



## Development of Cities in the Baltic Sea Region

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## Introduction

Cities have been the main drivers of development in the Baltic Sea Region (BSR) since the days of the Hanseatic League. The structure of modern cities in the BSR formed along with the flourishing of major industries at the turn of the 20th century. At that time, Berlin and Saint Petersburg, both rapidly growing capital cities, were among the world's ten largest metropolises. With populations of over half a million, Hamburg, Warsaw, Copenhagen, Riga and Wrocław were among the largest cities in Europe. A century has passed since then, the world has changed, but the pulling power of cities as centres of development has not decreased.

The VASAB publication examines the development of cities of the BSR between 2005 and 2014 in four aspects: **demography, economic performance and dynamics, human capital in cities and social inclusion and quality of life**. The publication includes the most distinctive facts of the changes that have taken place over the past decade.

The development of individual cities differs due to their specific historical, geographic and economic factors. In order to provide a comprehensive portrayal of the situation in the BSR, **127 of the most significant centres of development**, or the largest cities, all of which have populations of over 100,000 including suburbs (**urbanised areas**) were selected. For countries with lower population densities (Norway, Sweden, Finland and the Baltic States), cities with a population of over 50,000 were chosen. Considering the different interpretations of the city concept in various countries, a specific methodology for calculating the population of a city's urban area was used (see reference XXX).

## Population

Similarly, to a century ago, the **largest metropolises** in the BSR are **Saint Petersburg** and **Berlin**, with over four million inhabitants in each. They retain considerable global influence. As the capital of the world's fourth-largest economy, Berlin has not lost any of the development impulse it received as the result of Germany's reunification, and it enjoys a growth rate that is well above average for German cities. The population of Saint Petersburg has also grown quite rapidly in the past decade because of immigration; however, its potential remains largely unrealised.

**The other metropolises**, like **Warsaw, Hamburg, Minsk, Stockholm** and **Copenhagen** are not only the main centres of development in their countries; in many spheres they transcend European borders and can be considered global metropolises. Hamburg, Germany's largest (and Europe's third largest) port city, is a metropolis on a European scale, while broader integration into Europe's structures is still a challenge for rapidly growing Minsk, the capital of Belarus. Likewise, Poland's industrial capital of Katowice, which is the centre of the polycentric Upper Silesian agglomeration, faces the challenge of adapting to post-industrial development trends and thereby counters its shrinking population.

Influence of **Helsinki, Oslo, Krakow, Gdansk, Bremen, Lodz, Gothenburg, Riga, Poznan** and **Wrocław** being large cities and significant centres of development in the BSR extends beyond the national level. Several BSR cities with smaller populations have influence in various spheres that extends beyond the national level. Of particular note are the Lithuanian capital **Vilnius** and the Estonian capital **Tallinn** as well as **Berlin-Potsdam, Gdansk-Sopot-Gdynia, Oslo-Drammen** and others.

**Population size is the key variable for many policies, especially for provision and maintenance of public and private services.** Population increase in major city regions requires them to extend the capacity of services and improve the infrastructure, while population decrease in peripheral cities would require improving mobility, and restructuring of services, also those of general interest, because of diminishing demand. Demographic factors should be taken into consideration in spatial planning and social policy.

### Significant growth, active suburbanisation

**Bergen, Stavanger** and **Oslo** in Norway as well as **Stockholm** and **Malmö** in Sweden have experienced population changes of more than +16% in the past decade.

Excluding the crisis of 2008–2010, the economic growth experienced by Poland and the Baltic States has also led to suburbanisation around the most dynamically developing larger cities or even urban sprawl. Even though the Baltic States have experienced sharp declines in their populations since the early 1990s due to emigration and low birth rates, comparatively large suburban areas with growing populations have grown up around the most bustling cities, namely, **Riga, Vilnius, Tallinn** and **Tartu**. Of these, **Tallinn** is developing most successfully, with a population change of over +11% since 2005 and a population level that is now approaching that of the 1990s.

Fairly strong development and suburbanisation is also taking place in the BSR largest Russian and Belarusian cities, with population changes of +9-10% in **Saint Petersburg** and **Minsk**.

### Moderate growth and decline

German and Polish cities have not grown as rapidly as those in the Nordic countries, the population decline characteristic of the 2000s has been replaced with population changes of +3-9% in most of the BSR cities, especially **Warsaw**, **Berlin** and **Hamburg**. Eastern Germany's largest port city of **Rostock** has experienced moderate growth, although populations elsewhere in eastern Germany continue to decline. Populations also continue to decline (up to -6%) in some of Poland's industrial centres, for example, **Lodz** and Upper Silesia (Katowice).

