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# Strategies to Cope with Shrinkage in the Lower End of the Urban Hierarchy in Estonia and Central Germany

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**ABSTRACT** *Population shrinkage has become an unavoidable process in many cities and calls for new planning approaches. Typically, economic restructuring causes small urban centres in peripheral locations to lose economic functions and population. In small towns however, social capital has been considered as a specific resource. In this article, we focus on small postsocialist towns in Estonia and Central Germany that have mostly experienced severe shrinkage since the end of state socialism, especially during the first transition decade. We aim to clarify to what extent local planning strategies accept the ongoing shrinkage and how various forms of local social capital have contributed to these strategies and the development of the localities in general. Interviews with different stakeholders in selected towns in Estonia and Germany revealed that shrinkage has not been systematically accepted in local planning. Instead, planning is strongly steered by the external financial resources to strengthen the remaining urbanity. In all towns, specific key development niches have been found in the 2000s to compensate for the peripherality. We also demonstrate that local public institutions need to adjust their governance culture to the existing specific local forms of social capital in order to achieve synergy between local actors.*

## 1. Introduction

Small towns are the neglected part of academic and political discourses, although they form an “integral part of the rural economy” (Courtney *et al.*, 2007). Schools, shops and marketplaces, public authorities and medical facilities providing services and goods for a wider area than just the urban centre, are located in small towns. Being located close to a multifunctional lower-order centre is often a precondition making living in a

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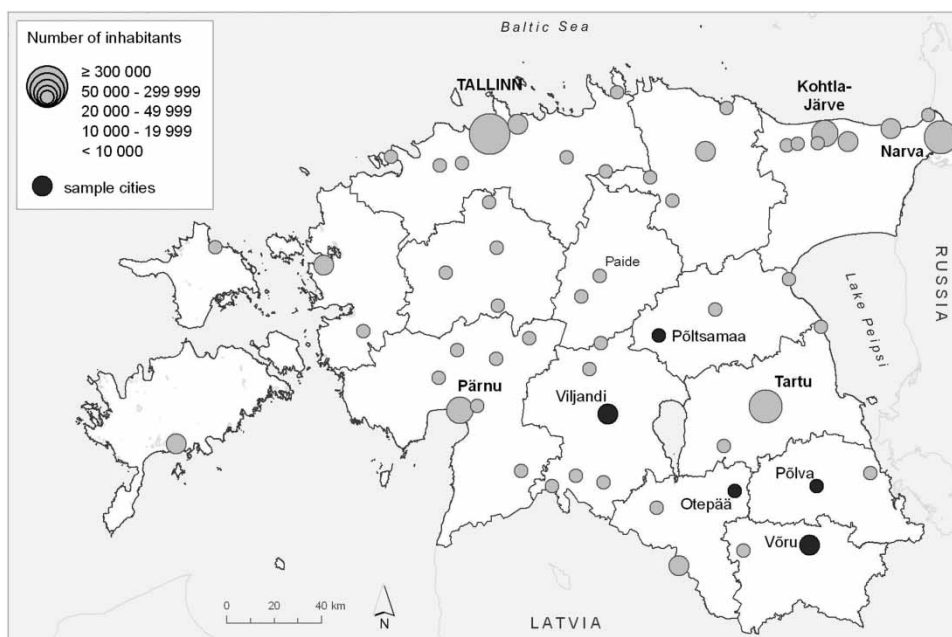
periphery of a settlement system possible. As such, small towns help to ensure a comparable quality of life throughout the country.

However, to overcome their peripherality, small towns need to participate in regional, national or international urban networks (Castells, 2002) in addition to being merely a lower-order centre in a hierarchical settlement system of a country. In some aspects, a small town may become an important centre irrespective of its location.

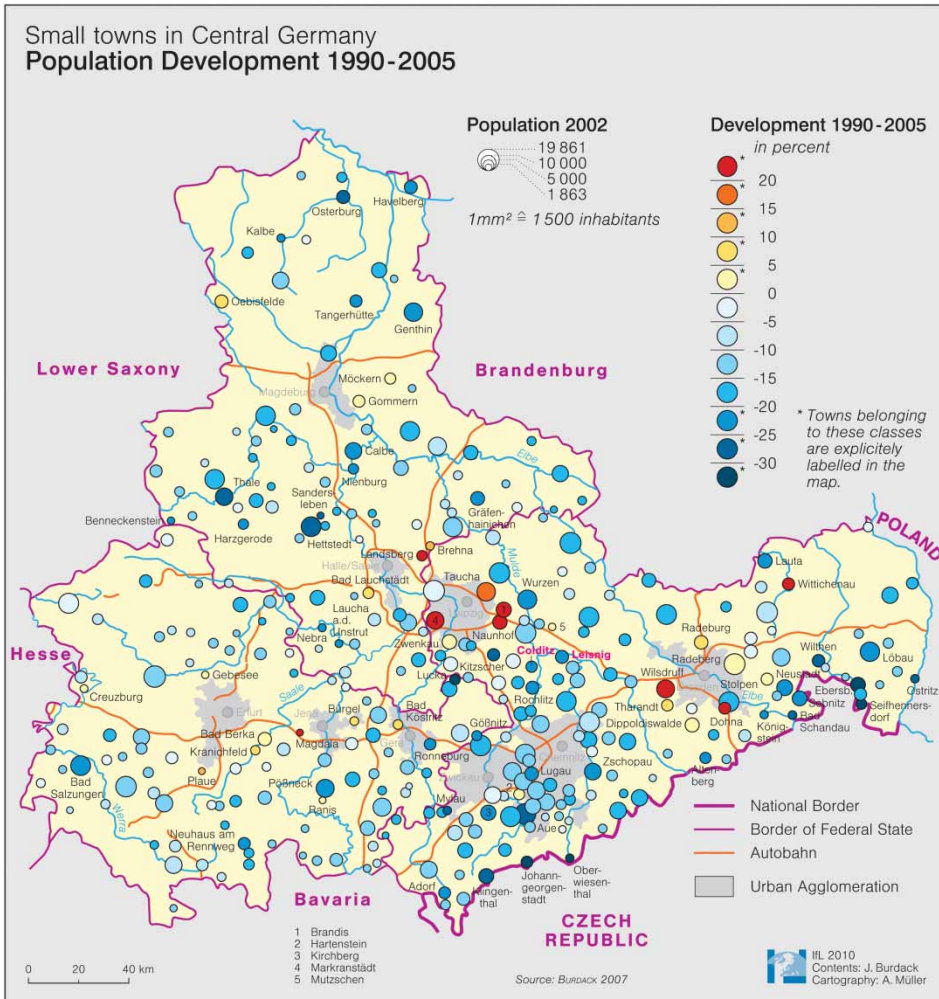
In this article, we analyse how small peripheral towns have coped with the condition of shrinking in formerly centrally planned Central and Eastern European (CEE) countries. In these countries, medium-sized and smaller cities were most vulnerable to economic restructuring during the transition years (Burdack & Knappe, 2007). The aim of the study was to identify strategic development approaches as best-practise examples illustrating the different ways that small towns cope with economic and demographic decline. We have chosen the formerly agricultural South Estonian region and Saxony in Central Germany as case study regions in a comparative research strategy (Figures 1 and 2). The empirical findings are based on expert interviews with local key persons who were supposed to have specific and more organized knowledge about local concerns.

