STATE OF THE ART

New urban economies

How can cities foster economic development and develop ‘new urban economies’
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This 'State of the art on new urban economies' is the first output of a bigger capitalisation initiative set by the URBACT programme for 2014–2015 with the objective to present to cities local good practices about:

- **New urban economies**
- **Jobs for young people in cities**
- **Social innovation in cities**
- **Sustainable regeneration in urban areas**

These four topics have been explored by four URBACT working groups (workstreams), composed of multidisciplinary stakeholders across Europe such as urban practitioners and experts from URBACT, representatives from European universities, European programmes and international organisations working on these issues.

Destined to cities, this ‘State of the art’ is a review of literature, policies, projects and practices at EU level about the ongoing or emerging economic trends such as digitalisation, green, and health economy that have a great local impact.

*We hope this shall be an inspiration for you and your city!*

*The URBACT Secretariat*
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European cities are confronted with a rapidly changing economy. The crisis has destroyed jobs across both service and manufacturing industries, and has revealed the shakiness of the financial service sector. Jobs get lost, some businesses become obsolete; yet, at the same time, new growth areas are emerging. In this dynamic economic landscape, what is the scope of action for local governments to steer urban economies? Should they “sit and wait” for changes to come and affect them, or is there room for pro-active urban policy to grasp emerging opportunities? If so, what is in their scope for action? How to act in a sustainable and integrative way? How can economic growth also be inclusive rather than benefitting just a small group?

It has become clear now that many traditional tools to boost the urban economy have become out-dated or are not (cost) effective. Recipes such as investing in large landmark projects (new Guggenheims, big stadiums), generous fiscal incentives, or smokestack chasing (blindly attracting companies and investments from outside) are not very effective. Moreover, the assumed ‘trickle down effects’ of such investments on the rest of the urban economy often fail to materialise. There is a growing acknowledgement that cities should look for more ‘indigenous’ approaches: building on existing qualities and assets, mobilising companies and citizens to innovate, and engage them in the discovery of promising new specialisations. Local economic policy should not start from scratch and bet on silver bullets or inward investments, but rather find clever ways to marry local traditions with new growth opportunities. This is also the philosophy behind ‘smart specialisation’, a renewed innovation policy concept to accomplish the EU2020 agenda.

The URBACT workstream ‘New urban economies’ has been set up to examine the new economic opportunities in Europe’s cities, and to search for adequate policy actions and organisational setups to ‘translate’ them into smart, sustainable and inclusive urban growth. The workstream brings together ‘thinkers and doers’ (academics, elected representatives, practitioners, policy receivers, etc.), to jointly reflect and build on a new generation of integrated urban policies. We will seek answers and insights to a number of questions, namely:
How can cities achieve new urban economic development and develop ‘New urban economies’ ...

— in concertation with different urban stakeholders,
— responding adequately to key challenges and external developments,
— building on local identity and competences,
— and without compromising weaker groups (inclusion) and future generations (sustainability)?

In this state of the art, we give a concise introduction to the topic and its associated challenges. It is based on available literature, findings from European projects (including several URBACT networks), and the knowledge and experience of the authors.

This paper is organised as follows: section 2 identifies and discusses key trends affecting urban economies, and the emergence of a number of ‘new urban economies’. We elaborate three of them in more depth: the digital economy, the green economy, and the health and care economy. In section 3 we briefly sketch how a number of European policies are affecting (and may impact on) new urban economies: the EU 2020 agenda in general, and Horizon 2020 and the EU cohesion policy in particular. Related with the latter, we also highlight some URBACT networks that have more explicitly dealt with urban economic development and new urban economies, and derive key policy issues.

In section 4 we assess what cities and local governments can actually do (based on a vast body of literature on these issues): how can they grow new economies, in a way that fits their inherited particularities and specialisations? How to identify and develop smart specialisations at the urban level, linking them with the regional scale? And, importantly, how can cities develop their economies in an integrated and sustainable way, i.e. without compromising the environment and without evoking social exclusion processes? In section 5, finally, we suggest how this workstream can make a contribution to all the ‘inherited knowledge’ that is already at our disposal. What can be the added value of our workstream, how do we capture the experiences gained in URBACT II, and how can this workstream contribute to the identification of new key themes and approaches that could be addressed in the next URBACT networks.
2. NEW URBAN ECONOMIES: AN INTRODUCTION

Under influence of a set of megatrends, urban economies are changing. Without claiming to be comprehensive, Box 1 pins down some of those megatrends, organised under political, economic, social, technological and environmental forces. Their combination is giving rise to new urban economic activities and the fading out of others. All in all, they underpin the development of new modes of economic organisation, innovation and business models, increasingly visible in European cities.

In this workstream, we focus on three major types of new urban economies, nudged by these trends and societal forces: the digital economy (section 2.1), the green economy (2.2) and the health and care economy (2.3). In the reminder of this section, we introduce their main features and a number of actions already carried out by cities to seize emerging opportunities and tackle latent economic challenges.

BOX 1. MEGATRENDS AND NEW URBAN ECONOMIES

**Political forces.** The decline in public investment budgets and the retrenchment of state intervention throughout Europe has been impacting in the economy of many cities. On the one hand, demand was reduced due to the economic crisis and there has been reduced public spending and investment in the aftermath of the 2008s financial crisis, with deep consequences for urban economies across the board. Public budget cuts have hit many small and medium sized companies in cities, namely the ones that relied more directly on public procurement (e.g. services associated with public works, etc.). On the other hand, the withdrawal of the state in social welfare and other realms is leading to the development of new types of businesses and ventures, e.g. in the health care domain.

**Economic forces.** Over the last two decades, new models of knowledge-based economic organisation unfolded in European economies, and brought ongoing profound changes in the way economic value is created. Importantly, the knowledge economy is not just a high-tech segment of the economy: the need to embed knowledge in production cuts across all economic sectors and activities. The knowledge economy puts new demands on skills, interaction and specialisation, leading, e.g. to fast obsolescence of products, competition by differentiation and new modes of production based on open innovation (e.g. companies ‘buying’ and procuring innovative solutions from other companies) and creativity (new solutions for old problems, embedding design, new combinations across technologies and services, etc.). In this economy, routine activities tend to leave expensive cities for cheaper locations. Yet, this is a not a question of manufacturing versus services. Actually, there is an emerging trend of manufacturing resurgence in many European cities, linked e.g. with re-shoring (i.e. formerly offs-shored production returning to Europe) and the new ‘maker’ movement (i.e. distributed, small batches of home-made manufacturing). Naturally, new manufacturing activities emerging in cities will tend to be much cleaner and less space intensive than in former industrial waves.

**Social forces.** With variations between cities and member states, ageing is a strong megatrend. It has
consequences for the economy's growth potential and places significant challenges on social security budgets and social welfare systems. However, ageing is also likely to have other, perhaps more positive consequences in urban economies. For example, it can become associated with senior entrepreneurship, and can give rise to new businesses targeting the elderly and retired, linked with tourism and health services. Yet, beyond ageing, another important social trend has to do with the emergence of new modes of collaborative consumption (sharing of goods and services), crowdsourcing and new mixes between worlds of production and consumption (e.g. consumers becoming producers, for example of organic food and renewable energy). Altogether, they open opportunities for new types of economic activities and start-ups.

**Technology forces.** Many of the aforementioned trends are underpinned by recent developments in information and telecommunication technologies (ICTs), including the fast diffusion of smart devices, social media and the internet-of-things, allowing for unprecedented connectedness and digitally mediated interaction between humans and machines. Under such a paradigm, new digital-related businesses flourish, and support new developments across the whole economy. Moreover, in the next years, the amounts of data produced in cities are likely to grow exponentially, opening new innovation and monetisation opportunities. As cities gain a new 'digital skin' (Rabari and Storper, 2014) new businesses opportunities are likely to emerge.

**Environmental forces.** Despite the recent economic slowdown, climate change and its environmental consequences are still critical issues across Europe and its cities. Despite the hype, the economic relevance of the green economy is likely to be substantial (ESPON and Tecnalia, 2013). There are new businesses emerging around climate adaptation, new modes of mobility and energy production and efficiency, just to name a few. The continuous pressure, namely from NGOs and other civic movements is likely to keep the climate agenda high in many cities. And beyond the creation of new businesses, many cities increasingly realise the link between environmental quality, social cohesion and economic attractiveness.

