Territorial Cooperation for the future of Europe

ESPON contribution to the debate on Cohesion Policy post-2020
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There is also an online version of this report, which allows to generate tailor-made short reports on specific thematic aspects or types of territories. The online version is available at:

https://territorial-review.espon.eu/

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Highlights for policy makers
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This Territorial Review is essentially an evidence-based analysis of the European territory. Most issues concerning territorial development, and certainly those dealt with in this Review, need cooperation between territorial entities to ensure an effective policy response.

Pointers for policy at different governmental levels and for redesigning Cohesion Policy post-2020 have been identified based on territorial evidence produced by ESPON. This Review uses the analyses of territorial diversity as well as flows, links and interconnections between places to illustrate lines of policy at different administrative levels and for different functional areas. The sections of the Review highlight the level of administration or non-administrative territorial entity (such as functional areas) which could develop these policies, and for which type of territory the policies could be particularly relevant. These specific authorities are merely indicating that the analyses point to certain lines of policy involving territorial cooperation. Policy pointers towards the EU level are a different matter. As a programme financed by the European Structural and Investment Funds (ESIF), ESPON does actually have the obligation to recommend elements of policy renewal from its findings and indeed does so by concluding that territorial cooperation — in principle for all topics addressed — should be integrated into the mainstream of Cohesion Policy post-2020. The policy pointers are for every territorial entity to consider as they wish. It is, however, being published at a time when the process of preparing the new phase of ESIF after 2020 is getting underway. Ideally, new ideas on policy measures for the next ESIF period should be evidence-based; that increases their effectiveness. ESPON is therefore convinced that its research on the often quite complex issues of territorial development can and should assist that process. That is why the Territorial Review translates its analytical findings into pointers for policy to assist in redesigning Cohesion Policy post-2020. The core message here, substantiated in Chapter 9, is that territorial cooperation should be integrated into the mainstream of Cohesion Policy post-2020.

Key messages from Territorial Review topics

The following paragraphs discuss the main messages per topic addressed in the report and discuss the main conclusions on territorial cooperation on these topics against recent trends in European integration and cooperation. This publication deals with seven important contemporary issues with the most significant territorial impact:

- finding answers to the important demographic issues of ageing and migration;
- stimulating employment in the knowledge economy;
- promoting economic growth through SMEs and FDI;
- boosting renewable energy sources;
- developing the circular economy;
- developing physical and digital connectivity;
- improving the quality of life through SGIs.

**Aging**, and more specifically the rapid increase in the old-age dependency ratio, is an issue facing Europe as a whole but very unequally across the continent. The analyses point to a number of ways in which territorial entities could cooperate to improve the quality of life for the elderly.

Many policies are already widely applied by neighbouring local authorities across Europe. These include creating age-friendly and fully accessible public and recreational spaces for the elderly, or developing mentor programmes between seniors and young entrepreneurs who can benefit from their experience and knowledge. Keeping newly retired people economically active, also called ‘pretired’, is another policy enjoying increasing popularity.
However, many less densely populated areas and smaller settlements are experiencing problems with a considerable and increasing age imbalance. For these, effective policies such as one-stop-shop administration or joint e-healthcare advice for the elderly, are more dependent on territorial cooperation. In these areas, the problem can also be tackled by making such settlements more attractive for young people by creating better educational or cultural facilities.

Developing sound policy that deals effectively but humanely with international migration is arguably the most divisive issue in Europe at the present time. This issue demands a high degree of policy cooperation between nation states, but at the same time the willingness to cooperate is not forthcoming. The Territorial Review presents some interesting facts, but in terms of policy there is very little on this issue that has not been said before. However, the Review draws conclusions from its own evidence. These include the need to develop joint systems to regulate controls and flows of external EU migrants, to establish twinning projects between regions where most external, non-EU migrants settle and other regions. Evidence points to the need to establish joint labour mobility platforms to better integrate EU immigrants in the labour market, or to support cultural activities, sports activities and classes to encourage greater integration of non-EU migrants into European society.

Much ESPON research evidence points to the importance of the knowledge economy to create employment and a higher overall level of economic well-being in many regions and towns. Against the background of the need to maintain Europe’s competitiveness, the overriding problem that needs to be addressed is the increasing territorial imbalance within Europe of the knowledge economy between less wealthy and less densely populated regions, and relatively few larger and specialist cities.

