Policies and strategies in Riga

How to enhance the city’s competitiveness

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Policies and strategies in Riga

How to enhance the city's competitiveness

ACRE report 10.9

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Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union

Amsterdam 2010
AISSR, University of Amsterdam

ACRE

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Table of contents

EXECUTIVE SUMMARY

This report is part of a pan-European project aiming at exploring the impact and potential of the emerging creative and knowledge-based economic activities on the economic development and hence the competitiveness of several metropolitan regions in the European Union. The ACRE (Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union) project involves 13 metropolitan areas in the 'old' as well as the 'new' EU countries. Riga is, through the participation of the Stockholm School of Economics in Riga, one of the metropolitan areas in the project.

The ACRE project recognises creativity as one of the important factors for economic and urban development of metropolitan areas. Hence, in addition to 'traditional factors' (such as, e.g. geographic location, economic structure, specialisation, mode of production and scale), creativity as such and a creative environment are both supposed to play an important role for the economic development and competitiveness of metropolitan areas as well as for a metropolitan area's potential to become a centre of creativity, knowledge and innovation.

This paper analyses Riga's potential as a creative city attracting what Florida (2002) calls the "creative people" or the "creative class" – persons who are believed to be a driving force for economic growth in the high-value added sectors of the economy. In the ACRE project focus is on employees, graduates, managers and transnational migrants active in a sub-set of the creative and knowledge-based industries.

The underlying hypothesis of this report, as well as the previous four ones written within the ACRE project, is the notion of soft factors (in addition to hard factors) and the role they play for people as well as businesses active in the creative and knowledge-based sectors when deciding where to locate. The idea, put forward by Richard Florida among others, see e.g. Florida (2002a, 2002b), implies that a city or metropolitan area which has a good combination of hard (e.g. infrastructure, taxes and the presence of skilled labour) and soft factors (e.g. atmosphere, geographical location, tolerance and social cohesion) will attract creative and high skilled people as well as creative an knowledge-based businesses, or in the words of Florida (2002a, p 249):

> *Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation and economic growth.*

Within this context, the current report analyses the current policies and strategies aiming at the development of the creative and knowledge-based sectors in Riga as well as to confront these policies and strategies with the actual dynamics. Based on the research on Riga undertaken throughout the ACRE project, the evaluation of the current policies and strategies were structured around the roles of the following four factors:

- Hard factors
- Soft factors
- Growth coalitions
- Institutional factors

The analysis of the hard factors revealed that out of these hard factors that either were attraction or retention factors (or both) only one was the outcome of policy actions – the development of Riga airport. All the other hard factors being considered attraction or retention factors were more or less "given by nature" (e.g. geographical location and proximity to nature) and not the result of policy actions. Furthermore, the analysis of the policy documents also revealed that out of these 'good' hard factors there is very little, if anything, in the current policy document to 'protect' them (the Old Town and the architecture being the exceptions). Hence, by not addressing them, there is a risk that their role for the future development of Riga will not be fully appreciated and that they might not be 'protected' in the future development plans and strategies of the city.

Among the hard factors that act as push factors the situation is the opposite – most of the push factors are either consequences of policy decisions or consequences of the lack of policy decisions. In other words, there is scope for a much more active approach in terms of policy making and strategy formulation when it comes to removing the push factors and hence improving Riga's qualities and attractiveness to workers and businesses active in the creative and knowledge-based sectors.

As for the soft factors being attraction and retention factors, the situation is more or less the same as for the attracting and retaining hard factors. They are in general not a result of any particular strategy or policy. Furthermore, their roles as attraction or retention factors are not recognised in any strategy or policy documents. Likewise, there is nothing said on how to preserve and further build on these positive perceptions of Riga.

The soft factors, having the character of being push factors discouraging attraction or retention, more or less all have in common that they to a very little extent, if any, can be influenced by the local policy makers in the Riga City Council. Many of the push factors have to be addressed by the national government, e.g. changes in legislation, measures to reduce corruption etc., whereas others, such as e.g. overall tolerance in the society and xenophobia, are much more difficult to address through various policy measures and in addition take a much longer time to change.

An integral part of a successful strategy in terms of economic development is the formation and existence of growth coalitions between the city and various stakeholders. The analysis revealed that there is still a long way to go when it comes to the development of growth coalitions. Several hurdles were identified:

- General lack of coordination of policies at the local and national levels.
- A weak voluntary sector.
- Problems in terms of involving the private sector due to state capture.

Despite these challenges the city should be able to do much better in terms of stakeholder involvement and formation of growth coalitions. To facilitate and encourage stakeholder involvement, it should in its strategy and policy documents try to institutionalise the formation growth coalitions.

The analysis of growth coalitions highlighted the role of the European Union through various EU-funded projects in which Riga take part. These projects seem to be an important source of inspiration through sharing of experiences etc. Furthermore, ideas generated from these projects might spill over in terms of policy formulation.

The last aspect to be analysed is the role of the institutional factors. The analysis has shown that the fairly weak institutional structure in Latvia hampers the development of Riga as well as the rest of Latvia. It puts (unnecessary) restrictions on what the City Council can (and cannot) do in terms of development policy. There are several examples where the national legislation and regulation put severe restrictions or even act against the development goals of Riga. The analysis also underlined the importance of better coordination between the city level and the national level in terms of planning and formulation of strategies. In this context it should be emphasised that there is an urgent need to undertake an overview or audit of the current legislation and regulations in order to remove the ‘unnecessary’ barriers to the development of Riga. Failure to do so will make it impossible for the Riga to reach its development goals by 2025 as outlined in the city’s Long-Term Development Plan.

Finally, a few general observations based on the analysis of the various policy documents and interviews:

- There is a risk that in particular “creative industries” becomes a buzz word with very little (in any) substance in terms of policy making.
- There is a risk that the policy makers try to pick winners by targeting selected branches of the creative and knowledge-based industries rather than providing a framework that supports the creative and knowledge-based industries in general.
- A general lack of understanding of the importance of policy networks and growth coalitions in terms of creating stakeholder involvement in order to create a competitive environment at the urban level.

1 INTRODUCTION

1.1 Introduction

This report is part of a pan-European project aiming at exploring the impact and potential of the emerging creative and knowledge-based economic activities on the economic development and hence the competitiveness of several metropolitan regions in the European Union. The ACRE (Accommodating Creative Knowledge Competitiveness of European Metropolitan Regions within the Enlarged Union) project involves thirteen metropolitan areas in the ‘old’ as well as the ‘new’ European Union countries. Riga is, through the participation of the Stockholm School of Economics in Riga, one of the metropolitan areas in the project.

The ACRE project recognises creativity as one of the important factors for economic and urban development of metropolitan areas. In addition to ‘traditional factors’ (e.g. geographic location, economic structure, specialisation, mode of production and scale), creativity as such and a creative environment are supposed to play an important role for the economic development and competitiveness of metropolitan areas as well as for the metropolitan area’s potential to become a centre of creativity, knowledge and innovation.

The current report is the sixth report on Riga written within the ACRE project. The objective of the report is to identify and confront policies and strategies aiming at the development of the creative and knowledge-based industries with the actual dynamics of the Riga metropolitan area. The underlying hypothesis of this report, as well as of the previous five ones, is the notion of soft factors (in addition to hard factors) playing an import role for people as well as businesses when deciding where to locate. This idea, put forward by Richard Florida among others, see e.g. Florida (2002a, 2002b), implies that a city or metropolitan area which has a good combination of hard (e.g. infrastructure, taxes and the presence of skilled labour) and soft factors (e.g. atmosphere, geographical location, tolerance and social cohesion) will attract creative and high skilled people as well as creative and knowledge-based businesses, or in the words of Florida (2002a, p 249):

> *Regional economic growth is powered by creative people, who prefer places that are diverse, tolerant and open to new ideas. Diversity increases the odds that a place will attract different types of creative people with different skill sets and ideas. Places with diverse mixes of creative people are more likely to generate new combinations. Furthermore, diversity and concentration work together to speed the flow of knowledge. Greater and more diverse concentrations of creative capital in turn lead to higher rates of innovation, high-technology business formation, job generation and economic growth.*

1.2 Structure of the report

To analyse the current policies and strategies aiming at the development of the creative and knowledge-based sectors in Riga as well as to confront these policies and strategies with the actual dynamics of the Riga metropolitan area, material from following three sources will be employed:

- Research undertaken and presented in ACRE reports on Riga. Each of the first three of these reports examined a distinct facet of metropolitan area's creative and knowledge-based economy: *(i)* employees of the creative and knowledge-based sectors; *(ii)* creative and knowledge-based companies; *(iii)* transnational migrants active in the creative and knowledge-based sectors. The fourth report provided a synthesis of the findings of the above mentioned reports.
- Various policy documents from the Riga City Council as well as from the national government.
- Interviews undertaken with within the framework of this report (in addition to, and to complement, the interviews carried out during the previous work packages).

The interviews within the framework of this report were undertaken in order to get a better understanding of the policies and strategies and their respective implementation a number of interviews were conducted. In total five persons, all of them being in charge of the implementation of policies, were interviewed. Rather than presenting the interviews in a separate chapter, the interviews appear throughout the report in order to link them to the issues discussed in the respective chapter.

These semi-structured interviews were structured around the following three themes:

- Challenges:
  - Evaluation of Riga in terms of national/international competiveness.
- Policies and strategies:
  - Policies undertaken to enhance competitiveness;
  - Geographical focus – aiming at the city, a wider area (agglomeration) or specific neighbourhoods;
  - Strategies towards the creative and knowledge intensive industries and workers – are hard and soft factors, clusters and/or networks being addressed in the policy and strategy documents.
- Partnerships:
  - With whom and how do you cooperate;
  - Role of national and EU-based policies.

In total five interviews were undertaken. Four of the interviewees represented various departments within the Riga City Council administration: the Entrepreneurship Coordination Centre; City Development Department (two interviewees); the European City of Culture Project. One interviewee represented the Ministry of Economics of the Republic Latvia, the

Department of Entrepreneurship and Industry. The interviews were done in Latvian language and lasted for about one hour each. The notes which were taken during the interviews were later transcribed and translated into English.

The rest of the report is organised as follows. The next chapter provides an overview of the theoretical framework employed within the ACRE project with a special focus on governance issues. Chapter 3 discusses the characteristics of the urban economy, whereas chapter 4 is devoted to the role of the stakeholders and growth coalitions. The fifth chapter presents the current economic policies and strategies that are to be analysed in chapter 6. Chapter 7 provides a conclusion. Each of the chapters 3-5 ends with a concluding section that aims at highlighting topics of relevance for the policy discussion of chapter 6.

Finally, when reading this report, it is important to keep in mind that the data on which the analysis is based was collected when the Latvian economy experienced a boom never seen before with real economic growth exceeding ten per cent and real wages growing at a rate of twenty per cent or more. This has most likely had an impact on the answers and hence the findings might paint a ‘too rosy” picture of Riga – a picture very different from the one of today (January 2010) with a falling GDP and growing unemployment. Today, at least anecdotal evidence suggests that many highly educated persons active in the creative and knowledge-based sectors have left or are about to leave the country as a response to the deep Latvian crisis.

2 THEORETICAL BACKGROUND[1]

2.1 Introduction

The conceptual and theoretical framework underlying the ACRE programme has been presented in length in the first report written within the project (Musterd et al., 2007). It is based on a critical review of literature on the role of creativity and knowledge in present and future economic development and the conditions for a successful development as a ‘creative knowledge region’. This review of literature, which has also pointed at gaps in knowledge, has framed the analysis of each case study in the following work packages, and has been refined over the course of the work.

A number of key questions have been raised in relation with this conceptual and analytical framework. They are addressed throughout this report and will in particular guide the analysis of policies and strategies, which includes the analysis of policy documents and interviews with stakeholders.

