Territorial Dimensions of the Europe 2020 Strategy

ESPON Workshop
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EU 2020 Strategy

• Europe 2020 Strategy
  Europe’s strategy for smart, sustainable, inclusive growth

• 3 Growth priorities:
  • Smart Growth: developing an economy based on knowledge and innovation
  • Sustainable Growth: promoting a more resource efficient, greener and more competitive economy
  • Inclusive Growth: fostering a high-employment economy delivering social and territorial cohesion
# Headline targets for EU2020

1. Employment
   - 75% of the 20-64 year-olds to be employed

2. R&D
   - 3% of the EU's GDP to be invested in R&D

3. Climate change / energy
   - Greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990
   - 20% of energy from renewable sources
   - 20% increase in energy efficiency

4. Education
   - Reducing the rate of early school leavers to below 10%
   - At least 40% of 30-34-year-olds completing third level education

5. Poverty / social exclusion
   - At least 20 million fewer people in or at risk of poverty and social exclusion
1. Smart Growth: improve education, promote R&D and move towards a digital society

<table>
<thead>
<tr>
<th>Country</th>
<th>R&amp;D expenditure as % of GDP (2008)</th>
<th>Change in R&amp;D expenditure as % of GDP (2001-2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3.45</td>
<td>0.33</td>
</tr>
<tr>
<td>South Korea</td>
<td>3.36</td>
<td>0.89</td>
</tr>
<tr>
<td>United States</td>
<td>2.79</td>
<td>0.08</td>
</tr>
<tr>
<td>EU27</td>
<td>1.92</td>
<td>0.05</td>
</tr>
<tr>
<td>China (except Hong Kong)</td>
<td>1.47</td>
<td>0.52</td>
</tr>
<tr>
<td>Russia</td>
<td>1.24</td>
<td>0.06</td>
</tr>
</tbody>
</table>

Source: Eurostat

- In recent years, the corresponding share of the EU has been below that of other developed countries in the world, such as Japan, South Korea and US but ahead of China and Russia.

- Some countries like the BRICS (Brazil, Russia, India, China and South Africa) have been rapidly improving while the EU has been progressing modestly.
• Few regions have reached the EU target. Only 37 European regions met the 3% target in 2009.

• Urban areas are strong in R&D, but the largest metropolitan areas and capital cities are not necessarily the strongest.

• Most regions lagging behind are located in Eastern Europe and in Southern parts of Italy, Portugal and Spain.
The strongest regions in Science and Technology human resources in the north western part of Europe.

The largest cities visible as key places for this segment of the labour force.

In Turkey, the Ankara region is the strongest player.
Where to invest in R&D?
• R&D expenditure needs critical mass but also shows decreasing returns.
• R&D is more efficiently used in those regions that invest heavily in R&D, such as those in the “European science-based area”

Where to invest in Human Capital?
• Knowledge embodied in human capital has a higher impact on regional production than R&D expenditure.
• The highest impacts of investment are in places where the knowledge embodied in human capital is rather low.
• In weak regions, human capital is a more important precondition for growth than R&D.

Territorial analysis of innovation and R&D patterns underlines the importance of secondary cities for strengthening innovation and the translation of innovation into economic growth.
Distance to the Europe 2020 national targets of regional drop-out rate, 2010

Different national ambitions, which vary considerably across Europe

Strong efforts in South East and South West regions needed

- Regions in the Iberian Peninsula and in South-East Europe, need to take efforts for improving the qualification of their human capital.

Large regional differences in some countries with ambitious targets

- The large distances to the national targets in Eastern France, Northern Germany or Northern Finland are the result of ambitious national targets and/or considerable regional disparities within the country.
Younger people (30-34) with tertiary education particularly low in the south-eastern countries, including Turkey.

- Portugal and parts of northern Germany and central Poland under EU average as well.
- Western and Northern Europe have the most educated younger population.
- Capital cities in general scoring best within the country.
Nordic Countries lead in broadband penetration. Territorial differences are considerable in Europe. In some Swedish regions and Iceland broadband penetration is the highest.

South-East scores particularly low. In Bulgaria, Romania and Greece less than half the households have broadband internet access.

