



Socio-Economic Regeneration

Lessons from medium sized cities in the Baltic Sea Region

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Socio-Economic Regeneration

Regional Enlargement

Urban Planning for Transformation

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Cities of the Baltic Sea Region at a Glance

Front cover photos

Photo 1 (Crane and wing): The municipality of Nakskov transformed the area of the former shipyard into a high-tech industrial estate for environmental industries and a recycling park with cultural facilities.

Photo 2 (Waste recycling): The qualification and integration centre, Aktivering Syd, has been actively involved in the revitalisation process and runs a couple of recycling projects (source: Municipality of Nakskov)

• Scope

Urban transformation

Besides population change, economic change is often seen as the main cause behind urban restructuring. There is little doubt that a sufficient level and structure of employment is an important precondition for urban development. Many MECIBS-cities are affected by socio-economic problems such as a one-sided local economic structure, high levels of unemployment and social exclusion. The challenge for small and medium-sized towns outside of agglomerations is to find individual paths of regeneration. This study focuses on the experience of local actors in five MECIBS-towns and their initiatives towards socio-economic regeneration.

Definition:

Socio-economic regeneration, by pursuing sustainable economic and social development, endeavours to maintain locally rooted economic structures, to foster social stability (in terms of social and economic integration of local communities) and to reduce social and economic disparities (in terms of access to the labour market). Measures of socio-economic regeneration supplement current development models.

Facilitating change

Especially in a globalising world, the potential for local intervention is often seen as very limited. In the context of globalisation, urban development appears to be externally driven. The capability to facilitate change at the local level and the strength of local potentials are clearly underestimated. However, change can be locally initiated when creativity is cultivated and local potential is utilised. In particu-

Main questions

Are there similarities concerning local answers to socio-economic transformation? Are there strategies, concepts and projects of economic regeneration with a strong social factor? How effective are such measures? What are the institutional frameworks in which these measures become possible?

lar, processes of rapid and radical economic and social transformation can be seen as a starting point for new modes of organisation and for creativity within urban development.

• Similar problems – distinct responses

Similarities

All five towns investigated in this study are situated outside the direct influence of important national centres. Jüterbog (Germany), Nakskov (Denmark), Lappeenranta (Finland), Sillamäe (Estonia) and Kuldiga (Latvia) are located in regions, which are far below European average in terms of their economic strength and are much less important than the dominating national regions (cf. figure below).

Each of the towns studied (or in the case of Lappeenranta, the region) experience continuous population decline, with marked losses of young and highly skilled inhabitants.

In terms of the labour market, these towns are characterised by above average unemployment rates, and in particular by high rates of long-term unemployment. Entrepreneurial activities are noticeably low, whilst the local economy is either dominated by a few big players (as in Lappeenranta, Nakskov and Sillamäe) or still affected by post-socialist transformation (as Kuldiga, Jüterbog and Sillamäe).

Different approaches

Although all five towns have been facing similar challenges of transformation, there is not one general solution. Activities aimed specifically at socio-economic regeneration are seldom (only Nakskov and Lappeenranta demonstrate municipal initiatives, which are limited in their scope). This might be due to distinct political priorities, a lack of knowledge of socio-economic regeneration strategies or due to the underestimation of the possible

benefits of such strategies. While the cities studied have developed unique approaches, their development strategies share some common features. All towns, with the exception of Sillamäe, have the goal of increasing their influence and national significance through administrative mergers or intensification of regional co-operation. Lappeenranta and Nakskov have chosen to focus on new technologies.

A new field of urban policy?

Socio-economic regeneration, including locally rooted economic development, is an endogenous field of urban development policy, which has not yet received much attention. Most MECIBS-partners have concentrated on exogenous stimuli by focusing on measures to create environments conducive to (foreign) direct investment. Ideas to install new clusters often rely on external stimulation, instead of focusing intensely on local potentials and existing economic and cultural networks.