Key questions to be taken into consideration in the analysis of policies and strategies include the following:

- What is the role of creativity, innovation and knowledge in the metropolitan economic development strategies and visions in each case study?
- To what extent do local and regional governments in the case study regions want to build on existing regional strengths, and to what extent do they look for new strengths with regard to economic specialisations?
- What are the different types of policy approach adopted in different cities (e.g. promoting cultural quarters/infrastructures in the physical sense; or promoting creative industries in their industrial sector sense)?
- What is the role of ‘soft’ location factors in metropolitan economic development strategies when compared to the more traditional, ‘hard’ location factors?
- Do the metropolitan economic development strategies specifically address the conditions for attracting an international skilled labour force?
- Which regional geographic and administrative scale is the most relevant for regional competitiveness when aiming for ‘creative knowledge regions’? Should there be a focus on core city development or on the metropolitan regional level?

[1] The first draft of this chapter has been written by the ACRE Toulouse team (Hélène Martin-Brelot, Elisabeth Peyroux, Denis Eckert, University of Toulouse), with help from the ACRE Leipzig team (Bastian Lange, Leibniz Institute of Regional Geography). It has then been edited and slightly rewritten by ACRE Riga team (Anders Paalzow, Stockholm School of Economics in Riga). The findings discussed in this section refer to the overall ACRE findings, i.e. involving all ACRE metropolitan areas and hence not specifically to Riga.

- To what extent can we speak of an integrated regional strategy, and on what geographic and administrative scale level?
- To what extent are the economic development strategies and visions embedded in broader urban development strategies and visions? Are economic development policies connected to regional spatial development policies, housing market policies and/or policies to attract and cater for the desired 'talent pool'?
- How and to what extent do existing policies and strategies take into consideration issues of social cohesion and social integration?

The answer to these questions is informed by the refinement of the ACRE theoretical framework.

2.2 Refinement of the ACRE theoretical framework

Research within the ACRE project has acknowledged that many authors have come to the conclusion that "creativity plays an outstanding role in urban and regional development" and recognised "the increasing coming together and co-mingling of technological innovation, cultural creativity and governance as the driving force of urban development in the 21st century" (Musterd *et al.*, 2007, page 6). In relation to urban competitiveness theories, at least two important interrelated ideas, mostly supported by Richard Florida, have been explored. The first one suggests that policies should concentrate on their attractiveness towards individuals rather than towards companies. As a consequence, cities should strive to improve urban atmosphere, e.g. increase openness, tolerance, and pay less attention to hard classical location factors.

The ACRE analytical framework has been refined over the course of the work. In light of the empirical findings, we are now able to revisit Florida's thesis on the mobility of people composing the 'creative class' and on the drivers that lie behind their decision to live in a city (sub-section 2.1.1). Statements about the difference between hard and soft factors, creative and knowledge workers and above all the relatively trivial expectations of the respondents are used as first elements to fulfil the debate about urban competitiveness and governance (sub-section 2.1.2).

2.2.1 Revisiting Florida's thesis on the mobility of the creative class and the role of 'soft factors'

One objective of the ACRE research programme was to test Florida's (2002a) hypothesis on the mobility of highly skilled creative knowledge workers. According to the hypothesis formulated in the '*Rise of the creative class*', these people would be increasingly attracted by places combining high levels of technology, talent and tolerance. In other words, the classical 'hard' location factors would lose importance compared to the increasingly prized 'soft' location factors. The latter relating to the global atmosphere of the city such as the openness, the cultural and ethnic diversity.

To test the hypothesis three surveys were undertaken in between 2007 and 2009. The target groups of these surveys were employees, managers and transnational migrants, respectively. Each of the surveys aimed at answering the following questions:

- What are the main drivers behind their decision to locate in the city where they currently live?
- What is the relative weight of hard and soft location factors in their decision-making process?

It appeared quickly that reasons related to reasons related to the 'personal trajectory' and reasons linked to classical factors such as employment or study opportunities played an important role in explaining the surveyed persons' choice where to settle. Soft factors, on the other hand, seemed to weakly influence their decision.

By compiling the results of the first quantitative survey conducted among employees of the creative and knowledge-based sectors in the 13 participant cities, we indeed found that 55 per cent of the respondents were born in the city or metropolitan region where they currently live. The place where they obtained their higher education has seems to play an even more important role in decision where to locate since almost two thirds of the sampled employees their highest degree in the city or metropolitan area where they currently reside.
Taking into account this 'personal trajectory factor', measured by the places of birth and studies of the surveyed, allowed us to give more insight to the issues of the attractiveness of the cities researched. We could indeed differentiate the people who already had an anterior link with the city and those who had none. Considered as 'creative migrants', the latter only represent 25 per cent of the sample. For them as well as for the rest of the sample, the job-related hard factors, play the most dominant role in the selection of the place of residence.

As discussed above, the findings indicated soft factors only play a marginal role to attract creative knowledge workers to a city, as only somewhat less than 10 per cent of the people coming from outside the region cite this type of factors as the primary reason for relocating to the city where they currently live. These factors, however, seem to be important as retention factors. Indeed soft factors tend to have more importance if respondents have lived in the city for more than a year. The situation is opposite when it comes to the hard factors, the role of hard factors is continuously decreasing with the time spent in the city. This result implies that hard factors could be considered as more of attraction factors, whereas soft factors are more retention factors.

The qualitative surveys undertaken focussing on managers and employers in the creative and knowledge industries confirmed the importance of hard factors, especially the availability of a skilled pool of labour – a factor which is often correlated to the presence of higher education institutions in the metropolitan area. Access to clients and supporting services are also crucial and depend on the size of the city as well as on an efficient transport system. Entrepreneurs also emphasised the importance of the quality of the working environment and their professional networks for succeeding in business.

The surveys of the transnational migrants revealed that the presence of universities and higher education institutions constitutes a major attraction factor for transnational migrants. Furthermore, employment opportunities (naturally) come up as an important reason for settling in the metropolitan areas. The drivers behind the decision to stay, i.e. retention factors, also relate to personal links (friends, family). We could also notice the relative importance of a strong image of the city as a centre of creativity (Milan and Barcelona) or centre of technology (Toulouse and Helsinki).

These first outcomes thus do not confirm Florida's hypothesis of a highly mobile 'creative class'. On the contrary, the highly skilled creative and knowledge workers surveyed within the ACRE research programme tend to have a rather sedentary way of life. In addition, whenever they move, their mobility is rather driven by classical hard factor, most of the time related to employment. Our overall results rather confirm those of Storper and Scott (2009, p 161):

> *Most migrants – unless they enjoy a private income or are able to capitalise on some purely personal talent that can be practiced anywhere – are unlikely to be able to move in significant numbers from one location to another unless relevant employment opportunities are actually or potentially available.*

2.2.2 Urban competitiveness

The overall findings of the ACRE research suggest that the size of the city/metropolitan area, the quantity and quality of transport infrastructures, and above all the study and job opportunities all act as a significant attraction factors. The respondents are also heavily tied to their native and family environment and/or to the place where they have studied and built their social networks. On the other hand, soft factors do not really act as attraction factors. However, this does not imply that they are not important – on the contrary they play an important role as retention factors. Several observations related to the "quality of life" can be drawn from the empirical findings and put into the context of the current debate on urban competitiveness.

Evaluating hard and soft factors

A comparison of the findings of the surveys on the 13 metropolitan areas in the ACRE project reveals a strong heterogeneity of the results, which in turn to a large extent can be explained by the differences in local conditions. In general, dissatisfaction is clearly expressed with respect to material aspects of the city such as dwelling, transports, cleanliness of the streets etc. This can be put into relation with the crucial issue of the development path of each city, which is one of the dimensions to be taken into account when forming a typology. Conditions for success seem different in cities with a strong or a discontinued path, respectively. We could indeed notice a lower satisfaction with facilities and urban infrastructures in general among people living in ex-socialist cities of Sofia, Riga, Budapest and Poznan, i.e. cities where the development path has been disrupted. But the situation also differs according to the level of infrastructure and the position of the city as a national or regional capital. The size of the city also has to be thoroughly considered in the sense that a big city (or a capital city) might offer more potential personal relations and networks. Along this line, the presence of strong universities well integrated into the city's life appears to play a major role as pre-condition to the formation of further social networks. However, it should also be mentioned that a positive evaluation on one or several aspects of the city's environment does not necessarily mean that the surveyed are not worried about the evolution of the city. In Munich for instance, the transport system and a large number of urban facilities and services are judged very efficient but the surveyed nevertheless tend to be pessimistic on the city's future development in general.

Soft factors seem to be much more difficult to evaluate than hard factors. Here it is important to distinguish between different types of soft factors. On the one hand there are conditions which cannot be changed by policy – to a large extent these relate to the natural assets of the city such as its location in a favourable natural environment or the sunny climate it enjoys or not. On the other hand, there are factors like openness and tolerance that can at least to some extent improved in the long term.

No specific expectations of the 'creative class'?

The findings of the surveys seem to indicate that the concerns of the interviewees active in the creative and knowledge-based industries do not differ very much from those of the rest of the population. For instance, worries about the availability of jobs and affordable housing are pregnant in most of the surveyed cities. Concerns about the efficiency of the urban transport system and the related issues of traffic congestion and air pollution, but also safety issues are important for a large part of the respondents. Taken together these findings seem to contradict the idea put forward by Florida (2002a, 2002b) on the specific needs of the creative class. Moreover the above underlined role of soft factors as retention factors tend to confirm that policies should not only focus on the attractiveness of the city for a 'creative class' coming from outside but should be oriented towards inhabitants who already live and work in the city.

This puts the focus on the complex issue of urban governance and the integration of various, often contradictory objectives such as the need to increase competitiveness, tackle social exclusion and preserve environmental resources.

The risks associated with policies focusing on economic excellence relate to the growth of social and spatial disparities within urban areas. This is one of the critics made to Florida's theory (Malanga 2004; Peck 2005; Scott 2006). The elitism associated with the concept of 'creative class' also tend to live down the debate about social polarisation associated with economic restructuring. For instance, Thanki and Jefferys (2007) describe the informal labour market of the media industries in London and show how the need for personal contacts to find work and the precariousness of the workforce have reinforced the dominance of the industry by a white middle-class elite.

The issue of scale

The 'competitiveness-cohesion' binary, which is at the heart of the current debate about urban governance, has been scrutinised in a recent book written within European research project running between 2004 and 2007 (COST Action A26 – Cities between competitiveness and cohesion[2]). The project focussed on the rescaling process that has gone hand in hand with globalisation – a process characterised by open markets, removal of barriers for trade, investments and migration of labour. Cities have become "key territory for current capitalism" and "place competition has become a key driver of spatial and urban policy". At the same time, cities and regions are forced to redefine their objectives, their means, their institutions and their positions as socio-political units (Ache and Andersen, 2008, p. 7).

The new meanings of the local and regional systems have been discussed out in the context of globalisation and it has been concluded that this should not be regarded as separated from global processes (Musterd et al., 2007). The analysis highlights the need to take into account the city, the city-region and the wider regional scale, both in geographic and in political-administrative terms, as well as the need to consider "smaller areas (sometimes neighbourhoods with specific characteristics) which either do or do not fit the requirements of residents and firms and thus demonstrate dynamic economic transformation or fail to do so" (ibid, p. 30).

The new importance of cities and regions in the global economy and the re-scaling process it entails let the neighbourhood appear as a new object of attention. One of findings of the findings coming out of the ACRE project is the idea that if soft factors do not influence people's choice to settle in a particular city, they might determine why they choose a certain district within an urban area (Martin-Brelot et al. 2010). This idea could at last be put into relation with the differences we found between creative and knowledge workers. The first ones seem to be more demanding in terms of cultural offer and social environment and the second ones more sensitive to hard factors. This has probably implications for policy makers who wish to favour a certain type of industries or individuals. Particularly in terms of scale, interventions on neighbourhoods might be more adapted to the needs of creative people, whereas strategies at the metropolitan and/or regional level suits more a strategy targeting the development of knowledge intensive activities.

