

The role of urban areas in regional development

– European and Nordic perspectives

Proceedings of the Nordic Working Group on Cities and Regions

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Nordregio
P.O. Box 1658
SE-111 86 Stockholm, Sweden
nordregio@nordregio.se
www.nordregio.se
www.norden.se

Nordic co-operation

takes place among the countries of Denmark, Finland, Iceland, Norway and Sweden, as well as the autonomous territories of the Faroe Islands, Greenland and Åland.

The Nordic Council

is a forum for co-operation between the Nordic parliaments and governments. The Council consists of 87 parliamentarians from the Nordic countries. The Nordic Council takes policy initiatives and monitors Nordic co-operation. Founded in 1952.

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Stockholm, Sweden
2006

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Preface

This working paper is the outcome of a Nordic working group established by NÄRP (Nordic Committee of Senior Officials for Regional Policy) in 2005. The members of the working group included Denmark (Mette Kragh), Finland (Janne Antikainen and Olli Alho), Iceland (Salvör Jónsdóttir), Norway (Kristin Nakken and Wilhelm Torheim) and Sweden (Eva-Maria Forsberg, resigned 30th September 2006, Maud Carlsson from 1st October 2006) and Ole Damsgaard from Nordregio. Norway chaired the working group. Birgitte Wohl Sem, (Norway), managed the secretarial work while also taking care of all editorial duties. The group had its first meeting in September 2005.

Our task was to look into the various urban and regional development strategies currently utilised in the Nordic countries. Important aspects here related to systems, structures, and the physical and functional aspects of city development in a regional development context, based on three city levels; major, medium-sized and small cities/regional centres.

This mandate was rather broad. As such, it was not possible for the group to answer all of the relevant questions within the defined time limits. Nevertheless, we do think that this work could be utilised as a starting point for further elaboration in terms of the future development of new approaches to regional development policy from a Nordic city-region perspective.

The group has benefited from useful input from the responsible Ministries in each of the five member countries. We are also very grateful for the hospitality provided, and all contributions given to the work during our meetings in Stavanger, Helsinki, Stockholm and Oslo. Special thanks also go to Nordregio and Tomas Hanell, who wrote part one of the report and to Chris Smith for a thorough language check. Last but by no means least, our very special thanks also to Birgitte Wohl Sem for her excellent organisation and reporting on the group's work.

The working group wishes to thank NÄRP for the opportunity to elaborate on linkages between Nordic cities and regions. The focus on cities and their role in regional and economic development is an approach of growing importance in many countries. We strongly recommend that NÄRP continues to promote this work in the coming years.

The Nordic Working Group on Cities and Regions

Stockholm, November 2006

Executive summary

The working group received the following mandate from the NÄRP (Nordic Committee of Senior Officials for Regional Policy), in September 2005:

"... gruppen skal undersøge forskellige by- og regionalpolitiske strategier, herunder studier af bysystemer og –strukturer, fysiske/funktionelle aspekter af stadsutveckling på regional nivå samt en differentierad politik med utgångspunkt i olika stadssystem och regiontyper. I inledningen av gruppens arbete skall det göras en nulägesrapport kring differentierad stads- og regionspolitik i Norden. Gruppen skal i den forbindelse belyse byernes betydning for regionaludviklingen på tre niveauer: Storbyer, Mellemstore byer og Mindre byer/regionscentre"

The mandate is wide-ranging while its execution is left open to many alternative approaches. We were for a number of reasons however unable to address all of the relevant questions posed by the NCM. As such, the group gave priority to the establishment of a common empirical platform and to the description of the city structure and city system in the five countries. A clear and shared picture of the three levels of urban areas in the five Nordic countries, as defined in the mandate, was needed. To ensure that communication within the group functioned smoothly, it was necessary to attain a deeper understanding of the current and future situation of each country.

The next step was to respond to the request in the mandate to report on "*differencierad stads- og regionalpolitik i Norden*". The group interpreted the formulation as giving a brief description of the position of different categories of cities and towns in the framework of regional policies in Sweden, Finland, Denmark, Iceland and Norway including the major content of policies. This work became, in fact, the most challenging part of the project as the different countries have a highly dissimilar understanding of the meaning of 'urban and regional policies'. The situation might very well mirror the fact that relevant concepts in social sciences are not well defined and/or that each country has their own way of applying them for practical purposes. Studies of urban policies in the framework of regional or territorial policies can easily degenerate into semantic discussions! As physical planning and innovation policies seem to be common elements in regionally-oriented urban policies, the working group paid particular attention to these dimensions. To put the Nordic countries in a European perspective, the position of cities and towns in European policies and research is emphasised as well as the impact of policies – both ways. The working group concluded its work with a set of recommendations which are set out below.

Main findings

In Part One of the report a statistical comparison of different kinds of cities and towns in the five Nordic countries was undertaken. Tomas Hanell of Nordregio wrote the text and was also responsible for the mapping and the statistical analysis.¹ The applied typology of Nordic Local Labour Markets (LLM) is based on previous work conducted by Tomas Hanell and Lars Olof Persson.² In this part of the report the different structures and systems of cities in the five countries is described. The different urban areas are studied according to a typology allowing comparative analysis. Part One clearly demonstrates that the Nordic settlement system is almost unique in a

1 Riikka Ikonen and Jörg Neubauer, also of Nordregio, assisted him with the collection and harmonisation of statistical raw data.

2 For those interested, a description on how the Typology has been developed as well as of its critical parameters is included in Annex 10.

European perspective which implies both the existence of very different development conditions in the Nordic countries, and dissimilar patterns. The urban systems in the five Nordic countries are very different with Denmark at one extreme, and Norway and Iceland at the other. The Nordic settlements display an amazing hierarchy when it comes to the advantageousness of the current demographic structure. The larger the city and the more diversified its economic backbone; the more favourable is its demographic structure. Briefly, the Nordic countries' urban structures may be summarised by the following characteristics: An unbalanced system of cities with large distances between them; the important role of small- and medium-sized cities (SMESTOs); and the dominance of the capitals and other metropolitan regions. The Nordic countries share two common problems, the nature of the external divide between the few large Nordic cities and the growth poles in Europe and the internal divide between the few large cities in the Nordic area and the large number of small- and medium-sized cities.

The starting point for Part Two of the report is provided by a description of the responsible authorities for urban-oriented regional policy. This enables us to provide a general picture of "who is doing what". The following descriptions of urban-regional policies in the five countries demonstrate that urban policy for regional development remains, generally speaking, a young and still poorly integrated discipline in the five Nordic countries. In terms of innovation policy however, the position of cities and towns represents the exception. Finland has a very systematic approach to urban areas of different kinds and specially designed programmes and tools for different kinds of cities and towns in different regional contexts. Networking policies seem to be the rule. Although the existence of more or less similar innovation programmes with important regional impact is recorded across the Nordic area, the urban aspect is often not made explicit.

We can however conclude that the various Nordic governments place a different emphasis on innovation and growth-oriented urban policies (Finland, Denmark) in relation to more equity-oriented redistributive policies with equal access and the reduction of centralisation trends as fundamental driving forces (Norway, and to some extent Sweden). The European Union and the Lisbon Agenda might be one explanatory factor here; more historical and institutional factors also undoubtedly have an impact. Especially in Finland, Sweden and Norway the importance of SMESTOs in a regional perspective is obvious. Leaving out innovation policies, national strategies targeting SMESTOs still seem to be at best highly fragmented, if not completely absent. Undoubtedly, special attention is increasingly given to the metropolitan regions in all the five countries.

An important challenge for all the five countries then seems, not surprisingly, to be the integration of spatial planning, transport policy and economic development policies across administrative borders. This is very much the case in Metropolitan areas. All five countries are currently in search of efficient mechanisms for regional management and governance. Denmark is perhaps the most interesting example here as it is currently implementing its new Planning Act in the context of the restructuring of Danish territory, from 2007. In Sweden, regional enlargement seems to be a high priority in line with a number of other challenges related to metropolitan areas. In Norway, the governance of the Oslo Region is central.

The report underlines the importance of small- and medium-sized cities and towns in the northern part of Europe and the problematic nature of the European definition of the term in the Nordic context. European analysis and policies have to be applied and remoulded to the Nordic context. In the Nordic countries the impact of the main principles of the ESDP, in national policy terms, is not obvious with the exception of the urban issues addressed in the INTERREG Transnational Baltic Sea Metropolitan Area. Denmark judges that changes in planning policies can be related to the

impact of the ESDP while Sweden and Finland see institutional changes in their countries as a result.

In Europe, urban areas have slowly been gaining in prominence. This reflects both the growth and competitiveness agenda while also being related to the increasing emphasis placed on territorial cohesion in a range of countries. According to recent research however, relatively few countries in Europe have an explicit urban component to their regional policy goals. Internal disagreements within the EU system and the reluctance to increase the importance of cities and towns in EU development policies, in terms of funding, are well known and debated. The destiny of the Territorial Agenda is for this reason quite interesting.

The ESDP-generated concept, 'polycentricity', is used in many ways and has different meanings according to its geographical level of application. The concept addresses the art of coordination and specialisation within systems of cities, in trans-national as well as in narrower territorial settings. In our view, the concept must be understood in terms of possibilities or potentials for networking and development. As such, it is a positive and useful concept. In other circumstances however politicians would perhaps be better off using alternative formulations for strategic and practical purposes.

Policy Recommendations:

- The general ambition for urban regional policy is to produce development that is sustainable in the long run. Each city and region, regardless of size, faces specific challenges which have to be fully understood to develop mobilising processes and relevant and coherent policies. Regional development policies, environmental and cultural policies, transport and communications, industrial and innovation policies, education and research and social policies are all of vital importance to the growth of city regions and the well-being of people. Policies must be differentiated according to the character of the urban region in question and the function and size of the cities.
- The Nordic capitals are vital for the development of the Nordic countries. They do have a unique function in each country. At the same time, they are difficult to handle in a broad regional context. More attention must therefore be paid to their relations with other capitals and metropolitan areas as well as to their intraregional relations. The potential for more extensive polycentric cooperation between the capitals at the macro level must be further elaborated. Knowledge has to be built and experiences shared between the Nordic countries to satisfy networking demands and tackle the question of innovation in a proper and timely manner.
- SMESTOs are crucial in the effort to counteract the polarisation of urban growth and maintain the settlement pattern, especially in more sparsely populated areas. In these areas they can play a role in the attempt to diversify the economic base and ensure a minimum level of services. At a local level SMESTOs offer good possibilities in terms of living areas of high quality – counteracting social segregation. SMESTOs cannot however be separated from their regional context. To develop a targeted policy, the context of each city has to be fully understood, in particular in terms of its potential for a polycentric development.
- Cooperation and networking between cities and towns at a regional, national and international level are key factors for future development. Cities and regions are localising

and anchoring the Lisbon strategy. A stronger partnership between local, regional, national and transnational bodies is required. Bottom-up processes should be facilitated by governments and transnational players. There is a need for local and regional innovation strategies that are linked to the national and Nordic levels. A crucial question is how to enhance the ability of SMESTOs in non-metropolitan contexts to function as 'gateways' to the global market and the knowledge-based economy.

- The Metropolitan areas in the Nordic countries are few in number and even more vital for the development of the entire country. Governments have to further elaborate and experiment with different kinds of mechanisms for the integration of physical planning, economic and transport policies in Metropolitan areas as well as in major urban areas. National authorities have to keep focusing on innovation, internationalisation and communication. They need to stimulate key players in the Metropolitan areas to build alliances with major urban areas and medium-sized cities encouraging dynamism and development.
- It is important for national authorities to help and encourage cities and smaller towns to strengthen their attractiveness by upgrading the quality of the environment and by providing for the better utilisation of the potential of local cultural and natural resources and identity.

Competence and knowledge:

- Urban areas of different sizes play important and different roles in regional development in the Nordic countries. It is important to clarify the diversity of roles played by different cities for regional development in different territorial contexts. There is a lack of systematic research and studies available on cities and towns in the Nordic countries. To further elaborate targeted policies, more empirical research is a necessity. The originality of the urban structure in the Nordic countries calls for common efforts concerning the elaboration of concepts and statistical tools. There is a definite need for more knowledge concerning the development and dynamism of urban systems and interactions patterns between the capital and other cities and towns.
- A regionalisation of the Lisbon indicators. In order to measure the progress of the Lisbon strategy a set of official indicators was agreed upon. These are reported in a separate "Synthesis Report" or annex of the annual European Commission "Spring Report" to the European Council. The indicators cover the five domains of employment, innovation and research, economic reform, social cohesion, the environment as well as general economic background. There have been some attempts (e.g. ESPON 3.3) of regionalising these but much work still remains to be done, particularly with regard to urban areas.

Actions:

1. **Research programme.** "The art of combining growth and competitiveness and territorial cohesion in the Nordic countries. The role of cities and towns for regional development and the dynamism of urban systems."

Topics:

- From separate Nordic capitals to the development of a northern macro region. Sharing experiences and building a Nordic knowledge base for development;
 - Nordic cities and towns in the Baltic Sea Region, potentials and challenges;
 - Getting SMESTOs to network. Tools for the development of dynamic urban regions. Tools for getting isolated cities to network. SMESTOs as gateways to the knowledge based economy, the role of regional universities and research institutions;
 - The Innovative City, encouraging cities and towns to adapt and counteract major external and internal changes.
2. **Nordic Innovation Network Programme.** Clusters and innovation policies remain, national in nature. Innovation policies should be connected more directly with regional development policies. A regionalised network of clusters across national borders - “A Nordic Centres of Expertise Programme” - responds to this challenge. Elements of such a programme could be the identification of Nordic trans-national clusters of European or global importance, benchmarking competence levels, support for forming cluster brands as well as strengthening the wider regional competence basis and local networks with national tools.
 3. **Seminar.** Intensive seminar for senior officials and scientists. Relevant issues: The role of capitals and small and medium-sized cities and towns for regional development. Regional management and governance. Coordination and specialisation of urban regions: networking models in different regional contexts. The definition of potential synergies concerning trans-national networking between capitals. Responsible unit: Nordregio.
 4. **NCM Conference 2007.** Organizing a high level conference in 2007 to help set out a Nordic Territorial Agenda, to define Nordic coordination synergies in research in the framework of ESPON II and to highlight common and divergent Nordic views concerning the European Territorial Agenda.
 5. **The continuation of a working group** in respect of cities and towns in a regional context. Topics: Defining the Nordic research programme and seminar; preparing a scientific Conference at Nordregio in March 2007 and the Nordic Ministerial conference, also in 2007.

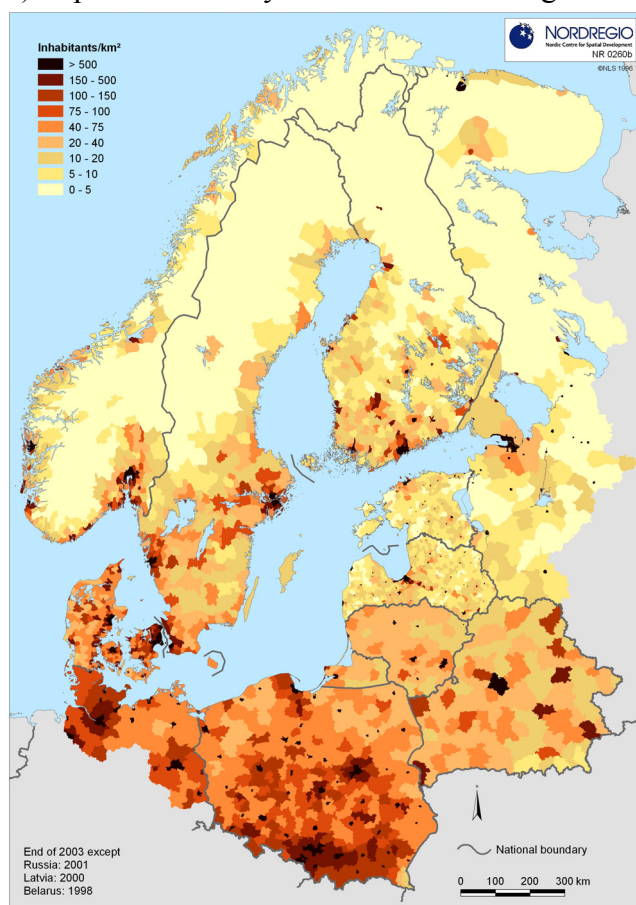
PART ONE: TRENDS AND PATTERNS OF THE NORDIC URBAN SYSTEM

1.0 Characteristics of the Nordic settlement system

The Nordic settlement system is fairly unique in European terms. A sparse population, long distances and a scattered urban system imply that development conditions in the Nordic countries, or at least in their most northerly parts, differ considerably from those encountered in continental Europe. Similar settlement characteristics can only be found elsewhere in Europe in parts of inland Spain (e.g. Extremadura), the Scottish Highlands and in northwest Russia (Figure 1). On a global scale the similarities are however – both with respect to internal as well as relative external position – obvious when compared to countries such as Canada, Australia or New Zealand.

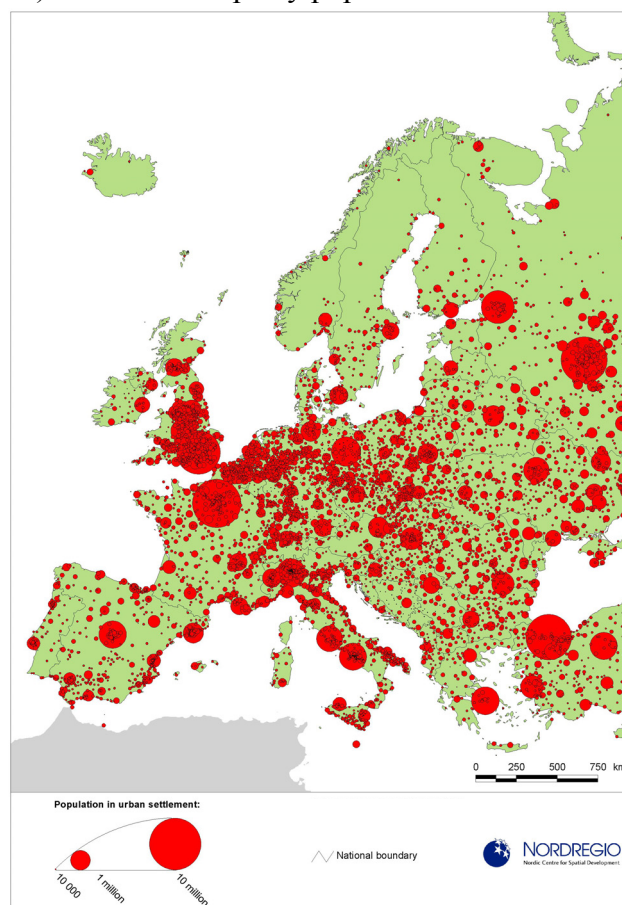
Figure 1: The Nordic settlement system in the BSR and in Europe

a) Population density in the Baltic Sea Region



Source: Hanell & Neubauer, 2005

b) Cities in Europe by population size



Source: Nordregio

Moreover, the concept of what constitutes a city differs as seen from a European viewpoint and, as such, there are few cities in Norden when measured in continental terms. In the context of the Urban Audit, large cities in Europe are classified as having more than 250 000 inhabitants in the core municipality while medium-sized cities have between 50 000 and 250 000 inhabitants.³ The strict application of these European criteria would imply that there are only seven large cities in the

³ European Communities (2005): Urban Audit 2005. Key Indicators on Living Conditions in European Cities, p. 5.

Nordic countries⁴, namely København, Århus, Helsinki, Oslo, Stockholm, Göteborg and Malmö. Additionally, in accordance with such a classification, there would be 82 medium-sized cities, of which there would be 15 in Denmark, 14 in Finland, 1 in Iceland (Reykjavík), 12 in Norway and 40 in Sweden. However, seen from a wider European perspective the Nordic urban structure is deemed rather homogenous.

The evolution of urban settlements in the Nordic countries over the past 100 years strongly reflects structural changes in the economy, with a relative stability prevailing until the 1960s, followed by an accelerated rate of change since the 1970s, and, ultimately, by the turning point of the recession in the late 1980s/early 1990s.

From the late 19th century to the 1960s, urban growth in many parts of the Nordic countries was primarily linked to the availability of natural resources; the forest sector in Finland and Sweden; fisheries and energy in Norway and Iceland. Despite the dispersed urban structure that had developed, the southern parts of Finland, Sweden and Norway have throughout remained the most urbanised areas. Their dominance was maintained in relation to maritime trade and accessibility issues as well as being based on political factors.

The Finnish, Swedish and Norwegian urban systems that have emerged since the mid-1970s are mainly characterised by the growth of a few strong urban regions. Moreover, Iceland in particular has been characterised by very rapid urbanization at the expense of the rural areas. The rate of change has been enormous. Whereas only 10% of the total population lived in Reykjavik in 1904, the number today is 40%, while it would be roughly 62% if counting the larger Reykjavík area.

In Denmark, the changes have not been as polarised, while Danish cities have in general been growing throughout the country, albeit with increasingly fewer people living outside settlements with 200 inhabitants or more. In particular the municipal centres grew strongly, but growth in the largest cities was not particularly high in the 1970s. In the 1990s such growth that did take place tended to be concentrated to a few larger urban centres. More recently new indications are emerging that growth in the Western parts of Denmark is outpacing that of the capital area.

Denmark is a fairly densely populated country and is characterised by a steady but slow growth in population. The National Planning Report (2006) observes two notable core areas of growth: the eastern part of Jutland (a functional urban area integrating Århus and Kolding) and Sealand (with Copenhagen being the centre for commuting purposes). Regional enlargement is also witnessed in Denmark where Copenhagen, as the largest common local labour market, now covers most of Sealand. In addition, around the largest cities there is now a tendency for settlements to be located at ever larger distances from the city centres.

In the Danish National Planning Report five different kinds of regional realities are identified: The capital/Øresund region, Sealand, the Eastern part Jutland, Central Jutland and Funen, and the peripheral areas. The still growing urban regions are centred on the four largest cities, namely, Copenhagen, Århus, Odense and Aalborg (cities with more than 100 000 inhabitants), whereas peripheral areas face rather more difficult conditions. In Denmark “town regions” cover the commuting regions for towns with 20 000-100 000 inhabitants while small-town regions cover commuting regions for towns with populations lower than 20 000 persons. The small-town regions

⁴ Utilising data as of 1 January 2006. Unless separately stated, all data presented in Chapter 1 stems from the respective National Statistical Institutes of the Nordic Countries, namely Danmarks Statistik (DK), Tilastokeskus (FI), Hagstova Islands (IS), Statistisk Sentralbyrå (NO) and Statistiska Centralbyrån (SE).

are however very different kinds of areas, though they all have in common the fact that they occupy a location far away from a larger city.

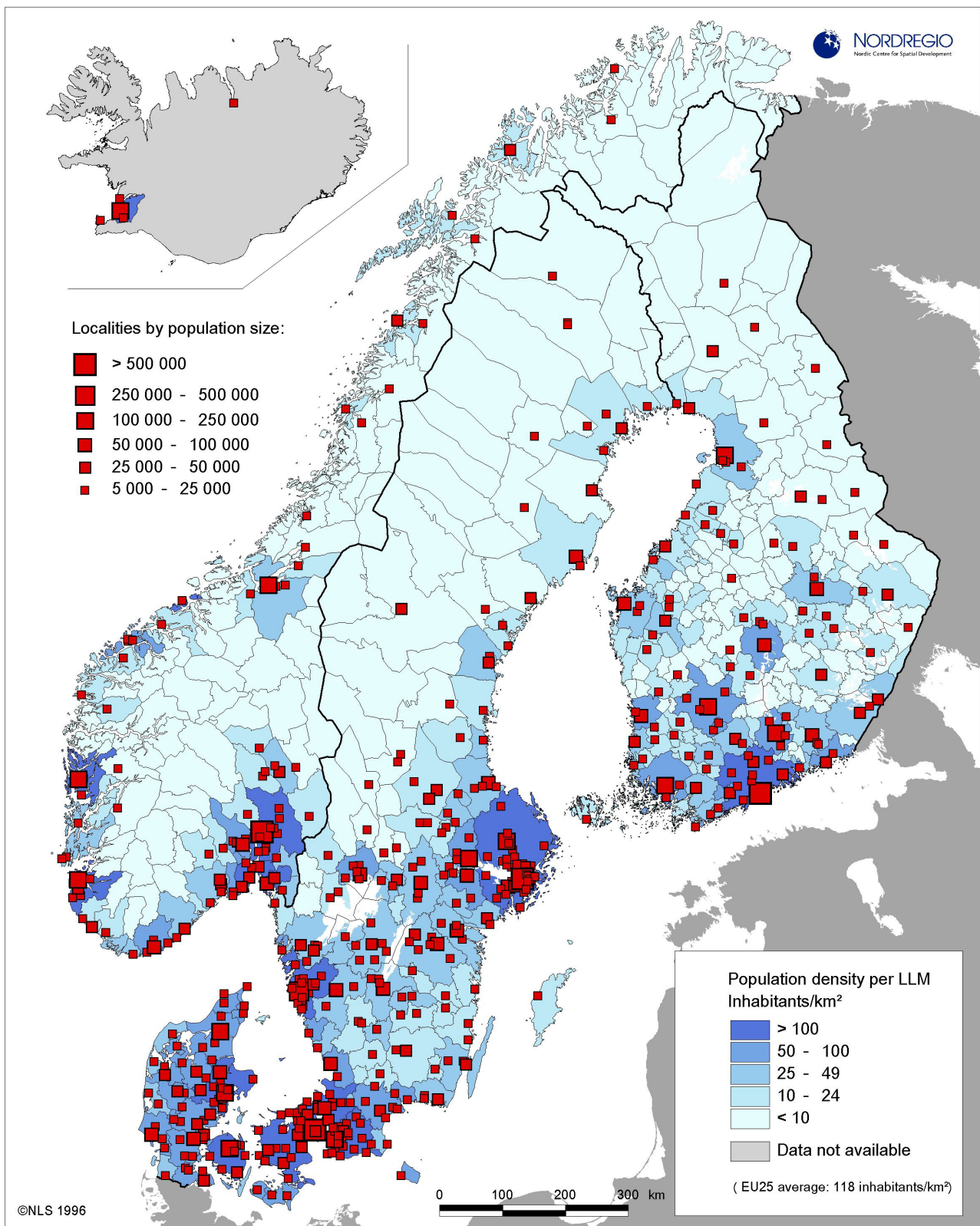
The urban network in Finland comprises one European level centre with the Greater Helsinki Metropolitan Area and a few strong national centres, which are all located in a triangle in Southern Finland encompassing the Helsinki-Lahti-Tampere-Turku area. Oulu in the north, and Jyväskylä in central Finland as well as some thirty or so SMESTOS constitute the exceptions here.

Following the deep recession of the early 1990s and the subsequent recovery from it, the new period of economic growth in the mid-1990s was mainly based on the success of ICT-sector and its various sub-contractors. New growth has concentrated in five large urban regions (Helsinki, Tampere, Oulu, Jyväskylä and Turku) and in one Nokia-driven industrial area (Salo). The poorest development in urban areas was identified, firstly, in unidimensional and often small-scale industrialised urban regions, and, secondly, in regional centres based on public sector services, as this sector in particular suffered from serious cutbacks in the 1990s. By the latter half of the 1990s and into the early years of the 21st century domestic migration flows again attained the level of the early-1970s. During the 1990s, social and spatial issues in Finland became increasingly characterized by urban-centred problems and in particular focussed on the challenges faced in stressing the premier role of cities in generating growth.

The case of Iceland is, due to its geographical and demographic situation, somewhat different. The city of Reykjavik and the seven surrounding municipalities together form about 62% of the total population and constitute the only urban region in Iceland. There are 4 smaller urban centres outside the metropolitan areas and 20 small 'cities' with between 1 000 and 5 000 inhabitants. Development conditions for the smallest and most remote centres in Iceland are difficult. Municipal mergers are a constant administrative feature in Iceland. Between 1997 and 2005 municipalities decreased in number by over one third from 163 to 101. Currently (at end of 2005) the median size of municipalities in Iceland is as low as 454 inhabitants which makes the country quite unique in this respect, at least in a European context.

In Norway the urban system is dominated by the Metropolitan area of Oslo - the only real metropolitan area dominating the five major cities Kristiansand, Stavanger, Bergen, Trondheim and Tromsø. These 5 regional centres are located in each of the main parts of Norway (south, south-west, west, mid-Norway and northern Norway). The country is characterised by the 43 small- and medium sized cities and towns (SMESTOs) defined as centres counting 5000 – 50 000 inhabitants. 29% of the total urban population lives in SMESTOs. They are spread all over the country some being of great regional importance. Their situation varies considerably and, as such, is often dependent on their history and their economic, demographic and geographic context. Moreover, 90% of the current 909 Norwegian urban settlements are smaller than 5000 inhabitants. In sum, the urban structure of Norway is unique in a European context, as the major urban areas are rather few in number and quite small, while a large number of 'cites' exist at the bottom end of the scale in terms of population and labour markets.

Figure 2: Population density in Nordic LLM and localities >5 000 inhabitants



In Sweden, the urban system is dominated by the three metropolitan areas, Stockholm, Gothenburg and Malmö. These urban systems and networks are, however, currently undergoing some dynamic changes. Regional enlargement in the form of larger functional labour markets is regarded as a central ingredient of future dynamic of development. This means that previously separate regions

are linked together to form larger regions through a significant investment in communications and infrastructure. Regional enlargement suggests polycentric development, especially with respect to small and medium sized cities and their surrounding areas. Many small and medium-sized cities in relatively densely populated areas, but lying some distance from the major cities, have established joint networks in a more or less polycentric structure. Such regions can be found e.g. in north-eastern Skåne, the south-western part of lake Vänern (Fyrstads), the Norrköping/Linköping area, Western Småland, Siljansbygden and the southern part of Dalarna, and the notional square encompassing Luleå-Boden-Älvsbyn-Piteå on the northern part of the Bothnian coast.

In the majority of Sweden's northern inland area as well as in Northern Finland, both with many extremely sparsely populated labour market regions and long distances between the cities, the preconditions for polycentric development are more or less non-existent. However, other forms of political and economic co-operation and networking between cities are emerging in these areas. Such developments can be found e.g. between Wilhelmina-Åsele-Dorotea (in Västerbotten County) and Avidsjaur-Arjeplog (in Norrbotten County).