Regional disparities mainly in countries with low broadband penetration.
2. Sustainable Growth: resource efficiency, low carbon world, preventing biodiversity loss, green and competitive economy

Aims:

• Promoting Europe’s competitiveness targets and for contributing to international climate commitments (for instance, in terms of greenhouse gas emissions).

• Reducing the EU’s dependency on energy and commodities imports.

• The economic situation of the European regions varies strongly.

• GDP per capita varies both between countries and between regions of the same country.

• Disparities between regions of one country were particularly high in the United Kingdom, Germany and France, but also in some smaller countries such as Switzerland and Belgium.
Change in GDP per capita (PPS) in relation to the EU average (EU=100), 2000-2010

Reducing GDP disparities 2000 - 2010

• Stable regional pattern. The relative position of most regions has not changed much 2000-2010.

• Some Eastern regions have improved during the last decade. These regions are mainly in the former East Germany, Poland and Slovakia.

• Decline in some Western regions. Some regions in the UK, France, Italy, Ireland and Greece have experienced decline. This relative loss is mostly caused by low to very low growth in absolute terms rather than absolute GDP per capita decline.
Areas with high labour productivity are mainly in capital city regions and metropolitan areas in the European core.

Low labour productivity is mainly to be found along the Eastern regions in Poland, large parts of Bulgaria and Romania and a number of Turkish regions.
Only a few countries reaching the 20% renewable energy target. Baltic Sea Region is a hot spot in renewable energy.

The share of renewable energy in gross final energy consumption varies from 0.4% in Malta to 47% in Sweden. Austria, Romania and Portugal have reached the EU2020 target.

Islands challenged by energy headline target. Island states (Malta and Cyprus) seem to be particularly challenged.

Natural opportunities in the North and mountain areas but their use for energy production depends on the respective national policies.
• Share of renewable energy varies substantially between Member States.

• Important wave potential to be exploited in western coastal regions exposed to the Atlantic Ocean. The same is the case for regions facing North Sea and the Mediterranean.

• Incentives for investments strongly depend on national and regional policy frameworks and the availability of respective public and private financial means.
3. Inclusive Growth: increase employment rates, investment in skills and training, reducing poverty and exclusion

The emphasis is mainly based on an economic rationale: Europe needs to make full use of its labour potential to face an ageing population and to boost its global competitiveness.

Aims:
- Increase employment rates and improve the quality of jobs,
- Development of new skills and labour market reform.
- Reduce poverty and social exclusion. In particular for some population groups which are particularly endangered of poverty and social exclusion (women, young people, migrants, older workers).
- Contribute to social and territorial cohesion.
Employment rate as % of active population, 2010

- Target mainly reached in Central and Northern European regions
- Territorial challenges in Southern and Eastern Europe.
- The lowest employment rates have been observed in Turkey, Serbia, Kosovo and Southern Italy.
• A good market of employment in the Central and North of Europe in contrast with regions with several problems in the South of Europe.
• A very positive rates in Norway, Scotland, Netherland and Alpine Regions.
• A very negative context in the South of Spain and West Balkans.
Low employment rate in the Alpine area, Germany, Netherlands and Norway

Territorial challenges in many regions around the Baltic sea, Southern Europe and the Balkan countries.

Most challenging situation can be found in Spanish regions in the South and South-East and in Greece

Some countries have developed successful actions to support young people entering the labour market (Germany, Norway and France)
The eastern and southern fringe plus UK regions are at risk of poverty.

- The highest rates of at risk of poverty are in an arc running East and South from Poland to Greece, in southern Italy and Spain, but also in the UK.

- The lowest levels are found in Austria, the Czech Republic, southern Germany and northern Italy.

- Some of the larger cities of the eastern Member States, Madrid in Spain and Oslo in Norway, appear as “islands” of lower rates of poverty, whilst London stands out for the opposite reason.

