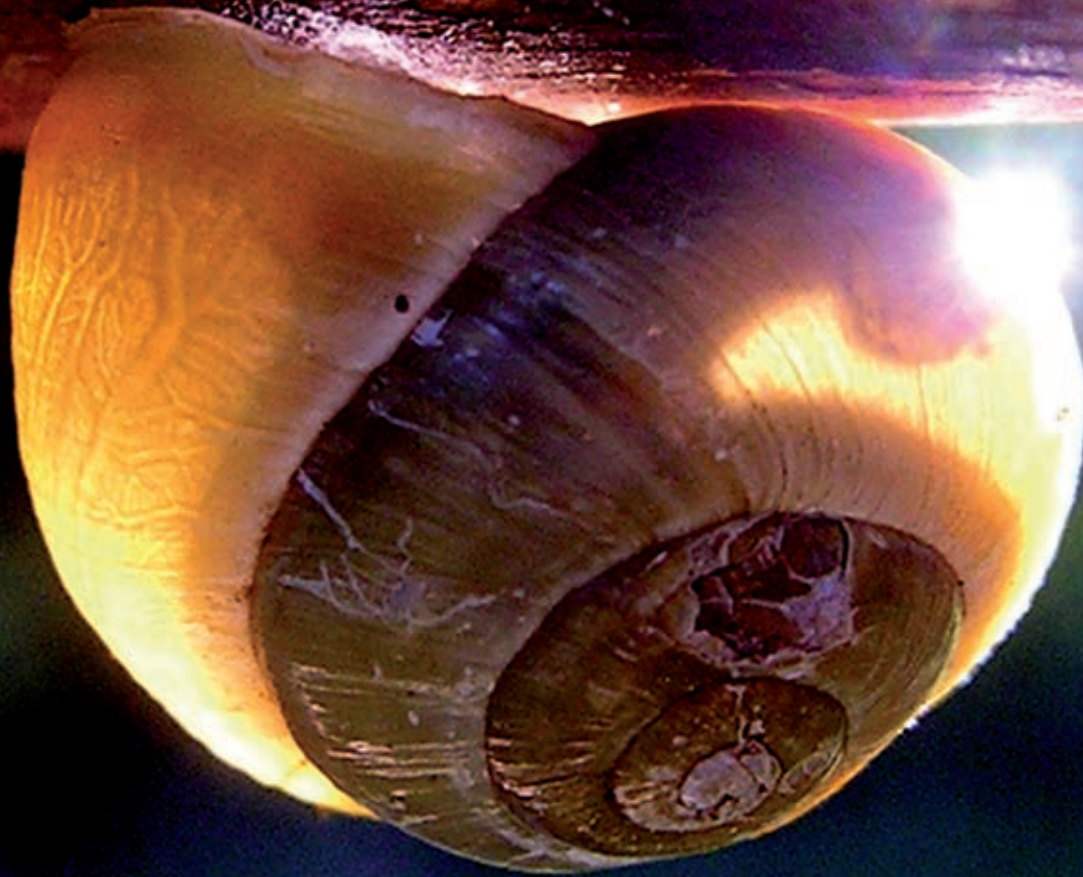


# Growth and Innovation



...beyond Metropolises



# Growth and Innovation beyond Metropolises



## About the authors

This report has been written in a process of close cooperation between the participants of the working group *Growth and Innovation Beyond Metropolises* and an expert committee, constructed solely for purpose of this publication. The participants of the working group are:

Thomas Brunk	Baltic Development Forum
Gunnhild Utkvitne	Baltic Sea Solutions (DK)
Silke Alsen	Baltic Sea Solutions (DK)
Thrond Kjellevoid	Buskerud – Telemark – Vestfold (NO)
Torbjorn Frantzen	Buskerud – Telemark – Vestfold (NO)
Lars Haukvik	Buskerud – Telemark – Vestfold (NO)
Seebass Jan	Region Skåne (SE)
Tomas Petersson	Region Skåne (SE)
Dorota Matulevic	Region Zachodniopomorskie (NO)
Janusz Gawronski	Region Zachodniopomorskie (NO)

Tomas Hanell of *Nordregio* has coordinated the work of the expert group and has edited the report and written the introductory and summary chapters. He has been greatly assisted by Anders Riel Müller of Baltic Sea Solutions, who also wrote the Lolland-Falster case study and commented on the rest of the material.

Janusz Gawronski from the Marshal's Office of Westpomerania, Martin Persson and Peter Parker from Kristianstad University and Knut Vareide from Telemark Research/Bø wrote the case studies on Westpomerania, Skåne and BTV respectively.

Lay-out and design of the report by Annette Greenfort, Baltic Sea Solutions.

The authors would like to extend their gratitude for the ample support of, and critical comments from, the working group.

## Local Action Matters!

Peripheral regions face development challenges that differ considerably from those encountered in more centrally located cities or metropolitan areas. Small size or sparse population, non-polycentric settlement structures, long distances, poorer communications infrastructure, economic vulnerability and mono-functionality, dependency on public services or public support, and so on, characterise these regions. Use of innovative potential and absorption capacity are further hampered by unfavourable socio-economic structures and adverse development trajectories.



**Figure 1:** Current members of the “Development of Peripheral Areas in the BSR” network

Traditional equalisation or support policies have largely failed to fully address these challenges and additional action is greatly required. In this, locally fostered development strategies and initiatives increasingly play a key role in turning unwanted development trends into positive spirals of development.

We have chosen four different case studies from our current member regions (Figure 1) each of which testify to the fact that local action matters. Thematically these are varied: the persistent work on the creation of a green energy cluster in Lolland-Falster; attracting the establishment of a tyre manufacturing plant in Westpomerania; place marketing of a municipality in Skåne through the food cluster; and a focussed entrepreneurship programme in the BTV cooperation area. What they all have in common though is that they bear witness to the possibilities of endogenously developed strategies or actions to foster regional growth and prosperity. Additionally, we hope with the publication of this report, to demonstrate how central government (or transnational) supporting policies can act as a further catalyst to bottom-up development approaches.

In so doing we wish to inspire other actors with similar challenges and invite them to join our network and further share the considerable experience that has been gained from this kind of highly practical international cooperation.

### A network with a clear focus

The Baltic Development Forum (BDF) is a non-profit organisation, politically neutral and independent, working holistically to create a better and stronger Baltic Sea Region (BSR) in the interest of all its' stakeholders. The BDF has, together with a range of partners, initiated a working group entitled *Growth and Innovation Beyond Metropolises*. The working group investigates the challenges of including more peripheral areas of the region as constructive players in the ongoing process of creating a region of innovative growth and global competitiveness. The members of the working group all represent non-metropolitan areas throughout the BSR. These include:

- Baltic Sea Solutions, Denmark (Coordinator)
- BTV-Cooperation, Norway (Regional cooperation between the County Municipalities of Buskerud, Telemark and Vestfold)
- Region Skåne, Sweden
- The region of Westpomerania, Poland and
- Baltic Development Forum



The joint **vision** of the working group is that the peripheral regions throughout the Baltic Sea take a proactive role in achieving the ambitions on Growth and Jobs set out in the new Lisbon Strategy to become globally competitive.

The joint **mission** is by giving local answers to the global challenges facing peripheral regions in the Baltic Sea Region, we reach more visibility and put the non-metropolitan areas on the agenda of regional decision-makers within business and government. Our most effective tool of doing this is to present these areas in a positive light focusing on the untapped opportunities that exist.

The working group has adopted a constructive approach to local development by focussing on the vast amount of untapped opportunities that exist and only wait to be harnessed.

### **An expanding network**

Currently, the working group wishes to extend the number of partners in the network to other regions within the BSR. The working group is especially interested in partners from the eastern part of the Baltic Sea Region who have experience of locally induced and embedded regional development strategies. Understanding how these initiatives have developed is an important input for future cooperation and exchange between the Baltic Sea peripheries. Transnational collaboration between the non-metropolitan regions of the Baltic Sea Region is an important tool in the production of a more geographically balanced growth pattern. At this stage, the working group is in negotiations with several potential regions.

*The Baltic Sea Region, October 2006*

## Common Challenges for Peripheral Areas

Buskerud-Telemark Vestfold (NO):  
New Business Creation

Western Pomerania (PL):  
Attracting Foreign Investments

Lolland Falster (DK): Green Energy

Kristianstad (SE): Spirit of Food

Conclusion: Lessons Learned





# Common Challenges...

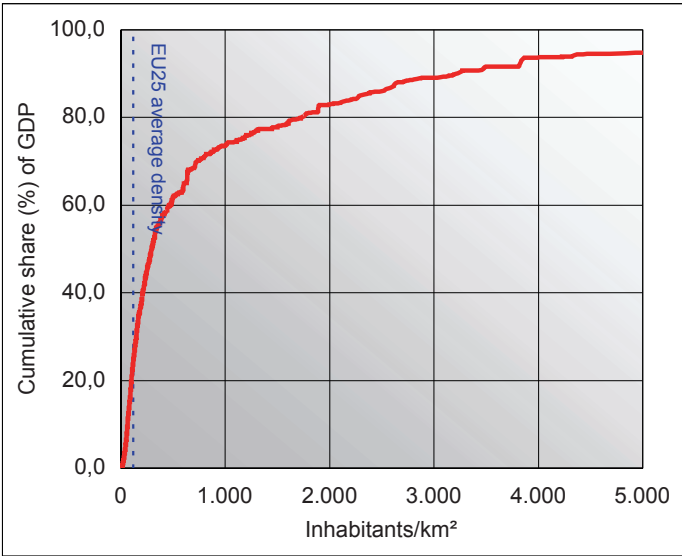


for Peripheral Areas

Peripheral areas are important economic contributors

It is seldom discussed how much peripheral areas actually contribute to their national or to the overall European economy. The general notion seems to be that they are a burden rather than a resource, but this is highly dependent on how peripheral regions are identified.

Taking population density as a proxy for peripherality, Figure 2 presents the cumulative share of total EU27 Gross Domestic Product (GDP) as a function of population density. All NUTS3 regions within the Union are considered (for graphical reasons omitting the ten most densely populated ones), ordered along the X-axis from sparsest to densest.



**Figure 2:** Cumulative share of EU27 GDP by population density.  
Data source: Eurostat.  
*Values for 10 most dense regions outside graph scale*

The average population density in the European Union is 117.5 persons per square kilometre (marked with a blue line). Already the regions that lie below this average produce close to a quarter of the Union’s entire added value. The number of these regions however amounts to nearly half of all regions so, despite their large share in contribution, it is nonetheless lower in *per capita* terms than the Union average. But we should however consider whether population density is the ultimate indicator of peripherality. Looking at the urban structure of Europe provides a rather different picture.

Cities in general and urban agglomerations in particular are viewed as the main engines of economic growth and the concentration of economic value-added to cities is substantial and observable in virtually all European countries. Evidence of the urban contribution to the European economy is undoubtedly strong.

A recent study<sup>1</sup> classified all European regions according to the size and functionality of their functional urban areas (FUAs). Roughly speaking, most cities with more than 20-40 thousand inhabitants were included in the study, which covered all of the EU27 as well as Switzerland and Norway.

The largest urban agglomerations, such as London or Paris, were labelled Metropolitan European Growth Areas. The second tier of urban areas were characterised as being of transnational and national importance. Third, the smaller cities were labelled either as regional or local FUAs. Finally, a large number (424) of regions were characterised as having no significant urban entities.

As is evident in Table 1, European regions with no significant urban functions, or with only local or regional functions – such as Lolland-Falster/Storstrøm county or the BTV area – taken as a group nonetheless in 2000 accounted for nearly half (47.3%) of the entire value-added of these 29 countries. The economic contribution is specifically significant from the so called regional and local centres amounting to nearly a third (30.1%) of Europe’s total.

<sup>1</sup> ESPON project 1.1.1

Functional Urban Area (FUA) type	Nr of NUTS 3 regions	Nr of NUTS 3 regions	Gross Domestic Product in PPS		
			Share (%) in 1995	Share (%) in 2000	% units change in share 1995-00
Metropolitan European Growth Areas (MEGAs)	75	76	26.4	26.9	+0.5
Transnational/national FUAs	246	261	25.8	25.8	-0.1
Regional/local FUAs	584	1258	30.4	30.1	-0.4
No FUAs	424	0	17.4	17.3	-0.1
<b>Total</b>	<b>1329</b>	<b>1595</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

**Table 1:** Contribution to the European economy 1995 and 2000 by type of urban area

Data source: ESPON 1.1.1 and Eurostat

What is alarming however is that the relative share of production in these more peripheral areas tends to decrease over time. Between 1995 and 2000 the proportional share of Europe's production stemming from more peripheral areas decreased by half a percentage unit. This implies a significant tendency of further concentration of economic activity to a small number of selected locations.

Clusters of large cities create challenges for a balanced territorial development and the area within the "Pentagon", where a large share of Europe's leading cities are located, produces close to half of the entire EU25 Gross Domestic Product and contains one third of its population – on a mere 15% of its land area.

Even larger concentration tendencies are observable within the BSR. Eleven metropolitan regions (all capitals as well as Hamburg and St Petersburg) account for more than a third of the region's entire production value, although containing only a fifth of its population on a mere 3 % of its land area. In 2002 the GDP *per capita* in these metropolitan regions was 1.6 times higher than in the rest of the BSR and this gap is in the process of widening further.<sup>2</sup>

Even though the east-west economic divide of the region is probably the sharpest one in continental Europe this is not as alarming as it first seems as this gap is now decreasing rapidly.

Disparities *within* countries on the other hand are increasing rapidly and peripheral regions are loosing ground. Despite this relative deprivation – or perhaps specifically because of it – additional effort is needed in order to secure the substantial economic contribution stemming from these regions

### Being "far from everything"

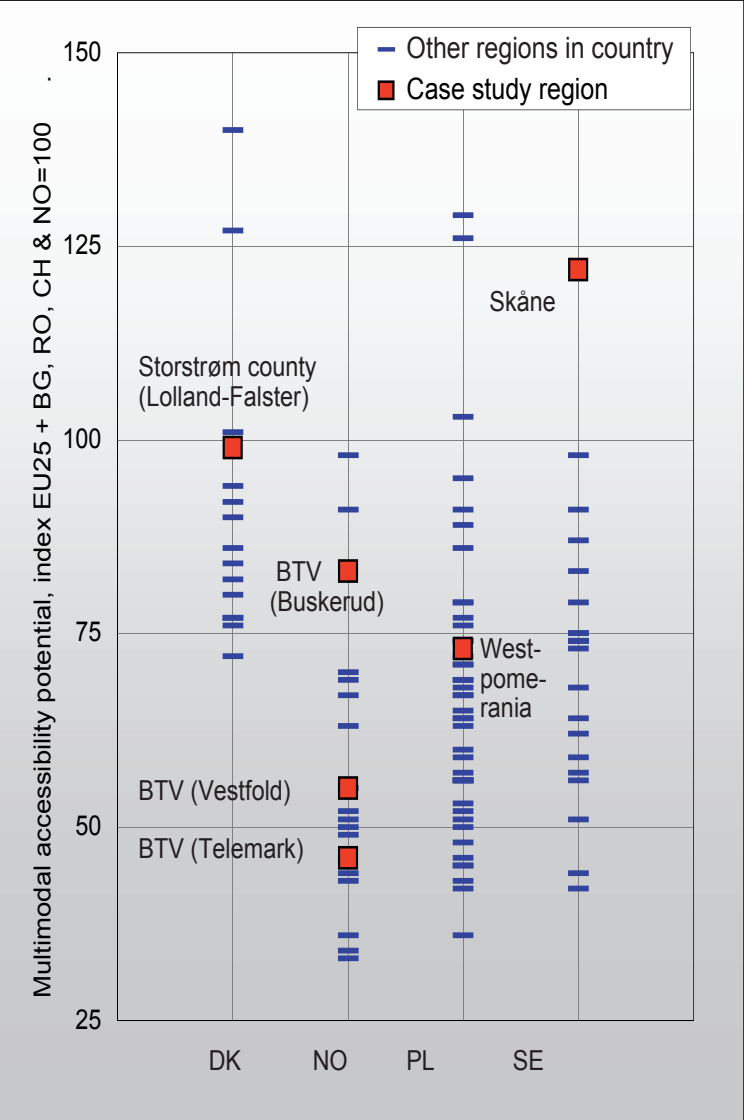
The obvious challenge facing peripheral regions is exactly that: They are peripheral. Their, relatively speaking, remote location has often been seen as being synonymous with a relative lack of accessibility to economic activity. Accessibility, i.e. the main product of a transport system, "determines the locational advantage or disadvantage of an area relative to all other areas considered".<sup>3</sup>

Simply put: the money it costs and the time it takes to reach other persons – and in the extension other economies or markets – greatly exceeds the corresponding cost for regions located more centrally.

Figure 3 presents the relative accessibility of our four case study regions in relation to the European continent as a whole, and in relation to other regions in their respective countries. This is done by utilising a weighted average of three transport modes, namely rail, road and air. The values are given as deviations from the European average for the 29 countries involved.

<sup>2</sup> Hanell & Neubauer, 2005

<sup>3</sup> Spiekermann & Aalbu, 2004



**Figure 3:** Multimodal accessibility on the regional level  
Data source: ESPON data base

In all but two of the cases the relative drawback vis-à-vis Europe on the whole is apparent, as the regions have an accessibility potential that is between 20 and 50 percent lower than the European average, with Telemark being as low as 54 percent below the average.

In the Storstrøm county (of which Lolland-Falster is a part) and Skåne cases, the proximity to Copenhagen nonetheless implies a position equal to, or above, the European average.