Thus, on closer inspection, the Nordic urban pattern actually appears far less homogenous. The obvious distinction lies between Denmark and southern Sweden on the one hand and the more northerly parts of Fenno-scandia (including Iceland) on the other. While the settlement structure in the former is dominated by relatively large numbers of cities situated reasonably short distances from each other, cities in the latter area are few in number and greatly scattered. Within the second category however, the capital regions of Helsinki, Stockholm and Oslo, as well as Gothenburg, are characterised by pockets of urban concentration in an otherwise, relatively speaking, 'void' space (Figure 2).

The primary dichotomy is reflected in e.g. population density (inhabitants/km²), which on average in Denmark is between six and forty-two times higher than in the other Nordic countries (Table 1). The average population density in the European Union (EU25) being 118 persons/km² implies that the corresponding Danish density is slightly above that.

Table 1: Basic indicators of the Nordic settlement structure

	<i>DK</i>	<i>FIN</i>	<i>IS</i>	<i>NOR</i>	<i>SE</i>
Population density	126	17	3	15	22
Urbanisation rate (%)	85.1	83.4	92.4	75.8	84.0
Number of localities	1 425	747	58	933	1 936
– median population	631	876	468	651	653

Urbanisation is here measured as the share of population living in localities.⁵ In a European context all five Nordic countries are highly urbanised, with between 76% (Norway) and 92% (Iceland) living in such settlements. Although exactly comparable data does not exist, the urbanisation rate of

⁵ Localities (tätort, tettsted, taajama) are in the Nordic countries defined as a group of buildings located less than 200 metres apart (Norway: 50 metres) and having a population of at least 200 inhabitants. This measure thus provides a fairly coherent and comparable picture of where the physical urban fabric of each country is located and where its inhabitants live regardless of administrative boundaries.

e.g. Poland is substantially lower whereas the Netherlands or Belgium, for example, are on a par with the Icelandic figure.

The delimitation of localities in Norway differs (see footnote nr 5) from that of the other countries in as much as when delineating the areas concerned the maximum distance allowed between buildings is 50m as opposed to 200m in the other countries. If the common 'Nordic' delimitation were to be applied to Norway⁶ the number of localities would increase substantially, i.e. from 933 to 1 493. The urbanisation rate measured in this way would then also rise to common Nordic levels, i.e. from 75.8 to 82.6%.

When compared to population as measured by 1×1 km grid cells, the internal Nordic differences become even further accentuated. Measured in this way, 82% of the territory of Norway (mainland), 72% of Sweden and 66% of Finland are completely void of inhabitants. In contrast, this figure amounts to only 3 % of Denmark. The reason for these differences can be found in the differing "micro" settlement patterns of the Nordic countries.

Finnish localities are on average the largest of all five Nordic countries, the median population size being nearly 900 persons, but they are few in number, some 750 altogether. In Denmark, settlements are substantially smaller than in Finland but on the other hand they are far more numerous. Norway, Sweden and Iceland fall in between these two 'extremes'. In all of these countries the number of localities is similar when compared to the size of the national population and, with the slight exception of Iceland, also the median size of localities.

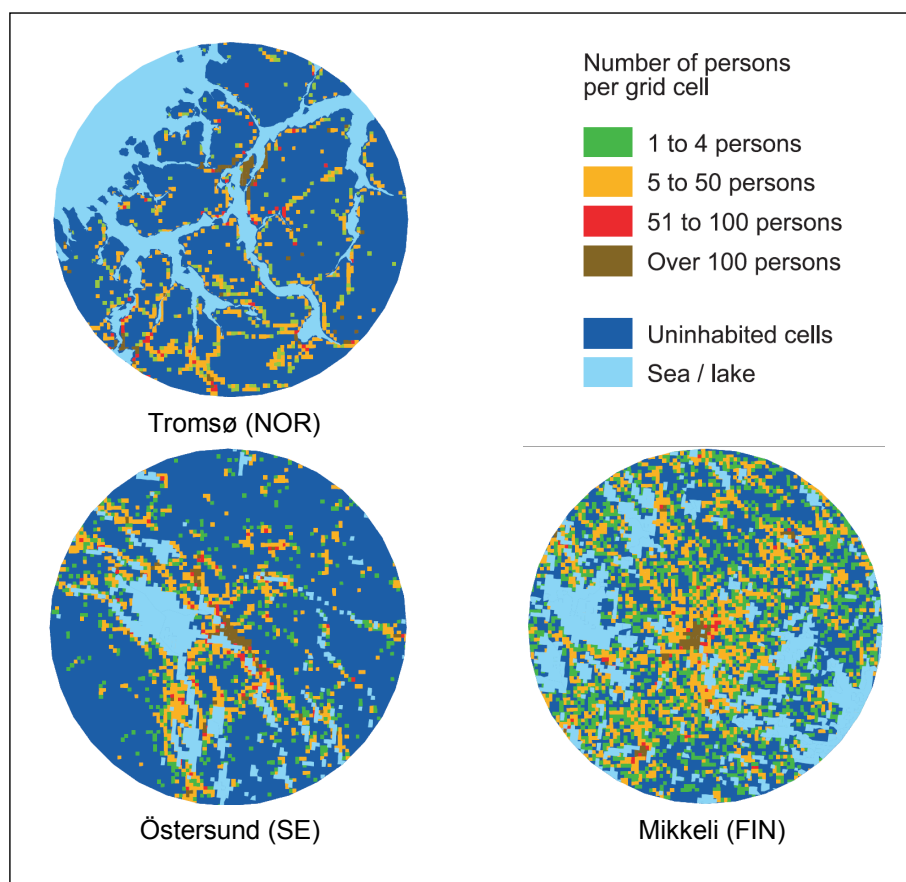
The actual consequences of these differences are exemplified in Figure 3, which displays three circles of similar scale (i.e. an area with a 50 km radius) where a similar number of persons live (80 000). All three thus have an equivalent population density.

Despite this basic reality the local settlement pattern of these city regions is profoundly different. This is mainly due to the specific topography of Norway; inhabitants tend to be highly clustered along the few patches of comparatively flat land available, mainly on valley floors and along the fjord coastlines. In Finland, settlements flow out fairly evenly from a central place with the distinction between city and rural areas being rather vague. Sweden lies in the middle of these extremes; where for decades planning practices have implied a stricter division into town and country than is the case in Finland.

This means that there are tangible differences not only in the overall urban structure of the five Nordic countries but also on the regional and local level. In summary, the Nordic countries are, with the obvious exception of Denmark, sparsely populated countries, a fact reflected to a large extent in their rather different urban systems: numerous SMESTOs, often large distances between them and the strong dominance of metropolitan areas and/or the capital region.

⁶ Engelién & Steinnes (2004): Utpøving av nordisk tettstedsdefinisjon i Norge. Metode og resultater, SSB Rapporter 2004/12

Figure 3: Variations of local settlement structures around three Nordic cities



Source: Modified from (draft material from) Gløersen & A.I (2005): *Northern peripheral, sparsely populated regions in the European Union. Nordregio Report 2005:4*

The situation of the SMESTOs is, moreover, very diverse depending on their specific geographical context: as a part of a metropolitan area, as a part of a functional urban region or as an isolated regional centre. Many cities also play a key role as nodes in the regional or local administrative structure and as the main centres for services and business activities.

1.1 Varying Nordic categorisations of cities

The above-mentioned differences and other factors (stemming from different policy approaches) imply that what is considered as being a city, town, and how large that is, also differs substantially from one Nordic country to the next. A selection of examples is presented in Figure 4, where some recent policy-based or otherwise widely used delineations have been mapped according to the approximate population within each class.

In the national planning report alluded to previously (Balanced development in Denmark, 2003) Denmark was divided into three types of settlement regions: The “city region” constituted by the commuting region around each of the four large cities (more than 100 000 inhabitants) Aalborg, Århus, Odense and the capital, the “town regions” which constitute the commuting regions for towns with 20 000-100 000 inhabitants, and the small-town regions which are the commuting regions for towns with fewer than 20 000 people.

As labour markets are opened up, they have increasingly coalesced into ever fewer commuting regions. Nevertheless, the four large cities continue to play a major role as centres for urban growth. Increasingly then they can be seen to be moving towards even larger types of areas. This is the reason why the new draft national planning report (Det nye Danmarkskort - planlægning på nye vilkår 2006) contains a new division of the country into 5 different types of areas. These areas are as follows, *the capital area, the rest of Sealand, the eastern part Jutland, Central Jutland and Funen* and *yderområderne* (i.e. "outer areas"). This new classification system represents a fundamental restructuring of Danish territory into different types of areas characterized by more or less the same types of dynamics and bases for development. This division can therefore be seen as a planning tool, illustrating the existence of different planning needs in the context of development.

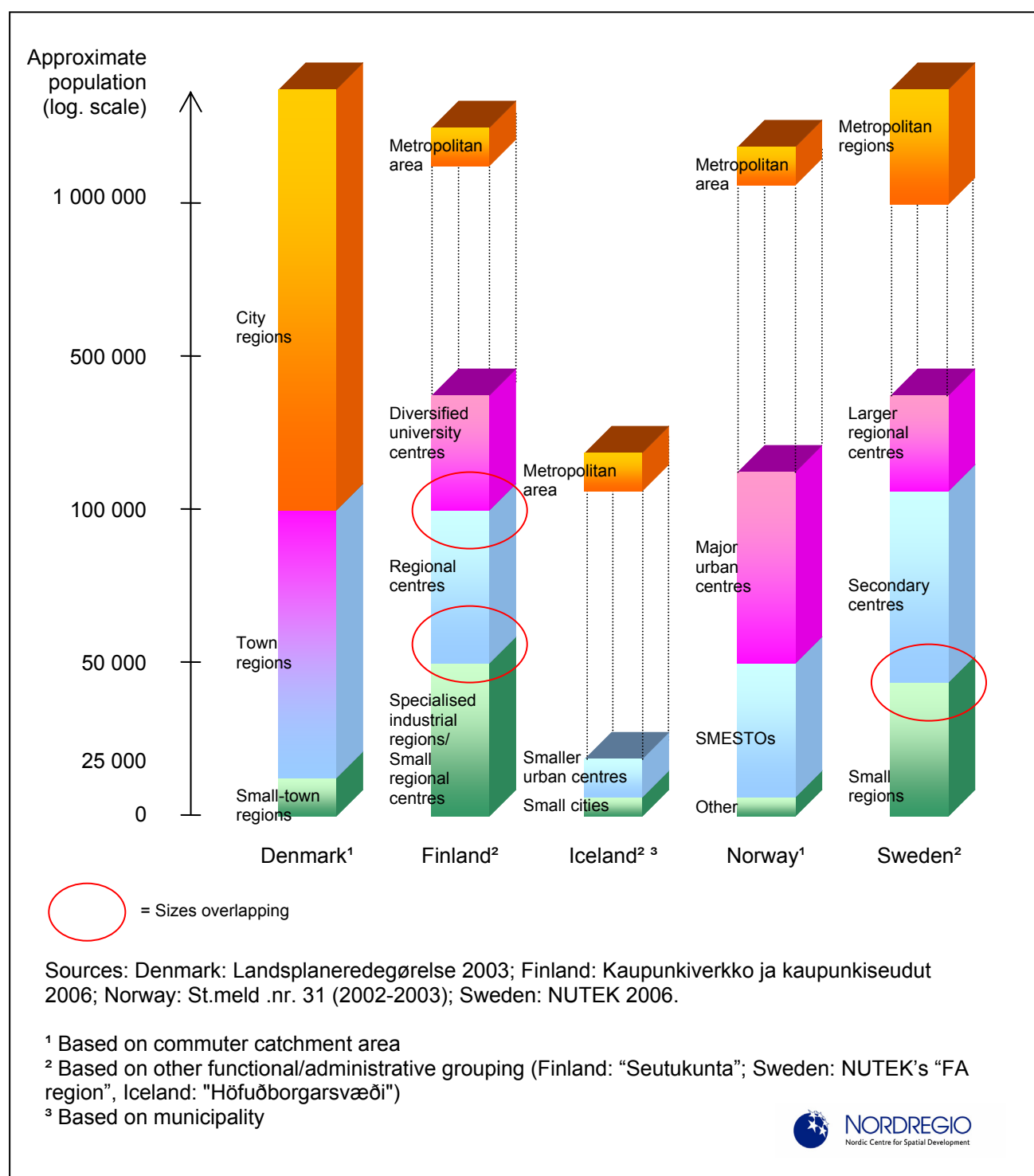
From January 2007, after the implementation of the structural reform in Denmark, the new administrative regions will be responsible for the establishment of regional development plans. The plans must also, by law, include a vision for the development of urban areas, the rural areas and "*yderområderne*" within each region.

In Finland efforts to better understand the new urban trends and their links with regional development led to the elaboration of categories aiming at providing the analysis necessary for the design of better targeted policies. The Urban Network Studies (1998 and 2001), were up-dated in a 2004 publication from the Ministry of the Interior entitled, "The Growth of Urban Regions" which recognised five types of urban districts⁷, four of which are divided into sub-categories. Thus, the classification of urban regions (major, medium-sized, small) is not based on inhabitants but on the profile of urban regions such as "small or one-sided regions" or "diversified university regions".

In Norway the six main regional centres (Oslo, Stavanger, Trondheim, Tromsø, Bergen and Kristiansand) are perceived as the major cities. Some are dominated by one large centre around which all of the economic and social activity in the region gravitates (Trondheim, Bergen and Tromsø). Other urban regions consist of several centres that have historically developed over the same time, but with different forces driving their development. Former "polycentric" regions have turned into merged cities (e.g. Stavanger and Sandnes). The regional importance of these six urban regions being the main classifying criteria, this is not the case for the present definition of SMESTOs. Here, the number of inhabitants in the regional centre is applied as the only criterion. The Oslo region is defined as the only true metropolitan area comprising 46 municipalities, and about 36% of the population. It is defined according to the functional criteria based on housing and the percentage of the workforce in commuting distances around the city of Oslo including the medium sized cities of Moss (southeast) and Drammen (west).

⁷ Districts ("*Seutukunta*"), or functional urban regions, are a sub-regional unit introduced in 1994 between the municipality and county levels. These units were determined according to 'travel to work' patterns and volumes as well as by the intensity of cooperation between municipalities.

Figure 4: Examples of Nordic national definitions of cities and urban regions



At present, no specific classification of cities exists in Sweden. The classification used for e.g. statistical purposes is based on functional regions (former labour market regions). NUTEK has established a classification of the 72 functional (FA) regions into "regional families", which constitute groups of FA regions which are subject to similar development preconditions. They are constructed with the help of five indicators, which are weighted differently: (1) population in the 20-64 age group; (2) proportion with higher education; (3) number of entrepreneurs in relation to

population in the age group 20-64 years; (4) number of places of work which can be reached within 45 minutes; (5) share of population living in localities (*tätort*) with more than 5 000 inhabitants. The “five regional families” are, (i) Metropolitan regions, (ii) Larger regional centres, (iii) Secondary centres, (iv) Small regions with mainly private employment, and (v) Small regions with mainly public employment. These functional regions are created mainly, but not exclusively, on the basis of commuting statistics.

1.2 Towards a common Nordic urban typology

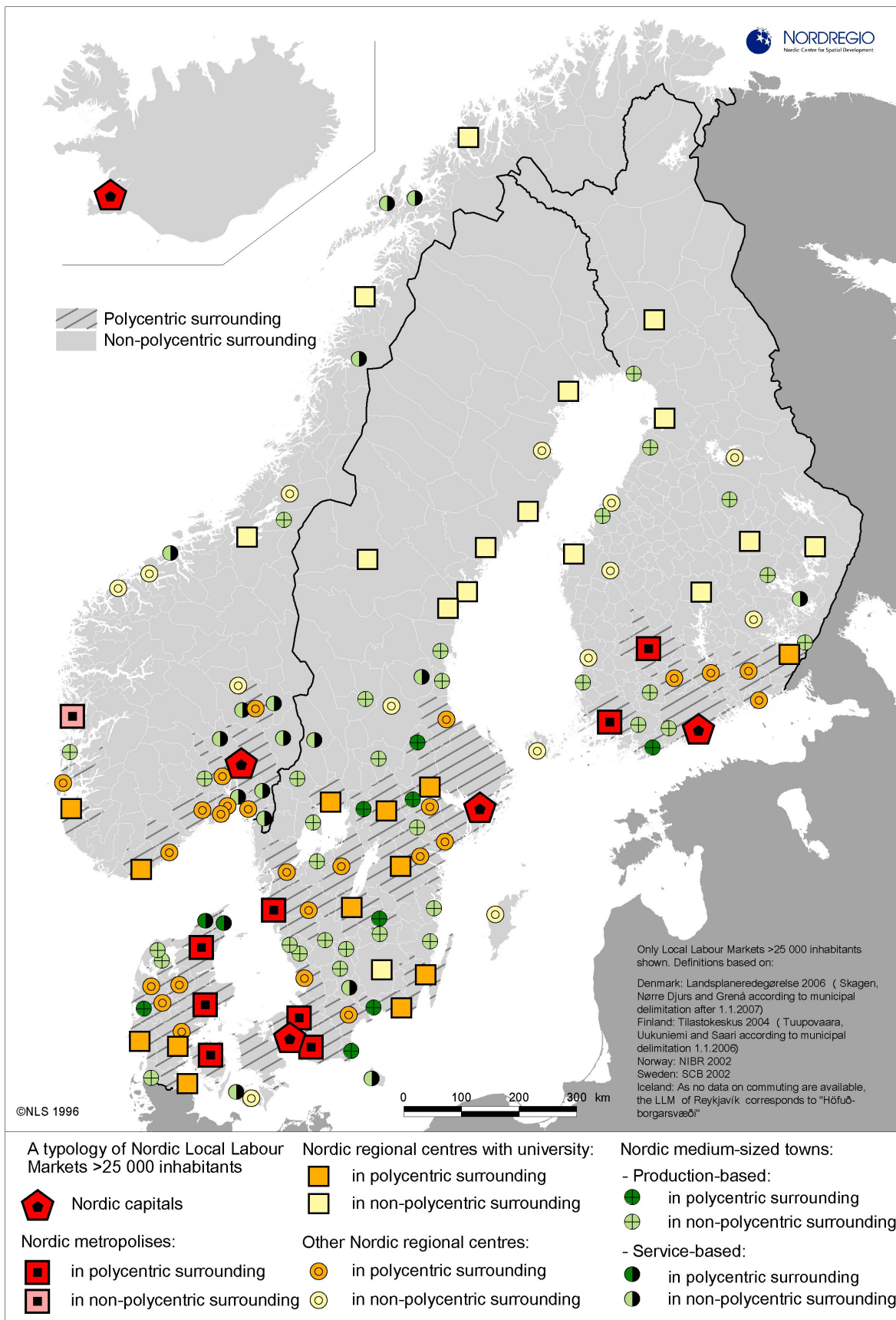
When examining different urban systems it soon becomes fairly obvious that even a common Nordic urban typology by necessity will have to accommodate a large variation of perceptions as to the nature of towns, cities or urban areas – or rural areas for that matter. In all Nordic countries with the exception of Iceland a system of measuring commuter flows across municipal boundaries exists. In Denmark the most current one – and the one utilised here – stems from the *Landsplaneredegørelse* 2006. We have here modified it so that the municipalities of Skagen, Nørre Djurs and Grenå are grouped according to the municipal delimitation after 1.1.2007.

In Finland we have utilised the latest measurement from 2004 (*Tilastokeskus*) but classified the municipalities of Tuupovaara, Uukuniemi and Saari according to the municipal delimitation 1.1.2006. In the Norwegian case we have used the NIBR classification of 2002 and in the Swedish one the SCB classification of 2002. As no data on commuting was available for Iceland, the LLM of Reykjavík corresponds here to "*Höfuðborgarsvæði*". There are no other cities or LLM's in Iceland that have a population of more than 25 000. Annex 1 on page 79 presents the populations of all these LLM's.

There are many ways to characterise an LLM. We have chosen four main aspects here. Firstly, the settlement structure of the LLM, measured in terms of the population of the LLM, its population density and the number and density of localities within it and the distance to neighbouring LLM's. Secondly, certain aspects of the functionality of a LLM are considered, namely its administrative status (national or regional capital) and the existence of a university in the LLM. Third, we have considered the location of each LLM with respect to its surrounding urban pattern, measured as the number and density of localities in the LLM and its neighbours, providing us with an indication of whether the LLM is situated in a polycentric surrounding or not.

Finally, the smallest LLM's are also distinguished on the basis of whether their labour markets are based on productive industries or services. Figure 5 presents all Nordic LLM's grouped according to these criteria. For a thorough description of the typology, see Annex 10 on page 79.

Figure 5: A typology of Nordic Local Labour Markets with over 25 000 inhabitants

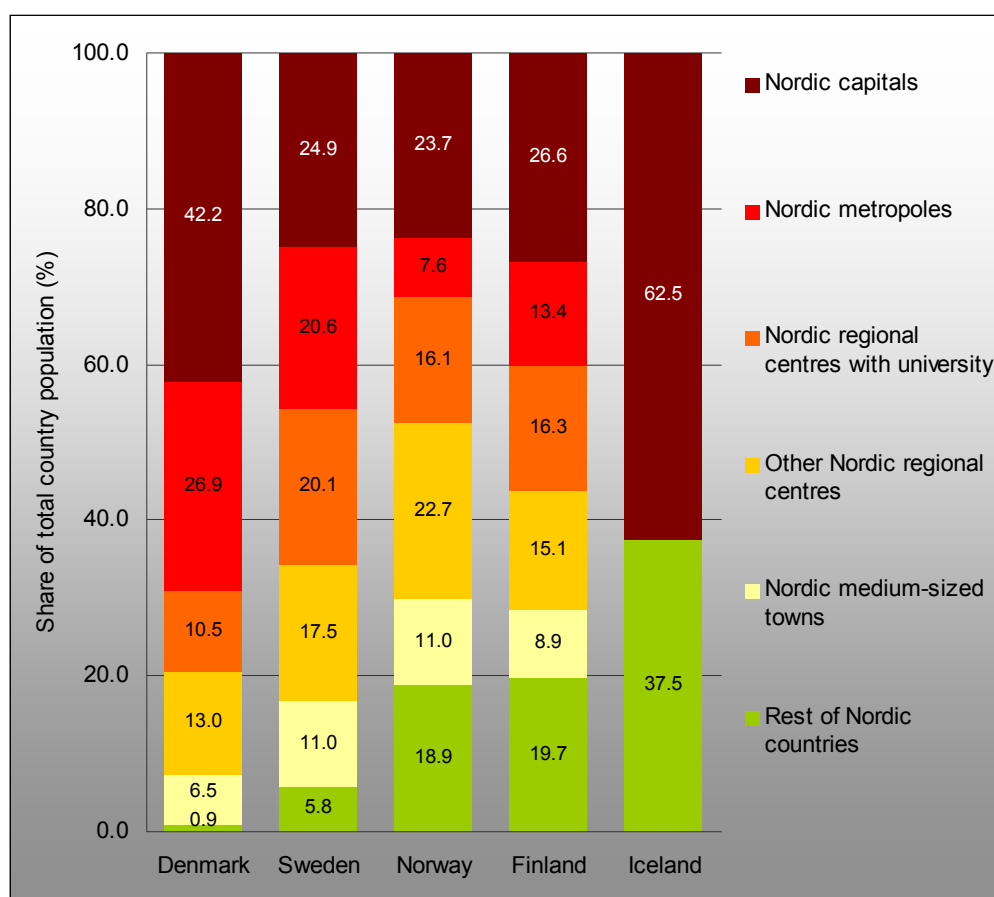


For definitions, see Annex 10 on page 94.

As we have chosen commuting patterns as the main identifier of a functional city this means that, in most cases, there are several localities situated within one LLM (c.f. with Figure 2 on page 11), this is most noticeable in Stockholm and Copenhagen which have 46 and 27 localities⁸ within their functional urban areas respectively. The LLM's of Malmö, Gothenburg, Århus, Oslo and Helsinki are also highly polycentric, each comprised of ten or more such localities. Another implication of the use of functional urban regions is that several large “cities”, such as Roskilde in Denmark, Porvoo in Finland or Uppsala in Sweden are part of the functional labour markets of Copenhagen, Helsinki or Stockholm respectively, and are, as such, not depicted here as separate urban entities.

This division thus includes almost the entire Danish population (99%). Similarly, 94% of the population of Sweden is classified as living within a commuter catchment area with more or less urban characteristics. The corresponding rate for Norway is 81%, and for Finland 80%, whereas 62% of the Icelandic population alone live in Greater Reykjavík (Figure 6). Apart from the relative share of the capital population, the different functional and size categories by and large reflect the differences in the settlement system of the countries.

Figure 6: Share of national population by type of city



The remaining areas that are not included in this typology constitute a wide variety of regions. They are small in population, of course (< 25 000 inhabitants per commuter catchment area), but do play an important role in our Nordic societies. In Finland these commuter catchment areas or single municipalities amount to 163 in number while in Norway (128) and Sweden (45) their number is also significant. The specific settlement pattern of Denmark implies that the number of these small

⁸ With more than 5 000 inhabitants

and mostly highly rural areas is only five (Samsø, Lemvig, Rudkøbing, Ærøskøbing and Læsø). Outside the capital region of Iceland there are approximately 90 municipalities (their number is however decreasing rapidly). Of these, the second city of Akureyri with 16 000 inhabitants and Reykjanesbær (11 000) close to the capital are the largest.

1.3 Structures and changes in the Nordic urban system

1.3.1 Demographic imbalances

Today's age composition tells us something about what the local labour market can be expected to look like in the years to come. The most commonly used method to describe the age composition is the division of population into three groups, namely: children (0-14 years); working-age population (15-64 years⁹); and the elderly (65 years or over). Whereas old age groups are for the most part seen as a burden on the society, the younger age groups are generally considered as future assets. Both viewpoints need not hold true at all times.

On the one hand, the younger age groups are more costly to the society than are the older age groups, with the cost of educating them before they become productive paramount here. Thus the hope is – from a regional development perspective – that these costly youngsters will stay put when they become 'profitable' from a societal point of view. This is more often than not the case, apart from in the larger cities. Young persons between 20 and 35 years of age are among the most mobile of all age groups and often stay and work in the region in which they acquired their education, which in many cases is not the same as that where they spent their first 20 years.

On the other hand, several pensioners with considerable spending power bring substantial amounts of capital into circulation in local economies. In many cases these pensioners might relocate after concluding their period of paid employment. If they have originally out-migrated from a smaller settlement, they might return "back to their roots", or they might choose to permanently settle e.g. where their holiday cottage happens to be located. In both cases their economic input might be larger than their societal cost, at least initially. As these age groups grow older their need for care rises, however, but at least there is a 10-15 year buffer in between, providing a short breather to cities and regions struggling with declining economies.

Despite such possibilities, the fact remains that both age groups remain costly. Thus a highly desirable status for any Nordic city or region would be to have relatively few elderly people in need of significant levels of care, a large working force and a substantial share of children to tackle the inevitable future ageing of the society. In some Nordic areas this is a reality, in most places it is not.

Larger cities in a more advantageous position

Nordic settlements display an amazing hierarchy when it comes to the advantageousness of the current demographic structure. The larger the city and the more diversified its economic backbone the more favourable is its demographic structure.

The Nordic capital regions taken as a group are in this respect in the best position as here the share of youngsters is the highest and the share of elderly the lowest (Figure 7). Again, taken as a group the situation is also encouraging in other large Nordic metropolises as well as in regional centres, especially those with universities. In medium-sized towns as well as in the less-urbanised parts of the Nordic countries the current situation is however somewhat problematic.

⁹ Variations to these standards do exist. In e.g. Sweden a common grouping is that of 20-64 years, which is better fitted to the current societal structure. In this work however the standard international delimitation of 15-64 years is utilised.

