



Report on the results of
WP 3 – “Economic Development”
*Hanns-Uve Schwedler, Daniel Kampus,
Bettina Burgsteiner-Koch*

1. Introduction

Many municipalities across Europe are still facing the consequences of de-industrialisation and the economic crisis. The closure of factories and enterprises often led to a collapse of the local economy with high unemployment rates and few other job opportunities available. People had to leave town to seek work somewhere else, which made the economy even weaker and contributed to population decline. Economic decline and shrinking are strongly linked and public authorities try to escape this vicious circle by ensuring that their local economy starts growing again. But is this possible at all in an area that struggles with depopulation and a decreasing income through local taxes?

Op-ACT partner cities confirmed the fact that all local development strategies in shrinking towns seek a return to growth or at least stabilisation. To reach this aim they rely not only on well-known economic sectors, such as tourism, services, knowledge economy, etc., but try to find new ways. Creative industries that connect creativity and services and the revival of old traditions (old handicrafts, local artists, etc.) are now often used to stabilise the economic situation in small and medium-sized cities and to overcome economic mono-structures. Cultural regeneration is another approach to economic development in shrinking cities. For example, Glasgow's strategy builds on tourism, recreation, and retail with a mix of exhibitions, media-industry investments, and a casino project. The German city of Duisburg created urban entertainment centers, and several parks and exhibitions (Glock 2005).

Tourism development as one possibility to stimulate local economy has already been discussed several times during OP-ACT partner workshops – this is why this paper concentrates on other sectors, especially creative industries and cultural regeneration.

In addition, the urban revitalisation instrument BID “Business Improvement District” is introduced, because it can also contribute to boosting local economy.

2. The basis of this paper

This summary and analysis is based on

- status quo concerning economic development tools in the partner cities
- good practice examples from Op-Act partner cities
- an overview of topic-related EU projects
- research
- keynote speech

- outcomes and discussion results of the workshop

The following URBACT and INTERREG projects have been analysed:

- URBACT - ESIMeC: Economic strategies and innovation medium sized cities
- URBACT – UNIC
- URBACT - REDIS: Restructuring districts into science quarters
- URBACT - RUnUP: Role of Universities in Urban Poles
- URBACT - URBAMECO: Fostering sustainable integrated regeneration of deprived urban areas
- URBACT - WEED: Women, Enterprise and Employment in local Development
- URBACT - Creative Industries
- URBACT - N.O.S.E.: Towards an urban economic system of Social Incubators
- URBACT - FIN-URB-ACT: Integrated urban actions for fostering and financing innovative economy and SMEs
- Interreg IVC - Creative Metropolises: Public Policies and Instruments in Support of Creative Industries
- Interreg IVC - Creative Cities: European Creative Cities shared learning
- Interreg IVC - CLUSNET: Clusters and Cities Network
- Interreg IVC - Creative Growth
- Interreg IVC – ENTRE:DI (Entrepreneurial Diversity)
- Interreg IVC - ORGANZA

3. Economic strategies in OP-ACT partner cities

During the partner workshop in Altena all partners described their current economic strategies and reported which instruments are used to reflate their municipal economy and encourage new investments. The strategies and actions realised by OP-ACT partners are incorporated in part 5 of this paper.

The following chart shows an overview of the cities and the applied instruments and strategies:

