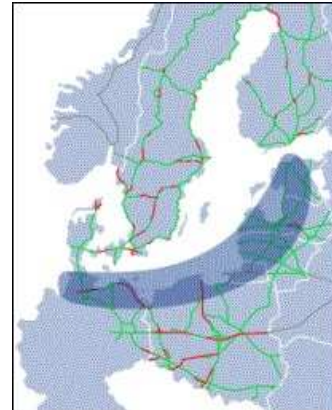




Klaus R. Kunzmann

## Medium-sized Towns, Strategic Planning and Creative Governance in the South Baltic Arc



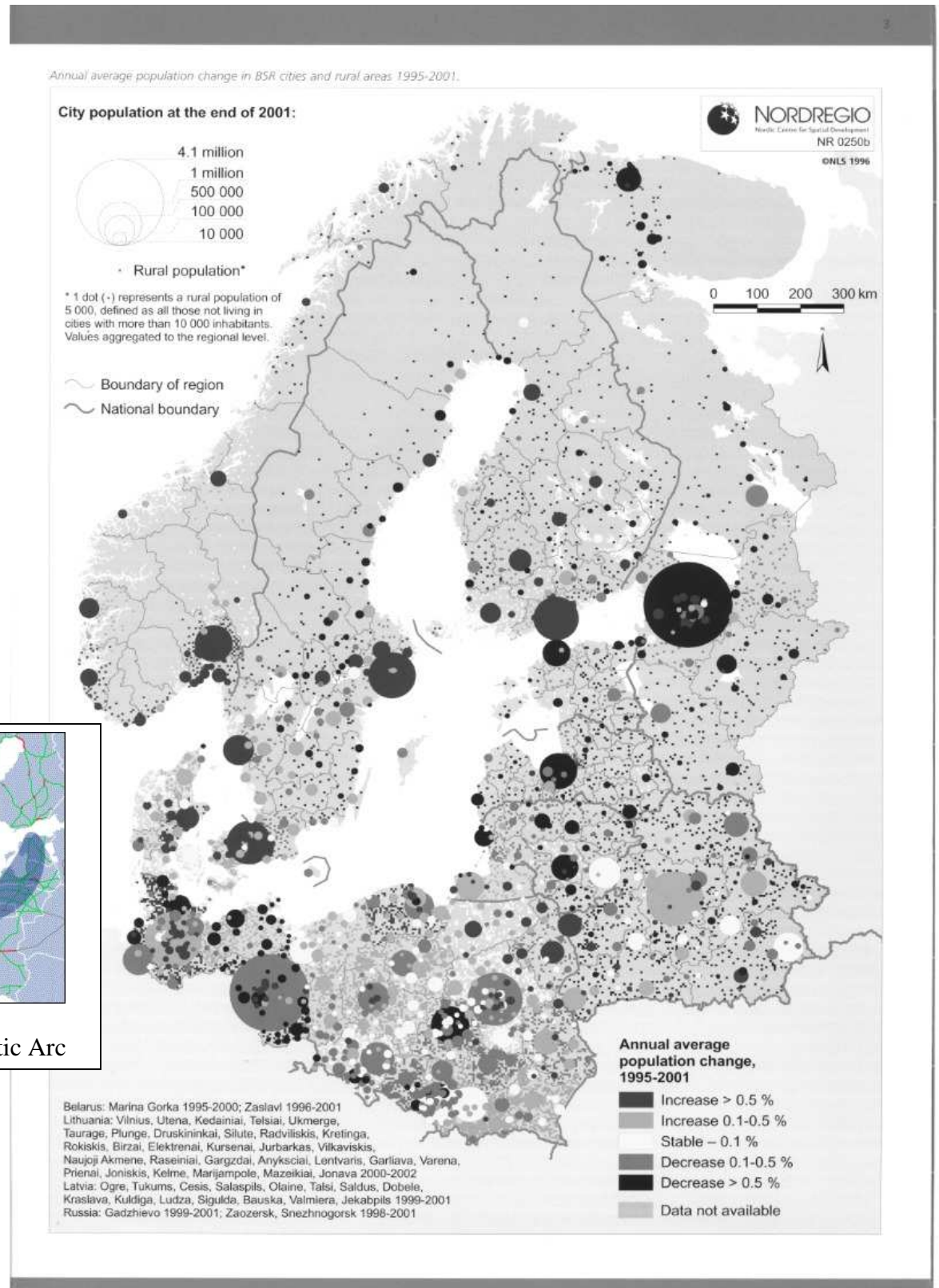
### Summary

Medium-sized towns located beyond metropolitan regions in Europe are among the victims of the current metropolitan fever in Europe. Despite all political rhetoric and European efforts to promote territorial cohesion, regions outside metropolitan regions are particularly affected and will continue to be effected by globalizing forces and strong regional competition. While future oriented creative and knowledge industries flourish in a few metropolitan regions and in the core of Europe, regions and towns beyond such conurbations, and in the periphery of Europe, are increasingly struggling to maintain their economic, social and cultural functions. Medium-sized towns in such regions are particularly hit by the increasingly competitive global economy. This is particularly true for such towns in the South Baltic Arc, which is threatened by demographic and economic stagnation, and where medium-sized towns are in the shadow of the larger metropolitan centres of Hamburg, Berlin Warsaw, Vilnius, Riga and St. Petersburg. In order to secure employment and to maintain their service function for a stagnating regional population, these medium-sized towns are forced to find their own profile between international orientation and local embeddedness.

The paper explores ways and means how to stabilize the economic, social and cultural development functions of medium-sized towns. It stresses the importance of the territorial capital as a base for local and regional action, as the people living in these towns are seen as the significant territorial capital. Their competence and tacit knowledge, their community commitment, and their international networks are the capital for creative governance, where local and regional institutions in a socio-political environment of mutual trust have to cooperate and compliment each other. Only in such partnership of local and regional institutions future-oriented initiatives can be developed and implemented.