Figure 7: Share of population in crude age groups 2005 by Nordic city types

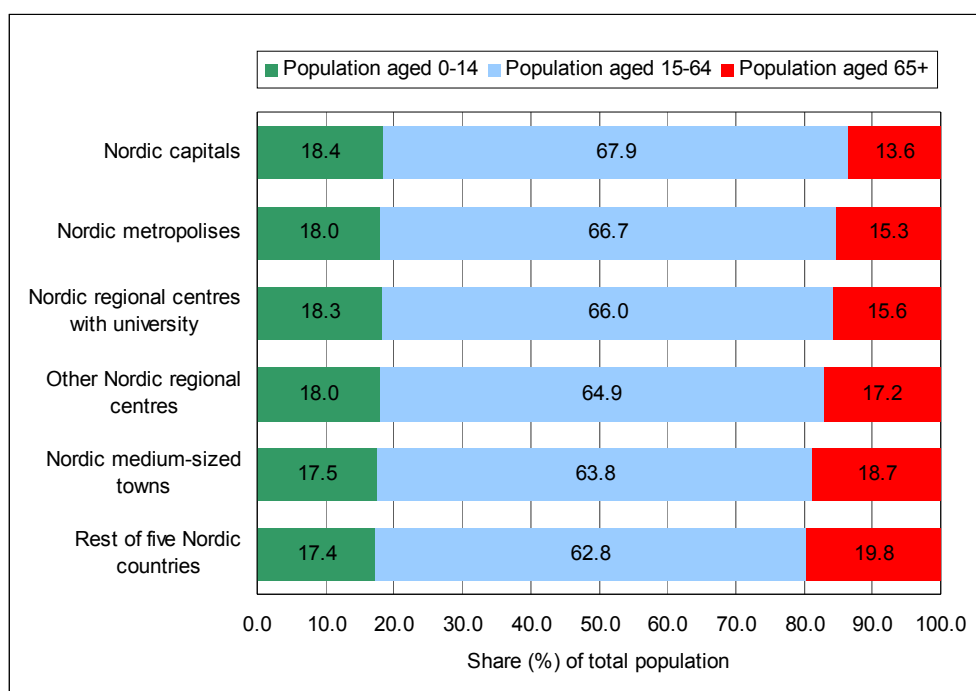
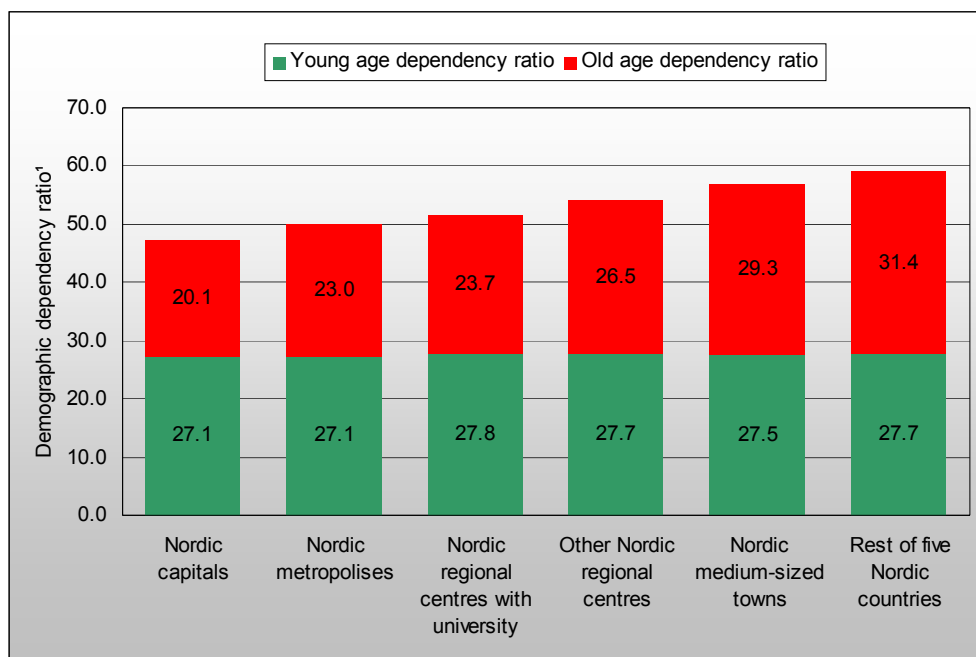


Figure 8: Young and old age demographic dependency ratios 2005 by Nordic city type



There are substantial scale differences however between the countries. Annex 2 on page 80 and Annex 3 on page 81 depict the share of young and old persons respectively in all Nordic LLM's. In general, smaller cities particularly in Sweden and Finland have large shares of elderly population but this hierarchical pattern, albeit at a different scale, is evident also in the other countries. When it comes to young persons the pattern is more or less the inverse: the smaller the city the smaller is the share of children. In Finland, Oulu, Rauma, Jakobstad and Lohja are the primary exceptions to this rule.

Even more crucial than the share of these critical age groups is their relation to the number of persons of working-age. Demographic dependency ratios describe this relation. The number of young persons (0-14 years) compared to the number of persons of working age (15-64 years) provides a “Young age dependency ratio”. Similarly, the “Old age dependency ratio” describes the ratio between those 65 years or over as a share of those of working-age.

Not surprisingly, these ratios also follow a clear size and functional hierarchy among Nordic cities, as is evident in Figure 8. Especially in the case of the elderly, smaller cities have a clearly disadvantageous ratio between those of working-age and those of pensionable age. In the case of young persons however the differences are surprisingly small. This implies that the relationship between those that work (or at least those that are of working-age) and those that (hopefully) will do so in the future is more equally distributed across the Nordic urban landscape.

Demographic imbalances between Nordic cities stem primarily from differences in the absolute and relative shares of elderly population whereas the ratio of youngsters is far more evenly distributed. As elderly population is the least mobile of all age groups, the primary question is consequently whether the young persons, especially in smaller settlements, will stay put in the future or whether they will migrate towards larger cities. Unfortunately the latter seems currently to be the case.

1.3.2 Polarisation of the population

During the current decade population growth in the Nordic countries has at best been on a par with average European levels. Even the fastest growing Nordic country, Iceland, is surpassed by five EU Member States (Ireland, Cyprus, Spain, Malta and Luxembourg). In addition, the other Nordic countries have experienced growth, least so Denmark and Finland, though they have nevertheless still slightly outgrown the overall European average. These national differences however are not to any large extent reflected in developments across the urban landscape of Norden. In fact, quite the opposite, recent demographic trajectories imply a clear spatial concentration in favour of the largest players.

Hierarchical development trends

Taken as a group, Nordic capitals have seen the highest rates of population growth during the period 2000-2005, the joint increase being close to five percent during these six years (Figure 9). Similar developments have also been experienced for other large *metropolises*. Those regional centres that have a university have also fared well, far better in fact than other regional centres. Population levels, on the whole, have declined slightly in medium-sized towns while decreasing substantially in the less-urbanised parts of Norden.

The drivers for this change differ, however. Figure 10 presents the same development as above during 2000-2005 while differentiating between net migration (those that have moved in, minus those that have moved out) and natural population change (the difference between persons born and died). Figure 11 (on page 25) again presents the same data in absolute terms.

Migration is largely the key driver of the positive overall development of the *metropolises*. This group includes cities such as Odense in Denmark, Tampere and Turku in Finland, and Gothenburg and Malmö in Sweden. Taken as a group, migration accounts for more than two thirds of the overall change. In this respect the extreme case is the category of Nordic regional centres without a

university, where migration is the paramount explanatory variable. In university cities nativity is also fairly high. In contrast to the pattern at the end of the previous decade, in the capital regions again natural population growth now accounts for a majority of the positive change. This is most prominent in Reykjavík, but also apparent in the cases of e.g. Helsinki or Stockholm.

Figure 9: Population change 2000-2006 in Nordic city types

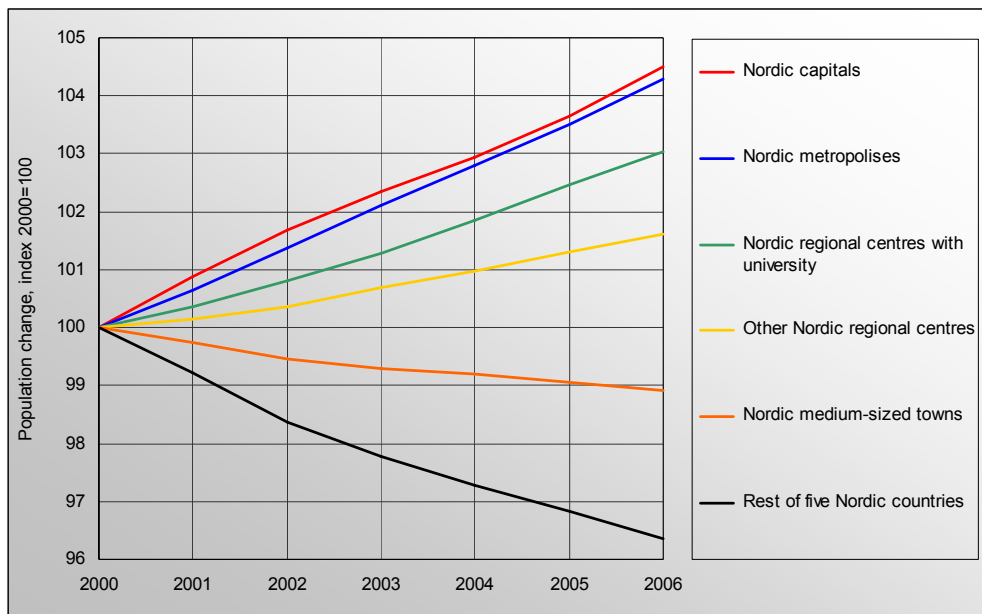


Figure 10: Net migration and natural population change 2000-2005 by Nordic city type

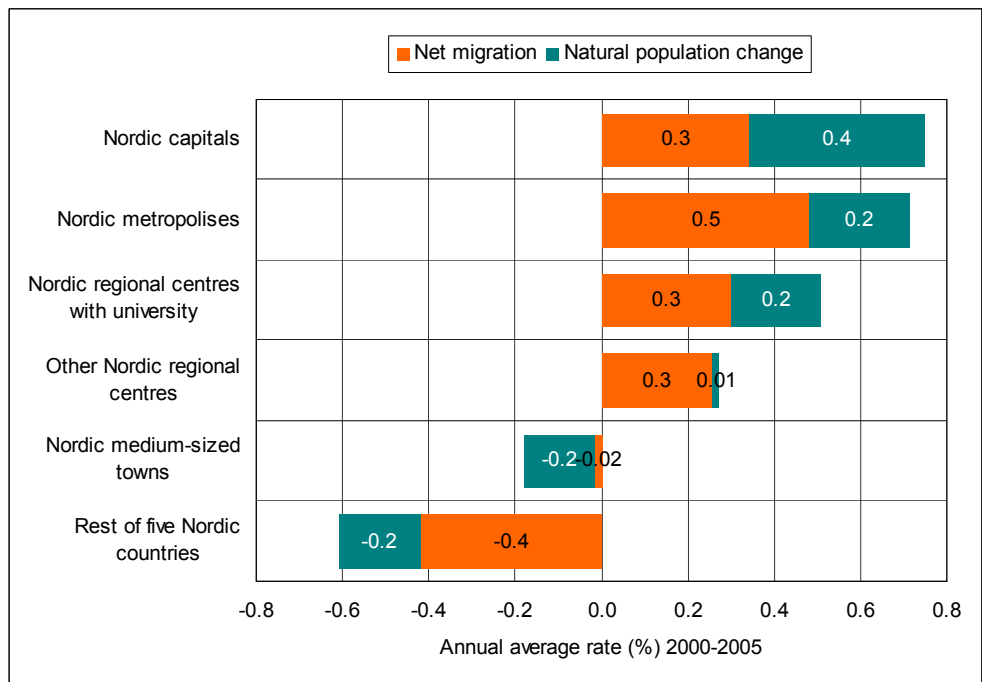
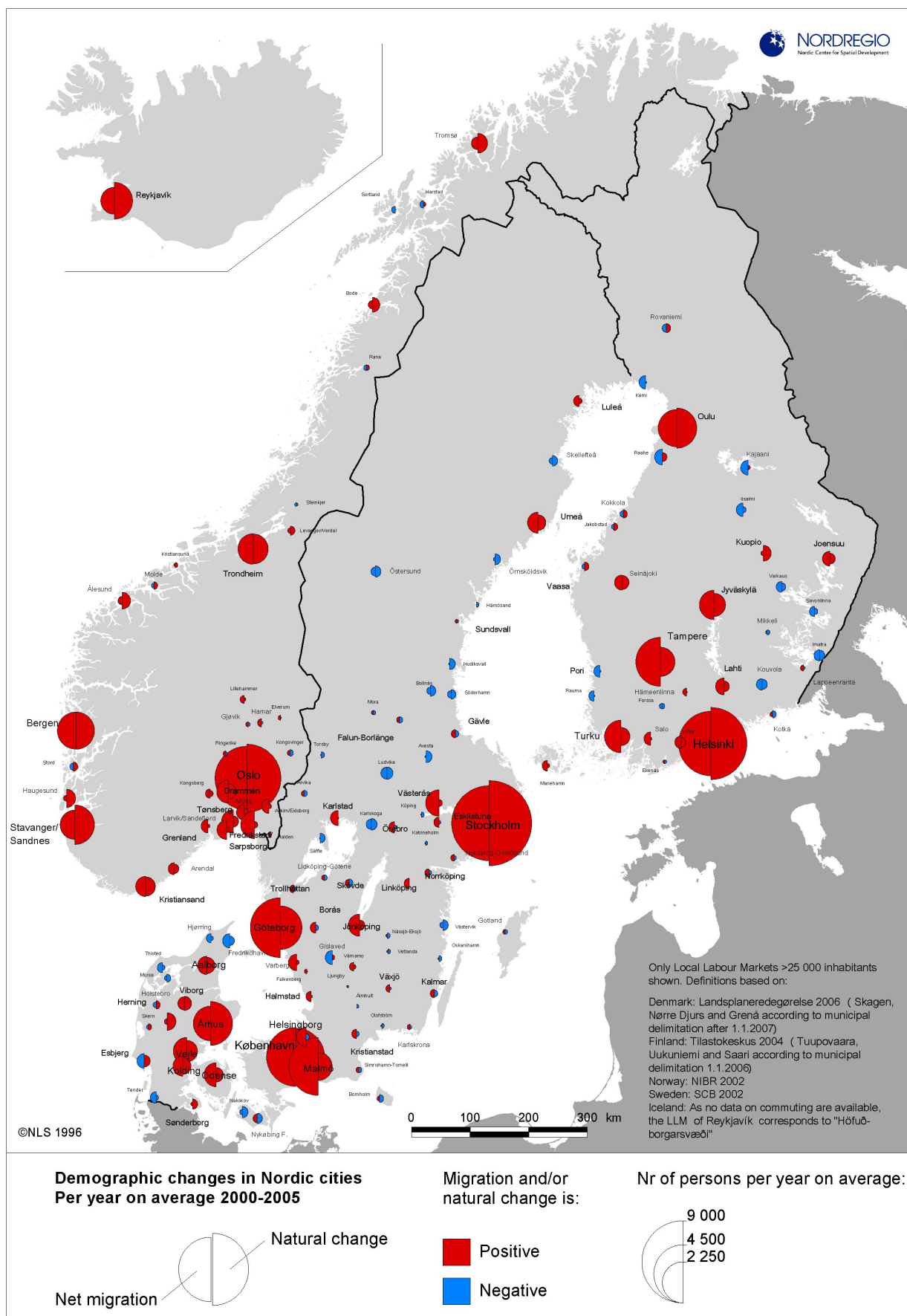


Figure 11: Absolute population change in Nordic cities 2000-2005



Low nativity again is the primary explanation for the negative development of medium-sized towns in general whereas in migration terms these cities, taken as a group, are close to standstill. There are differences between countries, however, and in the Finnish case in particular, several medium-sized towns such as Rauma, Iisalmi or Raahe, are hampered by substantial out-migration.

In any case, the more rural areas of the Nordic countries remain most affected. On average, high out-migration is further accentuated by negative birth rates, with the Icelandic periphery taken as a group constituting the only exception here.

There is then here a situation where migration flows to smaller settlements and rural areas are highly negative and directed primarily to larger cities or regional centres. As nativity is more difficult to orchestrate, from a planning or policy point of view, the migration component deserves a more thorough examination taking into account the actual differences that do exist between countries. Annex 8 on page 88 presents migration rates differentiated across the whole typology as well as between countries. The same data is also presented in Figure 12.

National differences prevail

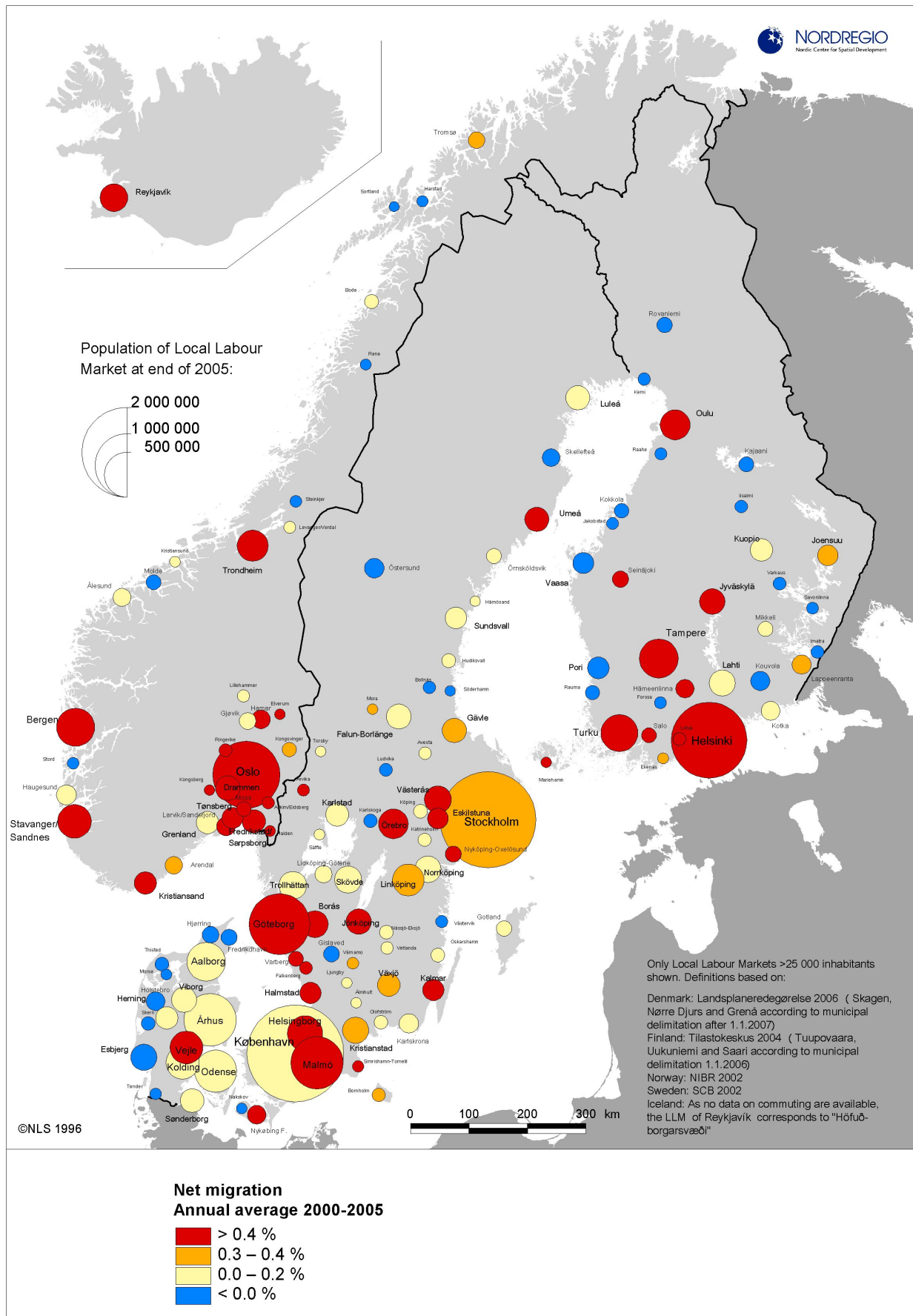
In Denmark there is, in migration terms, a clear east-west dichotomy, where cities located in the western part and northernmost tip of Jutland in general all have negative rates. This is most pronounced in Tønder and Frederikshavn. In general, negative migration currents in Denmark decrease with increasing city size and economic diversity. Among the medium-sized Danish towns those that have a service-based labour market in general fare slightly better than those with a manufacturing- or agriculturally oriented one. The biggest winners in Denmark in this respect are nonetheless regional centres such as Vejle or Nykøbing Falster, where population growth is exogenously based on a substantial spill-over effect from Århus and Copenhagen respectively, as residents from these large cities have settled outside the commuter catchment areas. In contrast to the previous decade, also Bornholm is now among the top Danish magnets.

Table 2: Ten Nordic cities with highest and lowest net migration rates (% p.a.) 2000-2005

<i>Highest ten</i>	<i>Rate</i>	<i>Lowest ten</i>	<i>Rate</i>
Tampere (FIN)	+0.9	Raahe (FIN)	-1.2
Oulu (FIN)	+0.9	Kemi (FIN)	-0.7
Fredrikstad/Sarpsborg (NOR)	+0.8	Iisalmi (FIN)	-0.7
Askim/Eidsberg (NOR)	+0.8	Kajaani (FIN)	-0.7
Jyväskylä (FIN)	+0.7	Tønder (DK)	-0.6
Helsingborg (SVE)	+0.7	Gislaved (SVE)	-0.5
Malmö (SVE)	+0.7	Ludvika (SVE)	-0.5
Tønsberg (NOR)	+0.7	Frederikshavn (DK)	-0.5
Varberg (SVE)	+0.7	Imatra (FIN)	-0.4
Simrishamn-Tomelilla (SVE)	+0.7	Savonlinna (FIN)	-0.4

In Finland the hierarchical development is stringent with the only exception being that Helsinki is now, in migration terms, overtaken by several regional centres or large cities, most obviously Tampere and Oulu, which are the two fastest-growing cities in the Nordic countries. In this respect Helsinki has declined from its former premier-position to that of tenth place among Finnish cities. The northerly Finnish cities of Raahe, Kemi, Iisalmi and Kajaani are the four worst out-migration cases among all Nordic cities (with more than 25 000 inhabitants). In Raahe the net-migration rate was as much as -1.2% each year on average during 2000-2005 (Table 2).

Figure 12: Net migration in Nordic cities 2000-2005



Reykjavík, where more than 62% of all Icelanders already live, is still the primary migratory pole of attraction in the country. In addition, the remaining parts of the country have on average a positive net migration rate, but this rate amounts to only one fifth that of the capital.

The Norwegian urban system does not display an equally clear hierarchy in migration terms as is obviously the case in e.g. Finland. Among the top-ten magnets for migrants are several smaller Norwegian cities on both shores of the Oslo fjord such as Fredrikstad/Sarpsborg, Askim/Eidsberg, Tønsberg, Moss, and Halden as well as Larvik/Sandefjord. Oslo itself ranks number ten in Norway, preceded also by e.g. Bergen. The only Norwegian cities with negative migration rates are located exclusively on the northern and western coast. Norwegian regional centres have generally, on average, fared substantially better if they are located in polycentric surroundings than if they are not.

Finally, in Sweden the urban hierarchy with regard to migration is similar to that of Finland. With the exception of Stockholm, which now seems to have lost ground, the second cities of Gothenburg and Malmö as well as a large number of regional centres (especially if they are university towns) are the primary Swedish winners. In contrast to the end of the previous decade Stockholm now ranks only as number 17 among the Swedish cities. Among the worst Swedish cases are medium-sized towns such as Gislaved, Ludvika, Karlskoga, Söderhamn, Bollnäs or Västervik. Östersund is the only Swedish university town to lose population through migration. In all five countries the less-urbanised and rural areas taken as a group have had the worst development in migration terms, while this is particularly evident in Finland.

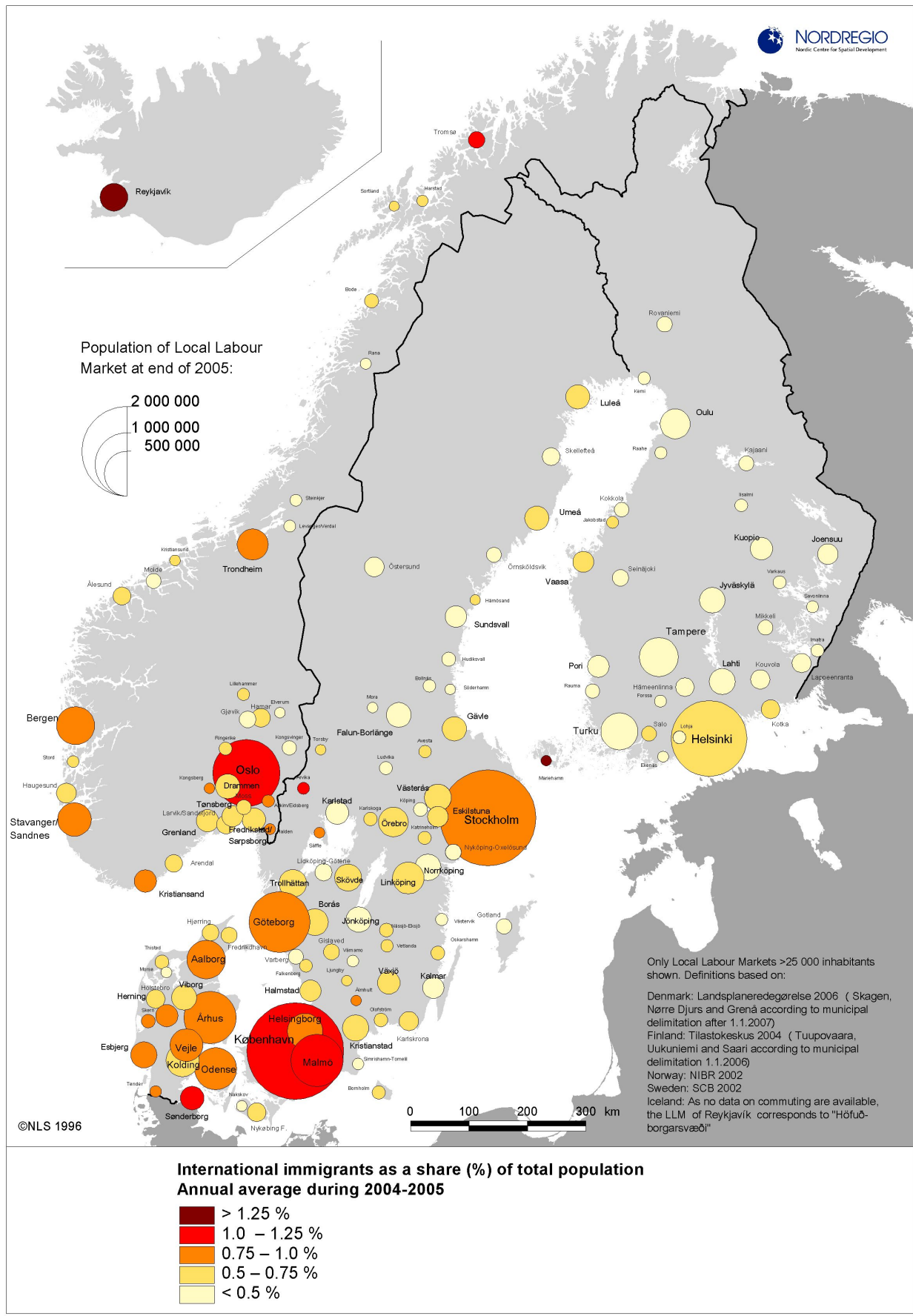
In terms of population development the link to the regional settlement pattern is fairly weak. In other words there is no clear-cut correlation between the development of the population and whether the city is located in a polycentric or non-polycentric environment. This holds true for all five categories of cities. One explanation for this is probably that cities located in non-polycentric surroundings, in general, have large hinterlands from which to attract migrants whereas cities in more dense areas have to compete more fiercely with other similar cities.

International migrants favour large cities

International migrants nonetheless clearly favour large cities. During the two-year period 2004-2005, Copenhagen, Stockholm, Oslo and Helsinki remained the primary Nordic destinations for international immigrants (Annex 6 on page 84). Immigration was also substantial to other *metropoles* such as Malmö, Gothenburg, Århus, Reykjavík and Odense.

In relative terms, immigration is on a level of its own in Reykjavík and to the capital of Åland, Mariehamn (Figure 13). In both these cities international immigrants amounted to nearly two percent of the total population between 2004 and 2005. On a lesser scale this also holds true for Oslo, Malmö and Copenhagen as well as for more smaller cities such as Tromsø in Norway, Sønderborg in Denmark (migration from Germany) or Arvika in Sweden (from Norway). In relative terms immigration is very low in most Finnish cities apart from, albeit at a modest level, Helsinki, and the aforementioned Mariehamn.

Figure 13: Immigration to Nordic cities 2004-2005



Compared to most larger European cities¹⁰ however the Nordic numbers on international migration remain modest. Disregarding obvious special cases such as Brussels or Luxembourg, several European cities (e.g. Munich, Cologne, Madrid) have more than double the turnover of their population, even in comparison to the Nordic extremes.

1.3.3 Spatial re-organisation of the Nordic labour market

Urban economic contribution increasing

Urban areas – accounting for a lion's share of European value-added – are the primary drivers of the European economy. In the ESPON project 1.1.1 a total of 1 595 cities with more than 20 000 inhabitants were identified throughout 29 European countries (all 25 EU Member States, Bulgaria, Romania, Norway and Switzerland). The cities were analysed in terms of functional urban areas (FUAs), a FUA consisting of an urban core and a surrounding area that is economically integrated with the centre. As no data on e.g. production or value-added is available for these FUAs alone they have been analysed primarily in terms of the (NUTS 3) regions surrounding them. The cities were classified according to their size and functionality. The largest cities were labelled Metropolitan European Growth Areas (MEGAs). These number 76 altogether, consisting exclusively of the largest European cities and nearly all national capitals. The second tier of cities analysed, 261 altogether, were those that are of transnational and/or national importance. A third class included cities of only regional or local importance. Finally, roughly a third of all European regions (424 out of 1329) largely lack such cities altogether and can be classified as purely rural regions.

Using these NUTS 3 regions as a proxy for urban areas throughout Europe (Table 3) the urban contribution to the European economy is overwhelming. In 2000 (regions with) urban areas accounted for nearly 83% of all European production value, while the 76 largest cities alone accounted for more than a quarter.

Table 3: Cities' contribution to the European economy 1995 and 2000

Functional Urban Area (FUA) type	Nr of NUTS 3 regions	Nr of FUAs	Gross Domestic Product in PPS		
			Share (%) in		% units change in share 1995-00
			1995	2000	
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	1 258	30.4	30.1	-0.4
No FUAs	424	0	17.4	17.3	-0.1
Total	1 329	1 595	100.0	100.0	0.0

Source: Calculated from data from ESPON 1.1.1 and Eurostat

Furthermore, the importance of the largest cities seems to be increasing. Between 1995 and 2000 the 76 major players increased their overall share of European production by as much as a half a percentage point, the sum of the increase corresponding to e.g. the size of the economy of Larger

¹⁰ Indicated by data from the Urban Audit database.

Lisbon, Stockholm county or Vienna. Smaller cities (i.e. regional/local FUAs) were the main losers, their share of the overall European economy decreasing by nearly as much.

These concentration tendencies are equally applicable for the Nordic economies as a whole, albeit in recent years there has been a profound shift in favour of second-tier cities in particular.