Growth has also picked up in **Vilnius**, although populations continue to decline in the other Baltic States cities, with some areas experiencing quite dramatic population changes of -11% to -19%.

After a long period of stagnation, the population of **Kaliningrad** has increased quite rapidly in the past five years (although only 5% over the past decade). The population consistently continues to decline only in **Murmansk**, Russia's remote Polar port city, where 384,000 inhabitants remain compared to a population of half a million in the early 1990s.

**Demographic development patterns are showing depopulation mainly through ageing and outmigration processes especially in the new EU member states of the Baltic Sea Region.** This poses a wide range of challenges to labour market and balanced regional development. Policies should be aimed towards addressing the demographic challenges and increasing labour productivity. Solutions for different types of labour force should be created aiming at increasing labour market and job flexibility.

### The role of migration

Migration has been largely driven by economic motives. The migration flows intensified soon after the economic crisis. Northern countries of the BSR – Sweden, Finland and Norway and to lesser extent Germany experienced a positive migratory balance, while the Eastern European countries especially Latvia, Lithuania, as well as Eastern regions of Finland, northern regions of Sweden, south-eastern regions of Poland, north-eastern regions of Germany experienced negative migratory balance.

On regional and sub regional scale country's migration trends are complex. National averages do not reflect the actual situation in different regions and cities. Overall cities and their neighbouring areas experience more internal and external migration, whereas rural regions tend to be less attractive. Cities and urban regions especially capital cities are more likely to attract young people.

Territorial patterns of migration processes are complex. It is assumed that large cities ensure more employment opportunities to local population and therefore they are less likely to face out migration. However, for example in Latvia where emigration accelerated after the accession to EU and then picked up dramatically after the economic and financial crisis the capital city Riga and other bigger development centres actually lost proportionally more population due to emigration than rural areas and small and medium sized towns. These findings show stabilising role of small and medium sized towns.

**Economic factors still determine the nature of migration flows. The cities are expected to face accelerated global migration processes in future.** In this context, it is necessary to support the role of cities so that they could develop ad hoc measures in humanitarian and financial assistance, including affordable housing. Improving early local responses of coordination, exchange of knowledge and practices and establishing governance partnerships are steps towards effective inclusive approach.



Map 1 Cities (urban areas) population change 2005-2015

## Economic Performance and Dynamics

### Changes in GDP

In terms of economic wealth, still large differences can be observed between the western part and the eastern part of the BSR. However, the former economic divide in the BSR has become more complex, where social differences play a more important role. The capital cities and other large urban regions in the eastern part are catching up with other regions in the western part in terms of economic wealth.

#### Eastern economies are less developed, but their development is more rapid

The accession of the Baltic States and Poland to the European Union in 2004 has stimulated approaching average EU levels. In terms of GDP/PPP, **Warsaw** and **Tallinn** have already surpassed the EU average level; while some of Poland's largest cities (**Krakow** and **Poznan**) and the Baltic capitals (**Riga** and **Vilnius**) have almost reached it. Income level in **Saint Petersburg**, the BSR largest city, is approaching 80% of the European average. However, income levels in many more remote regional centres of the new EU member states are still only 40-60% of the European average. These levels are lower only in Belarusian regional centres and the Russian city of Pskov.

The GDP/PPP per capita increase has clearly been more rapid in the cities of the Eastern part of the BSR, where in the majority of cases this change has surpassed +55%. This rapid change is only natural, considering their lower base level. However, as the base level increases, it will be increasingly difficult to maintain such rapid levels of growth, because low costs, which are the current main driver of development, will have to be replaced with efficiency.