Medium-sized towns in the South Baltic Arc are encouraged to sustain their interregional cooperation networks beyond INTERREG programmes, to learn from each other, to benefit from economic and cultural relations, and to form interregional strategic alliances, as a means to withstand the metropolitan fever.

Figure 1  
Urban population the Baltic Sea Region 2001



Source: Nordregio

## 1. Strategic Planning for Medium-sized Towns

Since the beginning of the 21st Century, mega cities and metropolitan regions get particular attention among politicians, planners, city marketing managers and the international media. They draw on a plethora of academic literature that looks across Europe and beyond, on the role of world cities and metropolitan regions for development. Only global cities, or least large metropolitan regions, this is the overall message, can sustain Europe's competitiveness against the Asia and America mega towns. And governance in metropolitan regions has to be improved to make such regions more competitive.

During the late 90s the European Commission has supported a series of studies for the future development of large European cities such as Vienna, London, Berlin, Marseille to explore appropriate policies for metropolitan development. Since, all over Europe metropolitan city regions have become a favourite area of academic and political interest. Consequently, most recommendations of the Lisbon Agenda, the highly praised policy paper of the European Commission, showing the corridors for future political and economic arenas towards strengthening the competitiveness of Europe suggest, albeit only indirectly, to focus future policies on the promotion of innovation and knowledge industries in metropolitan regions. The Gothenburg declaration, in turn, which tries to cushion the economic focus of the Lisbon Agenda and European mainstream policies by raising the contrasting, or at least complimentary issue of sustainability, does, regrettably, find much less political interest. In 1997, the conference of German Ministers responsible for spatial planning followed such mainstream thinking and assigned nine German city regions the status "European metropolitan region. After protests from city regions, excluded from the champion's club, four more regions got the desired status, which city marketing managers love so much. It enables them to better market their cities internationally.

In this climate of "metropolitan fever, areas in the shadow of metropolitan regions tend to be neglected. They seem to be the negligible victims of mainstream policies in times of globalisation and regional competition. While, as a rule, small and medium-sized towns within metropolitan regions in Europe clearly benefit from the growing economy, those beyond the geographically disadvantaged hinterland of thriving metropolitan regions, seem to loose out. This is the case in Western, Central and Southeast Europe (see figure 1), though even more so in Eastern Europe, where most economic development is concentrated in a few capital city regions only. This is also true for the South Baltic Arc.

However, voices of concern, increasingly draw attention to the role of medium-sized towns, - or secondary towns, as they are labelled in the Anglo-American world-, for regional economic and social development. In July 2006, *Newsweek*, the American Weekly, published a special report, claiming that "*The last century was the age of the mega town. The next will belong to their smaller, humbler urban relations*". And at a recent Expo Real in Munich, a workshop was dedicated to "Cinderella Towns", indicating that even the real estate industry has started to review its focus on big cities.

In 2006 ESPON, the European observatory network in Luxemburg has published a study of a transnational team under the leadership of the Austrian Institute for

Regional Studies and Spatial Planning on *The role of small and medium-sized towns in Europ* . This study explores the role of small and medium-sized cities in regional development in the beginning of the 21<sup>st</sup> century, and identifies a number of related research issues (ESPON 2006).

The interest in the promotion of medium-sized towns is not new. It has a long tradition. When the World Bank in the late 1960s started to show an interest in urbanisation and urban development, secondary towns became a much acclaimed strategy for balanced regional development in developing countries. at that time a number of studies and books have been published. They analysed the role of medium-sized urban centres for regional development and gave recommendations of how to promote the development of such towns. (Hennings/Jenssen/Kunzmann 1981, Rondinelli 1983). From 1980 to 2000, over two decades, German Technical Assistance favoured the project strategy, and initiated a number of secondary towns projects, among others in Bolivia, Yemen, Nepal, Malawi. The activities were supported by a document, which described the rationale and the principles and the elements of such a strategy (Drewski/ Kunzmann/Platz 1989).

In the beginning of the 21st century, metropolitan concentration, spatial specialisation, spatial fragmentation and spatial polarisation are some of the consequences of globalisation and technological change in Europe. The fierce competition among city regions in Europe for investment, talent and creativity, nurtured by policy advisors, business consultants, researchers and ambitious city leaders, has nurtured a kind of "metropolitan fever". This fever has resulted in the development of ambitious urban projects and mega-events to attract tourists and media interest. Such metropolitan fever tends to leave territories behind, territories which are geographically disadvantaged or do have less economic strength and political power.

This paper for the South Baltic Arc (SEBCo) project

- defines and categorizes medium-sized towns with respect to their function and geographical location,
- sketches their most important development challenges,
- describes the potentials of medium-sized cities for regional development and stabilisation,
- gives first policy recommendations to promote medium, in the context of strategic local and regional planning and creative governance.

It draws on project documents and former INTERREG studies for the Baltic Sea Region (Hanell und Neubauer 2005; Groth al. 2005)

## **2. Categorizing Medium-sized Towns**

What is a medium-sized town? The definitions vary. The most common definition is that of a town with a population of 20.000 up to 200.000, depending on population density and the respective urban system in a country. Such towns usually have a mix

of supply, development and relief functions for the region in which they are geographically embedded. If located at an inner-European border or at the edge of the European Union they may also have an additional function as an exchange or gateway function. Medium-sized towns can be towns

- **within** larger metropolitan regions,
- **on the edge** of or in between metropolitan regions,
- in the geographical **periphery** of Europe

Even within these three categories differences occur. They may stem from micro locational advantages, local assets and cultural traditions or adjacent borders, or even politico-administrative factors, stemming from various historical events over centuries. The geographical location has a strong influence on the respective function of a medium-sized town for the regional hinterland, though geography alone does not really explain and determine function of a medium-sized town. Such functions can be

