

SPECIFICATION

ESPON Targeted Analysis Based on User Demand 2013/2/1

The Case for Agglomeration Economies in Europe (CAEE) (2009-2010)

(o) Targeted analyses within the ESPON 2013 Programme

The ESPON 2006 Programme provided integrated analysis and long-term spatial scenarios which enriched the European policy debate and knowledge base. Tying in with the achievements of the previous programme period, the ESPON 2013 Programme continues conducting applied research on European territorial development, competitiveness and cohesion. At the same time, a new type of project will be carried out in the form of targeted analyses based on specific demands expressed by stakeholders and making use of existing ESPON results. The priorities describing the work-programme of the ESPON 2013 Programme are structured in four strands:

- 1. Applied research on territorial development, competitiveness and cohesion: Evidence on European territorial trends, perspectives and policy impacts**
The applied research projects will create information and evidence on territorial challenges and opportunities for success in the development of regions. Cross-thematic applied research will be a major activity integrating existing thematic analysis and adding future analysis of new themes. Territorial impact studies of EU policies will be another focus under this priority.
- 2. Targeted analysis based on user demand: European perspective on development of different types of territories**
This priority responds to a clear demand of practitioners for user and demand driven actions within the ESPON 2013 Programme. By convening an analytical process where ESPON findings are integrated with more detailed information and practical know-how, new understanding of future development opportunities and challenges may arise, which could be transformed into projects and actions.
- 3. Scientific platform and tools: Territorial indicators and data, analytical tools and scientific support**
The scientific platform and analytical tools built up within the ESPON 2006 Programme will be maintained and further expanded. New actions shall be undertaken to develop current achievements and make use of existing indicators, data and tools.
- 4. Capitalisation, ownership and participation: Capacity building, dialogue and networking**

Under this priority, actions are foreseen that will make the evidence and knowledge already developed through raising awareness and involving stakeholders in the results and their practical application.

Targeted analyses under Priority 2 will enable stakeholders to obtain customised and up-to-date information on their particular territorial context and opportunities for development which can be used for policy development. Given the targeted focus of these projects on specific territorial entities, targeted analyses will contribute to the use of ESPON results in practice and to the involvement of policy makers, practitioners and scientists through a joint synergetic process.

(i) General objectives of targeted analyses under Priority 2

The general objectives of targeted analyses within the ESPON 2013 Programme are the following:

- Provision of evidence and knowledge based on ESPON results on the strengths and weaknesses of individual regions and/or larger territories seen from a European perspective, or a global context, giving European regions the option to compare themselves to other regions and hereby finding competitive advantages for development and cooperation.
- Improvement of the usefulness of ESPON results by testing new, experimental and innovative options such as (1) analysis of themes of interest for groups of regions, partly based on case studies, (2) methodological frameworks for translating territorial development goals and policy aims into concrete actions and (3) technical, methodological and analytical support to territorial planning processes and spatial programming and visions.
- Provision of analytical support and evidence based on ESPON results on thematic priorities in cooperation with other Structural Funds Programmes.

The aim is to carry through targeted analyses in partnership with policy makers and/or practitioners showing an interest in gaining awareness of European evidence, information, experience and/or knowledge on common challenges related to their territorial and/or urban development.

The individual targeted analysis shall support better informed policy decisions by:

- Integrating ESPON findings with more detailed information and practical know-how, either from a territorial part of Europe or from a sector authority.
- Contributing to a sound knowledge of territorial development perspectives/trends through new understanding of future development potentials and challenges for the respective territorial and/or urban development.

This project shall contribute to these objectives during its implementation by ensuring a close cooperation and partnership with the stakeholders who expressed their need for this targeted analysis.

(ii) Types of Action under Priority 2

Projects under Priority 2 can have different foci and accordingly vary in their content. In order to have a clear distinction between the various possible project orientations, each project needs to be clearly allocated to one of the following types of action:

1) Integrated studies and thematic analysis

This type of action is foreseen to follow a “traditional” analytical approach using existing results of ESPON applied research and other studies. The analysis can integrate several themes relevant for certain types of territories, regions and/or cities or it can be less comprehensive in the approach by focusing on one or a few themes.

The main objectives are:

- a) To provide added value for territorial development of specific types of territories¹ by offering new comparative insight and understanding on territorial potentials and challenges from a European perspective;
- b) To ensure that other (similar) types of territories/regions can benefit from the output of the analysis.

2) Knowledge support to experimental and innovative actions

This type of action clearly allows for the implementation of projects that differ from the mainstream of the ESPON 2013 Programme by being more experimental and/or innovative in character. It is in a way a laboratory for developing ways of meeting main territorial challenges that Europe is confronted with.

The objectives are:

- a) To support experimental and innovative actions carried through in partnership with stakeholders with European knowledge on territorial structures, trends, perspectives and policy impact;
- b) To provide methodological support to experiments and innovative efforts.

3) Joint actions related to other Structural Funds Programmes

The joint actions related to other Structural Funds Programmes take a geographical starting point in the area covered by these programmes, be it transnational, cross-border, interregional, regional or urban territories. The content of these actions can be

¹ Types of territories codified for the territorial dimension, include urban, rural-mountains, rural-islands, rural-area (sparsely and very sparsely populated), rural-other, former external border, area dependant on fisheries, outermost regions, transnational cooperation areas, cross-border cooperation areas and interregional cooperation areas (as listed in the ESPON 2013 Programme, p. 9).

integrated and thematic analyses or they can be experimental and innovative in nature (as described above). A main prerequisite is that they are justified by supporting Structural Funds Programme implementation.