### 2.1 The Digital Economy

The digital economy is the quintessential new urban economic driver. It includes, among others, software design and programming, platform development, cloud computing, data analytics, the ‘app’ economy, geo-location and sensor technologies, as well as digital media, gaming and content production activities, combining engineering skills with symbolic content production. The field is characterised by very rapid innovation and fast obsolescence, and its ability to enable innovation and productivity increases across multiple industries. The digital economy is a source of new jobs, but destroys many existing ones. Of the three potential growth areas we discuss in this workstream, this is by far the most pervasive and disruptive one. How does it impact on cities, and how have cities been responding and capturing opportunities?

First of all, the digital economy is a cradle of new entrepreneurship. Large numbers of new firms and jobs are created, especially in app development, social media and software design. Places like Stockholm, London, Dublin, or Barcelona are buzzing with young people creating new businesses – often starting with little more than a laptop and a good idea. It's not just big cities that benefit: many medium-sized cities have thriving start-up scenes as well. Especially cities with a technical university are attracting and developing ‘tech talent’, which is a source of entrepreneurship.

Local tech-communities don't typically look for local government support: they are largely self-organising, thriving on informal networks. Nevertheless, cities can promote digital entrepreneurship in several ways:

- **Supporting incubators:** spaces where prospective entrepreneurs can receive all sorts of support—financial, administrative, business networks—to set up and scale up their venture.
- **Buying from start-ups:** cities are large purchasers of digital services, and may decide not always to procure from the 'safe' large established corporate vendors but give start-ups a chance. Naturally, this requires changes in tendering regulations.
- **Engage with the tech community:** cities may ‘crowd source’ and invite tech communities to develop useful city apps, through app contests or ‘hackathons’ (for example, by giving access to municipal databases of ‘open data’). An example of this is taking place in Dublin, where the City Council has been curating city data (from the local government and beyond) in order to unleash
new innovations that can be relevant to tackle city’s challenges (e.g. transport, planning, water management), whether by large corporations or small start-ups.

- Related with the previous, cities can steer events and facilitate new networks between formal organisations and informal tech–digital communities, with an eye to foster new innovation and business opportunities.

- Developing and ‘branding’ specific urban quarters as hotbeds of digital entrepreneurship: a good example is the ‘IT City Katrinebjerg’. This neighbourhood in Aarhus (Partner in the URBACT REDIS network) is located close to the university. It is home to several IT research institutes, leading IT firms and an incubator. Led by the city, the stakeholders are developing and branding the area as innovation district for IT activity.

Moreover, the digital economy is not just creating new types of businesses and jobs: perhaps even more importantly, it is transforming (and sometimes disrupting) existing industries. From the consumer perspective, new technology is changing the way people shop (e.g. online shops), book accommodation (online platforms like Booking.com; accommodation sharing via Airbnb); use cars (Snappcar) or fund projects (Kickstarter). Online business models have fundamentally altered – and still are altering – the music industry, advertising or banking. To quote a recent study by NIESR (2014), “the reality is that the digital economy has spread into every sector, from architecture firms whose activities have become almost entirely digital to machine tool manufacturers who now use huge online data-processing facilities to monitor every aspect of their processes”.

The digital economy is a source of innovation, but also poses challenges to many traditional companies and businesses in cities. Early victims were video rental firms and travel agencies, outcompeted by on-line business models; online banking replaced the bank offices around the corner. More recently, hotels and taxi businesses feel the heat of brand new peer-to-peer platforms. Major changes are underway in the retail business—a very important and visible segment of any urban economy. Online sales are showing double-digit growth figures, even in times of recession (in 2013, online retailing in Europe grew by a weighted average of 21%, with deep impacts for shopping streets and malls in every city in Europe: demand for ‘traditional’ retail space will decrease in many retail segments, while new online or ‘bricks and mortar’ models (combining physical and web presence) emerge.

Promoting the urban digital economy is a multi-faceted challenge, and requires new urban management competences and organisations. Leading cities in Europe are experimenting with new ways of working and have set up unconventional organisations that are better able to do the job. Manchester (UK), a reference city in this field, created the ‘Manchester Digital Development Agency’, a publicly-owned organisation that coordinates the city’s wide-ranging Digital Strategy. One of its key aims is to put in place super-fast broadband across Manchester, but also to catalyse informal tech-communities, increase city-wide IT literacy and enhance connections between several local stakeholders in this field. In Zaragoza (Spain), the city set up the ‘Digital Mile’ as a dedicated project organisation within the municipality. The project stimulates all sorts of initiatives that incorporate digital media into everyday aspects of the public realm, such as public spaces that ‘respond’ to their users, provide stories, information and services. The Digital Mile should improve quality of life for citizens and visitors, and bring better services, but also offers an open access platform where IT firms, architects, artists, researchers and planners develop and test innovative concepts. Box 2 illustrates a number of policy schemes developed over the last years in European cities.

**BOX 2. TYPES OF IT INITIATIVES IN EUROPEAN CITIES**

- Provide particular types of infrastructure (Wi-Fi in public places, incubators, experimentation spaces); ultrafast broadband is particularly important for the development of some IT-digital businesses, but is hardly provided by the market.
- Encourage ICT firms to engage with local schools or disadvantaged communities.
- Promote new combinations of digital technology and other urban sectors (arts and culture, health care, tourism, sports, etc.)
- Help traditional companies (especially SMEs) to adopt digital technologies, or let them help each other by facilitating peer-learning networks.
- Set up training schemes to equip citizens with digital skills.
2.2 THE GREEN ECONOMY

Europe is facing a number of environmental challenges: climate change, resource depletion, declining biodiversity, pollution and untamed carbon emissions, potential natural disasters, etc. Tackling these challenges involves substantial investments and incurs costs, but also offers new business opportunities, and has created a sizeable ‘green economy’. The exact size and growth of the green economy is difficult to measure; a recent study by ESPON (Espon and Tecnalia, 2013) estimates that it provides about 22m jobs in the EU, which represents already 9% of the EU workforce.

Cities have a key role to play in encouraging new green solutions and ways of using, distributing and consuming energy, complementing the actions of national governments. Therefore, we identify green business as the second potential growth field in our workstream (although less disruptive and less market-driven than the digital economy discussed above). Where are green business opportunities emerging? A number of fields can be mentioned:

- Adaptation to climate change: firms deploying new technologies and solutions to deal with e.g. rising sea levels, extreme weather conditions and excessive carbon emissions (e.g. carbon sinks).
- Alternative energy generation and distribution solutions. The shift to renewable energies and decentralised production provides growth opportunities for innovative firms that offer decentralised production and feed-in solutions, smart grids, and a whole range of associated IT systems. Moreover, across Europe, energy cooperatives spring up, in which citizens join forces (in a variety of coalitions with other stakeholders) to produce renewable energy. Thus, local energy economies are emerging, with a much bigger share of locally generated and consumed energy.
- The business of improving energy efficiency: this offers opportunity for companies active in home and industrial retrofitting, insulation solutions, home automation, consumer electronics and everything else that uses energy.
- Circular economy solutions: waste reduction and re-use, recycling, resource distribution efficiency (e.g. water), cradle-to-cradle concepts, closed-loop circuits.
- Businesses related to green mobility: the production and adoption of electric vehicles and associated infrastructure, car sharing, soft mobility solutions (walking, cycling), etc.
- Urban farming and the ‘local food’ movement.

Cities are widely acknowledged as key arenas for green innovation and the development of related business models. First, many cities have substantial competences in domains where greening can be achieved: waste collection, transport, social housing and urban planning. Good solutions can become ‘export products’, with economic benefits for the partners involved. Second, many cities have the scale and resources to set up testing sites for ‘green’ experiments – in coalitions with companies, research institutes and citizens – in which new solutions are developed and tested out. Third, and more strategically, cities can assemble green platforms, hybrid organisations where companies, research institutes and local government join forces to tackle environmental challenges and reap economic benefits from it. A good example is the Amsterdam Smart City platform, a long-term strategic partnership between the city, energy companies, universities and a number of other organisations. Amsterdam Smart City initiated a large number of pilot projects (68 at the time of writing this article) across the city region, always looking to scale them up to commercially viable business models that can run without subsidies.