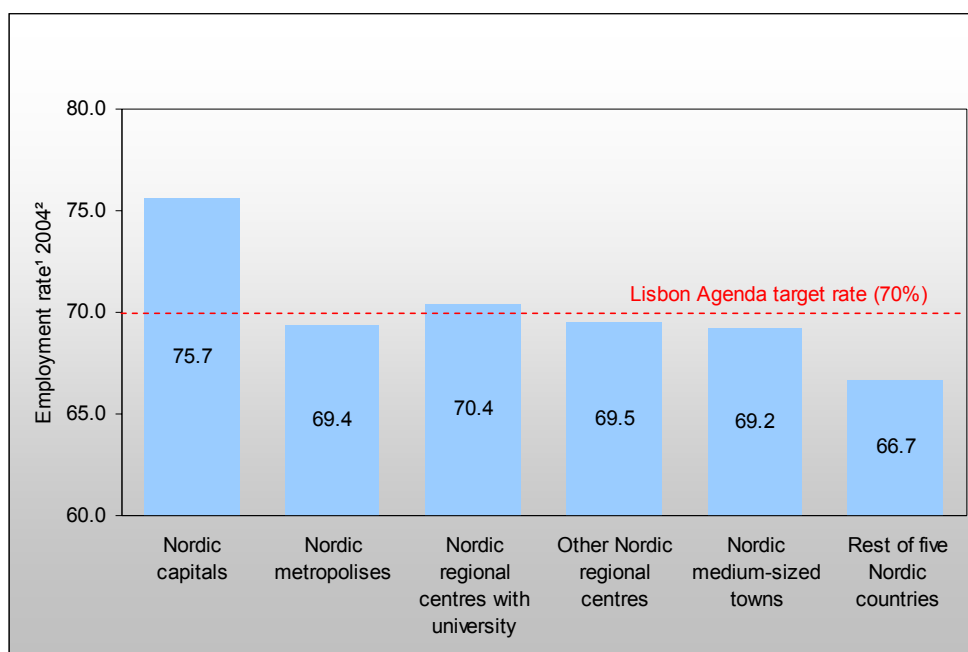
Saturated metropolises

During the latter part of the 1990s the capital areas were in employment terms, in all Nordic countries apart from Denmark, the real winners. During the first four years of this decade this trend seems to have been somewhat reversed, with smaller cities now having taken the lead in respect of attracting new jobs.

Part of the explanation of the, relatively speaking, poor employment development in the capitals can be put down to the fact that these cities already have a very high proportion of their working-age population in employment (Figure 14). Their labour markets are, in effect, saturated and e.g. the rate of new housing construction simply cannot keep pace with the high demand, resulting in labour shortages. This holds true particularly for Helsinki, Oslo and Stockholm, whereas it is not so much the case for Copenhagen which still maintains a high rate of growth in comparison to Denmark in general.

In March 2000, at the Lisbon European Council, a target was set for an EU employment rate of 70% by the year 2010. This ratio refers to the share of persons aged 15-64 years that are employed. Taken as a group, capitals as well as regional centres with universities are the only categories of Nordic cities that currently live up to this objective.

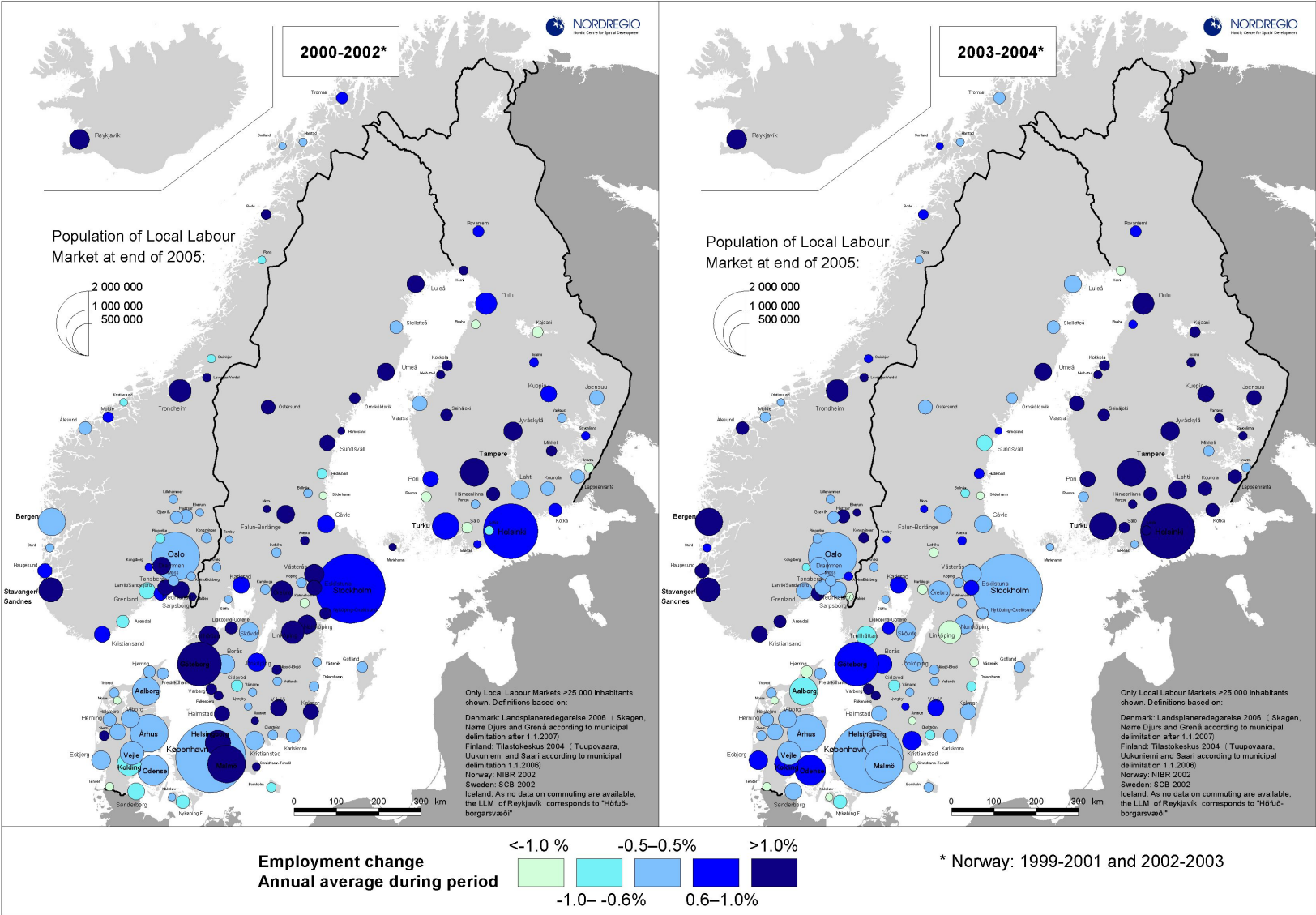
Figure 14: Employment rate 2004 by Nordic city type



¹ Employed persons as a share of population aged 15-65 years. Work place based data.

² Norway: 2003

Figure 15: Employment changes 2000-02 and 2003-04 in Nordic cities



The, relatively speaking, low level of employment in second-tier cities (i.e. Nordic metropolises) taken as a group is the result of low levels in all Finnish cities belonging to this category as well as that of Malmö in Sweden. As a matter of fact there are only three cities in Finland that have an employment rate above 70%, namely Helsinki, Salo and Pietarsaari (Annex 9 on page 91). In contrast, only three Danish cities (Nakskov, Nykøbing Falster and Bornholm) do not meet the 70% criteria.

In Norway, Oslo and Bodø have the highest rates. High in-commuting to the capital entails that employment rates in smaller settlements around these cities are much lower. Reykjavík, as is the case in Iceland in general, enjoys what in practice could be labelled as full employment. In Sweden the picture is more diversified. Malmö and Helsingborg have, due to high unemployment rates, a relatively low employment level, whereas cities in the central parts of Småland (the so-called Gnosjö area) have traditionally seen high labour utilisation.

The less-urbanised areas of the Nordic countries nonetheless by and large have employment rates far below any of the city groups, with Iceland constituting the major exception to this.

Regional centres improving their position

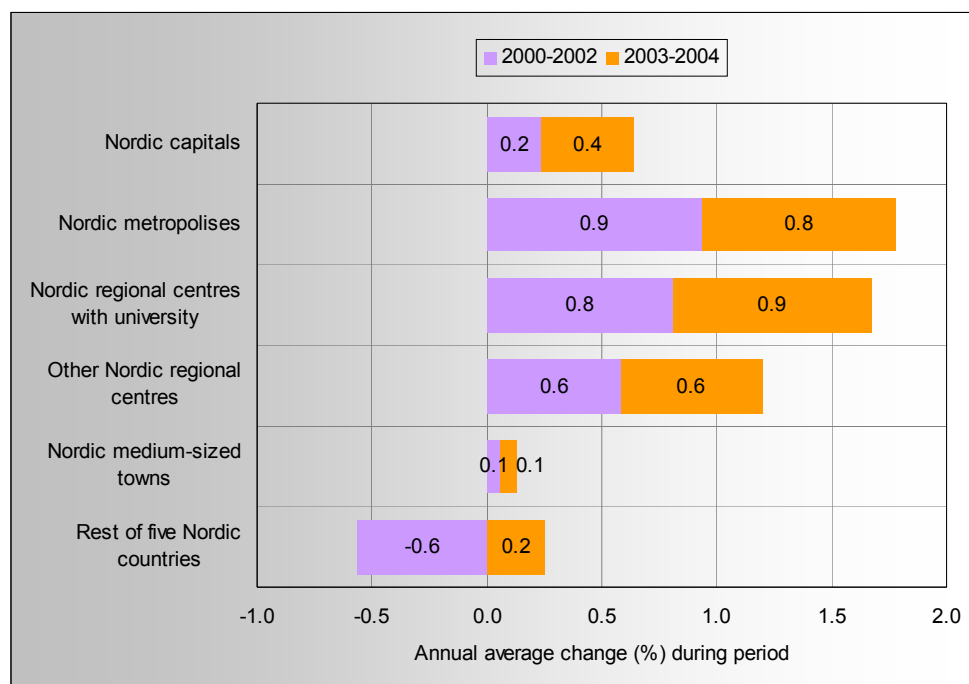
The current common Nordic pattern is however changing rapidly. As noted previously, metropolitan areas apart from the capitals as well as regional centres, with or without universities, fared best in terms of new job creation during the first four years of this decade (Figure 16). On average, this pattern has largely remained the same during the first and the second period of measurement (2000-02 and 2003-04 respectively). But as Figure 15 on page 32 reveals, there has been a substantial shift when moving from an average to a country and city-specific level.

During the period 2000-03 the major winners with regard to the creation of new employment were primarily Swedish metropolises and regional centres. During the two most recent years development on the other hand has been strongest in virtually all Finnish cities as well as in southern and western Norway. There seems however to be a certain level of saturation in the growth rate of most of the Swedish cities (in 40 out of 55 cities altogether). The major exceptions to this are small cities primarily on the west coast as well as distinctly industrialised (and “internationalised”) medium-sized cities such as Hudiksvall.

In Danish cities the creation of new jobs has – in a Nordic context – been fairly modest throughout this decade. In Reykjavík again however fast growth rates are prevailing. In Norway the fast growth rate of several smaller cities south of Oslo has now been matched to the north of the town.

On the whole there is an apparent paradox between migration and new job creation. Migration is by and large distributed linearly along the urban hierarchy whereas new job creation does not follow the same logic to the same extent. The most obvious explanation for this lies in the current employment structure in these city groups.

Figure 16: Employment changes 2000-02 and 2003-04 by Nordic city type



Data for Norway refers to 1999-01 and 2002-03

Employment rates are already at least close to “as high as they can get” in capital cities. In order for them to rise further, new labour by and large needs to be imported. In the second-tier cities and regional centres on the other hand the potential to improve employment prospects by utilising existing domestic supply and only moderately relying on labour importation still exists. In line with the ageing Nordic population, this type of labour shortage pattern will in future most likely spread to the medium-sized cities of the Nordic countries.

PART TWO: STATUS OF CURRENT NORDIC URBAN POLICIES

2.0 Introduction

Part two is designed to provide a status report, as we see it, of the current Nordic urban policies. This is not however a scientifically based study, but is rather grounded in different kinds of documentation and information. The status report does not claim to be 100 % correct. It is simply meant to provide the reader with an overview of the most important aspects of Nordic urban policies from a territorial viewpoint. The description of the five different countries varies to some degree both in content and perspective. This is due to the fact that the Nordic countries have different approaches to the main issues addressed in this report, different responsible Ministries and, of course, different traditions. What each country considers as relevant to urban policies in a regional perspective is, moreover, subject to different interpretations. Still, we think that it is possible to compare the five countries and to draw out some conclusions on which we base our final recommendations at the end of the report.

In this part of the report, urban policies for regional development are described in relation to metropolitan areas/capitals, major urban areas and small and medium-sized cities. Focus is placed on innovation and regional management policies over the last 10-15 years. The definition of the different urban categories varies from one country to another (with the exception of the categories of metropolis and capitals). In Part One, these differences are more fully described. In Part Two, particular attention is paid to the relationship between physical planning and economic development as well as networking and innovation policies.

The evolution of urban settlements in the Nordic countries over the past 100 years strongly reflects structural changes in the economy, with a period of relative stability until the 1960s and then accelerated change since the 1970s followed by the turning point of the recession in the 1990s. From the late 19th century to the 1960s, urban growth in many parts of the Nordic countries was often linked to the availability of natural resources, particularly for example in relation to the forest sector in Finland and Sweden, and to energy in Norway and Iceland. On the other hand, the southern parts of Finland, Sweden and Norway remained the most urbanised areas, based on factors such as maritime trade and accessibility, as well as for obvious political reasons. The Finnish, but also the Swedish and Norwegian urban systems that have emerged since the mid-1970s are characterised in the main by the growth of a few strong urban regions. Danish cities were, in general, growing throughout the country, with fewer and fewer people living outside settlements with a minimum of 200 inhabitants. In particular, the municipal centres grew strongly, but growth in the largest cities was not very high in the 1970s. In the 1990s this growth has tended to be concentrated to a few major urban regions. Iceland is particularly characterised by a very rapid urbanization process at the expense of the rural areas.

2.1 Responsible authorities for regional and urban development

In Finland, the Ministry of the Interior, in cooperation with other ministries and the regional councils, is responsible for the formulation of national ambitions and targets for regional development. In addition, the Ministry of the Interior is responsible for coordinating, monitoring and evaluating the preparation and implementation of regional strategic programmes and other programmes in accordance with the Regional Development Act. The Government decides on regional development objectives for a fixed term (current period 2004-2007). State authorities are required to take account of these targets in their operations and promote their achievement.

Until recently, Finland did not have an explicit urban policy for regional development. In the context of strong municipal autonomy, the role of the central government was confined to the promotion of a traditional regional development policy in favour of less developed and sparsely populated areas. When cities received support, they were usually small and medium-sized, and located mainly in rural areas. Even if Finland remains one of the OECD's most rural countries, conditions have changed. The urbanization process is accelerating, with people moving mainly from small urban communities to larger ones, thus raising new employment, social and infrastructure issues. The deep economic recession that occurred at the beginning of the 1990s further exacerbated these problems. Moreover, with the acceleration of globalisation and Finland's integration into the European Union, city competitiveness was recognised as a national objective by the national *ad hoc* Committee on Urban policy in their report "Cities as Generators of Growth" (Ministry of the Interior, 1996). Urban policy in Finland is thus fully geared towards enhancing city competitiveness and maintaining a balanced urban network of cities of different sizes. Recent trends might however require specific attention to social issues as well.

In Norway, The Ministry of Local Government and Regional Development is responsible for the formulation of national strategies for regional development. Every 4th year, a White Paper on regional policy is presented to the Parliament defining the main political priorities for the next four years. The notion that tools and funding should be matched to regional and local needs and potentials has in this context been important since 2000. The regional development funding is to a large extent delegated to the 19 county municipalities.¹¹ The regional strategies for funding are usually linked to regional development plans. In Norway, The Ministry of Environment is responsible for regional planning in accordance with the Planning and Building Act. The municipalities play the main role in the planning and implementation of local initiatives, while the regional administration plays an important role as guide and resource centre for municipalities, while also co-ordinating county investments and operations, including the county national provisions administered by the counties. Additionally, the co-ordination of public and private measures is important in utilising the total resources efficiently.

National industrial growth and innovation programmes, often with a heavy regional focus, are to a large extent administered by different national development agencies

¹¹ A new territorial organisation is to be decided upon in 2007, and implemented in 2010.

and their corresponding local offices.¹² The agencies cooperate with regional and local authorities and play an important role in the elaboration of regional development plans. The local municipalities are vital for the development of communities providing basic services to the population and being, to a large extent, autonomous. They are responsible for physical planning. However, perennial questions over municipal financing notwithstanding, the reality is that there is simply limited room for local initiatives or rural-urban development.

Analytically, Norwegian regional policy encompasses the entire country, both large cities and rural areas. This has not been the case for a long time. In practical terms, it is the target area for regional development – Northern and Inner Norway - that gets most of the attention and benefits substantially from different development instruments and schemes. Urban policies are not explicitly integrated into national regional strategies. In various regions though, questions over the potential for extended networking and cooperation within a system of cities seem to be attracting increasing interests and generating research.¹³

In general, Swedish urban policy is a more or less municipal question. Local self-government has a long tradition in Sweden with local authorities being granted considerable autonomy. There exists, in principle, a municipal planning monopoly in Sweden. All municipalities are requested to develop and maintain a comprehensive plan for their area. Co-operation between municipalities is expected to handle issues of regional character in the comprehensive plans. Different regional institutions share the responsibility for regional coordination.

From 2003, urban development became part of national regional development policy. This reflects the development towards more sector co-ordination, multi-level governance and co-operation in partnership. Regional policy covers all parts of the Swedish territory and aims at improving conditions for growth and prosperity in all parts of the country. Co-ordination and regional considerations in the various national policy areas are central. Policies must adapt to the varied development potentials and the diversity of structures in different parts of the Swedish territory.

The aim of different pilot projects at the regional level is to find a new institutional structure with a high degree of self-governance and responsibility for the development of the regions. A Parliamentary Act from 2002 has made it possible for the counties to form Regional Co-operation Councils. These councils are responsible for e.g. regional development processes, and infrastructure planning as well as for the implementation of EU regional policy. Since 2002, The Regional Development Programmes (RUP) and the Regional Growth Programmes (RTP) have been the main instruments of the new regional policy. Sustainable regional growth, co-ordinating the efforts of local and regional actors and the establishment of comprehensive strategies at local and regional level are now the keywords in regional programming.

In July 2006, a national strategy document on regional competitiveness and employment was adopted by the Government.¹⁴ The strategy will provide guidance

¹² The national development agencies: Innovation in Norway, SIVA and The Research Council.

¹³ Examples: The region of Oslo and Akerhus. The region of Buskerud, Vestfold og Telemark.

¹⁴ En nationell strategi för konkurrenskraft och sysselsättning 2007-2013. Näringsdepartementet 2006

and a stable political framework for the next Structural Funds period, with the urban dimension, and the metropolitan areas in particular, being highlighted.

In Iceland there is a national and a local governmental level, no regionally elected body exists. A special Regional Development Agency was created, by law, under the auspices of the Minister for Industry and Commerce. The role of the agency is to strengthen the rural areas and smaller towns of Iceland. The agency prepares and finances projects to promote employment and development in these areas. The Regional Development Agency also prepares National Development Policy in cooperation with the Minister for Industry and Commerce.

Last June (2005) the Icelandic Parliament approved a National Development Policy for 2006-2009 that lists 23 subjects that will be implemented during the period (Alþingi, June, 2006: Þingsáætlun um stefnumótandi byggðaaætlun fyrir árin 2006-2009). These include improved transportation and communications in the rural areas as well as improvements in and increased levels of access to education in remote areas (e.g. establishment of University Annexes). The focus is also on improving the tourist industry and empowering small businesses.

Regional Development Aid, administered by the Regional Development Agency, has generally been seen as the answer to the inherent imbalances of the settlement pattern. It could moreover be argued that development policies have caused negative effects in the urban region, such as the increasing costs of social services. This issue is not however being addressed by the National Government for the time being. Why is that? Traditionally cities drew money and labour from the rural areas and prospered. An argument for the building up of an “urban democratic safety-net” was not so evident in the urban area as in the rural areas. Now, it is understood that cities are both enjoying and suffering from the side effects of growth.¹⁵ Icelandic history shares common features with the other Nordic countries. Until quite recently then, the Icelandic political debate focused only briefly on urban issues, while Regional Development Policy was, in effect, predominantly attuned to the needs of rural development.

The responsibility for regional and urban development in Denmark is a shared task between different ministries (social, integration, economic and environmental policies) and between state level and the decentralized level. Priority is put on growth development strategies to improve competition and employment and this is likewise of prime concern for the urban areas in Denmark. The cities have a central role as centres for economic growth. The challenge of globalization hits the Danish regions differently depending on their business structure. Regions with traditional production, typically located in the more peripheral regions, are affected by the closing down of companies and outsourcing. The larger cities are challenged by “ghettoization” and the risk of social exclusion of certain groups.

Traditionally, the municipalities have not developed a strong role in respect of regional development. With the upcoming Municipal Reform slated for January 2007, the counties are to be repealed. The municipalities will then be responsible for

¹⁵ One of the reasons why urban challenges are not really addressed may be that the Reykjavik area is still very much underrepresented in the Alþingi, the parliament of Iceland.

decisions on both urban and rural matters and for the definition of the urban system with a division of tasks and functions to be expected for each city. A number of new tasks are to be transferred from the counties to the municipalities. From 1981, it has been the task of the counties to define the urban systems which included the location of regional and local public services such as schools, health care, libraries etc. The hierarchical urban system is now being redefined taking a more network-based orientation into consideration.

2.2 Policies for metropolitan areas

In Iceland, the Reykjavik area has a very important role nationally as the only true urban area of the country. Its regional role is reflected in its growth. It is marketed internationally as the centre for Icelandic cultural events and as the Icelandic economic headquarters. On the national level regional challenges in Iceland are seen as the imbalance in growth between the metropolitan area and the rest of the country. National regional policy is therefore entirely focused on those other areas beyond the main urban region.

The city of Reykjavik and its surrounding municipalities work together on land use planning issues and have a joint regional plan in place.¹⁶ The regional plan however functions more as a tool to coordinate the general land use plans of the different municipalities. The municipal level is the strongest level for land use planning in Iceland.¹⁷ Regional economic planning does not exist for the metropolitan area. The debate in Iceland focuses on the patterns of urbanization i.e. whether there should be more than one urban centre in the country.¹⁸

The issue of urban policy is non-existent in Iceland – urban development is a very new issue in terms of Icelandic urban history. The majority of the population lives in the main urban area which creates problems for both rural and urban areas. The solution is however complex and based on looking at the urban/region problems as integrated phenomena. In Iceland, the forum for such a debate does not however currently exist. The lack of strong regional cooperation between the different municipalities/local governments in the Reykjavik area is also a well known challenge for a positive outcome in this respect as is the lack of national recognition of regional/national/sector planning that includes the Reykjavik metropolitan area.

While the Finnish approach to urban policy is clearly based on ensuring a polycentric urban structure, the role of large cities in the national economy has also been duly recognised. About half of Finland's population lives in the eight major city regions. A particular emphasis has been put on the Helsinki metropolitan region. The background report ordered by the Working Group on Urban Policy (Pikkarainen, 1996) states that "the role of Helsinki, as Finland's only international knowledge-intensive major city area needs to be promoted for the simple reason that it competes more with major cities in other countries than with urban regions in Finland". It remains difficult however to assess the extent of national government involvement. Helsinki has been

¹⁶ Nes Planners 2002: Svæðisskipulag Höfuðborgarsvæðisins 2001-2024.

¹⁷ Planning and Building Act 73/1997, with amendments.

¹⁸ Hall, A et al. 2002, Byggðir og búseta, Þéttbýlismyndun á Íslandi.

excluded from the Regional Centre Programme (RCP) and the funds allocated to the Urban Policy Programme for the Helsinki Region have been rather modest. On the other hand, since most of the leading high-tech and knowledge-based industries and talents are concentrated in the Helsinki metropolitan region, much of the innovation policy funds end up there.

For the past two years the national government has been concentrating on improving the governance framework of the Helsinki metropolitan region. As pointed out in the OECD Territorial Review of Helsinki (2003), the lack of co-operation between municipalities often compounded the rising interdependence of problems – from immigration to economic development and housing, while it also threatens the competitiveness of the whole metropolitan region. In 2003, an Advisory Commission on the Helsinki region chaired by the Minister of Regional Policy was established including representatives of several ministries, the mayors of the four core municipalities and regional council members of Uusimaa and Itä-Uusimaa. This “Helsinki Club” has been particularly active in finding ways to promote better co-operation in the area. An informal ‘think-tank’ group with high-level representatives from business, science, the media, cultural life, the churches and public administration, has also discussed the future challenges facing the Helsinki region and defined strategic priorities and key projects.

A new explicit and more comprehensive urban policy targeted at the Helsinki region has also recently been established, entitled the Urban Policy Programme. The mayors of the four central municipalities are responsible for this initiative. With the participation of the business community, universities and civic organisations the four mayors identified international competitiveness and social cohesion as the main priorities for this programme.

National urban policy in Sweden is for the time being concentrated on the three metropolitan areas – Stockholm, Gothenburg and Malmö. The Swedish Metropolitan Policy was adopted in 1999 with the aim of counteracting social, ethnic and discriminatory segregation in metropolitan areas and promoting equal and comparable living conditions for people living in the cities. The key instrument is the local development agreements between the central government and the municipality. The policy rests on four central principles: a ‘bottom-up’ perspective, cross-sector cooperation, management by objectives with external evaluation and long-term work. Local Agreements have been signed by the central government with seven metropolitan municipalities – five in Greater Stockholm, the City of Gothenburg and the City of Malmö. Since 2005 the policy has entered its second, transition, phase.

The metropolitan regions are now part of the Regional development policy. In the National Strategy for Regional Competitiveness and Employment it is underlined that the Metropolitan areas have a substantial growth potential and have, due to their density and diversification, important competitive roles to play in a national and European context. The Government will give priority to promoting transport infrastructure and housing. International competitive innovation systems and clusters are to be promoted. The integration of a foreign-born labour force and the counteraction of social, ethnic and discriminatory segregation will continue be important.

The Government stresses the importance of developing functional co-operation across national borders. e.g. the co-operation taking place in the Öresund Region between Skane and Copenhagen, West Sweden's co-operation with Norway and the co-operation between Stockholm Mälars region and other Metropolitan regions and countries within the Baltic Sea area.

The metropolitan regions in Sweden are rather large in a Nordic context, but still small in European terms. Nearly 50 percent of Swedish GDP will be produced in the three metropolitan regions of Stockholm, Göteborg and Malmö by the year of 2020, according to the most recent projections. The Stockholm region holds in this context an exceptional position. Economic growth in this region is considered of greatest importance for growth and welfare of the whole country. These regions are "import harbours" for new ideas and technology and thus, have the role as development engines for a much wider region.

According to the OECD Territorial Review (2006), the Metropolitan region Stockholm Mälars is regarded as one of the most successful metropolitan regions in OECD. Stockholm County ranks 25 out of 66 OECD metropolitan regions. The drivers of Stockholm's economic growth have been its capacity to generate innovation, especially in high-tech sectors, strong competitive clusters and a skilled labour force, especially in science and technology. This situation is however not unchallenged and faces competition from new emerging metropolitan regions. The report highlights a number of weaknesses, among others, the lack of new fast growing firms, obstacles in the labour market, especially with regard to the integration of immigrants, housing shortages and the increasingly strained transport network, all of which have failed to keep in pace with growth in the region. Better governance performance, horizontally as well as vertically, and a coherent and region-wide economic strategy are also recommended.

The political focus on the capital of Norway (and on other major cities) has been well documented since 1990, though the attention has been very narrow and sector oriented. The exception to this is White Paper nr 11 (1991-92) "*Norway needs the large cities*" where the then Government underlined the functional importance of the major cities for the rest of the country, casting them as the engines for regional development. Various sector problems like living conditions, housing, transport, youth, children etc. are also raised. The impact of this document was however very limited. But the broad aim of urban renewal did have some real impact. In addition, cities were viewed, perhaps for the first time, in their wider regional context thus inspiring the White Paper nr. 33 (1992-93) "*Cities and Countryside-Hand in Hand*". No urban development policies were really introduced, but the notion of mutual dependencies between urban and rural areas was.

The Oslo Metropolitan Area was included in a complex White Paper concerning the development of an urban policy for the six largest urban regions in Norway in 2003.¹⁹ The cities and the surrounding regions were treated and accepted as interdependent entities. Norwegian regional policy now included the Oslo Metropolitan area while new political tools were implemented.

¹⁹ St.meld .nr. 31 (2002-2003) Storbymeldingen: Om utvikling av storbypolitikk

The Norwegian government is now working on a holistic policy document for the whole Oslo region.²⁰ The government wants to strengthen the different qualities and potentials of the entire region. Importantly, in a Norwegian context, is the statement that the whole country will benefit from a strong metropolitan area. A White Paper is to be presented to the Parliament in December 2006 with the following topics:

- Metropolitan focus - International competition and interaction between the Oslo region and other regions and countries. Development of the growth potential of the capital to the benefit of the entire region and country. A central issue here being the strengthening of the international competitiveness of the region.
- Management and governance of Oslo and the Oslo region.²¹ The White paper will therefore focus on the specific challenges facing this complex region. The different authorities in the Oslo region will have to assume a shared responsibility for development and define the premises for cooperation in the region. The government will take the fundamental decisions relative to the management of the Oslo region parallel to decisions concerning the new territorial organisation of Norway and the distribution of greater responsibilities and tasks to the regional level. The new structure will be implemented from 2010.
- Urban issues; housing, social questions, integration policies, inner city challenges and environmental issues.

A networking group of municipalities, “The cooperation alliance of the Oslo Region” was established as a regional, ‘bottom-up’ initiative in 2004 now consisting of 55 municipalities, the City of Oslo and three county municipalities.²² The alliance is basically an instrument for dialogue. Four development strategies are defined (attractiveness, competence and growth, transport and communication and social infrastructure), with the alliance trying to formulate a platform for future cooperation. The main ambition here is to strengthen the region of Oslo as a competitive and sustainable region in Europe. The Alliance tries to respond to national polarisation trends and competition from increasingly strong major urban areas across Europe.

In Denmark, since World War II, the Greater Copenhagen area has had a specific status in respect of physical-functional planning. The most notable efforts were carried through during the late 1980s and the 1990s where the state took the initiative and the leading role in relation to numerous new large projects (e.g. Ørestaden, the Metro, the transformation of the harbour of Copenhagen) and where the state forced the City of Copenhagen to adopt a more cooperative approach to urban development. The overall objective was to revitalise the economy of Copenhagen and to internationalise the profile of the entire region.