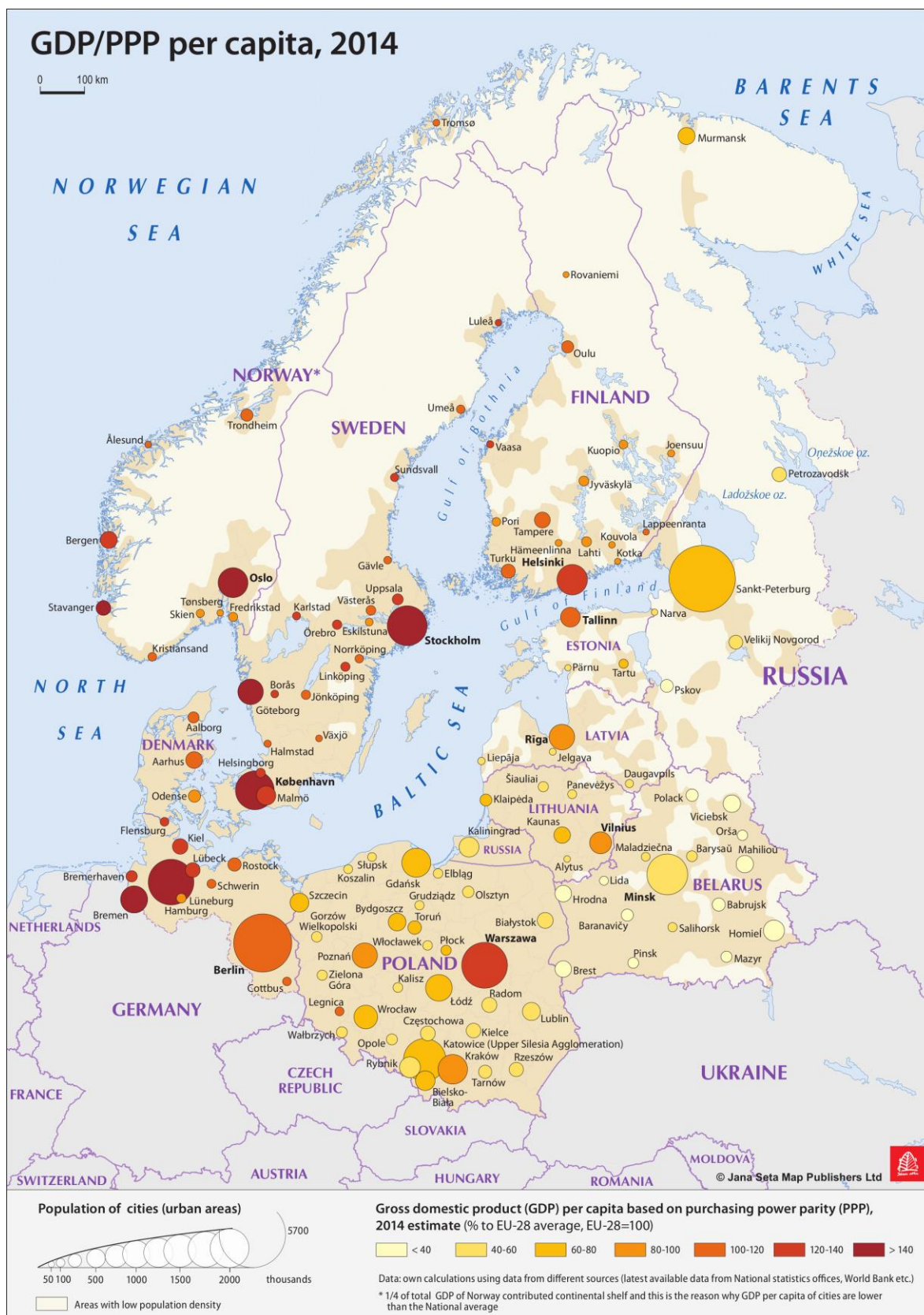
#### Moderate economic development in the Western part of the BSR, high income levels

The GDP/PPP in almost all of the largest cities in the Western part of the BSR has surpassed 140% of the EU average. The only exception is Berlin, which has a 113% of EU average. The comparison however ought to be looked at with a critical eye due to the various methodologies used in different countries.