It is a challenge for local stakeholders to question long-established practices of urban development and economic development promotion; it can be risky to explore new fields of policy, as courses of action are often new and untested.

Measuring success

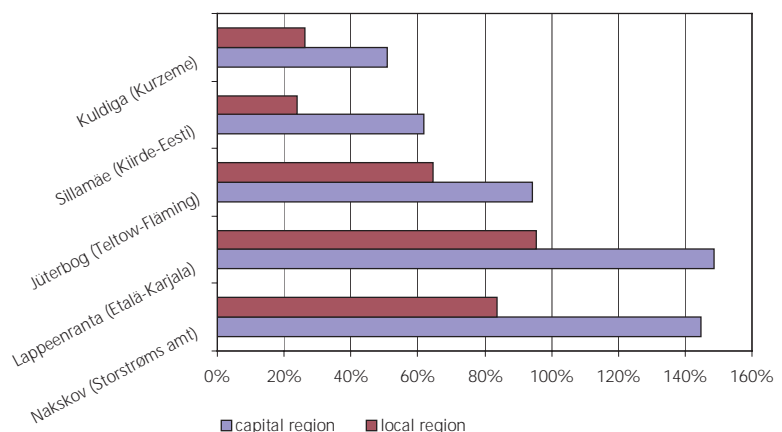
By promoting socio-economic regeneration, municipalities develop opportunities for social inclusion – thereby reducing the number of long term unemployed. At the same time, they support local entrepreneurs and help them getting their ideas materialised in successful local businesses – thereby increasing the number of well doing start-up businesses.

• Projects

Grassroot initiatives

Socio-economic regeneration appears to be practiced more frequently in individual pro-

Economic activity in MECIBS-regions and capital regions, GDP 2000 in purchasing power standards per inhabitant (EU 15=100), source: Nordregio.



jects than in local policies. In most of the cases within the MECIBS framework, socio-economic regeneration projects are grassroots initiatives. Only Aktivering Syd in Nakskov was initiated by the local administration.

There are two main fields of activity within socio-economic regeneration in which the efforts of local actors are observable and which show success:

- projects aimed at improving entrepreneurial activities and
- projects fostering the Social Economy and integration.

Definition

The Social Economy consists of initiatives, which cannot be classified as belonging solely to either the private (first) or the public (second) sector. Social Economy initiatives (such as the Rensel co-operative in Lappeenranta, a social enterprise, or the Arbeitslosenservice Jüterbog, a community initiative) usually operate independently from local authorities and are not purely profit-oriented. Their objectives include social inclusion, job creation, training or the continuation of local services.

Entrepreneurial activities

Problems connected with one-sided or weak economic structures are often discussed at the local level. However, measures to support entrepreneurship are seldom. There are two reasons often mentioned for this lack of support for entrepreneurship: first, start-up support is seen as an ineffective means of promoting business due to low demand in small and medium-sized towns; second, promoting the local economy is not viewed as a local task, but the responsibility of other public organisations.

Two core projects which are described in this study were successful in developing local entrepreneurship and encouraging entrepreneurial thinking (the Business Incubator in Sillamäe, and the Malo Businessman Competition in Kuldiga).

Malo Businessman Competition

An economics teacher at the secondary school in Kuldiga initiated the Malo contest in 1993. The idea was to encourage economic and entrepreneurial thinking amongst young people. It tackles the problem of a very weak entrepreneurial spirit in Kuldiga. The contest soon received support from the national NGO, Junior Achievement Latvia, and became a national event.

In two phases, teams of students of the 5th to the 8th grade compete in solving creative tasks and questions concerning the local, national and global economy. Approximately 500 teams participate, which include 2.000 pupils from 60 different schools, with a grand final held in Kuldiga each year.



Local teachers started the Malo Businessman competition in Kuldiga, where local pupils learn entrepreneurial thinking.