## 2. Social Capital and the Ability of Localities to Direct Their Development

The development of small towns is significantly influenced by structures and processes at higher-order scales (regional, national and global) (Burdack, 2010). However, small towns also have a large scope for development opportunities which are based on locally available “endogenous” resources. Places with similar economic backgrounds may react to



**Figure 1.** Estonian settlement system and the sample of the survey.



**Figure 2.** Population development in small towns in Central Germany.

Source: Burdack (2010).

structural changes and external forces differently due to local cultures and institutional arrangements. Cooke (1989, p. 296) illustrated with his study that localities are not just passive spatial units: their specific local features (e.g. entrepreneurial culture, local communication traditions, local identity, governance practices) are like historically rooted institutional layers that determine the capability of localities to react to external forces. Such peculiarities of local culture and communication practices have merged into the concept of “social capital” (Coleman, 1988; Putnam, 1993) which refers to “the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development” (World Bank, 1998, p. 5). There is no general agreement on what social capital is, or how it emerges and operates. Coleman (1988) for instance terms shared norms, expectations and reciprocity as social

capital, whereas Putnam (1993) perceives “networks of civic engagement” and trust as essential forms of social capital. Trutkowski and Mandes (2005) and Tura and Harmaa-korpi (2005) argue for a context-related approach which defines social capital in close relation to the particular setting to which it is applied.

Comparative studies usually reflect the membership in voluntary organizations, networks, etc., since it is commonly agreed that the integration in social networks—formalized and non-formalized—facilitates the dissemination of information, know-how and innovation, contributes to more generalized trust and launches opportunities for cooperation (Putnam, 1993, p. 173; Borsig, 2010). In the context of our research, we stick to Putnam’s widely perceived notion of social capital, namely the “networks of civic engagement” which we see as the main source and, at the same time, expression of social capital.

Since small towns are characterized by a transparent overview of local actors and their aims, locally oriented investors and developers and a higher density of face-to-face communication (Westlund & Bolton, 2003; Knox & Mayer, 2009), it can be assumed that there is a “high amount” of local social capital, irrespective of its prevailing form. The crucial question is how the different forms of local social capital are used for common purposes, and, in the case of the peripheral small towns in CEE, for strategies against economic and social decline. Raagmaa (2001) emphasizes in this context the role of local charismatic leaders who initiate and coordinate local improvement projects and are able to gather the community to formulate joint objectives. According to O’Toole and Burdess (2004) non-governmental organizations (NGOs) can also have this activating role. However, the success of citizens’ activation depends for a large part on the level of local identity (Raagmaa, 2002): the higher the identification of the local population with their town, the greater their interest to support local initiatives.

Local social capital, expressed in different types of trust-based cooperations and networks, forms the basis for a vital civil society that is willing to become engaged politically and socially, and, thus for the emergence of local governance structures, integrate actors from politics, economy and society. It should thus be supported to develop its full effective forces as a resource which is definitely everywhere available and which can contribute to the stabilization of structurally disadvantaged localities.

### **3. The Context of Population Shrinkage in Case Study Areas**

Postsocialist cities experienced a so-called double-transition: political and economic changes resulted in a convergence to the former Western countries, and, at the same time, localities started to be influenced by similar globalization pressures as experienced elsewhere. The loss of Eastern markets and sources of raw materials as well as economic restructuring processes reshaped the competitiveness of different sections of the settlement systems. Smith and Timar (2010) argue that neoliberalist attitudes in transition societies brought along unequal development of regions. Many former economic functions started to drop from peripheral regions and small towns. Hannemann (2003) associates processes of “de-economization”, “de-administration”, “de-militarization” and “de-population” to Eastern German towns where economic renewal after reunification did not take place or was extremely slow, inducing processes of rapid shrinking and decline.

On the other hand small towns and rural municipalities in former socialist countries regained their status as local self-governments, offering more possibilities to coordinate

local life than in socialist years. Demographic shrinking processes, however, limit considerably the ability of small localities to take over the responsibility for their development in the future. At the same time we know from the literature that social capital can unfold its full potential only when it is combined with other types of capitals (Grootaert, 1998; Tri-gilia, 2001; Evans & Syrett, 2007). Raagmaa (2002) demonstrates how selective out-migration from the shrinking localities most probably concerns those population groups who, in principle, could take the main responsibility for local development as key participants in the local communities. Therefore the local social capital may also decline in phases of economic recession.