- There are considerable national disparities. In particular Spain, Italy and Bulgaria. This hints at some urban-rural contrasts.
Four main regional profiles

- **Challenging the EU2020S** is mainly the same as the previous one
- **EU2020S on the move** consists of regions that do not tend to perform in most of the headline targets, except employment→transition cluster
- **EU2020S performance** are the most dynamic and competitive in the EU economy
- **GDP leaders** is defined specifically depending on high levels of GDP per capita
Concluding Remarks (I)

• Smart growth is the key to approximate the regions to the national and European objectives of EU2020S.
  ➢ Thus, regions with more investment in R&D have a better employment outcomes, particularly employment of young people (inclusive growth).
• A special feature of the data is the no direct relationship between the tertiary education levels of the population and rates of early leavers of education and training.
  ➢ Thus, in Central and Eastern Europe lower rates of early leavers of education correspond to higher levels of tertiary education. In contrast, in Spain and Italy, a high number of university students coexist with high rates of early leavers of education.
  ➢ It would be desirable to achieve balanced levels of qualified educational training and low dropout as indicated by the Nordic European regions with a high rate of compliance with the EU2020S.
Concluding Remarks (II)

• The risk of poverty and social exclusion has been only manifested until 2010-2011 in regions with weak GDP.
  ➢ In the future, if sustained high rates of unemployment and early school leaving in many regions of Greece, Southern Italy, Spain and Portugal, will increase significantly territories far from achieving the goals of inclusive growth target.
  ➢ The improvements in R&D, training of the population, and especially unemployment correction and improvement of the GDP, will reduce substantially the risk of poverty and social exclusion.

• The objective of sustainable development included the three targets known as "20/20/20", is being achieved in the context of economic growth.
  ➢ The crisis situation in practice devalues the importance of this goal. Policies are focused on increasing GDP.
  ➢ Therefore, the continuation of the crisis means that many regions will not achieve EU2020S objectives in relation to sustainable growth.
Top regions are Scandinavian regions, plus Southern Germany, several French regions and South England.

Regions facing challenges are in Eastern Romania, Southern Italy and Southern Spain.

In Spain or Romania, there are large disparities between regions.

Eastern and Central European regions show some improvements, notably Poland.
Territorial Potentials and Challenges in relation to the EUROPE2020 Strategy (1)

- **Smart, Sustainable and Inclusive dimensions of growth are territorially diverse** across European regions, both in terms of potentials and challenges.

- Europe 2020 is an ambitious Strategy. **To reach the policy targets set is a challenge for Europe.** The current gap between the actual development and the Europe 2020 targets in a large number of regions means that meeting the headline targets by 2020 becomes a major challenge for the EU as a whole.

- **National targets do not guarantee that the overall targets of Europe 2020 are attained.** However, some regions do however already or will be able to meet targets.

- The contribution by its regions and cities requires **territorially differentiated implementation strategies and a strong policy commitment** and coordinated action at **different geographical levels.** The objectives of Europe 2020 will require that national, regional and local authorities make use of the specific development potentials and overcome major challenges.
Headline targets for EU2020 are a challenge for Europe

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Territorial evidence for policy consideration (1)

- **Territorial concentration tendencies.**
  - The core and northern parts of Europe being particularly strong. The centre-north the decisive economic player.
  - The centre-north comprises the core of Europe, but also the Nordic Countries, not included in conventional definitions of the so-called Pentagon.

- **Eastern growth poles.**
  - Up until the economic and financial crisis, Eastern Europe was catching-up in many areas, and partly even leading on economic growth rates.
  - This growth has been driven mainly by urban areas and capital cities.
  - While this is a force for growth and cohesion at European level, it carries a risk of widening disparities within countries between the capital city region and the smaller towns and rural regions.
Territorial evidence for policy consideration (2)

• The importance of cities and urban agglomerations.
  • Cities and urban regions currently draw people and economic activity.
  • However, cities are also places where environmental and social challenges are more intense.
• Macroeconomic elements explain much of the convergence process in Europe.
  • Macroeconomic elements, besides territorial ones, are important in regional growth and in economic recovery
  • There is a regional dimension of macroeconomic trends.
• Territorial governance matters.
  • Governance capacity underpins the development and management of local and regional development.
  • Necessary to achieve better co-ordination of policy between scales and agreement is needed on territorial development objectives amongst stakeholders, from the public and private sectors and from civil society.
Thank you for your attention

Inspire policy making by territorial evidence

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