Table 1: Economic development instruments in partner cities

<i>Project /city</i>	<i>Main activities</i>	<i>Problems / Barriers</i>
Leoben	<ul style="list-style-type: none"> - Stipulation of cooperation between industrial sectors and the specialised university (Montanuniversität) and also the planned Centre for Applied Technology ZAT (Zentrum für angewandte Technologie) - Enhancement of the inner-city shopping centre - Support of creative and artistic potential in the city - Attraction of new and young entrepreneurs in the creative industries (CCI) sector by giving entrepreneurial players a basis to develop their own initiative with less administrative regulations ("just to provide living and working space") - Bringing creative people together to foster their inter-relational activities. - Creation of an internet platform where users can identify vacant living accommodation and shops on a web site 	<ul style="list-style-type: none"> - One principal barrier is the economy initiative in Leoben - WIL (Wirtschaftsinitiative Leoben). WIL has lots of interests (determined as a positive element), but a <i>lack of skilled people</i>. - It is hard to cope with positive development in the creative sector as sectoral subsidies in Leoben are blocked due to unbalanced funding distribution throughout the municipal authorities.
Dabrowa Gornicza	<ul style="list-style-type: none"> - Infrastructure of PPP road projects - Stimulate incubators and social entrepreneurship - Development of a good structure for SMEs - System of financial support for start-ups - Current particular projects: "Oak is OK!" ("Grow in strength with oaks"). The project resulted in a meeting where 120 young people had to develop a business plan for their region. The gathering was called the Entrepreneurship Day: 	<ul style="list-style-type: none"> - Currently it seems that young people want to work as employees. Their minds need to be changed with a positive attitude on entrepreneurship.

Medias	<p>- Main areas with potential for economic development:</p> <ul style="list-style-type: none"> • automotive sector • tourism (with a regional programme) • light industry sector (furniture, glass and crystal) • CCI (Cultural Creative Industries) with a national and local strategy <p>- Tools:</p> <ul style="list-style-type: none"> • National start-up policy with additional reduction on taxes for the first three years of business • Deduction on employment taxes for the first 6 months (conditional on a 1.5 year contract) <p>- Strategies:</p> <ul style="list-style-type: none"> • correct use of the culture and the resources given to Medias by its local environment • development of an integrated approach together with education / training in the handicraft sector. Craftsmen must be taught how to promote their sector properly and in an economically sustainable way. • attracting young entrepreneurs to foster the overall task of becoming a hub for social and economic activities • Instead of investing to promote CCIs in an odd marketing strategy, Medias can be more feasible to support them by municipal incentives. 	<p>- Due to socially acceptable aspects of increasing individualism, it becomes more important to diversify tourist as well as other sectors. There no longer exists a stereotype of the 'tourist'. People (tourists) also follow individual visions of their tourist destinations.</p> <p>- Some actors in CCI do not recognise their own activities as being an important component part in the economy at all. Thus it is important to train them in perceiving what they are and why they are really needed.</p>
Notodden	<p>Two directions for a sustainable economic development:</p> <ul style="list-style-type: none"> - Change from traditional to high-tech industries - Establishment of cultural industries 	<p>- Notodden has become a hub for shopping and communication, but still retains one of the biggest problems based on finite commodities.</p> <p>- Dependency on oil-related industries is turning</p>

	<p>What is needed?</p> <ul style="list-style-type: none"> - Redefinition and new use of brownfields - Finding new investors - Visionary thinking of politicians - For hub improvement basically support of regional and national authorities is needed. Horizontal and vertical governance structures such as multi-level governance play an important key role in proper and positive development of Notodden. <p>Strategies:</p> <ul style="list-style-type: none"> - Generally improving the hub reputation as a well-structured place with good infrastructure is rather more important for the city of Notodden. - Increase promoting Notodden's location in order to establish cooperation instead of generating unnecessary competitors - Initiation of a cultural house, called "Books & Blues", where private and municipal actors meet and want to establish a public library and a cinema. 	<p>Notodden into a city that has to think about new ideas when it comes to economic development and sustainable stability.</p>
<p>Legazpi</p>	<p>Legazpi is trying to set up 'small pillars' for its service sector to attract new (and former) citizens:</p> <ul style="list-style-type: none"> - "Sortzen", a UGGASA project for new entrepreneurs has recently been established. Programme activities are based on innovation and creativity. Furthermore, the project considers incubators (symbolic rents), cooperative work (mentoring) and e-training (web-based). - A second project called "Orto" is focussing on the 	