However, as Table 2 reveals, even these areas are located relatively far from e.g. their respective national capitals, making it unfeasible to commute on a daily basis from, for example, Nakskov, Tønsberg, Skien or Kristianstad to the larger labour markets of Copenhagen or Oslo.

Region Route	Driving distance in km	Driving time in hours/minutes
<b>Lolland-Falster</b> Nakskov-Copenhagen	170	02:13
<b>BTV</b> Drammen-Oslo Tønsberg-Oslo Skien-Oslo	41 102 134	00:43 01:30 02:14
<b>Westpomerania</b> Szczecin-Warsaw Alternative: Szczecin-Berlin	516 141	08:21 01:31
<b>Skåne</b> Kristianstad-Stockholm Alt: Kristianstad-Malmö Alt: Kristianstad-Copenhagen	550 97 138	06:33 01:28 02:02

**Table 2:** Distance and time required to reach metropolitan areas by road  
Data source: <http://www.viamichelin.com>, 15 August 2006, utilising the "quickest route" option

In this respect both Lolland-Falster as well as most of the BTV area are located just outside the reach of the main urban centres, placing them in a 'backwash effect' position: too close but not too far away. Westpomerania, on the other hand, is in the "true" Polish periphery, as is the Skåne case vis-à-vis Swedish political and economic decision making which is largely concentrated to Stockholm.

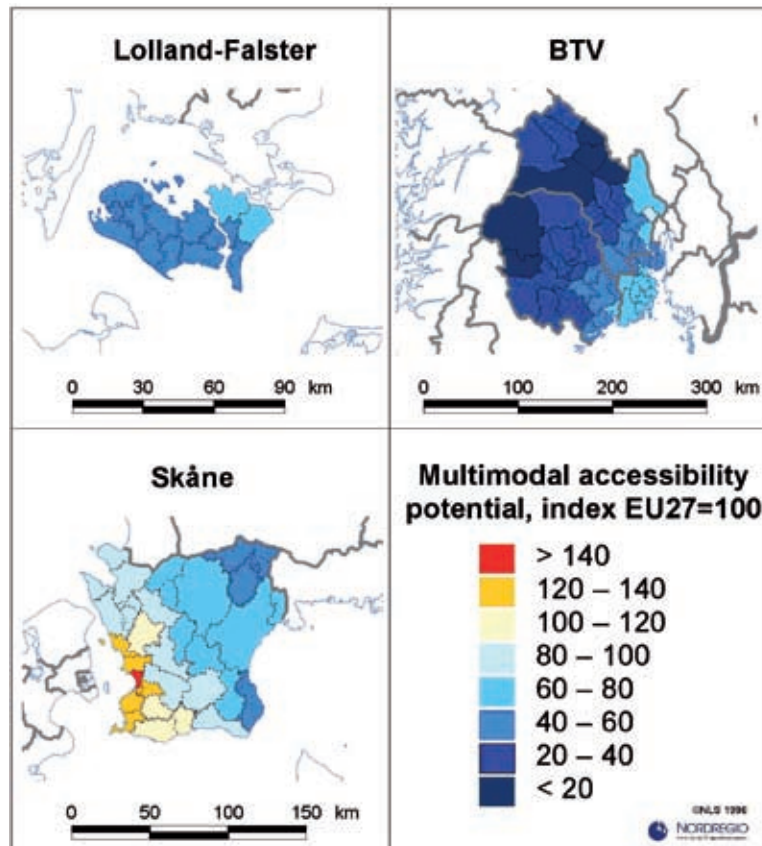
Adding to the complexity, differences within the regions are substantial, as is illustrated in Figure 4. Variations in the transport infrastructure and the possibilities for citizens and businesses to reach wider markets vary substantially. Among the case study regions (comparable data for Poland not available) internal variations are most significant in Skåne.

When viewed from the local level instead of the regional one, only a handful of municipalities surrounding Malmö reach above the EU27



average whereas in the north-eastern parts of the County again some municipalities reach up to less than half of that. A number of municipalities in the northern and eastern parts of the BTV cooperation area have an accessibility level less than a fifth of the corresponding EU average.

The main practical implications of this fact are obvious. In a majority of the cases this relative remoteness cannot be erased altogether simply by investments in transport infrastructure. Or at least, the likelihood of such action seems fairly remote. Nonetheless, examples from other parts of the BSR and the EU witness that even with more modest improvements in road and/or rail infrastructure and equipment, substantial benefits *vis-à-vis* transport times and cost can be achieved.



**Figure 4:** Local accessibility

Data source: Spiekermann & Aalbu, 2004.

The bottom line, however, remains that other ways of compensating for relative remoteness are desperately needed, otherwise the resources found in these areas cannot be activated for the overall national benefit.

## Consequences of remoteness

Peripherality does not however occur in isolation. It is closely tied to other structural handicaps that look surprisingly similar whichever remote part of the BSR one observes.

### Weak urban networks

One of the obvious aspects here is the existence of weak urban structures in peripheral areas. The “absolute” weakness naturally depends on the overall context, but generally speaking and especially in relation to their countries on the whole, peripheral areas are characterised by monocentric settlement patterns, or even a near-complete lack of cities, as is the case in northernmost Fennoscandia.

Regions with monocentric urban structures – that, unfortunately more often than not, are additionally located far from other similar systems – do not have the possibility to physically-functionally connect with neighbouring regions and reap the benefits of larger markets, both producer and consumer-wise.

Figure 5 depicts the settlement structure in the south-western parts of the Baltic Sea Region. All four case study areas have relatively weak urban structures. Either – as is the case e.g. with Westpomerania or Skåne – is the system highly monocentric (Szczecin and Malmö/Copenhagen predominate), or – as is the case with the Lolland-Falster and the BTV cooperation area – there is an absence of cities of critical size.

In some of the cases (predominantly Lolland-Falster and parts of the BTV) the presence and relative nearness of large metropolises presents a considerable threat with regard to backwash effects on the economy as these regions are located just beyond the reach of the large metropolises. On the other hand this also brings about possibilities for re-localisation of e.g. industrial activities formerly carried out closer to metropolitan cores.

Internal tension inside the regions *vis-à-vis* the settlement structure is also evident. Especially in Skåne and the BTV areas are settlement-wise *de facto* divided into two separate parts. The relatively sparsely populated eastern parts of Skåne (Österlen) as well as the mountainous parts of, in particular, Buskerud and Telemark stand in stark contrast to the west coast of Skåne and the urbanised areas along the shores of the Oslo fjord. For example, the driving time from the main urban centre of Drammen in Buskerud County to Oslo is only some 40 minutes (Table 2) whereas one has to spend well over three hours to reach the city of Geilo in the western part of the same region.



**Figure 5:**  
Settlement structures of  
south-western BSR

On average, the population density in Lolland-Falster and Westpomerania is clearly lower (between 50 and 40% respectively) than in Denmark or Poland on the whole, whereas in the BTV area it is similar to that of Norway. Skåne – owing to the urbanised western part of the County – again is far more densely populated than Sweden, on average, but yet only a third if compared to e.g. Stockholm County.

#### Negative demographic structures

Peripheral areas are also generally hampered by negative demographic circles. These typically include:

- a small population in general;
- an elderly population and/or one that is rapidly ageing, resulting in adverse demographic dependency ratios;
- at times low nativity, but even in the case of high nativity;
- out-migration, especially of young persons.

Together these processes form an evil spiral that is difficult to break. Many of the negative demographic trends are connected to the reality of having a weak labour market and an absence of educational possibilities within such regions.

With regard to migration, none of the four case study areas belong to the worst categories in their respective countries (Table 3). Actually, in all four regions migration rates are either weakly positive or in the case of Westpomerania less negative than in their countries on the whole.

	Population density, inhabitants/km <sup>2</sup>	Net migration annual average (%) 2000-2004
Lolland-Falster	63	0.30
Denmark	126	0.16
BTV Cooperation	21	0.44
Norway	15	0.26
Skåne	103	0.65
Sweden	22	0.31
Westpomerania	76	-0.36 <sup>1</sup>
Poland	124	-0.38 <sup>1</sup>

<sup>1</sup> 1995-2001

**Table 3:** Population density and net migration

Data source: NSIs

Despite this apparent advantage, all case study regions are nonetheless hampered by having worse demographic structure than their countries on average (Table 4). The current local age composition tells us something about what the local labour market can be expected to look like in the years to come. The share of young persons is lower in all regions than in their respective countries and the share of elderly (save for Westpomerania) is concurrently higher.

Share (%) of population aged:

0-14

15-64

65+

Demographic dependency ratio <sup>1</sup>

Young

Old

Total

Lolland-Falster  
Denmark

16.5

63.7

19.8

25.9

31.1

57.0

18.7

66.5

14.8

28.2

22.3

50.4

BTV Cooperation  
Norway

19.3

64.8

15.9

29.8

24.6

54.4

20.0

65.0

14.9

30.8

23.0

53.8

Skåne  
Sweden

18.0

64.4

17.6

27.9

27.3

55.3

18.2

64.6

17.2

28.1

26.6

54.8

Westpomerania  
Poland

18.1

70.4

11.5

25.7

16.3

42.0

18.2

69.1

12.7

26.3

18.4

44.6

<sup>1</sup> Population in age group as a share (%) of working age population (15-64 years)

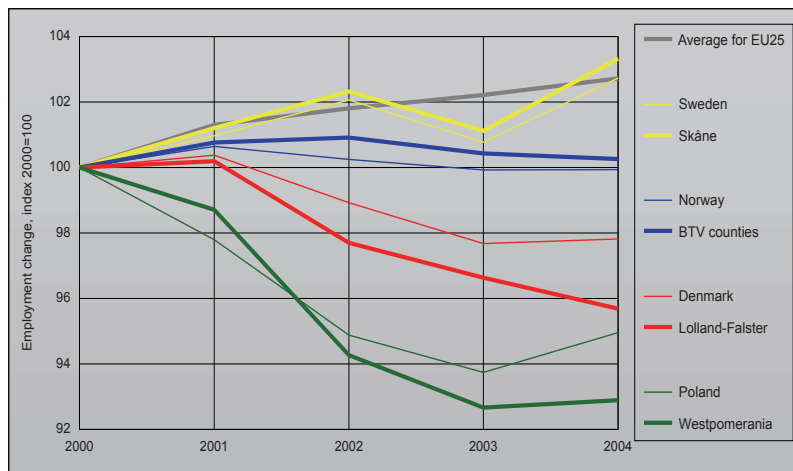
**Table 4:** Proportion of age groups and demographic dependency ratios

Data for early 2002. Data source: NSIs



## Common Challenges for Peripheral Areas

This fact naturally implies that the demographic dependency ratios for these regions are also disadvantageous. The number of elderly inhabitants (65 years or over) as a share of those in working age (15-64 years) is disproportionately high particularly in Lolland-Falster as compared to the Danish average. In all case study areas apart from the Polish one, however, total dependency ratios are clearly more unfavourable than in their respective countries on average. This fact also has a clear effect on the economic dependency ratios, i.e. the ratio between those that work and those that need to be supported.



**Figure 6:** Employment change

Poland and EU25: LFS data; other countries: register- and work place based data. Poland: Break in series 2000/01. Denmark & Sweden: Break in series 2003/04. Data sources: Eurostat, NSIs

### *Frail economic development*

In economic terms peripheral regions are also generally disadvantaged. In all case study areas save for Skåne the (net) generation of new jobs is clearly below the average rate for e.g. the European Union.

Moreover, in the cases of Lolland-Falster and Westpomerania, the development has additionally been far worse than in Denmark or Poland, on average, whereas the trajectories for the BTV cooperation areas as well as for Skåne have been in line with Norway and Sweden respectively (Figure 6).

Employment rates, i.e. the proportion of those employed as a share of all persons in the age group 15-64 years is lower in all case study areas on the whole than in their countries on average. In the BTV cooperation area only Buskerud exceeds the Norwegian average. The worst situation is in Westpomerania, where only 45.5% of the popu-

lation in this age group are employed compared to 49.4 in Poland on average.

Thus more than a quarter of the Westpomeranian labour force is unemployed. In Skåne the employment rate is some 3.5 percentage units lower than in Sweden on the whole.

## Peripheral complementarity

Exaggerated concentration to a selected few metropolitan areas may, from a market-oriented point of view, at first seem rational. Indeed, this is currently often even regarded as a natural cause of flow. The apparent problems in connection with this metropolisation are however more seldom depicted.

The obvious overheating of labour and housing markets in metropolitan regions hampers national economic development as businesses – not only in these metropolitan regions – have to pay the bill for increased national inflation. In this respect, excessive metropolitan concentration truly becomes a national economic problem.

It is also a matter of national economic concern that the infrastructure that is already invested in is scrapped in favour of additional new investment in the main urban agglomerations. For example, the summarised net loss of population due to migration for all out-migration municipalities in Finland, Norway and Sweden amounts to more than a quarter of a million persons during a short period of only six years (1995-2000). This figure is equivalent in size to the entire population of a large Nordic town, such as Malmö<sup>4</sup>, the opportunity cost of the housing and infrastructure for this hypothetical city consequently built during these six years alone is enormous.

Finally, the environmental effects of congestion are also substantial. Rapid urbanisation often brings about a dispersed settlement pattern where private car usage is inevitable as public transport investments cannot keep pace with the rapid growth of urban sprawl.

Therefore, credible alternatives to these Metropolisation tendencies are greatly needed. In this, despite the apparent multitude of weaknesses that characterise them, peripheral areas in general do also have positive characteristics. The function of complementarity vis-à-vis metropolitan areas is apparent.

The cost of labour is often lower in these areas as is the case in capitals and other large agglomerations. This is evident in the Westpomeranian case where labour costs per employee were one of the decisive factors for the investment decision describe in the relevant

<sup>4</sup> Hanell, Aalbu & Neubauer, 2002

chapter below. As a consequence of the small overall size of the local labour market, having fewer alternatives the labour force in peripheral areas is also more loyal to the employer, lowering transaction costs for new recruitment.

Furthermore, strong cultural and place bounds also imply a lower mobility level for the labour force. The population has a true wish to stay settled in these areas and the authorities are genuinely interested in keeping the jobs in the region.

In many cases peripheral regions are also logistically in an advantageous position, often located as they are close to neighbouring countries.

Peripheral areas generally have one asset that is lacking in all larger urban agglomerations: space. Low population densities and vast shares of empty land are in this respect an asset rather than a burden.

Especially in cases of the fairly close proximity of larger cities, the structural transformation of metropolitan economies brings about the potential to attract industrial activity formerly carried out in the metropolises but currently unsuitable for that.

Finally, the labour supply currently underutilised in many peripheral regions poses vast untapped reserves in terms of the inevitable labour shortage that will strike the entire Baltic Sea Region in the years to come. Already today business leaders in most metropolitan areas single out the difficulty of recruiting new labour as the main bottleneck for the overall development of their companies.

#### **Four examples of local strategies for growth and innovation to follow ...**

The next chapter presents four separate case studies of local development strategies and actions stemming from different peripheral regions within the BSR. Thematically these are varied: the persistent work on the creation of a green energy cluster in Lolland-Falster, Denmark; attracting the establishment of a tyre manufacturing plant in Westpomerania, Poland; place marketing of a municipality in Swedish Skåne through the food cluster; and a focussed entrepreneurship programme in the BTV cooperation area in Norway. What they all have in common though is that they bear witness to the possibilities of endogenously developed strategies or actions to foster regional growth and prosperity.

#### *Chapter references:*

ESPON Strand 1.1.1 (2003): The role, specific situation and potentials of urban areas as nodes in a polycentric development, Third interim report, part 1, ESPON: Luxembourg

Hanell & Neubauer (2005): Cities of the Baltic Sea Region – Development Trends at the Turn of the Millennium, R 2005:1, Nordregio: Stockholm

Spiekermann & Aalbu (2004): Nordic Peripherality in Europe, WP 2004:2, Nordregio: Stockholm

Hanell, Aalbu & Neubauer (2002): Regional Development in the Nordic Countries 2002. R 2002:2, Nordregio: Stockholm





# New Business Creation



Buskerud Telemark Vestfold (NO)

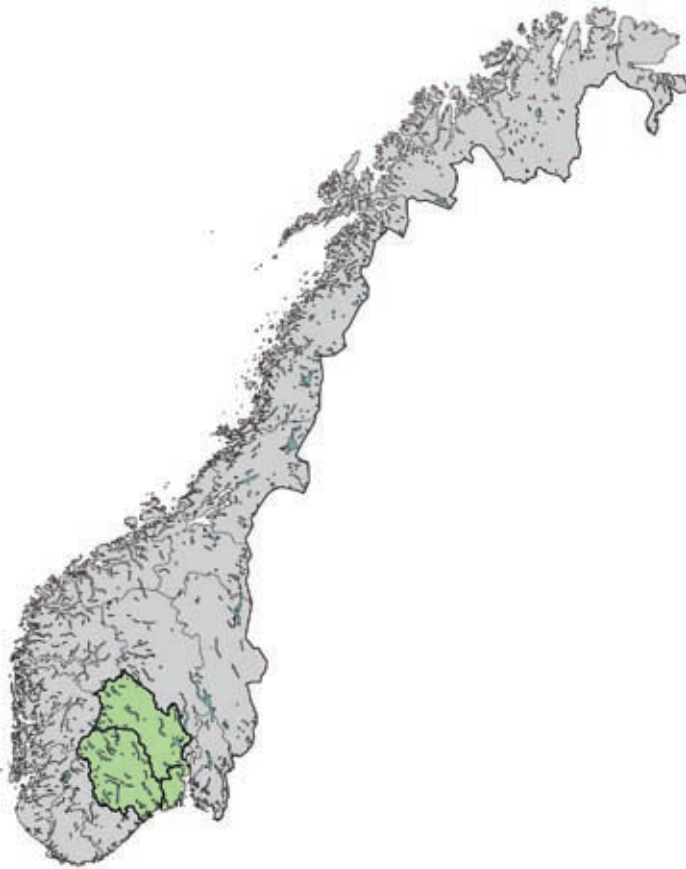




## 1. The BTV region

The three counties of Buskerud, Telemark and Vestfold form the BTV-region. The BTV-region is situated west of Oslo, in the south-east of Norway, with the region stretching from the Skagerak to the central mountains. There are 633 469 inhabitants in the region, which consists of ten small cities, mainly situated along the coast, and large rural and mountain areas inland. BTV is divided into 53 municipalities. There are 431 municipalities in Norway, and 19 counties.