A key lesson is that new and sometimes unusual local coalitions are needed to capture the potential of the urban green economy, often with the involvement of users. This puts high demands on the ability of city leaders: they must guide the transition, and learn to communicate effectively, to involve stakeholders, to take risks, to leave the beaten tracks (see Box 3 on Sustainability Jams in Linkoping).

However, there are large differences in Europe’s urban landscape concerning the green economy. First of all, cities act within their national context, and there is wide variation between countries in their approach to confront environmental challenges, and also, in the formal competences that cities have to shape their own green policies. But also within countries, we see that some cities are leading the way, with local actor coalitions taking bold steps to actively grow the local green economy. These are places where new solutions are being tried, and where progress is made, often with deep engagement of the civic community. Other cities are less pro-active/more complacent and mainly follow the regulations from the national or European level.

Naturally, not all cities are (or can be) green innovators in every domain. Their capacity to capture economic opportunities depends on a number of...
issues such as their tradition dealing with green issues, the degree of local environmental awareness, presence of ‘local green champions’, access to funding, market demand, local pressures and quality of leadership. Moreover, many new activities and innovations in this domain are associated with experimentation and uncertainty, calling for heterodox governance approaches, involvement of front-running stakeholders with unusual suspects, social innovation methods and open-ended planning processes, which increasingly requires cities and local governments to leave their comfort zone.

2.3 HEALTH AND CARE ECONOMY

The health and care sector is the third growth area for urban economies that we explore in our workstream. In the US, over the past decade, the healthcare industry has added 2.6 million jobs, and had a growth rate of 22.7 % over that period (significantly outstripping the meagre 2.1 % employment growth rate in all other industries). The countries’ top 100 cities were capturing most of the growth in relative terms. For the EU, employment data are more difficult to obtain, but Deloitte (2014) expects annual average growth in health care spending of about 2 % during 2013–2017, still a strong figure in the light of ongoing economic woes and subsequent cost-cutting measures in many countries.

What causes the growth of this sector? One factor is demographics: Europe’s population is ageing, and the elderly are more ‘heavy users’ of health and care. A second driver is innovation. The pace of innovation in material sciences, genetics, biotechnology, bioinformatics and e-health has geared up in recent years, yielding significantly improved chances of surviving disease; but this has an upward pressure on costs. Overall, spending on health is increasing in most countries (see Figure 1) and the end is not yet in sight. Yet, growth is not only quantitative: new organisational models of care provision are emerging (partly driven by austerity measures); social enterprises and new public-private delivery models spring up, with large variations between countries. In our workstream, we address the question how cities can capture the new economic growth opportunities that come with a growing and developing health and care sector.

The health and care economy can be subdivided in several categories, namely:

- The care sector (hospitals, other types of care and support for elderly, handicapped people, retirement houses, social and proximity services, etc.),
- Medical technology/equipment industry, including, e.g., scanning machinery, medical devices (e.g. precision tools, advanced textiles), diagnosis kits and assistive technologies (e.g. visual, walking and hearing disability aids, wheelchairs, emergency response systems, prosthesis, home automation),
- Pharmaceutical and Biotech industry: drugs and medicine production, sales and development.

What do cities do to capture the opportunities offered by the health and care economy? A number of options...
are open. First, (academic) hospitals are potential engines of urban growth; they can be developed into anchor institutions in urban innovation districts, with spillover effects on adjacent neighbourhoods. Second, some cities have opportunities to develop medical tourism: classic examples are cities with thermal and spa activities, with a large tourism service industry around it, e.g. in Southern and Eastern Europe. Third, cities with strengths in biotech (university research, pharmaceutical firms, and biotech firms) may develop/support biotechnology cluster organisations that help to make regional networks stronger, support biotech start-ups and technology transfer and, importantly, access to external knowledge networks\(^1\). Last but not least, cities may support or initiate the development of new care concepts, for example e-health solutions that enable elderly or less mobile people get counselling or medical checks from home. These solutions typically require coalitions between care providers, technology firms, housing corporations and, importantly, end-users: it is increasingly realised that the success of care innovations depends on an early and deep involvement of the users, their family and relatives.

Again, like in the digital and the green economy, cities differ in resources, and some cities are better positioned to benefit from this opportunity field than others. But for each city, a pro-active and cooperative attitude is needed to benefit from the opportunities and jointly discover the most promising fields, linking them with the city’s inherited competences and assets. The URBACT 4DCities network is working precisely in this space (Box 4).

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**Box 4. Putting the Health Economy Central: URBACT 4D Cities Network**

The URBACT 4DCities network explicitly seeks to exchange knowledge on how to link local health challenges and innovation towards new business and growth opportunities. The network is made up of eight partners each with a different regional context – Igualada (ES), Leeds (UK), Novara (IT), Tartu (FI), Plunge (LTU), Eindhoven (NL), Jena (DE) and Baia Sprie (RO) – seeking new models to intervene and foster health-related innovation. As the health and care economy increasingly touches upon many sectors and activities, one of the key objectives of the network is to analyse the various actors active in the fields of health and innovation in cities, as well as the relations established between them: knowledge and training institutes, companies, organisations from the national/local health systems and citizens/users.

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\(^1\) Copenhagen’s Medical Valley is the textbook example of public-private initiative to boost the region’s biotech and med-tech industries, but also Cantanhede (a small city in Portugal) managed to harness the research competences and international networks of the University of Coimbra to spearhead the first (and very successful) biotech park in the country.
2.4 ENACTING NEW ECONOMIC OPPORTUNITIES IN CITIES AND REGIONS

The aforementioned economic changes are, to some extent, transversal to every city. Yet, the way new economic activities will emerge and consolidate is largely dependent on a city’s inherited economic structure and the ways their leaders can mobilise actors and change economic institutions to reap these opportunities. In many cases, betting in some areas may not be cost-effective; in others, cities will need new ways of mobilising stakeholders to engage in the discovery of new opportunities and in the combination of existing urban resources with latent economic opportunities.

For the latter, a specific type of place-based intervention currently being devised in Europe is called 'smart specialisation': a new policy concept aiming to boost innovation by enabling cities and regions to focus on their specific strengths (Foray et al. 2009, Forey et al. 2011). Although the main idea behind the concept is not new – many places have been experimenting with similar approaches over the last decade – smart specialisation tries to mainstream the idea that cities and regions should work to identify their core competences and link them with new economic diversification potentials. Smart specialisation rejects place-neutral interventions and advocates that places should be empowered to develop their particular strengths and specialisations. A smart specialisation approach has a number of features that break up with ‘one-size-fits-all’ innovation policies (e.g. R&D-investment based) (Boschma 2014). First, it refrains from picking ‘winning sectors’ and industries, but focuses on the identification of distinctive regional potentials; second, it stresses that history matters and that economic and innovation policy should not start from scratch; third, it stresses the need for bottom-up identification of promising diversification domains with local stakeholders but favouring an open and inclusive approach to avoid rent-seeking behaviour.

In the smart specialisation approach, innovation policy and the discovery of new economic and diversification potentials move to lower spatial levels, and requires the involvement of many stakeholders. In some countries, we see that knowledge and innovation policy are already devoted to the regional level (Spain, Denmark and Germany to some extent); others developed ambitious national policies to promote local/regional clusters where companies team up with universities (i.e. the French ‘Poles de Competitivité’ programme). The smart specialisation approach tries to deepen these approaches by engaging in a more structured process of ‘entrepreneurial discovery’ (Forey et al. 2011), i.e. allowing entrepreneurs – defined in a broad sense, such as inventors, firms, higher education institutes, government and civic actors – to scan technological and market trends and decide domains of future specialisation. More than focusing on targets and objectives, a smart specialisation approach should lead to an open-ended process of discovery, implementation and ongoing monitoring.

It follows that, smart specialisation strategies do not ‘pick’ technologies or industries; their role is to identify combinations of new activities that converge into new specialisation domains in which the city or region is likely to perform well or even excel, given its specific competences (former activities, knowledge assets, natural and cultural resources, etc.). Although firms, inventors and higher education institutions are central in the discovery process, the government (broadly speaking) should have an active role, namely “… to allow and help economic agents to find their own ways in a decentralised and bottom-up process and then carefully observe what is happening. They have to aggregate the decentralised information generated by entrepreneurial experiments and discoveries, assess the outcome and help the most promising projects to grow’ (Forey et al. 2011, p.10, cited in Boschma 2014).