	<p>following:</p> <ul style="list-style-type: none"> • improving social services • promoting new products in local factories (potential young entrepreneurship!) • training workers in order to improve their qualifications • fostering communication and better understanding the economy in a new and more extraordinary way. 	
Nagykallo	<p>Nagykallo uses three strategies to strengthen the economy:</p> <ul style="list-style-type: none"> - Industrial path: the city wants to attract investors and companies - Social cooperative: the city has a major role, bringing together various producers to brand their products and sell them locally and nationally (e.g. agricultural products). <p>Nagykallo uses support funds for these two instruments.</p> <ul style="list-style-type: none"> - "Doing things with people, rather than doing things for people" becomes more and more important as a holistic approach. 	- The industrial path is currently mismanaged.
Rezekne	<ul style="list-style-type: none"> - To foster knowledge transfers and exchange is one way to overcome the problem of competition instead of cooperation. This is intended to support the overall holistic economic approach: <ul style="list-style-type: none"> • transit-issue • special economic zone (reduced taxes) • improving the tourist sector and using existing resources ("green country") • establish PPP in order to foster economic growth 	- One main problem of cooperation in Rezekne is that new partners (companies, young entrepreneurs, etc.) are often competitors. At the same time they should work together to enhance the city economy.

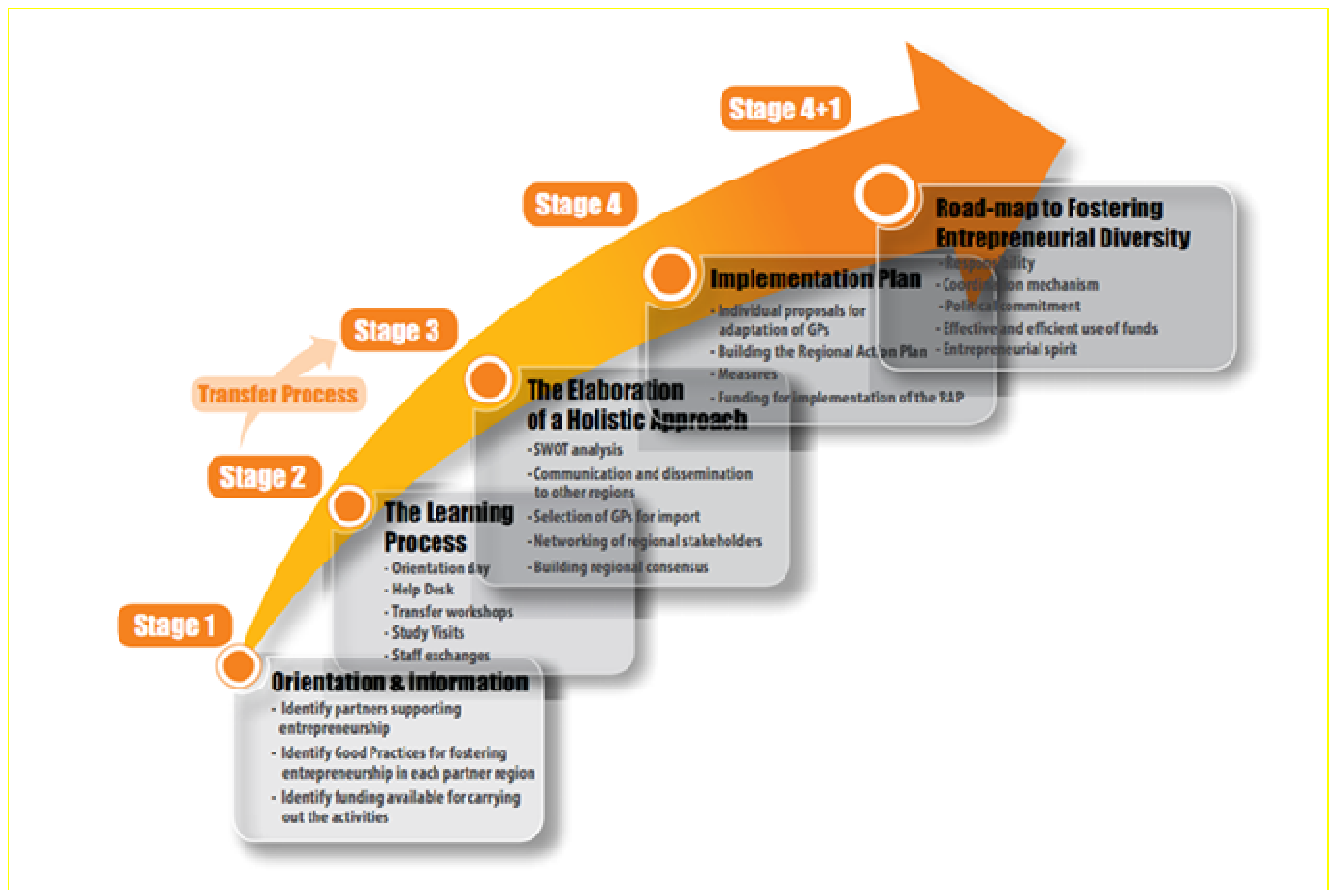
Altena	<p>The main topic focussed on in Altena is tourism.</p> <p>Altena needs new zonal restructuring in various sectors in order to remain sustainable; hence the city is currently implementing the following projects:</p> <ul style="list-style-type: none">• the Lennepark• Excellence in hiking• the Krämerdorf (craft 'village')• a performance stage on the River Lenne (medieval festivals)• Time travel in Altena (an elevator up to the castle with an 'edutainment' concept (history linked with new media)• Trippe project in cooperation with the local grammar school Burggymnasium (establishing pupil enterprise).	
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3. Instruments highlighted in EU projects