The public sector in Norway has three levels: State, county and municipality. All three actively participate in regional development in one form or another. To make the picture more complicated, the state has formed different “Quangos” (Quasi-autonomous government agencies), which are acting more or less independently.



**Figure 7:** The BTV region

The formation of a region like BTV, consisting of three counties, is a new development. The government is currently working on a review of the system of counties and municipalities. It is likely that after this review Norway will end up with fewer and bigger counties and municipalities, though some politicians continue to insist on a system with two levels, where the counties are removed and the number of municipalities is reduced.

To prepare for this development, counties and municipalities all over the country come together and form alliances. As a result of this process, new institutions are popping up, like the BTV-region. The BTV-region represents a quasi-institutional arrangement somewhere between county and national level. The municipalities are currently also establishing new inter-municipality institutions. All of these institutions are naturally active in regional and business development.

As such, this has resulted in the emergence of a rather complicated system, with many actors involved across a number of levels. As will be elaborated below, these recent organisational developments create a number of significant new challenges. The three counties in the BTV region have adopted different approaches to enhancing new business creation. As such, in the new administrative circumstances there is significant demand for better co-ordination.

## 2. New business creation is paramount

The private business sector in Norway is made up of around 600 000 registered companies. Every year between 40 000 and 50 000 companies go bust, while in 2005, almost 60 000 new companies were registered.

The formation of new companies and businesses is therefore vital in replacing old businesses that cease trading. These new companies also, generally speaking, introduce new services and products into the business sector, and see new people with new ideas about how to run business enter the market.

Accelerating globalisation increases the need for new business creation. Some traditional business sectors find themselves unable to compete as international competition grows stronger. In Norway, we see this particularly in the manufacturing sector. Business branches like textiles and clothing have almost become extinct, while other sectors such as the production of metals, paper and chemicals have only survived after undergoing a period of brutal rationalisation.

New business creation is therefore important, not only to replace the “natural deaths” of old companies, but also to replace the economic

activity lost as some business branches inevitably loose out to increasing international competition.

The barometer of new business creation in different regions can be monitored using the number of new companies registered in the public registry. If we measure the number of new companies as a percentage of existing companies, we can compare the entrepreneurial activity rate in different regions. There are, in this respect, obvious regularities in the regional pattern in Norway. The metropolitan areas boast a significantly higher entrepreneurial activity than other areas, while most new businesses are small, and have a small impact on total employment in the short run.

Undoubtedly however, if over a period of many years a region has a less than average level of entrepreneurial activity, this will cause a

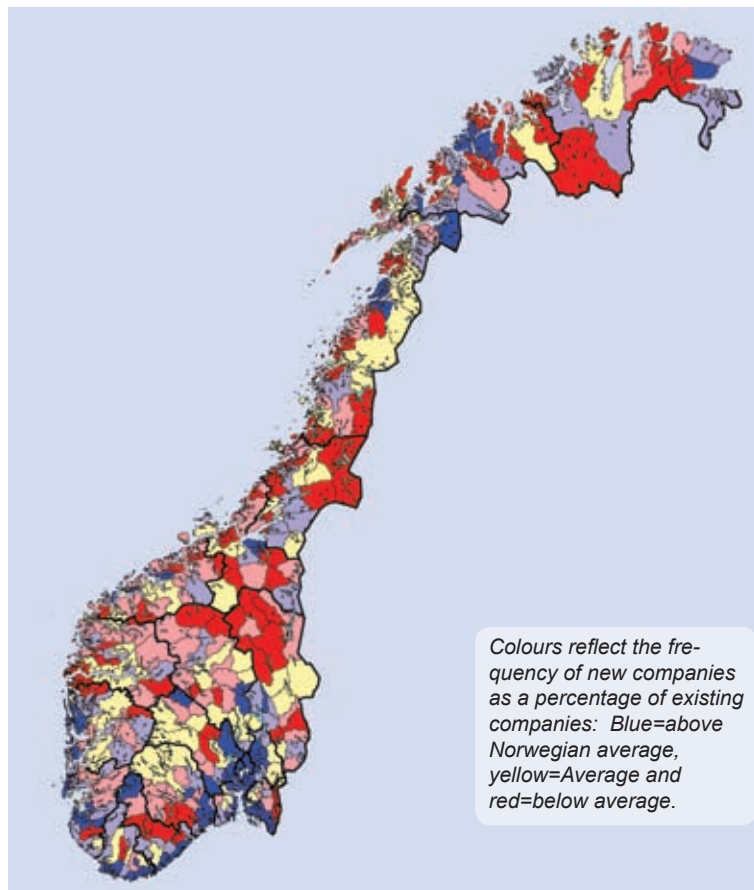
decline in employment. The business sector will also have fewer new and innovative companies, and will thus as a matter of course be less competitive.

The map above shows the geographical pattern of entrepreneurial activity in Norway. The areas near Oslo, which can be classified as metropolitan areas have a higher percentage of new companies. Many municipalities in the BTV-region are average or below average. This map provides visual proof of the need to stimulate new business creation across the region.

### 3. The process

In order to stimulate new business creation, we have introduced two means: *Entrepreneurial centres* have been established to assist persons who want to establish new businesses. Secondly, we have introduced *entrepreneurship as a topic* in schools and colleges to train students in entrepreneurship. The new business creation programme has been rather complicated to organise and finance. There are many institutions involved, the main actors are as follows:

- The municipalities
- The county councils
- *Innovation Norway* (a governmental business development agency)
- *Aetat* (a governmental employment agency)
- Local business development companies (usually partly or fully owned by one or more municipalities)
- NHO (Confederation of Norwegian Enterprises)



**Figure 8:** Frequency of new companies as a share of existing companies in Norwegian municipalities

Before 1999 there were several local projects and programmes run by one or other of the above-mentioned actors. There was however no co-ordination and no monitoring systems existed. In Telemark those actors came together and formed a partnership to run a coordinated programme for the whole county. Thus, a long-term plan and budget could be realised for the first time. From 1999-2002 the programme only included the entrepreneurial centres. The programme was funded by the county council, *Innovation Norway*, *Aetat* and the 18 municipalities in Telemark.



The five entrepreneurial centres had different organisational models. Some were run by the local business development companies. These were, in some cases, owned by the municipalities, and in others, by local businesses.

One of the entrepreneurial centres is privately owned. This did not however cause any significant complications.

From 2002-2005 entrepreneurship in schools was included in the programme, and the Confederation of Norwegian Enterprises (NHO Telemark) was assigned as project leader. From 2005 Telemark county council decided to separate the entrepreneurial centres and entrepreneurship in schools. Project leadership was handed over to *Innovation Norway's* regional office in Telemark. *Innovation Norway* wanted to introduce a change in strategy. The entrepreneurial centres previously provided assistance to any person who wanted to start a new business, regardless of the type of business. A majority of the entrepreneurs were starting up small businesses, often with only one employee, or less. Many of these businesses were in the service sector, or in the small tradesmen sector. *Innovation Norway* however wanted to change focus, giving priority to entrepreneurs who have business ideas with growth potential. This will typically be more innovative businesses.

At the same time, the three counties, Telemark, Vestfold and Buskerud were deepening their integration. The new BTV-region was given responsibility for infrastructure and business development. In 2006, activity relating to entrepreneurship in schools was integrated across the three counties in the BTV-region. The activities related to free counselling to entrepreneurs as yet continue to remain unintegrated, instead running independently in each of the counties. In this document the entrepreneurial centres in Telemark are further described. Vestfold and Buskerud have similar arrangements, but with slightly different models concerning funding, organisation and methodology. A co-ordination of the service to entrepreneurs is anticipated, but as yet, no definitive decisions have been taken.

The entrepreneurial centres and entrepreneurship in schools programmes provide two complementary means to stimulate new business creation. Entrepreneurship in schools aims to educate, providing realistic experience in entrepreneurship, and thereby increasing the number of future entrepreneurs. This will be a long-term measure that will increase the number of people wanting to establish new businesses in the future. The entrepreneurial centres are a short-term measure aiming to increase the success rate of people wanting to establish new business.

### 3.1 The Telemark model – entrepreneurial centres

*Telemark County Council* initiated a review of the system for enhancing new business creation in 1998. This review led to a new programme starting in 1999. The overall aim of this project was to increase the entrepreneurial activity rate in Telemark. The goal was to achieve an entrepreneurial activity rate among the highest of the 19 counties in Norway.

The means to achieve this goal was to establish five entrepreneurial centres in the county. These centres provide free counselling to persons who want to establish new businesses. The centres also provide limited financial support for external counselling, free or subsidised offices, and short-term courses in relevant subjects like financing, marketing, accountancy etc.

At the same time, a monitoring and evaluation system was also set up. This system measures customer satisfaction, new business creation among the users of the entrepreneurial centres, and business creation in Telemark. This system has functioned continuously from the programme's start-up in 1999 until now. The five entrepreneurial centres in Telemark each have 8-10 employees, and a total budget of about 6 million NOK (0.8 mill €).

### 3.2 Introducing entrepreneurship in schools

The entrepreneurial centres support people who want to establish new businesses. The idea is to increase the opportunity for such people to successfully establish new companies. Entrepreneurship in schools is a parallel project with a different approach, but with the same aim: To increase new business creation. The entrepreneurship in schools programme has been introduced to a number of primary and secondary schools to educate the pupils on entrepreneurship. Overall ambition is to promote entrepreneurial attitudes and skills from kindergarden to university level.

One of the tools in this programme is the "student company". The students form groups to establish and run a company for a limited period. The companies are registered and run as a real company, with real money. The philosophy is that young people who have had realistic experience of establishing and running a company will be more likely to become entrepreneurs later in life. Different research results confirm this tendency, and have found a significantly higher entrepreneurial activity rate among persons who have been involved in student companies while studying. This model has recently also

4. Achievements and results

4.1 Entrepreneurial centres

The five entrepreneurial centres in Telemark have been monitored closely since 1998. In the last three years between 800 and 900 persons have received counselling in relation to setting up a new business.

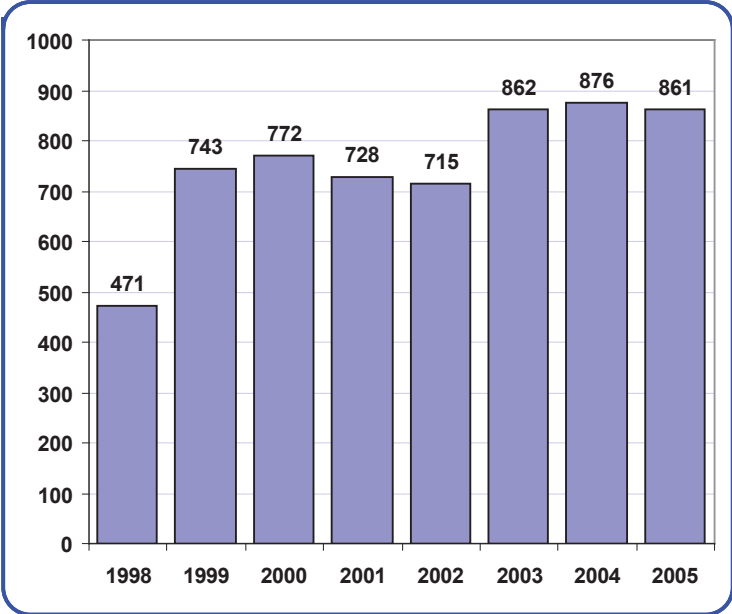


Figure 9: Number of persons receiving counselling from entrepreneurial centres in Telemark

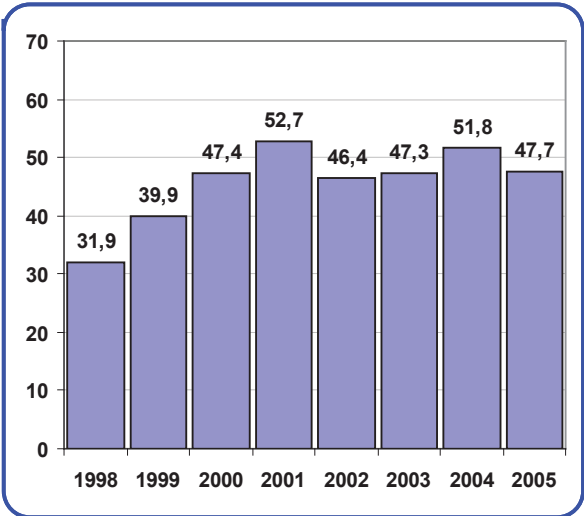


Figure 10: Percentage of the users who report to have established a new business the year after receiving counselling, Telemark

In the monitoring process, every user is asked if they have established a new business. About 50 percent of those receiving counselling from the entrepreneurial centres report that they have established a new business the year after receiving counselling. This suggests that the entrepreneurial centres have contributed to between 400 and 500 new businesses yearly. It is, however, difficult to measure the actual extent of the contribution from the centres. The entrepreneurs are also asked how important they considered the contribution from the centres to be.

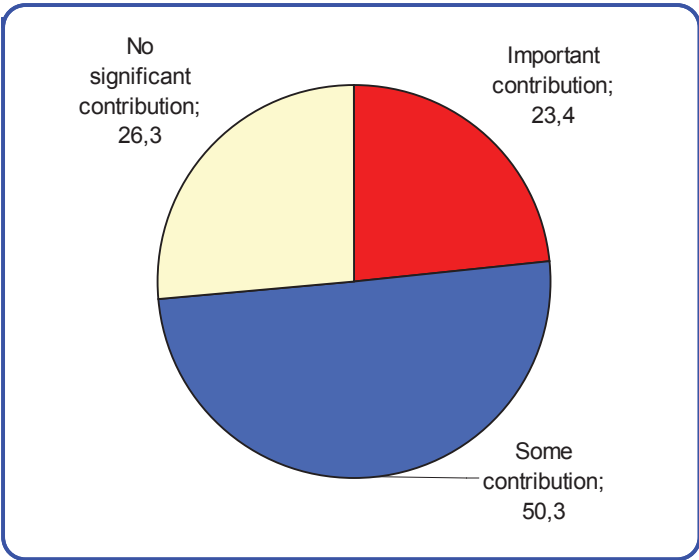


Figure11: Percentage of entrepreneurs' responses to the question, how important is the counselling and assistance given by the entrepreneurial centres? (2005)

About one in four entrepreneurs receiving assistance from the entrepreneurial centres believes that the assistance they received was an important factor in their subsequent business decision-making. This accounts for about 100 new establishments yearly. About half of the entrepreneurs, or 200, report that the assistance from the centres contributed to some extent. The total number of new business 'start-ups' in Telemark is estimated to be between 1000 and1200. This means that a significant proportion of these new businesses in Telemark have received valuable assistance from the entrepreneurial centres.

4.2 Entrepreneurship in schools

The first secondary school in Telemark to introduce entrepreneurship training started ten years ago. Gradually the numbers of schools providing this service has increased. By 2005 thirteen secondary schools in Telemark had adopted this model.

Year	Number of schools	Percentage of students
1995/96	1	2,3
1996/97	1	2,3
1997/98	6	5,3
1998/99	7	10
1999/00	9	10,1
2000/01	8	11,9
2001/02	12	14,2
2002/03	12	12,2
2003/04	12	14,2
2004/05	13	24,5

**Table 5:** Number of secondary schools and share of students in students companies in Telemark 1995-2005

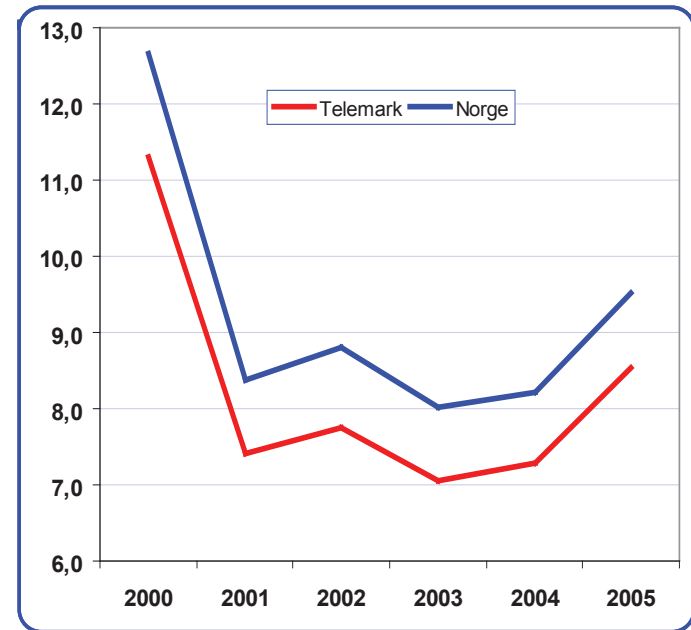
Last year, some 24.5 percent, or about one in four students, in the secondary schools in Telemark were involved in running a “student company”. In recent years, this model has also been introduced to primary schools and colleges in Telemark. A research report released in 2002 shows that 20% of the students that had experienced such programmes had subsequently gone on to start business of their own. The normal rate in Norway is about 4%.