On the basis of the outcomes of this analysis and the surveys that have been carried out in the previous Work Packages, as well as on the basis of the synthesis reports which have been written, current policies and strategies will be confronted with actual dynamics in the regions involved. Attention will be paid in particular to the institutional dimension and the role of various stakeholders as well as the mode of governance in a comparative perspective.

[2] COST is an inter-governmental framework for European cooperation in the fields of scientific and technical research.

2.3 Governance approaches and methodology

The purpose of this section is not to review in details the different governance approaches and methods but to highlight key issues regarding comparative studies and identify a common ground for a comparative analysis of the 13 case studies coming out of the ACRE research.

The nature and scope of this research phase should be taken into consideration: it primarily involves a policy documents analysis, a study of governance arrangements in the field of economic development as well as interviews of stakeholders. The research mainly relies on existing knowledge and expertise of the topic under consideration and on previous research conducted by the researchers on every case study.

2.3.1 The diversity of governance concepts and theoretical approaches

Over the past decades a number of theories and approaches have been developed within what has been referred to as a shift of paradigm from government to governance. Prominent urban governance approaches include the American "growth-machine" and "urban regime" theories (and the related notion of "urban growth coalitions") (Stone, 1993; Stone, 1989; Elkin, 1987; Stoker 1995). Those approaches rely on the notion of "policy networks" which is based on the (contentious) assumption that political processes are not controlled by state actors alone and that governing increasingly depends on the interaction of public and private actors (Davies, 2002). Policy network analysis has been described as "attempts to explain policy development by examining networks of actors concerned with a given policy problem, across the public and private sectors and throughout different levels of governance » (Mikkelsen, 2006: 17-18). Whilst all analyses use the network as unit of analysis several approaches have been developed (Ibid.). The term "policy network" can also be understood as "*as a generic label that embraces different forms of relations between state actors and private actors*" (Kriesi et al., 2006: 341).

2.3.2 Governance in creative and knowledge-based industries

Despite their very different production conditions and marketing structures, the cultural and creative industries display characteristic features that are reflected in specific forms of governance. Micro-companies and/or project-based structures with a large portion of freelancers dominate. Some rare sub-areas are heavily dependent on state funds (theatres, even film industry). As a whole, the cultural economy is a high-risk area with extreme fluctuations in market success. Besides, creative industries lack organisational basis and industry associations that could serve as negotiation partners. In these particular conditions, traditional "top-down" governance approaches seem hardly adequate. Establishing leadership in structurally unstable situations require a more flexible, less hierarchical approach. Attention should be paid to intermediaries such as "culturepreneurs" (Lange, 2007) or "creativity brokers" (Bilton and Leary, 2002) that can mediate between agencies and creative industries.

The knowledge industries are far more institutionalised and rely on growth coalitions that often associate public agencies, big businesses and industry associations. Furthermore, long established policies and structures are critical (Hall, 2004). These sectors are less flexible, characterised by a strong inertia. Emerging spin-off companies and spillover effects are far from exceptional. The importance of educational assets in a given city for the progressive development of knowledge-intensive industries make them more dependent on the support of public structures; top-down governance approaches are much more frequent (and might be more relevant) in that area than in that of the creative and cultural industries.

2.3.3 The difficulty of conducting comparative studies

The comparative study of policies and strategies raises a number of theoretical and methodological issues that have been summarised as follow within the context of a study of two German and two U.S. cities[3]: "*an over-dominance of deductive approaches, the lack of explicit methodological guidelines and the less than rigorous application of what has become a multitude of overlapping theoretical concepts*" (Gissendanner, 2003, p. 3).

Whereas it is acknowledged that deductive studies make a valuable contribution to theory building, it is also pointed out that the use of different concepts for qualitative descriptions inhibits case comparisons. In addition prominent urban governance approaches such as the "growth-machine" and "urban regime" theories in particular are said to provide few explicit methodological guidelines and the authors that applied them do not usually specify the methodology they use, which also makes the comparison difficult[4]. Finally, the concepts used by the researchers may differ from the one originally defined in the source texts (ibid.).

According to some scholars the dominant urban governance approaches present some shortcomings as well. The urban regime theory has been criticised in a number of aspects: its focus on political management and arrangements of internal governance coalitions and its failure to move beyond 'middle-level abstractions'; its tendency to overlook the role of higher level governments; a rigid and static conceptualisation of the division of labour between state and the market and the subsequent underestimation of the potential role played by the local state and community-based organisation in capital accumulation; as well as a narrow vision of the private sector that does not take into consideration small businesses as increasingly vital actors in the post-industrial era (Imbroscio, 1998; Gissendanner, 2003). Other criticisms of the urban regime theory underline the fact that it does not take into consideration the discursive dimension of partnerships and the power relationships (this is particularly relevant in urban regeneration policies, see Atkinson, 1999). The "growth machine" approach has been criticised for its emphasis on the business communities and land use decision-making. Scholars also argue that the efficacy of local political structures and formal politics is not adequately considered and that the connections between the local state and the national state are neglected (Fox Gotham, 2000). Both approaches have been criticised for their under-

[3] This study aimed at analysing the different ways in which cities responded to de-industrialisation and at exploring why some would respond in a relatively more strategic fashion.
[4] In addition to the fact that these theories are based on the U.S experience and context and do not necessarily fit the European ones.

estimation of local political conflicts.

The relevance of approaches in term of “policy networks” in the context of European cities has also been critically explored (see Davies for an analysis of the inadequacy of the term “governing by networks” to describe the politics of urban regeneration in the UK). The debates revolve around the role and influence of public actors, in particular the national state, in sub-national affairs. The relative prevalence and power of “autonomous governing networks” in different political systems is also put into question (Davies, 2002).

Following these shortcomings some authors have called for a more inductive approach that requires qualitative methods “*that better uncover structural details of governance networks in ways that are less dependent on particular general concepts or on a logic of data selection that is independent from particular cases. Case study data must also be presented in ways that ease comparison*” (Gissendanner, 2003, p. 6).

We propose to adopt such an inductive approach in order to describe and analyse simple structural aspects of networks through a set of common questions.

2.3.4 Defining a common ground for comparative work

Again, we have chosen to present a set of common questions to be answered in every case study rather than a single theoretical approach (see Appendix: Elements to address the types of interactions between stakeholders). A broad definition of “policy network” is proposed (see the same appendix). This set of common questions builds on various analyses of networks that have been developed to analyse European policies (Kriesi et al., 2006; Peterson and Bomberg, 1999; Peterson, 2003; Rhodes, 1990, 1997).

The aim of this analysis is to identify and describe networks structures and functioning, including:

- The stakeholders involved in the definition and implementation of economic development policy, including identifying who is the most influential
- The nature of their interactions
- How and to what extent the structure and functioning of coalitions and networks “may explain policy choice, democraticness, strategicness, openness to new policy ideas, effectiveness, and so on” (Gissendanner, 2003, p. 15).

3 THE CURRENT STATE: CHARACTERISTICS OF THE URBAN ECONOMY

3.1 Introduction

This chapter discusses the current state of Riga's economic development with a particular emphasis on the creative and knowledge-based sectors. It does not only focus on hard factors, such as employment in the sectors or level of education etc., it also discusses soft factors. Previous ACRE research, in particular interviews with workers, managers and trans-national migrants active in the relevant sectors, form the basis for the discussion of the latter[1].

The next section provides an overview of the economic importance of the creative and knowledge-based sectors in Riga. A brief discussion of Riga's population dynamics then follows. The section following is devoted to an analysis of Riga's position in the European networks and hierarchies. Then follows a section that discusses the perception of Riga (in terms of soft as well as hard factors) among the workers, managers and transnational migrants active in the creative and knowledge-based sectors. The concluding section identifies, based on the preceding analysis, a number of factors and observations against which the current policies should be benchmarked in chapter 6.

3.2 Recent economic development and the role of the creative and knowledge-based sectors

Today's Riga is the main national attractor of both investment and employment in Latvia. The capital dominates the Latvian economy – it has about one third of the country's population and close to sixty per cent of Latvia's GDP is generated in Riga. On a regional scale, i.e. including the two other Baltic countries, Estonia and Lithuania, Riga is the biggest city within the region. Due to its favourable geographical location Riga serves as transportation hub as well as a centre for trade and commerce – both domestic and international.

Until mid 2008, Riga and Latvia (as well as the two other Baltic countries) were located in the fasted growing region Europe[2]. Riga and the other two capitals were naturally both contributors to the growth of the region and beneficiaries from it. Although Riga has grown fast in economic terms during the last decade, it is still lagging far behind neighbouring and to some extent competing capitals such as Copenhagen, Helsinki and Stockholm – they all have a GDP/capita considerably higher than that of Riga. As one of the interviewees puts it when discussing the challenges facing Riga:

[1] The research on which this section to a large extent is based is presented in ACRE Reports 5.9, 6.9, 7.9, 8,9.
[2] The worldwide economic down turn has hit Riga and Latvia hard. The preliminary figures (January 2010) suggest that Latvian GDP fell with around 18 per cent in 2009 and an unemployment rate of around 20 per cent.

> *Though, of course, there is much to be done and invested to ensure subsequent development and this can be seen as kind of a challenge. The disadvantages Riga has are the same as for the whole state: infrastructure issues, old housing stock, and current economic/financial problems. Additionally the governmental politics and decisions are very important. … Overall we can say that Riga is continuously competing with other cities and even doing so quite successfully.*

Currently (January 2010), Latvia is experiencing a deep recession with falling GDP and high unemployment. Naturally, the current crisis has affected the creative and knowledge-based sectors – directly through a lower economic activity and accordingly a lower demand for the sectors' products and services and indirectly through less support from the local and national governments due to the budget cuts following the recession. One representatives of the city's Development Centre formulates it in the following way:

> *Sure, the crisis has had on impact on all the spheres of the economy and many promising plans have been postponed. The impact on the creative and knowledge-based industries has been significant. In bad times industries that are perceived not so important tend to be left over board.*

Hence, in particular activities in the creative and knowledge-based sectors relying on public support seem, according to the interviewee, have been hardly hit by the crisis. A totally different view is put forward by the other interviewee from the Entrepreneurship Coordination Centre:

> *I would argue that the time of crisis is actually beneficial for the creative industries and entrepreneurship. Previously, the strongest and largest companies which had enough resources were moving ahead aggressively. Currently the competition has become weaker and also people search for some new, unique solutions. High unemployment results in an increased number of attempts to start an own business, to take on some initiatives. …Though not all of them will survive, this gives space for fresh ideas and inspiration.*

The representative of the City's Development Department continues along the same lines:

> *The crisis can be seen as an advantage for the creative industries and simultaneously as a disadvantage. During the crisis people are in search for something new, for the things giving high value added. Classical industries are not any more so 'popular' and this gives space for creativity.*

Furthermore, findings in the Latvian Global Entrepreneurship Monitor 2009 (Rastrigina, 2009) seem to support the idea that the crisis has resulted in an increased interest in entrepreneurship.

The development of the creative and knowledge-based sectors is closely related to the development of higher education and research. In this sense Riga is well positioned since it is the main education and scientific centre of Latvia. Out of Latvia's 32 universities and institutions of higher education, 26 are located in Riga, several of them having separate research institutes.

If compared to Latvia as a whole, Riga is specialised in the tertiary sector, i.e. the service sector. The main activities are real estate; renting and business activities; financial intermediation; logistics; and telecommunication. Furthermore, due to Riga's position in the Latvian (and Baltic) economic networks and hierarchies, Riga is the preferred and in many cases the only possible location for many of the creative and knowledge-based industries.