From all the analysed EU projects concerning boosting economic development, the instruments most often applied are first of all internal and external networking and cooperation in clusters. Secondly, it is very important to build up and increase capacities, e. g. special training in schools or coaching for entrepreneurs and last but not least to offer administrative support for start-ups and young entrepreneurs, such as financial facilitations, business advice and support (elaboration of business plans, marketing and promotion, etc.), new administrative settings). The following survey shows some of the instruments and where they can be used.

➤ General instruments to support business development and start-ups

- Adequate administrative framework and support system for start-ups: e.g. one-stop agencies
- Support packages for start-ups (mentoring/coaching; finances, teaching entrepreneurship, logistics in incubators)
- Creation of effective locally based partnerships between municipalities, entrepreneurs and universities / educational facilities – case-based education
- Provision of the right funding scheme: provide a variety of financial information (funding opportunities, commissioning, procurement)
- Transfer and implementation of good practice with the entrepreneurs through the “4+1-phases model”: the model consists of 5 stages that every start-up actor has to go through in its life cycle. This model shall help regions and cities to develop their economy and reach entrepreneurial diversity by generating spin-offs and start-ups of different sectors.



➤ **Instruments to increase women’s involvement in entrepreneurship:**

- Breaking ingrained attitudes of boys and girls towards men and women roles during their schooling
- Making micro-finance more accessible for women
- Provision of a women and family friendly environment more
- Offer of flexible training initiatives open up new and less gendered career pathways

➤ **Instruments to foster the creative sector:**

- Provision of public support structure for CI
- Entrepreneurial support mechanisms (blender events, study visits, benchmarking) to develop inter-disciplinary cooperation and to build up business capacity and internationalisation:

“Blender events”: Entrepreneurs from different fields and countries come together to exchange ideas on creative businesses and to improve inter-sectoral networking. Thus follow-up contacts can be made, future cooperation