- a **supply** and **stabilizing** function, that is the task to sustain the role of a town as an economic, social and cultural centre in a region including the provision of goods and services for the households, local firms and enterprises,
- a **development** function, that is the role of a medium-sized town as an engine for regional spatial development,
- a **relief** function, which means that a town is being chosen as a location for functions, decentralized for economic or political reasons from the metropolitan core,
- a **border, exchange and gateway** function, that is the additional function of a town at inner- or outer European border as a gateway centre and a centre of cultural exchange,

Mediums-sized towns in the Baltic sea region, usually encompass a **mix of** the above **functions**, albeit often a single function dominates. Gown towns, such as Greifswald, for example, function as well as central places for their rural hinterland. This is similarly true for ports, such as Szeecin in Poland. And medium-sized towns in the neighbourhood of metropolitan cores, which once used to be central places in a rural region, function as residential towns for the metropolitan population. They are as well, attractive targets for services, which are farmed out from the core town and for institutions who search for affordable sites for their back offices, or are selected as pioneer locations for inward investment.

The growing concentration of economic development in metropolitan regions affects the three categories of medium-sized towns quite differently (see table 1):

Mediums-sized towns **within** metropolitan regions are the most likely winners of ongoing territorial development trends. They offer a combination of the advantages of living in the metropolitan core and in the countryside. Usually, such towns have a long history, an own identity and a high degree of liveability, which is reflected by deeply rooted local traditions, good schools and public services, a high degree of security accessibility to nature and leisure grounds“, “Übersichtlichkeit” and “Langsamkeit”, and, last but not least, affordable real estate. Benefiting from their

excellent connectivity by road and rail, they are favoured locations for households, who esteem more traditional life styles or are driven out from metropolitan core by the real estate market. In addition, easy access to the metropolitan airport makes one-day business trips within Europe possible. As a rule such medium-sized towns thrive. They grow in terms of population and economic development. Their budget is healthy and they can afford to maintain high standards of public infrastructure. Public management is efficient and public private partnerships can be organised at ease.

Yet, another type of medium-sized towns within metropolitan regions are former rural villages on the edge of the core town which have rapidly grown over the last decades, due to urban expansion and development pressure. Benefiting from their right of self-government they have successfully opposed to become incorporated into the core town.

Mediums-sized towns in between or on the **edge** of metropolitan regions in between are in a different position. They can benefit from the development of the metropolitan region, if they are linked to the core by efficient and frequent metro-services or convenient and congestion free connections to the dense metropolitan motorway system. Under such conditions, these towns function like an exterritorial island outside the metropolitan region in a rural environment, with all its natural amenities, attractions and environmental potentials, though can easily reach the urban attractions of the metropolitan core within one hour commuting time. Real estate is even cheaper here. Young families, attracted by the diversity of job opportunities in the metropolitan region, and accepting the long commuting distances, may find here appropriate and affordable property.

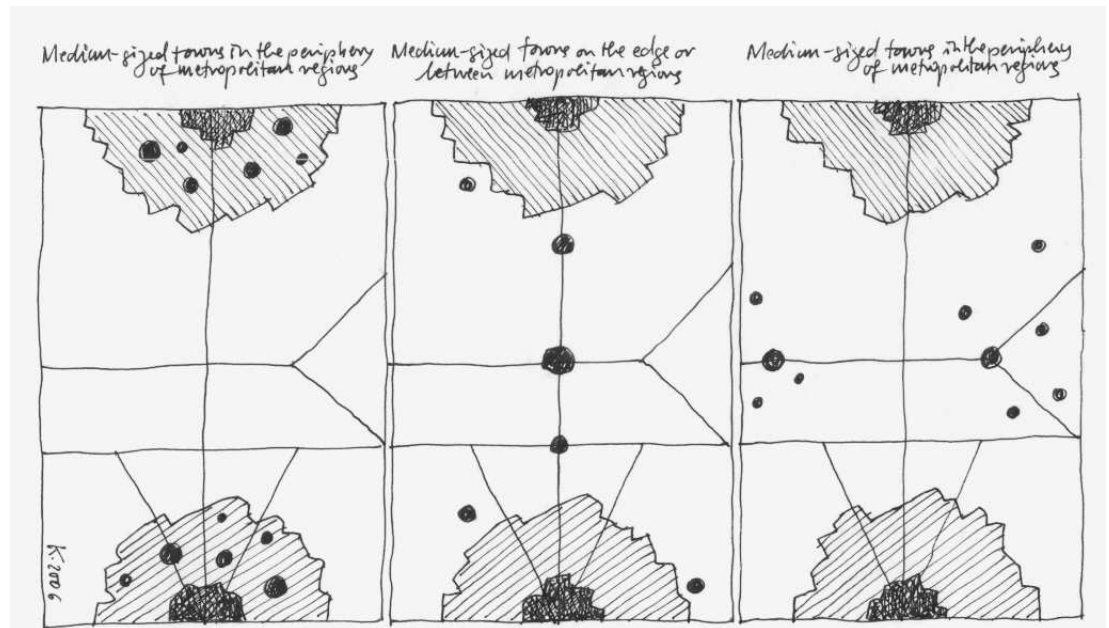
However, if such towns are poorly connected to the metropolitan core, they face similar difficulties as towns in the periphery. Though potentially located in the hinterland of the metropolitan region, they are less attractive for households and firms. The economically more active population tends to leave, the remaining population ages and public infrastructure is eroding. Lobbying for a better physical connectivity to the metropolitan core is one chance to reverse the negative trend in the long run, mobilizing the endogenous territorial capital is another, in the end probably more promising one..

