and relationality (being relational, author's note) more than in pure accessibility; in local identity, beyond local efficiency and quality of life" (Camagni & Capello, 2013). The second reason is related to both the processes of accumulation/dissipation and valorisation/depreciation which characterize capital in general. A policy focus on the innovative cross' factors brings an accumulation/valorisation of traditional square's capitals, rather than their dissipation/depreciation, and translates abstract potentials into actual assets (Camagni, 2008). This theoretical taxonomy makes possible to identify the assets of places and better understand the relations that already exist – or that can be potentially created - among such assets. At regional/metropolitan scale, places possess a diversified supply of territorial capital factors (either weak and/ or strong). This condition allows to consider advanced forms of capitals (agencies for R&D transcoding, strategic alliance in R&D and knowledge etc.) as the matrix's mixed (hard + soft) factors. However, even fostering site-specific capitals, development policies at territorial scale are still not able to distribute wealth to the territory in its entirety. The empirical experience shows that, in fact, it is possible to find neighbourhoods experiencing deprivation still within a successful urban region. Just think about the city of Boston and its MSA. It may be said, with a high level of confidence, that this metropolitan region has a diversified stock of factors within its territorial capital and, still with a high level of confidence, that such an amount of factors is advanced, in terms of their quality and quantity (level and amount of entrepreneurship, skilled people, investments, infrastructures etc.). Yet, there are still neighbourhoods experiencing deprivation, segregation and urban decay (Dorchester, Roxbury, Chelsea etc.), not benefitting at all from the regional policies/cluster policies focused on the mixed factors. The main reasons can be found within what some authors define as a spatial mismatch between regional development policies and the recipients of such policies. As showed within SMEs research and practical experience, the main obstacles that distressed communities face in triggering economic development are (Curran & Blackburn 1994; Storey 1994; Berg & Van Winden. 2004, Welter et al., 2007):

- Small savings and the declining purchase power of consumers in these localities;
- A lack of entrepreneurial skills, entrepreneurial experiences and role models of successful entrepreneurs;
- A lack of appropriate working space and meeting points in the locality, an often distant location from the city centre and an unattractive ambiance of the area;
- A strong tendency of small business formation in business fields, where low entry thresholds and low opportunities for growth, but high competition go hand in hand, resulting in less sustainable business models (e.g. household services, retail trade, catering);
- A lack of social capital, both due to the absence of network organizations and the individuals' lack of resources - time and money - to engage themselves in networks.

This sort of impact "leakage" may suggest that such a kind of economic development policies, even targeting endogenous factors at regional/metropolitan scale, rely on an expected trickle down effect. However, the latter may be either slow in coming or may lead to gentrification and displacement dynamics combined with further city expansion and "new" poor neighbourhoods, more and more far from the city centre.

3. The Territorial Capital of Deprived Neighbourhoods

The argument developed so far suggests the need for the set-up of additional neighbourhood-scale development initiatives, still based on territorial factors (at neighbourhood scale), which can enable deprived communities to empower and fully benefit from regional development. On these terms, the geographic scale does matter. Within a smaller geographic scale, different relational factors have to be considered in order to regenerate distressed communities through a trickle-up effect. Within this effort to conceptualize an integrated set of neighbourhood-based development initiatives, the theoretical taxonomy developed by Camagni can be interpreted differently

1) considering different innovative cross' factors due to:

- Change of scale, from a regional to a neighbourhood one;
- The actual assets within deprived neighbourhoods that, of course, are different from those considered for regional areas

2) but still pursuing the same aims:

- Capital accumulation/valorisation,

- Translating abstract potentials into actual assets.

However, which are the mixed factors (policy focus) within deprived neighbourhoods to support with neighbourhood-based initiatives, in order to have a "trickle-up" effect, benefitting the entire community?

Regarding the traditional square, it is possible to assume that any community, at any geographical scale, possesses these general factors– private and public goods, human capital, social capital, etc. It is obvious that such categories differ from place to place not only for the elements they contain (i.e. different kind of natural resources, different cultural and historical heritage, different kind of private capital stock, etc.), but also for the quality and quantity of such elements. Regarding the innovative cross, the informal economy can provide important information for the identification of the relational factors.