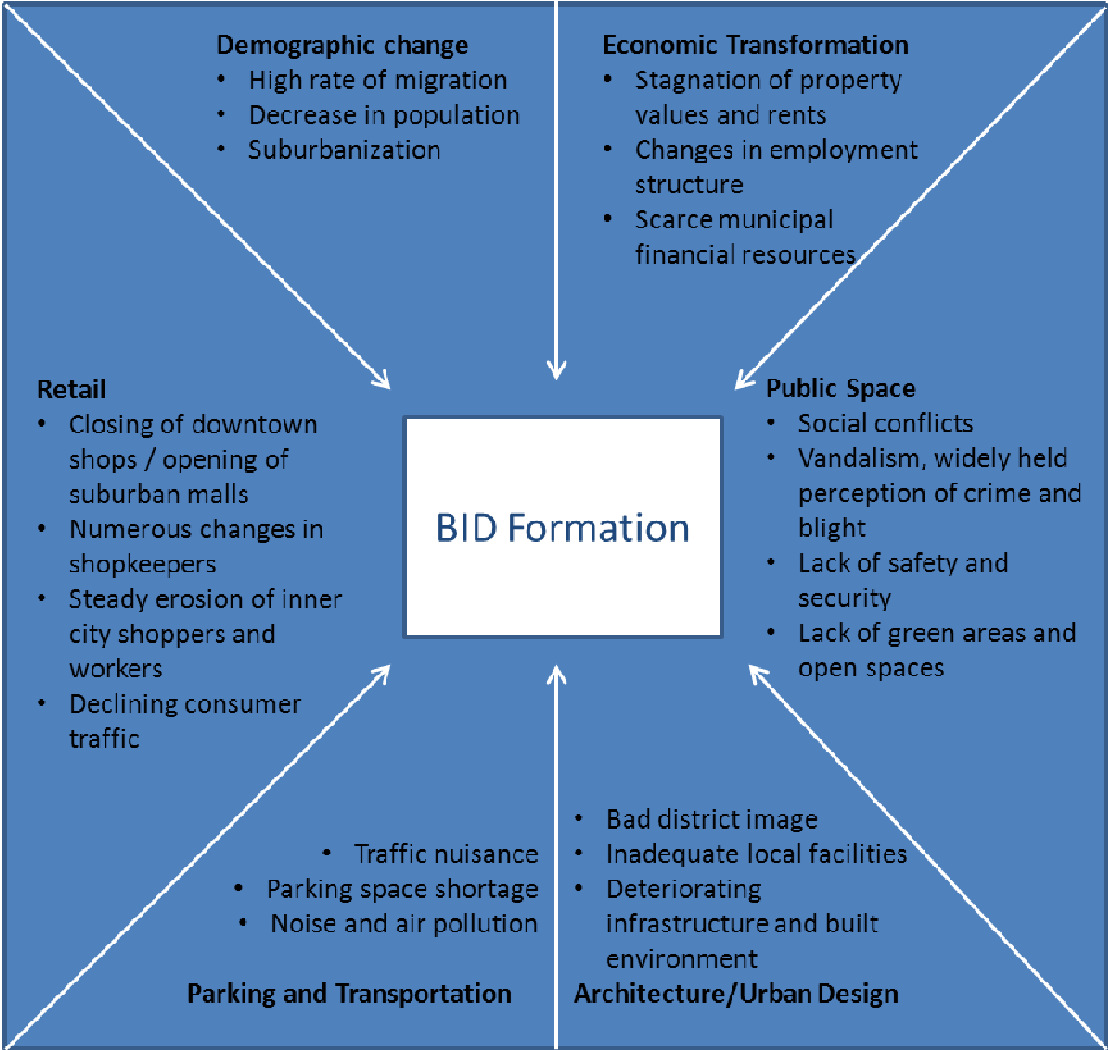
can be developed or strengthened and potential business partners at international level can be found.

- Support at development of clusters to promote business enhancement and foster business opportunities (in terms of exchange, skills, infrastructure, etc.) to reach competitiveness at international level
 - Actors within a cluster: public authorities, R & D, educational and training facilities, investors, enterprises
 - Closing gaps between the actors of a cluster with the tool “Gaps & Bridges”: The project CLUSNET defined the following gaps and also a proposal of bridges to close the gaps:
 - Research gap: incubators, network gathering, innovative projects
 - Educational gap: networking, training programmes
 - Capital gap: investors days
 - Policy gap: networking
 - Firm-to-firm gap: networking, innovation projects, website, export promotion
 - Cluster-to-cluster gap: cross-clustering
 - Global market gap: website, export / marketing promotion
- Bottom-up development and provision of multifunctional space (e.g. co-working spaces, urban creative districts, brownfield development and regeneration schemes according to specific needs of CI, creative incubators, etc.)
- Enhancing demand by organising multi-targeted festivals and including municipalities in the role of consumers
- Stimulate student ventures – coupling of students and ideas
- “Moving Office” as specific instrument to create global networks for creative industries: with the “moving office” it is possible for entrepreneurs to change their business location and to get to know other creative business men and women of other creative branches and other cities/countries. The moving office contributes to strengthen the position in the international competition.