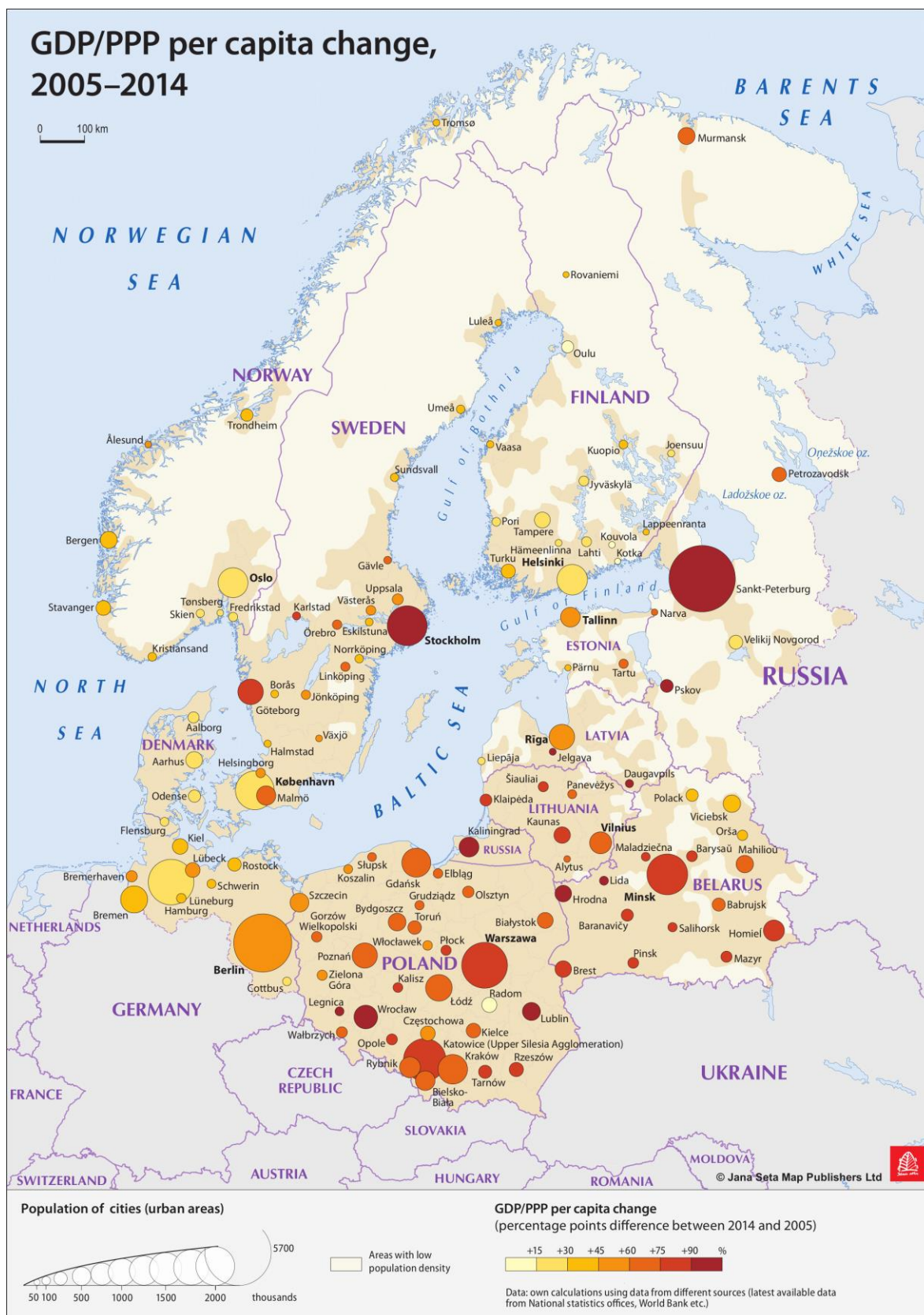
In the Western part of the BSR, the **most rapid change** during the period of 2005–2014 was in Sweden's largest cities of **Stockholm**, **Gothenburg** and **Malmö** (above +65%) as well as the German capital **Berlin** (+46%). The **lowest** rate of change was observed in Finland's and Denmark's cities as well as the large cities of **Hamburg** and **Oslo** (up to +30%).

Among the key drivers shaping the changing the economies of cities are: an increase in the share of services and the changing nature of these services, changes in the structure of production of goods in the direction of consumer and high-tech goods, closer integration of city economy in foreign trade, the growth of small and medium-sized businesses, and the presence of branch offices of large and multinational companies.





Map 2 GDP/PPP per capita (2014)



Map 3 GDP/PPP per capita changes (2005–2014)

## Multimodal Accessibility Potential

*Accessibility of cities is of prime interest for people's daily life as well as for business and commerce. Multimodal accessibility describes the level of integration regarding a unified transportation system.*

### A challenge for the Baltic States

In general, the Western part of the BSR has well-developed transportation infrastructure. Over the last decade, Poland as well has managed to integrate into Europe's unified transportation network by reconstructing major railway lines, completing several motorway links with Western Europe, intensifying air traffic and completing the Baltic Sea's largest deep-water container terminal in Gdansk.

Cargo handling capacity has increased in the Baltic States' largest ports. The Baltic States have a relatively dense, albeit decaying road network, therefore reconstruction of major roads continues. Fast railway connections between the Baltic capitals are still missing and will only improve after the completion of the *Rail Baltic* high-speed railway line, planned for the coming decade. The most advancement in increase of the accessibility has been based on dynamic development of the air traffic.

**Lack of modern transport infrastructure (motorways, high-speed railways) is still a major barrier to economic development in Eastern part of the BSR.** Therefore, work should continue on strategic rail, highway and sea infrastructure projects.

