

Chapter 2

Medium-Sized Towns, Strategic Planning and Creative Governance

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2.1 Introduction

Medium-sized towns located beyond metropolitan regions in Europe are among the victims of the current metropolitan fever. Despite all political rhetoric and European efforts to promote territorial cohesion, regions outside metropolitan regions are and will continue to be effected by globalising 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 hit by the increasingly competitive global economy. In order to secure employment and to maintain service functions for a stagnating regional population, these medium-sized towns are forced to find their own profile between international orientation and local embeddedness.

The chapter explores ways and means of stabilising 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. People living in these towns are seen as a relevant part of the 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 complement each other. Only in such partnership of local and regional institutions future-oriented initiatives can be developed and implemented.

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2.2 Strategic Planning for Medium-Sized Towns

Since the beginning of the twenty-first century, mega-cities and metropolitan regions have been getting attention of 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. The message is that only global cities or least large metropolitan regions can sustain Europe's competitiveness against Asian and American megatowns. Governance in metropolitan regions has to be improved to make such regions more competitive.

During the late 1990s, the European Commission has supported a series of studies for the future development of large European cities such as Vienna, London, Berlin and Marseille to explore appropriate policies for metropolitan development. Since then, 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, showed the corridors for future political and economic arenas towards strengthening competitiveness of Europe. The Agenda suggested, albeit only indirectly, to focus future policies on the promotion of innovation and knowledge industries in metropolitan regions. The Gothenburg declaration, which tries to cushion the economic focus of the Lisbon Agenda and European mainstream policies by raising the contrasting, or at least complementary 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 were granted the desired status. It enables city marketing managers 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, 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 (Baltic, 1994).

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, the European Spatial Planning Observation Network (ESPON) published a study of a transnational team under the leadership of the Austrian Institute for Regional Studies and Spatial Planning entitled *The Role of Small- and Medium-Sized Towns in Europe*. This study explores the role of small- and medium-sized cities in regional development at the beginning of the twenty-first 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, development of secondary towns became a much acclaimed strategy for balanced regional development in developing countries. At that time a number of studies and books were 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). Between 1980 and 2000, German Technical Assistance favoured the project strategy and initiated a number of secondary towns' projects, among others in Bolivia, Yemen, Nepal and Malawi. The activities were supported by a document, which described the rationale, the principles and the elements of such a strategy (Drewski, Kunzmann, & Platz, 1989).

At the beginning of the twenty-first century, metropolitan concentration, spatial specialisation, spatial fragmentation and spatial polarisation are some of the consequences of globalisation and technological change in Europe (Kunzmann, 2007a). 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 'metropolitan fever' (Leber & Kunzmann, 2006). This fever has resulted in the development of ambitious urban projects and mega-events to attract tourists and media. Such metropolitan fever tends to leave territories behind, territories which are geographically disadvantaged or do have less economic strength and political power. This chapter (i) defines and categorises medium-sized towns with respect to their function and geographical location; (ii) sketches their most important development challenges; describes the potential of medium-sized cities for regional development and stabilisation and (iv) gives first policy recommendations to promote medium-sized towns, in the context of strategic local and regional planning and creative governance.

2.3 Categorising 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 (European Foundation, 1994; Rivkin & Rivkin, 1982; Rondinelli, 1983). 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, that is, exchange or gateway. Medium-sized towns can be located:

- 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 strong influence on the respective function of a medium-sized town for the regional hinterland, though geography alone does not explain or determine functions of a medium-sized town. Such functions can be:

- a supply and stabilising 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, decentralised for economic or political reasons from the metropolitan core;
- a border, exchange and gateway function, that is, the additional function of a town at an inner or outer European border as a gateway centre and a centre of cultural exchange.

Medium-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 Szczecin in Poland. 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 which 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 each of the three categories of medium-sized towns quite differently (Fig. 2.1).