The Greater Copenhagen Region constitutes one urban area with coherent housing and labour market districts, with common regional recreational and green areas

²⁰ The Ministry of Local Government and Regional development is responsible for the White Paper concerning the Oslo Region.

²¹ In 1997 a public report entitled, “Annoying frontiers” (Grensar til besvær), addressed the issue of the need to monitor the challenges facing the capital. None of the recommendations were however implemented.

²² <http://www.osloregionen.no/>

crossing the municipal boundaries. That is why special regional planning for Greater Copenhagen is maintained in the new planning act. Greater Copenhagen includes 34 new municipalities. The principal provisions of the Act are outlined in the footnote below.²³

By 1st of January 2007, the new Danish structural reform will have turned the 275 present municipalities into 98 new municipalities and will have closed down the 14 regional political and administrative authorities. The reform puts a pressure on the municipal budgets which may lead to some centralization of smaller more widespread institutions. The contribution of municipal economies to growth in the urban region economy may see a reduction in importance for the next few years. On the other hand, the reform constitutes a new 2-level system – municipality and state – which may ease coming planning dialogues between these levels.

The new Planning Act intends to establish - in the Greater Copenhagen Region - a way of handling greater urban developments through dialogue. The main urban development situation tends to be like this; Municipalities in the inner urban area must regard their urban zone limit unchangeable and will have to change their urban development into urban condensation. Municipalities in the outer urban area (the urban fingers) may be free to organize their coming development within broader limits within the context of the finger plan principle. All municipalities within the Finger-plan may be free to welcome major development. Municipalities outside the Finger-plan are intended to develop, to an extent at least, based on their own local development.

In relation to the upcoming national spatial planning directive a series of major dialogue projects for the potential development and extension of the "finger-plan" have been formulated. Similarly, and targeting the rest of the island of Sealand, an invitation for further dialogue has been voiced in relation to the regional urban development, the future role of the cities and its relationship to the Greater Copenhagen Region.

A new kind of planning with greater room for municipal manoeuvring is expected to promote regional economic development including the territory of the Øresund Region. This includes the method of dialogue, partnership briefing and the strategic planning document produced by the municipalities and regional development councils.

At the same time increasing co-operation across the sound is changing expectations and is expected to be more effective as the interaction between the two parts of the Øresund region increases. This will also likely provide good experience in relation to

²³ a) Greater Copenhagen is divided into 4 districts each with differing provisions for municipal planning: 1) the inner urban area, 2) the outer urban area (the Finger-city serviced by S-trains or regional trains), 3) the green wedges and 4) the other parts of Greater Copenhagen. b) In dialogue with the municipalities, the 2 regions and the affected national authorities and the Ministry of Environment must make a concrete national planning directive with overall planning principles for the physical development of the city region. For the sake of the first generation of municipality planning, a first national planning directive was issued in 2006. c) Furthermore, the reports on national planning must include a specific passage about Greater Copenhagen. This can strengthen the dialogue between the State, the two involved regions and the municipalities.

the new INTERREG IV-programme for the Øresund region and for the future development perspectives for this programme.

The Capitals

Perhaps the most important and common challenge facing all of the Nordic Capitals is that of governance, cross-border and cross-sectored. There is a struggle to be competitive not only on a regional and national level, but also internationally, while international competition becomes fiercer every day. In the context of strengthening capitals then, it is important to find the sources of growth from the right regional innovation systems, to encourage diversity in the labour market, to enlarge regions by investing in infrastructure and to be aware of the fact that governance strategies matter. From an international perspective Nordic Capitals are very small. Networking between these capitals might encourage learning and more dynamic development at the macro level.

2.3 Policies for major urban areas

In Norway six major urban areas were the subject of White Paper nr. 31 (2002-2003); “*Storbymeldingen – Om utvikling av storbypolitikk*”. The urban areas are defined functionally as Commuter Catchments areas.²⁴ All six cities are university cities as defined in Part One of this report (Oslo, Bergen, Stavanger, Trondheim, Kristiansand, and Tromsø). 2.3 million people reside in these urban areas representing more than half of the entire Norwegian population. The focus on these particular urban areas is mainly due to their large size in a Norwegian context and their profile/role in the various corresponding parts of the country. The central messages of the White Paper can be summarised as follows: need to coordinate state policy, to provide the cities with the autonomy needed to develop their potentials and to solve their own problems, to provide better services for the citizens, to oversee the dialogue between the state and the major cities, to develop the qualities and specialities of each city and to encourage the cities to establish their own visions and inter-city networks. Their national and regional roles are, in other words, to be strengthened. Some initiatives have already been taken:

- “*Storbyforum*” - The creation of an arena for political and professional dialogue between representatives from the 6 major cities, including Oslo. The forum discusses the challenges and potential responses of the cities themselves, the main strategies, national sector coordination, the division of labour between administrative levels, and the modernisation of public sector etc. The agenda is primarily set by the cities themselves.
- “*Storbyprosjektet*” - An innovation programme for the 6 major cities. The project addresses the role of these cities in regional and national innovation, especially through enhanced cooperation between authorities, branch organisations, private business and different knowledge institutions.

In terms of sustainable development, the Programme for Sustainable Cities coordinated by the Ministry of Environment has been an experimental project in five

²⁴ Commuter Catchments Area being equivalent to the Norwegian term “bo og arbeidsmarkedsregion”.

major cities with the objective of achieving more environmentally friendly cities. The project began in 1993 and finished in 2000. The recommendations from the programme were presented in a White Paper in 2002. Some selected topics have been further elaborated in follow-up projects in 12 cities.

Finland: The CoE Programme was first launched in 1994 in the eight largest urban regions and it was later extended to other regions. It represents one of the main tools of Finnish Regional innovation policy. In 1998 and 2002, the national government decided to extend it to new regions so that by the end of 2006, there should be around 22 Centres of Expertise operating in 45 branches. The programme, that initially targeted large urban areas, is thus progressively being extended to medium-sized cities regions in compliance with the national objective to ensure a polycentric urban structure. In January 2005, the central government announced a "Policy Package for Major Urban Areas" concerning the nine major cities in Finland.²⁵ This initiative fully recognises the crucial contribution of large cities to the Finnish economy. The main objectives are to increase major cities' international visibility and competitiveness and improve their individual specialisation for a better division of labour throughout the country. The link with the Regional Centre Programme concerning small and medium-sized cities is that further development in the main urban areas will benefit the whole region, including its other urban centres. In that sense, this approach integrates both aspects of urban and regional policies. This package also constitutes an attempt to ensure better coordination of existing programmes and policies, with the objective of integrating the multi-faceted aspects of urban development (economic and innovation policies, social, housing and integration policies, infrastructure and environment policies). This is an ambitious objective which remains to be translated into an appropriate framework. As the Ministry of the Interior's policy memorandum rightly puts it, "these measures still require collaboration between different ministries".

In Sweden the category of larger regional centres includes urban regions with fully developed universities and/or colleges (e.g. Linköping/Norrköping, Jönköping, Växjö, Örebro, Umeå, and Luleå.) and they receive some of the large investments made by the national Government in higher education and R&D, thus creating good conditions for development. These regions are also characterised by often having a specialised trade and industry sector, but lack the diversity characteristics of the metropolitan regions. They are centres in a larger region with a high level of interdependence between the centre and the periphery.

Urban policy in Sweden has, thus far, concentrated on counteracting discriminatory segregation in certain city districts of the metropolitan areas. The next phase of a developed urban policy will however give more attention to the economic growth of the city regions. An example of a networking activity in this respect is an initiative from Nutek (Swedish Agency for Economic and Regional Growth) called "Metropolitan Development for National Growth". It is a networking activity between the four biggest city regions and the national level, including competence building and learning from analyses and pilot projects. The programme initiative has a budget

25 See the memorandum SM043:00/2004, Ministry of the Interior, Finland, "Structure and emphases of the Policy Package for Major Urban Areas".

of 60 million Sek over four years and will support analyses and projects with special relevance for economic growth in the largest urban regions.

In Denmark four cities will be included in the category of "larger urban regions"; Copenhagen, Århus, Odense and Aalborg. Copenhagen is the only city of a million or more inhabitants. Several government Ministries have undertaken significant efforts to create positive development in the cities, there are however no specific programmes however targeting these types of university cities. At the same time, increasing effort is being made to improve networking activities to stimulate the potential for cooperation between the larger cities and their surrounding regions. In addition, the cities' role as "bridge-builder" between the international scene and the surrounding region is included in several national policy documents.

In the national planning report (2006) a new initiative for the eastern part of Jutland was included. In a string of cities, from Randers in the north through Århus, to Kolding in the south, the contours of a new *million city* in Denmark is emerging. This initiative is to create a new coordinated framework for the development of the area taking into consideration the new challenges in the areas and the national interest in securing the future existence of open landscapes within the string of cities.

2.4 Policies for small and medium-sized urban areas

In Iceland, there are four towns that could be considered medium-sized urban centres (5 000-16 500 inhabitants) outside of the Reykjavík-area. There are 20 towns outside of the Reykjavík-area that could be defined as small cities in an Icelandic context (1 000-5 000 inhabitants). The Regional Development Agency of Iceland has defined nine towns or urban centres that could function as regional centres for development in Iceland (*Bygðarlög í vörn og sókn, Bygðastofnun, Október, 2001*). According to the recent National Development Policy for 2006-2009, the regional centres will be strengthened by measures such as improving the transportation and communications network, increasing the educational level and employment opportunities. However, since the new policy was only approved in June 2006 actual implementation is still to be conducted.

The principal objective of the Finnish Regional Centre Programme (2001-2006) is to ensure balanced territorial development by establishing cities of different sizes as strong regional or local centres, with the aim of boosting the competitiveness of the regions concerned. The programme also specifically stresses the development of sub-regional cooperation bringing together in a joint network, municipalities, universities, research units and enterprises. On the basis of an agreement between the municipalities, responsibility for the programme lies with the urban centres or the joint regional organisation of the municipalities, such as regional business development companies. The assumption here is that urban regions are considered as functional entities for the development of which the core city and the surrounding municipalities must cooperate closely. The 34 cities that qualified for the RCP belong to the different categories identified in the typology of the Urban Network Study.

Most programmes in Finland, including the most important one, the RCP, target cities of different sizes, including rural regions. The CoE, whose main target group was the large urban regions, is also now being extended to smaller cities. In this respect, current urban policy appears to be more of a broad regional development policy. Moreover, despite the interest in the Helsinki region and other large cities, urban policy for regional development remains largely favourable to small and medium-sized cities.

In Norway, the White Paper nr 25 on regional policy (2004-2005), addresses the necessity to develop small and medium-sized urban areas more systematically. There are 43 very heterogeneous SMESTOs altogether in Norway according to the Norwegian definition.²⁶ The importance of these cities for regional development and demographic balance was expressed very clearly. Long-term trends suggest that to limit further centralisation and to balance the population settlement pattern, the growth between different categories of cities and towns has to be more evenly distributed. The need to stimulate the driving forces of the cities was underlined: expansion of labour markets (development of infrastructure), locating national institutions outside the Oslo region and the development of education and R&D sectors in small and medium-sized cities to stimulate innovation. National elections in 2005 however resulted in a change of government and in a redefinition of regional strategies in 2006. (See below).

Since the late 1970s county municipalities and municipalities have some degree underlined the need to develop the attractiveness of small cities and towns, especially in the physical and aesthetic sense of the word. By the late 1990s various government ministries began to prioritise this work running different pilot projects and programmes. The most important of which is the Programme for Developing more Attractive and Environmentally Friendly Towns in the Rural Districts. The Programme was a result of the co-operation between seven governmental ministries led by the Ministry of Environment. The programme aimed at co-ordinating measures, improving work methods and communicating the experiences of town development. Sixteen municipalities in four counties participated in the five-year programme, which was concluded in 2005. The programme gave priority to small towns basically in rural areas.

The present Government, give higher priority to the development of more rural areas and communities, but they do not reject the perspective of their predecessors. The White Paper "*Heart for the whole country*" (2005-2006) presented by the Minister of local Government and Regional Development, stresses the importance of developing the attractiveness of small towns. There is, no doubt however, a certain reluctance to focus on the most important medium-sized towns and larger urban areas fearing centralisation within the regions in question on behalf of rural areas. Nevertheless, innovation policies and networking initiatives will continue to target SMESTOs in Norway as has been the case for the last 15 years. Small towns are increasingly being defined as the prime target group for programmes addressing the development of the physical and social space, cultural development and entrepreneurship – the attractiveness of towns.

²⁶ Medium-sized cities are defined as 15 000 – 50 000 inhabitants in the centre /municipality, small towns as 5000 – 15 000 inhabitants in the centre/municipality.

Several national innovation programmes with heavy regional impact (often funded by the both the Ministry of Industry and the Ministry of Regional development) operate in SMESTOs with growth potential and international ambitions. The Norwegian Centre of Expertise Programme (2006) and several programmes administrated by *Innovation Norway* (cluster, network, direct investments and loans to enterprises), the Norwegian Research Council (Triple Helix and commercialisation) or SIVA (network programmes, incubators, business gardens) collaborate with R&D institutions and companies located in these areas or even smaller towns. The 23 state colleges are located in the medium-sized cities in Norway and represent, in most cases, potential for development.

Research on the regional impact of the SMESTOs, the centralisation dilemma mentioned above, linkage policies and net-working potentials between cities is limited in Norway. More knowledge is therefore necessary in order to make well-funded political decisions in the future.²⁷

Many of the small and medium-sized cities (or urban areas) in Sweden have experienced demographic as well as labour market problems. Low birth rates and out-migration – especially of younger people – have in many cases resulted in a population decrease and a lopsided age structure. Small and medium-sized cities at the same time often experience very diverse situations. Some of the cities are located close to each other, while others are more isolated. Some are more or less integrated into larger labour market regions – often in large city regions – while the opposite is true for small cities far away from larger population agglomerations. This has implications for the development and transformation of the cities concerned especially with respect to investment, employment opportunities and settlement patterns. Certain small regions have, on the other hand, succeeded in achieving a strong entrepreneurial culture and trade and industry with a strong ability to adapt to changes in the market. A good example is the polycentric structure of Western Småland, which consists of four small towns and municipalities - Gnosjö, Gislaved, Vaggeryd and Värnamo. The economy in this area is characterised by small-scale production and flexible specialisation and has been relatively unaffected of economic fluctuations. The social capital and networks contained therein are often mentioned as a central ingredient in the relatively successful performance of the region.

Segmentation and mismatch in the labour market are phenomena that are often associated with small and medium-sized labour markets. In order to eliminate – or at least minimize – the mismatch, regional enlargement in the form of larger functional labour markets is one possible solution and is featured as a central ingredient for development and dynamics.

In Denmark, economic growth in the medium-sized cities is stable and close to the national average. The urban system is dominated by middle-ranged towns with the location of numerous local and regional tasks in the inner city.

²⁷ Foss, Olav (2006): Small and medium sizes in European research literature. NIBR, Oslo. Vaagen Kjell (2005): Kartlegging av vekststrategier i små- og mellomstore byregioner, Oslo.

In the follow up to the national planning report (2006), a process of development in relation to a new urban system in cooperation with the municipalities and regions will be initiated. Emphasis will be put on mirroring the distinctive features of the cities, and taking steps towards the definition of different roles of cities in urban networks. This is expected to move the Danish system away from its traditionally hierarchical past.

It is a national priority that every part of the country should be attractive to live in and should encourage the development of business and employment. Therefore most of peripheral parts of Denmark, dominated by many small and medium-sized cities, are highlighted for special attention. For instance, as part of the efforts undertaken by the Regional Growth Fora, who will put forward a recommendation to the Ministry of Business on the use of the national structural programmes. As a result of the national planning report (2006) the Ministry of Environment will initiate the development of a dialogue project. Focus here will be on how some of the more peripheral parts of the country can use their natural qualities and characteristic landscapes more actively in their development strategies, without reducing their value.

2.5 Interaction between regional development strategies and physical planning – a short overview

According to the mandate of the working group we will elaborate on the issue “fysiske/funktionelle aspekter af stadsudvikling på regional niveau”. In the section below we will analyse the interaction – or crossovers – between regional development strategies and physical planning, two traditionally separate policy issues. ‘Physical planning’ is a part of ‘spatial planning’ and policies that bring the social as well as the economic requirements to be met by the territory into line with its ecological and physical functions’.²⁸

Addressing urban issues in the regional development perspective gives rise to questions about cross-sector and cross-border planning and interaction between economic and physical planning on different levels. Land use planning/policies for urban areas will for example have an impact that extends far beyond the limits of the municipalities, at the same time as the development of cities is not only dependent on their own quality and capacity. Incorporating wider spatial consequences in local decision-making is a prerequisite to achieving regional development goals. The transformation of the urban economy and urban functions also means changes in patterns of urban land use and the task of urban physical planning must facilitate this process.

Cities and towns form parts of complex networks with complementary urban functions and regional qualifications. The concept of the functional region is becoming more frequent in and relevant to the discussion of regional development and competitiveness, which includes different aspects of co-operation between

²⁸ Guiding Principles for Sustainable Spatial Development of the European Continent, CEMAT 2002.

cities/towns and rural-urban partnerships. The main challenges are globalization, a regional division of labour and changes in the national and in local labour markets.

In general, the policies in the Nordic countries reflect a tendency towards sector co-ordination and more decentralized models. The role of national government is to become more focused on regional development issues of national significance. Co-ordination and regional considerations in the various national policy areas are central – a shift from a sectorised to a cross-sectorised approach and to strengthen the territorial dimension in “policy making”. The pressure of e.g. globalization demands a new understanding of territorial dynamics and place quality, and new processes for articulating spatial development strategies.

Strong municipalities in physical planning

Local self-government in the Nordic countries has, in comparison to much of the rest of Europe, both a long and a strong tradition with local authorities being granted considerable autonomy. In general, municipalities take care of most public service provision, such as housing, fresh water, the sewage and disposal system etc., including a large part of the administration of welfare services.

The importance of the municipal level is also evident in planning with a high degree of autonomy in local land use planning, with Sweden as the extreme example. The Nordic countries share the characteristics that municipal planning to a large extent focuses on land-use matters and exists somewhat alongside regional development policy. It also seeks to increasingly integrate physical planning with economic development and regional policies. The Acts which lay down the rules for planning generally reinforce the role of physical planning in regional development, though they are primarily advisory in character. However, there are discrepancies between the planning systems, especially with regard to the connections between planning levels.

In Sweden, the municipalities in principle enjoy a planning monopoly, meaning that responsibility for land-use planning solely rests with them. According to the Planning and Building Act all municipalities are requested to develop and maintain a comprehensive plan, which covers the entire area of the municipality - urban settlement, towns and rural areas. Regional plans can only be drawn up with the agreement of the municipalities concerned, and even then they are not binding. This opportunity accommodates the potential for a strong connection between municipal physical planning and regional development. So far this connection has only been applied in Stockholm County which therefore constitutes a unique Swedish example of the attempt to better integrate regional physical planning and regional development. The scope of physical planning differs markedly from one municipality to another but in general the physical planning process is developing towards more complexity and broadening into what could now be called “development planning” taking account of a wider range of variables.

In Denmark too, the municipal level is the cornerstone of the planning system, which has been further strengthened by the new Municipal Reform adopted by Parliament in 2005. Under this new municipal reform the counties have been abolished while overall regional planning has been replaced by stronger municipal planning and, on top of this, a strengthened national planning approach with new tools. Denmark is the

only Nordic country to practice national planning. The contents of the 12 existing regional plans shall be incorporated into the 98 new municipal plans. The municipalities will have significant responsibility for a regional co-ordination while the municipal plans are foreseen to be in compliance with other planning systems such as the regional development plans and national plans. The regions will each develop a regional development plan, which is regarded as a new strategic tool for development and growth in the regions, which will be developed in collaboration with the municipalities. The state will play a more active role in the co-operative attempt to secure the overall planning considerations.

The Danish concept of municipal planning strategies provides the possibility to integrate economic and physical- functional development. In accordance with the law the municipalities must, within the first half of the election period, work out a planning strategy that places the central questions for development onto the agenda. In the context of the first generation of planning strategies it has however proved rather difficult for the municipalities to define role in a broader regional context. In future, planning strategies shall be used to produce a better dialogue with the national planning level, the regional development plans and planning in the neighbouring municipalities. The planning strategy is an evident place to describe the municipality's own vision and activity in relation to the regional and national development strategies. Moreover, in the planning strategy context the municipalities can make proposals for cross-municipal, regional and national planning.

The Danish planning strategy concept can be developed into an important tool for cooperation and dialogue with citizens, neighbouring municipalities, the regional authority and the state in respect of the development of the municipality. Good experiences are a useful reference point here. Several municipalities have experience of working out a common planning strategy, for example, 8 municipalities in the Triangle Area and 7 around Sønderborg. In the Triangle Area the municipalities have adopted a common general structure, which is at the same time the general structure of the single municipalities. In Northern Jutland, in connection with the *Region Plan 2005*, the county has worked with the different roles and development potentials of the towns, while in North West Zealand, 13 municipalities have adopted a preliminary common vision and strategy for the coming 6-8 years.

Finland has, up to now, led the way in Nordic terms in developing a more integrating physical and regional development planning system. The Finnish Regional Councils are responsible for both regional development and regional planning while the former regional plan and regional development programme now linked together to form the strategic development plan. Regional land use plans cover those issues that affect several municipalities, e.g. infrastructure, certain recreational fields, major water supply schemes, and which incorporate considerations such as e.g. the functionality of spatial and community services and the provision and maintenance of infrastructure, facilities and resource bases designed to support the regional economy. Regional land use plans are legally binding with regard to the municipalities, but they nevertheless leave plenty of scope for the municipalities to resolve local land use and development issues.

In Norway, comprehensive planning, in accordance with the Planning and Building Act, refers to municipal planning as well as county planning. The municipalities are

responsible for the land use planning within their area. The county plan may lay down guidelines for the use of land that will have a significant impact beyond the boundaries of a municipality. The county plans are however neither legally nor financially binding on further planning activity in the county. Regional development plans elaborated by the county councils as part of the regional development strategy, are usually linked to the comprehensive county plans, though the connection to the land use guidelines remains rather vague.

In the Stavanger region, 10 municipalities and the county council have successfully adopted a mutual county master plan for land use and urban development for the next 40 years. This physical plan provides the framework and guidelines for land use, localization and the regional transport system. For the same area a strategic plan for industrial and commercial development coordinated to the physical plan for urban development is also elaborated. Thus far, the major learning outcome here is that this physical plan provides greater predictability in the business life of the community, particularly in respect of localization issues and the development of new activities.

Iceland is in a number of ways constrained by its smallness in size, the large number of small municipalities and the great variance in the size of its municipalities. In consequence we witness a mixture of centralization and decentralization. Iceland differs from many other western nations with regard to urbanization as there is only one urban region in Iceland, i.e. the Reykjavik area, where between 60 and 70% of the population lives. In consequence, the regional developmental strategies that are prepared in the country primarily focus on strengthening the rural areas without considering any positive relationship between the urban area and the rest of the country.

There are two administrative levels in Iceland, the national level and the municipal level. There is also a regional administrative level. The municipal level is the most important for land-use planning, as it forms both the basis for regional planning and carries out local planning. Planning at national level is more or less restricted to the gathering of information and to the field of regional policy. The municipal plan should express the local authority's policy regarding land use, transportation, local infrastructure and environmental issues. The regional planning level is optional, but adjacent municipalities can, if they wish, develop a regional plan that addresses mutual interests with regard to land use and development.

2.5.1 Challenges for the future

There remains a weak connection in most of the Nordic countries - seen from both a formal/institutional and from a more practice oriented point of view - between physical planning on the one hand and development policy/regional policy on the other.

The territorial challenges require a more coherent approach across the different territories, national as well as international. This, in effect, concerns to a large extent the question of how to support and stimulate regional development, taking into account different territorial preconditions, potentials and geographical contexts. The

new urban and territorial realities are, however, not easy to grasp and the tools for both understanding and handling them need to be further developed.

The physical planning instrument has long been regarded as a strategic tool for the development of cities and towns. In general, however, the current planning system does not offer enough means to resolve the existing dualism between physical planning, which has its main focus on the municipal level, and regional development strategies. The obvious need for new processes to help articulate spatial development strategies incorporating a wider range of variables and a wider geographical perspective has in the course of time become increasingly obvious. The physical planning process is developing in the direction of increased complexity and broadening into what could now be called “development planning”. The ongoing changes in the formal settings of the planning system indicate also that there are trends towards a more integrated approach to regional development strategies and physical planning.

One issue here centres on the need to attain more empirical information on the relationship between regional development strategies and urban development in the Nordic countries. Another one concerns how the European spatial concept should be reflected in the planning process on different administrative levels. Particular attention should however be given to the planning of functional and effective transport systems coordinated with land use planning across municipal boundaries. In most of the Nordic countries, institutional obstacles and the sovereignty of the municipalities seem to work against such comprehensive regional solutions.

2.6 Networking related to spatial planning and economic development as well as networking for innovation

Networking and dialogue is necessary in order to provide the cities in a region with an aggregated common picture of where a dynamic development can be created at the regional level. Often, these tools or mechanisms are characterised under the heading of ‘regional management’. Regional management may focus on cooperation between the municipalities in question, the business sector and knowledge institutions in order to discuss the regional economic development. Regional management may also be understood as a more restricted municipal task which – for certain districts – is translated into cooperation and coordination across municipal boundaries. In this way, regional management may leave its mark in different ways in the region concerned. In some countries the regional authorities might take the lead in the dialogue or the regional management initiative. This leaves us with two, sometimes partly overlapping, approaches to networking policies: a) Networking related to spatial planning and economic development and b) More focused networking related to regionally-oriented innovation policies. In this section, both approaches are considered in the context of a brief “state of the art” in the Nordic countries presentation with a few illustrations. Without doubt, clever networking may represent the most efficient way for a city or town to play a dynamic role in a wider region.

2.6.1 Networking policies related to spatial planning and economic development

The Danish Ministry of the Environment and Oxford Research has published a report concerning regional management and planning which encapsulated the very essence of regional management in the following formulations:

“What differentiates regional management from traditional management is that this overall strategic plan cannot be implemented through a traditional decision hierarchy. Regional management is basically about getting a lot of different individual parties and individuals to move in the same direction. From a starting point all of the individual parties will work on the basis of their own visions and aims, and the challenge is to make these different motive powers to correlate. Thus regional management will to a high degree be about understanding the complex network coherences that are driving a region forward. If regional management shall be elaborated it is crucial that visions and strategies are solidly rooted in the local parties. A common fundamental understanding of the vision and strategy must be established and spread, so that the individual parties can work for, not against, the vision and strategy. This rooting can be obtained if the strategy is developed in a dialogue where the many individual parties join actively – and it is at this point the experiences from the dialogue projects can contribute.”

Highlighting the challenges of coordination, several important questions emerge: How do we get the different partners to believe in a future ‘win-win’ situation within a tangible period of time? And what kinds of legitimate and efficient national tools or mechanisms could create the “right” atmosphere for coordination included loyalty to

common decisions? Law, rewards or punishment? The Finnish Government threatened to introduce a law to ensure extensive networking and coordination between the four major municipalities in the Helsinki region. This strategy made things happen in the region. In Norway, governments have occasionally used financial mechanisms to foster networking across municipality border and institutions in the Oslo region defining budget "packages" for certain aims often related to transport and communications.

Another example of 'good practice' in Finland can be found from the Regional council of Oulu, where regional planning and economic development are deeply intertwined. The first binding master plan for a functional urban area in Finland was approved in 2005 by the Ministry of the Environment. At the regional level the regional development strategies of regional centres are included in regional programmes and regional land use plans. The model used here is the so-called *1+3 model*, where Oulu region is the engine of the region, complemented by other regional centres in the county.

The Danish Ministry of the Environment has used dialogue projects with the intention of creating consensus concerning the development of a particular area and its planning. As a follow up on the National Planning Policy from 2003 and the Regional Growth Strategy, a number of dialogue projects were established with the participation of the Ministry of the Environment, The Ministry of Economic and Business Affairs and a number of local authorities. These experiences are being developed further within the context of the National Planning Report from 2006 with the launching of new dialogue projects.

In Denmark the PULS-FYN analysis describes in detail 50 of the most important town communities' urban and housing qualities on Funen and their potential to attract newcomers. The analysis provides an overview of regional and local business profiles and development potentials and contains an examination of action areas and goals for local business. The analysis is an example of how to promote a debate about the regions' development opportunities in the future while also concerning itself with how the different local communities and cities, with their different conditions, can best contribute to the balanced and positive development of the region of Funen.²⁹

In Norway formal networks have developed between municipalities in Greater Oslo Region (see 2.2), between the major cities (see 2.3) and cities within a more narrow regional setting (Mjøsregionen, Agderbyene etc.). Some networks were initiated by the Government, while others are the result of 'bottom-up' processes. No national development policy to foster urban networks in a regional perspective currently exists for the country. There is however increasing consciousness of the necessity for urban areas and actors to cooperate and coordinate their moves rather than to compete. In Norway, perhaps the most revealing example of networking in physical planning and development is in the Stavanger region.

²⁹ Sources concerning Denmark: *Landsplanredegørelse, Miljøministeriet 2006: Det nye Danmarkskort – planlægning under nye vilkår, Funen County 2005: PULS-FYN Analysis of the regional development possibilities on Funen. Helle Witt 2006: From regional planning to municipal planning, Oxford Research for Miljøministeriet 2005.*

In the Stavanger region, 10 municipalities and the county council have successfully adopted a mutual county master plan for land use and urban development for the next 40 years. This physical plan provides the framework and guidelines for land use, localization and the regional transport system. For the same area a strategic plan for industrial and commercial development coordinated to the physical plan for urban development has also been elaborated. Thus far, the major learning outcome here is that this physical plan provides greater predictability in the business life of the community, particularly in respect of localization and the development of new activities.