From a policy perspective, the smart specialisation concept has been proposed mainly at the regional (NUT II) level. Yet, there is nowadays no scientific consensus on which scale is the most effective one to enact new economic specialisations. In any case, for its economic relevance and dynamics, cities will always tend to be central places and players in the definition and operationalisation of such a strategy.
3. EU POLICIES: RELEVANCE FOR NEW URBAN ECONOMIES

How, and to what extent, does EU policy encourage and enable cities to grow new economies? This section provides a brief and sketchy overview of the relevance of EU policies for the identified new urban economies, and for urban economic development in general. We start with the bigger picture, briefly sketching the EU2020 policy ambitions. Next, we address Horizon 2020 and the regional and cohesion policy, with a focus on ERDF funds. Finally, we extract some patterns and lessons from European urban exchange projects.

3.1 EU POLICIES RELEVANT FOR NEW URBAN ECONOMIES

On the macro level, European leaders have expressed the intention and ambition to promote economic growth and competitiveness, and link it to social inclusion and environmental sustainability. The European Commission’s (EC) ‘Europe 2020’ strategy is a 10-year strategy for the advancement of the economy of the European Union, aiming at ‘smart, sustainable and inclusive growth’, which are seen as mutually reinforcing objectives. The Europe 2020 strategy has the following targets:

- To raise the employment rate of the population aged 20–64 from the current 69% to at least 75%.
- To achieve the target of investing 3% of GDP in R&D in particular by improving the conditions for R&D investment by the private sector, and develop a new indicator to track innovation.
- To reduce greenhouse gas emissions by at least 20% compared to 1990 levels or by 30% if the conditions are right, increase the share of renewable energy in final energy consumption to 20%, and achieve a 20% increase in energy efficiency.
- To reduce the share of early school leavers to 10% from the current 15% and increase the share of the population aged 30–34 having completed tertiary from 31% to at least 40%.
- To reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty.

These targets are translated into a number of ‘flagship initiatives’, namely the development of an innovation union, the enhancement of education systems, a European digital agenda, a resource efficiency initiative, a new-generation industrial policy, among others. The Europe 2020 objectives are to be largely delivered by the Cohesion policy investment framework. Moreover, an important instrument for the European economic agenda is the Horizon 2020 framework programme, with its €80 bn budget for years 2014–2020.

3.2 HORIZON 2020

Horizon 2020 is the EU’s new Research and Innovation programme, with about €80 bn of funding over seven years (2014 to 2020). It is the follow-up of the 7th Framework Programme that lasted from 2007 until 2013, which had a total budget of over €50 bn. Horizon 2020 is seen as an important instrument to drive economic growth and create jobs, and to realise the European innovation union, namely as an important focus in increasingly put on ‘impact’ of the research. Backing Horizon 2020, Europe’s leaders and the Members of the European Parliament agreed that research is an investment in the future and must be at the heart of the EU’s blueprint for smart, sustainable and inclusive growth and jobs. Table 1 shows the 8 core elements of the programme.

Horizon does not have a specific or explicit urban dimension, but it is relevant for new urban economies in several ways. First, the programme will naturally have an urban bias, as most universities and R&D
Table 1. Horizon 2020: elements of the programme

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<tr>
<th>ELEMENT</th>
<th>GOALS</th>
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<tbody>
<tr>
<td>1. Excellent Science</td>
<td>Reinforce and extend the excellence of the Union’s science base</td>
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<td>Future and Emerging Technologies</td>
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<td>Marie Skłodowska-Curie actions</td>
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<td>European Research Infrastructures, including e-Infrastructures</td>
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<tr>
<td>2. Industrial Leadership</td>
<td>Speed up development of the technologies and innovations that will underpin tomorrow’s businesses and help innovative European SMEs to grow into world-leading companies.</td>
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<td>Leadership in Enabling and Industrial Technologies</td>
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<tr>
<td>• ICTs</td>
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<tr>
<td>• Nanotech, Advanced Materials, Advanced Manufacturing and Processing, and Biotech</td>
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<tr>
<td>• Space</td>
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<td>Access to risk finance</td>
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<tr>
<td>Innovation in SMEs</td>
<td></td>
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<tr>
<td>3. Societal challenges</td>
<td>Challenges reflect the policy priorities of the Europe 2020 strategy and addresses major concerns shared by citizens in Europe and elsewhere.</td>
</tr>
<tr>
<td>• Health, Demographic Change and Wellbeing</td>
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<tr>
<td>• Food Security, Sustainable Agriculture and Forestry, Marine, Maritime and Inland Water Research and the Bioeconomy</td>
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<td>• Secure, Clean and Efficient Energy</td>
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<tr>
<td>• Smart, Green and Integrated Transport</td>
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<tr>
<td>• Climate Action, Environment, Resource Efficiency and Raw Materials</td>
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<tr>
<td>• Europe in a changing world – Inclusive, innovative and reflective societies</td>
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<tr>
<td>• Secure societies – Protecting freedom and security of Europe and its citizen</td>
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<tr>
<td>4. Fast Track to Innovation Pilot (2015-2016)</td>
<td>A fully-bottom-up measure to promote close-to-the-market innovation activities, and open to all types of participants.</td>
</tr>
<tr>
<td>5. Spreading Excellence and Widening Participation</td>
<td>Specific measures for spreading excellence and widening participation</td>
</tr>
<tr>
<td>6. Science with and for Society</td>
<td>To build effective cooperation between science and society, to recruit new talent for science and to pair scientific excellence with social awareness and responsibility.</td>
</tr>
<tr>
<td>7. European Institute of Innovation and Technology (EIT)</td>
<td>Creating new environments where higher education, research, public administrations and business work together to produce disruptive innovation.</td>
</tr>
<tr>
<td>8. Euratom</td>
<td>A complementary research programme for nuclear research and training.</td>
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</tbody>
</table>
Institutes are in cities. For many universities, EC-funded research funding will become more important in their overall funding. Second, the funding is competitive, and much of it will go to excellent research and science. This will benefit especially cities with top-quality knowledge institutions. Third, and more specifically, many of the focal research themes in Horizon 2020 are somehow related to the new urban economies that we address in this workstream. Under the theme of ‘societal challenges’ for example, substantial funding is available for projects related to greening the economy, addressing climate change, or dealing with an ageing population. Moreover, the digital economy, across the board, will be reinforced under the theme ‘industrial leadership’. Fourth, many calls in Horizon 2020 require partnerships between research institutions and others (including city administrations). Thus, cities can become active partners in Horizon 2020 by collaborating with universities and industrial partners.

However, the focus of excellence and the European dimension of H2020 implies that not all cities will benefit from Horizon 2020 in the same way. The more peripheral places with weaker R&D capacities and/or more stagnant industrial base are likely to benefit much less than others in—or in the proximity of—larger European urban agglomerations. Therefore, Cohesion policy is expected to address the widening of those spatial development gaps.

### 3.3 Regional and Cohesion Policy: European Structural and Investment Funds

Regional and cohesion policy is another very important part of European policy, relevant for our workstream. How does it affect the development of new urban economies in cities?

Basically, the EU has five main funds to support economic development across all EU countries, in line with the objectives of the Europe 2020 strategy: European Regional Development Fund (ERDF); European Social Fund (ESF); Cohesion Fund (CF); European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF). For our purposes, the most relevant one is the European Regional Development Fund (ERDF). This long-standing fund aims to ‘strengthen economic and social cohesion in the European Union by correcting imbalances between its regions’. Currently, the fund focuses its investments on several key priority areas, all of them relevant for the new urban economies that we discuss in this report:

- Innovation and research
- The digital agenda
- Support for small and medium-sized enterprises (SMEs);
- The low-carbon economy

In the innovation and research topic, regions are encouraged to promote innovation and research, and to make it an engine of regional growth. Considerable funding is available for technology transfer, entrepreneurship, and all sorts of innovation pilot projects, offering scope for projects in all the three new urban economies that we have highlighted. The Digital Agenda for Europe (DAE) directly affects the most significant ‘new urban economy’: the digital economy. Here, many funding opportunities are available for projects in the field of digitalisation of business, e-inclusion, start-up support, and help for SMEs that want to digitalise, etc. The ‘support for SMEs’ line is more generic, and supports very wide range of instruments and measures to help SMEs in any sector; the low-carbon economy theme, evidently, is relevant for the development of green urban economies.