To reduce disparities while maintaining the global competitiveness of such well-endowed cities, policies could be developed that attract skilled employees from inside and outside the EU by promoting the image of top knowledge economy regions and improving their visibility at a global level. At the same time, the so-called value chains of European knowledge economies can be enhanced by furthering their cooperation with other territories offering complementarities. In less endowed regions potential can be increased by supporting training and education programmes. Labour mobility strategies can be developed to generate win-win situations between receiving and sending regions. These are examples of cooperation measures that could counterbalance an increasing concentration of the knowledge economy.

Small and Medium-sized Enterprises (SMEs) and Foreign Direct Investments (FDIs) are important generators of economic growth.

SMEs are everywhere in Europe; their growth has to be encouraged and supported, especially by good governance. Local authorities can work together to cut the costs of this support and improve SME access to information, for example on potential suppliers, clients, knowledge institutes, or taxation in networks and clusters elsewhere. Also the internationalisation of SMEs can be supported in all regions.

FDI, however, tends to be concentrated in larger urban areas, especially large-scale, long-term FDI. The key is then to ensure there are productivity spill-overs from these areas. In lower-tier settlements, territorial cooperation can help create a critical mass of skilled labour together with the other locational requirements that attract FDI.

There is overwhelmingly broad political support for increasing the proportion of renewable energy sources in Europe’s total energy supply. Although this objective can only be achieved by the collective results of policy measures in many fields, the land management dimension is essential. Suitable locations have to be found for wind turbines and large scale solar farms, for energy grids and so on. Sun, wind, production potential, consumption and network connections are unequally distributed across Europe.

The need for cooperation to overcome these territorial mismatches at all levels is evident. Integrated regional strategies to boost renewable energy in functional regions and urban-rural partnership areas can link production with distribution to consumers. These can also be used to channel private and public investment into renewables.
Similarly, at the macro-regional level, transnational energy markets and renewable energy clusters can be developed, and interconnection plans implemented. Lastly the global dimension of renewables demands cooperation between Europe, its neighbours and more distant countries.

Developing the circular, resource-efficient economy requires a mega-shift in production and transport as well as in consumer behaviour and is therefore a (very) long-term policy orientation. This is now only at a preliminary stage in Europe. Recognition of the urgency of its implementation varies but could increase considerably. Certain territorial cooperation measures emerge from the analyses which would enable development of the circular economy to be taken to the next stage of policy-forming and implementation.

Moving towards a circular economy requires critical mass to allow industrial symbiosis in production processes and for approaches to the sharing economy to be taken up at local and regional levels. To achieve this, the proximity of industries in a functional urban region, from raw materials through manufacturing to waste management, needs to be exploited.

Joint regional sharing economy platforms, such as car sharing or tool sharing could also be developed. Moving towards a circular economy also implies substantial changes in production and transport systems. This contains potential for the development of polycentric and more decentralised structures, for example through additive manufacturing (3D printing) as well as repair and reuse industries (e.g. smart specialisation strategies). This could provide new opportunities for lagging areas. Joint strategies could be developed between territorial entities on how to adjust (freight) transport systems to the circular economy through transport pooling.

Moving towards a circular economy requires new solutions and innovations to transform production processes and change consumer behaviour, for example in waste prevention, recycling and the sharing economy. This implies the need for information exchange to speed up the process. So circular economy knowledge transfer networks could be set up for innovative ideas in both production processes and consumer behaviour.

Territorial cooperation on connectivity has, by its very nature, been going on for centuries. What is (relatively) new is the development of efficient and faster cross-border, multi-modal forms of physical connectivity that are more eco-friendly, as well as the completely new field of ICT connectivity.

With physical connectivity, there is still room for know-how and experience to be exchanged and shared, for example on the coordination of eco-friendly solutions for ports and of investments in the further development of multimodal transport for eco-friendly connectivity across administrative borders. Common ticket services for commuters and passengers across borders – not only national ones – are still under-developed.

ICT connectivity offers potential for peripheral areas to counterbalance the greater problems of physical connectivity. Through ICT provision, often building on cooperation with players in other territories, services such as e-commerce or e-governance, hackathons or similar e-solutions can offer new opportunities. These could be initiated to help solve local territorial development challenges. In addition, the territorial analyses highlight the advantages of developing joint ICT platforms for different transnational e-services, such as for transport and tourist information. Cooperation would also help in tackling cyber security issues.

The last policy objective is to improve the access to, and the level of provision of, services of general interest (SGI), such as healthcare, schools, waste collection / disposal etc., particularly in more sparsely populated, peripheral areas.