2.6.2 Networking policies related to innovation

Building regional networks and clusters have two territorial dimensions: one taking place within functional urban areas and regions, and the other taking place between them. Integrating regional activities while maintaining sufficient European and national co-operation presents one of the greatest challenges of innovation driven networking and cluster policy. Building networks and links between cities and regions challenges the traditional understanding that geographical proximity is a critical condition in forming clusters. In promoting competitiveness and innovativeness, physical geography matters either very much or it does not matter at all. Building clusters is no longer only about local development or linking areas within the daily commuting urban system. When building networks and clusters we are looking for similarities in terms of economic and competence orientation and then complementarities and efficient divisions of labour within that particular cluster. This fact fundamentally challenges national and regional innovation strategies.

Links between urban areas and regions have been built primarily within the national context since the early 1990s. It is however now time to build networks and clusters internationally. Transnational links are built with cross-border neighbouring areas and development zones, but increasingly also within meso-regions, such as the Baltic Sea Region, within Europe, and globally. Hot spots of competitiveness and innovativeness are also now located outside Europe. In this context then the Nordic countries must be careful not to turn inwards.

Metropolitan regions and some major urban areas provide the main centres in competence and innovation-driven development, especially in the sense of creating radical innovations. Cool (creative, attractive and interesting) spots are actually hot spots. Brains go where they are stimulated and enjoy life.³⁰ Business goes where brains go. There is however no size-determination in building clusters: small and medium-sized cities and rural areas are very important especially in applying knowledge but also in innovation. Smaller regions are often more efficient and regenerative. By networking, the mass of regions is increased; both economies of scale and scope, and synergies are created. All cities and regions must have the possibility to be part of such networks. The aim here is to promote the strengths and specialisations of smaller centres and encourage cooperation between them to reinforce the networks covering all regions.

³⁰ Richard Florida: The rise of the creative class, 2002.

Top-level competence based on R&D and efficient financing to companies of all sizes however requires a wider regional basis. This regional basis is built on high quality education and continuous training, dynamic local labour markets, attractive living conditions and tolerance for diversity. Tacit knowledge, social capital and trust between actors are the fuel for development at the regional level (Triple Helix). In general one might say that networks of actors that have effects on the development of the region should be strengthened both at the European and the national level.

The core sectors in the process of regionalising innovation policy and building trans-national networks and clusters are business and industry; innovation and technology; research, science and education. The emphasis here is, in addition to core-competitiveness, on the vitality of urban regions. This reflects a “softer” attitude in cluster policy. Socio-cultural elements have a more direct impact on the location-decisions of people and business. When cluster policy is understood in a broader sense – as building innovative *milieus* – relevant sectors are also transport, communication, housing, culture, environment, labour and health. In short, we are talking about the attractiveness of cities.

Orientation/profiles of the different Nordic countries

A clear set of urban-related regional innovation initiatives can be identified in the Nordic countries such as, for instance, the Centre of Expertise programme and the Regional Centre Development Programme in Finland.

In Norway, the Centre of Expertise programme (spring 2006), the Incubator Programme by SIVA and The Knowledge Mediator Programme (now the VRI-programme) run by the Norwegian Research Council all address networking between regional R&D institutions and industry in major towns and SMESTOs. "The Business Garden" programme in Norway also targets innovation in small industries in smaller towns. Several important national innovation programmes have an explicit regional focus but a more indirectly urban orientation, logically due the localisation of the R&D institutions and companies. Different ministries are responsible for the complex sets of innovation policies and programmes. But an explicit urban focus for the benefit of the wider regions is rare.

Networking in terms of regional management across municipality borders is common to develop the strategic development plans of the county municipalities, innovation and industrial development included. The networks (partnership) are also important in defining the strategic spending of development money. No specific attention is however placed on cities and towns, perhaps the contrary. Rural areas are the prime beneficiaries of development money.³¹

In Sweden, the role of cities in regional development has increased. The economic development significance of city-regions is viewed as beneficial not just for the cities themselves but also for their hinterlands. As in Norway, there are currently no specific

³¹ Vaagen Kjell (2005): Små og mellomstore byer som drivkrefter i den regionale utvikling: Kartlegging av vekststrategier for utvikling av små og mellomstore byer, Næringsrådgivning AS.

regional policy initiatives with are explicitly urban-orientated; instead, urban-oriented measures fall within the scope of innovation policy like the *Vinnväxt program*.

Swedish national innovation policy calls for new forms of regional collaboration between large and small enterprises, and between small enterprises themselves in order to enhance skills and development capacity. To increase the commercialisation of research results and ideas, the policy calls for structures that nurture business ideas, 'spin-offs' and inventions originating from small and medium-sized enterprises as well as individual innovators.

The Stockholm Bio-region is a result of networking policy that has been formed to integrate various fields of competence and the region's cluster initiatives. The aim is to have a fully functional biotech region covering more than 50% of the country's biotech firms that integrates large and small firms as well as research, production and capital. The cluster includes *Uppsala Bio-region* with a strong base in life science research, *Stockholm Bioscience* with a strong research core in the centre of the region and *Biotech valley* in the south which is a process and production-oriented biotech cluster.

In Denmark the urban component to national regional policy is less explicit. The 2005 Business Development Act identifies six priority areas. The four drivers of growth: Innovation, ICT, entrepreneurship and human resources and then tourism and the development of peripheral areas, which reflects concerns about the persistent underperformance of the designated "outer" areas. Regional growth foras are responsible for the implementation of regional growth strategies. Urban issues related to the six priority areas could be part of the strategies.

The regional growth strategy of Zeeland concerns for example the regional challenges of urban development. Many people working in Copenhagen live in the Zeeland Region and the regional growth forum wants to retain the regions attractiveness to new inhabitants and to strengthen the possibilities of easy commuting. The regional growth forum is also focused on developing the cities of Zeeland and making them attractive to innovative enterprises and entrepreneurs.

In Denmark the urban component to national regional policy is less explicit, but there have been a number of innovation-oriented developments, which relate mainly to urban areas. Six priority areas were identified under the 2005 Business Development Act, four of which relate to the urban-oriented drivers of economic growth (innovation, ICT, entrepreneurship and human resources). The remaining two (tourism and the development of peripheral areas) reflect concerns about the persistent underperformance of the designated "outer" areas.

2.6.3 Summary

The most systematic approach to urban issues in regional and national development strategies can be seen in Finland. Urban challenges are analysed and understood in terms of regional development, strongly related to innovation policies and well integrated in national regional strategies. The different programmes and instruments

see urban areas as the main targets as in the Regional centre programme. Here, polycentricism is an explicit aim and regarded as the backbone for balanced territorial development. The role of small and medium-sized urban regions is emphasized and made explicit. In Sweden and Norway, the urban perspective in regional policies now seems to be increasingly more integrated into national documents, generally speaking. But a national, systematic approach addressing the role of different towns for regional development is not yet present. In Iceland, urban perspectives seem to be absent. Also in this country however the regional centres are slowly getting more attention in national policies. In Sweden and Norway, and perhaps also in Denmark too, the urban perspective in regional policy is often hidden behind the drive for 'innovation'.

Nevertheless, all of the governments in the Nordic countries now seem to take the Metropolitan areas more seriously in national development policies. The challenges are quite similar, the focus on innovation and internationalisation very parallel as well as the struggle for efficient governance.

In national innovation policies in several Nordic countries, 'network' is a key word in most of the national programmes. Network is used here in the sense of building bridges between R&D institutions, companies and local and regional authorities within regions. The stimulation of interregional networking is very slowly attracting more attention, logically, as R&D and highly specialised competence have to be mobilised without any localisation restraints. Challenges concerning future territorially-oriented innovation policies and the development of urban systems and polycentricism seem to be to develop mechanisms to stimulate interregional cooperation and networking. A future task for the Nordic Council of Ministers is then to identify the best suited instruments for Nordic collaboration in this respect.

PART THREE: THE EUROPEAN PERSPECTIVE

3.0 Introduction

In spite of the fact that urban policy is not a competence of the EU-treaty, urban matters have been addressed in EU-policy and programmes on several occasions in the last ten years. Below, a short outline of the role of urban areas within a European territorial framework is presented. This part of the report seeks to show the limited role of cities in traditional European development policies and underlines the modification of focus parallel to the Lisbon Agenda. Growth and innovation policies give urban areas importance for the whole region, and the attractiveness of cities is a common ambition in European countries. Recent trends show that growth and innovation ambitions combined with territorial considerations and cohesion policies turn formulations like 'regional potential and possibilities' into a common European vocabulary with the urban areas as development centres.

This evolution is very interesting in a Nordic context. Among the first to adhere to the innovation 'religion' in the late 1990s some of the Nordic countries might be considered as the trendsetters in this field inspiring EU policy to some extent in this area. Promoting regional potentials, 'bottom-up' strategies and industrial networking for innovation and learning; it seems as though the EU is catching up on us and going further by emphasising the role of cities and towns for territorial cohesion and balance both within regions and across borders.

3.1 The ESDP and ESPON I

The European Spatial Development Perspective (ESDP) was developed over a period of 10 years and approved in 1999 as a general, informal guiding paper for EU- and national policies. In the ESDP-document the concept of polycentric urban development was introduced as a strategy for a more balanced development of Europe.³² It is actually the first EU level policy document on spatial planning. Interest in major urban areas and small and medium-sized towns in regional policy and spatial planning in Europe has risen after the introduction of the ESDP-document and the following Action programme. The three guidelines: 1. Balanced and polycentric urban development and new relations between cities and rural areas, 2. Securing Parity of Access to Infrastructure and Knowledge and 3. Sustainable development, Prudent Management and Protection of Nature and Cultural Heritage have influenced scientific work substantially.

ESPON is a specific Community Initiative and managed by a Monitoring Committee with 2 delegates from each member state and 2 from the Commission. The ambition was that the ESPON programme should deliver analysis and studies, and that transnational programmes (INTERREG IIIB) should develop the policy concepts. ESPON is financed by the INTERREG programmes. All the member states of the EU

³² The ESDP was the result of intensive discussions among the Member States themselves and the European Commission on the spatial development of the EU. It presents itself as "*a policy framework for better cooperation between Community sectoral policies with significant impacts and between Member States, their regions, and their cities*" (ESDP, p.11)

(25) participate, while Norway, Switzerland and Iceland together with Candidate Countries are invited as observers. There is a direct link or a close connection between the ESPON project and the regional policy of the EU e.g. many of the analyses behind the 3rd Cohesion Report were based on the results of ESPON projects. In addition, research at such a broad European level does have an indirect impact in different informal and formal European contexts as is underlined below in chapter 3.6 and 3.7.

ESPON project 1.1.1, *Potentials for polycentric development in Europe*, stresses polycentricism on three levels: The European level: more balanced regional development all over the EU, Interregional levels: cities should be complementary and not least, the intra-regional level: networking within the region generates more economic power. Cooperation and communication between cities are the key words for all three levels.³³ The concept of policentricity can be traced to the INTERREG B programmes (2000-06). ESPON project 1.4.1 *The role of Small and Medium Sized Towns (SMESTOs)* invites research on the overall conceptualisation of middle-ranged cities in Europe, mapping, typologies, descriptions of roles and policy implications. The research undertaken in the context of this project showed that the role of the SMESTOs cannot be separated from their regional context, or from the fact that SMESTOs remain elements of urban systems which are dynamic and not hierarchical in a classical sense.³⁴ The focus on SMESTOs is anchored in the ESPD (1999). In Guidelines for the Structural Funds, in rural development or environmental policy SMESTOSs did not receive any explicit attention.

3.2 Lisbon Agenda

The Lisbon Agenda (2000) – to make the European Union “the world’s most competitive and dynamic knowledge-based economy by 2010, capable of sustainable economic growth with more and improved jobs and greater social cohesion” - is well known. Half way through the implementation period, the *Wim Kok report*³⁵ however painted a rather gloomy picture of the progress made up to 2004, and stated that the poor realisation of the stated goals was due to an overloaded agenda, poor coordination and conflicting priorities. Giving more pace to development, the European Council identified three principal lines of action placing knowledge and innovation as the heart of growth, rendering Europe more attractive for investment, creating more and improved jobs. The Lisbon Agenda is integrated into different fields of policy, both at a European as well as a national and regional level. The strategy has underlined the urgent need for innovation and the necessity to challenge other political ambitions. It tries to combine growth policies with sustainable

³³ The concept of polycentricity of settlement structures originated as an empirical concept in the 1930s. Central-place theory (first formulated by Walter Christaller in 1933) explained the hierarchical decentralisation of cities by the fact that different goods and services command service areas of different size (ESPON 2004). The modern breakthrough of this idea on a European scale has been undertaken in the context of the ESPD (1999) and in the Third Cohesion Report (EC 2004), where a “balanced polycentric urban system” is the explicit political aim.

³⁴ 1.4.2 Final Report, Version August 2006.

³⁵ Former Dutch Prime Minister Wim Kok was mandated to lead the group of experts with the objective of reviewing the Lisbon Strategy.

development (The Gothenburg Agenda) as well as with cohesion and territorial development policies. One might say that this fact might create paradoxes in some respects. In others, one might say that the Agenda highlights development potentials, innovation and possibilities turning the traditional European 'problematic' approach into a more optimistic one.

3.3 The Rotterdam Process - Territorial Agenda

In Rotterdam 2004, EU ministers agreed on the introduction of the territorial dimension into the Lisbon Process, designed to present opportunities for the better use of the territorial diversity and potentials of Europe. The Territorial Agenda of the EU, which will be launched in Leipzig on 23 May 2007 during the German presidency, constitutes a strategic framework for the integrated territorial development of European regions. It supports an integrated territorial and urban development policy and the implementation of both the Lisbon and the Gothenburg Agenda.

The territorial Agenda of the EU focuses on the economic aspects of the ESDP. The evidence base of The Territorial Agenda of the EU is provided by "*The Territorial State and Perspectives of the EU*" - document. The draft version notes as follows:

"A new understanding of territorial governance, development and planning in Europe's regions and cities is necessary. On the one hand EU Policies should consider more explicitly the development perspectives of the regional and local "basis". On the other hand, regional and local development policies should focus more explicitly on European needs. The different regional diversities are strengthened through supporting regional specialisation by each region and city."

The document can be perceived as an up-to-date assessment of the territorial development of the EU in light of the ESDP (even though there are no direct references to the ESDP), the Lisbon strategy and the enlarged EU. The document takes advantage of the latest spatial research outcomes of the ESPON programme and the different spatial visions and strategic aims of Transnational Cooperation Areas (INTERREG III). The Territorial Agenda of the EU delivers policy messages and recommendations on further actions for public administrations and institutions at the EU and national levels. It is not binding in character.

Europe will have to face major challenges in the coming years such as the geographical concentration of people and activities, ageing and migration, accelerated global competitions, etc. The aim of the Territorial Agenda is to strengthen the global competitiveness of all of regions of Europe. Potentials have to be identified, with special attention to the lagging and peripheral areas of the EU also considered as necessary. When it comes to policy messages, the development of a balanced European system of urban areas is underlined. This includes the development of urban individual profiles and roles in the trans-European and national contexts. Trans-European co-operation between metropolitan regions and other urban areas is to be supported. Differentiated policies are to be formulated for different rural-urban contexts. To improve the efficiency and productivity of the rural-urban partnership, new forms of governance for these regions are to be exploited. The promotion of Innovative Regional Clusters and Trans-European Technological Networks represent

important messages as well as the promotion of Trans-European Risk Management and the Strengthening of Ecological Structures and Cultural Resources.

To what degree the Council and the Commission will respond to these aims and messages is of course decisive for the implementation of policy. Urban issues, in a regional perspective, have until now only been part of EU policy in the framework of the INTERREG Programmes. Territorial dimensions in general have been very limited. The Territorial Agenda represents in this sense a serious change in perspective.

The "Territorial State and Perspectives of the European Union" document provides a good springboard for taking both polycentricism and the Lisbon strategy much further. Urban regions play a fundamental role in knowledge and competence-based regional development. Business networks and universities are increasingly internationalised. The critical question however is how quickly the third part of the "triple-helix"³⁶ - that is the public sector actors – internationalise their actions on a broader scale.

The document also states that in order to strengthen the process of a balanced territorial development and polycentricity, there is a need to diversify tasks and to realise a division of functions. This calls for an innovative and modern mix of branches in agglomerations, cities and urban areas and a new form of territorial solidarity. Metropolitan regions and regional centres are to be strengthened through appropriate policies in their function as the engines of economic development, particularly in relation to the regions surrounding them. The elaboration and implementation of integrated development strategies is to be promoted through appropriate policies. This has to be agreed among local, regional, national and transnational decision-makers. Planned future steps, are as follows:

"The EU Presidencies are encouraged to develop action programmes for the application of the Territorial Agenda of the EU. On basis of the envisaged Constitutional Treaty of the European Union, the European Commission is asked to compile a White Paper on "Territorial Cohesion" with reference to the Territorial Agenda of the EU. The European Commission is asked to enhance future Reports on Social and Economic Cohesion by a territorial component. (...) Structural Fund Programmes should take more explicitly on board territorial and urban development related issues reflecting the aims of the Territorial Agenda of the EU."

3.4 ESPON II

The purpose of the ESPON 2013 Programme is to support the "reinforcement of regional policy with studies, data and observation of development trends" which are seen as a necessity and as part of the Structural Funds set up for 2007-2013, in particular related to actions under Objective 3, "European Territorial Cooperation."³⁷ The framework conditions related to the development of the European territory

³⁶ For more on concept see Etzkowitz 2006.

³⁷ Final Draft, ESPON 2013 Programme, Version 12. September 2006.

confirmed as results from the ESPON 2006 Programme represent the fundament for further analysis in ESPON 2013.

The geographical concentration of activities, the EU's place in the global economic competition, growing interaction between the EU and other parts of the world, the ageing population and migration, increasing energy prices, the enlargement the EU: all of these factors challenge the internal cohesion and regional development of the EU. According to the analysis undertaken in Part One of this report, we can conclude that most are central framework conditions up north as well making the ESPON 2013 starting point quite relevant to the Nordic countries and regions.

Urban territorial types will be used for analysis and comparisons reflecting the categorisation of Structural Funds assistance. Together with other territorial issues, urban issues are well covered in ESPON 2013 with parallel importance as in ESPON 2006. It is moreover underlined that:

- a) Territorial diversity needs to be discussed at different geographical scales to nourish thinking at different administrative levels. This will have to include more detailed insight at the regional/local scale such as the functionality of urban regions, rural-urban relations of low or high population density;
- b) The evolution of strong urban areas will continue to be an object of observation in ESPON II as will urban – rural partnership. Cities as drivers of development understood as major urban agglomerations and medium-sized and even smaller cities will be studied in a framework of European opportunities together with urban centres acting as rural development poles, urban-city partnership and city networks.
- c) It is made very clear that more evidence-based information concerning the role of cities is necessary. It is also made clear that the ESPON II has to give priority to user-oriented studies and policy implications of European territorial research.

3.5 European Impact

The ESDP has directly and indirectly influenced a number of EU and national programmes and strategies. There are explicit references to all three of the ESDP's policy guidelines (*polycentric development and a new rural-urban partnership, parity of access to infrastructure and knowledge, and wise management of the natural and cultural heritage*) in the Structural Funds guidelines for 2000- 2006. These Guidelines remained valid after the publication of the revised indicative guidelines in 2003 however reflecting some of the major changes to have occurred in EU policies such as the concept of regional cohesion. At this stage there was no longer a direct reference to ESDP in the revised guidelines.³⁸

The European Territorial Cooperation objective aims to promote stronger integration of the territory of the EU. In so doing, Cohesion Policy supports the balanced and sustainable development of the European Territory at the level of its macro-regions

³⁸ ESPON Project 2.3.1, Final report 2006.

and reduces the barrier effects through cross-border and transnational cooperation and the exchange of best practices to increase the effectiveness of regional policy.³⁹

As noted previously, the concept of polycentricity originated from the ESDP (CEMAT) and can be traced in the INTERREG III programmes. At a supranational level, the ESDP and the concept of polycentricity are clearly reflected in the Vision and Strategies around the Baltic Sea 2010 - VASAB - which was developed from the early 1990s.⁴⁰

According to the final report of ESPON project 2.3.1 "Application and effects of the ESDP in the Member States" it has been difficult to identify any significant or tangible effects generated by the ESDP on the ground (s. 17). This is perhaps not surprising, as the ESDP is rather general in nature and merely reflects the state of the professional debate at the time of its publication. It is noted however that its effects are more visible in the new Member States.

For the future, ESPON recognizes that one should strive to provide more practical advice which is easier to understand and use in daily work. Some people say that the "ESDP is a secret for the few". The EPSON programme has been instrumental in the enhancement of the level of academic cooperation. The next step must then be to involve other policy fields.

3.6 Nordic Impact

In the Nordic countries, the impact of the main principles of the ESDP in national policies is less obvious with the exception of the urban issues addressed in the INTERREG Trans-national Baltic Sea Metropolitan Area. According to ESPON project 2.3.1, Norwegian experts think that the impact of the ESDP applications did not have any importance in Norway. The Danes judge that changes in planning policies can be related to the effects of the ESDP. Sweden and Finland however find that institutional changes in their countries have occurred as a result.

The effects of the ESDP may vary by country and over time. Among some scholars, the implication of 'polycentricity' in the Nordic countries is considered as quite important. The expectation of the Nordic working group is that the meaning of the term will definitely gain in importance. In addition, at the more practical level, it will remain dependant on the elaboration of tools designed to give the term a more operational orientation. The concept of polycentricity can hardly be viewed as a universal tool to balance territorial development due to the relatively low population density and long distances between towns and cities in parts of the Nordic countries. That is why the Nordic countries have important work to do in defining the needs for

³⁹ Interact News, October 2006.

⁴⁰ Urban II is the Community Initiative of the European Regional Development Fund (ERDF) for sustainable development in the troubled urban districts of the EU. As a follow-up to Urban I in 1994-99, Urban II (2000 – 2006) addresses different development strategies of "troubled" urban areas, but without reference to a wider regional context or territorial development as such. Urban II aims more precisely to promote the design and implementation of innovative models of development for the economic and social regeneration of troubled urban areas.

analytical and more practical tools oriented towards (horizontal) cooperation and networking between cities in different regional contexts.

According to the OECD, urban regions in Finland, Norway and Sweden are relatively small with long distances separating them by European standards. In addition, small and specialised urban regions are seen to possess the prerequisites for success. Through the urban network everyone's expertise and strengths may be more efficiently brought into play. Instead of concentration, horizontal cooperation among cities allows them to better identify their comparative advantages, specializations, their need for goods and services, and complementarities (OECD 2005). The OECD underlines the fact that metropolitan cities are the main engines of national growth, as they concentrate economic activity, notably private sector services and various large scale activities. The concentration of population, labour, foreign direct investment, corporate decision-making, knowledge and innovation to the metropolitan areas is substantial. However, Nordic capitals are relatively small, and lack the critical mass to be competitive with global cities in the long term. Some metropolitan areas are increasingly at risk of losing the lead in some key areas, such as innovation in high tech sectors, notably in relation to cities in China and South Asia.

In the Nordic countries, urban policy is different from core-continental urban policy due to historic differences in community structure. In countries with relatively small urban agglomerations and long distances between them, polycentricity is primarily a strategic concept between urban regions whereas in heavily urbanised areas of Europe the approach is more physical with application to physical planning within urban regions.

The need to institutionalise networks to cope with the challenges of coordination and provide a framework for joint development work in international (European), national and regional levels can however be seen as a rising challenge here. The main criticism concerns the effectiveness of decision-making and co-operation procedures between administrative sectors attempting to support an integrated, overall view of regional development. In particular, the various development projects of various different administrative sectors, implemented at the level of urban regions, need to be coordinated at an appropriate political and civil servant level. Keywords for successful implementation include development and networking strategies, reform of modes of operation and management of cooperation and networks. This calls for good governance and organisational capacity. Overall, urban regions are good platforms for development measures. Finally, the national role has to be defined and responsibility shared with the regions.

Summary

Urban policy is not yet a competence of the EU-treaty. It is, to a great extent, the European Spatial Development Perspective that has introduced the role of cities and towns, the system of cities and the concept of polycentric urban development into European territorial thinking. The impact of ESPON I is evident in some areas, particularly in relation to several INTERREG projects. Generally speaking, the impact in practical terms is said to be limited.

The ESDP perspectives are however highly visible in the Territorial Agenda. In “*The territorial State and Perspectives of the EU*” document, the importance of the development of a balanced European system for urban areas is underlined, as is the need for differentiated policies for different rural-urban contexts and new forms of governance.

The Nordic group has reason to believe that the meaning of the ESDP generated term ‘polycentricity’ will gain in importance. The challenge then for the Nordic countries is to adjust the concept to more northerly regional contexts and to make horizontal cooperation and networking a reality.

PART FOUR: CROSS ANALYSIS AND RECOMMENDATIONS

4.0 Cross analysis

In a European context the Nordic settlement system is almost unique. The analysis in Part one of the report demonstrated that sparse population, long distances and a scattered urban system imply very different development conditions in the Nordic countries, particularly in its most northerly parts, from those of continental Europe. With the exception of Denmark, the sparse population settlement pattern to a large extent explains the existence of these different urban systems, characterised by few cities, measured in continental terms, numerous SMESTOs, often large distances between cities and the dominance of the metropolitan area or/and capital.

The regional contexts of Nordic small and medium-sized towns are, in many cases, highly divergent from “comparable” towns in other European countries. As such, it is quite common for Nordic towns to form their own non-overlapping residential and labour market regions, while elsewhere in Europe such towns would frequently be parts of systems of towns within the regions of larger cities/metropolitan areas. The Nordic situation implies that the functional requirement of small and medium-sized towns in general will be more comprehensive than is the case for similar continental towns. The situation of the Nordic SMESTOs is very diverse depending on their specific geographical context, namely, as a part of a larger metropolitan areas or as a part of a functional urban region or isolated regional centre. Many of these cities play a key administrative role in the region and are the main centres for services and business activities.

The Nordic pattern is far from being homogenous. The analysis in Part One shows that the obvious distinctions lies between Denmark and southern Sweden on one hand, and the more northerly parts of Finland, Sweden and Norway and Iceland on the other. Cities in the latter group of countries are few and scattered, but with capital regions forming pockets of urban concentration. The pattern is dynamic which means that the role of cities and towns changes over time.

The fact that the functional aspects of cities and to some degree their size are more important factors in defining development potentials than the localisation of the cities at a centre-periphery axis is made evident in Part One. Whether a city is defined as a university city, or not, is significant. Localisation, understood as the regional context and accessibility of the cities, is however an important development factor for all cities, and remains crucial when it comes to the development potentials of cities at a transnational level. Migration trends and the importance of being a city with a university represent decisive parameters concerning development potentials across all five countries. The context of the different urban areas in terms of their relation to other cities or systems of cities is crucial to understanding the development potentials of different regions. This fact is however only to a small degree analysed in all five countries. In the Nordic countries (and in most of the other European countries), the importance of cities and towns in a regional context is to a very limited degree reflected in national development strategies and actions, perhaps with the exception of Finland. This does not mean however that regional policy only is a question for rural areas.

As seen in Part two, Finland has made cities and centres of different sizes explicit targets in regional innovation programming, demonstrating the importance of industrial activities and R&D services around cities for the future of a wider region. Finnish “urban” policy departs from traditional notions of the improvement of the living environment or infrastructure development to instead focus on the factors of competitiveness.

In Norway and Sweden, regional innovation programming has several parallels to the Finnish ones, i.e. the focus on expertise and specialisation in medium-sized cities, the ‘bottom-up’ approach and, to a certain degree, networking policies. As in Finland, the reference to the ‘Triple Helix’ model and to cluster policies for the improvement of innovation in industries is quite common, and is followed by economic stimulation from different administrative levels. The Finnish policy seems to a large extent to be growth-oriented, whereas governments in Sweden and Norway seem keen to integrate other aspects of a social, demographic and environmental nature. Finnish policy explicitly addresses urban areas, whereas in Norway and Sweden the urban aspect is not specifically communicated.

Seen from a European or even a global perspective, metropolitan areas are crucial to the development and well-being of the whole country. The players in the area have to be competitive in an increasing number of sectors (R&D, culture, service, education) opening doors for the benefit of the whole country and attracting companies and people with new ideas from abroad. Generally speaking, the Nordic countries seem to place the same topics on the political agenda when it comes to issues concerning the metropolis and capitals: cluster policies and internationalisation, governance, and transport and communications and questions related to urban poverty and social challenges. Recent OECD territorial reviews confirm these priorities. Nevertheless, the relationship between the *metropolis* areas and the rest of the country, as well as the role of the capitals at a territorial or ‘macro’ level remains somewhat ill-defined at the government level. Rhetorically speaking, lip-service is paid to these issues but in practical terms the situation is much less clear.

The role of urban areas in regional development is currently under discussion in most of the Nordic countries. There is moreover growing awareness that urban issues need more attention. This applies to metropolitan areas as well as to small and medium-sized urban areas and towns. The core-periphery pattern, increased economic polarisation over the last decade and changes in the economic base leading to changes in demographic concentrations and national imbalances, areas suffering from metropolitan congestion as well as severe difficulties resulting from depopulation represent extreme examples of issues which have to be addressed.

Cities and towns in rural areas are important development poles in rural areas ensuring universal access to a variety of services, particularly in sparsely populated areas. Rurally located cities have often the role of serving the traditional rural economy, mainly the agricultural sector and population. However, the ongoing diversification of the rural economy in many areas widens the functionality and role of rural cities accordingly. The development of economic clusters based on local assets combined with the use of new information technologies is a key element in this respect, which may be boosted by partnerships between rural territories and their urban entities.

Innovation policy is crucial for regional development. Moreover, we should not forget that urban-oriented regional policy embraces a complex set of elements. The stimulation of the attractiveness of cities includes public and private services, transport and communication, culture, the well-being of people and gender-oriented measures in addition to the development of the industrial *milieus*.

In a European context it seems logical to ask how each nation is to respond to the strategies set out in the Lisbon process while at the same time securing territorial cohesion. The question becomes ever more urgent when we shift the focus from the trans-national contexts to the micro level within a country. Some might see the ambition of growth and competitiveness as a zero-sum game where some regions win and other loose in the struggle for investment, the localisation of companies and their functions as well as human resources.