The creative and knowledge-based sectors in Riga employ in total somewhat more than 110,000 persons. This means that roughly one third of the employees in Riga work in these sectors. Out of these, 50,000 are employed in the sectors of business consultancy, finance, research and higher education, whereas 11,000 are employed in the software, motion pictures and advertising sectors. However, referring to the number of employees in the creative and knowledge-based sectors is a bit misleading since the statistics do no distinguish between highly qualified, innovative activities on the one hand and low-skilled, low-wage activities on the other. In addition, these numbers do not include self-employed – a form of employment that due to lower taxes is fairly popular in Latvia. Hence, one can argue that the numbers discussed above actually underestimate the real level of activity within the creative and knowledge-based sectors[3].

3.3 Population dynamics and forecasts

In contrast to most Western European metropolitan areas which have seen an increase in population during the last decades, Riga has seen a fall in its population since the end of the 1980s. In 1989 Riga's population peaked with approximately 910,000 inhabitants, in 2007 Riga's population was just below 720,000. There are mainly two explanations for this drastic development: (i) The repatriation of Soviet migrants back (mainly) to Russia following Latvia‘s regained independence in 1991; (ii) The overall Latvian demographical pattern with under-replacement of generations since the late 1980s. The latter can be illustrated by the fact that in 1988 there were 42,000 persons born in Latvia, ten years later there were 18,000.

According to the Demography Centre of the University of Latvia, the long-term population projection for Latvia forecasts a continued under-replacement of generations in the future as well as a rapid ageing of the population in the coming two decades. In addition, there is a rapid reduction, both in absolute and relative terms, in the number of children.

Latvia's medium term population structure is to a large extent already known. In 2020 the number of persons in the cohort 15-19 years will be half of those in 2000. The population of Riga is to a large extent assumed to follow the population dynamics of Latvia. For Riga this means that around 2025 there will be a potential shortage of young workforce. Needless to say, this will hamper Riga's potential to develop as a city with an industry structure based on the creative and knowledge-based sectors. The outlined population dynamics with an ageing population that needs to be supported by a decreasing (in absolute as well as in relative terms)

[3] A more detailed description of the creative and knowledge-based sectors in Riga is given in ACRE Report 2.9, *Riga: From a Hanseatic City to a Modern Metropolis. Pathways to creative and knowledge-based regions*. The report is available at: http://acre.socsci.uva.nl/

active population, however, strengthens the case for economic actives in sectors with high value added, such as the creative and knowledge-based industries.

The population dynamics will no doubt result in labour shortage in all sectors of the economy, including the creative and knowledge-based industries. One way to address this issue would be migration into Riga and Latvia. Since the population dynamics characterised by an ageing population are the same in most EU countries, it seems reasonable to assume that these migrants to a large extent have to come from third countries (i.e. from outside the European Union). However, such a solution seems (at least for the moment being) not to be politically feasible. However, if there is an overall EU policy on third country migration then Latvia has to adhere to it as well and then it might be easier to fill the shortages with third country migrants.

As for the short term trends, Latvia, has since the EU-accession in 2004, seen an increasing number of persons immigrating to other EU countries, in particular Ireland and the UK. There are no official statistics on the number of Latvians working outside Latvia, but estimates indicate around 90,000 (in 2007). Given the current economic downturn, it seems reasonable to assume that some of these migrants might return back to Latvia. Since many of the migrants are assumed to be highly skilled they could contribute to a brain gain that would benefit the creative and knowledge-based sectors in Riga.

The demographic development as well as the migration issue are naturally main concerns of all interviewees and also raise the issue of a brain drain:

> *Riga has many talented people. However, unfortunately many of them tend to leave Latvia nowadays.*

One of the representatives of the Riga City Council Development Department continues on this theme and puts it in the following way:

> *Young people often leave Riga and to Europe in search for fresh impressions. Such creative cities as Barcelona and Berlin attract them. However Riga's image is for more mature artists. Some people are coming back here after time has passed and so do foreigners. German, cultural Russians, Brits and Scandinavian people with their knowledge and research based approach would constitute a unique inhabitant mix.*

Given the demographic development the ability to attract foreign workers in the creative and knowledge-based sectors is of high importance in order to allow Riga to develop in these sectors. According to the interviewee from the Development Department:

> *Foreign experience is also more than welcome. The city positions itself as open for everybody. I see Riga being more appropriate for educated and already experienced people in their thirties.*

There are however problems attracting people from abroad. The following quote from the European Cultural Project representative provides a good illustration of these problems:

> *In the current situation the emphasis is on the local labour force. However, if needed participation of foreign specialists and sharing experience are highly welcome. The situation with respect to the mobility of these individuals is that they are connected within the European Union and do not feel any bonds with a particular country or people.*

Furthermore, there is also a lack of knowledge of where Riga is located and the opportunities offered by the city:

> *Another is a group of those who do not have enough information and knowledge about opportunities, though they are actively willing to participate. We are working in this direction to provide people with relevant information about opportunities and to provide the services they need.*

This observation is confirmed by previous ACRE research where many of the transnational migrants more or less ended up in Riga by chance and without very little prior knowledge of the city. The interviewee also reflects upon the regulations and restrictions when it comes to bringing transnational migrants to Riga:

> *The problem here is that the government should not put strict rules with which workers in the creative industries have to comply. It should rather be the other way around – people should come up with the proposals of what they need in terms of labour force.*

The difficulty of getting the necessary permits etc. for foreign labour force mentioned by the interviewee has been brought up in previous ACRE research on Riga as well. The current national policies and procedures are perceived to be too strict and too complicated and accordingly put a restriction on potential of Riga to develop as a city with a strong creative and knowledge-based industrial base.

3.4 Position in the European networks and hierarchies

Although Riga could be a considered as the regional centre of the Baltics, its macro-geographical position has worsened with the fall of the Soviet Union. In the Soviet macro-geographical hierarchy the position of Riga was very strong given its proximity to the Soviet gravity centre Moscow – Leningrad (St Petersburg). After the fall of the Soviet Union, Riga moved from occupying a strategic geographical location within the hierarchy of the Soviet economic space to occupy a peripheral location in the hierarchy of the European Union economic space. The city’s position of relative power has swapped to become a peripheral city in a peripheral region of the European Union. As discussed in the literature, see e.g. Petrakos (2000) and Coccossis et al (2005), areas that occupy a geographically peripheral location are likely to be integrated more slowly than those located close to the core. Furthermore, with the elimination of the administrative barriers within the European Union, geographical factors such as distance, accessibility and centrality emerge as important factors in the spatial organisation of activities. In other words, when it comes to the development of the creative and knowledge-based sectors, Riga faces different and most likely tougher challenges than those of the metropolitan areas located closer to the European gravity centre given by the pentagon whose corners are defined by London, Paris, Milan, Munich and Hamburg.

Even though in the periphery in a European perspective, Riga is in a regional perspective a gravity centre of its own. Riga is often regarded as the centre of the Baltic countries, and in many cases cooperation between other parts of Latvia as well as Estonia and Lithuania takes place through Riga. Even in today's era of information technologies when many business operations can be undertaken through the internet and other communication technologies, the regional activities of a company are often easier to carry out from the centre – i.e. in the Baltic context from Riga.

The view of Riga as the centre of the Baltic countries is confirmed by the interviewees. There seem to be a unanimous view on the geographical advantages of Riga. As one of the interviewees (from the Riga City Council, Entrepreneurship Coordination Centre) puts it:

> *Riga is the as the largest city of the Baltic states, and can be considered to be a Scandinavian level metropolis. It has a very advantageous geographical position and the necessary logistics to become the centre city of the region.*

One of the interviewees from the City Council's Development Department also paints a bright picture of Riga in terms of its competitiveness and attractiveness:

> *I see Riga as the largest city in the Baltics with at least 700 000 inhabitants. The city will be oriented towards creativity and will be full of young people with initiative. People will come to Riga not because they are in need for work, but because they wish to live and create here. The city is very attractive for new enterprises as there are a lot of niches which still are not occupied. There is no need to fight for business space here. Of course, the geographical location is the main advantage. … Additionally, Riga is indeed a large city. The large disadvantage is the constant depopulation.*

When contrasting the responses presented above with those of the previous work packages focusing on the workers, managers and transnational migrants of the creative and knowledge-based sectors (presented in previous reports on Riga written within the ACRE project[4]), the views are almost unanimous when it comes to Riga's competiveness – the location of Riga itself is more or less *the* competitive edge of the city and has been so throughout the centuries (see Paalzow *et al*, 2007, for a historical discussion within the ACRE context).

[4] See Paalzow *et al* (2008a, 2008b, 2009a, 2009b).

3.5 The views of the workers, managers and transnational migrants[5]

The findings from the interviews with workers, mangers and transnational migrants in the creative and knowledge-based sectors undertaken in ACRE work packages 5-8 are presented in a summary matrix (table 3.2 below). In the matrix a number of location factors are presented and their respected importance is indicated as indicated as well. In addition to the 'traditional' hard and soft factors, the matrix also includes various personal reasons labelled "personal trajectories". The reason for including them in the analysis is that the research undertaken within the ACRE project has shown that they play an important role, in some cases even decisive role, when it comes to the decision where to locate.

To increase the informational content, the summary matrix distinguishes between the views of the various target groups. To facilitate the presentation of the findings the different target groups are coded according to table 3.1 below.

Table 3.1 - Coding employed in the summary matrix (table 3.2)

Target group	Sub-group	Codes
1. Employees	Creative	1A
	Knowledge-based	1B
	Graduates	1C
2. Employers/managers	Creative	2A
	Knowledge-based	2B
3. International migrants	Creative	3A
	Knowledge-based	3B

Furthermore, if for example "1" is listed in the summary matrix, then it refers to the entire group – in this case all employees, whereas "1a" refers to the sub-group, in this case employees in the creative sector. The summary matrix is presented in table 3.2 below.

When interpreting the summary matrix below, "strong" means that the factor is a strong pull factor either in terms of attracting the target group(s) and/or in terms of retention. "Medium" means that the factor has a positive impact, i.e. it is still a pull factor, but of less strength. "Weak" on the other hand means that the factor either discourages attraction and/or retention, i.e. the factor is a push factor. If a factor does not have an entry, then it is neither a pull nor push factor (no pattern being observed in the data collected in the previous work packages).

[5] This section draws to a large extent on the findings presented in Chapter 4 of ACRE Report 8.9 – see Paalzow *et al* (2009b).

Table 3.2 - Summary matrix: Identification and evaluation of location factors that are important in terms of attracting or retaining the target groups

	Strong	Medium	Weak
HARD FACTORS			
International accessibility	3		
Employment			
Job offers	1, 3		
Career opportunities			
Working conditions			
Type of contracts and salary			
Working facilities			
Education			
Universities and higher education	2B	2A	
Technical infrastructure			
Transport			1A,B;2,3
Public transport			1A,B;2,3
Social infrastructure			
Kindergartens, schools, international schools			
Health and medical services and facilities			
Housing conditions			
Dwelling stock			
Price of housing			1A,B;3
Availability of housing		3	
Living conditions			
Cost of living			1,2,3
Taxation system and government red tape			1,2,3
SOFT FACTORS			
Quality of the environment			
Geographical dimensions	3	1	
Image of the city		3	
Cultural milieu		1,3	
Language or language barriers			1[6], 3
Attractive architecture	1, 3		
Attractive residential environment		3	
Working environment			
Flexible schedules			
Attractive working environment			
Quality of life			
Everyday life	3	1	
Culture, leisure, sports and entertainment offerings	1C, 3	1A,B	
Services, shopping and gastronomy	1C	1A,B; 3	
Safety	3		1
Tolerance, acceptance of diversity, openness			1, 2, 3
Social cohesion, equality			1[7] , 3
PERSONAL TRAJECTORIES			
Born here	1, 2		
Family reasons	3	1, 2	
Studied here	1B, 1C		
Private sphere: Friends, acquaintances	1	3	
Professional sphere: Contacts, working staff, networking	1	2,3	

[6] Refers to Latvians of Russian ethnicity in the sample.
[7] All in group 1 are concerned, however graduates to a less extent.