This increase in entrepreneurial activity will only be visible in the long run, as the new generation of students grow up. Most entrepreneurs are between 25 and 45 years of age. Since the age of the average age of the students currently involved in the programme is 16-18 years, it will take about ten years before they reach the age where they are likely to be entrepreneurs.

## 5. Overall effects of the programme

As noted previously, the entrepreneurial centres have provided support to a significant number of people, with more than half of those people subsequently going on to establish new businesses. Has this brought about a significant rise in the entrepreneurial activity rate, when measured statistically?

As shown in Figure 12, the percentage of new companies in Telemark has remained below the national average over the period of the last six years. Viewed statistically, there is then hardly any improvement,



**Figure 12:** Percentage of new companies in Telemark and Norway 2000-2005

despite the activity in the entrepreneurial centres. There are, potentially, a number of different explanations for this otherwise unexpected and disappointing development: Telemark has not seen any population growth during this period, while the nation as a whole has enjoyed population growth of 0.6 percent yearly throughout the period in question. Regions with population growth have both a growing number of potential entrepreneurs, and a growing market for local products and services. Telemark has a business structure different from the metropolitan areas. There are fewer companies in the service sector and more companies in the manufacturing sector. The service sector is growing, and many new companies are based in this sector. The business structure favours the metropolitan areas.

Another explanation may be that the other regions also have introduced means to stimulate new business creation. A region will therefore only ‘improve’ its new business creation relative to the national average if the means are more effective than those employed in other regions.

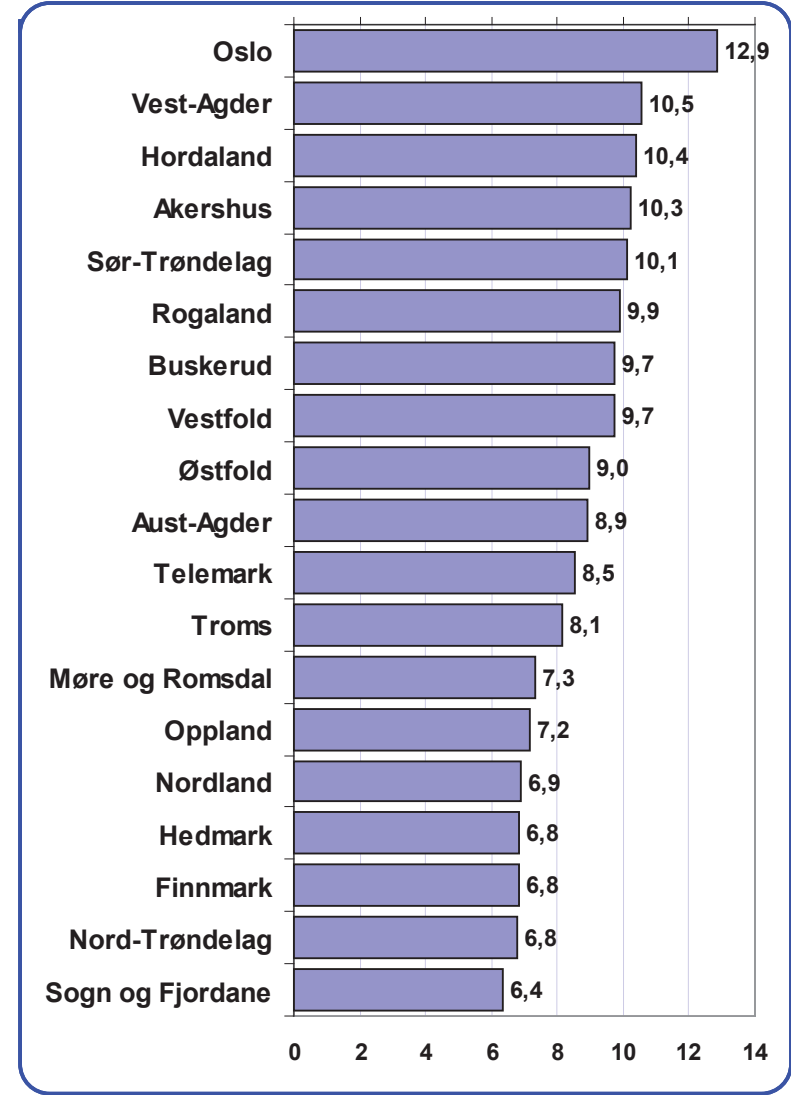


Figure 13: The percentage of new companies in the 19 counties in Norway.

The diagram above shows the geographical differences in Norway. Oslo, which is the only really metropolitan area, has more than twice the frequency of newly established businesses, compared to the county with the lowest frequency.

### 6. What will happen next?

The need to stimulate new business creation in the BTV-region will not diminish in the near future. Our experience thus far is that it is difficult to successfully improve the entrepreneurial activity rate in a region to an extent such that it can be measured statistically in a significant manner.

The main challenges are:

#### New administrative structures

The three counties in the BTV-region will probably want to better integrate their efforts to stimulate new business creation. This will entail an increase in their organisational complexity, which is already a problem in each of the counties. A successful integration process must cover the issues of decision making, what to do, the distribution of roles, and funding. The BTV-region has 53 municipalities, with a great variety in sizes, business structure etc. How can we successfully and effectively co-ordinate 53 municipalities, three counties, and the many business development agencies and companies in the region?

#### Choosing the right measures

Thus far, effort has been channelled into two different approaches: Introducing entrepreneurship in schools, and the establishment of entrepreneurial centres to assist prospective entrepreneurs. Are these the most effective measures available? Or would perhaps other approaches be more effective? Hopefully there are other regions having similar experiences from which we can learn.

#### Knowledge about new business creation

There is clearly a need for more knowledge about the role of new business creation in the economy. How do we measure and compare entrepreneurial activity? How do we evaluate the means we apply? We have garnered a substantial amount of experience from our seven years of monitoring the situation in Telemark, significantly however a number of unanswered, and important, questions remain.







# Attracting Foreign Investments



Western Pomerania (PL)





*A man's homeland is wherever he prospers.*  
(Aristophanes (450 BC - 388 BC) Greek  
Athenian comic dramatist)

## PERIPHERAL CENTRE OF EUROPE

Over the centuries, Westpomerania has been seen as a junction point on the international trade routes linking northern and southern as well as western and eastern Europe. Since the Middle Ages, this land had been well known as one of the greatest mercantile centres of "The Old World". The turn of the 20th century was however the golden age for Westpomerania. Capital flowed in from across Europe to the Odra River valley. After World War II, newcomers from other Polish regions took on the task of the reconstruction of the region's infrastructure, which had suffered significant war damage. It was, and remains to this day, a partnership between numerous societies and individuals to reconstruct and further develop the potential of the region.



Figure 14: Location of Westpomerania

## Western Pomerania [PL]: Attracting Foreign Investments

Westpomerania's biggest single advantage is its unique location, as it is the only province in the country that has borders with both the Baltic Sea and Germany.

The region enjoys a well-developed transport system, including roads, railways, maritime, river and air transport. Westpomerania's strong suit in this respect is its convenient road layout for transit transport.

The transportation system of Westpomerania consists of:

### International roads:

- E65 – Świnoujście (connecting Scandinavia with the rest of Europe) – Westpomerania – Prague – the South of Europe;
- E-28 – Berlin – Westpomerania – Gdańsk – St Petersburg;

### Railway main lines:

- E59 – port re-loading terminals – to Berlin, Vienna and Sofia;
- 16 TEN – Berlin/Hamburg – Westpomerania – Gdańsk – Kaliningrad – St Petersburg;

### Sea-ports:

Szczecin-Świnoujście port complex – sea-worthy goods terminals for mass goods and parcels (container terminals) re-loading, and passenger terminals servicing regular connections with the Scandinavian countries. Additionally there are 11 local Baltic ports and 13 fishing harbours in the region.

### Inland canals:

The region has a well developed infrastructure for transporting goods by barge, and convenient connections via the Odra River and the Odra-Havela and Odra-Szprewa canals, which connect to the river systems of Western Europe;

**The International Airport in Goleniów** serves regular domestic connections (Warsaw) as well as international connections (London).

Westpomerania has traditionally taken advantage of its sea coast, the navigable Odra River, and its fertile hinterlands, including rich forests. Its location at the connecting point between Scandinavia and the South of Europe on the one hand, and the Eastern and Western parts of the continent on the other, makes the region very attractive. For many centuries ship owners, merchants, bankers, tradesmen and industrial entrepreneurs have benefited from the competitive advantages bestowed by the Region.

Nowadays, Westpomerania boasts:

- one of the biggest sea-ports on the Baltic Sea, with huge investment potential, and with many areas still to be developed,
- access to a river system that connects to the river systems of the whole of Europe,

## Western Pomerania (PL): Attracting Foreign Investments

- convenient road connections with the Western European highway system,
- well developed railway infrastructure and ferry terminals (to Ystad and to Copenhagen).

Today, after EU accession, Westpomerania has become a transit centre for the economies of Mecklenburg, Brandenburg, the city of Berlin, the Wielkopolska region, Silesia and the Czech Republic. Westpomerania is destined also to become a huge investment area, in light of its transportation potential and extremely convenient location. Significant funding is currently being invested in the region by the European Union through the various support programmes, and will be allocated mainly to modernising the region's infrastructure, as well as targeting new technology development and business support systems.

The biggest investment in the history of Pomerania, namely, the construction of the transport inter-modal corridor connecting the Baltic Sea with the Adriatic Sea coast, includes The creation of a highway connecting the Baltic Sea with the Adriatic Sea, the creation of modern port and road terminals, the regulation and deepening of the Odra River, and the modernization of the existing railway infrastructure.

## Foreign investments – INTRODUCTION

The 1990s was a time of dramatic change in the former socialist economies of Central and Eastern Europe. During the early 1990s, economic dislocation resulted in a considerable decline in production capacity in almost all branches and sectors of the economy. An unstable financial environment, high inflation, the poor condition of the state enterprises inherited by the new governments, limited managerial experience, and a general lack of credit all had a very negative impact on economic activity in the Region.

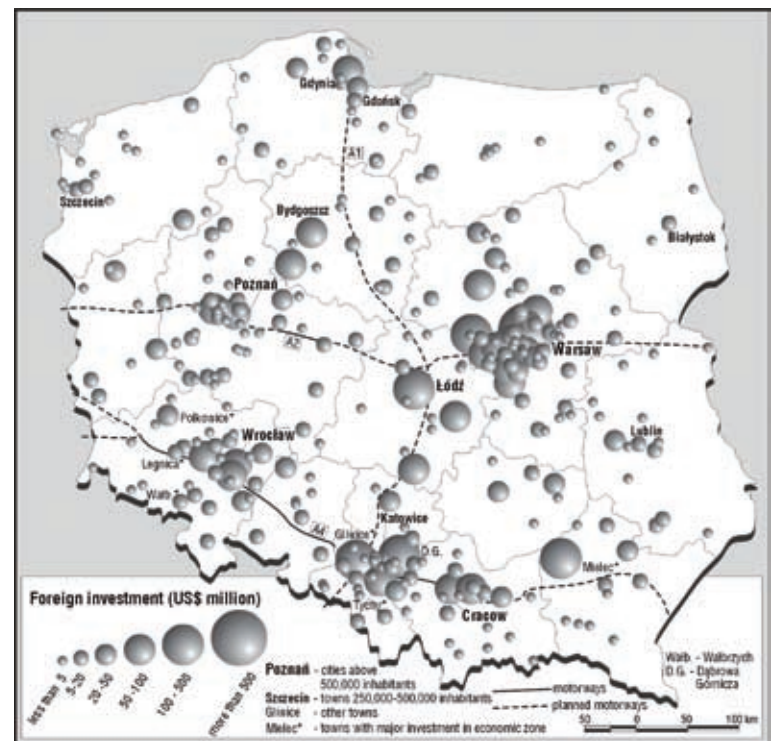
Enterprises that had functioned for decades in the socialist sellers' market of soft budget constraints and a lack of autonomy for firms had to learn, after 1989, how to sell their products, while at the same time facing unprecedented competition from the flood of imported goods at home while also losing their traditional (CMEA – Council for Mutual Economic Aid) markets. During the soviet-era the Westpomeranian economy was based on a limited number of sectors and particularly the shipping industry, deep sea fisheries, chemistry and construction were fully dependent on the Soviet market. Some 51% of all exports were directed to the Soviet Union, with a further 25% delivered to other socialist countries. Additionally, the agriculture industry, another key sector, based on state-owned farms, promptly collapsed, severely impacting numerous areas in the Westpomeranian country

side, spreading social depression and poverty. The macroeconomic situation was characterised by hyperinflation (586 percent in 1990!) and significant levels of foreign indebtedness.

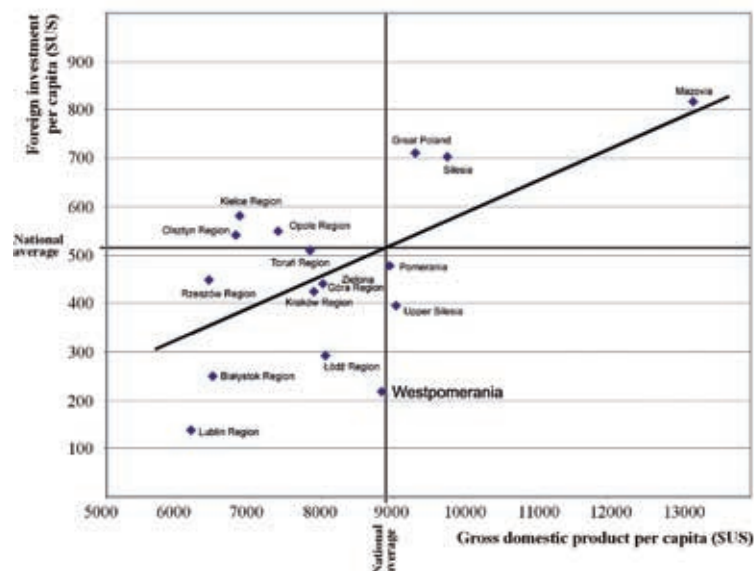
Economic restructuring saw traditional industries experience severe difficulties, and an economic downturn occurred as they were forced to adapt to the new market realities.

As far as foreign investment is concerned (while the need for such investments simply amplify the historic shortage of domestic capital) they remain the basis for a modern, though still infant, economy based on private capital, where private ownership is clearly defined as well as being able to effectively retain control of ways of the means of production to stimulate better profit-oriented results.

The influx of foreign capital plays a key role in the processes of privatization and restructuring. Most desirable in this respect, because of the long-term character and positive impact on whole economy of the Region, is the inflow of foreign direct investment.



**Figure 15:** Greenfield FDI distribution in Poland by locality in 2003. Source: B. Domański "Industrial change and FDI in Postsocialist economy. The case of Poland"



**Figure 16:** Foreign Direct Investment (FDI) in Polish industry and GDP by Polish regions in 2003. Source: B. Domański "Industrial change and FDI in Postsocialist economy. The case of Poland"

## The spatial distribution of foreign capital: Regional growth in Poland and Westpomerania

*"A country too far for east and too far for west"*  
(Sławomir Mrożek – "Contract" 1986)

Over the period 1989-2003, half of the total foreign manufacturing capital invested in Poland has been directed to three Polish regions (of the 16 in total), namely, Mazovia, Silesia and Great Poland. – see figure 15. Industrialized southern Poland embraces one-third of the investment, and the central regions about 40%. Little capital has found its way north (Westpomerania), or to the so-called "east wall" (regions located along the eastern border of Poland).

The analysis based on regions however masks the salient fact that foreign capital tends to be heavily concentrated in major metropolitan areas. This reflects substantial investment in both main cities and their surroundings, particularly in respect of Greenfield Investment. One-third of Greenfield Investments have been located in the 11 largest cities in Poland, and nearly half in small urban and rural places situated up to 60 km from these cities, whereas non-metropolitan areas attracted less than one-fifth of the total capital available. The trend towards the location of new factories within the metropolitan zone (see figure 14) is most evident in the vicinity of Warsaw, Poznań (in the centre of the country) and the south western cities (Wrocław, Katowice and their surroundings), and to a lesser extent in Białystok,

## Western Pomerania [PL]: Attracting Foreign Investments

Lublin (in eastern Poland) and Szczecin (Westpomerania). Thus, foreign capital is a constituent element of the process of the spatial dispersal of industrial activity at the intra-regional scale. There is a contrast between capital intensive investment in metropolitan areas and labour-intensive activity in non-metropolitan areas. The average investment value per employee of new plants is nearly € 60,000 in metropolitan areas and € 23,000 in non-metropolitan ones.

The comparison of FDI and GDP per capita demonstrates that foreign investors reinforce the strongest, developed regions (see figure 15)

As far as Westpomerania is concerned, it saw one of the smallest amounts of foreign capital reaching a "peripheral region" with its continuing high share of areas dependent on the formerly state-owned agriculture industry. During the period in question only 4 % of the total amount of capital invested in Poland was placed in Westpomerania. As for FDI, the spatial dispersal situation in Westpomerania is basically similar to that of Poland as a whole, with some 75% of foreign investment projects being placed within 40 km of the two biggest cities of the Region, namely Szczecin and Koszalin.