Within deprived communities, social relations are the essential factor in order to face the lack of goods/services and allow people to survive. Informal economy is living proof of such an assumption. It represents the grey area between illegal and formal economic activities. By relying upon trust and social relations, informal economy is the only resource for some people to alleviate their deprivation. The studies on the topic "informal economy" have produced different categorizations of it (Evans et al., 2006). By looking at the categorization made by Williams & Windebank (2002) and Gershuny (1979), it is possible to distinguish informal economy in mainly five categories:

Paid informal work:

- Independent Informal activity - activity carried out on an individual basis and the products are sold on without any intermediaries;
- Dependent Informal activity - which takes place as part of formal activities but are not included in official records i.e. illegal work 'off the books' carried out by officially recognized enterprises.
- Semi-independent Informal activity - activities carried on outside formal enterprises, but whose output is directed to those enterprises (i.e. in the form of subcontracting, non-licensed or illegal work).

Unpaid informal work:

- Self-provisioning, do it yourself (D.I.Y.) – work that is undertaken by household members for themselves and/or other household members;
- Mutual aid – unpaid work by household members for members of other households.

Paid informal work represents an in-embryo entrepreneurial behaviour or, as defined by Jordan & Travers (1998), a *school of entrepreneurialism*. Indeed, through domestic works, sometimes literally run at home or as house to house services – like hairdressing, teaching etc. -, households try to identify an opportunity - a community need not fulfilled - and pursue it in order to create new value for both itself and the community. The established social relations and geographic proximity are essential for the development of such a kind of informal works.

Self-provisioning – D.I.Y. actions refer to unpaid work conducted by household members for themselves or for other members of their household that would otherwise have to be undertaken by paying a formal worker.

Mutual aid may occur as one to one relations, in terms of informal credit with the local corner store, or also in terms of services, like childcare, or unpaid traineeship of young people to learn a job etc., or in collective terms, as social actions for the neighbourhood - community garden stewardship etc. Again, the personal relations play an essential role in this kind of informal activities. The informal economy suggests that the smaller the geographical scale becomes, the more individual relations matter and have to be take into account within a policy framework. According to this idea, the Camagni's territorial capital matrix may turn into observational lens through which to analyse deprived communities and to figure out both their assets and their real needs. Therefore, by implementing differently the territorial capital matrix and substituting some factors with others more relevant for the case of deprived communities, the result is showed in Figure 2a. This interpretation of territorial capital matrix in a new *territorial capital matrix of deprived neighbourhoods,* provides some information that, actually, are quite similar to those provided by the Camagni's one. Also in this case, the "innovative/informal cross" may translate potential assets into actual ones. For instance, it is thanks to paid informal work, based on direct social relations, that individuals develop an "in-embryo" entrepreneurial skills; or it is through informal credit among individuals that people may fulfil some everyday needs or even run an informal business; or it is through the management of community gardens and collective actions that communities may improve their relational capital; or also the case of informal apprenticeship, which can bring to human capital improvement in order that young people might find themselves in possession of trade or skill to run their own business. However, this kind of economy still remains precarious since these relations, although potentially strong and close, are themselves precarious. Indeed, most of the time, people of deprived communities, have to move away from their neighbourhoods for several reasons: because of job opportunities elsewhere, because evicted and then displaced in other places, or even for problems with justice. It follows that such relational assets are, firstly, potentially doomed to be lost and, secondly, not sufficient to overcome the aforementioned widely recognized obstacles faced by communities in order to get their economy back on track.