Social integration

Currently, grassroots activities are the most important source of projects supporting the Social Economy, in particularly projects, which address the motivation, qualification and inclusion of the long-term unemployed. Generally, measures targeting the Social Economy and activation projects are far from offering complete solutions to enduring social problems. However, projects in Jüterbog, Nakskov and Lappeenranta manage to address and deal with various social problems. These projects offer or arrange job opportunities in the first and second labour market. Activities within these fields effectively contribute to an integrated development vision.

Success factors

In all documented projects, the actions and commitment of one particular person (Sillamäe: a member of the managing board, Nakskov: an economic development manager, Jüterbog: an unemployed person, Lappeenranta: a socially active person, Kuldiga: a teacher) were essential for the birth of the project. Thus, the existence of one key advocacy figure, with strong personal convictions, appears to be a fundamental factor in a project's success.

Socio-economic projects are often poorly funded and face significant problems as a result of being short termed in their conception and thus dependent on political will for their continued survival. In particular, the three social projects experienced a poor working relationship with the local administration.

Aktivering Syd, Nakskov

The »Activation Centre« was launched in 1999 by the Department of Municipal Services as contribution to the town's intermediate labour market initiative. The main idea of Aktivering Syd is to promote social inclusion through the motivation, qualification and integration of the weakest welfare recipients. The centre is part of the integrated vision of the municipality to combine social, environmental and economic activities.

The centre is active in:

- building and running the new recycling station,
- installing and running a flea and swap market,
- revitalising the industrial area through environmental projects, and
- constructing an open-air stage and park facility.

The centre offers projects aimed at improving individual motivation and qualification for up to 130 people. In the first 5 years there were 600 clients of which 100 found regular jobs or commenced education.

Sillamäe Business Incubator

The incubator is an attempt to diversify the business structure and to develop local job-opportunities. It provides 14 equipped, up-to-date offices and space for 24 additional workplaces.

The aim is to minimise the risk of failure faced by businesses during the initial phases. This is achieved through reliable and cheap financial conditions as well as the supply of high quality office premises and professional support services including:

- pre-incubation consultation;
- joint infrastructure and office services;
- business start-up service and access to funding;
- marketing and partnership services.

In 2005, 10 local start-up companies used the incubator and created 36 jobs. The incubator is financed by an innovative mixture of private and public sources. The responsible body is a non-profit public private partnership including local companies and two neighbouring municipalities.



A local public private partnership installed the business incubator in Sillamäe, which offers support and workplaces for 10 local start-up companies (source: Rivo Noorköiv).

Arbeitslosenservice Jüterbog

The origin of the »Service-centre for the Unemployed« can be traced back to an initiative of a local unemployed person in 1991. The initial objective was to offer advice for the growing number of unemployed people after German reunification. The centre receives basic financial support from the Ministry of Labour and offers various support services such as:

- motivation and training programs for long term unemployed,
- exchange programs for unemployed youth,
- local youth work and affordable summer camps,
- child care and meeting points for special target groups,
- supply of used furniture, second hand clothes and cheap food.

Today the centre offers consultation for about 550 clients per month. At its peak in 1998, the centre offered jobs and qualifications to about 200 people, mainly long term unemployed. In 2004, there were 63 paid jobs and about the same number of volunteers. Between 1998-2004, the programme »work instead of welfare« placed 360 long term unemployed in local companies for training. As a result, about 200 got a regular job or began a training program.

Political support was difficult to attain, and inclusion in local networks was more or less absent. The integration of such projects into municipal policy with long-term political, organisational and financial support is crucial to maintain their success.

• Recommendations

Limitations

The following recommendations are developed from the analysis of local development policies, local institutional settings and socio-economic activities in five towns from the MECIBS-network. The findings are supported by empirical evidence from general research in different national and regional contexts, documented in the full report.

There is no general blueprint for policies and projects within the field of socio-economic regeneration that can be implemented in any context. The specific local situation, for example in terms of important actors and power relations, local culture, environment, specific needs, policy and support frameworks as well as personal and economic networks, plays an important role in shaping individual activities and projects.