Inspection of table 3.2 reveals that out of the most important attraction and retention factors there are just a few that stand out as site specific:

- The cityscape with its combination of the Hanseatic Old Town and the surrounding new town with its Art Nouveau architecture and parks.
- The compact size of Riga.
- Location – international accessibility.
- The proximity to nature.
- Family, in particular marriage (to a Latvian woman) being a common attractor.

On the negative side there are a few site specific indicators as well:

- Public transport and transport in general.
- The absence of tolerance when it comes to ethnic as well as sexual minorities.
- The overall negative impact of the Soviet heritage as manifested in for example government red tape and corruption.

The view on safety is quite interesting. To transnational migrants safety is a pull factor, whereas to the locals Riga is not considered to be safe. There might be several reasons for this. One explanation might be that the two groups have different benchmarks when it comes to safety. Another possible explanation might that the transnational migrants can afford living in neighbourhoods that in general are perceived as safer.
The other factors being important in terms of attraction and/or retention could more or less all be considered ubiquitous. As discussed above, personal trajectories play a surprisingly important role as an attraction but also retaining factor. With respect to the other factors, all seem to be fairly happy with their housing and the cultural life, whereas they are less happy with the transport infrastructure and costs of living.

To get a somewhat deeper understanding of the push and pull factors presented in table 4.2 above, we will discuss them in more detail from a "path dependency perspective" starting with the observation that the development of Riga during the last 150 years has been repeatedly interrupted by political and institutional changes.
Many of the factors that today are considered being attracting and/or retaining are part of Riga's historical heritage going back to 1201. The cityscape with the Hanseatic Old Town, and the new town with its Art Nouveau buildings and parks along the canal are factors that today are highly appreciated. On the other hand many of the challenges that Riga's faces in terms of becoming a more attractive place for workers in the creative and knowledge-based industries are products of the Soviet heritage:

- The lack of tolerance towards minorities etc. are to a large extent a product of the Soviet Union which was characterised by xenophobia and homophobia;
- The difficulties in dealing with government bureaucracy and the corruption could to a large extent be attributed to the Soviet heritage;
- The problems with traffic (private and public) and the overall transport infrastructure dates back to Soviet times. Naturally Soviet city planning did not foresee the massive increase in private transport. Furthermore, housing was located in the outskirts close to the now defunct Soviet industries – nowadays creating an additional need for public transport into the city centre.
- The twenty years of economic transition has seen Riga turning from a city with heavy industries located in the outskirts to a city which to a large extent rely on the service sector which predominantly is located in the city centre.
- The economic transition has created huge differences in wealth and income.
- The Soviet system and the rapid transition that followed its collapse resulted in corruption and problems with the overall business culture.
- The rapid changes in the business environment and in the institutional framework following the economy's transition could be one explanation for the perceived importance of networks articulated by managers in the creative and knowledge-based industries.

However, the transition from the Soviet economy has also given rise to outcomes that are perceived as positive in terms of attraction and retention:

- Since the fall of the Soviet Union the population of Riga has fallen from 910 000 in 1989 to around 720 000 today. Naturally this has had a positive impact on the availability of housing – something which is reflected in the interviews.
- The closing down of the Soviet industry has left many plants empty resulting in plenty of relatively inexpensive commercial space in the outskirts of Riga.
- In terms of personal trajectories, people who visited Riga during Soviet times seem to have pleasant memories of Riga (being almost Western Europe) and as indicated in some of the interviews this might work as an attraction factor.

Finally, if one were to benchmark Riga against its Baltic competitors Tallinn and Vilnius using the findings on attracting and retaining factors from the ACRE project, the following hard and soft factors would probably work in favour of Riga:

- Geographical location and having by far the best international accessibility;
- Size of the city – being the biggest out of the three Baltic capitals;
- Culture, leisure, sports and entertainment activities;
- Language skills – Russian widely spoken;
- Personal trajectories – many have pleasant memories from Riga during the Soviet times.

In this context, although fairly speculative, there are naturally aspects where Riga most likely does not score that well:

- Tolerance (Tallinn does better);
- Government red tape (Tallinn does better);
- Cost of living (both Tallinn and Vilnius do better).

3.6 Conclusion

The analysis of this chapter has revealed that there are a number of factors and observations crucial to the continued development of the creative and knowledge-based industries of Riga. In chapter 6, these factors and observations will serve as basis for evaluating current policies and strategies.

- The current economic crisis has had a negative impact on the creative and knowledge-based industries – directly through less demand for their products and services and indirectly through less financial resources allocated from the public sector to develop the creative and knowledge-based industries in Riga.
- The current economic crisis has spurred an interest in entrepreneurship that might be beneficial for the development of the creative and knowledge-based industries.
- The demographic development is main challenge for the future development of Riga. Closely related to demographics is the issue of migration. This latter being of particular importance to the creative and knowledge-based sectors since their development to a large extent rely on the free movement of people (and hence ideas).
- Although Riga is located in the periphery of the European Union there seems to be a unanimous view on the advantageous geographical location of Riga in regional sense.
- The cityscape and the compact size of Riga as well as the proximity to nature are strong retention factors.
- On the negative side are the government red tape and the absence of tolerance when it comes to ethnic as well as sexual minorities – both at least being partly explained by Latvia's Soviet heritage.

4 STAKEHOLDERS AND GROWTH COALITIONS

4.1 Introduction

To be able to evaluate the policies and their potential, we need an understanding of the various stakeholders and their role as well as the institutional structure in which they are active. This section will therefore analyse the role of the institutional structure and governance arrangements in Riga when it comes to the development of the creative and knowledge-based industries in the Riga metropolitan area. The section will also discuss the role of what in the literature is called growth coalitions[1] between various stakeholders. Research has shown, see e.g. Judge *et al* (1995), that a growth coalition which is close and hegemonic and which weaves together public and private elites could play a foundational role in terms of generating and maintaining competitive cities or regions. Furthermore as discussed in Cox and Mair (1989) the success of cities and regions such as Baltimore, Silicon Valley, Barcelona, Bilbao and Berlin suggests that the existence of a coherent and relatively homogeneous coalition of local, national, and international elites might play a pivotal role in terms of boosting the economic development of the city or region. Hence, the political dimension is of high relevance when trying to analyse a city's potential. As Swyngedouw (2000, p 555) puts it:

> *The recent search for idealised policy formulae and models for the economic regeneration of regions, based on generalised economistic models – varying from 'learning regions', 'reflexive economies', industrial districts, 'networked' regions to flexibly innovative places – will not only fall short of success if stripped of a political analysis that puts the dynamics of socio-political power and the socio-spatial choreography of power alliances squarely at the heart of the analysis, but also be oblivious to urgent questions about who decides and controls the path of economic change.*

The issue of partnerships between various stakeholders in terms of planning is also discussed in Alden (2001) who argues that there is a need for a partnership between all stakeholders and suggests a concordat between the local government, business and the voluntary sector. These findings are in line with those of Logan and Molotoch (1987) who claim that growth coalitions involving and cooperating with local politicians, media, public leaders and semi-public institutions (such as development agencies, chambers of commerce, employers' confederations and trade unions) with a view towards generating a coherent vision and strategy, are crucial when it comes to the economic development of a city.
In other words, to analyse Riga's potential as a city attractive to workers, managers and companies active in the creative and knowledge-based sectors, the roles and interactions

[1] To a large extent similar to the "policy networks" discussed in Chapter 2 of this report.

between stakeholders as well as the roles of networks have to be analysed. In the forthcoming analysis the focus will be on the following stakeholders/potential members of a growth coalition: the City, the national government, the voluntary sector and the civil society (e.g. NGOs), and the private sector. This discussion is followed by a section on the role of the European Union.

4.2 The Riga City Council and the national government

As the discussion of the policy documents in the next chapter will show, the national and city planning documents seem to a large extent have the same over all priorities. However, in terms of cooperation and hence strengthening the growth coalition there seems to be very little coordination between policies undertaken at the two different geographical scales. As the interviewee representing the City Council's Department of Culture points out:

> *Planning for Riga and Latvia as such usually happens separately. This is a fact which causes a polarisation problem. As long as the planning processes will not be unified, not very much could be done about this polarisation.*

This polarisation is further strengthened by the fact that Latvia has one of the most concentrated urban structures in the European Union with Riga having one third of the nation's population. Accompanied by the fact that the regional disparities in terms of GDP/capita are large with Riga being the by far richest region within Latvia, this has created an almost inherent conflict between city planning and national planning. This 'policy tension' could be illustrated by the following quotes from the representative of the City Development Department and Entrepreneurship Centre:

> *I agree that Riga has gone very impressively ahead of all Latvia. Latvia is very uneven compared with for example Lithuania where several large cities exist simultaneously (Vilnius, Kaunas and Klaipeda). However, this allows Riga to be on equal terms with such cities as Stockholm or Copenhagen. Additionally such a significant city attracts large investments and, consequently, income for the whole state.*

And he continues:

> *One should not stop the development of Riga just because it is going much faster in terms of development than the other regions. Riga is bringing in main income into the budget of the central government. This is especially important in current times. Additionally, there is a high concentration of labour force in Riga and therefore more likely that a new initiative from the central government will work here.*

On the other hand, exactly the opposite arguments could be heard from representatives of the regions. Anyway, this reveals a policy dilemma at the level of the central government and unless it is resolved it might serve as a hampering factor when it comes to the development of the creative and knowledge-based sectors in Riga.

Somewhat related to the discussion Riga vis-à-vis the rest of Latvia, is the discussion of the extended agglomeration (conurbation) of Riga and cooperation at the regional level. The

European Capital of Culture representative sees the potential of involving other cities in the region surrounding Riga as well:

> *The current plan on the development of Riga also foresees special inter-industrial tasks for development of the city's potential and creativity, though they are not concretely set for particular firms. The process is happening on the regional level and other cities are involved in the cooperation – for example Jurmala and Sigulda.*

The representative of the City Development Department sees both opportunities and challenges when it comes to involving neighbouring municipalities:

> *The development of agglomeration districts is very important. They should complement the development of Riga in the same way Riga complements their growth. The current situation is such that Riga has to serve much more people than the number which actually lives in the city. In the end this results in problems with roads, traffic since there is not enough funds to solve these problems as a large proportion of the tax revenue actually leaves the city. Consequently, it is impossible to qualitatively serve the needs of all who live and work in the capital city. Infrastructure problems are indeed an issue for Riga and its surroundings.*

Hence, like in the case with overall policy and strategy the interview findings on cooperation etc. across the administrative borders suggest the need for more coordination between the various municipalities in the extended agglomeration of Riga.

4.3 The voluntary sector and the civil society

The voluntary sector and the civil society and their involvement in planning and formulation of strategies constitute an important pillar of a successful growth coalition. Swyngedouw (2000) further discusses the role and importance of involving the civil society in the processes of planning and strategy formulation. Failure to bring broad layers of the civil society in line with the growth coalition's vision might result in conflicts that have the potential to erode the base on which successful development rests. However, as discussed in Paalzow (2006) in the context of regional planning, the voluntary sector and the civil society in Latvia are both relatively weak. Again Latvia's Soviet heritage plays an important role since the former post-soviet societies face a situation where the social capital of the entire society is weak compared to the social capital based on personal networks. This in turn has a negative impact on the emergence of a dynamic and well-function voluntary sector and civil society.