A more general approach that is also linked with OP-ACT’s work package 4 is the establishment of “**Business Improvement Districts**” (**BID**). BID was introduced in Canada in 1970 as a method for urban revitalisation and economic development. A BID is a geographically defined and mostly inner city area by which property and

business owners make a collective contribution to the maintenance, development and marketing/promotion of their commercial district.¹ The BID services are mostly provided additionally to the municipal ones; they are self-organised and support projects that benefit the business environment and the public realm. However there are many different forms and names of BIDs all over the world.

The motives for installing a BID are manifold and depend on the special situation of the cities.



As the financial situation in more and more cities is severely strained, BIDs have become popular commercial revitalisation tools nowadays. The measures and projects of a BID cover different areas of intervention, such as Transportation & Parking, Retail, Urban Design /Architecture, Public Spaces, District Marketing & Communication and Social Services.

¹ Friesecke, Frank, Revitalisation of Urban Areas through Business Improvement Districts (BIDs) – Trends and Expectations for Shrinking Cities

As this paper deals with economic development and growth, only the strategies and measures for retail and district marketing are described in the following.

Due to population decline and a growing number of suburban shopping centres, many inner city districts shopping areas become less attractive for the costumers. Consequently businessmen there suffer a slump in sales, there are numerous changes in shopkeepers and it leads to an increase in vacancies and an inadequate retail mix.

BID-supported improvements and measures that aim to a better competition could be

- the creation of the right retail mix,
- a professional vacancy management,
- installation of sidewalk restaurants and cafés and street furniture,
- (financial) incentives for new and expanding retailers, attracting new investors
- Retention programmes to prevent existing retailers from relocating,
- Storefront improvement programmes, amelioration of entrance areas.

The overall objective concerning marketing & communication is to improve the district's image and to stimulate the local profile and the neighbourhood identification. Some of BID's actions in this field are

- development of an holistic marketing concept,
- public relations for the overall district (development of a corporate design),
- festival and special event programming.

Naturally, BID's are not a solution for all problems concerning urban and economic development, but they can play a significant role in the revitalisation of some urban districts and in boosting the local economy.

4. Case studies from OP-ACT project partners and lessons learnt

➤ Dabrowa Gornicza: “Invest in Dabrowa Gornicza- promotion of city's economic potential- phase I and II”

Project:

This project is concentrated on promoting investment opportunities in Dabrowa Gornicza and the city itself, as a good place to start new investments. Although the city is facing problems with the on-going depopulation process, and has a relatively low diversification level of the economy, its location, both geographic and economic (Special Economic Zone in parts of the city), and appealing tourist attractions are the foundation for

attracting new investments.

Main aims:

- Improvement of city's image, both in the eyes of potential investors and inhabitants
- More effective development actions in fields of sport, tourism and culture, as well as the use of location factor of Dabrowa Gornicza in promotional activities
- Improvement of efficiency and standard of complex service and support for investors
- Facilitating an efficient coordination of promotional and informational activities performed by different offices in city administration
- Ads in Internet media

Methodology/Actions:

- Creating a concept of an image promotion campaign
- Taking part in five foreign trade missions (one in Asia, four in Europe)
- Complex promotional activities- development of web portal of city; organizing business seminars; creating direct promotional campaign targeted at selected sectors; campaign and advertisements in foreign and national press; producing promotional materials with detailed investment offer information; creative means of promotion during trade missions (oak tree saplings in wooden boxes with information about city and its investment offer)

What was achieved?

- In phase I, most significant results were fruitful visits at trade fairs, which ended in contacting 30 potential investors and promoting city of Dabrowa Gornicza. Also launch of web portal and distribution of promotional and informational materials to selected foreign businesses, institutions and organizations were important part of project implementation.
- The actual amount of new investments will only be available after phase II.

Lessons learnt:

- An important drawback for investors is the lack of tax reductions and similar incentives for them.
 - Instead of tax facilitations Dabrowa Gornicza offers investment sites that are part of the Special Economic Zone.
- Key factors of success: coherent and complex view on strategy and all actions of the project, careful selection of target group (search for the most suitable investors), individual approach towards investors.