Here a distinction is made between daily local services and more specialised ones which need a wider area and more people. Local authorities in (inner) peripheral areas could form collective functional areas to share daily services, introduce demand-driven public transport and mobile services, pool resources and ensure that municipal borders do not form a barrier to such cooperation (e.g. due to differences in local taxes, procedures or by-laws). This could be achieved by joint agreements or, in cross-border regions, by forming EGTCs.
Providing larger scale, more specialised services such as digital solutions for e-health and other e-services may provide an improvement, especially in less accessible areas. Such policies could be of particular significance for tackling the age-dependency issue in these areas.

ESPON findings provide solid evidence on these seven contemporary themes of high policy relevance and territorial impact. In light of the preparation of Cohesion Policy post-2020, this Territorial Review puts the spotlight on cooperation as a necessary way to develop more effective policies, counterbalance current disintegration trends and keep the unity and strength in diversity mind-set alive.

Territorial cooperation counterbalancing European disintegration trends

Territorial cooperation has the opportunity to counterbalance European disintegration trends. Comparing the main policy opportunities for territorial cooperation, in particular at functional levels, against recent trends in European cooperation shows considerable differences and calls for strengthened policy focus on territorial cooperation.

The number of EU Member States has grown considerably to today’s 28. The European Single Market and trans-European transport networks have been constantly developed and political, social and cultural barriers reduced. This integration process, be it at a less intensive level, is also true for relationships between the EU and non-EU countries in Europe as well as with neighbouring countries in Africa and the Middle East. However, there are signs that the European integration processes could come to a halt or even be reversed. Brexit is the most prominent example. The recent and ongoing controversial discussions about financial support mechanisms for losers under globalisation and the economic crises, about joint handling of the refugee issue, joint police efforts, i.e. about solidarity in general in Europe, show that further European integration may not necessarily remain the main trend in coming years.

Disintegration trends can be translated into increasing border effects and border obstacles. This can take different directions and increase border effects within Europe. This may imply increasing border waiting times at EU and EEA internal and external borders and different degrees of enhanced political and cultural borders between countries in Europe. To illustrate the effect of such disintegration trends, ESPON has run a model. To model the direction of change of reduced European integration, two variants of an exploratory scenario were implemented, without and with increasing border effects.

The effects of disintegration in Europe are reductions in economic growth in all regions. So GDP per capita would be lower everywhere compared with continued integration. In addition, the impacts of disintegration on territorial cohesion are negative. An impression of the territorial distribution of tentative changes in terms of GDP per capita relative to the European average is shown on the map. Many of the lagging regions face stronger reductions, i.e. falling behind compared to the European average. These are mostly regions in eastern and south-eastern Europe, though several regions in northern Europe would lose compared to the European average. Most of the stronger regions will also lose out in absolute terms but gain in relative terms compared to the European average. This would be true particularly for most regions in Germany and middle and southern parts of Italy. Other countries such as Portugal, Spain, France, Switzerland and Austria would not change their position, i.e. the cohesion effect would be neutral.
So in the light of the above, two general conclusions can be drawn.

Firstly, it is not unthinkable that Europe can turn once again towards a more fragmented territory. The desire for greater fragmentation and division is essentially political; it is not environmental, it is not economic and, although the feelings of insecurity and a desire to return to ‘how things were’ amongst sections of the (mainly older) population have to be recognized, it is not social.

Secondly, due to this very fact, the impact of a return to a greater degree of territorial fragmentation will be negative: economically, environmentally and socially. ‘Territorial cohesion’ is not just an empty word, or ‘European jargon’; it is a reflection of Europe’s high level of territorial interdependence and is therefore an essential pre-condition for the furtherance of the well-being and quality of life of its people. By providing the evidence underlying territorial interdependence, the Review illustrates clearly the other three interdependencies.
In short, mainstreaming territorial cooperation in the ESIF should be thoroughly considered in the preparation of Cohesion Policy post-2020. This Territorial Review shows that there is a need to strengthen the territorial dimension of the future Cohesion Policy by:

- integrating elements of territorial cooperation into their post-2020 Cohesion Policy programmes, thereby amplifying territorial cooperation beyond the experience of INTERREG;
- encouraging eligible regions and cities to include a certain level of territorial cooperation in their investment frameworks, thereby provoking broader thinking about the wider territorial implications of their investment proposals, using the above policy pointers as ideas if, when and where applicable;
- further encouraging member states, regions and cities to plan and implement their investment initiatives at functional geographical levels, i.e. looking beyond administrative borders.