Moreover, in order to be eligible for ERDF funding in the new funding period, regions have to formulate a Smart Specialisation Strategy (S3) in which they focus on their specific strengths (see Section 2.4). As explained, the smart specialisation as a concept is not new—it can be interpreted as a continuation of the earlier EU programmes encouraging regions to devise comprehensive Regional Innovation Strategies (RIS), built on specific regional strengths/assets. What is new is that such strategies are now a pre-condition for ERDF funding. A second issue, more important for our purposes here, is what Europe’s smart specialisation

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1 The ESF focuses more on human capital formation and employment; the cohesion fund is mainly relevant for less developed regions and supports investments in large-span infrastructure.
3 It must be noted that overall, cohesion policy and EU structural funding is very significant for cities in Eastern and Southern Europe, but much less so in regions of Western and Northern Europe.
3.4 THE EUROPEAN URBAN AGENDA: WORK IN PROGRESS

Speaking of cities, across the board, there is a growing recognition of the role of cities (rather than regions) as engines of prosperity. An important and influential document in this respect is the ‘Cities of Tomorrow’ report, drafted under supervision of DG Regional Policy (EC, 2011). In this report, the EU recognises and underlines the importance of Europe’s cities as key engines of prosperity and loci for inclusive and sustainable development, and notes that European policies hardly take this urban dimension into account. It sketches the framework of a European urban development model that is sustainable and inclusive, pairing economic growth to environmental protection and participation of all citizens.

The report also makes a case for a more explicit ‘urban dimension’ in EU policies. This call was echoed in 2014, when the Commission initiated a consultation on ‘The urban dimension of EU policies – key features of an EU Urban Agenda’. Following the CITIES Forum, EU Member States discussed the necessity to develop an EU Urban Agenda, recognising the demand and expectations from the European Parliament, the Committee of the Regions, city associations and cities themselves, and their readiness to engage in the process. It was suggested that such an agenda should be taken forward with input from the local, regional, national and EU levels. The purpose of the consultation document was to widen debate to all stakeholders, and to become more precise on what an urban agenda should include, what it should achieve, and how. This is still an on-going endeavour, but the process does show the increasing attention for the urban dimension, and signals a growing political and economic recognition of the role of cities in Europe.

Concerning the local economy (the focus of our workstream), the Cities of Tomorrow report warns against a decoupling of economic and social development (jobless growth, or growth that benefits only a very small group), explores how to avoid increasing polarisation, and makes a plea for building the economy on endogenous resources. Among many other things, it addresses the difficulty of economic transition process, underlining the needed capacity of city management to understand their assets, to signal and interpret changes, and to promote innovation and entrepreneurship on all levels. In our workstream, we will address these issues more in-depth, and highlight new approaches and good practices.

3.5 TERRITORIAL CO-OPERATION

The EU cohesion policy supports and funds various programmes in which cities or regions can exchange knowledge and best practices in order to learn from each other. In the period 2007–13 the European Territorial Co-operation objective covered three types of programmes:

- 53 cross-border co-operation programmes along internal EU borders. ERDF contribution: €5.6 bn.
- 13 transnational co-operation programmes cover larger areas of co-operation such as the Baltic Sea, Alpine and Mediterranean regions. ERDF contribution: €1.8 bn.
- The interregional co-operation programme (INTERREG IVC) and 3 networking programmes (URBACT II, INTERACT and ESPON), covering all 27 Member States of the EU. They provide a framework for exchanging experience between regional and local bodies in different countries. ERDF contribution: €445 m.

In ‘our’ field of urban economic development and new urban economies, a large number of EU-supported exchange projects have been carried out in recent years, most of them in the INTERREG and URBACT programmes. On URBACT (that focuses on cities), we assembled a list of relevant networks for our workstream (table 2). Overlooking them, a number of lessons can be drawn that may inform our further work in the workstream.

- Many networks underline the importance of effective triple and quadruple helix approaches for new urban economies. An example is the URBACT REDIS network, about the development of new generation science parks and other types of urban knowledge locations. The project highlighted the importance of triple helix collaborations (local government, knowledge institutes and companies) for the realisation of stainable knowledge hotspots.
where new economic activities can flourish.

• **Cities must stay close to their own identity and assets when developing ‘new’ economic activities.** Several networks on creative industries – widely considered as a new and promising growth industry – underline the need to link creative companies to other industries in the city, and also infuse more creativity into traditional companies. The URBACT Creative Spin network for example highlighted how creativity can ‘spill over’ to other segments of the urban economy.

• **Cities continue to face the challenge of how to dynamise a large segment of traditional SMEs.** The economy is changing fast and many firms are not able to respond adequately. Many are slow to adopt new (mainly digital) technology and business models. There is a need for a more ‘inclusive’ approach towards the digital economy.

• **Innovation funding (especially for SMEs and start-ups) continues to be a challenge as well.** In INTERREG projects, we found a remarkably strong emphasis on SMEs (how to make them more innovative), innovation funding issues, and most of them starting from a comprehensive/integrated understanding of the innovation system.

When analysing the documents produced by these exchange projects, it turned out that many projects use the same terminology (‘innovation’, ‘entrepreneurship’, ‘triple-helix’, ‘ecosystem’, ‘creative industries’, etc.) but upon closer inspection, different meanings are attached to these concepts. Typically, the way that these concepts are used is vague and poorly defined. This makes it difficult to compare and synthesise the findings across projects. Projects tend to start from a clear problem or challenge shared by the project members, but fail to synthesise findings in a satisfactory way. All too often it is not clear how national and local conditions – very important determinants – affect the outcomes and results. Many projects oscillate between the very general (describing trends, tendencies and problems that cities/regions face) and the very particular (stories about cases), without a more sound and satisfactory cross-case analysis.

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**Table 2. Most relevant URBACT networks on ‘new urban economies’ (2008–2013)**

<table>
<thead>
<tr>
<th>NETWORK</th>
<th>TOPIC</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>REDIS</td>
<td>Creating urban knowledge hotspots</td>
<td><a href="http://urbact.eu/redis">http://urbact.eu/redis</a></td>
</tr>
<tr>
<td>EUUniverCities</td>
<td>Effective city-university partnership</td>
<td><a href="http://urbact.eu/eunivercities">http://urbact.eu/eunivercities</a></td>
</tr>
<tr>
<td>Creative Spin</td>
<td>Connecting creative industries with other sectors</td>
<td><a href="http://urbact.eu/creative-spin">http://urbact.eu/creative-spin</a></td>
</tr>
<tr>
<td>4D Cities</td>
<td>Health innovation as social and economic driver</td>
<td><a href="http://urbact.eu/4d-cities">http://urbact.eu/4d-cities</a></td>
</tr>
<tr>
<td>Creative Clusters</td>
<td>Creativity as economic catalyst for smaller cities</td>
<td><a href="http://urbact.eu/creative-clusters-results">http://urbact.eu/creative-clusters-results</a></td>
</tr>
<tr>
<td>Fin-Urb-Act</td>
<td>Effective local support structures for the development of innovative SMEs</td>
<td><a href="http://urbact.eu/fin-urb-act">http://urbact.eu/fin-urb-act</a></td>
</tr>
<tr>
<td>RunUp</td>
<td>The role of universities in promoting the economy in medium sized cities</td>
<td><a href="http://urbact.eu/runup">http://urbact.eu/runup</a></td>
</tr>
<tr>
<td>UNIC</td>
<td>Developing the ceramics industry for the local economy and cultural asset</td>
<td><a href="http://urbact.eu/unic">http://urbact.eu/unic</a></td>
</tr>
</tbody>
</table>
4. HOW DO CITIES GROW NEW ECONOMIES? SOME INSIGHTS

So far in this report, we have taken stock of i) new types of emerging urban economies and ii) European policy framework and former European city networks delving on economic development issues.

In this section, we will address a set of remaining (big) questions: What is the scope for urban management to capture new opportunities, to benefit from new growth drivers, and to mitigate negative effects? How can cities diversify into new growth paths? And how can they do so in a sustainable way, i.e. not compromising future generations or current weaker groups in society?

The literature on urban development, regional studies and economic geography has a lot to say about these issues. There is a plethora of different approaches, and evidently there is no full unanimity among scholars, but some assertions have been increasingly validated. In this section we explore three key dimensions: i) how new activities emerge from old inherited urban assets; ii) the role of integrated economic strategies and iii) capacities for policy implementation.