## Making Westpomerania more attractive to foreign investors

*"Aerodynamically a bumblebee should not be able to fly. But the bumblebee is not aware of that, so it goes on flying anyway"*  
(Mary Kay Ash- American writer and businesswoman)

Foreign Direct Investment (FDI) has a role to play, particularly in terms of local economies' establishing links with the world economy. Not only can FDI bring capital, technology, know-how, jobs and exports, but it also induces further domestic investment. The competition to attract FDI among countries and regions is becoming increasingly intense. In theory, foreign investment flows often target the most dynamic regions of the world, notably highly urbanised areas. As such, only a small portion of this flow is directed towards peripheral areas like Westpomerania. Investment in outlying regions is generally aimed at establishing production subsidiaries designed to take advantage of low labour cost, while investments with relatively higher potential and applying more advanced technology are primarily located in urbanized regions. Polish economic development is characterized by wide geographic disparities between the regions. The easternmost regions (i.e. the so-called "east wall") and northern regions, such as Westpomerania, were thus often seen as "underdeveloped" while the central and southern parts of Poland are urbanized and seen as industrial centres.

As a result of the substantial changes to the national investment environment, and in light of Poland's accession to the European Union



## Western Pomerania (PL): Attracting Foreign Investments

however, regions like Westpomerania have been given access to a number of new opportunities while at the same time facing stiff new challenges.

The ultimate question then is who should participate in creating the business development support system for the Region? Moreover, how should this be undertaken or achieved? The answer is that all participants, including authorities at different levels, governmental and non-governmental organisations, and the companies themselves should participate. Such a transparent system, based on partnership, can benefit all parties on the national, regional and local levels. There is only one answer to the question whether it is possible or not: it is necessary!

With a view to readdressing the questions of regional imbalance and the need to attract greater investment flows, the Westpomeranian government and the various concerned authorities have taken a series of measures to help improve the investment environment.

In addition, it is expected that a less-favoured region such as Westpomerania should be able to benefit from larger FDI inflows by participating in various actions together with other FDI-oriented actors (e.g. the Polish Information and Foreign Investment Agency, the Chambers of Commerce, the commercial sections of foreign embassies, twin regions and existing foreign investors) thus halting and eventually reversing the current regrettable process of the widening imbalance between Westpomerania and Poland's main urbanised regions. It was obvious, that a number of follow-up actions should however be undertaken:

- Analyse and the remove administrative barriers, improve transparency and promote coherence between policies on the national, regional and local level;
- Establish a networking system between different FDI- related actors (science, business, policy makers, financial institutions, business support organisations, labour offices);
- Promote stronger linkages between the local and regional economy and FDI providers. Encourage investments that build on local resources based around Westpomerania's small and medium-sized enterprises (SMEs), particularly by improving support for the development of the SMEs sector.
- Create an effective investment promotion agency on the regional level that is intimately connected with the following partners: the Polish Information and Foreign Investment Agency, local counties, cities and communities.

All of the above actions were included in the regional strategy of the "Entrepreneurship Development Programme", which was viewed as one of the most strategic documents in Westpomerania. The document itself has regional act status (local law), and was initiated in 2001, and accepted by the Regional Parliament in 2002, subsequently being implemented by the Regional authorities. This programme then became the basis for the realisation of further approaches to using EU funds dedicated to the improvement of the regional economy.

It was not necessary to wait long for the results: Westpomerania promptly started to advance its position as being among the most favourable FDI destinations. Depending on the specific criteria used, various institutions ranked Westpomerania as number 4-6 among the 16 Polish regions.



### Investors Assistance Centre

- **ESTABLISHED IN JANUARY 2005;**
- **DEPARTMENT WITHIN MARSHAL OFFICE (directly reporting to Marshal of Region)**
- **REGIONAL PARTNER FOR POLISH INFORMATION & FOREIGN INVESTMENT AGENCY (PAIiZ – governmental institution on national level in charge of FDI assistance)**
- **TASKS**
  - Liason between investor and investment-process related institutions;;
  - One-Stop-Shop (comprehensive advisory) for investors:
    - law and legal conditions concerning new investment process;
    - offered incentives (financed from EU subsidies, national, regional and local programs supporting new investment processes);
    - investment offers (lands, buildings, mergers and acquisitions);
    - local costs and indices;

Figure 17: Investors Assistance Centre - Westpomerania

With the policy launch the impact was almost immediately effective. After a year of activity, the Investors Assistance Centre (IAC), established in January 2005 as a part of the Marshall Office in the regional authority, € 87 million of foreign capital has been deposited to the regional economy through mergers, takeovers, and brownfield and greenfield investment projects alone in 2005.

In February 2006, the Polish Information and Foreign Investment Agency announced its surveys in which Westpomerania was ranked as the best Polish location for foreign small and medium investment projects. The region's position becomes clearer when looking at core indicators. Of the 35 projects assisted by the Centre, 9 investors de

cided to set up their investments delivering significant capital, modern technology and organizational solutions. It is, moreover, also worth noting that two foreign investors decided to take over existing factories, namely, a meat processing company in Koszalin, and paper factory in Szczecin, undoubtedly rescuing them from collapse and closure. These investors declared that their aim was to create more than three thousand new workplaces (see Figure 17)



### Investors Assistance Centre

#### FDI projects in 2005

- Value of investments - € 87,2 M;
- 3080 newly created work places;
- 35 projects assisted by the Centre – 9 decisions „yes“

#### FDI projects in 2006 - forecast

- Value of investments – will exceed € 400 M;
- 7-10 thousands newly created work places;

**Figure 18:** Investors Assistance Centre activity in 2005 and 2006 (forecast)

## Transnational Corporations

No special, preferential conditions or any extra privileges are offered or are available to investors in Westpomerania as compared to other Polish regions. Investment incentive structures are thus the same all over the country (and similar to those in the Czech Republic, Slovakia and Hungary). Other key factors in the investment decision-making process are also similar or even the same, namely, labour costs, land and property prices, available infrastructure, existing suppliers or key regulatory frameworks.

Despite the growing volume of foreign investment inflows to Westpomerania since 2004, no Transnational Corporations (TNCs) chose to locate in Westpomerania. There is much evidence however that TNC projects located to a region reinforce its economy and potentials for development. The main reasons for the TNC absence in Westpomerania were thought to include the following:

- The peripheral location of Westpomerania: The distance between the region's peripheral location and centrally located institutions exacerbated the broad variety of obstacles occur

## Western Pomerania [PL]: Attracting Foreign Investments

ring during investment process. Those on the periphery cannot assume that representatives of centrally located institutions will “follow” the local interest – even though a particular issue may have a fundamental influence on regional development.

- Lack of experience in dealing with TNC projects;
- Poor networking system between local and regional actors involved in TNC project assistance (too many small things depend on too many separate persons);
- No appropriate investment offer (existing industrial zones or economic activity parks focused on offering 2-5 ha plots – far smaller than expected);
- TNCs often target the most dynamic regions. Westpomerania was not initially considered to be a member of such a group.

## Bridgestone Corporation – the biggest investment ever in the Region

### Bridgestone – why Westpomerania?

The first stage of every TNC project in Poland starts with the Polish Information and Foreign Investment Agency (PALiIZ) – a governmental institution responsible for attracting foreign investors to Poland. The Investors Assistance Centre successfully co-operated with PALiIZ as its regional partner. Representatives of PALiIZ were the first to be convinced that regions such as Westpomerania were worthy of investment by MNC's like Bridgestone. It was obvious that the success of numerous small and medium-sized foreign investment businesses in Westpomerania would, sooner or later, see a significant investor locate its business activity in the region. Despite the issue of geographical location, which was of great significance in Bridgestone's decision-making process, there were a large number of other factors making Westpomerania attractive as a location for tyre manufacturing activity. In general, a good offer had to be professionally prepared long before the Bridgestone was aware of it. Such an offer had indeed been prepared, patiently awaiting the chance for deployment.

Such a chance occurred in February 2006. Representatives of the far-east section of PALiIZ informed the region that the Westpomeranian investment offer had been shown to “a significant Japanese investor”, and that a visit from its representatives could be expected “very soon”. A week or so later the Project Manager of Bridgestone Corporation arrived in Westpomerania to investigate the possibility of setting up a factory on the site of a former soviet military airbase in Stargard Szczecinski (30 km from Szczecin – see Figure 19).



**Figure 19:** Former Soviet military airbase in Stargard - a land offered for Bridgestone

It is also worth noting that Stargard's offer was one of seven other potential Polish locations highlighted by PAIIZ, some of which were located in more industrialised and more traditionally FDI -oriented regions.

Despite its peripheral location, the investment offer from Westpomerania contained the following high-quality aspects, which proved to be a good environment for business:

- The Technical University in Szczecin in combination with other Universities in the Region produce 20,000 highly qualified graduates every year;
- The existence of an International school and the provision for English speaking medical services promoted Westpomerania as a good place for Japanese families to live;
- The transportation infrastructure in Westpomerania is comparably better than elsewhere;
- Business Support Institutions oriented for FDI were fully prepared to receive the Bridgestone investment project;
- The flexibility of the decision making process by different project- related authorities in the Region was apparent.



### Investors Assistance Centre

#### Bridgestone Corp. – newest and biggest ever FDI project in Westpomerania;



- Signed Investment Agreement on July 31st 2006;
- Value – € 200 M;
- Truck and bus tyres manufacturing (5000 pcs a day);
- 759 declared new workplaces in production (estimating to be increased at least twice in manufacturing- related activities)
- Most advanced technology to be applied;
- 100 ha of land (greenfield);
- Start of production – 1st half of 2009;

**Figure 20:** Bridgestone investment project details

On the 31st July 2006 a group of Ministers, top authorities from the Regional level, Presidents and CEO's of FDI-related institutions, as well as local Mayors gathered to participate in the Investment Agreement Signing Ceremony with Bridgestone executives. The ceremony concluded the first stage of the investment process, namely, the setting up of a Bridgestone Corporation manufacturing facility in Stargard Szczecinski.

The impressive investment-related figures include:

- The value of the investment outlay is more than twice that of the Westpomeranian budget for 2006;
- The Investment Agreement (including attachments) is described in 300 pages document. There are 188 items "to be done" included in the investment agreement;
- More than 2000 e-mails and letters were exchanged between Bridgestone and the Investors Assistance Centre • representatives during investment process (during the period from the initial query until the Investment Agreement Signing Ceremony);
- More than two hundred trucks will enter and leave factory every day servicing the manufacturing process;
- The site size (facilities "under the roof") will amount to some 80 hectares;



- About 30 meetings (negotiation rounds) with corporate representatives took place in Szczecin, Stargard and Warsaw;
- The pre-feasibility study process lasted 9 months.

Bridgestone executives strongly appreciated the high level of quality cooperation with the regional and local representatives throughout the whole investment process, which enabled them to “forge” the best possible investment conditions on the basis of a ‘win-win’ philosophy. President and CEO of Bridgestone Europe Mr Takashi Urano said: “It is only with such good support in the host country that we can bring a long term investment like this one”.

### Conclusion

As FDI flows increase the gap between development levels diminishes. Westpomerania is a province where regional development is of a fundamental priority. Economic changes and reforms on the national level, accession to the EU and the stabilisation of the free-market all helped to establish an ‘investor-oriented’ policy at the regional level. Moreover the ability to co-operate with different partners, to take care of existing investors and to cooperate with new ones placed Westpomerania among the top recipients of FDI in Poland. Such efforts have allowed the region to narrow the economic gap and significantly diminish the level of disparities between Westpomerania and the more developed regions of the country. This in-flow has not however been equally shared (a large number of FDI projects are generally placed in very limited areas). Nevertheless, the regional economy has become more attractive and is now better able to cope with new challenges such as globalisation, changes in the economy and in business activity, while the aspirations of Westpomeranians to attain comparable living-standards with those of Western Europe through greater competitiveness, IT and high-tech oriented business’ requirements remain.

There is still a lot to do. However the first step is already accomplished and the future direction is clear. Westpomerania is slowly but surely heading towards the family of developed European regions boasting a strong and developed economy. Investments are thus in future more likely to become regionally embedded.

The integration of the Westpomeranian economy in the wider EU brings new opportunities as well as new threats. The endpoint is still uncertain and many questions remain open, such as the influence of external factors on local and regional economy and the role of the regions in creating a pan-regional economy. The whole of Westpomerania including the local and regional authorities, public officers, entrepreneurs, employees and employers, as well as key policy makers now have to pass the test of viability in the coming “post-transition” decade.



# Green Energy



Lolland-Falster (DK)



## Introduction

On a cold October day in 1980 the first windmill on Lolland Falster was put in to operation. Over the past 25 years this small 30 KW windmill has produced 438,280 KW of electricity and is still going strong. Since then much has happened on Lolland Falster. The region is home to the world's first off-shore windmill as well as the World's largest windmill farm. In fact the region now produces 20% more electricity from windmills than the entire region's own needs and 99.9% of all heating and power stations run on renewable energy sources.

Despite these rather impressive figures the impact from a regional development perspective remains rather limited. Nevertheless, the current international focus on global warming and rising oil prices has opened up a number of new growth potentials. Lolland Falster, a semi-peripheral region in Denmark sees an opportunity to strengthen its economy by focusing more resources on developing a strong sector for renewable energy. The region has already attracted test facilities for many renewable energy technologies such as wind, hydrogen and wave energy, as well as developing expertise in waste to energy processing. A locally initiated strategy was put in place to help the region create and optimize economic 'spin offs' from these activities and to attract new businesses, create new jobs, and strengthen research and educational activities. Waiting for national initiatives is not enough if a region such as Lolland Falster, without universities or large clusters of industries, wants to compete in this competitive market environment.

This article is the story of the processes involved in writing a strategy that seeks to provide a public framework for encouraging economic growth and a new image for the region based on local initiatives rather than nationally based growth strategies.

Firstly, the article elaborates on the background for choosing renewable energy as one of the main focal points for Lolland Falster. Energy production in particular from the region's more than 500 windmills, is already a very visible trait of Lolland Falster, but a number of other factors indicate that Lolland Falster might benefit from developing a local strategy on sustainable energy.

Secondly, the reasons for the strategy itself are presented. Even though the region is home to many test projects and renewable energy producers, there is little coordination between the different projects and there is no strategy for how to harvest better economic benefits from all of these different projects.

Thirdly, the process of writing the strategy will be told in an attempt to provide an insight into the challenges faced by the strategy develop-

pers who had to operate in a politically uncertain environment where a municipal merger was the defining element if the local political situation.

Finally, there will be a short presentation of the outcome of the strategy-making process as well as a brief look into the future.

## Overview of Lolland Falster

Lolland Falster refers to a geographical region located in the South-Eastern part of Denmark. The region consists of two large islands, Lolland and Falster as well as numerous smaller islands. Lolland Falster covers 1797 km<sup>2</sup> and has a population of approximately 115 000.

## Administrative Structure

Administratively, Lolland Falster is divided into 13 municipalities and is part of Storstrøm County, which also covers the southern part of Zealand (Sjælland).

In 2007 the administrative structure will change as the 13 municipalities will merge into two new larger municipalities and the county will be replaced by the larger administrative unit, "Region Sjælland" which will cover the current three counties of Storstrøm, Vestsjælland, and Roskilde.

While Lolland Falster is not an administrative unit, the islands have a history of collaboration when it comes to regional development. The strategic secretariat for cooperation between the 13 municipalities was founded in 2001. The secretariat is the coordinating body for developing economic development strategies.

## Economy

Lolland Falster is only 120 km from Copenhagen, but is considered a peripheral region in Denmark. The sense of being peripheral may be more mental than anything else, but the region does battle with relatively poor infrastructure, the continuing emigration of younger well educated people and with having a higher percentage of its labour force on permanent welfare than the national average.

The three major private economic sectors are construction services, the metal industry and agriculture. This economic structure is also reflected in high levels of skilled workers within the metal industry and construction compared to the national average.

Another major private economic sector is that of tourism. Most jobs within this sector are limited to four or five months a year and are primarily unskilled. A major income source for the tourism sector is the more than 10000 summer houses and the holiday centre Lalandia.



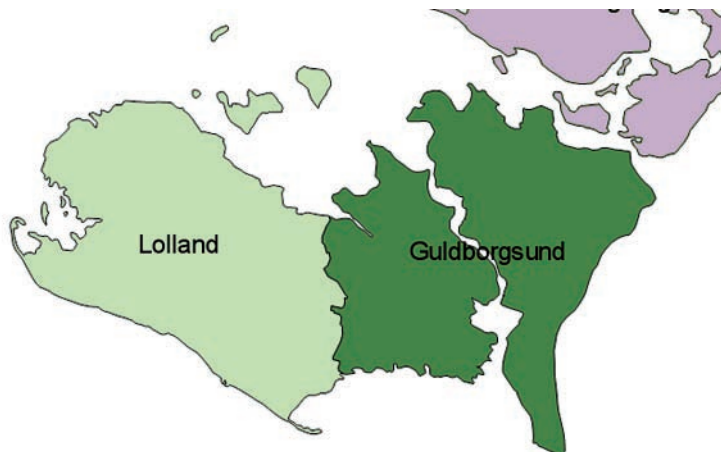
### *Thirteen Becomes Two*

In 2004 the national government agreed on a new public structure in Denmark which will come into effect on January 1, 2007. The 14 counties are to be abandoned and replaced by five larger regions. The 275 municipalities will be reduced to 98 larger municipalities. On Lolland Falster the 13 previous municipalities will be reduced to two. The municipality of Lolland will comprise the central and western part of Lolland with a total population of 50,000 while Guldborgsund will cover the eastern part of Lolland and the island of Falster. The population in Guldborgsund is approximately 64,000.