However, experiences from certain projects or insights into the local policy-making process can still be very helpful in improving local practices elsewhere, as long as the resulting recommendations are adapted according to specific local conditions.

Local opportunities for change

The documented examples of socio-economic projects clearly prove the opportunities to positively react to the challenges of globalisation and transformation. The new development strategies of Nakskov municipality, for instance, enabled a turnaround towards utilising local potentials, further proving that it is possi-

ble for local players to significantly influence urban development.

Thus, (R1) *actively searching for new economic activities and connecting them to local assets* is a crucial process in overcoming collective (mental) lock-ins and promoting new paths of development.

A key issue?

Many towns concentrate on mainstream economic concepts, giving priority to external impulses such as (foreign) direct investment. If a new branch plant or production facility settles in a town, this is of course a success as new jobs are provided, at least for a couple of years. Placing too much faith in such a policy may, however, be short-sighted, because firms can move to locations for cheaper production or other reasons just as fast as they arrived.

Activities within the social and local economy thereby complement local development policies rather than replace other objectives. Thus, (R2) *strategies of socio-economic regeneration should be applied as a complementary concept and integrated in local development plans.*

The evidence

Socio-economic regeneration helps to develop integrated strategies of sustainable urban development by promoting social inclusion as well as alternative and locally rooted job-opportunities.

Setting out policy aims

Municipalities as well as local and regional business development agencies (or their governing bodies) are encouraged to (R3) bring about *formal decisions concerning the support of policies and projects linked to socio-economic regeneration.* (R3.1) Local councils and decision-makers should clearly define their own role regarding the promotion of projects linked to community empowerment, locally rooted de-



The Arbeitslosenservice Jüterbog runs social projects and services such as the distribution of second hand clothes for marginalized groups.



The meeting-place, Asukastila, is active in one of the most deprived areas in Lappeenranta and aims at building social capital and social inclusion of the most disadvantaged residents (source: Asukastila).

velopment, local entrepreneurship, entrepreneurial education and the Social Economy. In particular, (R3.2) business development agencies could promote, for example, the Social Economy or local entrepreneurs by giving access to funding sources, offering special grants or by running a competition for the most innovative approach or demonstration of social inclusion etc.

Regional networks

Local decision-makers can improve the work and reach of projects connected to local entrepreneurship, the Social Economy and disadvantaged communities by (R4) *promoting networks of support and good practice.* Especially in the case of smaller municipalities, inter-municipal and regional or even national cooperation would help to make such networks effective. One example can be to network social and community enterprises. The aim of the

network could be to support them in realising their social aims, raising external funds, solving organisational or formal problems, improving entrepreneurial competences and sharing good practices. At a regional level, there could even be a paid member of staff (jointly financed by involved municipalities) to network and support social and community businesses and projects.

Entrepreneurial culture

Local actors in towns affected by socio-economic transformation often recognise the structural problems of the local economy. Yet ideas for developing a new entrepreneurial culture and increasing entrepreneurial activities are rare. Creative local entrepreneurs and their innovativeness play a key role in the creation of new jobs. And job creation is still the most important objective of a socially oriented economic development policy.

The evidence

Job creation is biggest in small businesses, in particular in micro firms with less than five employees; SMEs are less likely to relocate jobs to countries with cheaper labour costs.

Even in a small town such as Sillamäe, intense local start-up support can be successful. Networking with local private, public and non-governmental actors helped to set up a local business incubator and to raise a mixture of private and public funding.

The documented project in Kuldiga (but also experiences in Nakskov) gives an impression of entrepreneurial education. Initiatives in this field deserve more support. There are a number of NGOs for example, which provide assistance in establishing entrepreneurial programs for schools. Municipalities are encouraged to contact these organisations and network with local schools and educational institutions to (R5) *start or intensify a local entrepreneurial education program*.

The evidence

Individuals who had participated in school-based entrepreneurial programs in Sweden and Norway were more likely to become entrepreneurs (20% of participants in such programs go on to become entrepreneurs, compared to between 3,1 and 4,5% without such programs).