4.1 NEW ACTIVITIES FROM INHERITED URBAN ASSETS

An increasingly consensual issue in economic and innovation studies is that new local economies rarely emerge “from scratch” (Boschma 2014). As innovation is a process that recombines different types of knowledge, new activities tend to branch out of existing industries and local skills to which they are somehow related. This observation stands out in the seminal work of Jane Jacobs (Jacobs 1969), but has been validated and deepened in many recent studies (Boschma and Frenken 2011). New activities in cities and regions tend to make use of existing assets, such as qualifications and complementary partners, but also of previous cooperation routines and ways of doing things. For that reason, economic renewal and urban resilience depends on the capacity to recombine those localised assets towards new activities and economies.

The exchange of knowledge across industries and activities in cities usually occurs through three types of rather place-based channels (Boschma 2009):

- **Entrepreneurship**: new start-ups and spin-offs whose entrepreneurs bring experiences from related industries (e.g. from bicycle to car making);

- **Labour mobility**: workers changing jobs and bringing competences and routines with them; and

- **Knowledge spillovers**: companies and entrepreneurs exchanging knowledge, e.g. through commercial relations, informal exchange, product development partnerships, etc.

These processes can (and often do) happen without specific policy intervention. Yet as we shall see further on, the right policies can help to stimulate them and foster the emergence of new activities. In principle, policies should support new connections between technologically related industries, as those stand higher chances to produce new combinations in place. However, there can be exceptions. For example, it has been argued that seemingly unconnected activities can also lead to unexpected and high-value combinations (e.g. as the links between tourism, food, IT and culture demonstrate in many European
cities) (Boschma and Gianelle 2014). Moreover, every now and then, cities also diversify into new activities with limited history in a region, namely when latent competences are mobilised through new entrepreneurship rounds (Box 1).

**BOX 1. BIOTECHNOLOGY IN CANTANHEDE, PORTUGAL**

Cantanhede is a 36,000 inhabitants agricultural town close to the city of Coimbra. Over the last decade, a number of new biotechnology start-ups emerged and settled in Coimbra and Cantanhede, as the latter developed the first Portuguese science park fully specialised in biosciences (Biocant). Biotechnology was practically inexistent in the region ten years ago and now rivals with the capital Lisbon. Biocant — a joint effort of the Municipality of Cantanhede and a leading research unit at the University of Coimbra — gave the new bio-industries a boost, but that could hardly work if the region didn’t have relevant competences at the University, namely in the medical field. To foster such an emergent activity, a critical mass of new entrepreneurs had to be nurtured before knowledge interactions could unfold — to this effect, the park’s director (a well-connected scientist) attracted PhD graduates to locate their starting ventures in the park, and also nudged expatriate PhDs in the US (MIT, Harvard, Austin) to do so, bringing in their state-of-the-art skills and market knowledge to the region. As biotechnology grew in the region, new companies from other parts of the country and venture capitalists increasingly looked for the park to invest. Besides health-related biotechnology, new links were formed with established food and agriculture companies in the region (Vale and Carvalho 2009; 2013).

4.2 LOCAL ECONOMIC STRATEGY, NEW NETWORKS AND ‘HELICES’

Then, what can local policies do to nurture the previous processes and steer the emergence of new economies? To start with, there is considerable evidence of policies that do not work or are not cost-effective. Two paradigmatic examples are the development of accessibility infrastructure (e.g. roads and highways) and ‘smokestack chasing’ (e.g. generous fiscal incentives to lure inward investors). More often than not, in the absence of related skills and indigenous industries, those types of policies tend to generate imperfect access to markets and external dependence, and any new generated activity tends to be short-termed (Pike et al. 2006).

Moreover, during the last two decades, many cities tried to ‘boost’ their local economies and attract new activities by improving the quality of the living environment (van den Berg et al. 2014; Turok 2009). This included the redevelopment of old city areas (e.g. industrial districts, waterfronts), public space improvements, investments in landmark cultural facilities and large events, among others, in order to lever private investments and attract new inhabitants and activities. While certainly improving some city districts, these investments tended have limited impacts in the city’s overall economic base. While new activities accrued to the new area, they were often just displaced from other city areas; in other occasions, the effects were even negative, namely when gentrification expelled emergent activities from the old areas (e.g. in emergent sectors of the creative industries).

Therefore, blindly trying to lure economic activities (companies, investment) from outside is often less effective than more ‘indigenous’ approaches to make existing local firms more productive and innovative, to promote entrepreneurship/new business formation, or to create inter-firm ‘learning’ networks and connections. However, they also do not do the trick alone: good local economic policy should integrate indigenous dimensions with other selective polices to access knowledge and competences from outside, yet not necessarily through large industrial investments. A key dimension of modern innovation policy thus revolves around the notions of connectedness and new network formation: helping potentially related activities to connect to one another, both locally and by accessing competences outside (Boschma and Gianelli 2014; McCann and Ortega-Argilés 2013). Box 2 synthetises some types of policies being devised to achieve these aims (others will be identified and explored during this workstream).
An implication of the previous is that effective local economic policies should be integrated and multidimensional (Pike et al. 2006). They increasingly require close integration between stakeholders and policy levels (e.g. education policies, industrial and innovation polices, etc.) as the necessary resources (knowledge, finance) and policy competences to achieve these aims are distributed. For example, start-up and SME support policies, education and life-long training policies, investment attraction and spatial policies are relevant and should play in articulation, but involve manifold actors, within and across organisations. In this vein, place-based economic strategic planning exercises are important as they can contribute to develop shared understandings of the city/region specific assets and align policies and actions (Wolfe and Gertler 2006).

Hence, stakeholder involvement is essential for designing urban economic strategies that combine former local competences with new economic drivers: it may bring better insights into...
new markets and opportunities, missing links, bottlenecks and generate commitment in the implementation. However, a crucial point is the selection of stakeholders: there must be a right balance between incumbents, small firms, big ones, start-ups, and ‘unusual suspects’, in a way that avoids the dominance of vested interests in the city. Powerful incumbent stakeholders from declining industries (and others) may use their influence to lobby for their special interests (which do not coincide with the general interest). There are many examples of regions where incumbent business elites successfully did so and stifled the needed innovation.

In this vein, triple and quadruple helix approaches have been gaining ground as promising ways of promoting local and regional innovation and the emergence of new activities. In the triple helix model, innovation is described as the result of the joint workings of the university, industry and the government (Etzkowitz and Leydesdorff 2000). Adequate local co-ordination of these three spheres can boost innovation and learning. Naturally, many actions and polices are not in the hands of local governments, but the latter can play a role devising shared understandings, aligning policies and actions, empowering brokers, among many other roles that we will explore in this workstream.

In the more recent ‘quadruple helix’ model, the end user (or citizens) is added to the more institutional spheres. Involving end users in innovation processes is widely seen as an important innovation condition, and all sort of tools and instruments are being created to achieve this: living labs, field labs, urban transition labs, etc. These models require sophisticated new collaboration settings between stakeholders, and city management may play an important enabling and coordinating role here. At current, a lot of experimentation is going on in these domains, throughout Europe (see Box 3).

**Box 3. Quadruple Helix in San Sebastian**

An example of quadruple helix collaboration comes from the Basque city of San Sebastian, in which the City’s local economic agency (Fomento) works to nurture a cluster of surf-related activities. A recent local initiative is the ‘surfboards innovation competition’. Backed by Fomento and together with three companies and three universities in the Basque Country, engineering students – and passionate surfers – were invited to propose new ideas for surfboards and accessories. The best ones got support to be prototyped and brought into market. Students obtained specialised tutors and other support (materials, workshop space, eventual grants and business advice, etc.) from the partner institutions. Besides the creation of new local products and entrepreneurship opportunities, this open-innovation contest contributes to create new networks among companies and universities (and even among university departments), while involving students in local surf-related industrial networks.