Medium-sized towns in the **periphery** of Europe are the relative losers of globalisation. Their connectivity to the national and European transport network (air, rail and road) is poor. Hence the local economy suffers from the locational disadvantage. Consequently very little inward investment is being made, and if it is made, than only due to enormous public subsidies and regulatory concessions given to attract such investment. Consequently, the job market is losing its former attractiveness and the training opportunities for school leavers diminish. Long-term unemployment is growing. Young, economically active households tend to leave the town and migrate to metropolitan regions with their more diversified job markets.

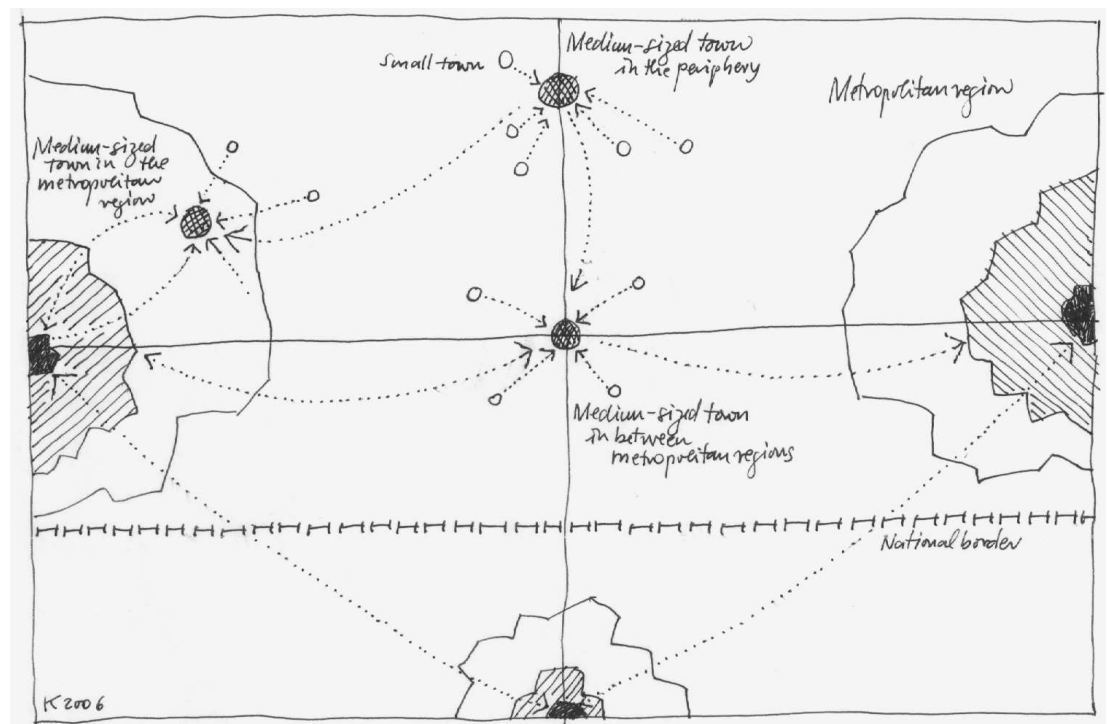
Table 1 Towards a typology of medium-sized towns

<p><b>Function</b></p> <p><b>Location</b></p>	<p><b>Supply and stabilization</b></p>	<p><b>Development</b></p>	<p><b>Decentralisation and Relief</b></p>
<p>In a metropolitan region</p>	<p>Daily and weekly consumer goods and services</p> <p>Public services Education, health, social services, affordable housings, justice, security, culture, leisure</p>	<p>SMEs Knowledge industries  Creative industries</p>	<p>Back offices  Qualified services for national customers  Creative industries</p>
<p>In between or on the edge of a metropolitan region</p>	<p>Daily and weekly consumer goods and services</p> <p>Public services, such as, education, health, social services, affordable housing, justice, security, culture, leisure</p>	<p>Single large industries in traditional locations</p> <p>SMEs Special functions based on local profile and assets, such as, furniture, food, health</p> <p>Depending on local potentials: Tourisms, recreation and leisure</p>	<p><i>Not relevant</i></p> <p><i>However:</i> Erosion of function in small towns, shifted to the medium-sized town</p>
<p>In the periphery of metropolitan regions</p>	<p>Daily and weekly consumer goods and services</p> <p>Public services, such as, education, health, social services, affordable housing, justice, security, culture, leisure</p>	<p>SMEs in traditional branches, such as construction, crafts</p>	<p><i>Not relevant</i></p> <p><i>However:</i> Erosion of function in small towns, shifted to medium-sized towns</p>
<p>At an inner or outer European border</p>	<p>Logistic distribution, cultural exchange, intercultural communication</p>	<p>Logistics Customs services</p>	<p><i>Not relevant</i></p>

Fig 2 A typology of medium-sized towns



people are aging. Primary and secondary schools are being closed, reducing variety and choice. The local tax base is eroding. Public services are being reduced mainly due to financial constraints. Gradually, local social and economic disparities are growing, followed by social tensions and security problems. Another consequence of the mainstream competitiveness rationale in Europe is the gradual erosion of public and private services in small towns located in the immediate hinterland of the medium-sized town, thus contributing to the further marginalisation of rural areas



### 3. The Challenges of Medium-Sized Cities in Metropolitan Peripheries

Given the overall demographic, economic and environmental conditions of territorial development in Europe in a globalised world, the implications of China's economic growth for cities and regions in Europe, and the concentration of economic strength in a few metropolitan regions, medium-sized cities beyond metropolitan regions may have only modest prospects to strive economically. However, as central places in their respective regions, they undoubtedly have an essential role in stabilizing the regional economy, and in providing appropriate public services to the people, who wish to stay in or even to settle down in such places. The term **stabilization** is explicitly used here to signal that traditional economic development, which implies economic growth may not be the right starting point, for local and regional action, and to express that expectations for economic growth similar to that of the metropolitan areas may be unrealistic. The key task of strategic planning both at the local and the regional level of planning and decision-making in such regions is to support the necessary processes of territorial stabilization.