Mediums-sized towns within metropolitan regions are the most likely winners of ongoing territorial development trends (Fig. 2.2). They offer a combination of the advantages of living in the metropolitan core and in the countryside. Usually, such towns have a long history, a strong 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 1-day business trips within Europe possible. As a rule such medium-sized towns

<div style="text-align: right;">Function</div> <div style="text-align: left;">Location</div>	Supply and stabilisation	Development	Decentralisation and relief
In a metropolitan region	Daily and weekly consumer goods and services Public services (education, health, social services, affordable housing, justice, security, culture, leisure, etc.)	SMEs Knowledge industries Creative industries	Back offices Qualified services for national customers Creative industries
In between or on the edge of a metropolitan region	Daily and weekly consumer goods and services Public services (education, health, social services, affordable housing, justice, security, culture, leisure, etc.)	Single large industries in traditional location SMEs Special functions based on local profile and assets (furniture, food, health) Local potentials (tourisms, recreation, leisure)	<i>Not relevant</i> <i>However</i> Erosion of function in small towns, shifted to the medium-sized town
In the periphery of metropolitan regions	Daily and weekly consumer goods and services Public services (education, health, social services, affordable housing, justice, security, culture, leisure, etc.)	SMEs Knowledge industries Creative industries	<i>Not relevant</i> <i>However</i> Erosion of function in small towns, shifted to the medium-sized town
At an inner or outer European border	Logistic distribution, cultural exchange, intercultural communication	Logistics Customs services	<i>Not relevant</i>

Fig. 2.1 Towards a typology of 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.

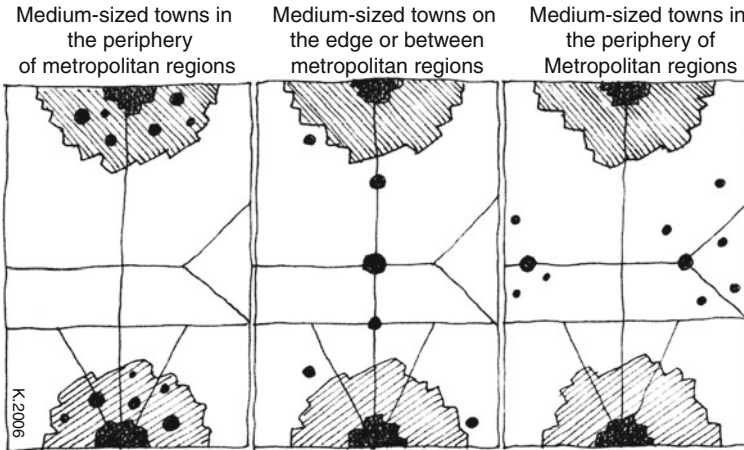


Fig. 2.2 A typology of medium-sized towns

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 to self-government, they have successfully opposed to become incorporated into the core town.

Medium-sized towns in between or on the edge of metropolitan regions are in a different position (Fig. 2.3). They can benefit from the development of the

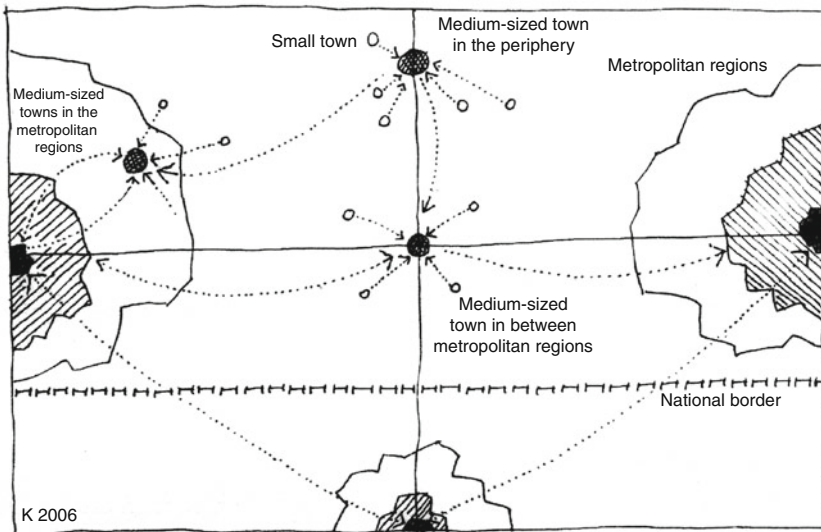


Fig. 2.3 Medium-sized towns in metropolitan regions

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. At the same time, urban attractions of the metropolitan core can be reached within 1 h commuting time. Real estate here is even cheaper than in the metropolitan region. 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 erodes. Lobbying for a better physical connectivity to the metropolitan core is one chance to reverse the negative trend in the long run; mobilising the endogenous territorial capital is another, 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 made, and if it is made, then only due to enormous public subsidies and regulatory concessions given to attract such investment. Consequently, the job market loses its former attractiveness and the training opportunities for school leavers diminish. Long-term unemployment increases as young, economically active households leave the town and migrate to metropolitan regions with their more diversified job markets.

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 competitiveness mainstream in Europe is the gradual erosion of public and private services in small towns located in the immediate hinterland of the medium-sized town, which contributes to the further marginalisation of rural areas.