Part of the answer may perhaps be drawn from the "*The Territorial State and Perspectives of the EU*" – Document outlined in Part Three. The development of urban individual profiles and roles in a national and a trans-European context and co-operation between metropolitan regions is judged as fundamental for balance at a macro level. At a lower geographical level the idea of elaborating differentiated policies for different rural-urban contexts moreover seems highly relevant. Similarly, the desire to establish new forms of governance and regional management runs parallel to the concluding remarks in Part Two (physical planning and economic development and networking) and Part Three (regional innovation) in this report.

Bottom-up strategies, innovation and the development of regional potential outlined in the Territorial Agenda mirror priorities well established in the Nordic development tradition over the last 15 years. In fact, The Territorial Agenda opens something of a gap to the traditional and 'problematic' European approach pinpointing urban "poverty pockets", industries in decline and areas lagging behind etc. We are thus tempted to conclude that the Nordic regional 'potential-seeking' development approach has made its mark in a wider European setting.

The ESDP (1999) and ESPON I and II focus on spatial development integrating different regional development issues with physical planning. Part Two of this report provides a short outline of the planning traditions in the five Nordic countries. Regional management is described as the dominant challenge. The Nordic countries are constantly in search of tools to support coordination across administrative borders, with Denmark being particular keen on this area. Territorial cohesion implies the integration of issues areas across administrative borders. This is not possible without efficient regional management tools. The five Nordic countries have different traditions and experiences in this respect. The question also deserves more attention at the national level. More research and experimentation and the further relaying of shared experience is needed to move forward.

In Europe, urban areas have slowly been gaining in prominence. This reflects both the growth and competitiveness agenda while also relating to the increasing emphasis placed on territorial cohesion in a range of countries, with towns and cities increasingly seen as key building blocks in achieving a balanced and sustainable regional structure. According to recent research however, relatively few countries in

Europe have an explicit urban component to their regional policy goals (Yiull and Vironen 2006). Internal disagreements within the EU system and a reluctance, in funding terms, to increase the importance of cities and towns in EU development policy is well known and debated. The destiny of the Territorial Agenda is for this reason also quite interesting.

The ESDP generated concept of ‘polycentricity’ is used in many ways and has different meanings according to the geographical level of application of the term. This can be confusing. At base, the concept addresses the art of coordination and specialisation within systems of cities, in trans-national as well as in narrower territorial settings. In our view, the concept must be understood in terms of the possibilities and potentials for networking and development. As such it is a positive conception and quite useful in academic circles. Politicians would however perhaps be better off using alternative formulations for strategic and practical purposes.

The Analysis in Part One reveals the fact that the European definition of small and medium-sized cities and towns adopted in ESPON I studies is of little relevance to the Nordic countries. More focus has instead to be placed on the important Nordic SMESTOs. They play a key role in the attempt to diversify the economic base and in ensuring a minimum level of service. As we have seen in Part Two, SMESTOs can be used as a tool to counteract the polarisation of urban growth, while at the regional and local levels SMESTOs generally offer good possibilities as living areas of high quality – attractive towns. ESPON II opens the way for user-oriented approaches to research and the holistic analysis of macro regions in Europe. The potentials of the small- and medium-sized cities in terms of regional development in the Nordic countries seem to be particularly relevant for research here. Extended relations between the capitals in the north is likewise an interesting question for the future.

Recommendations for policy and research

The traditionally polarized ‘Nordic’ debate in development policies opposing major urban areas to rural areas is not constructive for future regional development. The working group would like to underline the necessity to formulate territorial development policies that fully integrate the trans-national, inter-regional and the intra- regional perspectives. In so doing, the role and the potential of the different urban areas must be better understood at a more evidence-based level. National as well as regional aspects seen in the light of European developments should also be more broadly disseminated providing a basis for policymaking at all levels. This calls for systematic research in order to uncover, more precisely, the most important elements in a differentiated policy. In any case, the main elements must respond to the following challenges: the Coherence and linkage of different policies, Regional management/governance, The definition of development potentials, Networking and Innovation, Global competitiveness, Knowledge and More evidence.

Policy Recommendations

- The general ambition for urban regional policy is to produce development that is sustainable in the long run. Each city and region, regardless of size, faces specific challenges which have to be fully understood to develop mobilising processes and relevant and coherent policies. Regional development policies, environmental and cultural policies, transport and communications, industrial and innovation policies, education and research and social policies are all of vital importance to the growth of city regions and the well-being of people. Policies must be differentiated according to the character of the urban region in question and the function and size of the cities.
- The Nordic capitals are vital for the development of the Nordic countries. They do have a unique function in each country. At the same time, they are difficult to handle in a broad regional context. More attention must therefore be paid to their relations with other capitals and metropolitan areas as well as to their intraregional relations. The potential for more extensive polycentric cooperation between the capitals at the macro level must be further elaborated. Knowledge has to be built and experiences shared between the Nordic countries to satisfy networking demands and tackle the question of innovation in a proper and timely manner.
- SMESTOs are crucial in the effort to counteract the polarisation of urban growth and maintain the settlement pattern, especially in more sparsely populated areas. In these areas they can play a role in the attempt to diversify the economic base and ensure a minimum level of services. At a local level SMESTOs offer good possibilities in terms of living areas of high quality – counteracting social segregation. SMESTOs cannot however be separated from their regional context. To develop a targeted policy, the context of each city has to be fully understood, in particular in terms of its potential for a polycentric development.
- Cooperation and networking between cities and towns at a regional, national and international level are key factors for future development. Cities and regions are localising and anchoring the Lisbon strategy. A stronger partnership between local, regional, national and transnational bodies is required. Bottom-up processes should be facilitated by governments and transnational players. There is a need for local and regional innovation strategies that are linked to the national and Nordic levels. A crucial question is how to enhance the ability of SMESTOs in non-metropolitan contexts to function as ‘gateways’ to the global market and the knowledge-based economy.
- The Metropolitan areas in the Nordic countries are few in number and even more vital for the development of the entire country. Governments have to further elaborate and experiment with different kinds of mechanisms for the integration of physical planning, economic and transport policies in Metropolitan areas as well as in major urban areas. National authorities have

to keep focusing on innovation, internationalisation and communication. They need to stimulate key players in the Metropolitan areas to build alliances with major urban areas and medium-sized cities encouraging dynamism and development.

- It is important for national authorities to help and encourage cities and smaller towns to strengthen their attractiveness by upgrading the quality of the environment and by providing for the better utilisation of the potential of local cultural and natural resources and identity.

Competence and knowledge:

- Urban areas of different sizes play important and different roles in regional development in the Nordic countries. It is important to clarify the diversity of roles played by different cities for regional development in different territorial contexts. There is a lack of systematic research and studies available on cities and towns in the Nordic countries. To further elaborate targeted policies, more empirical research is a necessity. The originality of the urban structure in the Nordic countries calls for common efforts concerning the elaboration of concepts and statistical tools. There is a definite need for more knowledge concerning the development and dynamism of urban systems and interactions patterns between the capital and other cities and towns.
- A regionalisation of the Lisbon indicators. In order to measure the progress of the Lisbon strategy a set of official indicators was agreed upon. These are reported in a separate "Synthesis Report" or annex of the annual European Commission "Spring Report" to the European Council. The indicators cover the five domains of employment, innovation and research, economic reform, social cohesion, the environment as well as general economic background. There have been some attempts (e.g. ESPON 3.3) of regionalising these but much work still remains to be done, particularly with regard to urban areas.

Actions:

1. **Research programme.** "The art of combining growth and competitiveness and territorial cohesion in the Nordic countries. The role of cities and towns for regional development and the dynamism of urban systems."

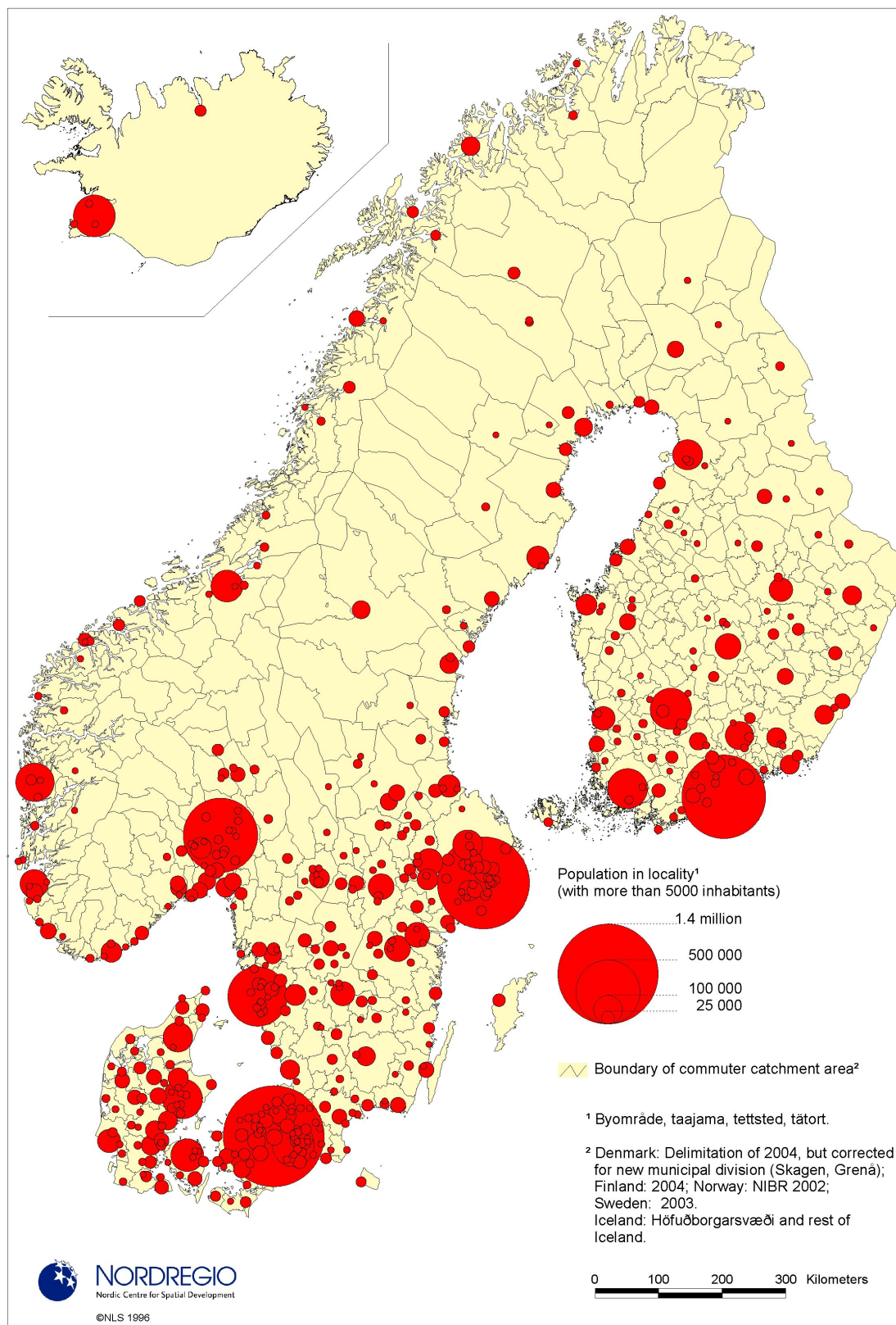
Topics:

- From separate Nordic capitals to the development of a northern macro region. Sharing experiences and building a Nordic knowledge base for development;
- Nordic cities and towns in the Baltic Sea Region, potentials and challenges;
- Getting SMESTOs to network. Tools for the development of dynamic urban regions. Tools for getting isolated cities to network. SMESTOs as gateways to the knowledge based economy, the role of regional universities and research institutions;

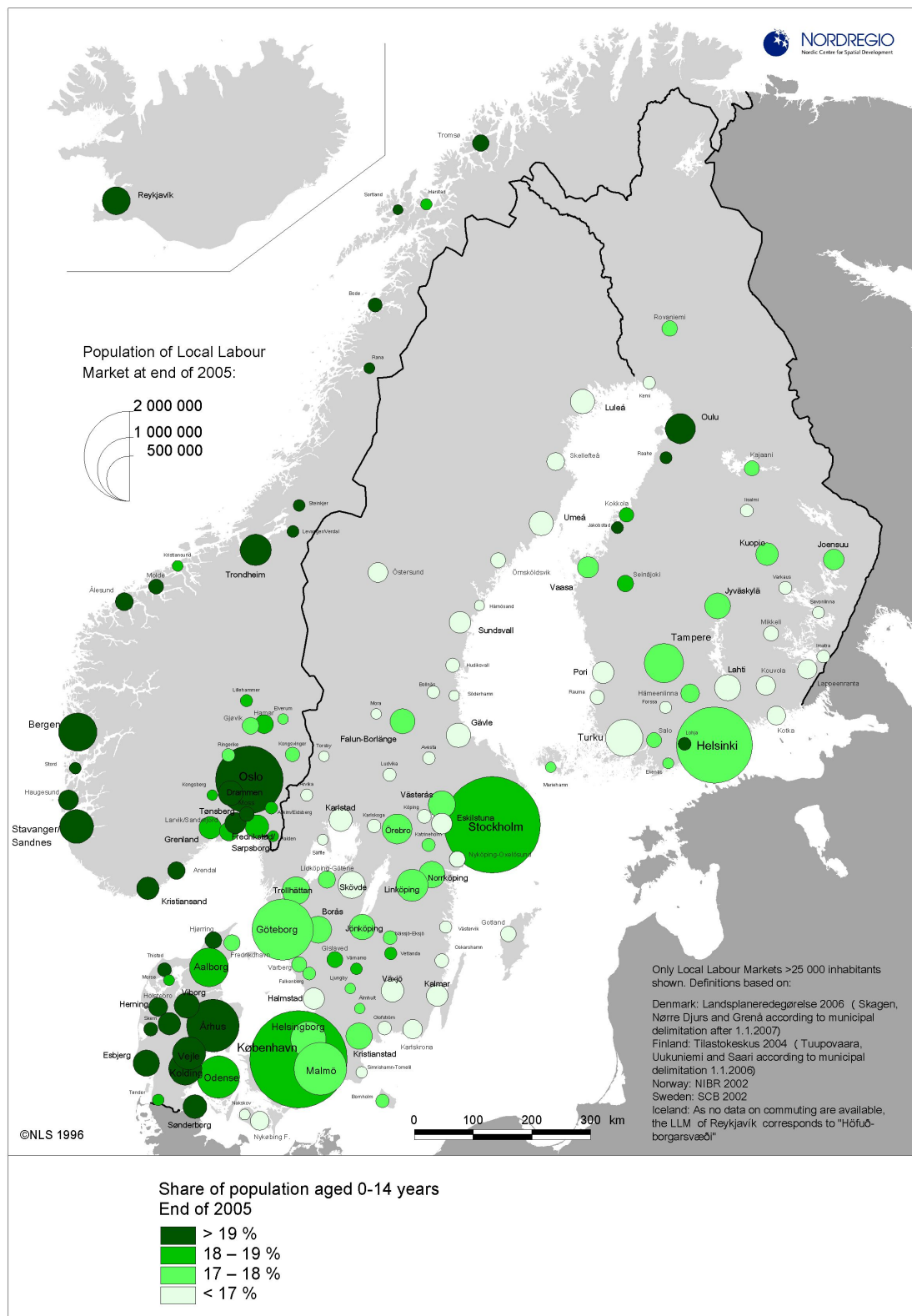
- The Innovative City, encouraging cities and towns to adapt and counteract major external and internal changes.
2. **Nordic Innovation Network Programme.** Clusters and innovation policies remain, national in nature. Innovation policies should be connected more directly with regional development policies. A regionalised network of clusters across national borders - “A Nordic Centres of Expertise Programme” - responds to this challenge. Elements of such a programme could be the identification of Nordic trans-national clusters of European or global importance, benchmarking competence levels, support for forming cluster brands as well as strengthening the wider regional competence basis and local networks with national tools.
 3. **Seminar.** Intensive seminar for senior officials and scientists. Relevant issues: The role of capitals and small and medium-sized cities and towns for regional development. Regional management and governance. Coordination and specialisation of urban regions: networking models in different regional contexts. The definition of potential synergies concerning trans-national networking between capitals. Responsible unit: Nordregio.
 4. **NCM Conference 2007.** Organizing a high level conference in 2007 to help set out a Nordic Territorial Agenda, to define Nordic coordination synergies in research in the framework of ESPON II and to highlight common and divergent Nordic views concerning the European Territorial Agenda.
 5. **The continuation of a working group** in respect of cities and towns in a regional context. Topics: Defining the Nordic research programme and seminar; preparing a scientific Conference at Nordregio in March 2007 and the Nordic Ministerial conference, also in 2007.

Annexes

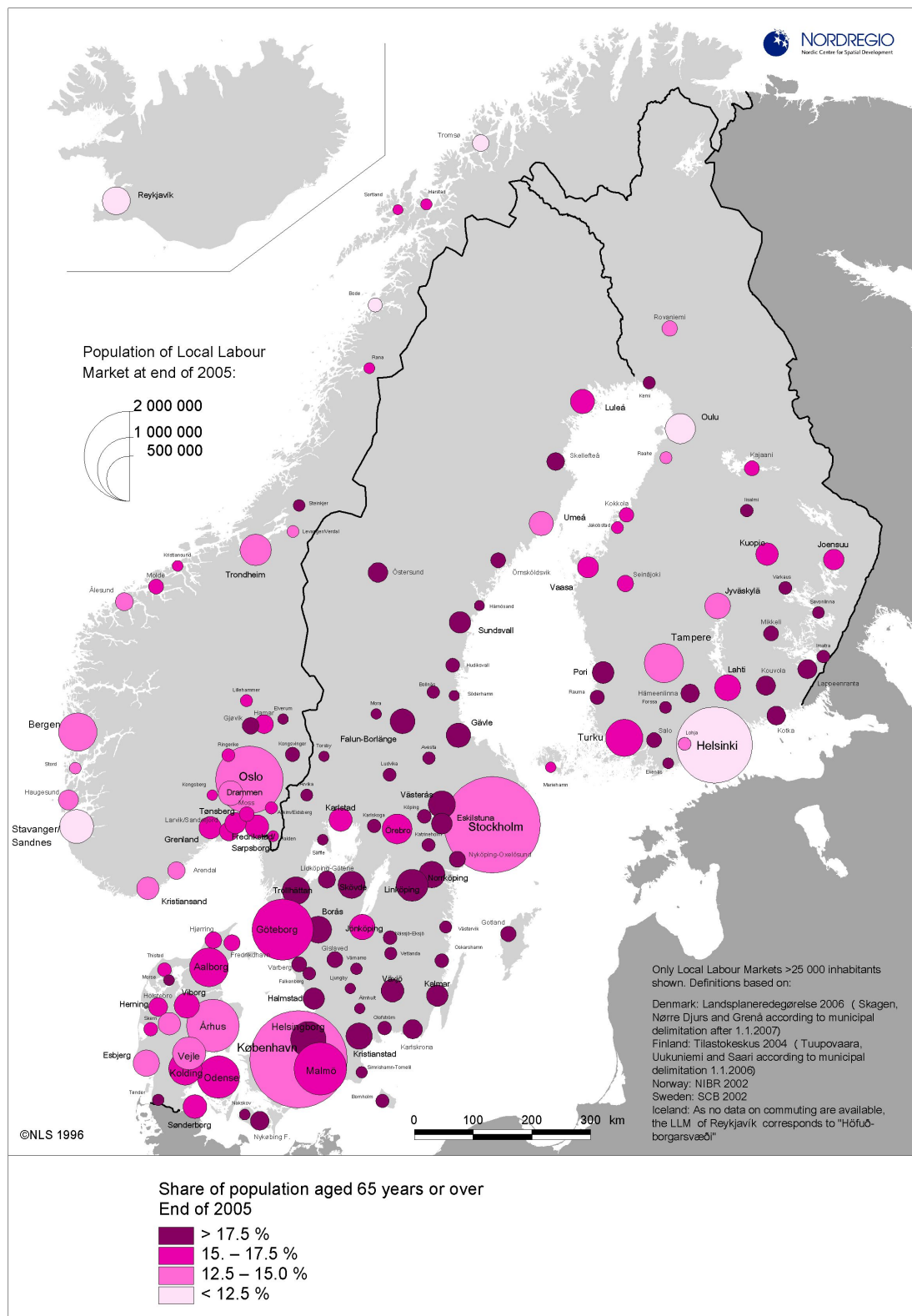
Annex 1: Map on localities >5 000 inhabitants by population size and LLM



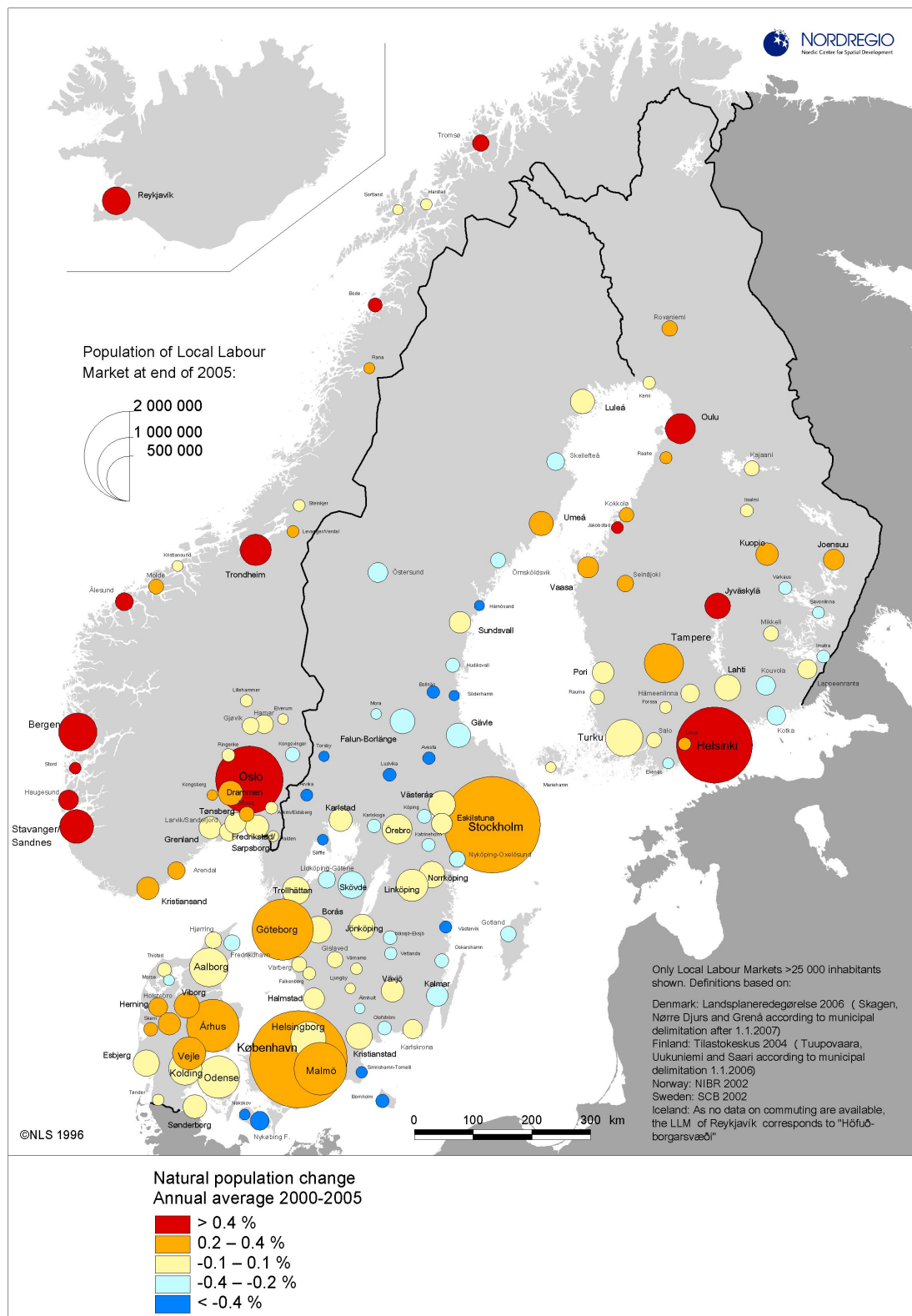
Annex 2: Map on share of population aged 0-14 years in Nordic cities 2005



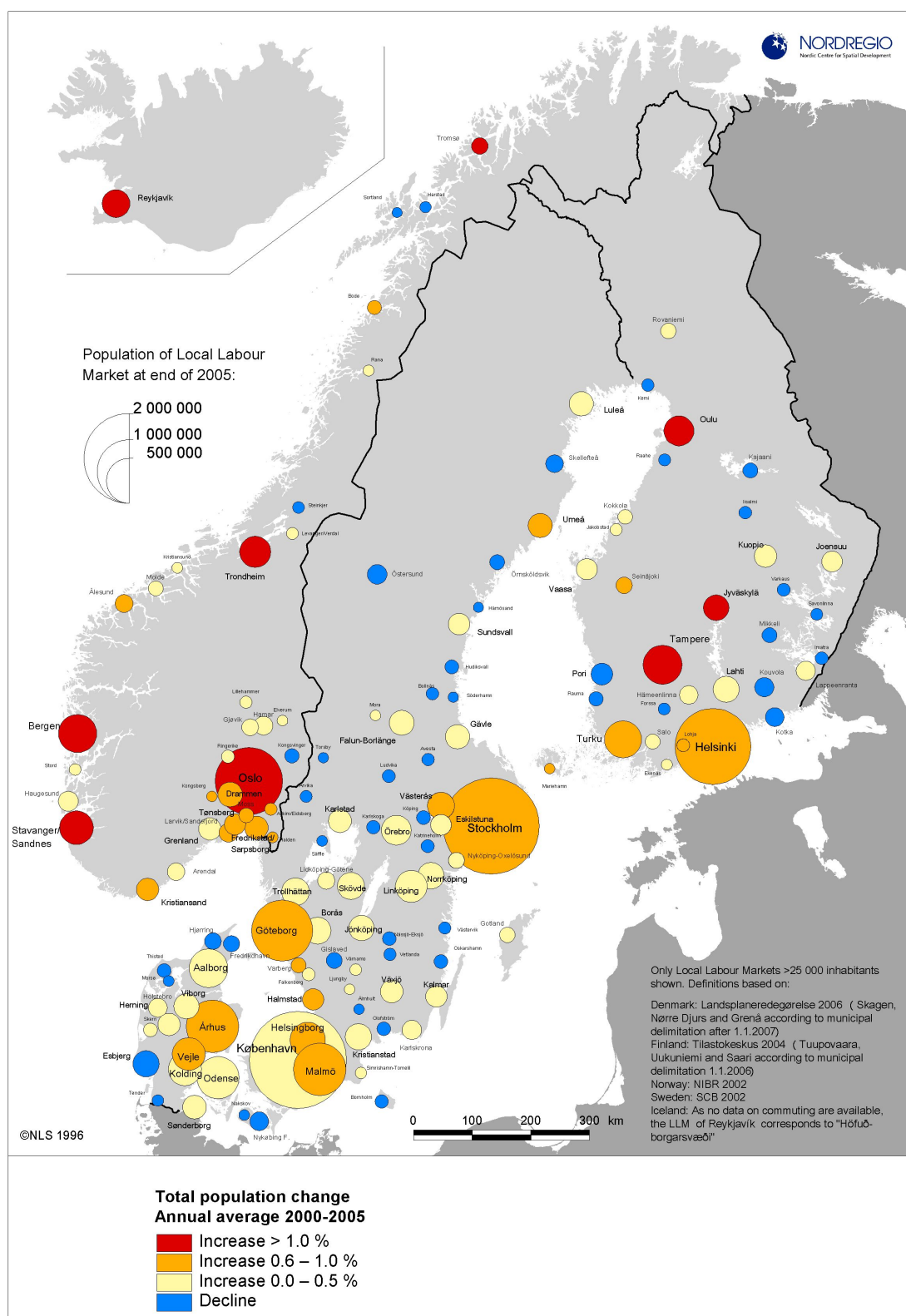
Annex 3: Map on share of population aged 65 years or over in Nordic cities 2005



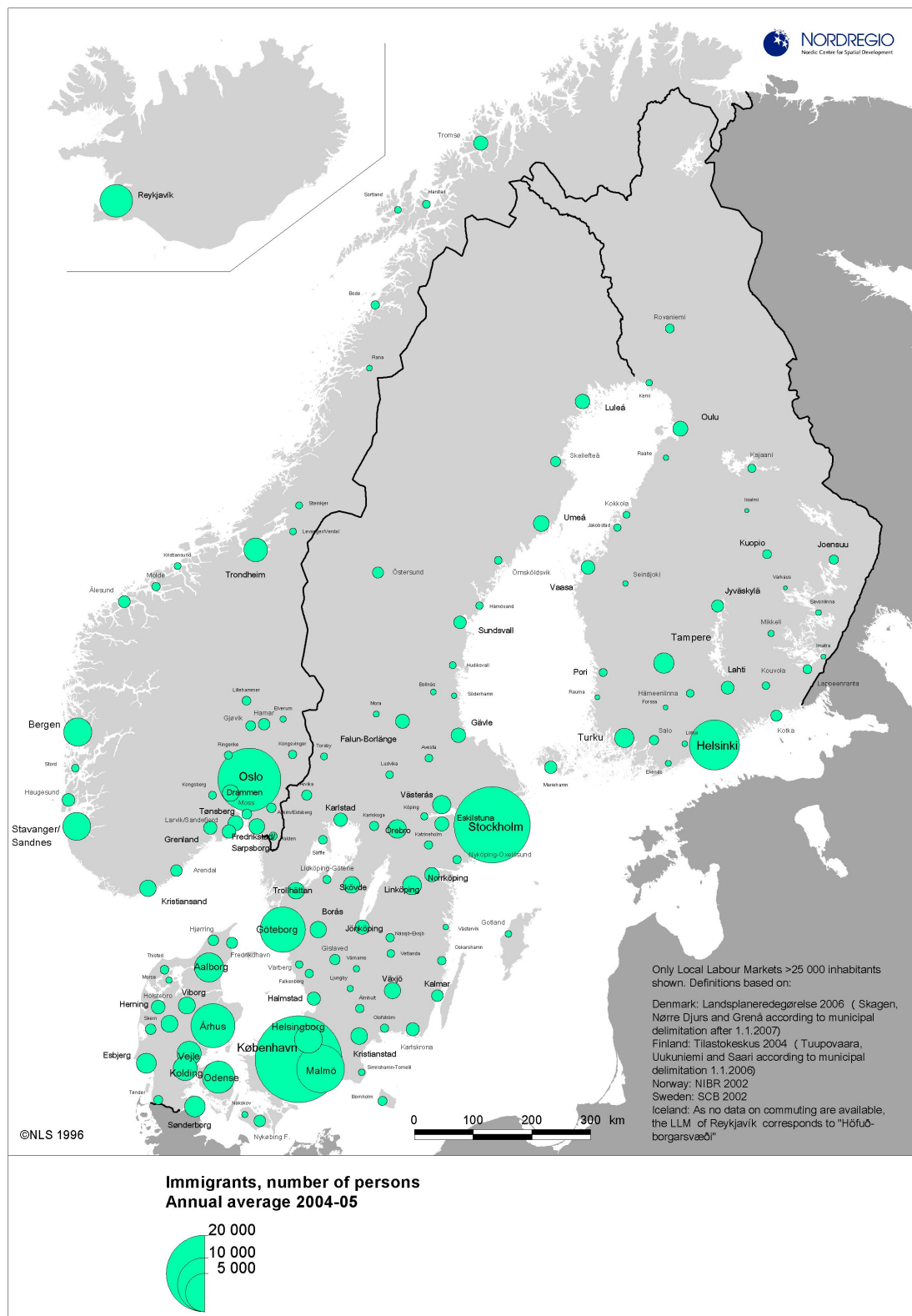
Annex 4: Map on natural population change in Nordic cities 2000-2005