Small towns in both case study regions have experienced a remarkable decline in their economic activities as well as in population figures in the transition period. In Estonia, the major cities Tallinn and Tartu have traditionally been the main destinations for education-related (Marksoo, 1990) and employment-related migration (Antons, 2003). In the beginning of the Soviet period, major cities of the country grew fast (Leetmaa, 2008), but since the 1970s smaller towns received more investments. In the Soviet economy, Estonia and other Baltic states specialized in agricultural production. Therefore, strong agricultural regions in turn supported the development of local centres (personal services, production services and administrative functions gained more importance). Due to the former in-migration into rural regions as well as accompanying high fertility rates, the population development of peripheral regions and towns remained stable in the beginning of the transition; later, however, the large birth cohorts started gradually to move towards the schools and jobs in the major cities.

In Saxony, the small towns had to suffer from a difficult legacy of the German Democratic Republic (GDR) period when they did not receive much attention. Most of the small towns belonged to the settlement planning category SK 4, which did not assign a definite urban development perspective for this type of settlement (Burdack, 2010). Jobs and investments were directed mainly to larger growth poles. Especially small towns without the legal status of being a county seat were in a difficult position (Rosenkranz, 1987). They suffered from a severe lack of public financial means, which was reflected in the decay of their buildings and technical infrastructures. Population decline in the small towns often started long before the transition period (Burdack, 2010). Today, the development of wide parts of Saxony and also the rest of Central Germany is characterized by an ageing population and population decline (Burdack, 2007). Only few small towns are “stable” in their population development, these are mainly located in the suburban areas of the major cities or close to the highly accessible motorways. The counterpart to these stable towns are small towns in peripheral regions along the Czech and Polish borders as well as former mining towns which registered population losses of more than 25% and in some cases even more in the period 1990–2005.

#### **4. Research Questions and Methods**

The conducted research aims to clarify how localities in the peripheral regions of national settlement systems have been able to adjust to the population decline and de-economization since the collapse of the socialist regimes and economies in Estonia and the former GDR. The research focuses on small towns as probably the most vital localities in peripheral regions (compared with rural municipalities). Based on these assumptions, we formulated the following questions for our research:

1. What kind of major strategic development projects have been developed in the CEE small towns to cope with peripherality and avoid further shrinkage?
2. Which forms have local social capital taken and which role has it played in achieving major strategic aims in these localities?

For the selection of cases, we defined all urban settlements with the population figure up to 20,000 as small towns. Slightly more than 20% of the Estonian total population and nearly 30% of the Saxonian population live in this settlement size group. More than a half of Estonian urban settlements have less than 5000 inhabitants and only five cities are larger than 20,000 (Tallinn with approx. 400,000 and Tartu with approx. 100,000 inhabitants are the two largest cities) (Table 1). In Saxony the settlement structure is more diverse: a third of all towns have less than 5000 inhabitants and more than half of the towns are located in the category 5000–20,000 inhabitants. Only two towns (Dresden and Leipzig) have slightly more than 500,000 inhabitants.

The selection of the case studies was based on the comparative case selection strategy (Lijphart, 1975; Seawright & Gerring, 2008), described by Przeworski and Teune (1970) as the “most similar systems” research design. According to this strategy, we involved those small towns into the survey that have some similar background features. We also aimed to investigate small towns that have been relatively successful in their restructuring processes (so-called best practice cases).

Estonian small towns are very different with regard to their location, economic base and historical background. We decided to exclude the towns that are located close to the capital city Tallinn or on islands and multiethnic cities. From the remaining cases we chose five small towns that are most similar to each other: Viljandi, Võru, Põlva, Põltsamaa and Otepää towns (Figure 1). Viljandi (former Hanseatic town, founded in 1263) and Võru (established in 1783) are traditional county seats. Põlva was only a small settlement before it was promoted by appointing it to a county seat in the Soviet period. Otepää and Põltsamaa have been historical sub-centres for their surrounding areas. The smallest of the selected Estonian towns is Otepää (4041 inhabitants) and the biggest Viljandi (19,963 inhabitants).

The numbers of inhabitants in the chosen case study towns in Saxony reach from 2623 inhabitants in Ostritz to 19,682 inhabitants in Großenhain. All these towns (Ostritz, Großenhain, Dippoldiswalde, Grimma and Waldenburg) (Figure 2) are similar with regard to their legal status (town privileges) and their recent shrinking tendencies (both demographic and economic). Small towns in the suburban rings around the major cities of the region were not included in the sample. Compared with the Estonian case study towns, the Saxonian cities have traditionally had a stronger industrial base. Until 1989, the local economies of Grimma, Großenhain and Ostritz were strongly influenced by industry, while Dippoldiswalde and Waldenburg were characterized by handicrafts and trade rather than by industry. During the first decade, all these towns suffered from de-economization. Dippoldiswalde, Grimma and Großenhain in addition have lost their former status as county seats. The somewhat different former economic backgrounds of the selected towns in the two case study countries give us a stronger position to shed light on the small town development perspectives in Central and Eastern Europe in general.

Altogether 31 in-depth expert interviews with local key actors (20 in Estonia and 11 in Saxony) were conducted in 2010. In all towns we interviewed at least one member of the town administration (whose direct responsibility was to coordinate strategic planning and

**Table 1.** Estonian and Saxonian urban settlements by size classes

	Size classes								Total
	Up to 2499	2500–4999	5000–9999	10,000–19,999	20,000–49,999	50,000–99,999	100,000–299,999	above 300,000	
Estonia (2010)	19	13	10	9	2	1	1	1	56
Saxony (2009)	7	51	56	37	21	3	1	2	178

Sources: Statistisches Landesamt des Freistaates Sachsen and Estonian Population Register.

major development projects) or a current or former council member (many of them have been involved in local government bodies during last 20 years in different roles). Other interviewees were locally active key persons who worked in following fields: education, cultural life, sports clubs, youth work, public welfare and local entrepreneurs. Since the municipalities were small, all interviewees were well informed in their own field but also were ready to discuss various other local issues.