2.4 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 thrive economically. However, as central places in their respective regions, they undoubtedly have an essential role in

stabilising 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 stabilisation 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. It also signals 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 stabilisation.

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. Though the challenges differ from town to town, a few generalisations can be made, independent of 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, include the following:

- *demographic change and aging* – declining fertility and the aging of population have 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 inter-regional 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 leads 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; substantially defined programmes are linked to structural funds; however, regional governments prefer to rely on the strength of local self-government; such unfulfilled 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 efficient use of urban–rural 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 not 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 in urban districts or on employment initiatives (infrastructure) do not suffice to create local milieus for sustainable city development and the structural stabilisation of local conditions.

2.5 Territorial Capital of Medium-Sized Cities in Metropolitan Peripheries

The above typology shows that medium-sized towns, in addition to regional development and real and potential relief, have a supply and stabilisation role to play. 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 stabilising regions as life spaces for increasingly heterogeneous regional communities.

In this context, the concept of ‘territorial capital’, that was introduced into the discourse on European Spatial Development, is very useful. Following an Organization for Economic Co-operation and Development (OECD) definition (2001), the preparatory document to the Territorial Agenda defines a region’s territorial capital as follows: “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 inter-dependencies’ 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-sized enterprises (SMEs) 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 (. . .)” (CEMAT, 2007, p. 7).

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 European Conference of Ministers Responsible for Spatial/Regional Planning (CEMAT) opens the door for new efforts to promote endogenous territorial development and regional economic circuits in Europe. Regional development paradigms have been discriminated too long and shelved for being ineffective and naïve.

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

- *Cultural traditions and local identity* – Most medium-sized towns have a long history. Centuries, sometimes even more than 1,000 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* – Knowledge, competence, 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 and from entrepreneur to entrepreneur over centuries, and embedded in a regional environment, such knowledge is strongly rooted in the local economic history. 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 globalising 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, which helps the decision-making processes. 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, and security is less of a problem. The local *Übersichtlichkeit* facilitates individual orientation, it fosters civil courage, and it welcomes visitors to a place.
- *Entrepreneurship* – More than once, single creative and innovative entrepreneurs have succeeded to place their products or services in national or even global markets. Usually, the success emerged from a combination of advanced technologies, traditional endogenous knowledge and skills and the drive of an entrepreneur. What is also essential is a certain personal commitment to the locality. In partnership with successful entrepreneurs, local success stories could be used as a starting point for developing a local cluster of firms in branches along forward and backward linkages (in French: *filières*), offering opportunities for buy-outs and young start-ups from the town or a university in the metropolis.
- *Urban-rural relationship* – Traditionally medium-sized towns have good relations with the immediate rural hinterland. In the past, farmers sold their agricultural products at the towns market. The closest town has been the first target of young people wishing to leave rural life behind. In the twenty-first 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 well as in smaller cities are the tacit international networks of citizens. Such networks are family connections, and networks stemming from inter-cultural 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 integrating migrants. Consequently, strategies to promote local stabilisation 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 to break parochialism and open-up the local community. However, there is much evidence that neglecting such traditions and following mainstream trends do not lead to new sustainable economic development.

Overall, once employment is secured, most medium-sized cities in the shadow of metropolitan regions offer a significantly higher quality of life (in a healthy environment) at affordable cost. 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 choices, job opportunities and entertainment options.

2.6 Strategic Planning in and for Medium-Sized Towns

The many efforts to stabilise the development of medium-sized towns 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 to develop contents and strategies for the management of spatial and structural change (Kunzmann, 2000b). This process generates not merely formal outputs in terms of policy and project proposals but also a decision-framework of principles (concerning, e.g. 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, 1997) in order to create positive decision-making environments, which have been characterised as fertile *milieus for collective action* (Cars, 2002). 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 realise 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 bringing together intermediate stakeholders in a city, both public and private so that they may explore the endogenous territorial capital, and decide how priorities can be set, compromises made and forces 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 stabilisation 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 show initiative, be creative and proactive 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 for responding to local challenges and developing an integrated strategic 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 developed, consensus among local citizens and stakeholders sought and implementation organised.

Below is a list of essentials of strategic planning that address local development problems and are aimed at overcoming shortcomings and preparing the local community for the future.