A range of local challenges hampers the efforts to achieve such stabilisation processes in medium-sized towns. These challenges are widely known. They have been explored in many case studies (e.g. MECIBS 2005, Groth et al. 2005). Though the challenges differ from town to town, a few generalizations can be made, independent from shortcomings related to geographic location, environmental circumstances and local economic history, or present and past politico-administrative conditions.

Such structural changes, affecting the provision of public services, economic development and employment in medium-sized cities, are among others

- *Demographic change and aging:* Declining fertility and the aging of population has affected many nations and regions in Europe with considerable implications for social infrastructure;
- *Concentration of economic power:* Globalisation and technological change lead to growing concentration of economic development in metropolitan regions with considerable consequences for interregional logistic networks, knowledge and creative industries;
- *Changing values and location preferences:* Together with technological innovations, changing values, attitudes and preferences of individuals and households, influence location preferences of firms and enterprises;
- *Political complexity:* In a four to five tier system of planning and decision-making in Europe, it is increasingly difficult to insist on clear local or regional development positions; lobbying at higher tiers becomes increasingly difficult;
- *Cosmopolitan communities:* Increasing migration lead to growing social and economic polarisation in cities with considerable consequences for the provision of public services, local labour markets and security. Border and gateway cities, are additionally burdened by their role as logistic exchange centres and national windows of cultural exchange.

Efforts to address these challenges at the local or regional level are hampered, among others, by

- *Fragile strategic consensus*: Local governments tend to wait for strategic guidance from above, and substantially defined programmes linked to structural funds, regional governments, in turn, rather wish to rely on the strength of local self-government. Such unfilled expectations tend to mutually block effective collaborative action.
- *Intraregional conflicts*: Sharing responsibilities between central medium-sized cities and surrounding suburban or rural local governments are hampered by political manoeuvring and excessive justification of the right to self-government; Such conflicts tend to hinder the efficient use of rural-urban linkages.
- *Lack of confidence and visionary power*: It is not easy for medium-sized cities to sharpen their local profile. Insufficient knowledge of local assets and the territorial potential, fragile local coalitions, lethargy and negative attitudes towards the political system, the absence of a strong civil society or the courage to look beyond election periods aggravate or even impede the development of strategic visions.
- *Gridlocked decision-making processes*: Politically motivated attitudes of local and regional administrations, meandering or parochial opinion leaders, mistrust among local leaders, vested interest of influential local stakeholders, and transparent decision-making processes make it difficult to find easy consensus on local development principles and projects;

Consequently, any local strategic planning has to set off from a careful analysis of the respective local shortcomings and the explorations of the local territorial capital, taking local socio-political milieus into account. It is quite obvious that strategies that focus on the improvement of physical conditions, urban improvement districts or employment initiatives (infrastructure) do not suffice to create local milieus for sustainable city development and the structural stabilization of local conditions.

#### **4. Territorial Capital of Medium-sized Cities in Metropolitan Peripheries**

The above typology shows that medium-sized towns, in addition to a regional development or a real and potential relief function, have a significant role as supply and stabilization function. In internal and external border regions of Europe they have the additional task to serve as points of cultural exchange and laboratories of inter-cultural cohesion in multi-cultural environments. Outside metropolitan areas they are clearly **the focal point of regional economies** and **engines of territorial development**. This implies that they have an immensely important role for **stabilizing** regions as life spaces for increasingly heterogeneous regional communities.

In this context the concept of "Territorial Capital", having been introduced into the discourse on European spatial development, is very useful. Following an OECD

definition, the preparatory document to the Territorial Agenda, defines a region's territorial capital as follows: (CEMAT, 2007a):

*“A region's territorial capital is distinct from other areas and is determined by many factors (which) ... may include ... geographical location, size, factor of production endowment, climate, traditions, natural resources, quality of life or the agglomeration economies provided by its cities ... Other factors may be “untraced interdependencies” such as understandings, customs and informal rules that enable economic actors to work together under conditions of uncertainty, or the solidarity, mutual assistance and co-opting of ideas that often develop in small and medium-size enterprises working in the same sector (social capital). Lastly there is an intangible factor, “something in the air”, called the environment” and which is the outcome of a combination of institutions, rules, practices, producers, researchers and policy-makers, that make a certain creativity and innovation possible. This “territorial capital” generates a higher return for certain kinds of investments than for others, since they are better suited to the area and use its assets and potential more effectively ... (Territorial Economy, OECD Territorial Outlook, 2001).*

The territorial capital is the asset or talent of a region, which shapes its regional economic potential, its socio-political culture, its environment of the arts and crafts, its visual appearance and its identity. And last, but not least it is the territorial capital that appeals to others, who live outside the region. The reference to territorial capital in the Territorial Agenda of CEMAT opens the door for new efforts to promote endogenous territorial development and regional economic circuits in Europe, regional development paradigms, which have been discriminated too long and shelved for being ineffective and naïve.

Though, what is the specific territorial capital of medium-sized cities in regions in the South Baltic Arc, and beyond metropolitan areas, on which strategic stabilization strategies could build upon?

- *Cultural traditions and local identity:* Most medium-sized towns have a long history. Centuries, sometimes even more than 1000 thousand years have shaped the local identity and the visual appearance of the town, and they formed local cultural traditions. Such traditions frame the annual calendar of public life and motivate local initiatives. They are an essential dimension of the local community spirit.
- *Tacit knowledge of the community:* The knowledge, the competence, the skills and special qualifications of people in medium-sized cities are an important asset of local economies. Handed down from family to family, from business to business, from entrepreneur to entrepreneur over centuries, and embedded in a regional environment, such knowledge is strongly rooted in the local economic history. Such competences of the past are a good base for local strategies that aim at forming-up new fields of local competence. There is no old technology that does not have a modern, future oriented equivalent.
- *Embeddedness of local businesses and firms:* A traditional strength of medium-sized towns are family enterprises, rooted in the town over generations and contributing to the local identity. Although such businesses are eroding as a consequence of globalizing markets and aggressive franchising policies, they

continue to have a key role in the local economy. They play an essential social role in the community and their supply chains are rather regional than international. Good examples for the vigour of such local economies are medium-sized Italian cities with thriving economies, where local production complexes are successfully serving international markets.