Existing municipal borders



Municipal border January 1, 2007



## **Lolland Falster and renewable energy**

Lolland Falster does not have a strong cluster within the sustainable energy sector as we speak. The number of energy related industries is not particularly high, there are no research institutions and there are only vague statistical hints of a so-called micro cluster of businesses within environment and renewable energy in the second largest town, Nakskov.

Nevertheless, Lolland Falster's strength within the future renewable energy sector is relatively high if one looks at the near future developments within renewable energy technology and the need for these technologies to be tested before commercialization.

The main strength of Lolland Falster in relation to renewable energy has primarily been its long experience in physical and spatial planning. This foresight in terms of physical planning and municipal support for innovation has helped gain the interest of some of Denmark's largest as well as most innovative companies working with renewable energy technologies.

Lolland Falster's potential within renewable energy is also linked to a number of structural factors that have shaped the region's current energy profile.

- Lolland Falster is not connected to the national natural gas pipeline, which has allowed private and public entrepreneurs to develop a broad range of alternative energy production sites.
- Surrounded by water and 'blessed' by a flat countryside, the region possesses important natural strengths in relation to wind and wave energy
- Well-established biomass production in local agriculture
- A tradition for co-operation between local municipal agencies in terms of physical and spatial planning, particularly of windmill sites.

### Nysted Havmøllepark

Nysted Havmøllepark is located south east of Lolland and is the world's largest offshore windmill farm. The windmill farm, which began operation in 2003, produces 165 Mega Watts from 72 offshore windmills. The field produces enough energy for 110,000 single-family homes and saves the environment from 60,000 tons of Carbon Dioxide per year. Another field adjacent to Nysted is currently being constructed and by the end of construction in 2010 these two fields will generate enough electricity for approximately 345,000 households. By this time, Lolland Falster will produce twice as much electricity (from windmills) than its entire electricity consumption.



This relatively strong position has been recognized in a number of studies concerning the growth potentials for Lolland Falster. Preliminary studies on growth and innovation in the new administrative unit Region Sjælland, suggests that renewable energy is one of the most promising economic sectors for Lolland Falster, but also emphasizes that the existing general potentials are as yet only *unrealized potentials*.<sup>1</sup>

### Why the strategy?

As emphasized in the previously highlighted preliminary study conducted by Oxford Research, the potentials for a strategic cluster of renewable energy activities on Lolland Falster is primarily an unrealized potential and the current status for renewable energy on Lolland Falster is not the product of a coherent or deliberate strategy on the part of the 13 municipalities. Neither is it well-known that Lolland Falster is a net energy exporter producing more renewable energy than the region's own energy needs demand, nor that this has been the product of a relatively steady and continuous process dating back to the early 1980's.

The regional benefits in terms of job growth and positive press coverage have been quite limited. A major reason for the limited impact these large-scale projects have had for Lolland Falster may relate to the fact that these major offshore windmill farms are owned by DONG Energy and cannot be considered to be particularly well embedded in the local community and/or its economy.

A common future strategy and coordinated implementation should therefore ensure that:

- Job creation within the renewable energy sector should be related to technical support services, where the existing educational level of the local population matches the best international standards?.
- Research activities and energy related education programmes are attracted
- New investments from foreign and national investors are attracted
- A more positive image of Lolland Falster as an innovative and attractive region is created.

<sup>1</sup> "Klynger i Region Sjælland – Pilotanalyse af det klyngestrategiske potentiale inden for to udvalgte erhvervsområder", Oxford Research, February 2006.  
[http://www.vfsj.dk/data/61036639/Udfordringspublikation\\_144.pdf](http://www.vfsj.dk/data/61036639/Udfordringspublikation_144.pdf)

### Rapsol

Another recent initiative was also taken by the municipalities who in the fall of 2004 encouraged local farmers to form a rape seed oil production facility by guaranteeing farmers that the municipalities would purchase certain quantities of rape seed oil from the mill in the first years of operation.

By the spring of 2005 a group of farmers had created a working group looking at the economic perspectives in such an operation and looking for partners. Negotiations with DLG, Denmark's largest feedstuff company also took place. In the spring of 2006, 40 local farmers and the feedstuff company (DLG) formed a joint venture and established the new company Rapsol I/S. Production will begin in 2007.



Another aspect of writing the strategy was the opportunity to support existing industries that at the moment are not energy focused, but see new business opportunities in energy related activities. This potential is particularly relevant in respect of energy production based on biomass. Lolland Falster is home to the country's two remaining sugar factories and sugar beet is one the major agricultural crops for farmers in the region. The uncertainty regarding EU subsidies to sugar beet farmers has motivated many farmers and DANISCO (owner of the sugar factories) to prepare for the time when the national government decides to remove green taxes on bio-ethanol. DANISCO has publicly declared that they are ready to produce bio-ethanol as soon as the taxes are removed.

Adding activities to the existing sugar plants are viewed as a viable way of maintaining jobs in the region.

Finally, with so many initiatives in the making there seems to be a limit on resources and therefore different projects have seen other projects as competitors.

The strategy now being developed is an attempt to coordinate and prioritize resources in ways that create as many synergies as possible. Intra-regional competition for funds and political attention between the different projects is a sub-optimal strategy for a region that needs economic development.

The strategy initiative was in many ways a new approach for Lolland Falster. While many strategies have been written over the years this strategy was the first attempt to write a sector specific growth strategy that did not focus on either tourism or agriculture

### The evolution of a strategy

The proposal for a common strategy was launched in February 2005 to the board of the strategic secretariat of the 13 municipalities. It was positively received but no action was initially taken. In the following months several new projects saw the light of day and by the fall of 2005 the need for a common strategy was revived. The municipality of Nakskov applied for funding from the national government and received a grant for writing a strategy and action plan.

The timing in terms of market trends was good as oil prices began to rise, but in terms of local political attention the timing was unfortunate. The process of municipal merger overshadowed anything else and the strategy makers would ultimately have to present their strategy to rather different municipal councils than those who had originally commissioned it. On the other hand, the relative uncertainty of the environment also provided new opportunities as the two new municipalities needed to redefine their economic strategies and focus.

Baltic Sea Solutions was commissioned to write the strategy and action plan. The deadline for writing the strategy was scheduled to be ready for assessment by the two new city councils in September 2006.



### Nakskov Industrial and Environmental Park

In 1989, Nakskov shipyard closed and fired the remaining 2000 employees. In a town of only 15,000 inhabitants this was a huge blow to the local economy and the town slipped into a decade of economic depression. In 1998 the city council in Nakskov decided to purchase the areas of the old shipyard, which had been left abandoned since its closure in 1989. In 1999, a master plan for Nakskov's new Industrial and Environmental Park was drafted. The municipality cleaned up the site of the old shipyard and purchased adjacent land. The 600,000 square meter industrial zone was further developed with new supply services and a maritime logistics centre. Today the area houses among other things a 90,000 m<sup>2</sup> state of the art recycling facility with park status and the Vestas wing factory as well as the municipal recycling station, sewage treatment plant, a biomass heating station and three test wind turbines. With its high environmental profile and harbor this area is well suited for industries with requirements for heavy goods logistics and high environmental safety.



### Setting up an organizational structure

To start with, it was the ambition of the commissioned consultants to establish a political steering group in addition to a technical advisory group. The steering group should have served as a temporary corporate council embedding some of the most prominent local interest groups, such as local businessmen and environmental conservation organisations etc.

In Denmark, decisions are often brought forward to political negotiation after they have been developed in similar groups representing different societal interests. However, due to the turbulence caused by the municipal mergers it was decided that bilateral interviews with major local stakeholders combined with the maintenance of close contact with the leaders of the new municipalities was likely to be a more efficient and rewarding approach, particularly in terms of generating ideas for the strategy.

A technical advisory group was set up and included representatives from the municipal planning authorities and regional development institutions. The purpose of the advisory group was to comment on the technological and public administrative constraints and opportunities.

### Interviews

The strategy is based on three major sources: personal interviews, literature reviews and statistical data. In this article only the interview process will be covered.

The strategy developers decided to conduct interviews with three major groups:

- 1 Municipal decision makers
- 2 Regional key stakeholders
- 3 Actors with experience in green energy as a development strategy

Each of these three groups was interviewed in the quest to provide the strategy developers with the key to a successful strategy.



### **Vestas Blade Factory**

Vestas Windmill Systems opened a new 22,000 m<sup>2</sup> blade factory in Nakskov in 1999. The factory has more than 500 employees. Vestas chose Nakskov as the site for their new factory based on the site's proximity to land and sea transport infrastructure, the availability of a qualified workforce and the town's high environmental profile.



### **Municipal decision makers**

The municipal decision makers were the strategy's primary target group as they are the ones that in the end have to approve the strategy and action plan.

It was particularly important to get an indication of what initiatives would be received positively by the new municipal councils.

While generally positive, many were uncertain about the focus and scope of the strategy and how it would affect other initiatives in the region. Some felt that the strategy was too comprehensive and ambitious and thus also that it concerned itself too much with the amount of organizational and financial resources the strategy would involve as both new municipalities were pressed in terms of staff and financing.

In order to ensure that the strategy be endorsed, top administrators were invited to meet and discuss how to develop a strategy that could gather broad political support.

Their message was that very tangible projects with a relatively short timeline should spearhead the rest of the strategic document. They proposed a solution in which both municipalities would get a lighthouse project each, something tangible and high profile.

It was also recommended that the strategy should include an "idea catalogue" where possible future projects were listed, presented and weighed in terms of expected outcomes i.e. prospects for new education programmes, jobs created, new businesses, energy savings, etc.

Another part of creating political support for the strategy was the on-going work with energy projects such as the Wind Power Academy, the fuel cell test centre, etc. As such, having a constant evolution of existing and new projects also helped convince decision makers that there was substance in the strategy and not only a written document. These projects also helped the strategy to evolve and become more focused on those activities where the region already has a strong position or is about to have one.

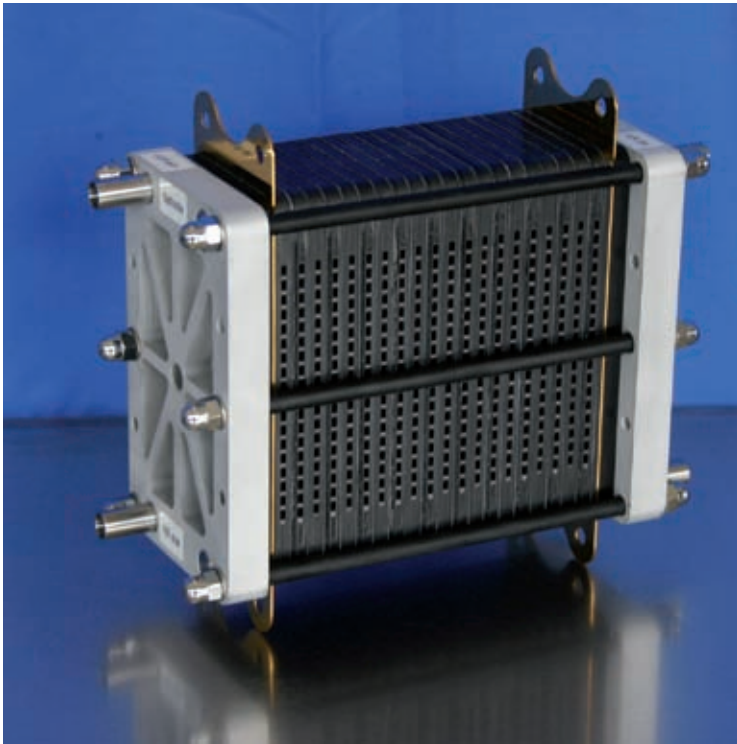
### **Wind Power Academy**

The Danish energy company, DONG who also owns the Vindeby and Nysted fields, is currently planning to test offshore windmills on a test site on the south western shore of Lolland. Initial testing of offshore windmills on land provides important cost savings as they are easily accessible and thus easier to monitor and maintain. The field consists of several smaller fields allowing 38 test windmills measuring up to 215 meters in height. This makes it the largest test area for windmills in the world. The idea is to bring not only the test windmills, but also to attract windmill manufacturers, subcontractors and research institutions to the area and build it into an important test and research facility for next generation of windmill technology development.



## Hydrogen Community

Since the early 1990's Nakskov has focused on economic development efforts designed to attract companies that fit the profile of environmental friendly technology. The latest example is the establishment of a full-scale combined heat and power Hydrogen Fuel Cell testing facility in collaboration with IRD Fuel Cells, one of Denmark's leading companies within the Fuel Cell technology sector. The first stage of the project is already in progress and assuming testing goes well the plan is to establish a Hydrogen **Community** in a small town and convert the buildings there to energy supply based solely on hydrogen and fuel cells.



Some decision makers expressed concern that a strategy would lead focus and resources away from existing initiatives. The writers of the strategy had to take this into consideration and emphasize that the strategy itself remained important for exactly that reason. The projects need better coordination in order to create synergies rather than competition.

## Key stakeholders

An underlying objective for the writers of the strategy was to ensure that the most important key stakeholders were included in order to get their inputs as well as creating broad support for the initiative.

Three core groups of non-municipal stakeholders were identified on the regional level:

1. Regional development agencies/institutions
2. Private businesses working in renewable energy related fields
3. Motivated and interested local citizens

The key question that the writers wanted to clarify with these stakeholders was how and what municipal authorities could do to encourage innovation and growth in renewable energy.

## Loke Holding A/S

The final initiative that will be introduced is the founding of *LOKE Energy Holding A/S*. *LOKE* is owned by the municipality of Nakskov, who raised approximately 12 million Euros through their sale of stocks in the company Dong Energy. The money has been placed in *LOKE*, which in turn can provide loans/equity to projects that lead to better energy efficiency and/or reduced greenhouse gas emissions. These loans and equity are then offered to local citizens as well as public institutions and private businesses. The municipality of Nakskov is among the first municipalities in Denmark to use this type of funding opportunity.



## Regional development agencies

Many of the regional development agencies and institutions are already involved in several energy related projects, however, only limited inter-agency collaboration has taken place. Through the interviews it became clear that all agencies/institutions would like to see closer collaboration on future projects, but several problems were identified. In particular greater communication, collaboration and coordination between the different agencies was called for.

Employees from the different agencies were invited to discuss the prospects for renewable energy and how collaboration could be strengthened. Representatives from these development institutions were also invited to sit on the technical advisory group.

## Private businesses

In order to identify the needs of private businesses a number of interviews were conducted with business leaders from the relevant industries. In general, business leaders were a little sceptical in terms of municipal capacities in this context, but remained positive about the strategy more generally. Most business leaders expressed the need for municipal authorities to facilitate private business activities by providing fast and efficient services in terms of the granting of various permits. Business leaders also called for greater adherence to existing regulations especially compliance with the new national building regulations, which was seen as being particularly important.

Another area where businesses could see the municipalities playing a more significant role were in showing the way ahead was by including local energy technologies in municipal construction activities. Nevertheless the general impression of cautious optimism in respect of such municipal initiatives was dominant among many businesses. On the basis of these interviews, the impression gained was that while local business leaders were positive, the only way to gain their support was through action and that they were waiting to see whether the strategy could deliver what it promised in terms of a better business environment.

The interviews with private businesses also made it crystal clear that the consolidation of research, testing and the commercialization of renewable energy products and services to a few very large companies was necessary. Many energy companies already have activities in the region, but with the level of entry rising in renewable energy large companies require an increasing level of professionally competent municipal services able to handle large and expensive projects.

## Local citizens

Another challenge for the strategy was to find ways in which to encourage community participation in energy related activities. The motivation for this was a desire to change the image of the region and in that respect changing the local population's own perception of the region. The other objective was to spur more community based energy activities initiated by the citizens themselves. During the writing of the strategy a few events were held in order to focus attention on renewable energy and the future of Lolland Falster.

The municipality of Rudbjerg hosted the regional event of a national initiative called "Forsknings Døgn" (Science Day). The theme for the regional event was "Environment and Energy". The event took place over two days in May and several of the major energy industries were represented such as Vestas Windmill Systems and Siemens' wind power division as well as a number of regional institutions and businesses. As a part of the writing of the strategy Baltic Sea Solutions had its own booth and arranged several activities including a family energy quiz contest, a drawing contest for 7-11 year olds, a photo contest for 12-16 year olds, and finally a youth 'think tank' that came up with ideas on how Lolland Falster could become greener. Although the relevant events proved that energy is of interest to the citizens of LF, it also demonstrated that there currently are no local energy organisations to link up with. In the longer run, this poses a significant challenge because it becomes far more difficult to engage the local population without an existing organizational structure to tap into.

## Experts with experience of similar initiatives

In order to gain an impression of what key success factors there may be for such a strategy some interviews were conducted with representatives from the island of Samsø Energy Agency and the Mayor of Samsø. The island was, in 1997, appointed to establish an island community based entirely on renewable energy by 2008.

These interviews provided some insight into what the key success factors had been for them. The three most important factors (apart from an overall strategy, good coordination and progressive thinking) were identified as being:

1. Actively involve local inhabitants and businesses getting them to embrace the idea. The agency had good experience of involving local people in setting up and implementing energy projects ranging from small energy saving initiatives at home to helping establish central heating stations.
2. Successfully involve local businesses by offering training and education to workers on energy saving and new business possibilities.
3. The agency had been able to create a broad level of consciousness about the initiative nationally, but certainly also abroad. Broadcasts from the island had been aired on national television in both the USA and Japan and the island now received more than 1000 energy related business travellers a year, quite significant for an island of 4000 people, where the economic mainstay is agriculture and tourism.