## 5. Results: Identifying Niches for Development and the Role of Local Social Capital

As follows, we give an overview of the results of the interview surveys explaining the factors which are seen as the base of the relative stabilization of these small towns. We use all of our 10 cases to give more general results, whereas two case studies from both countries (Otepää and Viljandi from Estonia, Grimma and Ostritz from Germany) illustrate the coping strategies against shrinkage and the role of social capital in local planning on a more specific level.

We asked local key actors to compare themselves to the major cities as well as to other small towns in the country and in Europe and to point out what distinguishes their town. In a second step we asked them about the selected niches for development and most important development choices made during the last two decades. In addition, we asked the interviewees to describe the main features of the local social networks and the way they support the implementation of the chosen priorities. All selected small towns have suffered severely from economic restructuring and the resulting population shrinkage during the 1990s. However, since the 2000s the shrinkage processes stabilized, one of the reasons being the former intensive out-migration and therefore the lack of potential migrants in 2000s. Still, our study also determined that after the restructuring shock the towns have chosen specific strategic development priorities, and local networks of actors have made efforts to realize these niches.

### 5.1 Estonian Small Towns

A common vision highlighted in all (5) South Estonian small towns is to create an attractive residential destination as an alternative to large agglomerations (to foster counter-urban moves):



There are cases when people work for some time in the capital, but they do not like their life in a large city anymore. People just are accustomed to live in a small cosy town and they come back . . . Võru is an ideal place to grow up children. It is safe here; you always know where your child is moving around. (Võru, development planning specialist)

Another common development perspective that was emphasized is to strengthen the function as a lower-order centre for the surrounding (shrinking) region. One very concrete plan in all towns was to keep at least one secondary school in the town to avoid further out-migration of youth. Most small towns support plans for an administrative reform in Estonia that would make them centres of a larger new municipality (with 20–30,000 inhabitants). Viljandi and Võru as the largest centres among our sample argue that relocating some state institutions to their towns would balance the economy and provide long-term secure work places. Estonian towns mainly have not had the capacity to develop public activities for business promotion; having a good communication network with local businesses, however, is the common aim. Specific development directions, however, are mainly based on the Soviet-era or even earlier economic, administrative and cultural backgrounds—despite the restructuring, the towns have retained connections with former activities (in a renewed form). Interestingly, local social capital also relates to the development preferences in various ways, and the local public sector is not necessarily the key actor in strategic development.

We present two towns in a more detailed overview to understand the historical background and current developments. These two towns are Viljandi and Otepää—the largest and the smallest town of our sample (Table 2). These two towns are completely opposite concerning their political situation. During last two decades Viljandi has had a stable political situation. Otepää, although being a very small locality, has been politically unstable and various conflicts between local key actors have been obstacles to local

**Table 2.** Population development in postsocialist period in selected small towns

Estonia	1989	2000	2010
Põltsamaa town	5207	4858	4642
Põlva town	7038	6461	6554
Otepää municipality <sup>a</sup>	–	4217	4041
Viljandi town	23,080	20,800	19,963
Võru town	17,496	14,905	14,376
Total (five sample towns)	55,245	49,243	47,612
Saxony	1990	2000	2009
Dippoldiswalde	10,672	10,903	10,323
Grimma	20,091	18,729	18,905
Großenhain	20,047	17,475	19,682
Ostritz	3867	3228	2623
Waldenburg	4962	4870	4381
Total (five sample towns)	59,639	55,205	55,914

Source: Statistisches Landesamt des Freistaates Sachsen (Germany); 1989 and 2000 Census data and 2010 Population Register data (Estonia).

<sup>a</sup>Otepää town was administratively merged with surrounding municipality in 1999.

development planning. Despite this difference, both towns have managed well with economic restructuring and developed new economic niches.

*Viljandi* (19,963 inhabitants) is a traditional county centre of a long-term successful agricultural region. In comparison to other towns, the rural municipalities in Viljandi County are relatively viable; therefore, the local enterprises are in better condition regarding the local labour basin. Viljandi has a long history of being one of the oldest towns in Estonia that also backs Viljandi in functioning as a tourism destination. The town administration has been very stable throughout the last 20 years.

The main development direction that differentiates Viljandi from other small towns is its strong cultural cluster. Among our sample towns, Viljandi was the only one with its own higher education institution—The Cultural Academy of the University of Tartu has traditionally been functioning here and, besides, one of the most important theatres of the country is based here. The key event for the town is an international folk music festival held in Viljandi every summer since 1992. The latter event has gradually steered the institutionalization of the cultural cluster in the city. The NGO Estonian Heritage Music Centre is the key actor in the town's cultural activities. They have partners all over Estonia and beyond. Although started with one major internationally known event, the association now organizes different smaller festivals and concerts throughout the year. The theatre and the Cultural Academy complement the cultural calendar. The town administration emphasizes the need to invest more also into sport objects (stadiums, rowing arena on the lake, etc.) to create even more heterogeneous attractions for visitors for all seasons.

There is a well-functioning partnership between the town administration and the key actors from the cultural sector. For example, the NGO Heritage Music Centre has become an equal partner for the town administration; its activities and events are supported regularly and as an institution it helps to organize cultural life in the town in general.

We have the ideas /.../ and the town supports us as much as it can. The systematic cooperation of course has developed in relation to the main festival in summer. /.../ An additional major project was the creation of the Heritage Music “Garner” (the main building for NGOs activities and concerts). Here the initiative actually came from the town administration. They offered us, if we could do something interesting with this old building. (Viljandi, organizer of the folk music events and member of the town council)

The “cultural and heritage music project” in Viljandi has strong support among local community members. For example, information is gathered from local inhabitants about the accommodation opportunities in their homes and free apartments during the large festival in summer.