**4.3 Policy Delivery and Implementation**

What is required to deliver the aforementioned strategies and polices? How to translate economic strategies into concrete and funded projects and mobilise stakeholders and ‘helices’ on the ground? To address such questions, one has to deal with capacity issue: what are the capacities required to effectively intervene and deliver on local economic issues? As the types of required local economic policies are in a stage of flux, so are the capacities and skills needed to make them work. This will be also an issue to explore during this workstream but, for the time being, we put forward five key dimensions: breaking silos; distributed leadership; communication; responsiveness; piloting-prioritisation (Figure 1).
First, as mentioned, to promote new economies effectively, cities must connect and integrate different policy areas, breaking down silos across organisations. ‘Integrated policy’ in this sense means that projects, investments and policies are not done in isolation. Traditionally, city governments are split up in departments, each with its own responsibilities, routines, tasks, and budgets. But it becomes increasingly clear that a more ‘integrated’ approach is needed to deal with complex challenges that cities face. Regional integration refers to the presence (or absence) of a co-ordinated regional approach, as opposed to fruitless competition between neighbouring municipalities in the region for investments, people and resources. Many of the stakeholders involved in strategic envisioning and implementation (e.g. companies, universities, users) will tend to think in terms of functional urban regions and not on administrative boundaries, namely as many of the new urban economies will tend to have regional dimensions.

Second, (distributed) leadership has long been considered a critical element in local economic strategies (van den Berg et al 1997). As economic policy is often not part of local government’s core and regulated competences, well-designed policies without strong champions can easily fail. Leadership is often associated with visionary and charismatic leaders that drive initiatives around the many obstacles on the way. However, that is not the whole story. In local and regional innovation policies, leadership is increasingly understood as a distributed capacity beyond hierarchical relationships (Beer and Clower 2013). Some of the most remarkable examples of leadership tend to involve the capacity of the ones in charge to effectively distribute their power. In those situations, it becomes difficult to identify a single leader as this capacity is spread among individuals who exert their different types of power (e.g. institutional, technical, boundary spanning, financial) (Sotarauta 2009). Box 4 provides an illustration of distributed leadership in Manchester.

**Box 4. Distributed Leadership in Manchester**

Over the last decade, the digital economy in Manchester grew significantly. More recently, the City Council devised a new ‘Digital Strategy’ to nudge the digital economy further, from an integrated perspective. This strategy relies on multiple leaders and orchestrators. First, the strategy is strongly supported by the leader of the political cabinet and the Council’s Chief Executive. Second, the Digital Strategy is currently spearheaded by a newly appointed Assistant Chief Executive for ‘ICT and Communications’, giving it the status of a true ‘IT Master Plan’. Third, the Digital Strategy is coordinated and led on a daily basis by MDDA – Manchester Digital Development Agency – whose head has been involved in the development of IT strategies in Manchester since the late 1980s. His role is pivotal as a broker who can connect, bring together and understand the ‘languages’ of different ‘worlds’ – public administration, universities, companies, community groups, IT activists – involving them to the full (Carvalho et al. 2014).
Third, **communication** proved to be an important enabler, for different reasons. Communication is closely linked with the capacity to mobilise partnerships and involve citizens in strategies whose results take time to emerge and are hard to visualise beforehand—as it is the case with the support to new urban economies. Moreover, in order to support new network formation and connect old and new activities, communication and brokerage skills are increasingly important. Communication is the glue that connects stakeholders in policies and projects that require mutual understanding, trust and the flexibility to go into trial-and-error and adapt policies on the go.

Fourth, **responsiveness**, agility and collective intelligence are important skills to operate in a complex and dynamic economy. Namely when dealing with new economies, cities need “(...) to develop capabilities for dynamic change that enable steady improvements over time through original analysis, creative thinking, enterprise, initiative, learning, and innovation” (Turok 2009). Many dimensions of new economic development policies require city administrations to move beyond their comfort zone and entail in new (and risky) endeavours. In many cases, heavy and bureaucratic structures had to be complemented or replaced by new agile delivery vehicles within the city administration, with the ability to pursue the right partnerships and with the lean structures that allow for fast change, adaptation and more suited services to its “customers” (Carvalho et al. 2014).

Fifth, policies to nurture new urban economies require strategic thinking for **piloting**. On the one hand, their ultimate objectives are too complex to be attained with single, short-term initiatives; on the other hand, they require concrete action to create momentum to achieve more demanding pursuits. Also for these reasons, piloting solutions before full implementation is central. Pilots and prototypes allow for early visualisation of solutions and to see what works and what does not. Innovative city councils are capable of incubating new ideas and accelerate their impact through rapid prototyping of demanding solutions (PwC 2013). Prototyping is particularly important for the design of new business models, and very visible in new activities associated with all the three drivers under analysis: IT-digital (e.g. smart city solutions); health-care (new delivery solutions) and green economy (e.g. new energy distribution solutions).
5. NEXT STEPS OF THE WORKSTREAM

So far, we have reviewed the existing, state of the art knowledge about how cities grow new urban economies and nurture new growth paths. However, as urban economies change and new approaches are tested, this work is not complete and new evidence needs to be collected and analysed.

This is the task for the next stages of this URBACT workstream on ‘New urban economies’. For each new urban economy—digital, green, health and care—, we will analyse the knowledge and lessons emerging from city experiences, from thinkers and doers working on these fields across Europe (through organised meetings, hearings and discussions).

We want to explore how cities and local governments can contribute to nurture new growth paths and, by doing so, how they become active players in the implementation of smart specialisation strategies.

Concretely, box 1 summarises the issues to be explored in our workstream.

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BOX 1. KEY ISSUES TO BE EXPLORED IN THIS WORKSTREAM

**General issues**
- Explain the ongoing economic transition in Europe’s cities and the need to respond adequately (crisis, pull to big cities...)
- Highlight key drivers of the transition and the emergence of new urban economies
- Derive key issues and policy challenges and option (‘what can cities do?’) related to new urban economies
- Articulate the need for an inclusive and sustainable economic development model (referring to Cities of Tomorrow report)
- Highlight the triple and quadruple helix approach as a way to involve stakeholders in developing new urban economies
- Discuss urban intelligence: How do cities organise their ‘economic intelligence’ in practice, and how to identify and interpret new economic trends, going beyond the usual indicators?
- Highlight new types of economic cluster policies built around societal challenges and lifestyles

**Digital economy**
- Explore the digital economy as
  1) enabler of innovation across the urban economy
  2) disruptor of cities and industries in multiple ways
- Provide suggestions and examples how cities may respond
- Discuss how open data can affect urban innovation and management

**Health and Care economy**
- Describe trends in health and care industries and new economic opportunities for cities
- Discuss how smaller cities may nurture health-related clusters

**Green economy**
- Reflect if and how the green urban economy can be an ‘inclusive job creator’
- Identify instruments that cities can enact to green the city and facilitate new economic activities at the same time
- Competences of urban policy makers
- Reflection on good practices, and their transferability and inimitability
- Discuss what competences cities/city managers need to manage new urban economies adequately
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## URBACT II Projects