Even though the voluntary sector and the civil society both are weak in Latvia and Riga, there is anyway some cooperation between the voluntary sector and the City Council in terms of planning, strategy formulation and implementation. As the Riga City Council Entrepreneurship Coordination Centre representative puts it:

> *Although our organisation is a part of the Riga City Council we also cooperate with other organisations. Main examples are Junior Achievement, the Latvian Chamber of Commerce and Industry and other organisations involved in supporting small and medium size enterprises and entrepreneurship.*

Similar comments are heard from other interviewees and it seems that the cooperation, with the exception of the planning processes as such, to a large extent takes place on an ad hoc basis.

4.4 The private sector

To understand the role and the limitations of private sector involvement in a growth coalition in a post-Soviet society one has to discuss the concept of "state capture". Sonin (2008) defines state capture in the following way:

> *In an ideal democratic society, citizens determine economic policy by a direct voting procedure or by selecting appropriate candidates at polls. In the real world, economic policy is affected either directly by self-interested elected officials or bureaucrats, or indirectly by special interests such as industrial lobbyists or even large individual enterprises. The actual channels of the (primary negative) influence of special interests on economic policy are called 'state capture'. In most contexts, state capture necessarily involves 'corruption', that is, abuse of public office for private gain.*

State capture, although being present in most countries is in particular a problem in transition economies. To a large extent this might be traced to the legacy of the former command economy, its one-party political system and its legal system subordinated to the political authorities. As discussed in Bardhan and Mookerjee (2006), state capture at the local level is less geared towards bribes and more towards social networks – at the local level the social pressure is stronger. In turn, this implies that special interests might be more influential at the local level.

In a Latvian context, the prevalence of state capture at both the local and national levels has made the involvement of the private sector a controversial issue, in particular since there are strong links between the political parties and politicians on the one hand and various business interests on the other. In practice this has resulted in a situation where the private sector to a large extent is involved in the planning and implementation of strategies through various (non-transparent) forms of state capture involving local special interests.

Despite the presence of state capture and the influential role of special interests there is 'ordinary' cooperation between the private sector and the City Council. One 'good' example put forward by the representative of the City Development Department is the Spikeri project developing former warehouses in the centre of Riga into space that will serve the need of the creative industries:

> *Currently there is revitalisation of the territories in Spikeri which were degradating. They are now being developed for the creative industries. Furthermore, Spikeri is a good example of private public partnership project where both the public and private sectors cooperate.*

There are also other successful initiatives involving the private sector, many of them related to clustering of certain industries in the creative and knowledge-based sectors. The involvement of private investors is in general, however, not a non-controversial issue as the following quote illustrates:

> *The hardest issue for the city is the need to find a compromise between its development and the need of its inhabitants. Private investors might wish to develop beautiful and historical territories of the city. This, in turn, causes dissatisfaction among the citizens. On the other hand, it gives working places and taxation incomes as well as drives economic development itself.*

4.5 The European Union

Following Latvia's EU accession in 2004, the European Union has become an important partner when it comes to forming growth coalitions. Naturally, the European Union influences policy making directly through various regulations etc. But even more important, in terms of growth coalitions there is an indirect impact from the European Union through various projects, networks etc. The following quote from one of the interviews could serve as an illustration:

> *I would say that the impact of the European Union is rather non-direct. We have to comply with some rules, and we also get financing for the projects, but it all depends on how much and what we want to do ourselves.*

The projects supported by the European Union have opened up for cooperation and sharing of experiences with other European metropolitan areas – one example is the Metropoles project discussed in the next chapter. Several interviewees mention the role of other European cities as sources of inspiration when it comes to the overall development in general and the development of the creative and knowledge-based sectors in particular:

> *Every city is highly individual. However Riga learns a lot from the European Union and shares experiences with other metropolises. We try to combine the best practice from every country in a way that is tailored to Riga. For example, the plan of the city as such is taken from the Netherlands (Amsterdam). The support programme for entrepreneurs "Atsperiens" itself comes from Estonia (Tallinn). Currently there is an idea to replicate the German approach and devote the depressed city districts to creative industries to revitalise them.*

According to the representative of the City Development Department:

> *European Union Policies have mainly had an impact via structural funds and projects supported by these funds. Actually they have helped to initiate many important strategic projects.*

One might even conclude that at least to some extent the cooperation opportunities made possible through various EU-funded projects have substituted for the relatively weak domestic voluntary sector. The role and influence of the various projects Riga participates (has participated) can be illustrated by the following quote from the interview with one of the City Development Department representatives:

> *There is also a network of cooperating cities; I would like to mention Amsterdam, Dublin and also Stockholm and Berlin as the ones having the most impact on the development of Riga. They are also the ones we look upon as examples. There are some common things and some differences to be addressed, so the foreign experienced gets combined in a way that is suitable for Riga.*

To conclude, it is interesting to note that the EU-projects seem to influence the local policy agenda (as indicated by several of the interviewees).

4.6 Conclusion

To form a successful growth coalition a number of parties representing different stakeholders have to be involved ranging from the local and national government through the voluntary sector to the private sector. The current chapter has revealed the following in terms of the roles and contributions of the various partners of a growth coalition – findings that will serve as a basis for the policy discussion of chapter 6:

- **The Riga City Council** plays an active role and has (as will be discussed in the next chapter) an agenda that explicitly addresses the needs of the creative and knowledge-based industries.
- **The national government** has an active development agenda for the entire country. Since there are large disparities in terms of development between Riga and the rest of Latvia, the national plans create to some extent 'policy conflicts' with those of Riga. However, many of the measures in the national plans serve/could serve Riga as well, but to improve the efficiency there seems to be a need for coordination between the local and national level.
- **The voluntary sector and the civil society** are overall relatively weak in Latvia and accordingly play a minor role in terms of city development and planning in general as well as when it comes to the development of the creative and knowledge-based sectors. They could, however, play a more important role were their participation in the planning and implementation processes institutionalised to a larger extent. Currently, their participation is in many cases *ad hoc* based.
- **The private sector** has so far played a relatively small role in terms of being a growth coalition partner. What is more problematic is the (non-transparent) role of the private sector through various forms of state capture. This is not only harmful as such, but has contributed to a general 'aversion' of having the private sector involved in any way.
- **The European Union** naturally affects the city development directly through regulation etc. Furthermore, the European Union, through the participation of Riga in various EU-funded projects and structural funds, has had an even more important role in terms sharing of experience etc. with various other metropolitan areas in the European Union. Participation in these projects has left foot prints in terms of policy objectives, action plans etc.

To conclude, if one is to believe the analyses of e.g. Alden (2001) and Logan and Molotoch (1987) discussed above, then there is much to be done in order to form strong partnerships that will enable Riga to release its full potential.

5 CURRENT ECONOMIC POLICIES AND STRATEGIES

5.1 Introduction

This chapter starts with an overview of previous and current policy documents and strategy at the city level. The overview of the previous policies and plans is justified by the fact that they contribute to the understanding of some of the problems/challenges that Riga currently is facing. The section following is devoted to a discussion of the presence (or absence) of creative and knowledge-based industries in the various policy documents and strategies. Then follows a discussion of the role of projects funded by the European Union. National policies and strategies for general economic development as well as for the development of the creative and knowledge-based sectors are discussed in the section following. The last section concludes.

5.2 Previous and current policies

Since the end of Soviet occupation and restoration of Latvian independence in 1991, Riga has just had two general planning documents. One covering the period 1995-2005 – *the Riga Development Plan 1995-2005*. The other, i.e. the *Riga Long Term Development Strategy of Riga till 2025* is currently the overall planning document. It develops a vision of the city, it defines the interests of the city and the development priorities and targets. It also contains guidelines for spatial planning and also provides guidelines for supervising the implementation of the strategy stated. In addition Development Strategy is supplemented by two interdependent documents:

- *The Riga Development Programme 2006-2012* which contains a comprehensive description of the current (2005) situation from a sectoral point of view. Based on the long term development strategy for Riga it describes the tasks to be performed, the programmes and projects to be launched.
- *Riga spatial planning 2006-2018* which determines the land use policy of the city for the planning period.

Furthermore, following the elections to the Riga City Council in the autumn of 2009, the new coalition is currently working on a revised strategy for Riga.
The development of Riga during the period 1995-2005 was outlined in the *Riga Development Plan 1995-2005.* The brief sketch of its implementation may largely reflect the character of the policies geared towards boosting Riga's competitiveness and, where it is appropriate, supporting the development of the creative and knowledge-based sectors.

The Plan itself was adopted in 1995 in the absence any decent strategy documents at a national level. Also, the availability of statistical data was rather limited. Inevitably the Plan turned out to be quite vague and fairly general. This in turn allowed developing policies that reflected short term concerns of the City (councillors) much more than medium to long term goals. The adopted policies also lacked co-ordination. Early attempts of the Mayor of Riga to initiate a policy planning process at the departmental level turned out to be a failure as none of the departments in 1996/97 came up with any initiatives or proposals whatsoever.

The most elaborate part of the Plan[1] was that it was devoted to urban zonal planning and mapping of different city territories. Yet, this part only indirectly (via restrictions what and where can be built as well as a stipulated procedure of licensing construction works) has had an impact on the development and competitiveness of the city[2].
The vagueness of the plan resulted in the absence of a consolidated approach to public transportation – something that partly could explain the overall dissatisfaction with public transport being brought up throughout the ACRE research. Public transportation is, however, currently more thoroughly addressed in the current strategic plans of the public transport development (period 2006-2018).

Issues such as education, culture (exception being the Riga historical centre), knowledge intensive economy and creativity were not addressed by the Plan at all. Thus, all subsequent initiatives in this regard were adopted and implemented without any connection to the Plan and were based on short-term concerns in an *ad hoc* manner. Hence, as will be seen below, the issue and the role of the creative and knowledge-based industries were not addressed in any official planning document until 2005 when the Riga Long-Term Strategy was launched.
Still, some positive outcomes of the Plan at a policy level were the following. The plan created a certain feeling of stability and notion of at least some direction in which Riga was heading. This was one of the first attempts in Latvia to involve a wider public in the discussion of the development issues of the city and also the first municipality plan in the Baltic countries after the collapse of the Soviet Union. The fact of the acceptance of the plan was some sort of license to acquire a special status for the historical centre of Riga (included in the UNESCO's World Heritage list). This in turn led to the development and acceptance by the Cabinet of Ministers of the Law of Preservation of the Riga historical centre. The Law regulations necessitated a much more thorough consideration of the development of new office space and commercial activity areas thus devoting more attention the urban planning outside the historical centre. The plan also provided further grounds for the Riga region planning.

The new planning documents (see above) define the main priorities of the development of Riga and point out tasks, activities and projects for social and economic development of the municipality. The documents cover not only the issues under the full control of the Riga City Council, but also some Riga cannot solve single-handed and where the City hence is in need to get involved into partnerships. This strategy is aimed at becoming the ground for several other major planning documents and policies, such as the formation of the budget of the city,

[1] And widely recognised as the only part of the Plan that worked
[2] In other words, it has been difficult to precisely evaluate the impact of this part on the competitiveness

planning the urban environment, attracting investments, drafting and implementing various projects related to the development of the urban environment, integrating various interests, priorities and objectives of different stakeholders.

The Development Strategy of Riga till 2025 sets out three priorities “expected to have most rapid and positive effect on each inhabitant of Riga and to facilitate improvement of the quality of everyone’s life” (the Development Strategy, p.7):

- To develop a well-educated, skilful, culture-respecting society
- To promote the development of economy based on East-to-West link
- To promote living in high-quality urban neighbourhoods (ibid., p.9)

Furthermore, according to the outlined vision of the city, Riga provides “opportunity for everyone” which means “the opportunity to live in a qualitative, harmonious environment, opportunity to develop oneself and one’s welfare; the municipality is entrusted with professional servicing the inhabitants of the city, facilitating their personal growth and improvement of the quality of their lives” (ibid, p.10).