The success of the cultural cluster is in turn supported by a strong production sector. Former large Soviet-era enterprises have gone through privatization and reorganization and are today strong exporters (e.g. textiles, metal, food and timber), but they are also still the main employers. These enterprises are an important base for the heritage culture as well, since “local people cannot live only on culture; they also need their work places”. The cultural events in turn have their own regular sponsors among local enterprises.

The town administration claims to have an active attitude towards enterprises. Many activities aim to reach a good local public–private communication network—regular

round-table discussions take place, entrepreneurs are offered lectures about topical issues, regional development conferences are organized. Attempts have been made to involve small enterprises related to the Viljandi lake into the development of a common marketing strategy for the lake area. Still, according to one of interviewed entrepreneurs, the attempts by the town administration do not have concrete aims that would involve business-oriented persons seriously.

We are ready to participate in things, but we need to see that the activity has a purpose not only the process /.../ Seems that public sector is more enjoying the process. /.../ For the town administration it seems to be important to get whatever project money. /.../. (Viljandi, manager of a large enterprise)

Large enterprises have sometimes taken over the responsibility in certain areas, such as public transport lines to gather their workforce from surrounding areas, although the public transportation networks should be organized. Regardless of some criticisms, interviews carried out in Viljandi did not reveal any relevant negative corporatist features that might discourage some interest groups from participating in local life. In other words, we could argue that relatively calm governance practice characterizes Viljandi. The town administration has succeeded in developing stable cooperation networks among the key actors in the city, both in the cultural and in the production sectors. The interviewees also emphasized that the town has never experienced strong political oppositions. According to one opinion, the political life in Viljandi is sometimes even too calm and does not motivate open discussions.

We may conclude that Viljandi succeeded in gathering the main community actors and interest groups as well as general public support behind the key image project of the town—culture and heritage music. Although the cultural cluster develops fast, it does not yet have the potential to compete with the main traditional employers. Viljandi is rather an example to show that a strong cultural cluster cannot develop in an economically weak town. Step-by-step cultural clusters will also have a larger role in employment.

*Otepää* (4041 inhabitants) is also an old and well known, but smaller historic centre in Southern Estonia. Currently the town is a famous and internationally known skiing centre. At least people related to winter sports know *Otepää* as a town located in Estonia. *Otepää* is a location for the Worldloppet series skiing marathon (Tartu Marathon). Since 1999 *Otepää* is one of the locations of the FIS World Cup competitions for cross-country skiing. The position of *Otepää* as international skiing centre resulted in the gradual improvement of infrastructure for winter sport. The image of the city is created by 3–4 larger winter sport and tourism enterprises. Winter sport in *Otepää* is supported by many different sources of private and public financing. For example, the Cultural Ministry and other large institutions (e.g. University of Tartu) have their sport bases in *Otepää*.

Winter sport and leisure facilities are diverse in *Otepää* and for many people in Estonia, the town is an important weekend destination. The town has promoted itself as the “winter capital” of the country. Some interviewees argued that this image may even become an obstacle for the development of the town, emphasizing the seasonality of local activities. Attempts have been made to enrich the summer calendar and leisure-time activities. The top summer sports event is also related to skiing—the international roller skiing competition. Investments have also been made to promote golf sport; *Otepää* Adventure Park and History Thematic Park are the recent initiatives that diversify the sport niche with

other tourism branches. Besides, Otepää has also been successful in organizing mass events that are well known in Estonia, for example the pop music festival Pühajärve<sup>1</sup> Beach Party and Pühajärve Fishing Party (winter time fishing competition on the lake). Otepää is located in a Nature Park protecting a typical South Estonian hilly agricultural heritage landscape. Although the nature protection restrictions are sometimes questioned by developers while planning their landscapes changes, the image of local beautiful nature directly supports tourism and sport activities. Sustainable nature tourism has always been a smaller additional tourism branch.

The town and the region have also become a second home destination, especially for the people who prefer active holidays related to sport. The conditions are also ideal for permanent living as Otepää is located relatively close to the second-largest city of Estonia, Tartu (ca. 45 km) that offers additional job opportunities. Local nature makes the residential environment even more attractive, but at the same time also more expensive.

Although Otepää may be considered as the most successful Estonian town among our all cases studied in developing its new competitive economic niche, the local community does not always support this regional success project. Mass events and large development projects have evoked annoyance and alienation among local residents. In addition, the politically extremely unstable local government is unable to coordinate the interests of large influential investors, and the latter are not always related to the local community. Similarly, strong pressure for new business developments and second home projects sometimes ignore the local community. Some locally relevant projects that the municipality administration tries to initiate are not attractive for major enterprises due to the bureaucracy related to the funding application procedures. The enterprises often apply independently for funding their own tourism projects and cooperate with each other. Local enterprises have cooperated to initiate the Winter Festival, the yearly opening of the “winter capital” period, and other local events. Often the local residents no longer participate in these events. Sometimes stronger developers also take the responsibility of the standard municipal obligations, e.g. road maintenance. All in all, the town and the region develop in accordance with the visions of the influential investors, and the local municipality is unable to efficiently influence these developments.

Similarly, the municipality has been unable to balance the life-style preferences of permanent and second-home owners. Local residents mostly prefer traditional construction and planning norms to preserve local nature and culture. Temporary residents and visitors would like to be able to use more modern and innovative construction forms. The coordination of different expectations with planning measures has failed in some cases.

In our village new houses were planned at the lake bank. Of course, the thinking of a person from Tallinn (capital of Estonia) only works towards the direction to be able to jump to the water directly from his sauna window. / . . . / (Otepää, NGO member in social affairs)

There are examples of organizing well-reputed traditional mass events being ceased or moving the events away from the city (e.g. pop music festival, fishing party) because they disturbed enterprises and the local community, or turned out to be too burdensome to local nature.