- *Easy informal networking*: Decision-making processes in medium-sized towns tend to be faster than in large cities. The smaller size of local administrations and political committees allows easy communication. The agendas of local politics are less complex and more transparent. And the local community, - everybody knows everybody-, facilitates informal networking for the finding local consensus and for preparing political decisions. In addition, short distances in a medium-sized city make personal communication easy.
- *Übersichtlichkeit*: The size of a medium-sized town makes it easy to maintain civic traditions, to guarantee a certain local *Übersichtlichkeit*. As a rule, there is a good balance between urban anonymity and civic visibility. Social control is high, sometimes even disturbing, though on the other side security is less of a problem. The local *Übersichtlichkeit* facilitates individual orientation, it fosters civil courage, and it welcomes visitors to a place.
- *Good urban rural relationship*: Traditionally medium-sized towns have a good relations to the immediate rural hinterland. In the past rural farmers sold their agricultural products at the towns market. And the next town has been the first target of young people wishing to leave rural life behind. In the 21 century such relationships are economically and socially less important. Today they are replaced by linkages which have more to do with experiencing nature, or enjoying leisure or sports activities. However, with the challenge of resource conservation and the renaissance of bio-food and health considerations, such traditional linkages and food chains are being valued and revitalised.
- *International networks of memories*: A mostly untapped potential in larger as in smaller cities are the tacit international networks of citizens. Such networks are family connections, and networks stemming from intercultural marriages, linkages to former countries of residence, reminiscences of private longer and shorter stays in another country, business relations or memories of school exchange and studies abroad. Such individual networks are windows of opportunities for international communication and networking, from which the whole community can benefit. (Kunzmann 2000a)

There is, obviously, a backside to such local potentials, too. The more inward looking assets, as the ones sketched above, can easily turn against future oriented urban development. They can close up a community against outside influence, they may foster parochial attitudes and hinder innovation processes and they may be exclusive in social terms, particularly, when it comes to integrate migrants. Consequently, strategies to promote local stabilization and development will have to find the right balance between local traditions and global challenges. Therefore local educational institutions and newspapers have a key responsibility in breaking parochialism and in opening-up the local community. On the other side, there is

much evidence that neglecting such traditions and following mainstream trends does not lead to new sustainable economic development.

Overall, a significant higher individual quality of life at affordable costs in a healthy environment is the key quality of most medium-sized cities in the shadow of metropolitan regions, once employment is secured. Compared to larger cities, it is this quality that can compensate for some of the deficits, of medium-sized towns; when it comes to educational choice, job opportunities and entertainment options.

## **5. Strategic Planning in and for Medium-sized Towns**

The many efforts to stabilize the development of medium-sized beyond metropolitan regions require efficient strategic planning. Strategic planning is what every large enterprise does to envision the future and to secure its position in a globalising world and a competitive market. Such strategic planning has to be done by medium-sized towns, too. Strategic planning is a social process through which a range of people in diverse institutional relations and positions come together in plan making process and to develop contents and strategies for the management of spatial and structural change. This process generates not merely formal outputs in terms of policy and project proposals, but a decision-framework of principles (such as concerning mobility, resource conservation or local partnerships), that may influence relevant parties in their future investment and regulatory activities (Healey 1997). Strategic spatial planning is predominantly a public sector led process, which aims to combine planning with implementation. Thus strategic planning has visionary and pragmatic dimensions. A strategic plan is not an ambitious spatial *leitbild* which has been developed by a planning department to guide spatial development processes, it is rather a framework for strategic decisions with a set of principles for guiding day-to-day development in a city. Such a framework requires collaboration (Healey 1999) in order to create positive decision-making environments, which have been characterized as fertile *milieus for collective action* (Cars 2000). This implies that strategic planning is more than land-use planning, more than just assigning uses to spaces in a city, and waiting patiently for public and private investors to realize such assignments. Obviously, strategic planning is more than an exercise to set up a shopping list for public or public-private projects. Strategic planning for medium-sized towns means to bring together the public and private and intermediate stakeholders in a city to explore, what the endogenous territorial capital is, how priorities can be set, compromises be made, and how forces can be joined. This is necessary to respond to local challenges, to secure jobs locally and to maintain a good quality of life for all citizens.

The stabilization of medium-sized towns outside metropolitan regions can only be successful if all tiers of planning and decision-making are willing and committed to cooperate in such strategic development processes. Thereby, each tier of planning and decision-making has a particular role to play. It is essential, however, that strategic planning at the local level ("planning from below") is continuously concerted with strategic planning at the regional tier. ("planning from above").

Local governments have to be creative, initiative and pro-active in using the local territorial capital for developing the local economy and the local community. They have to secure jobs at the local level for the people of the city, and maintain services

for households and local enterprises. In the context of their unanimous right to self-government, they are both free and responsible to respond to local challenges and develop the strategic integrated framework for local spatial, economic, cultural and social development. Much can be done and should be done at the local level, where initiatives have to be taken, visions be developed, consensus among local citizens and stakeholders be sought, and implementation be organised.