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<th>Lead Partners</th>
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<td>Strategies for cities with an ageing population</td>
<td>Rome - IT</td>
</tr>
<tr>
<td>Building Healthy Communities*</td>
<td>Developing indicators and criteria for a healthy sustainable urban development</td>
<td>Turin - IT</td>
</tr>
<tr>
<td>CityRegion.Net</td>
<td>Urban sprawl and development of hinterlands</td>
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<td>CoNet</td>
<td>Approaches to strengthening social cohesion in neighbourhoods</td>
<td>Berlin - DE</td>
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<td>Creative Clusters</td>
<td>Creative clusters in low density urban areas</td>
<td>Odense - PT</td>
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<td>CTUR</td>
<td>Cruise Traffic and Urban Regeneration of port areas</td>
<td>Naales - IT</td>
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<tr>
<td>EGTC</td>
<td>Sustainable development of cross-border agglomerations</td>
<td>Mission Opérationnelle Transfrontalière - FR</td>
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<td>FIN-URB-ACT</td>
<td>Small and medium enterprises and local economic development</td>
<td>Aachen - DE</td>
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<td>HeRo*</td>
<td>Cultural heritage and urban development</td>
<td>Regensburg - DE</td>
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<td>HOPUS</td>
<td>Design coding for sustainable housing</td>
<td>University La Sapienza, Roma - IT</td>
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<tr>
<td>JESSICA 4 Cities</td>
<td>JESSICA and Urban Development Funds</td>
<td>Regional government of Tuscany - IT</td>
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<td>Joining Forces</td>
<td>Strategy and governance at city-region scale</td>
<td>Lille Metropole - FR</td>
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<tr>
<td>LC-FACIL</td>
<td>Implementing integrated sustainable urban development according to the Leipzig Charter</td>
<td>Leipzig - DE</td>
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<td>LUMASEC</td>
<td>Sustainable land use management</td>
<td>University of Karlsruhe - DE</td>
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<tr>
<td>MILE*</td>
<td>Managing migration and integration at local level</td>
<td>Venice - IT</td>
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<tr>
<td>My Generation</td>
<td>Promoting the positive potential of young people in cities</td>
<td>Rotterdam - NL</td>
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<td>NeT-TOPIC</td>
<td>City model for intermediate/peripheral metropolitan cities</td>
<td>L'Hospitalet de Llobregat - ES</td>
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<tr>
<td>Nodus</td>
<td>Spatial planning and urban regeneration</td>
<td>The generalitat of Catalonia - ES</td>
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<tr>
<td>OPENCities*</td>
<td>Opening cities to build-up, attract and retain international human capital</td>
<td>Belfast - UK</td>
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<td>REDIS</td>
<td>Science districts and urban development</td>
<td>Magdeburg - DE</td>
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<tr>
<td>RegGov*</td>
<td>Integrated policies and financial planning for sustainable regeneration of deprived areas</td>
<td>Dussiburg - DE</td>
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<tr>
<td>REPAIR</td>
<td>Regeneration of abandoned military sites</td>
<td>Medway - UK</td>
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<tr>
<td>RuNUP</td>
<td>Strengthening potential of urban poles with triple helix partnerships</td>
<td>Gateshead - UK</td>
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<tr>
<td>SUTE</td>
<td>Sustainable housing provision</td>
<td>Santiago de Compostela - ES</td>
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<tr>
<td>UNEC*</td>
<td>Promoting innovation in the ceramics sector</td>
<td>Limoges - FR</td>
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<tr>
<td>URBAMECO*</td>
<td>Integrated sustainable regeneration of deprived urban areas</td>
<td>Grand Lyon - FR</td>
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<tr>
<td>Urban N.O.S.E.</td>
<td>Urban incubators for social enterprises</td>
<td>Gela - IT</td>
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<tr>
<td>WEED</td>
<td>Promoting entrepreneurship for women</td>
<td>Celje - SI</td>
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</table>

### 2nd Call Projects (2009-2012)

<table>
<thead>
<tr>
<th>Projects</th>
<th>Issues Addressed</th>
<th>Lead Partners</th>
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<tbody>
<tr>
<td>Active Travel Network</td>
<td>Promoting walking and cycling in small and medium-sized cities</td>
<td>Weiz - AT</td>
</tr>
<tr>
<td>CASH*</td>
<td>Sustainable and affordable energy efficient housing</td>
<td>Echirolles - FR</td>
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<tr>
<td>ESIMc</td>
<td>Economic strategies and innovation in medium-sized cities</td>
<td>Basingstoke and Deane - UK</td>
</tr>
<tr>
<td>EVUE</td>
<td>Electric Vehicles in Urban Europe</td>
<td>Westminster - UK</td>
</tr>
<tr>
<td>LINKS</td>
<td>Improving the attractiveness and quality of life in old historical centres</td>
<td>Bayonne - FR</td>
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<tr>
<td>OP-ACT</td>
<td>Strategic positioning of small and medium-sized cities facing demographic changes</td>
<td>Leoben - AT</td>
</tr>
<tr>
<td>RomaNet*</td>
<td>Integration of the Roma population in European cities</td>
<td>Budapest - HU</td>
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<tr>
<td>SURE</td>
<td>Socio-economic methods for urban rehabilitation in deprived urban areas</td>
<td>Eger - HU</td>
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<tr>
<td>TOGETHER</td>
<td>Developing co-responsibility for social inclusion and well-being of residents in European cities</td>
<td>Mulhouse - FR</td>
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</table>

### 3rd Call Projects (2012-2015)

<table>
<thead>
<tr>
<th>Projects</th>
<th>Issues Addressed</th>
<th>Lead Partners</th>
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<tbody>
<tr>
<td>4D Cities</td>
<td>Promoting innovation in the health sector</td>
<td>Igualada - ES</td>
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<tr>
<td>CityLogo</td>
<td>Innovative city brand management</td>
<td>Utrecht - NL</td>
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<tr>
<td>Creative SpIn</td>
<td>Cultural and Creative Industries</td>
<td>Birmingham - UK</td>
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<tr>
<td>CSI Europe</td>
<td>Role of financial instruments (Jessica Urban Development Fund) in efficient planning</td>
<td>Manchester - UK</td>
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<tr>
<td>ENTER.HUB</td>
<td>Railway hubs/multimodal interfaces of regional relevance in medium sized cities</td>
<td>Reggio Emilia - IT</td>
</tr>
<tr>
<td>EUUniverCities</td>
<td>Partnerships between cities and universities for urban development</td>
<td>Delft - NL</td>
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<tr>
<td>Jobtown</td>
<td>Local partnerships for youth employment opportunities</td>
<td>Cesena - IT</td>
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<tr>
<td>My Generation at Work</td>
<td>Youth employment with focus on entering skills and attitudes</td>
<td>Rotterdam - NL</td>
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<tr>
<td>PREVENT</td>
<td>Involving parents in the prevention of early school leaving</td>
<td>Nantes - FR</td>
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<tr>
<td>Re-Block</td>
<td>Renewing high-rise blocks for cohesive and green neighbourhoods</td>
<td>Budapest XVIII District - HU</td>
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<tr>
<td>Sustainable Food in Urban Communities</td>
<td>Developing low-carbon and resource-efficient urban food systems</td>
<td>Brussels Capital - BE</td>
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<tr>
<td>URBACT Markets</td>
<td>Local markets as drivers for local economic development</td>
<td>Barcelona - ES</td>
</tr>
<tr>
<td>USEACT</td>
<td>Re-utilizing existing locations to avoid land consumption</td>
<td>Naales - IT</td>
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<tr>
<td>USER</td>
<td>Involving users and inhabitants in urban sustainable planning</td>
<td>Agglomeration Grenoble Alpes Metropole - FR</td>
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<tr>
<td>WOOD FOOTPRINT</td>
<td>Local economic development through the reuse of brownfield and buildings of the wood furniture sector</td>
<td>Pasco de Ferreira - PT</td>
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</table>

### Pilot Projects (2013-2015)

<table>
<thead>
<tr>
<th>Projects</th>
<th>Issues Addressed</th>
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<tbody>
<tr>
<td>Diet for a Green Planet</td>
<td>Cooperation to align eating habits for an ecologically sustainable development</td>
<td>Soderåske - SE</td>
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<tr>
<td>ESIMc II</td>
<td>Economic strategies and innovation in medium sized cities</td>
<td>Basingstoke and Deane - UK</td>
</tr>
<tr>
<td>EVUE II</td>
<td>Electric Vehicles in Urban Europe</td>
<td>Westminster - UK</td>
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<tr>
<td>Gastronomic Cities</td>
<td>Promoting gastronomy as a key urban development</td>
<td>Burgos - ES</td>
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<tr>
<td>Genius: Open</td>
<td>Creating innovative solutions to city challenges via an on-line collaborative platform</td>
<td>York - UK</td>
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<tr>
<td>Healthy Ageing</td>
<td>Cities' action for an active and healthy ageing</td>
<td>Udine - IT</td>
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<tr>
<td>PlaceMaking 4 Cities</td>
<td>Useful public spaces instead of nice public spaces</td>
<td>Dún Laoghaire Rathdown County Council - IE</td>
</tr>
<tr>
<td>RomaNet II</td>
<td>Integration of Roma populations</td>
<td>Budapest - HU</td>
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<tr>
<td>TUTUR</td>
<td>Temporary use as a tool for urban regeneration</td>
<td>Rome - IT</td>
</tr>
</tbody>
</table>

*Fast Track Label
URBACT is a European exchange and learning programme promoting integrated sustainable urban development.

It enables cities to work together to develop solutions to major urban challenges, re-affirming the key role they play in facing increasingly complex societal changes. URBACT helps cities to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT II comprises 550 different sized cities and their Local Support Groups, 61 projects, 29 countries, and 7,000 active local stakeholders. URBACT is jointly financed by the ERDF and the Member States.