The mission of Riga is defined in the following way (ibid, pp 10-12):

- *As a city of opportunities for everyone*, Riga supports enterprising and active people thus facilitating the improvement of everyone’s quality of life, respecting free choice and ownership as far as they do not harm the interests of society.
- *As a convenient and comfortable place to live*, Riga is developing into a safe, healthy, attractive seaport city, the transportation system of which is designed to be safe and convenient for everyone.
- *As the Baltic metropolis*, Riga is to become the driving engine of the development of Latvia and the Baltic countries, the most efficient Baltic Sea Region gateway of the EU to the neighbouring markets, and the centre of culture, education and tourism.
- *As a city of efficient administration*, Riga municipality is to become an efficient, client-oriented institution, supporting implementation of progressive and entrepreneurial ideas, and boosting the recognition of Riga in Europe and the world.

5.3 Creative industries in the policy documents

Overall the notion of creative industries is very fragmented in the current planning documents discussed above. The Long-Term Development Plan envisages Riga as a city which aims at:

- Developing a well-educated, skilful, and culture respecting society;
- Promoting the development of an economy based on the East-to-West link;
- Promoting high-quality living urban neighbourhoods;
- Facilitating the development of high added value industries; and
- Facilitating the development of creative industries.

Although the creative industries are just explicitly mentioned in the last aim (and indirectly in the third), all of the aims have a bearing on the development of the creative and knowledge-based sectors in Riga – predominantly through their impact on the soft factors.

Furthermore, in 2008 the Riga City Council and the Ministry of Culture of the Republic of Latvia signed a policy document, *Agreement on support for creative industries – protocol of intent*. The agreement which covers the period until 2014[3]. It focuses on long-term investments in the city's infrastructure, its cultural processes, creative districts, and support for companies active in the creative industries. The document lists wide range of priority areas including:

- Architecture;
- Art and culture industries;
- Computer games and interactive software;
- Design (including fashion, graphical design and applied arts);
- Music;
- New media;
- Publishing;
- Radio, television and film.

These are all sectors that will be included in the Creative Industries support policies with the aim of facilitating sustainable development and a creative economy.

However, when it comes to the local plans for Riga and its development, several interviewees express their concerns. According to one of the representatives of the City Development Department:

> *Historically Riga has developed as an industrial city, though there is a large service sector. Currently the emphasis is put on the development of industries with high valued added. The big minus for the city is that it does not have concrete development aims. There are attempts to satisfy everybody resulting into the fact that nobody is completely satisfied. … A development plan for the city is in progress now. There are several dimensions along which the city is supposed to advance. Creative and knowledge-based industries are accepted as being important for a successful future.*

The lack of "concrete development aims" for the city of Riga is an aspect mentioned in different ways by all the interviewees. This aspect is also reflected in the interviewees discussions of clusters and various other initiatives as the following quote from the interview with the representative of the Entrepreneurship Coordination Centre shows:

[3] In this context it is worth noting that Riga will be European Capital of Culture in 2014. Hence, 2014 has become a "natural" end of the planning horizon.

> *Talking about clustering, …the development of clusters actually happens, but it is quite chaotic. Also social networks, mentoring and such type of projects provide rather random support. This means that a lot depends on how lucky the entrepreneurs are to get this type of support, and sometimes good projects die out because they are left alone. The systematisation is needed to ensure a more structured approach in the future.*

Clustering and networking are also concerns of the interviewee involved in the European Capital of Culture project:

> *I would say that clustering activities in their direct sense are not seen here. One of the attempts to cluster is Sarkanais Kvadrats factory buildings. However the full capacity of clustering opportunities is not used. The initiative of the Ministry of Economics to build business incubators actually can effectively promote future clustering. Regarding social networking, I would also say that there is a long way to develop and grow, though processes have already started.*

The Sarkanais Kvadrats cluster where businesses active in the fields of film and TV have started to cluster is (although it is still more or less in its infancy) one of the successful clusters mentioned. Another cluster mentioned in the interviews is the Kalnciema cluster that has developed more or less spontaneously. This cluster involving designers is centred around a few blocks of historical wooden buildings (most of them newly renovated) along one of the may streets into the Riga city centre.

The representative of the City Development Department brings up the issue of the role of the City and an active ‘cluster policy’:

> *However I would even say that the artificial creation of clusters is not feasible – it all happens naturally. I would argue that economic development happens at the same time with the development of other spheres and these two processes complement each other. There will be no development if there are no facilities for people coming to work, but there will also be no facilities if people do not have sufficient income to pay for them.*

Hence, indirectly suggesting that the role of the local policy makers should be more focussed on providing the infrastructure needed for clustering rather than choosing the cluster industries as such.

5.4 The role of EU-funded projects

Riga is also involved in several EU funded projects. One project of particular relevance is one of the Interreg IVc-funded projects which was launched in late autumn 2008. Since late autumn 2008 Riga is one of the 11 partners in the three year long Interreg IVc funded project Creative Metropoles – Public policies and instruments in support of creative industries. In addition to Riga, Amsterdam, Barcelona, Birmingham, Helsinki, Oslo, Stockholm, Tallinn, Vilnius and Warsaw are involved. The project is not only of interest as such, it might also influence the policy making with respect to the creative industries. Within the framework of Metropoles project, Riga will address issues such as:

- The need to provide decision makers with knowledge of the creative industries and their role for economic development.
- Improved strategic planning with respect to the creative industries.
- Financial support and affordable financing.
- Dialogue between the creative economy and other actors within the industry, i.e. NGOs, the national government and the private sector.
- Affordable space for businesses in the creative industries.
- Developing the business skills of those working in creative industries, i.e. improving the business capacity.

5.5 Policies and strategies at the national level

At the national level the primal planning document is the *Latvian National Development Plan 2007-2013*[4]. The Plan explicitly addresses the role of creative and knowledge-based industries and considers them to be one of the priority development areas. As for the creative and knowledge-based industries, the Plan outlines a number of measures to be taken:

- Creation of a culture of creative entrepreneurship in the society and raise the awareness of the specific requirements of the creative and knowledge-based industries, its structure and its potential for Latvia.
- Creation of a favourable environment and institutional support for young and creative professionals in the creative and knowledge-based sectors of the economy.
- Support to start-ups in the creative and knowledge-based sectors.
- Treating the creative industries in the same way as more mature industries.
- Encourage active private and public partnerships to commercialise the creative potential of the economy.
- Encourage the introduction of new technologies in new products and services.
- Encourage cooperation between the creative industries and industries where Latvia already has proven its competitiveness.
- Encourage cooperation across national borders.
- Creation of clusters of creative industries.

In addition to the Latvian National Development Plan there are several other policy documents at the national level which have a bearing on the development of the creative and knowledge-based sectors of the Latvian economy. Among the issues discussed in these documents are that the institutions of higher education should serve the needs of the knowledge-based economy; the establishment of competence centres to facilitate cooperation between researchers and entrepreneurs; support to authors of innovative ideas.

[4] Cabinet of Ministers: MK 04.07.2006, Noteikumi Nr. 564.

Furthermore, there are policies that indirectly have an impact on the development of the creative and knowledge-based industries – examples include labour and migration legislation, and taxation. These are in many cases as important as (or maybe even more important than) the national development policies when it comes to the development of the creative and knowledge-based sectors of Riga. The following quote from the interview with the representative of the Entrepreneurship Centre reflects on this:

> *Governmental policies and decisions are important. For example, current frequent changes in the taxation system as well as legislation are rather harming. … Currently the national legislation is often oriented towards large businesses. However, there is a significant proportion of individual/family businesses which require high attention especially at the beginning stages of development and transition period to production of larger scale. … Moreover overall rules and legal requirements for businesses should become more clear and transparent. This would attract more investors. The business initiatives should not stop at the door of the first bureaucrat.*

Again the findings from the current interviews confirm the findings of the previous research on Riga undertaken within the ACRE project; the legislation and regulation facing in particular small businesses and the lack of transparency are perceived as major problems. These problems might restrain Riga's development as a place attractive for creative and knowledge-based businesses. From the perspective of the local policy maker in the Riga City Council this is problematic since most of these issues are in the hands of the central government and not of the local ones. Furthermore, the national government and its red tape also affects the city's mission "As a city of efficient administration" (discussed above) since much of the administration undertaken by the city is subject to national legislation and regulation.

The central/national versus local government aspect also plays an important role when it comes to overall policies and strategies. As discussed above, in addition to the local policy/strategy documents the national ones have a bearing on the development of Riga as well. This is however not unproblematic. As the interviewee representing the City Council's Department of Culture points out:

> *Planning for Riga and Latvia as such usually happens separately. This is a fact which causes a polarisation problem. As long as the planning processes will not be unified, not very much could be done about this polarisation.*

This comment puts the finger on the weak spot(s) of Latvian policy for regional development. There is no or very little coordination between the central and local governments.

5.6 Conclusion

This chapter has pin-pointed a number of observations that contribute to the understanding as well as the forthcoming evaluation of the current policies:

- The current plans and strategies are either the first or second generation of plans. Since the process of planning and formulation of strategies at least to a certain extent is based on learning-by-doing, this might explain the weaknesses and shortcomings of the current policy documents.
- Some of the problems observed today and highlighted in the ACRE project, e.g. the poor public transportation in Riga could partly be explained by the fact that they were not addressed in any planning documents until the mid 2000s.
- The role of creative industries in the city's development was not mentioned in any plans until the mid 2000s.
- The discussion of creative and knowledge-based industries in the planning and strategy documents is rather fragmented.
- European Union funded projects in which Riga participate might serve as an important impetus to the development of a policy and strategy for the creative and knowledge-based sectors.
- There seems to be a need for coordination between the city's policies and strategies and those at the national level.

6 CRITICAL EVALUATION OF POLICIES AND STRATEGIES

6.1 Introduction

In this section we aim at confronting the policies and strategies of chapter 5, with the realities as identified in chapters 3 and 4. The discussion will be structured around the following four themes:

- Hard factors
- Soft factors
- Growth coalitions
- Institutional factors

6.2 Hard factors

The research within the ACRE project and the discussion in the previous chapters have revealed that the following hard factors act as attraction and/or retention factors.

- The geographical location of the city – being in the centre of the region.
- The quality of the cityscape – in particular the architecture and the city's compact size.
- The size of Riga is appreciated and serves as a main attractor to all target groups. To employees and graduates the city's "big" size is appreciated, whereas to the transnational migrants the city's "small" size and the fact that it is compact are appreciated features.
- The proximity to the nature is important – in particular to transnational migrants.
- The labour market is an important attractor – in most cases the most important attractor. Furthermore, for graduates who went to Riga for studies, the labour market serves as a retaining factor.
- There are close links between the labour market (of the creative and knowledge-based sectors) and the educational sphere.
- Riga's international airport and the high number of direct flights are both perceived as important factors for transnational migrants and managers alike. To transnational migrants it is more of a retaining factor, whereas to the mangers it is more of an attractor.

A striking fact when looking at the hard factors that positively contribute to the positive perception of Riga, only one is the result of policy actions – the development of Riga airport. All the other factors are more or less "given" and not result of policy actions.

In terms of current policy making, the role of the geographical location plays an important role. As the Riga Long Term Development Plan puts it when it comes to the development of Riga's economy: "An economy based on the East-to-West link". Furthermore, the quality of the cityscape, in particular the historical Old Town and the Jugendstil architecture are also mentioned in the policy documents. The same goes for the role of education and the links to the labour market. It is, however, surprising that the current policies do not build on the positive features to a larger extent. For example, the proximity to nature and the quality of the cityscape and how to build future policy on these features and maybe even more important how to preserve their qualities when the city develops and expands.

As for the hard factors that act as push factors discouraging workers, managers and transnational migrants alike from locating in Riga are:

- The infrastructure (with the exception of the airport) is rated low by all groups and could be considered as a push factor.
- The social infrastructure might act as a push factor for employees, graduates and transnational migrants alike.
- The Latvian red tape and bureaucracy definitely serves as a push factor – in particular for companies and transnational migrants.
- Overall institutional framework such as legislation and bureaucracy.
- Demographics and access to qualified labour.