### Development continues in the Northern - Southern dimension

The development of transport infrastructure plays important role in improving accessibility of remote and less-populated Northern part of the BSR. High-speed railway lines are being built ever further north in Sweden and Finland, and there are plans (through the Copenhagen–Gothenburg–Oslo project) for Norway to be better integrated into the European network within the next decade. The same can be said for high-quality roads, which, despite the challenging climatic conditions and terrain, make use of tunnels and bridges to make the Nordic cities ever more accessible. Developed air traffic from remote Northern cities has already become an accepted standard.

**Accessibility across Northern - Southern dimension continues to improve** thus narrowing the gap between the Northern and Southern regions.

### Potential of Saint Petersburg and Belarus

The introduction of the Schengen Agreement has significantly improved cross-border traffic in the BSR. However, the border crossing procedures between the Schengen and non-Schengen countries remain a bottleneck, especially for cargo traffic.

The new "Silk Road" from China to Europe leads through Belarus, increasing Chinese investment in industrial infrastructure near Minsk (Great Stone Industrial Park). Belarus has a well-developed road network, including a high-speed highway network, which facilitates its more rapid integration into the European transportation system.

A high-speed railway now links **Saint Petersburg** with Moscow and Helsinki, which is very important for this Russian city, whose potential integration into the BSR has been stifled and is not yet fully realised.

The air traffic has unused potential in **Minsk**. Even though the population of the Belarusian capital is 2.5 times larger than, for example, of Riga, passenger turnover at Minsk's airport is half that of Riga's airport.

### Partnership and cooperation between cities and rural areas remains a challenge

Effective partnership and cooperation can reduce the handicaps caused by weaker accessibility of small towns and rural areas. One of the VASAB Long - Term Perspective for the Territorial Development of the Baltic Sea Region ambitions is overcoming the urban-rural divide in the BSR through enhanced co-operation and partnership. In the context of increasing asymmetry and a shift of power towards urban areas establishing partnerships remains challenging.

Cooperation and partnership take different shapes and occur on different scales. Typically, the cooperation and partnership is more widespread in clusters, networks, tourism and marketing. But partnerships can also be formed for ensuring better accessibility and transport, or regional chains of value added.

Important role here can play the cities that take a "middle tier", between capital and the small and medium-sized towns, such as **Gothenburg** in Sweden and **Krakow** in Poland. These cities have shown good results, and have the potential to provide urban functions for surrounding areas (high quality services, infrastructure and access to markets).

**Partnerships between cities and rural areas are innovative instruments for improving the potentials of territories and bridging the accessibility gaps.** For the partnerships to develop there is a need for trust and openness on every government level, as well as the room for policy experimentation and learning. The role of secondary cities can be important in initiating and maintaining of the relations.





Map 4 Multimodal accessibility potential (2014)

## Human Capital in Cities

Human resources play a significant role in the development of cities. A highly qualified workforce is considered the most important cornerstone for business development. To assess the level of competitiveness and innovation in cities, two indicators were observed: population with tertiary education, and employment in technology and knowledge sectors.

### Population with tertiary education

Compared to other European regions, cities in the BSR have larger populations with tertiary education. **In all of the large cities within the BSR**, the population with tertiary education **surpasses 20%**, with the lowest rates in Belarusian and Polish cities. The population with tertiary education surpasses 40% in 38% of all BSR cities.

**Cities with universities stand out, be they national capitals or regional centres**, because the presence of various institutions of higher education and science and research institutions stimulates the level of higher education among the population. Cities like **Rostock, Uppsala, Copenhagen, Kaliningrad, Vilnius, Tartu, Helsinki, Kiel, Turku** and **Saint Petersburg** take pride in having the oldest universities in the BSR, established as far back as the 14th-18th centuries. New centres of education and research, such as **Cottbus, Malmö, Oulu and Stavanger**, are also emerging.

*Population with tertiary education = the share of persons aged 25-64 with tertiary educational attainment. This indicator is relevant for measuring the basis for current and future high value-added economic activities and highly qualified jobs. It can be regarded as an input indicator for illustrating the innovative capacity of a region or city.*



Figure 1 Population with tertiary education, % (2014), city groups

In almost all of the BSR cities the population with tertiary education has changed by an average of nine percentage points. The greatest change is observed in cities in Denmark, the Baltic States, Poland, Germany and Sweden.