➤ Eberswalde: “Funds for Small and medium sized enterprises”

<i>Project:</i>	Small and medium-sized enterprises (SMEs), e.g. retail, hospitality, trade, can apply for specific funds to improve the economy in the inner city. Therefore, Eberswalde is combining different funds to simplify the application process. This includes investment and non-investment activities.
<i>Main aims:</i>	<ul style="list-style-type: none">- Improve the situation of companies in the target group to develop an economic growth in the inner city- Improvement of the living conditions in the inner city- Support the workforce to support families and careers- Measures to improve the situation for people with disabilities- Supporting companies who want to employ new staff- Partial financing of equipment or construction
<i>Methodology:</i>	<ul style="list-style-type: none">- Combine funds to one “package” co-financed with additional money from the city- Advertising the possibilities to start ups and companies in the cities- Consultancy of the company to in the application process- Maintaining relationship between companies and the city- Singular financial support for new staff. The condition of this part of the fund is related to a warranty given by the company to employ the new staff for at least 5 years. Except where there is economic bankrupt of the company.<ul style="list-style-type: none">• Every new employed staff member: 5000 €• Every new employed female staff member: 6000 €• Every new created apprenticeship: 8000 €
<i>What was achieved?</i>	<ul style="list-style-type: none">- Eberswalde has the highest number of applications in the state of Brandenburg.- Since the start of the fund, 16 notifications were given to applicant companies.- But: Long-term term results are not foreseeable so far.
<i>Lessons learnt:</i>	<ul style="list-style-type: none">- Difficult decision process in the structure of the city in terms of choosing a company, because part of the budget is from the city, many steps of decision-making have to be made before approving a grant.- Depending on the economic promotion of the city and their spatial focus point it can be an additional incentive for companies who want to invest in the city.

➤ **Leoben: “Creative Future”**

<i>Project:</i>	The project’s main aim is to develop the right framework to offer young people prospects for their future vocational life and support them in their career planning. Thus the creative and qualified potential could be kept in the region.
<i>Main aims:</i>	<ul style="list-style-type: none">- Strengthening the competitiveness of the region by developing a creative industry sector as additional economic sector and provision of an adequate framework for young creative people and artists.- Support and promotion of young people and young adults by providing supportive structures on their way to find their potentials, plan their career and start their own business
<i>Methodology:</i>	<ul style="list-style-type: none">- The strategy is to support young entrepreneurs and start-up companies. To provide them business knowhow through a mentoring concept and to provide innovative working spaces.- Creation of co-working spaces with a help/support centre for young entrepreneurs
<i>What was achieved?</i>	<ul style="list-style-type: none">- Necessary frameworks have been arranged. Discussions in local support group meetings with local and regional stakeholders.- Concept will be developed within the next few months
<i>Lessons learnt:</i>	<ul style="list-style-type: none">- Financial barriers if no real estate investor can be found.- There might not be enough entrepreneurs to fill the co-working space.- Co-working spaces run very well in metropolitan areas, the challenge is to establish a co-working space in a rural area.

➤ **Medias: “CREA.RE”**

<i>Project:</i>	According to the Lisboa directives, in the EU, the economic domain with the highest development & profitability factor in the EU economy is the one where the highest value of intellectual/creative/cultural aspect is included in the final price/product.
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However it is not a new statement, since middle ages, during the guilds period, various products of similar use had different prices based on design details & extra functionalities of the final product, therefore even if the production costs were the same the final product had different prices due to the creativity of the manufacturers.

Lots of manufacturers (glass, crystal, "light" industry, shoe making, textiles) have lost jobs due to the economic transition to market economy and were not able to find jobs in the fields nor were open to new job training programs and as a result end up in unqualified positions of very low income.

On the other hand very talented artists feel that what they do has only free time value and they cannot put a price on their artistic work.

Main aims:

- The strategy is now to develop and to obtain EU awareness on the CCI domain, a competitive definition of the sector proper training and future funding.

Methodology:

Actions are taking place at a dual level: local and European.

- At local level we are dealing with a mapping of the CCI in the region and also with an information campaign among those professionals related to the CCI general legal frame.
- At European level there will be a common output of the 12 partners as a recommendation for the EU regarding the creative sector as an economic engine in our regions.

