four capitals had unemployment rates over 8%. In 2009 the number had increased to 11 capitals. Among the second tier cities, 26 had unemployment rates over 10% in 2007. By 2009 the number had increased to 47. However, some second tier cities were holding up relatively well and in 2009, 36% of them had lower unemployment rates than the national capital and 48% of them had lower rates than the national average.

Governance matters at all levels

Globalisation has increased competition between nations, regions and cities, caused congestion, pollution, and sprawl, which demand more efficient decision-making, better integrated land and transportation planning etc. These challenges are particular acute in the most successful, rapidly growing second tier cities. However, in places where multi-level governance and cooperation have been encouraged and incentivised, the second tier cities have been able to better meet these challenges.

Local and regional governance. Decision-making at city and regional level is crucial to economic performance but difficult to achieve. Cities and regions which have strategically mobilised and exploited their assets flourished more in the boom years and are more likely to do better once the economic crisis has been overcome. Increasing strategic governance capacity to deliver economic place-based policies at city and regional level should be a key target for all government bodies involved.

National and European governance. If European and national decision- and policy-makers strategically invest in the second tier cities they are more likely to strengthen the economic potential of the national economy than if they concentrate the main resources in the capitals. This will also help achieving the Europe 2020 targets.

At national and European level five key points are important for strengthening the secondary growth poles: (1) encouraging governance systems and policy frameworks, (2) injection of funds, (3) fiscal incentives, (4) support for key industries and (5) direct provision of jobs. However, the impact will vary significantly depending on the local and regional context and the national division of labour between national, regional and local bodies.

De-concentration of investments and decentralisation of decision-making will most likely lead to better performing second tier cities. Institutional and financial decentralisation from national to regional and local levels of government will reduce the costs of overconcentration on the capitals and maximise the contribution of second tier cities to national competitiveness and welfare.

Greater Manchester Combined Authority – Reinventing regional territorial governance

As a major second tier city, the Greater Manchester Combined Authority is of particular interest from a territorial governance perspective. It is the first example of an administrative integration of this scale and the only example of a statutory metropolitan government besides London. It represents an attempt to re-structure institutional boundaries beyond single political or administrative representation and co-ordinate governance within a territory based on a functional economic area. It is a conscious effort to operate at the extended city-region scale as opposed to the borough scale, and one of the main strengths is that it enables a strong leadership.

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ESPON EVIDENCE BRIEF

December 2013 **Secondary cities as important growth poles** 5

Europe's second tier cities are important growth poles and have in many cases great development potentials. They play a vital role within the national urban system and often even perform better than their capital cities. In fact, secondary cities contribute substantially to the economic development in Europe and are decisive for achieving the Europe 2020 objectives on smart, sustainable and inclusive growth.

The economic development during the decade before the crisis showed that second tier cities can further strengthen their performance and contribute even more to national economic development as well as play an independent role in the increasing globalisation of markets. Investments in second tier cities are more likely to maximise the economic potential of a national economy than a concentration of all resources in the capital. However this will require policy support, strategic investments and tools.