*Over the past decade, the workforce with tertiary education has changed most (an increase of 22 percentage points) in the Danish city of **Aarhus**, where this population accounted for 64.1% of the workforce in 2014. Approximately 55,000 students currently study in a variety of fields (from architecture, art, music, journalism, engineering and medicine to biotechnology) at the 25 institutions of higher education in Aarhus. Students in the city have a positive influence on the local atmosphere and contribute to making Aarhus a dynamic urban society. The city's economy is predominantly knowledge and service-based; it is strongly influenced by Aarhus University and the large healthcare industry, though Aarhus also boasts the country's main industrial port. Aarhus will be the European Capital of Culture in 2017.*

**Higher education is a key driver for stimulating developments in R&D, knowledge intensive and creative industries.** Therefore, national education and economic policies should be aimed to ensure that regional innovation systems translate the knowledge into important role in economic growth.

Although higher education is the foundation of innovation development, knowledge skills and abilities that a person must receive throughout his/her life are also important. Therefore, new forms of continuous and variable education have a special importance for the human capital.





Map 5 Share of population with tertiary education (2013)

## Employment in technology and knowledge sectors

The highest proportion of employment in the science and technology fields is **concentrated in the capitals**, which are historically the centres for universities, science and research centres, practical laboratories and offices of large-scale businesses. However, many countries are thinking about the involvement of regions and specialisation by developing powerful **regional centres**.

*Employment within a selection of high-technology manufacturing and knowledge-intensive high-technology service branches shows the level of knowledge intensity of the economic activity of the region. This indicator can be regarded as an output indicator for illustrating the innovative capacity of the region.*

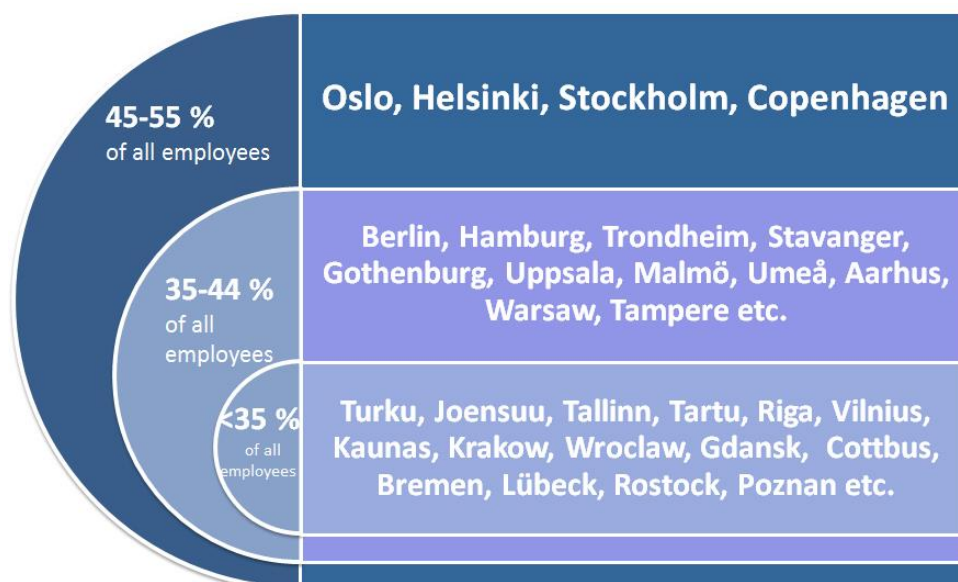


Figure 2 Employment in technology and knowledge sectors in cities (% of all employees)

Cities and metropolitan regions are attractive places for people to settle and businesses to operate and are thus the engines for economic growth. Areas with a high science and technology percentage may go on to establish **cluster developments**. Cities in the Nordic region are some of the most active intersectoral cluster development areas in Europe, for example, Medicon Valley (Danish **Copenhagen** and Swedish **Malmö**). Cluster initiatives demonstrate the dynamics of the indicator we have analysed. On average, over the years the number of people employed in science and technology fields in the analysed 127 cities in the whole Baltic Sea region has grown by 5.6 percentage points, reaching an average of 33.5% in 2014. Despite comparably slower development of innovative industries in Russia, Saint Petersburg as the main scientific centre remains one of the most important scientific centres in the BSR. The highest growth in percentage between 2005 and 2014 of people employed in science and technology fields is in the Finnish cities of **Helsinki**, **Tampere** and **Jyväskylä** as well as in Polish **Krakow** and Norwegian **Stavanger**.

**Jyväskylä** is a good example of regional development. The newest areas of expertise in the Jyväskylä region are wellness and nanotechnology. Besides the research carried out by the university, the VTT Technical Centre of Finland has laboratories in Jyväskylä. They specialise in process technology relating to the forest and energy industries. Also, the Jyväskylä Science Park hosts an R&D-oriented Excellence Centre Programme focused on ICT, paper, energy and environmental technologies.