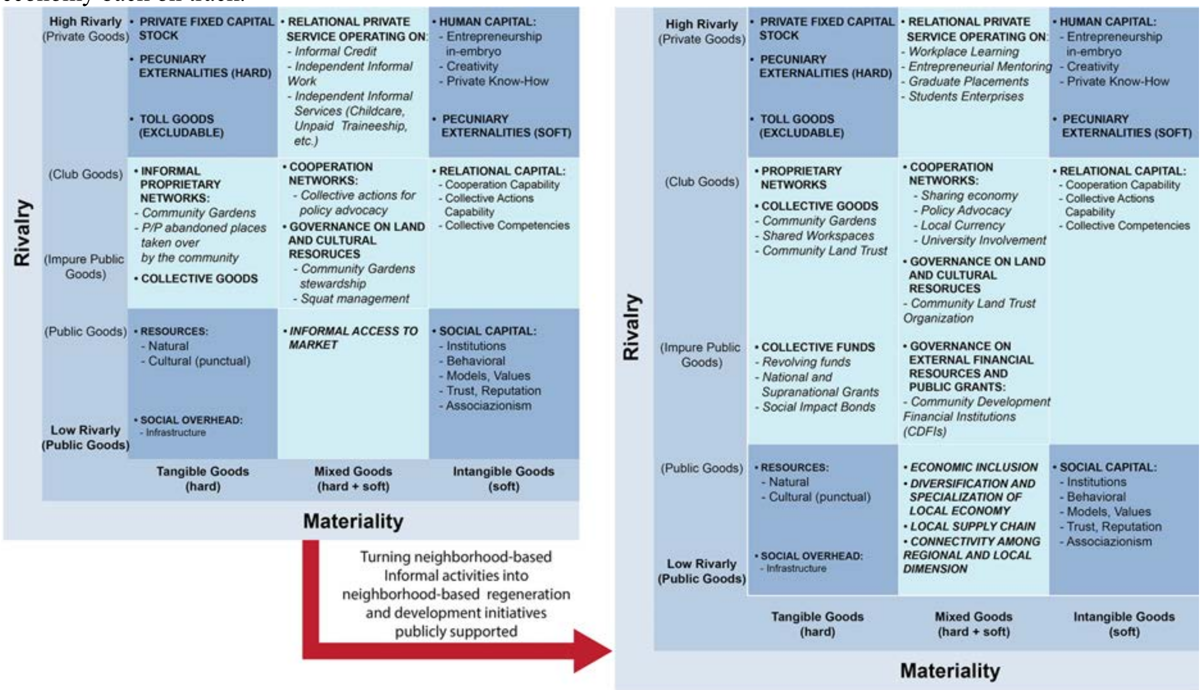

Fig. 2. a) The Territorial Capital of Deprived Neighbourhoods; b) The General framework of initiatives for a Neighbourhood-based Urban Regeneration and Economic Development.

4. Conclusions: The General Framework Area-based initiatives for the Urban Regeneration and Economic Development of Deprived Neighbourhoods.

The argument developed so far suggests the need for a formalisation of the informal practices occurring within neighbourhoods in order to make them fully operational and long lasting. For this reason, it is possible to further interpret the Camagni's territorial capital matrix in a framework of area-based initiatives aimed at the urban regeneration and economic development of deprived neighbourhoods. Consequently, it is possible to synthetize the production of potential outcomes from the suggested initiatives (Fig. 2b) as follows:

- to establish a "civic think tank", constituted by local stakeholders (community organizations, public authorities, private associations, etc.), aimed at identifying actual community needs, unexploited hard and soft potentials (i.e. physical resources, socioeconomic relations, tacit knowledge etc.) available technologies and social innovation practices useful for urban regeneration and local economic development (sharing economy practices and technologies like time banking, local currencies, crowdfunding, etc.);

- to reinforce local control over land, in order to avoid displacement effects, due to economic development, through the establishment of specialized community organizations and the development of different ownership schemes (Community Land Trust);
- to establish local agencies providing economic mentoring and "flexible" workforce training programs, aimed at upgrading the local workforce's skills and creating an entrepreneurial culture, through "learning by doing" practices;
- to boost the local production and the retainment of spending power within the neighbourhood through the establishment of a local currency. Since local currencies are inconvertible outside the local network of participants, a holder of this form of money must search out local goods or services in order to spend it, encouraging, therefore, the development of local resources and opportunities; such a condition is an opportunity for entrepreneurs for establish new businesses accepting local currency;
- to set up a local agency (Community Development Financial Institutions, CDFI) aimed at managing exogenous funds (national and supranational grants, donations, social impact bonds, etc.) in order to make them really neighbourhood development-oriented (for the financing of local start-ups and SMEs, for workforce training and development, for supporting community organization);
- to establish a local revolving fund (CDFI) in order to both leverage private investments and provide credit also to low-wealth entrepreneurs;
- to set up tax policies aimed at hiring local people and to start new local businesses;

The suggested initiatives are meant to be integrated within a single area-based strategy in order to fill the gaps which each initiative may intrinsically possess and to cope with the potential negative externalities which development processes may bring. This general framework of initiatives may enable deprived neighbourhoods to empower and fully exploit the economic opportunities coming from the endogenous development strategies set up at regional level.

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