Essentials of strategic planning to address local development problems and to overcome shortcomings and to prepare the local community for the future are:

- *Base stabilisation strategies on the local territorial capital:* There is no other way to stabilise and develop a medium-sized town located beyond metropolitan regions than to rely on the endogenous territorial capital. The knowledge of the particular local capital is essential. It has to be carefully researched, evaluated, documented and locally communicated. Only with such knowledge mainstream fashions in economic development can be adequately assessed as to their respective relevance for the local economy and longer-term employment strategies.
- *Use and promote local knowledge and competence:* The better a town succeeds to use local endogenous potentials, the embeddedness of local merchants, crafts and firms or regional competence and tacit knowledge, the more it sharpens the local identity and its urban profile. This in turn attracts external interest and strengthens local commitment. The promotion of SMEs in areas of local knowledge and competence is a logical strategic consequence for action. A distinct local profile could attract knowledge industries, creative citizens and talent. Supporting local entrepreneurs to adapt to changing technologies and markets to form local production clusters and service networks, must have priority over excessive promotion of inward investment.
- *Build on local quality of life:* The quality of the built and natural environment is a key factor in community building. Citizens who enjoy living in town are proud of the town and are more likely willing to stay. There are many ways to support the liveability of a town. The beauty of a town, the cultural heritage, local architectural traditions, attractive public parks are key elements of liveability, as well as individual security or leisure opportunities.
- *Engage the local civil society:* The public sector is not any longer able to meet all the needs, local communities are used to get supplied from the state. Hence it is indispensable to engage local communities in strategic planning and development, not as consumers of public services, though as actors in local efforts to improve liveability in the town. Involving migrants in such efforts could facilitate and speed-up their integration. Though their visions may be different from the traditional local ones, they may be in the end more realistic and more future-oriented. And they may contribute their language skills and international networks to bring in new strands in local economic development.
- *Target a young generation:* Young people in a medium-sized town are more likely to be attracted by metropolitan opportunities and promises. Their early

active involvement in local projects could contribute much to reduce their willingness to leave the town after school. The more they feel that their concerns are taken serious, the more they are willing to get involved in community projects. Costs for such involvement and for small projects are marginal compared with infrastructure costs or subsidies for attracting volatile inward investment. In the end they may change consumer attitudes in to more pro-active collaboration.

- *International orientation:* Internationalisation is a key survival strategy for local communities in times of globalisation. Medium-sized towns can easily add an international component to local development strategies. Traditional marketing is one dimension to reach international attention, and international benchmarking is another one. Both are very much linked to the international image of a town as a tourist destination. Culturally justified twin city arrangements have a long tradition, though they are often seen as a burden rather than an opportunity. Export-import linkages of local business and enterprises, are rarely seen as an asset for strategic urban development. And a town can easily benefit from the broad range of international networks of a community, once individuals are encouraged to participate in the exploration of related economic opportunities.
- *Involve local media in communicating values and visions:* As a rule local media are invited to report about local political, social, or cultural events. And they do it from a more or less neutral position and with a journalistic ethos of opening-up and controlling political decision-making processes. It may be useful to invite key editors of local media to participate early in city profiling efforts, in developing city visions, and in communicating visions to the local community. Being involved in development processes may better help to mobilize community participation and local commitment, and contribute to build up trust in local decision-making.
- *Form sub-regional strategic alliances:* Conflicts between cities and surrounding local governments may lead to gridlocked situations, where decisions are unduly blocked. Carefully selected catalytic projects, which bring win-win situations for both, may be an appropriate means to build up strategic alliances, from which both, the central city and the smaller rural communities around can only benefit. It cannot be the task of regional governments to moderate sub-regional conflicts. Joint local brainstorming will certainly help to identify appropriate projects. Incentives from the regional government to promote sub-regional cooperation may help to accelerate consensus-building processes.
- *Promote local economic circuits:* One regional response to globalisation are local and regional economic circuits. Such circuits support forward and backward linkages or supply chains in a region, that rely on regional rather than on international production. . In some branches, such as food, construction or cultural industries, it may be easier to promote, establish and sustain such circuits. They have to find political support, supports of local banks (Gaertner 2007), attract financial incentives and remove institutional constraints. They may also be the one outcome of successful regional cluster management. Such regional economic circuits rely very much on long term trust. This trust

will have positive effects in a community beyond economic rationales. (Magnaghi 2000)

- *Promote learning processes.* Urban development processes are processes, where participants articulate their objectives and interests, to listen to the arguments of others, seek and find consensus, and if necessary, negotiate compromises. (Stein 2006). Such processes are perfect learning processes, where the participating stakeholders learn to understand others, communicate their interests and sharpen their arguments. Catalytic projects, and these are innovative urban projects, which are initiated and implemented to test new development approaches, are perfect learning grounds to promote local learning, and to continuously qualify local planning and decision-making processes.
- **Forge interregional networks:** In recent years, INTERREG projects have been very successful to build-up interregional networks among cities and regions in the Baltic Sea region. Based on such projects and related experience, it could make much sense to forge sustainable interregional, and intercultural networks across national borders. Such networks could involve students and teachers of schools, sports and business clubs, choirs and youth orchestras. And they could be strengthened by un-bureaucratic temporary exchange of professional staff in public and semi-public institutions, as well as the exchange of trainees and apprentices. Thematic networks, such as the successful launch of the European route of brick architecture should encourage the establishment of such networks (Pienkoss 2007). Joint thematic fairs (food, arts, health) could be another option, as well as sport events, where teams of the participating cities compete for an annual trophy.

In the end a responsive local government of a medium-sized city will have to explore their own appropriate strategy to stabilize local economic and social conditions to the benefits of all citizens. And, not to forget, **people matter**.

The regional level, such as the Länder in Germany, is of particular importance, when it comes to encourage local planning processes. Regional governments, themselves locked into a complex politico-administrative system of supra-regional institutional bodies have to guide and support local governments in their efforts to carry out given and chosen tasks, and how to make use of their local territorial capital. It is particularly this tier that has to **enable** local governments of medium-sized towns to be initiative, creative and efficient. Supportive actions “from above” have to assist medium-sized towns to better use their territorial capital. Thereby two factors are very much in the hands of regional institutions:

- *Secure connectivity:* Connectivity to regional national and international flows of goods and information is the key to economic success. Connectivity, a combination of comfortable and financially competitive linkages to regional transport networks, (rail, road, air), has become the essential location factor for both households and firms. Consequently lobbying for connectivity is the prime task of policy makers at all tiers of planning and decision-making. Interlinking medium-sized cities, and connecting such networks to larger trans-European transport networks, must be the principle.