## Writing the strategy

Based on the information from the interviews and the background research the developers began to work on the strategy itself. It should be noted however that this was never a process with a clear logical progression, but rather one of suggesting initiatives and subsequently obtaining an understanding of whether they were technically and/or politically feasible, and thence how to structure the strategy to create broad support from as many key stakeholders as possible. In this phase the technical advisory group and the two directors of business development in the two new municipalities were regularly consulted.

Frequent consultation with these two “support groups” was necessary as the strategy developers operated in an environment marked by political and administrative changes and uncertainty about the priorities in the two new municipalities. This also affected the focus and scope of the strategy. The fear of having a too ambitious and comprehensive strategy needed to be balanced with the need to create an action oriented document that put in place the framework for future coordination within renewable energy.

Based on the interviews with decision makers and stakeholders the strategy developers were aware that in order to “sell” this to the new municipal councils they had to:

1. Prove clearly that Lolland Falster really has a strong potential in renewable energy;
2. That there is a need for a an overall coordinated vision and strategy
3. Set clear short and long term goals
4. Provide a broad list of initiatives that could be accepted by political decision makers i.e. identify projects that could equally benefit both municipalities and did not require extensive municipal funding.

The strategy document itself is as such divided into three main parts:

1. Prove clearly that Lolland Falster really has a strong potential in renewable energy;
2. That there is a need for a an overall coordinated vision and strategy
3. A presentation of short/long term goals and an action plan for initiatives.

The foundation for the strategy is the establishment of a cross-municipal working group that should monitor the process and direct the implementation. The strategy itself identifies five “pillars” for concerted action:

- Place Marketing and PR related to energy activities.
- From fossil fuels to bio mass and bio fuel for heating purposes.
- Renewable energy related business development.
- Local embeddedness of knowledge through educational programmes and public participation.
- Programmes for Public & Private energy saving initiatives.

In the context of the space constraints provided by this publication it we will not delve into the depths of each of these proposed areas for action. Under each “pillar” the strategy aims to provide directions for how the municipality can “activate” the different stakeholders ranging from the municipality itself, to businesses and agriculture, and ultimately to the local population. The proposed actions involve various initiatives that can help motivate stakeholders by encouraging certain actions and behaviour and/or by ensuring that local authorities ease new initiatives through the regulatory maze.

The strategic document falls short of becoming very specific in terms of proposed actions as many things need to be settled within and between the two new municipalities. As such, the strategy is not as action-oriented as that which was perhaps, initially, the aim. It is however as yet too early to evaluate the feasibility of each and every initiative suggested before the new municipalities formally come into being on January 1st 2007.

In some ways it could be said that the process was, initially at least, more important than the outcome. Moreover, in writing the strategy during a period of municipal merger the authors have helped to promote renewable energy as a future growth sector in both municipalities.



## **What will the future bring?**

Whether this strategy will help foster new growth and innovative companies in Lolland Falster it is, as yet, too early to say. Sector specific economic strategies are relatively new to the municipalities and many things can go wrong. Whether the strategy will survive the first year of the new municipal structure seems likely to depend somewhat on the outcomes of the two lighthouse projects. Tangible success stories will be of significant importance in order to garner the necessary political support. The new municipalities in Denmark face many new challenges as they take over public service responsibilities from the former counties. Whether an economic strategy will survive in political daily life where the issues of social services, health and education will probably remain top of the agenda entirely depends on whether some of the high profile energy projects deliver in terms of growth, publicity and attracting investment.

On the other hand, this strategy seems to be a forerunner for the initiatives that will begin under the new municipal structure on Lolland Falster. Strategic thinking seems to be more prominent in the new municipalities if not only because local development will increasingly be based on one's ability to stay competitive on an international scale.

The upcoming implementation phase requires much learning on the part of the municipalities. In this respect the experiences gained by the other regions in this report are very useful. Addressing challenges such as embedding the strategy in the municipalities, strategic marketing, entrepreneurship and attracting capital investments are daunting but by learning from other regions with more experience in those fields they will, ultimately, be of significant importance.





# Spirit of Food



Kristianstad (SE)



## In the 'SPIRIT OF FOOD' – How to place market a municipality: a participatory approach

As society continues to change rapidly due to increasing global competition, structural change, increasing regional differences and changing demographical structures many municipalities and regions in Sweden and in the BSR face great challenges in maintaining the same level of welfare for their citizens. This is especially true for rural and peripheral regions as large cities and urban areas continue to act as demographic magnets (Hanell & Neubauer, 2005)



Map of Scania (Skåne), Sweden

One strategy in facing these challenges and to attract more business, job opportunities, tourists and residents to a region or a city is place

marketing. Kristianstad municipality has, since 2002, worked with developing its place marketing initiative *Spirit of food*.

Kristianstad is a municipality located in the southern part of Sweden in the province of Skåne. The municipality has about 75,000 inhabitants and covers an area of around 1 300 sq. kms. The city of Kristianstad itself has about 28,000 inhabitants. Skåne is administratively made up of 33 municipalities and a regional public body called "Region Skåne". The population of Skåne is 1.15 million, making up around 13% of the 9 million inhabitants of Sweden. The "region" is the result of a merger between the two county councils of Malmö and Kristianstad in 1999.

As well as being a vibrant and promising part of Sweden, the province of Skåne is at the same time a province of contrast and division. The north eastern corner provides a sharp contrast to the south western part in many ways. In the north east traditional industry, forestry (wood industry) and agriculture (food industry) dominates together with small scale businesses. In recent years however global competition has been increasingly felt in sectors like the wood flooring industry, the toy manufacturing industry, and sawmills, as well as in the engineering industry and among the suppliers to the big automobile manufacturers. This has resulted in significant job loss.

In the south west, the cities of Malmö and Lund are research and higher education centres dominated by the telecoms and pharmaceutical industries. This part of the region has been of national as well as international interest in recent years with the opening of the Öresund bridge to Copenhagen in 2000, Malmö's new landmark *Turning Torso* designed by *Santiago Calatrava* opened in 2005 and the development of the wider Öresund region as a large Danish / Swedish metropolitan area all being issues of note here.

The intra provincial differences mentioned above however leave parts of the population in the north east corner feeling peripheral and underdeveloped. Since the beginning of Region Skåne in 1999 there have been a number of citizens' appeals seeking to highlight and address the provincial imbalances, for example, concerning road conditions and capacity as well as public transport. Region Skåne is prioritising the issue of integrating the province through the continuous development of the transport infrastructure and public transport and this is pointed to as the key factor in the context of balanced development in Skåne<sup>1</sup>.

The regional clusters, (there are two), also follow this geographical

<sup>1</sup> A Dynamic Skåne – Regional Development Programme for Skåne, Region Skåne, April 2004.

division, with a life science<sup>2</sup> cluster predominantly situated around Malmö and Lund and a food cluster predominantly situated around Kristianstad. Other strength positions in the region include information technology, design, the wood industry and sustainable environmental development.

## A 20-year-old story

*"Kristianstad is growing!*

*With wide horizons and man at the centre, through creativity, progress and pulse, in beautiful natural surroundings and with a positive attitude to life.*

*Sweden's centre for sustenance, food and drink!"*

### Kristianstad's municipal vision

The idea of place promotion is not a new one. The phenomenon can be traced all the way back to Eric the Red who in the 8th century used place promotion to attract settlers to his newly found 'Green'-land (Gold & Ward, 1994).

The phenomenon is not new to Kristianstad either. Throughout the previous 20 years there have been several attempts to give Kristianstad a marketing profile, says Anders Olsson, project manager for the *Spirit of Food* project. Since 1988 the city has had 4 attempts to find a municipal profile to 'place promote' the region, these have all failed due to differences of opinion between the governing political parties and their opponents. Some of the previous attempts have been to promote the city as the 'shopping mecca' of the region, to play on the city's water profile and to promote Kristianstad as an IT-municipality.

Benny Einarsson, development manager at *Consultus* who's been involved throughout the profile process says that his experience is that municipal projects often fail because politicians take over the projects when they feel that the goals are met. And that one has to think of the municipal organisation in two different ways, one as a system where politics is an important factor and the other as a workplace / employer. In this way it is possible to understand the differences of opinion and the competition, which can be said to exist, between the politicians and the employees.

In 2002 it once again became a common opinion among politicians and the general public that Kristianstad needed a brighter and better profile. 'A profile that could bring more business, job opportunities, rumour and a good reputation to this part of the region.'

This time, however, it was decided early on that the process should be open-ended without fixed assumptions about the municipality's strengths.

Anders also notes that fairly early on some of the external stakeholders signalled that it was very important for the municipal organisation to show long term commitment. This would, given the history of the profile process, it was hoped, ensure external stakeholders who had invested in the profile process that the municipality followed through on its promises.

## A definition

Kotler et al (2002) provides the following definition for place marketing, noting also what it aims to achieve:

*Place marketing means designing a place to satisfy the needs of its target markets. It succeeds when citizens and businesses are pleased with their community, and the expectations of visitors and investors are met (Kotler et al. 2002: 183).*

*The potential target markets of place marketing are in this study defined as place customers, which are producers of goods and services, corporate headquarters and regional offices, outside investment and export markets, tourism and hospitality, and new residents. (Kotler et al. 2002).*

## The spirit of food marketing project

In Kristianstad the process began with a decision in the municipal council in 2002. The decision was fully backed by all parties in the council. The aim of the project was twofold. The first overall aim was to strengthen the municipality's attraction, this both as a place to do business (especially for those who could benefit from the dominant clusters in the region), *and* as a place to live and visit. The second overall aim was to develop the internal municipal organisation by creating a more comprehensive and consumer focused organisation. Both aims were to be achieved by conducting the process in a participatory manner aiming at creating responsibility for the process among the employees in the organisations concerned.

The expected result of the marketing process was envisaged to be increased tax revenues leading to increased possibilities for municipal service, leading thus to the increasing attractiveness of the municipality to its citizens, employees, and resident businesses. Ultimately, all of this was expected to lead to Kristianstad having an increased level of general attractiveness in terms of its appeal as an external target market.

<sup>2</sup> Life science is comprised of biotech, medical technology and pharmaceuticals.

## Kristianstad (SE): Spirit of Food

Consultants tasked with supporting the process and the project manager Anders Olsson, were acquired, and a strategy was produced by one of the consultants and subsequently adopted. The phases of this strategy were as follows:

- Initiation / start up
- Analysis
- Strategy
- Implementation
- Realization
- Evaluation

A committee was appointed to oversee the project with the work involving different stakeholders identifying the municipality's strengths starting thereafter.

### Analysis

After a number of investigations including analysis of the previous municipal profiling attempts and SWOT-analysis a series of 3 workshops were carried out. These involved internal as well as external stakeholders. Representatives from the different divisions and the political parties of the municipality took part alongside external representatives from local businesses and the local university. Approximately 800 persons were involved in the process.

After some discussion a profile that combined Kristianstad's core values was recommended centring on the emphasis of the *water* and the *sustenance, food and drink* sectors. The municipal council decided to adopt these values in October 2003 and continue the project, this time the decision was supported by all the political parties but one.

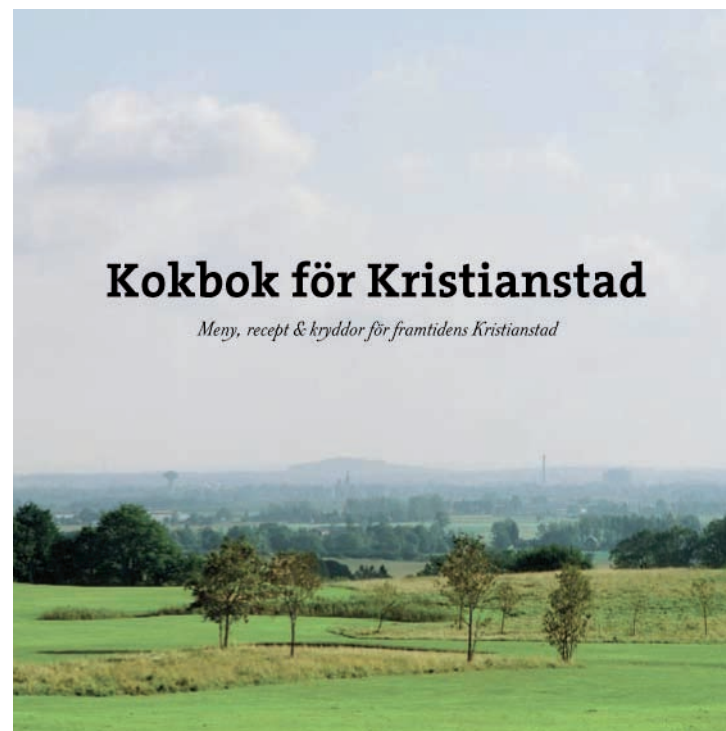
Helene Fritzon, chairman of the municipal board notes<sup>3</sup>, "I was often asked whether businesses and citizens who couldn't see any connection to the profile would be intimidated. But I am convinced that good place marketing also adds value to those who can't see a clear connection. If growth is created in a dominant and important sector [in the municipality] others will also benefit from it."

### Strategy formation

After the profile decision in the municipal council the project moved on to developing strategies and a new participatory process began with the aim of negotiating and writing a new vision for Kristianstad. A vision that both internal and external stakeholders could support. For this part of the project a "vision group" was appointed consisting of 15 persons representing the various segments within the municipality. As the work made progress a board of directors with external stakeholders from the local food industries, leading politicians and municipal executives was also appointed to further legitimize and support the project.

The result of the work, after a series of workshops were held involving a large number of both politicians, internal and external stakeholders, was an overarching strategy for Kristianstad.

### The cookbook for Kristianstad



In order to facilitate its implementation in the municipal organisation the strategy document was produced as a "cookbook", with the vision, the values and the essence of the profile combined with different food recipes from local restaurants. A text from the preface explains why:

<sup>3</sup> Arthur, G. (2006). *Maten ger näring åt Kristianstad* in Ökad turism = tillväxt och sysselsättning. Sveriges kommuner och landsting. Stockholm.

*How do you know where to go, if you don't know where you want to end up?*

*This is a dilemma faced by many municipalities and consequently many find themselves outrun by more foresighted municipalities. In Kristianstad we have decided what we want to achieve. For that reason we have made this cookbook with recipes for the future. The purpose is that all of us should be perfectly clear on where we are going and why.*

*At the basis of the cookbook are many people's thoughts and ideas. We could have called it a strategy document or a plan of operations. But as our profile sustenance, food and drink is a significant part of Kristianstad's future, we chose the term cookbook in accordance. (Cookbook for Kristianstad, version, 2005)*

## The kick off

In October 2004 the profile was launched in the municipality through a number of different events. A big 'release party' was held for specially invited politicians, organisations, the university, businesses and other important actors. Interest was so intense from the business sector in the municipality that a second event had to be arranged in order to make room for everybody.

A special issue of the municipality's information magazine was published on the profile, which was then sent out to all the 75 000 residents. A large number of companies and organisations expressed their support of the initiative in the magazine such as *Procordia Food*, *Swedish Meats*, *Kronfågel*, *The Absolute Company*, *Culinar*, *Empaco*, and *Skåne Mejerier*.

Although there were many positive expressions some doubted that the initiative would be a success. Bo Bengtsson, managing director of *Kristianstad Sparbank* (the largest bank in the municipality) noted in this context; "To choose a profile is important. Now we can only hope that a united municipal council dares to take the decisions necessary to develop the municipality further. Without clear governance there is always a risk that projects of this nature become a sticker on the market."

In addition to the distribution of information a large event was held for the residents in the city square with food, drink, speeches and entertainment. The local newspapers covered the various events and the profile received a lot of publicity.

## The implementation process

It was only now that the long and time consuming process of implementation could begin. The profile, spearheaded by the cookbook for Kristianstad was to be implemented among the 6 500 employees in the municipal organisation over a three year period. This timetable was chosen to ensure that the work was worthwhile and that the profile would not simply turn out to be just another publicity stunt.

The strategy was first to be implemented in the municipal organisation and only then among the other stakeholders in the area. It was also decided in the project that the implementation phase was to precede any external marketing of the profile, to sell something that does not yet exist is hazardous. Proud citizens and employees who see themselves as ambassadors were considered the best marketing tool. The profile is to be experienced in the context of service, treatment and attitude by those coming to Kristianstad

To implement something means to give practical effect to and ensure its actual fulfilment. Many projects and strategic plans fail in this phase, particularly where top down approaches are used (Mintzberg, 1994). In accordance with the participatory approach used in the two previous phases the implementation phase continued as a bottom up process. The strategy chosen for implementation encompassed a three-step process:

- Information
- Concretization
- Operation

The first step of the strategy concerned the provision of information and the creation of a shared understanding of the project together with the stakeholders. The stakeholders were then encouraged to reflect upon the pros and cons of the profile for the municipality and for their own organisations. What benefits would they gain from working actively with the values of the *spirit of food* initiative and how could they contribute to realizing the strategy?

The second step, concretization, is about breaking down the profile and vision into objectives and strategies for the individual organisation, for example, a food industry, a merchandiser in the city or a municipal unit. This means how individual businesses and organisations are to contribute to realizing the strategy by incorporating objectives in accordance with the profile and vision into their own business plans



## Kristianstad (SE): Spirit of Food

and internal strategic documents. This involves the individual organisation as such, its different departments and finally how the employees are going to contribute.

In the third step, operation, the new and revised business plans and strategic documents were put into effect, with work starting in accordance with the profile and vision.