Annex 5: Map on total population change in Nordic cities 2000-2005



Annex 6: Map on absolute number of international immigrants to Nordic cities 2004-2005



Annex 7: Table on demographic structures of Nordic cities 2005

City type	Population in broad age groups			Demographic dependency ratio		
	Share (%) of total in 2005			Young ¹	Old ²	Total ³
	0-14	15-64	65+			
Nordic capitals	18.4	67.9	13.6	27.1	20.1	47.2
- of which in:						
Denmark	18.4	67.1	14.5	27.4	21.6	49.0
Finland	17.9	69.9	12.1	25.6	17.4	43.0
Iceland	21.4	67.0	11.6	32.0	17.3	49.3
Norway	19.2	67.9	12.9	28.2	19.0	47.2
Sweden	18.2	67.6	14.2	26.9	21.1	48.0
Nordic metropolises	18.0	66.7	15.3	27.1	23.0	50.0
- of which in:						
<i>polycentric surrounding</i>	17.8	66.7	15.4	26.7	23.1	49.9
- of which in:						
Denmark	18.9	66.5	14.6	28.4	21.9	50.4
Finland	16.8	67.7	15.4	24.9	22.8	47.6
Sweden	17.4	66.5	16.1	26.2	24.2	50.4
<i>non-polycentric surrounding</i>	20.3	65.9	13.7	30.9	20.8	51.7
- of which in:						
Norway	20.3	65.9	13.7	30.9	20.8	51.7
Nordic regional centres with university	18.3	66.0	15.6	27.8	23.7	51.5
- of which in:						
<i>polycentric surrounding</i>	18.5	65.3	16.2	28.4	24.8	53.1
- of which in:						
Denmark	19.5	64.9	15.6	30.1	24.0	54.1
Finland	15.8	66.4	17.9	23.7	26.9	50.7
Norway	21.8	66.2	12.1	32.9	18.3	51.2
Sweden	17.1	65.1	17.8	26.2	27.3	53.6
<i>non-polycentric surrounding</i>	18.1	66.9	15.0	27.1	22.4	49.5
- of which in:						
Finland	18.6	67.6	13.8	27.4	20.4	47.8
Norway	20.1	67.5	12.4	29.8	18.4	48.2
Sweden	16.6	65.8	17.6	25.3	26.8	52.1
Other Nordic regional centres	18.0	64.9	17.2	27.7	26.5	54.2
- of which in:						
<i>polycentric surrounding</i>	18.1	64.9	17.0	27.9	26.2	54.1
- of which in:						
Denmark	20.2	65.1	14.8	31.0	22.7	53.6
Finland	16.4	65.8	17.7	25.0	27.0	51.9
Norway	19.1	65.3	15.6	29.3	24.0	53.2
Sweden	17.0	64.2	18.8	26.5	29.2	55.7
<i>non-polycentric surrounding</i>	17.5	64.8	17.7	27.1	27.3	54.4

City type	Population in broad age groups			Demographic dependency ratio		
	Share (%) of total in 2005			Young ¹	Old ²	Total ³
	0-14	15-64	65+			
- of which in						
Denmark	16.3	63.8	19.9	25.6	31.1	56.7
Finland	17.2	65.7	17.1	26.2	26.1	52.2
Norway	19.6	64.3	16.0	30.5	24.9	55.4
Sweden	16.9	64.2	18.9	26.3	29.5	55.8
Nordic medium-sized towns	17.5	63.8	18.7	27.5	29.3	56.8
- of which						
<i>production-based</i>	17.4	63.6	19.0	27.4	30.0	57.3
- of which in						
<i>polycentric surrounding</i>	16.8	62.8	20.4	26.8	32.4	59.3
- of which in						
Denmark	20.9	63.3	15.8	33.1	25.0	58.0
Finland	17.0	63.3	19.7	26.9	31.1	58.0
Sweden	16.1	62.6	21.3	25.7	33.9	59.6
<i>non-polycentric surrounding</i>	17.5	63.8	18.7	27.5	29.3	56.9
- of which in						
Denmark	19.2	63.3	17.4	30.4	27.5	57.9
Finland	17.2	65.0	17.8	26.5	27.4	53.9
Norway	20.7	64.9	14.4	31.8	22.2	54.0
Sweden	17.0	62.9	20.1	27.0	31.9	59.0
<i>service-based</i>	17.8	64.2	17.9	27.7	27.9	55.6
- of which in						
polycentric surrounding	18.6	64.4	17.1	28.9	26.5	55.4
- of which in						
Denmark	18.6	64.4	17.1	28.9	26.5	55.4
<i>non-polycentric surrounding</i>	17.6	64.2	18.1	27.5	28.2	55.7
- of which in						
Denmark	16.7	63.4	19.9	26.3	31.4	57.6
Finland	14.7	64.6	20.7	22.8	32.0	54.9
Norway	18.4	64.8	16.8	28.3	25.9	54.3
Sweden	16.2	62.0	21.8	26.2	35.1	61.3
<i>Rest of Denmark</i>	17.3	61.7	21.0	28.1	34.0	62.1
<i>Rest of Finland</i>	16.3	62.7	21.0	26.0	33.5	59.5
<i>Rest of Iceland</i>	22.0	65.7	12.3	33.5	18.8	52.2
<i>Rest of Norway</i>	19.3	63.4	17.3	30.4	27.3	57.7
<i>Rest of Sweden</i>	15.6	61.8	22.6	25.3	36.6	61.9
<i>Rest of five Nordic countries</i>	17.4	62.8	19.8	27.7	31.4	59.1
<i>Denmark</i>	18.8	66.2	15.0	28.4	22.7	51.1
<i>Finland</i>	17.3	66.7	16.0	25.9	24.0	49.8
<i>Iceland</i>	21.6	66.6	11.8	32.5	17.8	50.3

City type	Population in broad age groups			Demographic dependency ratio		
	Share (%) of total in 2005			Young ¹	Old ²	Total ³
	0-14	15-64	65+			
Norway	19.5	65.7	14.7	29.7	22.4	52.1
Sweden	17.3	65.4	17.3	26.4	26.4	52.8
Five Nordic countries						

¹ Population aged 0-14 years as a share of working-age population (15-64 years)

² Population aged 65 years or over years as a share of working-age population (15-64 years)

³ Population aged 0-14 and 65 years or over years as a share of working-age population (15-64 years)

Annex 8: Table on population changes by type in Nordic cities 2000-2005

City type	Population changes 2000-2005			International net migration % in 2005
	% per year on average			
	Total change	Net migration	Natural population change	
Nordic capitals	0.7	0.3	0.4	0.2
- of which in:				
Denmark	0.4	0.2	0.2	0.0
Finland	0.9	0.4	0.5	0.3
Iceland	1.5	0.5	1.0	0.8
Norway	1.1	0.5	0.6	0.5
Sweden	0.8	0.3	0.4	0.3
Nordic metropolises	0.7	0.5	0.2	0.3
- of which in:				
<i>polycentric surrounding</i>	0.7	0.5	0.2	0.3
- of which in:				
Denmark	0.4	0.2	0.2	0.2
Finland	0.9	0.7	0.2	0.1
Sweden	0.8	0.6	0.2	0.4
<i>non-polycentric surrounding</i>	1.1	0.5	0.5	0.4
- of which in:				
Norway	1.1	0.5	0.5	0.4
Nordic regional centres with university	0.5	0.3	0.2	0.3
- of which in:				
<i>polycentric surrounding</i>	0.4	0.3	0.1	0.3
- of which in:				
Denmark	0.2	0.0	0.1	0.2
Finland	0.2	0.3	-0.1	0.2
Norway	1.1	0.4	0.7	0.5
Sweden	0.3	0.4	0.0	0.3
<i>non-polycentric surrounding</i>	0.6	0.3	0.3	0.3
- of which in:				
Finland	0.9	0.4	0.5	0.2
Norway	1.1	0.5	0.6	0.4
Sweden	0.1	0.2	0.0	0.3
Other Nordic regional centres	0.3	0.3	0.0	0.2
- of which in:				
<i>polycentric surrounding</i>	0.3	0.3	0.0	0.3
- of which in:				
Denmark	0.4	0.2	0.2	0.2
Finland	0.1	0.2	-0.1	0.2
Norway	0.6	0.5	0.1	0.3
Sweden	0.2	0.3	-0.1	0.3
<i>non-polycentric surrounding</i>	0.0	0.1	0.0	0.2

City type	Population changes 2000-2005			International net migration % in 2005
	% per year on average			
	Total change	Net migration	Natural population change	
- of which in				
Denmark	-0.2	0.4	-0.6	0.1
Finland	0.0	-0.1	0.1	0.1
Norway	0.3	0.0	0.3	0.3
Sweden	-0.1	0.1	-0.2	0.2
Nordic medium-sized towns	-0.2	0.0	-0.2	0.2
- of which				
production-based	-0.2	-0.1	-0.2	0.2
- of which in				
polycentric surrounding	-0.3	0.0	-0.3	0.3
- of which in				
Denmark	0.1	-0.1	0.2	0.3
Finland	0.0	0.3	-0.3	0.0
Sweden	-0.4	0.0	-0.4	0.4
non-polycentric surrounding	-0.2	-0.1	-0.1	0.2
- of which in				
Denmark	-0.5	-0.4	-0.2	0.1
Finland	-0.3	-0.3	0.0	0.1
Norway	0.4	0.0	0.4	0.4
Sweden	-0.2	0.1	-0.3	0.3
service-based	-0.1	0.1	-0.2	0.3
- of which in				
polycentric surrounding	-0.5	-0.3	-0.1	0.1
- of which in				
Denmark	-0.5	-0.3	-0.1	0.1
non-polycentric surrounding	0.0	0.2	-0.2	0.3
- of which in				
Denmark	-0.6	0.1	-0.7	0.3
Finland	-0.6	-0.4	-0.2	0.2
Norway	0.3	0.3	0.0	0.3
Sweden	-0.5	-0.1	-0.5	0.3
Rest of Denmark	-0.9	-0.4	-0.5	0.2
Rest of Finland	-0.9	-0.6	-0.3	0.1
Rest of Iceland	0.8	0.1	0.7	2.1
Rest of Norway	-0.3	-0.3	0.0	0.4
Rest of Sweden	-0.8	-0.3	-0.5	0.4
Rest of five Nordic countries	-0.6	-0.4	-0.2	0.4
Denmark	0.3	0.2	0.2	0.1
Finland	0.3	0.1	0.2	0.2
Iceland	1.3	0.4	0.9	1.3

City type	Population changes 2000-2005			International net migration % in 2005
	% per year on average			
	Total change	Net migration	Natural population change	
Norway	0.6	0.3	0.3	0.4
Sweden	0.4	0.3	0.0	0.3
Five Nordic countries				

Annex 9: Table on employment indicators for Nordic cities 200-2004

City type	Employment change % per year on average		Employment rate Employed persons as a share (%) of working-age population
	2000-2002	2003-2004	
Nordic capitals	0.2	0.4	75.7
- of which in:			
Denmark	-0.2	0.3	76.4
Finland	0.6	1.2	72.9
Iceland	1.2	1.2	77.4
Norway	-0.5	0.5	82.8
Sweden	0.9	-0.1	73.0
Nordic metropolises	0.9	0.8	69.4
- of which in:			
<i>polycentric surrounding</i>	1.0	0.8	69.0
- of which in:			
Denmark	0.0	0.2	72.5
Finland	1.0	2.8	64.5
Sweden	1.8	0.6	67.9
<i>non-polycentric surrounding</i>	0.5	1.3	74.3
- of which in:			
Norway	0.5	1.3	74.3
Nordic regional centres with university	0.8	0.9	70.4
- of which in:			
<i>polycentric surrounding</i>	0.6	0.5	72.0
- of which in:			
Denmark	-0.6	0.6	77.6
Finland	-0.4	1.5	60.9
Norway	1.5	1.7	74.0
Sweden	1.0	0.0	69.5
<i>non-polycentric surrounding</i>	1.1	1.3	68.4
- of which in:			
Finland	0.8	2.5	61.7
Norway	1.2	0.9	77.7
Sweden	1.4	0.3	71.4
Other Nordic regional centres	0.6	0.6	69.5
- of which in:			
<i>polycentric surrounding</i>	0.6	0.6	69.8
- of which in:			
Denmark	-0.2	0.1	79.7
Finland	0.5	2.0	62.7
Norway	0.6	0.9	67.6
Sweden	1.1	0.2	68.9
<i>non-polycentric surrounding</i>	0.5	0.8	68.6

City type	Employment change % per year on average		Employment rate Employed persons as a share (%) of working-age population
	2000-2002	2003-2004	
- of which in			
Denmark	-0.9	-0.8	65.4
Finland	0.8	1.9	65.0
Norway	0.0	0.3	74.9
Sweden	1.0	0.2	69.7
Nordic medium-sized towns	0.1	0.1	69.2
- of which			
<i>production-based</i>	0.1	0.2	70.2
- of which in			
<i>polycentric surrounding</i>	0.9	-0.4	72.6
- of which in			
Denmark	1.5	-0.3	86.9
Finland	0.8	-0.5	62.6
Sweden	0.7	-0.4	71.1
<i>non-polycentric surrounding</i>	-0.1	0.3	69.5
- of which in			
Denmark	-1.0	-0.7	78.5
Finland	-0.4	1.3	63.6
Norway	0.8	0.6	72.9
Sweden	0.2	-0.1	71.4
<i>service-based</i>	-0.1	-0.2	67.2
- of which in			
polycentric surrounding	-0.4	-1.3	72.7
- of which in			
Denmark	-0.4	-1.3	72.7
<i>non-polycentric surrounding</i>	0.0	0.1	66.0
- of which in			
Denmark	-0.6	-0.8	63.8
Finland	0.6	1.2	57.1
Norway	-0.1	0.3	66.2
Sweden	0.5	-0.7	70.2
<i>Rest of Denmark</i>	-2.6	-2.9	68.9
<i>Rest of Finland</i>	-1.0	1.0	59.0
<i>Rest of Iceland</i>	-0.1	1.1	95.2
<i>Rest of Norway</i>	-0.5	-0.1	70.8
<i>Rest of Sweden</i>	0.1	-0.3	69.4
<i>Rest of five Nordic countries</i>	-0.6	0.2	66.7
<i>Denmark</i>	-0.2	0.1	75.5
<i>Finland</i>	0.3	1.7	65.1
<i>Iceland</i>	0.7	1.1	83.3

City type	Employment change % per year on average		Employment rate Employed persons as a share (%) of working-age population
	2000-2002	2003-2004	
<i>Norway</i>	<i>0.1</i>	<i>0.6</i>	<i>74.0</i>
<i>Sweden</i>	<i>1.0</i>	<i>0.1</i>	<i>70.3</i>
<i>Five Nordic countries</i>			

Background

Most people have a clear image of what constitutes a city. This usually involves tall buildings, lots of people on busy streets, a large amount of traffic and other such highly ‘urban’ attributes. Similarly, most people have a mental picture of what the ‘countryside’ should be like. This often usually involves something that is in absolute contrast to the city, as such, rural areas are perceived as that which is non-urban.

The problem for researchers arises when wanting to transform this – often highly personal – image of a city or the countryside into a statistically measurable “reality”. In most cases our notion of a city does not coincide with administrative, morphological or even physical delimitations. In previous times it was easier. In medieval Europe the distinction between town and countryside was a fairly simple matter as city rights were granted to *cities* alone and no other spatial entity possessed the specific rights allotted to a city. Furthermore, the city at that time was also often clearly physically demarcated. In the Nordic countries this situation lasted well into the 19th century.

Since then it has become more difficult to utilise such a clear demarcation. Nonetheless, in a tangible sense when contrasting the extremes at either end of the scale, such as the crowds on Strøget in Copenhagen or the lush fields of rural Ostrobothnia in Finland, the distinction seems clear enough. The problem is that which lies between these extremes is much less obviously ‘urban’ or ‘rural’ in this common ‘rule of thumb’ sense. Furthermore the grey zone between town and country is becoming increasingly blurred, as urban sprawl and the functional transformation of formerly rural areas continues apace.

In order to partly avoid this we have here chosen an approach based on physical commuter flows. This work builds on the former Hanell-Persson typology (see for example Hanell & Persson (2003): Performance of Local Employment Systems in Nordic Countries. Paper presented at the 43rd European Congress of the Regional Science Association, Jyväskylä, Finland August 27- 30, 2003). For the purposes of this work the classification is however delimited only to Local Labour Markets (LLM’s) that have more than 25 000 inhabitants, thus omitting such LLM’s that do not to a larger extent display typical urban characteristics. This suggestion is amended with new delimitations for Danish commuter catchment areas as well as facilitating the inclusion of Iceland (Reykjavík).

Typology building blocks

A common Nordic typology of cities based on local labour markets (LLM) is developed by using combinations of structural factors describing each LLM in Denmark, Finland, Norway and Sweden, as well as the inclusion of Greater Reykjavík (Höfuðborgarsvæði) in Iceland. The main factors are:

- The size of the LLM in population numbers reflecting the range of variation reflected in four Nordic countries. This leads to a classification of *Metropolises*, *Regional centres* and *Medium sized towns*.

- The location of universities as sources of knowledge production and for enhancing human resources and the primary characteristic function of the region in terms of the range of services provided. This leads to the categories Nordic regional centres with university and Other Nordic regional centres.
- Various aspects of accessibility and communications, as well as cooperation options within polycentric surroundings are reflected in the subdivision of labour markets according to location in Polycentric and in Non-polycentric surroundings. This is applied throughout the typology.

All in all, this sees that 141 cities in the five Nordic countries are included.

Basic indicators used

In order for any international typology to be purposeful, it should be able to capture the essentials and/or the main characteristics of the countries taken as a group, without at the same time losing too much of its applicability in any individual country or part thereof. This inevitably involves making compromises in each country in order to identify the smallest common denominator that they share across borders. The result is more often than not similar to what would be acquired had the typology been constructed purely on a national basis.

In an ideal case, the choice of “hard” indicators to be used in classification would be restricted to those that are comparable across country borders. However, many aspects – especially with regard to spatial systems – are inherently incomparable across nations in statistical terms, and thus we have been forced to make certain exceptions. Thus the hard data is supplemented subjective evaluations.

We have chosen four dimensions to steer the categorisation. Firstly, the settlement structure of the LLM, measured in population of the LLM, its population density and the number and density of localities within it and the distance to neighbouring LLM's. Secondly, certain aspects of the functionality of a LLM are considered, namely its administrative status (national or regional capital) and the existence of a university in the LLM. Third, we have considered the location of each LLM with respect to its surrounding urban pattern, measured as the number and density of localities in the LLM and its neighbours, providing us with an indication of whether the LLM is situated in a polycentric surrounding or not.

Two of the indicators are especially vulnerable to subjective judgements from our part. First, in relation to the above-mentioned notion of polycentricity. The underlying assumption is that regions located within a polycentric urban structure do at least have the possibility to physically-functionally connect with neighbouring regions, whereas regions located far from other centres are highly unlikely to be able to do so. This does not mean that all of the regions that we have classified as lying in a polycentric environment will inevitably be involved in such a regional enlargement process, nor does it mean that those regions not so classified will not inexorably do so in the future. When categorising the regions two types of challenges were obvious. On the one hand, when using LLM boundaries – which are based upon municipal boundaries – existing administrative delimitations affect the outcome. On the other hand, the choice of indicators and their thresholds is arbitrary or at least highly subjective and reflects the authors' view of the concept of polycentricity. The peculiarities of the

Nordic settlement pattern have also affected the outcome, but the rather stringent application of the thresholds implies that fewer rather than more regions are classified as having a polycentric potential. However, looking at the Nordic countries in general, this method provides us with at least a coarse indicator of the urban pattern surrounding each LLM although simply national classifications would most likely end up with a differing result.

Second, the choice of what constitutes a “university” is highly subjective. There are no established international criteria of a university, rather the opposite is the case, and each country labels their educational units rather arbitrarily. Well aware of the potential potholes, we have here considered as universities all those educational institutions that do offer graduate courses and conduct research on a broad scale, i.e. not only within a few narrowly defined subjects. We have also included all polytechnic universities in the same category. Those educational institutions that have e.g. Master’s programmes but do not offer PhD courses, or only offer them on a narrow basis (less than two separate subjects), have by and large been omitted. This includes institutions such as *Seminarium* in Denmark, *Ammattikorkeakoulu* in Finland, *Statlig høyskole* in Norway or smaller University Colleges in Sweden.

The population figures of the LLM refer to the end of year 2005 (31.12.2002 or 1.1.2003). The localities used in the classification are 31.12.2000 for Finland and Sweden (measured only every five years and 1.1. 2003 for Denmark and Norway. All data is obtained from the databases of the respective countries National Statistical Institutes. Area (used as a denominator in population density and density of localities) is land area, apart from Denmark, for which only total area is available.

Criteria for typologisation

Based on the indicators depicted in the previous chapter, we have, all in all, identified five major *urban* groups of LLM’s in the five countries involved, namely: (1) Nordic capital regions; (2) other Nordic metropolises; (3) Nordic regional centres with university; (4) other Nordic regional centres; and (5) Nordic medium-sized towns. The final group is divided into two: those where the labour market is production-based and those where it is dominated by the service sector (public and private). (Two further groups from the original Hanell-Persson typology, i.e. “small Nordic labour areas” and “Nordic micro labour areas” have not been included into this typology.)

The criteria and thresholds of each category are summarised in the table below. It should however be stressed that the labelling of the areas reflects the specific Nordic settlement pattern and is most likely not applicable in the more densely populated parts of the world.

Criteria and thresholds for typologisation

Cod e	Category	Location	Criterion/a
1	Nordic capitals		National capital within Local Labour Market (LLM)
2	Nordic metropolises		300 000 – 1 million inhabitants within LLM
2.1		in polycentric surrounding	LLM with ≥ 5 localities (tätort, tettsted, taajama) with more than 5 000 inhabitants and a density of such localities/ $10,000 \text{ km}^2 \geq 2$ and a population density ≥ 25 inhabitants/ km^2 . Furthermore , the largest centre in each LLM classified as having a polycentric surrounding must be situated no more than 100 km (as the crow flies) from a corresponding neighbouring one.
2.2		in non-polycentric surrounding	LLM not fulfilling criteria of 2.1
3	Nordic regional centres with university		LLM with university or technical university. As universities or technical universities are considered all higher educational institutions that offer PhD classes in at least two different subjects.
3.1		in polycentric surrounding	See 2.1
3.2		in non-polycentric surrounding	See 2.2
4	Other Nordic regional centres		Regional administrative centre (Post 2007 "Region" in Denmark; Maakunta/Landskap in Finland; Fylke in Norway; Län in Sweden) or $> 75\,000$ inhabitants in LLM
4.1		in polycentric surrounding	See 2.1
4.2		in non-polycentric surrounding	See 2.2
5	Nordic medium-sized towns		25 000 – 75 000 inhabitants within LLM, not fulfilling criteria of 3 or 4
5a	<i>Production-based</i>		$> 33.3\%$ of employment within primary production and manufacturing
5a.1		in polycentric surrounding	See 2.1
5a.2		in non-	See 2.2

Cod e	Category	Location	Criterion/a
		polycentric surrounding	
5b	<i>Service- based</i>		< 33.3% of employment within primary production and manufacturing
5b.1		in polycentric surrounding	See 2.1
5b.2		in non- polycentric surrounding	See 2.2

The methodology applied is hierarchically exclusive, meaning that once a region has fulfilled the required higher hierarchy criteria, it will not be included in lower levels of the hierarchy even if its characteristics would more markedly fit the lower level. The outcome of the typologisation is depicted in Figure 5 on page 18.

Annex 11: Table on city names and population

Type	Country	Name	Population of commuter catchment area at end of 2005
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1. Nordic capitals

<i>Denmark:</i>	København	2 289 321
<i>Finland:</i>	Helsinki	1 399 201
<i>Iceland:</i>	Reykjavík (Höfuðborgarsvæði)	187 426
<i>Norway:</i>	Oslo	1 097 717
<i>Sweden:</i>	Stockholm	2 250 310

2. Nordic metropolises

<i>Denmark:</i>	Århus	664 215
	Odense	431 129
	Aalborg	362 435
<i>Finland:</i>	Tampere	371 472
	Turku	333 667
<i>Norway:</i>	Bergen	353 717
<i>Sweden:</i>	Göteborg	900 439
	Malmö	663 277
	Helsingborg	303 442

3. Nordic regional centres with university

<i>Denmark:</i>	Kolding	266 112
	Esbjerg	167 572
	Sønderborg	136 572
<i>Finland:</i>	Oulu	219 054
	Jyväskylä	159 263
	Kuopio	123 134
	Vaasa	106 450
	Joensuu	101 818
	Lappeenranta	88 860
	Rovaniemi	57 835
<i>Norway:</i>	Stavanger/Sandnes	275 814
	Trondheim	236 119
	Kristiansand	121 418
	Tromsø	65 965

Type	Country	Name	Population of commuter catchment area at end of 2005
		Bodø	47 099
	<i>Sweden:</i>	Linköping	244 760
		Örebro	214 763
		Västerås	178 531
		Jönköping	157 135
		Umeå	142 011
		Luleå	141 800
		Karlstad	129 206
		Växjö	126 433
		Kalmar	112 411
		Sundsvall	111 791
		Östersund	93 242
		Karlskrona	89 741
		Örnsköldsvik	54 943
		Härnösand	25 227

4. Other Nordic regional centres

<i>Denmark:</i>	Vejle	260 911
	Viborg	153 630
	Herning	121 001
	Holstebro	85 914
	Nykøbing F.	84 855
<i>Finland:</i>	Lahti	164 741
	Pori	115 421
	Kouvola	89 924
	Kotka	85 574
	Hämeenlinna	83 862
	Seinäjoki	65 461
	Kajaani	54 739
	Mikkeli	54 197
	Kokkola	50 432
	Mariehamn	26 766
<i>Norway:</i>	Drammen	147 402
	Fredrikstad/Sarpsborg	132 093
	Grenland	121 988
	Tønsberg	109 955
	Haugesund	96 523
	Hamar	85 397
	Larvik/Sandefjord	85 211
	Ålesund	77 724
	Arendal	73 286
	Molde	53 855
	Lillehammer	36 370

Type	Country	Name	Population of commuter catchment area at end of 2005
		Steinkjer	33 952
	<i>Sweden:</i>	Trollhättan	185 964
		Skövde	177 566
		Borås	174 935
		Kristianstad	167 710
		Norrköping	167 677
		Falun-Borlänge	149 707
		Gävle	144 026
		Halmstad	111 261
		Eskilstuna	108 047
		Skellefteå	76 376
		Nyköping-Oxelösund	60 950
		Gotland	57 488

5. Nordic medium-sized towns

<i>Denmark:</i>	Hjørring	67 480
	Frederikshavn	63 084
	Thisted	45 910
	Skern	45 667
	Bornholm	43 245
	Tønder	32 673
	Morsø	28 387
	Nakskov	27 563
<i>Finland:</i>	Salo	53 672
	Rauma	48 433
	Varkaus	40 532
	Imatra	39 699
	Lohja	39 359
	Iisalmi	39 071
	Kemi	37 379
	Forssa	35 455
	Raahe	35 032
	Savonlinna	34 874
	Jakobstad	34 480
	Ekenäs	28 396
<i>Norway:</i>	Gjøvik	67 585
	Moss	52 659
	Kongsvinger	49 335
	Ringerike	41 943
	Askim/Eidsberg	36 369
	Levanger/Verdal	34 447
	Stord	33 186
	Harstad	30 609

Type	Country	Name	Population of commuter catchment area at end of 2005
		Rana	29 897
		Halden	29 178
		Kristiansund	27 807
		Kongsberg	27 258
		Elverum	27 246
		Sortland	25 153
	Sweden:	Lidköping-Götene	71 984
		Gislaved	61 414
		Varberg	54 817
		Hudiksvall	46 851
		Köping	46 329
		Nässjö-Eksjö	45 889
		Oskarshamn	45 416
		Karlskoga	44 820
		Olofström	44 397
		Ludvika	41 666
		Katrineholm	41 454
		Falkenberg	39 605
		Bollnäs	38 110
		Avesta	37 448
		Vetlanda	37 448
		Västervik	36 505
		Arvika	34 866
		Värnamo	32 700
		Simrishamn-Tomelilla	32 107
		Säffle	28 817
		Älmhult	27 946
		Mora	27 232
		Ljungby	27 093
		Torsby	26 546
		Söderhamn	26 506