Making second tier cities visible

12 out of Europe's 28 largest urban economies are not capitals

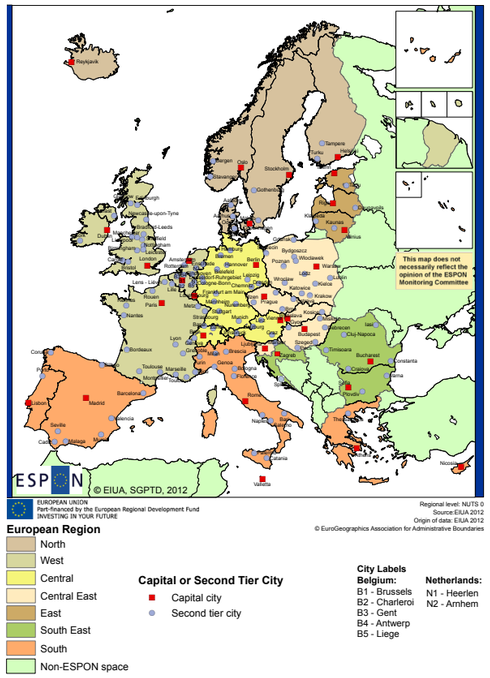
Definition of the second tier cities

Second tier cites are non-capital cities whose economic and social performance is sufficiently important to affect the performance of the national economy. There is not a straightforward way to identify the exact number of the second tier cities in Europe. Map 1 includes all second tier cities of the 23 countries in Europe with a population less than 15 million and no more than five second tier cities. For Cyprus, Iceland, Luxembourg and Malta no secondary cities have been identified due to the population criteria applied in the study. For the eight largest EU countries, i.e. France, Germany, Italy, the Netherlands, Poland, Romania, Spain and the UK, the cities in the top two thirds of the metropolitan urban population of the country are included.

Second tier cities matter for the economy. In general it is the capital cities that have a dominant role in the economy. However, there are several examples where the second tier cities show similar or better results. Characteristic examples are Munich and Milan, whose economies are larger than those of Berlin and Rome respectively. Additionally, 12 of Europe's 28 largest urban economies are not capitals and in 15 out of 25 countries the second tier cities outperformed their national capitals in economic performance (GDP per capita in PPS) between 2000 and 2007.

Increasing economic importance of many second tier cities. The economic weight of second tier cities has changed during 2000 and 2007. Most of the German and Italian second tier cities perform better economically than their capitals, while Austrian cities as well as cities in the Central and South East show higher growth rates. The biggest growth contribution of second tier cities is found in Germany, Poland, Spain, France and the Netherlands. Moreover, also in terms of GDP per capita, secondary cities outperformed capital cities, e.g. in the federal member states Germany and Austria. Similar cases can be found in Spain, Italy, and Belgium.

Map 1 – The 31 Capitals and 124 Second Tier cities



Understanding the drivers of secondary cities

Economic drivers and social attractiveness

The success of second tier cities depends on a number of key drivers such as innovation, economic diversity, skills and human capital, connectivity, place quality and strategic governance capacity. Policies related to these drivers have proven to strengthen the performance of second tier cities. The drivers that can be most directly influenced at city level are place quality and strategic governance capacity. The other drivers are to a larger extent influenced by European, national and regional policies. Influencing these drivers demands successful multilevel governance.

Focus: Innovation

Innovation is one of the six key drivers for the economic performance of secondary growth poles, and for instance when looking at the number of patent applications many perform equally well or even better than their capitals, e.g. cities like Eindhoven, Stuttgart, Munich, Grenoble and Tampere. Actually, the top 30 listing of patent applications in 2006-7 included only four capitals "Helsinki, Copenhagen, Stockholm and Paris". Second tier cities in Central and Northern Europe perform best, where nearly two thirds of them had higher rates of patent applications than the national capitals. In Southern Europe, second tier cities in Greece and Portugal as well as in the regionalised states of Italy and Spain performed slightly better than their capitals. In Western Europe, second tier cities performed relatively well in Belgium and the Netherlands, while in Eastern Europe only Warsaw was out-performed by a second tier city.

Munich - Germany role model for economic development and innovation
Munich is one of the most illustrative cases of a second tier city generating strong growth and economic development. Munich also demonstrates the significant relationship between governance and urban performance. Its success highly depends on Germany's federalist and decentralised governance model, which in combination with visionary political leadership and integrated policy making has been a key factor for the city's boost. Long term investments in research and education, skills programmes, diffusion of technology in key sectors, promotion of technology, cooperation between academic institutions and businesses have contributed to its development. Munich is now one of the most important growth poles, not only in Germany, where it is outperforming Berlin, but also in Europe.

Focus: Human Capital

A fair share of the population in second tier cities holds higher-education degrees. While in most cases, second tier cities perform better than their respective national average when it comes to education levels of their population, capital cities tend to do even better. However, there are seven second tier cities which outperform their national capital cities, three of which in Germany. These are Graz, Dresden, Leipzig, Munich, Bilbao, Edinburgh and Toulouse.

In general, second tier cities in Northern and Western Europe tend to perform better, but there is also a small number of outstanding performers in Central and Eastern Europe. Poland stands out, with nine of its eleven second tier cities having high-level education rates above national average.