What was achieved?

- There are workshops organised among the project partners with the goal of learning how various European regions have dealt with this issue and find relevant measures that can be replicated.
- The most cultural relevant ones for us were the ones related to the local marketing and use of local assets, similar to WP5 in OP-ACT.

Lessons learnt:

- Most of the jobs included in the project are considered hobbies by practitioners or not having commercial value.
- It is difficult to raise the awareness for this new idea.
- Struggle against the prejudices of the central authorities

- Dealing with personal disappointments of the manufacturers.

Summary lessons learnt of partner case studies and key recommendations:

- Coherent and complex view on strategy and all actions of the project
- Careful selection of target group (search for the most suitable investors),
- Individual approach towards investors
- Offer incentives – financial and advisory support or the provision of adequate space for new businesses and start-ups (co-working spaces)
- Coordinated promotional activities
- Provision of funding and facilitation in access to it
- Implementation of a new economic sector (e. g. creative industries) and building clusters of all sorts of creative activities
- Finding ways to cooperate with central authorities
- Awareness raising campaigns for new ideas in schools, universities, among citizens, etc.

5. Results and recommendations

During the common work session in Altena, OP-ACT partners defined common strategies and instruments to initiate economic growth/stabilisation and tried to figure out how regional / national / European authorities can support the cities thereby. The results and their recommendations are grouped in four categories: common strategies, attracting investors, young entrepreneurs and start-ups and support from regional/national/EU authorities.

Common strategies:

- Develop an integrated approach together with education / training and how to promote the sector properly and in an economically sustainable way.
- Engage people (and develop new tools)
- Promote entrepreneurial attitude and capacity building
- Coordinate projects and economic initiatives better
- Create a proper business environment
- Use local culture / history / traditions and the resources given in a correct way

- Give citizens reasons to stay in the town by offering them jobs or ways for self-employment
- Improve the image/ branding of city (or certain districts – economic zone, business improvement district)
- Raise the awareness of the inhabitants that they are players not spectators
- Transfer knowledge and know-how through building of networks and clusters
- Diversification of tourism as well as other sectors
- Establish a second element in economic activity alongside the traditional (heavy) industry and services– mono-structure makes you more vulnerable, especially in times of crisis
- E. g. focussing on exploration of creative people. Their presence needs to be brought into daily economy.
- Establishing contacts to local stakeholders
- Trade in traditional, locally produced handicrafts – they have to return to the local economy
- Attract talented people (attractive living conditions are important)

Attracting investors:

- Attract young entrepreneurs to foster the overall task of becoming a hub for social and economic activities
- Create (exceptional) services for investors
- Create proper mobility conditions (easy and cheap commuting)
- Offer tailor-made and targeted services for economic sector
- Identify and communicate unique (differentiating) possibilities / conditions
- Offer proper locations
- Establish contacts to local stakeholders properly connect them to the industrial sector to generate new development
- Improve and foster a development as regional hub as a well as a structured place with good infrastructure
- Enhance the promotion of the location in order to establish cooperation

Young entrepreneurs and start-ups:

- Raise the awareness that self-employment is a possibility for work already in educational institutes, universities, but also in job centres

- Demonstrate (case studies / examples) self-employment as attractive
- Offer entrepreneurship and business training in schools
- Provide attractive location and facilities for start-ups (e. g. business incubators) and young entrepreneurs
- Offer support measures for cooperation of young entrepreneurs
- Offer coaching and mentoring by experienced entrepreneurs
- Provide more education in entrepreneurship
- Support of start-ups by giving municipal incentives

Support from regional / national / European authorities:

- New forms of leadership of local policy and visionary politicians
- Promote the municipality as motivator and helper (not merely giving solutions) with a well-trained administration staff
- Offer stability in regulations and simple regulations
- Provide a good transportation infrastructure
- Promote the region (as investment location)
- Offer tax reduction for new businesses
- Offer financial (and other) support means for SMEs
- Develop attractive regulations for less developed regions
- Municipal invest in local projects to stimulate private investment
- Multi-level governance as an important key role in proper and positive development