**Stakeholder cooperation is crucial factor for strengthening human and social capital in the region.** Strengthening of the exchanges between universities, companies, schools, NGOs of the whole BSR should be supported to strengthen the dissemination of new knowledge and the multiplication of best practices across different parts of the region.

## Social Inclusion and Quality of Life

### Changes in unemployment

Unemployment in the BSR rose sharply in the wake of the economic crisis 2008 -2010 and continued to increase until 2012. Long-term unemployment has negative financial and social effects on personal life, on social cohesion and may hinder economic growth; cities should therefore develop sustainable social and labour market policies.

In 2014, the highest rate of unemployment for cities in the BSR was observed in the Polish cities of **Radom**, **Grudziadz** and **Wloclawek**, where the unemployment rate reached 16-20% of the working-age population, as well as in Finnish cities such as **Kotka**, **Oulu**, **Jyväskylä** and **Lahti** (15-16%). Even though the unemployment rate in German and Polish cities has **significantly declined** since a high point of unemployment in 2005, the unemployment rate in their cities is still 6-14% of the working-age population.



The lowest rates of unemployment can be found in Norway's cities (**Oslo, Stavanger, Tromsø** and others), where the unemployment rate is 2-3% of the working-age population. Cities in Belarus and North-West Russia show low rates of unemployment, for example, 0.2% in Minsk and 1.4% in Saint Petersburg. However, unemployment data from Belarus and Russia ought to be interpreted cautiously, because a different methodology for collecting and processing data is used.

**Unemployment dynamics is strongly influenced by the specific economic processes in each country.** For example, the unemployment rate reaches its maximum during periods of recession, as was the case in Polish and German cities in 2005. For this reason, cities in these countries (**Bremen, Walbrzych, Wroclaw** and others) show the greatest increase in their unemployment rates (10-14 percentage points) over the studied period (see Figure 3)

In the cities of the Baltic States, unemployment reached its maximum in 2008, and in Finnish cities in late 2009 and early 2010. Overall, unemployment dynamics in Baltic and Finnish cities is increasing, except for a few cities (such as **Tartu, Pärnu, Pori, Rovaniemi** and others), where a small decline in unemployment is being observed.



Figure 3 Unemployment dynamics in BSR cities (2005-2014)

Until the beginning of the 21st century, the economy of **Bremerhaven** in Germany was based on shipbuilding, the fishing industry and providing services to the nearby U.S. military base. The economy began to decline in 1999. In 2005, the city's unemployment rate reached 23.7%, because increased competition had led to lower demand for fish products, the port and fish-processing infrastructure had fallen out of date, and the military base had closed. Leaders searched for ways to revive the city and diversify the economy: aquaculture projects were developed together with scientists, and Germany's largest fish processing businesses, which employ approximately 8-9% of the city's workforce, were modernised. 25% of Bremerhaven's workforce is directly linked to the marine economy, and the city is Europe's fourth largest container port. However, offshore wind energy industry, which employs one third of all Germans working in the wind energy field, has provided the main boost to Bremerhaven's economy and has best reduced unemployment. In 2014, the city's unemployment rate was 14.7%, a change of nine percentage points for the better in the span of nine years.

**Urban areas with labour-intensive economic sectors and low cost economies are vulnerable in economically turbulent times** as it was shown by the developments during the economic and financial crisis. Therefore, cities and national governments should continue to invest into restructuring of local economies to make them more competitive and resilient, i. a. developing innovative economic development solutions.

**Cities with high unemployment should develop social investment packages** by giving more attention to adequate and sustainable social protection; by investing more in developing people's skills and capacities to improve their opportunities to integrate in society and the labour market.



Map 6 Unemployment rate (2014)





Map 7 Change in unemployment rate (2005-2014)

## At-risk-of-poverty rate

Economic modernisation and rapid social changes increase the number of people and groups that are left behind. Usually they do not possess the economic, social and cultural capital that is needed to catch up with those changes.

Social polarization in Eastern cities of the BSR is caused mainly by long-term effects of economic restructuring, migration and unemployment, while in large cities of the western and northern part of the BSR poverty has increased more as a result of the reduction of social transfers during the austerity period.

**The highest poverty risk in the BSR is observed in the Baltic States' cities, Finland and certain cities in Poland and Germany (Bremerhaven, Bremen, Berlin).** While the prevalence of poverty in the Baltic States and Poland is linked to a lower average level of prosperity than is found in the Western countries, the situation in Finland has deteriorated recently.