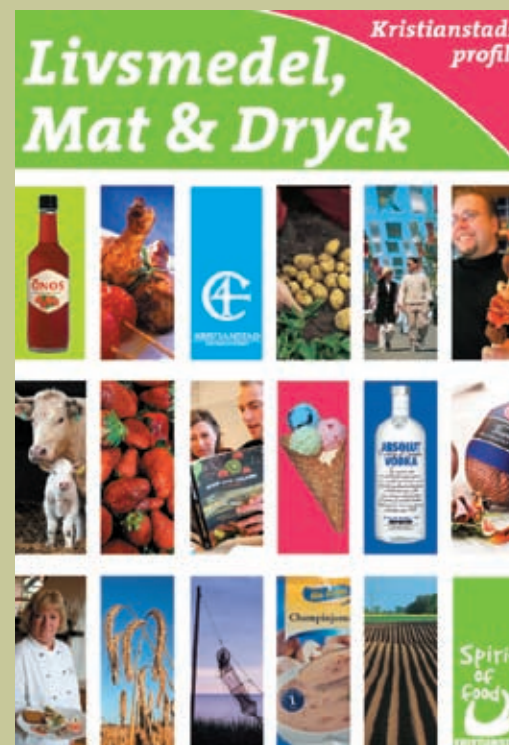
### The internal implementation process

It was decided that the process of internal implementation would be led by the managers in the municipal organisation (approximately 170 persons). And it was the managers' responsibility to support and implement the profile and vision in the different divisions in accordance with the implementation strategy. Special instructors were also educated to function as facilitators in this process.

All the managers in the organisation took part in a two-day education seminar on the profile and vision during May 2004. An important part element here was for the managers to draw up plans for implementation in their own departments. Anders again notes that it was a lot harder to garner understanding and acceptance for the project from the managers in the internal organisation than from external stakeholders who could quickly see the benefits of the initiative.

In the school administration for example 100 instructors were educated to facilitate the process. But the scepticism shown towards the project was abundant among the teachers, 'what relevance could this project have for the schools in the municipality' one asked. So, instead of trying to convince the teachers about the relevance of the project the instructors gave this assignment to the students. What relevance did the profile and vision have in the school work the students were asked. The students identified many issues of relevance, ultimately resulting in a video film being made by them. The teachers are now busy supporting the students in fulfilling the profile and vision in the context of their school work.

Another example here concerns the road and park administration in the municipality and one of its managers. The manager remained rather sceptical about his employees' taking part in the project, noting that they were hardly interested in anything concerning their jobs. But when the scheme was presented to the workers they immediately came up with a number of suggestions and the main opinion was that this project was something that Kristianstad really needed. Some of the results were that the *spirit of food* logo can now be found on the back of the parking tickets in the city and that the city's parks and plantations follow the profile.



### Info box: Food facts about Kristianstad

- There is no other municipality in Sweden with such a diverse food and agricultural sector. In Kristianstad there are 1 600 businesses in the food chain sector.
- Only the metropolitan areas of Stockholm and Gothenburg have more persons employed in the production of food and that's including those who work within restaurants.
- Approximately 3 500 people are working in 500 companies with a direct connection to sustenance, food and drink. Approximately 1 000 persons work in agriculture, crop farming and livestock breeding.
- More than 50% of all the employment opportunities in the municipality are connected to the food industry when machine manufacturing, service and laboratories are included.
- A number of well known companies with strong brands come from Kristianstad. This means high competence, research and education and skilled workers. This provides a good foundation for further development.

- Kristianstad boasts a gastronomic university level education and a broad food technology high school programme.
- The soils in Kristianstad are among the best in northern Europe and are farmed with rational and modern technology.
- More than 500 million food products a year are packed and shipped in the municipality and 76 million litres of vodka are produced yearly in the world famous liquor factory in Åhus.

Source: *Tidningen Kristianstad*, nr 8, 2004, special issue on the profile. See picture

The issue of a marketing profile is of course more important in certain areas of the organisation such as for the tourism sector. Here a committee was put together with representatives from the tourism industry in the municipality to draw up strategies and objectives for implementation in this sector. The programme developed by the group is called *Destination Kristianstad is growing* consists of 5 USP's (unique selling points) followed by all of the involved parties. The first USP is naturally food and meals in and around Kristianstad. Then the city's many shopping opportunities, the water profile of the city, the different 'happenings' such as festivals and concerts and finally the Danish history of the city from the time when Kristianstad was an important military outpost in the Danish kingdom.

Examples like these can be found in many areas of the municipal organisation. An issue that surfaced during the process is the need for the executive administration and the politicians to manage the process and monitor its progress. How does one know if the work is making progress?

In order to set objectives and to control progress balanced score cards are now to be introduced across the whole organisation. Anders thinks that this will satisfy the need for control and further guarantee that the work with the profile is taken seriously.

## The results are now there to be seen

Since the first steps were taken in 2002 and after a lengthy four year process, the results are now beginning to emerge.

In the summer of 2005 an attitude poll was distributed by the market researcher *Qmind* concluding that the profile was recognised by:

- Approximately 90% of the business sector in the municipality.
- Approximately 70% of the citizens living in the municipality.
- Approximately 40 % of the visitors coming from outside the municipality.

Later that year, in December 2005, the local newspaper *Kristianstads-bladet*, assigned the market researcher TEMO to ask 1001 municipal citizens how they felt about the profile *Spirit of food*. A majority of the citizens approved of the profile. Younger citizens are more positive – the attitude varies with age. The most positive attitude is held by persons between the ages of 18 and 29. Half of these felt that the initiative was *rather good*, while a further 13% felt that it was *very good*.

Kristianstad is also beginning to pick up external signals from outside the municipality that the profile is becoming increasingly recognisable. *Visit Sweden*, the national tourism body, noted that they view Kristianstad as the natural supporter of Scanian gastronomy<sup>4</sup> and markets this through their channels on an international level. The tourism board of Region Skåne has also expressed their gratitude to Kristianstad for being the pillar of their USP food. Another result, previously mentioned, is that of *Destination Kristianstad* a programme where a number of businesses and organisations in the tourism sector collaborate in developing the destination as such.

A number of companies have also started to use the *Spirit of food* logo on their products and packaging materials. Thus far, these are local smaller businesses but the prospect remain that larger ones also will use it in the future.

One result in connection with the logo is that the *Absolute Company* have now given the right to the municipality to use its logo in their municipal marketing materials. Anders notes in this respect that the *Absolute Company* nowadays also insists on participation in profile marketing material. This, he concludes, is a major change in policy.

Since the profile can be said to be becoming increasingly high profile in the business sector, among the citizens and among local emplo

<sup>4</sup> Scanian or Skånsk gastronomy is, among other things, particularly known for its herring, eel, goose and a hearty appetite for food and drink.

years of the municipal organisation it is now time to start marketing the profile. Anders says<sup>5</sup> "We have been working with a 10-year perspective.

After three years we have just concluded the internal process. Now the different actors have to work with product development and marketing."

## Lessons learned and success factors identified thus far

The most important success factor in the project was that the political parties were able to reach an agreement on the profile thus creating a unanimous decision in the municipal council. The key to this success was that all of the political parties participated in the three workshops that were held initially in the context of the project together with a number of different external stakeholders.

In this sense the process itself has been a lesson to all those involved, and especially to the political parties. It is possible to overcome differences of opinion and reach broad agreements. This is an important outcome for the future development of the municipality.

The participatory or 'bottom up' process of implementing the profile and vision in the municipal organisation has also been an important success factor. The key to this is as Anders puts it, "*We are merely selling a proposal; all the details are decided by the units*".

In order for the process to succeed the managers and employees trust must be won. These are the reputation managers of the whole municipal organisation and external stakeholders, and as such, the citizens believe in what they say. This is especially true as the municipality is one of the largest employers in the area. Almost everybody knows somebody who works for the municipality, be they a family member, a neighbour or merely an acquaintance.

The persistence shown by the actors and the municipal organisation to 'stay with the project' remains however a fundamental reason for the success of the project. Long term commitment is a necessity. The lack of an information strategy for the project also provides another valuable lesson for Anders. This has also been illustrated in recent evaluations of the municipality. The organisation is lacking in information competence. With good information competence and a relevant strategy Anders thinks that the impact of the project would have been larger and that this would have helped to speed up the entire process.

## References

Arthur, G. (2006). *Maten ger näring åt Kristianstad* in Ökad turism = tillväxt och sysselsättning. Sveriges kommuner och landsting. Stockholm.

Gold, J. R. & Ward, S. (1994). *Place Promotion*. John Wiley & Sons Ltd. Chichester.

Hanell, T. & Neubauer, J. (2005). *Cities of the Baltic Sea Region – Development trends at the turn of the millennium*. Nordregio 2005:1. Stockholm.

Kotler, P. & Hamlin, M. A. & Rein, I. & Haider D. H. (2002). *Marketing Asian Places*. JohnWiley & Sons (Asia), Singapore.

Mintzberg, H. (1994). *The rise and fall of strategic planning*. Prentice Hall (Europe), King's Lynn.

A Dynamic Skåne – Regional Development Programme for Skåne, Region Skåne, April 2004.

<sup>5</sup> Arthur, G. (2006). *Maten ger näring åt Kristianstad* in Ökad turism = tillväxt och sysselsättning. Sveriges kommuner och landsting. Stockholm.







# Lessons Learned



Conclusions

## Lesson Learned

External pressure stemming from globalisation and the structural transformation of a production-based society into a knowledge-based one has radically altered the regional economic scope for manoeuvre. On the other hand increased decentralisation implies greater freedom of movement in the development of bottom-up initiatives. The four examples presented above bear witness to this. The next question then arises fairly naturally: what can we learn from these cases?

The four approaches differ substantially, Table 6 summarises the main aspects of the four case studies. The obvious thematic difference in the four cases arise from different regional starting points, as local potential and the existing economic structure of the regions is varied. In each case however a strategy of building on the region's own strengths or improving on its weaknesses has been seen as paramount.

The triggering effect in each of the four initiatives also varies, stretching from locally embedded political demands to a seizing of existing opportunities. Financing the initiatives can also be divided into two main groups: either totally local financing or; a mix of central government support and internal financing. Despite these differences there are also five clearly identifiable commonalities that stretch beyond the four cases depicted and are applicable across most peripheral regions of the BSR.

### *a) Regional initiative paramount*

As soon as you trust yourself, you will know how to live.

All these actions are based on local or regional initiatives building on existing regional strengths and potentials. In three out of four of the cases national co-financing has facilitated the planning and/or implementation of the projects without intruding on local control of the process.

This is an important lesson to be learned: if regions as distinct as these can do it – so can others.

### *b) Realising the existence of local potential/clusters*

In two of the cases (Lolland-Falster, Kristianstad) the process was preceded by a “eureka” moment with the discovery that there seemed to be a local cluster emerging and that this cluster needed support in order to further develop or in order to develop faster than would otherwise have been the case without any supportive activities.

The obvious question to other regions then is: how much underutilised potential could be found in other parts of the BSR if a similar ‘scraping of the surface’ was conducted?

### *c) The challenge of scattered actors and activities*

In all cases the arena for action was at the onset hosted by a multitude of actors and activities. Coordination between them was poor, the risk of overlapping activities apparent, while potential value-added was often lost due to poor coordination. Through better coordination of scattered activities better use of existing resources can be obtained.

### *d) Creating value-added through multi-actor agreement on a joint vision (Triple Helix)*

In each of the cases there occurred at the end of the process solid agreement as to the strategic objectives or actions, and how these should be achieved. This agreement included both public and private actors as well as in some cases also educational institutions active in the region.

### *e) Process equally important as the outcome*

In all of the cases the actual process of strategy or action formulation had auxiliary effects in terms of bringing separate actors to the same table to discuss joint issues. Participatory or ‘bottom up’ processes clearly create more value than just the “visible” output/result of the process. In all the case studies reported here important lessons have been learned throughout the processes themselves - thus emphasising that successful local development through democratic and sustainable processes are *complementary* rather than *contradictory*.

## **The need to learn from others – International networks as catalysts for local development**

This report has focused on locally induced and embedded regional development strategies. These examples highlight the necessity of creating bottom-up initiatives that can help promote non-metropolitan regions in a European economy where the focus is mostly on metropolitan areas. These regional development strategies based on local strengths and potentials can help regions brand themselves, attract investors, and create overall economic growth. Local strategies however also greatly benefit from international cooperation with similar regions. To many regions, strategy development and strategy implementation are new and challenging tasks. Transnational cooperation and knowledge transfer can help these regions find the necessary inspiration and tools to successfully develop and implement their own strategic initiatives. The current members of the working group have learned much from each other on regional development aspects such as place marketing, strategy development, economic clusters, public participation, entrepreneurship, and attracting FDI.

While the strategies may be local, in one way or the other attracting outsiders is the main component of these growth strategies: attract outside investors, attract attention to the region, and attract political attention from national and international decision makers. Furthermore, transnational cooperation is a useful tool in getting the attention of national and European decision makers.

In addition, the international perspective in regional development goes hand in hand with the challenges of globalisation. International cooperation is an essential tool for non-metropolitan regions in their desire to improve their international competitiveness. International exposure helps these regions to better understand and prepare for the growing economic challenges in a globalised world.

Region	Lolland-Falster	Telemark (BTV coop- eration area)	Kristianstad (Skåne)	Westpomerania
Activity	Establishment of a green energy cluster	Stimulation of new busi- ness creation	Place marketing through the "Spirit of food" marke- ting project	Attraction of Bridgestone bus and truck tyre manu- facturing factory
Time span	2005 -	1998 -	2002 - 2012	2005 -
Triggering effect	A clear need for greater coordination between multitude of actors and scattered projects. Regional administrative reform places pressure on increased cooperation. Insight that no-one else will do anything without concerted local action	Low level of entrepre- neurship deemed as problematic. Scattered projects in need of more streamlining.	Local political and busi- ness demand.	Polish Information and Foreign Investment Agen- cy (PAIILZ) contacted the company "Bridgestone".
Initiative	13 municipalities on Lol- land-Falster	Telemark County Council	Municipality of Kristian- stad	Investor's Assistance Centre- Marshal's Office of Westpomerania, Polish Information and Foreign Investment Agency (PAIILZ)

Table 6: Comparison of case studies



Region	Lolland-Falster	Telemark (BTV cooperation area)	Kristianstad (Skåne)	Westpomerania
Primary objective(s)	<ul style="list-style-type: none"> <li>• To strengthen existing position</li> <li>• Ease existing sectors to move into energy sector</li> <li>• Brand development</li> <li>• Coordinate and prioritise resources</li> </ul>	<p>Increase entrepreneurship to level amongst the highest in Norway by means of:</p> <ul style="list-style-type: none"> <li>• Creation of entrepreneurial centres</li> <li>• Introducing entrepreneurship as a subject in schools and colleges</li> </ul>	Place marketing of the city. Turn a former negative image to a positive one, and anchor this throughout the entire municipal organisation.	To narrow economic gap and diminish disparities between Westpomerania and more developed regions, integration of Westpomeranian economy within the EU.
Participation	13 municipalities on Lolland-Falster	18 municipalities, County Council, Innovation Norway, Aetat (Governmental Employment Agency), local business development agencies, NHO (local Chamber of Commerce)	Appointed “vision group” (diff. divisions of the municipality). Board of directors with external stakeholders (municipal executives, leading politicians, local food industry representatives)	Investor’s Assistance Centre- Marshal’s Office of Westpomerania, Polish Information and Foreign Investment Agency (PAIILZ)
Participatory process	<p>Technical advisory group (representatives of municipal planning authorities &amp; regional development institutions)</p> <ul style="list-style-type: none"> <li>• Interviews with key stakeholders (incl. private sector)</li> <li>• Events to foster local public support</li> </ul>	Joint agreement between all actors (above)	Events, local information, business participation in educational activities	Extensive negotiations between main regional and national actors as well as
Financing, institutions	National co-financing for the process, 13 municipalities of Lolland-Falster	County Council of Telemark, Innovation Norway, Aetat, 18 municipalities of Telemark	Municipal financing	In addition to Investor’s Assistance Centre- Marshal’s Office of Westpomerania , Work-in-kind provided by PAIILZ
Private sector involvement	Yes	Yes	Yes	Yes

**Table 6:** Comparison of case studies - continued

Region	Lolland-Falster	Telemark (BTV cooperation area)	Kristianstad (Skåne)	Westpomerania
Expected results	Emergence of a green energy cluster	Increased entrepreneurship. Target set at ranking among the highest of all Norwegian counties	Common vision for the municipal organisation, increased external knowledge and a more positive image of the municipality and local business, leading to increased tax returns.	Approximately 800 new jobs
Auxiliary effects	Strategy process more important than the outcome	Improved prospects on joint action vis-à-vis the forthcoming administrative reform in Norway (entrepreneurship tuition in schools integrated among all three BTV counties).	Process proved to be important. Auxiliary effects on e.g. tourism.	Further strengthening of the Westpomeranian inclusion into the European economy
Main challenges	To write a strategy not knowing whether it will be accepted by a forthcoming municipal council Acquire local support on a broad front	Many actors and numerous scattered activities. Selection of correct measures, overall poor knowledge on the mechanisms of new business creation, Forthcoming administrative reform in Norway.	Getting scattered actors around the same table to discuss a joint vision. Lack of solid information competence in the municipality for the project proved challenging.	Securing more connected FDI, retaining the jobs in the eventually forthcoming “second wave” of outsourcing,
Next steps	Exact future of strategy currently uncertain. The success of two lighthouse projects paramount	Implement integrated business support centres between all three BTV counties.	In 2006 still six years to go with the project.	Diminish the influence of external factors on the local and regional economy. Strengthening the role of Westpomerania in creating pan-regional economy.

Table 6: Comparison of case studies