- *Base stabilisation strategies for the local territorial capital* – There is no other way to stabilise and develop a medium-sized town located beyond a metropolitan region 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 with respect to their relevance for the local economy and longer-term employment strategies.
- *Use and promotion of local knowledge and competence* – The more a town succeeds in using endogenous potential, that is, 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 of 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.
- *Building 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 and attractive public parks are key elements of liveability, as well as individual security and leisure opportunities.
- *Engaging the local civil society* – Local communities are used to get supplies from the state, but the public sector is no longer able to meet all the needs. Hence it is indispensable to engage local communities in strategic planning and development, not as consumers of public services, but 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.

- *Targeting the young generation* – Young people in a medium-sized town are likely to be attracted by metropolitan opportunities and promises. Their early active involvement in local projects could contribute much to reducing their motivation to leave the town after school. The more they feel that their concerns are taken seriously, 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 into 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 way to reach international attention; international benchmarking is another. 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 businesses 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.
- *Involving local media in communicating values and vision* – 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 help to mobilise community participation and local commitment and contribute to build up trust in local decision-making.
- *Forming 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 neighbouring rural communities, 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.
- *Promoting 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 areas, such as food, construction or cultural industries, it may be easy to promote, establish and sustain such circuits. They

have to find political support and local banks' support (Gaertner, 2007), attract financial incentives and remove institutional constraints. Economic circuits may also be the one outcome of successful regional cluster management. Regional economic circuits rely very much on long-term trust. This trust will have positive effect in a community, beyond economic rationales (Magnaghi, 2000).

- *Promoting learning processes* – Urban development processes are processes where participants articulate their objectives and interests, listen to the arguments of others, seek and find consensus and, if necessary, negotiate compromises (Stein, 2006). Processes where the participating stakeholders learn to understand others, communicate their interests and sharpen their arguments create excellent opportunities for learning. These innovative urban projects, considered catalytic projects, are initiated and implemented to test new development approaches; they are perfect grounds to promote local learning and to continuously qualify local planning and decision-making processes.
- *Forging inter-regional networks* – In recent years, INTERREG projects have been very successful in building inter-regional networks among cities and regions. Based on successes of such projects and related experiences, it could make much sense to forge sustainable inter-regional and inter-cultural networks across national borders. Such networks could involve students and teachers, sports and business clubs and 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 stabilise 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 encouraging 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 in the use of their local territorial capital. It is particularly this tier that has to enable local governments of medium-sized towns to be proactive, creative and efficient. Supportive actions 'from above' have to assist medium-sized towns to better use their territorial capital. Thereby three factors are very much in the hands of regional institutions:

1. *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. Inter-linking medium-sized cities, and connecting such networks to larger trans-European transport networks, must be the principle;

2. *promotion of 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;
3. *promotion of 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 specialised 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 essentials of regional governance to support strategic planning and wise management of medium-sized cities are as follows:

- *providing special funds for innovative action* – if, for whatever political or local reasons, local governments are neither proactive nor 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 hesitation; 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;
- *lowering 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 applications for funding follow the interest of the programme managers, rather than local needs and requirements;

- *encouraging the formation of urban networks* – medium-sized towns can benefit much from continuous engagements in intra-regional, inter-regional 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, located beyond capital and metropolitan regions, should be encouraged to sustain their inter-regional cooperation networks beyond INTERREG programmes, to learn from each other, to benefit from economic and cultural relations and to form inter-regional strategic alliances, as a means to withstand the metropolitan fever, which is spreading all over Europe;
- *sharpening 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.

2.7 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 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 explored. The city networks initiative, the 2030 programme of the Federal German Government, the *Regionale* initiative of the State of North Rhine-Westphalia (Kunzmann, 2007b) or the INTERREG programmes of the European Union are good examples (Pinkoß, 2007).

As a rule, however, given the established political environment in medium-sized towns with their local rituals as well as 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 on routine management of day-to-day affairs.

Their willingness to change the routine path of institutional action, to experiment with 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 seeing difficulties rather than opportunities. In-built institutional learning and innovation are 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, for coping with new challenges. The establishment of such new and small agencies or moderation units staffed with handpicked professionals from within and outside the town or the region could be done for a limited time only.

With more creative governance, medium-sized towns can address and successfully cope with the challenges of globalisation they are facing (Hans Seidel Stiftung, 2007; Kunzmann, 2004). Creative governance is more than urban management based on routine procedures and responding to top-down commands and financial contributions. Implementing the above agenda for creative governance requires political goodwill and strong leadership supported by visionary politicians and professionals, who know how and when to start implementing one or the other project along the lines sketched above. In particular, it requires multiple creativity, creative institutions and creative actors, as well as creative holistic and thematic strategies and processes.

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