The fishing party is another such event, when we simply close our territory with fences; nobody does not care, whether he drives on your lawn, /.../ scrapes it with the wheels, throws away a bottle. Maybe retail enterprises receive some profit during one day, for the locals this event is awful. (Otepää, local entrepreneur)

In the changing political atmosphere, it is not even possible to develop cooperation networks with enterprises, clear connections to the local community, and to elaborate clear planning principles.

A resident of Otepää is just bored of these conflicts. /.../ Even I cannot remember anymore the names of the mayors since the last election /.../. (Otepää, local major entrepreneur)

Common activities of the local community are marginal. When the local government even invites discussion on some issues, people do not consider it useful as the power may change soon anyway. Some local entrepreneurs have consciously preferred to maintain some distance from the affairs of the local municipality to avoid conflicts. They have occasionally taken up the renovation and maintenance of some roads that are important to their business and given up asking for co-funding from the town administration.

Still, despite the political tension, daily cooperation among smaller organizations in concrete projects continues. For example, the Otepää Nature Park and enterprises also are related to education at the local schools. Some interviewees said that as the number of local actors in such a small town is still limited, more or less the same people are involved in the governance of the locality even after the power has changed officially. All key persons however agreed that, although local people also benefit from the economic growth of the region, Otepää needs to consider the ongoing alienation process as a negative trend.

## 5.2 *Small Towns in Saxony*

The research conducted in the Saxonian small towns shows that all of them (five towns) share certain common visions. Among the interviewees, there is wide agreement that all towns in this size class are competing with each other from economic and demographic points of view (e.g. compared with South Estonia the settlement structure is dense in Saxony; not all towns can be administrative centres).

We want our city centre to be attractive not just for our citizens but also for others. Once our town had 19,000 inhabitants, now we have 15,000. /.../ We have to distinguish ourselves; we have to find our niches to draw attention to ourselves. (Großenhain, member of “Großenhain aktiv”)

The common visions shared by all towns converge in the aims to be (1) family friendly, (2) business-friendly and (3) citizen-friendly. Accordingly, activities and investments of the local authorities concentrate around the support to the local economy, the development of social infrastructure and social incentives and the reduction of barriers between the public bodies and private actors (from economy and civil society).

Despite their demographic shrinking contexts all analysed towns try to preserve a wide range of educational facilities to be attractive for young families (common feature with Estonian towns). Waldenburg even invests in developing education as niche for local development. Promoted as “city for families and education” it has developed an encompassing educational infrastructure (offering educational facilities for all age groups from Kindergarten to adult education). Moreover, does the city welcome every new baby (born in or migrated to the town) with a so-called welcome package consisting of necessary things such as swaddling clothes, drugs, etc. Similar to Waldenburg, Grimma tries to develop incentives for young families to settle in the town. The so-called Baukindergeld is a special subsidy for parents (5000 € per child) who buy or build a real estate in Grimma.

We have lots of places for children in kindergartens and nursery schools and we also have a well-equipped grammar school, two elementary schools. We have the best conditions for childcare and education. Furthermore, we have three homes for the aged [...], which constantly register growth. (Dippoldiswalde, Mayor)

All towns are also well aware of the fact that they need to invest in the local economy to ensure and create as much jobs as possible. As trade and commerce are traditionally very important for the local economy of small towns, many efforts are undertaken to strengthen the city centres and the local trade. Grimma, Großenhain and Dippoldiswalde worked out detailed concepts for the development of local trade and were assigned the title “1A-Shop-ping City”. The interviewees see a certain closeness of economy and public administration as crucial for the creation of a business-friendly environment.

We know almost every company here and we are acquainted with almost every company director. That is impossible in larger towns like Dresden or Leipzig. However, this is certainly an advantage if you are close and know each other because a lot of things can be handled easier. (Großenhain, Department for Economic Promotion)

All interviewees agree that there are no difficulties with regard to communication and cooperation with the public authorities. According to the interviews, decision-making-processes in small towns are based on dialogues and discussions with different actor groups. The mayors as local leaders are open towards all issues of public interest. They accept invitations to different kind of events and, on the other hand, open themselves by inviting the citizens to informal meetings such as round tables. Civic engagement, either social or political, is explicitly requested and supported. Grimma, for instance, offers several incentives to get people engaged in different activities. A “Centre for Volunteers” for example, has been established as a central contact point for people who want to offer their voluntary help. Furthermore, the so-called BlaulichtCard (“Flash Beacons Card”) that enables the enjoyment of allowances in public institutions (e.g. library, swimming pool, etc.) is given to the volunteer firefighters and their families. In general, while local authorities were formerly perceived as being impersonal, they are now increasingly becoming service-oriented, seeing citizens and businessmen as customers. In Grimma for instance, there is a “citizens letter box” that can be used to forward complaints and proposals.

There is cooperation in that form that I am invited to the meeting of members or sometimes even to the board meeting and then I make my contributions concerning the recent developments of the town and, on the other side, I get informed about the problems the people have. I think that there is a good and intensive form of cooperation. (Dippoldiswalde, Mayor)

The main development priorities and the role of local social capital in reaching these development aims are analysed in a more specific level in two towns—Grimma and Ostritz.