Timisoara - One of Romania's educational centre
Timisoara is one of Romania's most succesful growth poles and an important educational and cultural centre. Because of its complex history it has a cosmopolitan population. Despite suffering from extensive economic restructuring following the introduction of a market economy after 1989 turmoil, Timisoara has since attracted a substantial amount of foreign investment. Today, it is an engine of growth for the Romanian West Region and effectively it's regional capital. Government investments in higher education facilities have helped boosting Timisoara's competitive advantage. The government funds its 8 Universities, 32 research institutes and a forthcoming skills centre. Many students stay after graduating because the cost of living and a comparably high quality of life. This adds to the human capital and provides local firms with highly skilled labour, while also adding to the vibrancy of city life.

Focus: Employment and population development

The performance of the second tier cities in comparison to the capital cities varies and depends on the functions that are compared. In terms of employment second tier cities in Western Europe have performed relatively well. For instance, in the UK, Glasgow, Edinburgh and Cardiff performed well compared to London, and in France ten second tier cities outperformed Paris, and so did three in the Netherlands. In Southern Europe, in Spain four second tier cities performed better than Madrid, while in Greece only the principal second tier city, Thessaloniki, outperformed Athens and none of the Italian cities performed better than Rome.

The 124 second tier cities identified in map 1 are home to almost 80% of Europe's metropolitan urban population. Between 2000 and 2007, population increased in 75% of the second tier cities and in 13 countries 31 second tier cities population actually grew faster than the capitals.

Lyon – France second tier city growing faster than Paris
Lyon, France's second city with about two million people has been innovative in sectors like planning and governance and urban services. It has implemented large scale urban projects and been successful in research and development policies as well as international promotion. Its GDP per capita is second only to Paris and it is better connected than other second tier cities in France, in part because of the high-speed railway connection. It has a good reputation for its professional training schools, engineering schools and universities and is well positioned at the national level for innovation. Its economy is relatively strong with strengths in sectors such as bio-tech, medical sciences, logistics, textiles and chemicals. This diversity has contributed to its resilience to the current crisis.

Focus: International accessibility

Many second tier cities are well integrated into internaitonal transport systems and show good accessibility figures. Also when looking at the number of people that can be reached by air within a given number of hours, most secodn tier are better off than the national average. 14 of the 124 second tier cities show even better air accessibility than their respective capital cities, among them Barcelona and Munich. In general, accessible second tier cities are mainly located in Central and West Europe. Reflecting history and policy priorities in infraestructure development, cities in the unitary states of Eastern Europe are often less accessible. Only 3 of the 33 second tier cities in the Eastern part of the Union have potential accessibility levels by air above EU average.

Barcelona – Spain's most accessible city-region. The development of Barcelona is characterised by consistent entrepreneurial and visionary leadership. This included among others also ambitions with regard to internationalisation. Barcelona enjoys a strong international brand, being the third best-known city in Europe (European Cities Monitor, 2009) and the 19th best-known city in the world (Global Cities Attractiveness Survey, 2008). The airport plays an important role for the international positioning of Barcelona. In 2009, Barcelona El Prat airport was the tenth busiest airport in Europe, with 27.3 million passengers. Furthermore, high speed rail is critical in establishing Bercelona's position as the capital of the Mediterranean and an internationally competitive player.

Future Challenges

The crisis threatens to undermine achievements of second tier cities

Many second tier cities performed well during the economic boom years up to 2007 and in many cases the gap to the national capitals decreased in terms of economic development. However, the economic crisis has had a major impact on many of second tier cities and more than 75% of them experienced declining GDP during 2007-9. In general, the capitals performed better during the crisis, in particular in Eastern Europe, e.g. Warsaw.

Due to the crisis, the gap – in terms of economic development – between capitals and second tier cities has begun to widen again. In addition there is a risk that the gap between more and less successful cities in Europe will become wider due to intensified competition between places for limited public and private investments, which most likely will focus on already successful cities with better economic prospects. Consequently, national governments might want to pay more attention to secondary cities. In their future territorial investment strategies than in the past.

In the first years of the crisis unemployment increased dramatically in many European cities. In 2007 only