If not installing an incubator, the administration can become active in supporting local start-ups by (R6) *providing start-up services for local entrepreneurs* in the form of training programs and individual support (e.g. by provid-

ing affordable office space). Networks can be created between entrepreneurs, organisations specialised in entrepreneurial training or universities. Another idea is to support start-up business networks or to reward and promote creative initiatives of local entrepreneurs by means of competitions.

The role of the Social Economy

Whilst the Social Economy cannot replace the formal economy and is limited in its capacity to solve problems, social and community enterprises (for example the Rensel cooperative in Lappeenranta) and activation projects (for example Aktivering Syd in Nakskov or Arbeitslosenservice in Jüterbog) help to improve social integration and employment possibilities.

The evidence

The Social Economy is regarded as a significant source of work, welfare, and participatory democracy. About 8% of all paid jobs in Europe belong to the Social Economy. Real costs for job-creation are lower than in other sectors. Social Economy projects work with different groups of excluded and disadvantaged people and have proven to be able to offer adequate job and training opportunities. Furthermore, they often have a great influence concerning the provision of new goods and services.

(R7) Local stakeholders are encouraged to *include the support of Social Economy and integration projects in local social policy*. (R7.1) It is recommended to acknowledge the role of integration projects and the contribution they can make to integration through motivation, activation and the training of social competences. (R7.2) In particular, social and community businesses should receive support for the provision or extension of local services (e.g. child care, local cinema, neighbourhood pub, swimming pool), which would either have been given up by public authorities or could not be offered on a purely profit oriented base.

Socio-economic projects

Social Economy and community projects are worthwhile assets for local development as they build social capital and facilitate social inclusion. However, the implementation of Social Economy projects as a top-down initiative is not automatic. (R8) To *identify possible starting points and to foster existing activities* within local communities, therefore, seems to be one of the preconditions for success.

Municipalities can (R9) *support such initiatives organisationally, politically and financially* by (R9.1) networking with other muni-

cipalities to start similar projects at the local level and to learn from other initiatives. Municipalities could (R9.2) provide office facilities in municipal buildings or (R9.3) financial support for such projects. The partial or start-up financing of a manager in a social initiative can be very helpful.

Integrating communities

Most of the MECIBS-municipalities try to solve their problems more or less alone, within the framework of local government and administration. As problems of transformation are visible across all disciplines and affect all interest groups, there is a clear need for a more integrated policy. This means that (R10) *different actors should be addressed and integrated* to mobilise their forces of creativity, their power and their abilities as local asset. To identify especially the needs of young and well-educated people, it seems worthwhile to include these groups early in the creation of urban policy (as for example, round tables with students in Kuldiga). This also implies the re-distribution of competencies and the promotion of models of governance rather than of government.

Creativity and positive thinking

Creativity in local governance is a crucial precondition for development. Finding new solutions to well-known problems requires not only creative thinking but also the willingness to put them into practice. Thus, (R11) *local policies must allow room for innovation* and be prepared to take risks, which means that failure may be encountered. Innovation is not only important in the formal economy, but also when it comes to community projects and the Social Economy. (R11.1) Developing a culture of innovation by fostering creative thinking within local communities, and using their ideas for urban development is a key task within urban governance. (R11.2) This process must also take place within the local administration itself. There are many creative forces that can contribute to urban regeneration. An example to include such forces is the enlargement of the room for manoeuvring in the low levels of the administrative hierarchy (as in Nakskov). Mentality plays a vital role within local strategy making. Positive thinking can create an environment where untapped potentials can easily be discovered and utilised.

There are often two ways to interpret a certain obstacle. A lot of problems can be turned into assets for urban development by developing creative solutions.

• Conclusions

Social and economic exclusion is a big problem for towns experiencing decline or transformation. In particular, towns in post-socialist countries (Jüterbog, Kuldīga and Sillamäe) and urban areas marked by the role of traditionally dominant labour-intensive industries (Nakskov and Lappeenranta) are affected by problematic processes of transformation.