**The risk of poverty is lower in Norway and Sweden, in Belarus and North-West Russia.** The role of national policy in providing more affordable services and social welfare regime might play some role in explaining these differences.

**The at-risk-of-poverty level has increased between 2005 and 2013 for 54% of the 127 surveyed city regions. In 46% of city-regions, the poverty level has decreased or remained the same.** The greatest increase in the at-risk-of-poverty level was observed in **Bialystok, Bremerhaven, Malmö, Poznan, Gorzow Wielkopolski, Zielona Gora and Kalisz.** The at-risk-of-poverty level declined most significantly in **Veliky Novgorod** and several cities of Belarus. The situation regarding poverty has also improved in cities with previously high poverty rates, such as **Murmansk, Kaliningrad and Daugavpils.**

*The quality of life in urban areas is complex mix of different factors, such as the quality of public transportation services, public spaces, city administration services, easiness of finding a job, perceived safety in the streets etc. Sometimes subjective perception of perceived quality of life in a city can tell more than a collection of indicators.*

*Overall larger cities of BSR rank among the top cities in EU in terms of perceived satisfaction with life in a city. When respondents of Flash Euro barometer social survey were asked whether they agreed if they were satisfied with living in the city, more than 80% answered that they strongly or somewhat agreed. In **Aalborg, Oslo, Copenhagen, Stockholm, Rostock, Oulu, Krakow and Bialystok** more than 95% strongly agreed or somewhat agreed with this statement. Only a few other EU cities, such as Hamburg, Zurich, and Amsterdam reached similar results.*

**Economic growth of the Baltic Sea Region has not achieved the proportional reduction of poverty. An integrated anti-poverty approach is needed** combining appropriate instruments for specific actions based on collaboration between the national, regional and local authorities with common goals, targets and action plans. **Active inclusion strategies targeting employment support,** providing resources for those who cannot work, and promoting social participation are needed.

**Recognize the complexity of poverty and adopt place-based strategies** in targeting issues of deprived neighbourhoods and inner city areas or different at risk-of-poverty groups.

Special attention should be given to the areas of multidimensional deprivation where negative social phenomena are accumulating. Improving the quality of life should be in the focus of rehabilitation process.

**Developing efficient and affordable public transport systems** can grant increased mobility and accessibility to the residents of deprived areas thus reducing the risk of poverty. The latter can additionally be assisted by availability of affordable housing.

*The at-risk-of-poverty indicator illustrates the dimension of social inclusion and quality of life. A person is considered to be at risk of poverty if his/her equalised income after social transfers is below 60% of the corresponding national median. In many countries, due to insufficient survey sample sizes, the at-risk-of-poverty indicator is not calculated for the city level, in which case this report has used NUTS-2/NUTS-3-level data.*





## General observations

Although the territories of BSR represent large internal heterogeneity in terms of population settlement and economic development patterns, the economic growth of cities has been a common theme during 2005-15 especially in larger cities and cities of Eastern Europe. All capital cities but especially global level metropolises and European level metropolises have significantly increased their integration into global economy.

The economic downturn following the crisis affected the economies of some countries more than others. Although all metropolitan regions have grown their economies 2005-14 in terms of GDP/capita, it is quite obvious that the development of the cities, including the survival of economic recession is highly embedded in contexts of national and regional policies. For large cities there is more room for manoeuvre because of better connectivity, larger presence of knowledge intensive economy sectors and easier access to investments.

It is important to bear in mind that cities are not only focal points of economic growth but they are also serving points to surrounding areas. Although the development of small and medium sized urban areas and rural areas is not the focus of this report, it has to be emphasized that they have an important role to play by ensuring the sustainability and territorial cohesion of the BSR.

Despite different planning traditions and institutional frameworks, there is a remarkable common aspiration in spatial plans and visions developed in BSR countries to favor polycentric development. In the same time it is important to emphasize that the efficiency of the development lies in networking and territorial cooperation of cities of all sizes in order to ensure critical mass of development and qualitative services

The evidence presented supports the existing VASAB territorial development vision – VASAB Long - Term Perspective for the Territorial Development of the Baltic Sea Region, but it also points towards new challenges that could be addressed by appropriate policy responses.

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### Disclaimer

The indicators used to assess the development of cities are the headline indicators selected in ESPON project BSR TeMo "Territorial Monitoring for the Baltic Sea Region." The indicators have been selected based on their relevance to policy domain, policy relevance to European macro-regional strategy - the EU Strategy for the Baltic Sea Region and VASAB Long -Term Perspective for the Territorial Development of the Baltic Sea Region, time series availability, update frequency and availability within the European Statistical System, where relevant.

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