*Grimma* (18,905 inhabitants) is located approximately 30 km east of Leipzig and it has direct access to the motorway A14 Leipzig-Dresden. Already before World War II and especially during the socialist era, Grimma was an industrialized town. The equipment manufacturer MAG Grimma had already started business in 1867. In 1946 MAG Grimma was transformed to a nationally owned enterprise (“VEB Maschinen- und Apparatebau Grimma”). In 1979, it became the headquarters of the state combine for the construction of chemical plants offering 35,000 jobs in Grimma, Leipzig, Böhlen and Leisnig. As a result of the political and economic turnaround the state combine was liquidated in 1990; the relicts of it persist in the form of privatized and specialized small enterprises and a commercial zone on the terrain of the former combine (currently offering about 1300 jobs). Grimma has lost its traditional function as production site. In 2009, just 11.2% of the employees were active in the manufacturing sector. Due to the administrative reform in 2008, Grimma also lost its function as a county seat, but fortunately the city still has a strong position as a regional centre for private as well as public services (e.g. education, health care).

Local development in Grimma was drastically influenced by the flood disaster in 2002. It destroyed the newly restored historical city centre and wide parts of the infrastructure. Nearly 700 buildings were damaged, some of them were even totally devastated. Pictures of flooded bridges, auxiliary forces in boats and desperate citizens were broadcast throughout Germany and beyond. Grimma became the national symbol of the flood catastrophe. Despite all the tragedy, the flood disaster has led to a solidarity among the local population. Many initiatives integrating private and public actors were implemented to push the reconstruction of the town. Being well aware of this joint effort, the city marketing developed the slogan “Grimma—everything is possible” to stress the achievements of the local citizenship.

A special initiative which was also linked to the flood disaster was established 2 years later, in 2004. The “Liederflut” (“song flood”) music festival was organized as symbolic finish of Grimma’s recovery and as appraisal for all helping hands. The success of the first festival gave reason to continue with the event. The festival has now become an annual event attracting about 10,000 people every year. The initial idea for the festival came from an event management agency from Leipzig that accosted Grimma’s mayor with this proposal. Since 2006, the event has been organized by a consortium of voluntary members under the leadership of the chairman of the local chamber of commerce; altogether 200 volunteers are involved. The “Liederflut” festival has contributed to a further improvement of Grimma’s image within and beyond the region. The high number of voluntarily engaged persons demonstrates the persistent significance of civic engagement in local development. People who want to engage voluntarily have the possibility of getting registered in the “Centre for Volunteers” that coordinates the distribution

of registered volunteers according to announced needs (e.g. help for homework). Volunteering is very common in the local clubs and associations; with approximately 200 clubs and associations, Grimma offers many possibilities to get engaged voluntarily.

The public authorities welcome all forms of voluntary activity and support them within the bounds of their possibilities. They express their appraisal by awarding a prize to citizens who stand out due to extraordinary civic engagement. The awarding takes place every 2 years in the form of an official ceremonial act. Obviously, social cohesion in Grimma is not just a result of overcoming joint suffering, but of continuous stimulation to enhance civic engagement for common purposes.

After the catastrophe in 2002, cooperation and team spirit became very important for all of us. The citizens in Grimma have stuck together in this situation /.../ And now, if events are organized—the Liederflut or others—they live on aid of engaged citizens /.../. All these things can be kept alive if there are people who support these ideas, who /.../ identify themselves with these events, who participate and who bring in passion. Otherwise it cannot work. (Grimma, representative of public authority)

Ostritz (2623 inhabitants) is located at the German-Polish border, 100 km east of Dresden and 20 km south of Görlitz. Ostritz is embedded in a traditional mining region which was formerly known as the “Black Triangle”. The region was one of the most heavily polluted areas in Europe, plagued for decades by choking coal dust emitted by electric power and district heating plants. Lignite’s abundance in the Black Triangle contributed to the rise of the area’s industry, which included petrochemical plants and refineries, copper mining and processing, textile manufacturing, glassworks and coal extraction. To supply the electricity and heating demand of these industries, power and district heating plants were created in the region. The contamination of the air and acidification of soil and water by SO<sub>2</sub> and NO<sub>2</sub> have damaged the ecological balance and caused serious human health problems.

The economic restructuring (privatization and modernization) of the enterprises and the closing of the Hagenwerder and Hirschfelde power plants in the vicinity in the early 1990s led to a stepwise improvement of the environmental situation, but also to a massive reduction of jobs. Although 20 years have passed, Ostritz could not consolidate its local economy. The number of jobs decreased almost by 50% in the period 1999–2008. This precarious situation has affected the demographic development in Ostritz—due to high out-migration rates and very negative natural growth rates the population declined by more than 30% between 1990 and 2009.

The precarious situation induced the German foundation “Deutsche Bundesstiftung Umwelt” (“German Federal Environmental Foundation”) (DBU) at the beginning of the 1990s to foster the local economic and ecological restructuring in Ostritz. The local authorities agreed to seize this chance and to align their development strategy with new objectives.

In 1992 we, the city council and the urban administration, agreed that a stronger orientation towards more ecological concerns /.../ could be something for the future. The environmental pollution, which was obvious here. /.../ We as responsible citizens admitted that there were other ways to supply our town with heating



and electricity, others than the combustion of brown coal. And this was finally the reason why we decided to change our strategy and to start this project to provide energy for the whole town out of renewable sources. (Ostritz, representative of city council)

It was decided that the town should develop towards an ecologic pilot scheme and be able to meet its heavy demand self-sufficiently. Within just a few years the number of facilities for the production of energy increased significantly. A biomass-based power plant was built on the site of a former textile factory, combusting wood chips and, in case of higher energy demands, vegetable oil. As the financial situation in most households was bad and many citizens feared higher prices for energy supply, the public authorities offered financial incentives to assure the success of the project. The households did not have to pay for the connection to the heating grid, and the installation of new heating elements was subsidized. Meanwhile, about 75% of all households in Ostritz are connected to the heating grid. In 1997, a private investor made use of the favourable wind conditions and installed four wind turbines. The wind park was enlarged in 2006, now producing a total capacity of 14 MW which would be sufficient for 8000 households. The first solar plant was installed in 1997 on the roof of the fire brigade's building. In the meantime, the number of solar plants on private buildings has increased significantly, not the least because of high subsidies. Last but not least, the monastery of St. Marienthal revitalized its long tradition in power generation by recommissioning its hydropower plant in 2000. The electricity is used to cover the demand of the monastery and the surplus is fed into the electricity grid.