- *Promote knowledge industries and human capital:* Local availability of skilled labour has always been an important location factor. Today, even more so than in the past, rapid technological change requires a flexible and creative labour force, which is prepared and willing to continuously learn to adapt to new challenges, technologies and procedures. High quality education and training facilities are indispensable to guarantee the availability of skilled labour locally. While the local government, in order to keep or to attract such a labour force in the town, can do much to promote local knowledge and skills, and to improve local liveability, only consistent policy frameworks at higher tiers, prepare the ground for better training and education.
- *Promote gradual change of mainstream development paradigms:* There is much scientific evidence and political insight that medium-sized cities beyond metropolitan regions will have to rely to a large extent on the endogenous potential of the location. Significant inward investment will only occur, if a specific profile of the region or single localities can attract outside interest, if technologically advanced local enterprises or specialized firms are a strong local asset, or if investors, with a personal link or interest in the location are willing to invest. Consequently, local decision-making arenas and communities of practice in medium-sized towns will benefit much from a regional discourse environment, where endogenous local opportunities are given more attention.

Other essential of regional governance to support strategic planning and wise management of mediums-sized cities are:

- *Provide special funds for innovative action:* In case, for whatever political or local reasons, local governments are not initiative and creative, the regional institution has to find appropriate ways and means to enhance a town's initiative strength. Competitions among towns for special programmes (such as the Regionale in North Rhine-Westphalia, the competition for the Cultural City of Europe, or the competition for casino development in the United Kingdom) have proved to be such an instrument. In this context it could also make sense to support applications of medium-sized cities by a small budget to overcome initial hesitance. It would however be important that local administrations, which have to manage and implement the programme later, write the application themselves, and do not ask external consultants to do the job.
- *Lower expectations for unlimited financial support:* It has become the habit that local (as well as regional) governments expect continuous support for local initiatives and projects from European and central government programmes. This has led to a new dependency culture and it has fostered an attitude where application for funding follow the interest of the programme managers, and rather not local needs and requirements.
- *Encourage the formation of urban networks:* Medium-sized towns can benefit much from continuous engagements in intra-regional, interregional and international urban networks. The decision to participate actively in such networks will have to be made by the towns themselves. However, regional administrations can encourage towns with various forms of incentives to consider such involvement seriously. The formation of such networks can also be supported by policies that aim at a certain spatial division of labour among

medium-sized cities in the larger region. Medium-sized towns in the South Baltic Arc, located beyond capital and metropolitan regions, should be encouraged to sustain their interregional cooperation networks beyond INTERREG programmes, to learn from each other, to benefit from economic and cultural relations, and to form interregional strategic alliances, as a means to withstand the metropolitan fever, which is blowing all over Europe.

- *Sharpen the profile of the macro region:* Any medium-sized town will benefit from the image of the macro-region, in which the town is located. Any promotional effort to communicate the economic profile, the urban heritage, the cultural events, the quality of life and the beauty of the landscape will automatically draw the attention of business visitors, investors, tourists as well as knowledge workers and students to the towns of the region. Medium-sized towns will benefit much from regional efforts made to enhance the image beyond regional boundaries, and from efficient lobbying at higher tiers of planning and decision-making.

In the end it is a balanced combination of bottom-up and top down processes, which can support the development of medium-sized towns. Waiting for and relying on European funds for project development and implementation is certainly not the right policy.

## **6. Medium-sized Towns and Creative Governance**

Routine procedures of decision-making within and in between institutions in an established regulatory system have a tendency to filter out alternative ways of problem-solving. In a complex multi-tiers system of governance in Europe it has become more and more difficult to change the regulatory system. In addition, with tightening local budgets and a lean public management structures, the willingness to experiment with new strategies and processes is decreasing. Very often, only upon initiative and financial support of higher tier governments, new approaches to strategic development are being experimented. The city networks initiative, the 2030 programme of the Federal German Government, the *Regionale* Initiative of the State of North Rhine Westphalia (Kunzmann 2007) or the INTERREG programmes of the European Union are good examples (Pinkoss 20076).

As a rule, however, given the established political environment in medium-sized towns with their local rituals, personal networks and commitments, there is only limited space for new faces and fresh thoughts. And, with few exceptions, established institutions, local governments or regional public or semi-public institutions have a tendency to concentrate in day-to-day affairs on routine management. Their willingness to change the routine path of institutional action, to experiment new approaches to urban and regional development or to recruit new creative staff is limited. Their profound institutional knowledge of implementation is a key reason for rather seeing difficulties than opportunities. Inbuilt institutional learning and innovation is scarce. Consequently, new tasks in a medium-sized town may occasionally even require the establishment of a new institution, as the existing one does not any longer have the innovative strength, the visionary power or the credibility of local stakeholders. Then only newly established institutions, with new persons in leading positions have the required momentum for cope with new

challenges. The establishment of such new and small agencies or moderation units could be done for a limited time period only, staffed with handpicked professionals from within and outside the town or the region.

Only with more creative governance, medium-sized towns can address and successfully cope with the challenges of globalisation they are facing. Creative governance is more than urban management based on routine procedures responding to top-down commands and financial contributions. Implementing the above agenda for creative governance requires much political good will and strong leadership supported by visionary politicians and professionals, who know how and when to start implementing one or the other projects along the lines sketched above. In particular it requires multiple creativity, creative institutions and creative actors, as well as a creative holistic and thematic strategies and processes.

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