A stronger focus on the locally rooted economy, in particular the Social Economy, might help to deal with the social problems associated with these processes.

The concept of socio-economic regeneration describes a possibility for action at the local level that has increasing relevance in times when decisions are often said to be dependent on global developments. There is empirical evidence of a number of processes subsumed under the term »globalisation«, but the question of how the global-local dialectic is shaped remains open. Positions describing places, people and communities as powerless victims of the global economy are rather personal opinions more than empirically proven facts.

Socio-economic regeneration is a domain of urban policy, which still has to be developed. There are two main fields of activity within socio-economic regeneration where efforts of local communities or the local administration are observable at present and moreover, which show success: (1) the promotion of local entrepreneurship, (2) the Social Economy and social inclusion.

Summarised recommendations

- (R01) search actively for new economic activities and connect them to local assets;
- (R02) integrate strategies of socio-economic regeneration in local development plans;
- (R03) bring about formal decisions concerning socio-economic regeneration;
- (R04) promote networks of support and good practice;
- (R05) start or intensify a local entrepreneurial education program;
- (R06) provide start-up services for local entrepreneurs;
- (R07) include the support of Social Economy and integration projects in local social policy;
- (R08) identify possible starting points for socio-economic projects within local communities;
- (R09) support socio-economic initiatives organisationally, politically and financially;
- (R10) integrate the civil society in urban governance to mobilise their forces of creativity;
- (R11) allow room for innovation in local policies.

Creative socio-economic projects are in most cases dependent on EU support and the personal commitment of individual actors. These projects deserve greater political, organisational and financial support. The recommendations developed in this project can help to foster a local policy of socio-economic regeneration and integration.

The case-study addresses aspects of entrepreneurship, social inclusion and the local economy. It develops useful insights into socio-economic regeneration concepts and practices. Based on 5 sub case-studies from Jüterbog (Germany), Nakskov (Denmark), Lappeenranta (Finland), Sillamäe (Estonia) and Kuldīga (Latvia), the study includes recommendations for local actors in towns experiencing socio-economic challenges in terms of high (long term) unemployment, social exclusion and weak local economic structures. The full report is published as Lang, Thilo; Sonntag, Monika; Tenz, Eric: Small and Medium-sized Cities in the Baltic Sea Region – Socio-economic and Cultural Approaches to Urban Development; Leipzig, Berlin 2005; ISBN 3-933816-29-7

MECIBS

This folder summarizes the findings of a case study carried out as part of the Interreg IIB project *Medium Sized Cities in Dialogue Around the Baltic Sea (MECIBS)*.

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Aim: Within the overall objective to foster balanced spatial development by sustaining the development of medium sized cities the project aims at: (1) understanding urban restructuring based on comparative and concrete examples, (2) forming recommendations for the interplay between local and national strategies based upon a bottom up process, (3) forming recommendations within an integrated perspective on economic, environmental and social development and (4) forming a network of medium sized cities to facilitate exchange of experiences and mutual learning.

MECIBS partners: GERMANY: Leibniz-Institute for Regional Development and Structural Planning; DENMARK: Municipalities of Randers and Nakskov; Chamber of Commerce and Industry Herning-Ikast-Brande; Centre for Forest, Landscape and Planning, KVL (lead partner); Dep. of Marketing, Southern Denmark University; Dep. of Geography, University of Copenhagen; SWEDEN: Municipality of Nyköping; Dep. of Regional Planning, Royal Institute of Technology; FINLAND: Municipalities of Salo, Kokkola and Lappeenranta; Centre for Urban and Regional Studies, Helsinki University of Technology; NORDIC COUNTRIES: Nordic Centre for Spatial Development, Nordregio, Stockholm;

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More information: www.MECIBS.dk



Medium Sized Cities in Dialogue
around the Baltic Sea

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