After having achieved the goal of becoming energy self-sufficient, the question of how to sustain the attainments was raised. In 2004, a citizens' initiative came together to develop visions for the continuation of the so-called pilot scheme. The aim was to derive advantages from the technical restructuring and modernization process and to transfer them to other spheres of local development. For this reason, the citizens' initiative developed a number of projects which contribute to the continuation of the eco-based development strategy (e.g. touristic commercialization of Ostritz as energy self-sufficient town, environmental education). Most of the activities within this strategy have been coordinated by the civic organization International Centre of St. Marienthal, which has become an important regional actor for issues related to environmental protection and environmental education. The St. Marienthal monastery (founded in 1234) has always been of outstanding importance for Ostritz. The convent initiated the development of the town in the middle ages, and also fostered it during the socialist era. The deep-rootedness of Christianity and Christian values influenced cohesion among the citizens in a particular way. Until now, the development of the town has been done not just by public actors, but also by the citizens. The citizens' initiative split into different working groups which met regularly until now. Although the structural indicators still point towards economic shortcomings, Ostritz developed a strategy that obviously contributes to the preservation of its urbanity.

I think it is most important to communicate. The worst thing that can happen is that the public bodies separate themselves and that people say: "They are always doing just what they want to do." We have to take the people along with us; we have to integrate them. That's what we as public administration have to do to be successful with our efforts. (Ostritz, representative of city council)

## 6. Discussion

One of the main conclusions that we can draw based on our 10 case study towns from two economically and historically different postsocialist regions is the effort of small towns to overcome their peripherality by finding specific economic niches in wider (regional, national and international) urban networks. Due to the general shrinkage process in rural areas, their former strategy of being a lower-order central place for surrounding areas no longer provides success. Interestingly, small towns have been more successful in developing specific niches in 2000s, after the dramatic de-economization and population decline of the first transition decade. Although we have selected best practice towns to study their strategies to cope with shrinkage, we can admit that despite shrinkage during the early transition, these localities were able to turn from the “passive local destinations” of higher-level administrative decisions under state socialism to the “pro-active” localities that use their endogeneous resources. The fact that the two case study regions historically have had different economic bases—Saxony being rather an industrial and South Estonia an agricultural region—strengthens the argument that this might have been the common development in other CEE small towns as well.

We also saw that while in Estonian case study towns the contemporary “key development projects” are strongly rooted to the historic (incl. Soviet-era) but restructured economic niches and new activities (in our cases sport or cultural cluster) only gradually enter the local economy, the small towns in Saxony have rather made a “clean break” with their past (developed to a self-sufficient ecocity, or to a volunteers’ town). Still the networking strategy—to create specific inter-regional and international links—seems to be common in all towns. Specific internationally known activities have the potential to make otherwise peripheral, and in some cases even extremely small towns to a “spot on the world map”. Besides the specific niches in the towns that we have presented on a more detailed level, Waldenburg in Saxony attracts pupils not just from the surrounding region but also from Asia (China and Vietnam) to visit the local European Secondary School; most of the Estonian small towns also search their niches to organize well-known local key events for place marketing purposes.

Another common aim of all small towns is the attempt to make relevant investments to strengthen their position in the settlement system as an attractive residential or business location destination, i.e. to be an alternative option for residential and business developments in major urban regions. In this field, small towns often compete for external resources (governmental investments or European funds) and do not consider the demographically obvious shrinkage processes that may make some of the investments unnecessary in the longer perspective. This is especially true in Estonia, where the obvious shrinking process has not yet reached the local development agendas, while in Central Germany, the shrinking process has been accepted. Still, the efforts towards external networking described above may also strengthen local identity and avoid further population and economic shrinkage. All localities also still consider their opportunities to be an administrative and education centre and the lower-order central place in general. Here, Saxonian towns compete more with each other due to dense settlement network, while in Estonian peripheral regions, this still remains an obvious function of small towns.

Our research demonstrates that in addition to the successful participation in urban networks on different spatial scales, internal networks—local social capital—also play a key role in the development of peripheral localities. The forms of social capital, local

development policies and the forms of local governance varied significantly in selected towns. Strong enterprises in Otepää formed an economically successful “growth machine”, but the sense of losing control has started to have negative effects on the local quality of life. Viljandi is an example of where the attempts to gradually create favourable social capital and good governance practice have been fruitful, and the stability and participative culture have lined up the local community behind the cultural cluster of the town. The local public sector only needs to keep the role of an “enabler” among other local actors. The examples of Grimma and Ostritz show that there is indeed something like a pro-active capacity which bundles the local resources to come to common solutions. Both towns have had a period of suffering—Grimma was damaged by the flood catastrophe and Ostritz was affected by a disastrous environmental situation—however, these incidents resulted in a stronger cohesion rather than in a collapse of the local communities. In all small peripheral towns, local social capital contributes to preserving their remaining urbanity.

As far as the role of internal networks in coping with shrinkage is concerned, we did not find “one size fits all” examples of how local social capital should be mobilized and possibly favoured in a locality. We discovered, however, that different forms of social capital combine differently with local development practices and economy, and the local government bodies need to adjust their governance practices to local conditions. In some cases, the local public sector needs to take a key role in fostering the creation of social capital, or making efforts to balance dominant interests. In other cases, the local government rather needs to adhere to one of the co-operation partners in the local actors’ network. All in all, the research supported the idea that small peripheral towns, although having experienced shrinking processes, have the option to change their peripherality while seeking connections to wider urban and regional networks based on their specific local social capital, and while developing the latter.

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## Note

1. Pühajärve is the biggest lake in the Otepää upland.

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