The infrastructure, in particular public transportation, is addressed in various policy documents. However, the implementation suffers from lack of appropriate funding. The same goes for the social infrastructure. It is mentioned in several policy documents and in addition to sufficient funding there is also a lack of clear policy objectives. The social infrastructure is not only the responsibility of the local government but also of the national government and in this context there seems to be a lack of coordination of policy measures and their implementation.

The discussion of the Latvian red tape and bureaucracy illustrates a policy dilemma – it is to a large extent the responsibility of the national government through legislation and regulation. Hence, to address this issue there is a need for coordinated policy action at the local and national level. Needless to say, failure to address these issues will severely hamper Riga's development as a city attractive for the creative and knowledge-based sectors. The issue of demographics and access to qualified labour in particular through transnational migration experiences a similar problem. For the creative and knowledge-based sectors to develop in the city there is a need to involve transnational migrants. However, the procedures and the legislation are determined by the central government.

There are also a couple of hard factors where there is not very much of policy, but where the interviews, in particular with those persons in charge of policy implementation, revealed that there is a need for the city to come up with or further develop the policies with respect to:

- Clusters
- Public private partnerships

Clusters and their role were brought up by several of the interviewees being in charge of implementation of policy. It is perceived by the interviewees to be closely related to the development of the city. Despite this, there is currently not very much of policy or strategy aiming at the development of clusters. Somewhat related to the development of clusters is the role of public private partnerships. Based on the successful implementation on private public partnerships in other metropolitan areas and given the lack of funding and huge needs in Riga, the role of public private partnerships in terms of financing the development of in particular Riga's infrastructure should be investigated. However, as discussed in the previous section, the issue of involving private actors in the development of the city is a sensitive one due to the prevalence of state capture.

6.3 Soft factors

Out of the soft factors investigated within the ACRE project, the following stand out as the main attraction and/or retention factors:

- For graduates the cultural diversity and the diversity of leisure and entertainment act both as attraction and retaining factors, whereas for transnational migrants they act as retaining factors.
- To Latvians the city atmosphere and the quality of life in Riga could be considered as attraction factors as well as retention factors, whereas to transnational migrants these factors act as retention factors.

These factors are to a large extent interlinked to the hard factors "quality of the cityscape" and "size of the city". Neither the city planning documents nor the city strategies explicitly address these two soft factors. The closest one gets is in the Long-Term City Development Plan where it is said that the policies undertaken should be "promoting high-quality living urban neighbourhoods". Furthermore, there is nothing said on how to preserve and further build on these positive perceptions of Riga.

The research revealed that the following soft factors act as push factors discouraging attraction or retention:

- The lack of tolerance and the negative attitude towards diversity act as factors that discourage attraction and retention.
- The attitude towards foreigners makes it less attractive for transnational migrants to prolong the stay in Riga.
- The attitude towards foreigners also makes it less attractive to migrate to Riga – in particular when combined with the bureaucratic hurdles facing non-EU transnational migrants.
- The prevalent business culture in Latvia discourages attraction and retention.

From the local policy maker's perspective this is troublesome since these factors to a very little, if any extent, can be influenced by the local policy makers in the Riga City Council. In other words, these issues should be addressed at the national level. If they are not, then the scope and efficiency of local as well as national development policies might be severely reduced. Hence the national government has to take measures in order to change the current legislation and regulation in order to facilitate the processes. In addition measures against corruption have to be taken. Furthermore, and even more difficult: issues related to tolerance and xenophobia in the Latvian society have to be addressed and also changed – something which needless to say is both difficult and takes time.

6.4 Growth coalitions

The discussion in Chapter 4 stressed the importance of growth coalitions between the city and various stakeholders and role of these coalitions when it comes to promoting economic development. The analysis revealed that so far there has not been very much in terms of policy when it comes to fostering the development of growth coalitions. Furthermore, there are several hurdles to overcome:

- General lack of coordination of policies at the local and national level.
- A weak voluntary sector.
- Problems in terms of involving the private sector due to state capture.

Despite these hurdles it seems reasonable to assume that the city could do much better in terms of stakeholder involvement and forming growth coalitions. It should in its policy and strategy documents try to institutionalise the formation of growth coalitions. However, one has to realise that the development of growth coalitions and the partners therein takes time and that barely 15 years have passed since the first development plan of Riga was launched.

On a positive note, what so far seems to be promising is the role of various European Union funded projects in which the city is involved. The experiences gained and ideas developed within these projects seem to spill over in terms of policy formulation. The opportunities that come with the European Union funded projects should be further developed since they at least to some extent could be a substitute for local growth coalitions in particular in terms of bringing in new ideas and approaches.

6.5 Institutional factors

Throughout the ACRE research it has been shown that the fairly weak institutional structure in Latvia hampers the development of Riga as well as the rest of Latvia. It puts restrictions on what the City Council can and cannot do in terms of development policy. The analysis has also shown the importance of coordination between the local and the national levels in terms of planning and formulation of strategies. There are several examples where the national legislation and regulation put severe restrictions or even act against the development goals of Riga. To some extent this could be explained by the fact that Riga is well ahead of the rest of the country in terms of economic development and hence the first one to take the hit when the legislation does not comply with the current realities of the economic development.

Nevertheless, there is an urgent need to undertake an overview or audit of the current legislation and regulations in order to remove several ‘unnecessary’ barriers to the development of Riga (and the rest of Latvia). Failure to do so will make it impossible for the City to reach its development goals by 2025 as outlined in the Long-Term Development Plan.

7 CONCLUSION AND DISCUSSION

The current report has analysed the policies and strategies aiming at and affecting the development of the creative and knowledge-based sectors in Riga. It has also confronted these policies and strategies with the actual dynamics. Based on the research on Riga undertaken throughout the ACRE project, the evaluation of the current policies and strategies were structured around the roles of the following four factors:

- Hard factors
- Soft factors
- Growth coalitions/policy networks
- Institutional factors

The analysis of the hard factors revealed that out of these hard factors that either were attraction or retention factors (or both) only one was the outcome of policy actions – the development of Riga airport. All the other hard factors being considered attraction or retention factors were more or less “given by nature” (e.g. geographical location and proximity to nature) and not the result of policy actions. Furthermore, the analysis of the policy documents also revealed that out of these ‘good’ hard factors there is very little, if anything, in the current policy document to ‘protect’ them (the Old Town and the architecture being the exceptions). Hence, by not addressing them, there is a risk that their role for the future development of Riga will not be fully appreciated and that they might not be ‘protected’ in the future development plans and strategies of the city.

Among the hard factors that act as push factors the situation is the opposite – most of the push factors are either consequences of policy decisions or consequences of the lack of policy decisions. In other words, there is scope for a much more active approach in terms of policy making and strategy formulation when it comes to removing the push factors and hence improving Riga’s qualities and attractiveness to workers and businesses active in the creative and knowledge-based sectors.

As for the soft factors being attraction and retention factors, the situation is more or less the same as for the attracting and retaining hard factors. They are in general not a result of any particular strategy or policy. Furthermore, their roles as attraction or retention factors are not recognised in any strategy or policy documents. Likewise, there is nothing said on how to preserve and further build on these positive perceptions of Riga.

The soft factors, having the character of being push factors discouraging attraction or retention, more or less all have in common that they to a very little extent, if any, can be influenced by the local policy makers in the Riga City Council. Many of the push factors have to be addressed by the national government, e.g. changes in legislation, measures to reduce corruption etc., whereas others, such as e.g. overall tolerance in the society and xenophobia, are much more difficult to address through various policy measures and in addition take a much longer time to change.

An integral part of a successful strategy in terms of economic development is the formation and existence of growth coalitions between the city and various stakeholders. As discussed in Chapter 2 the growth coalitions can take the form of various policy networks. The analysis revealed that there is still a long way to go when it comes to the development of growth coalitions/policy networks. Several hurdles were identified:

- General lack of coordination of policies at the local and national levels.
- A weak voluntary sector.
- Problems in terms of involving the private sector due to state capture.

Despite these challenges the city should be able to do much better in terms of stakeholder involvement and formation of growth coalitions. To facilitate and encourage stakeholder involvement, it should in its strategy and policy documents try to institutionalise the formation growth coalitions or policy networks.

The analysis of growth coalitions highlighted the role of the European Union through various EU-funded projects in which Riga take part. These projects seem to be an important source of inspiration through sharing of experiences etc. Furthermore, ideas generated from these projects might spill over in terms of policy formulation.

The last aspect to be analysed is the role of the institutional factors. The analysis has shown that the fairly weak institutional structure in Latvia hampers the development of Riga as well as the rest of Latvia. It puts (unnecessary) restrictions on what the City Council can (and cannot) do in terms of development policy. There are several examples where the national legislation and regulation put severe restrictions or even act against the development goals of Riga. In the light of the discussion in Chapter 2, the analysis also underlined the importance of better coordination between the city level and the national level in terms of planning and formulation of strategies. In this context it should be emphasised that there is an urgent need to undertake an overview or audit of the current legislation and regulations in order to remove the 'unnecessary' barriers to the development of Riga. Failure to do so will make it impossible for the Riga to reach its development goals by 2025 as outlined in the city's Long-Term Development Plan.

Finally, a few observations coming out of the analysis of the various policy documents and interviews:

- There is a risk that in particular "creative industries" becomes a buzz word with very little (in any) substance in terms of policy making.
- There is a risk that the policy makers try to pick winners by targeting selected branches of the creative and knowledge-based industries rather than providing a framework that supports the creative and knowledge-based industries in general.
- A general lack of understanding of the importance of policy networks and growth coalitions in terms of creating stakeholder involvement in order to create a competitive environment at the urban level.

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Elements to address the types of interactions between stakeholders[1]

The analysis will be based on the concept of “policy networks”:

- It refers to a cluster of actors concerned with a given policy problem, across the public and private sectors and throughout different levels of governance; those actors have an interest, or ‘stake’ in a given policy sector
- It implies some forms of cooperative agreements, whether formal or informal, between public officials and a wide range of non state actors

What are the ***characteristics*** of this policy network involved in economic development policies and strategies?

- Is it based on coalitions of actors or on single actors? (For instance the metropolitan authority alone or a partnership between this authority and the private sector or between the national state and the local authority?)

What is the distribution of power?

- What are the organisations and/or individuals who wield the greatest influence over political decision at present time (in the definition of current strategies)?
- Is power concentrated in the hands of one dominant actor or coalition of actors, or is it shared between actors or coalitions of actors?

For instance: do business actors and their interests dominate local networks or are strategies and policies driven by public stakeholders?

- What are the resources these persons use to wield influence (political, organisational, financial resources)?
- How has this distribution of power evolved over the past 20 years?

[1] This appendix has been produced by the ACRE Toulouse team

What is the stability of the network membership?

- Do the same actors tend to dominate decision-making over time or is membership fluid and dependent on the specific policy issue under discussion?
- Do different constellations of actors emerge around different policies and projects?
- Is coalition membership extended or static? (Importance of timing and exit of the members in conjunction with the timing of policy making)

What is the network's relative insularity?

- Does the network exclude outsiders or is it highly permeable by a variety of actors with different objectives?

What are the ***modes of interactions*** within this policy network?

- Are there formal or informal modes of cooperation and interaction?
- What are the types of contractual agreements (public private partnerships?)
- What is the degree and nature of cooperation among actors and actors coalitions? (predominance of) conflict/ competition, (predominance of) bargaining[2] and/or (predominance of) co-operation?
- Do network members depend heavily on each other for valued resources such as money, expertise and legitimacy or are most actors self-sufficient and thus relatively independent of one another?

[2] Bargaining constitutes an intermediary or ambivalent type of interaction that is characterised by both conflict/competition and cooperation.