The objectives are:

- a) To provide information and analyses on the European position of these areas, their comparability with other similar areas, and their potentials and challenges, useful for Structural Funds Programmes (regional, cross-border, transnational, interregional and urban);
- b) To provide methodological support for strategic processes, including visions and scenarios for spatial development and planning.

Independent of the type of action, each project should have a European perspective (i.e. supporting the understanding of the wider European context), a clear transferable character and a concrete implementation part, focusing on specific territories.

The analytical approach can provide integrated, cross-thematic analyses, study individual themes or sectors, or focus on a specific type of territories. At any rate, ESPON findings shall be integrated and supplemented with more detailed information and practical know-how, either from a territorial part of Europe or from a sector authority. Analysis can include/be based on case studies. The geographical coverage will normally have a more limited territorial coverage than the entire European territory.

This project belongs to the first type of action. By using, inter alia, existing ESPON results, the project will analyse selected European urban agglomerations and their significance as key drivers of the economy.

(iii) Scope and rationale of the targeted analysis

By definition, the densities of both employment and population are higher in cities than in other areas. European cities are centres of finance and commerce; centres of culture, knowledge and creativity; centres of communication, power and influence as well as visitor and tourist centres. The concentrations of people and business activity have many benefits that make locating in the city worthwhile.

Against this backdrop, Greater Manchester together with partners in Barcelona, Dublin and Lyon expressed their interest for this targeted analysis, focused on urban agglomerations as key drivers of the economy. Manchester is currently undertaking a study due to be completed in autumn 2008, and will share its experience with the stakeholder partners. The stakeholder consortium agreed that each partner should undertake a similar piece of research on their city regions to have a joint comparator data at the end of the study.

These studies carried through by the stakeholders will be complemented by the ESPON Targeted Analysis providing a European and even global perspective on the city regions and their development potentials.

Main characteristics of the territory to be addressed

Greater Manchester has a population of just over 3 million and is the economic centre of the North West of England. In 2003, the City Region generated an estimated £48 billion of GVA, representing just over half of the North West's total economic output and 5% of the UK total. In recent years, partners have completed a great deal of analyses of the Manchester economy. Based on these analyses, six sectors have been identified as priority - Manchester Airport, Financial and Professional Services, Life Science Industries, Creative/Digital/New Media, Manufacturing and ICT Digital/Communications.

With some 5.3 million inhabitants, the province of Barcelona concentrates around 70% of the Catalan population. 76.8% of companies in the Catalonia Regions are concentrated in the province of Barcelona. In recent years the provincial region has undergone heavy industrial restructuring. The construction sector has sustained a good deal of most recent economic activity, and several business initiatives on biotechnology, healthcare, the audiovisual sector and tourism are currently being also consolidated.

Dublin has a population of 1.18 million. In recent years a large number of global pharmaceutical and ICT companies have located in the Greater Dublin Area. For example, Microsoft, Google, Amazon, PayPal and Yahoo! now have European headquarters and/or operational bases in Greater Dublin. Banking, finance and commerce are also important in the city — the International Financial Services Centre (IFSC) alone handles over €1 trillion a year. The economic boom years have led to a sharp increase in construction, which is now also a major employer.

The Lyon region has a population of 1.3 million inhabitants. The sub-region has a long tradition of economic and technological initiative. Though all industries are represented, special mention should be made of areas in which Lyon enjoys an international reputation: engineering, textiles, chemicals, pharmaceuticals and health.

Thematic scope for the targeted analysis

The project will essentially be an economic focussed study looking at the process of agglomeration within City Regions across Europe. City Regions are defined in this document (and for the study) using the ESPON typology of MEGAs / European Engines, i.e. areas which are typically NUTS2 regions and containing a primary central city.

Agglomeration is a dynamic process; cities are not static areas. Indeed, urban size and variation are precisely what makes change possible. Many EU urban areas, such as those

involved in this study, have reinvented themselves on many occasions. Their most recent reincarnation is in the recovery from the decline of manufacturing employment, with losses replaced by service sector jobs, which have gone on growing. As a result, employment trends remain somehow positive across their city regions and only a collapse in business services will prevent further growth. It is also why much of the expansion of employment is expected to happen in the central areas. This is where the benefits of closeness can be most easily absorbed and exploited.

The trend towards agglomeration and city centred growth across the EU shows little sign of reversing. With more of the globe's population living in cities than ever before (80% of the EU population lives in towns and cities), it is increasingly apparent that the more it becomes possible to communicate at a distance, the more we want to get together to work out how to use new advances. Agglomeration creates benefits for those who get together that can be substantial. Urban areas have significantly higher output per head than other areas. This higher productivity results in higher earnings. Profits are also high and this partly compensates firms for the higher costs of being in a large city, including not only the costs of commuting, but also those associated with the relative scarcity of land. Agglomeration therefore creates a dynamic of its own.

As costs rise, activities must become more productive. This may drive out some activities that cannot keep costs down or where competition is intense. But it also results in a pressure to perform that can make firms more effective, more productive and more able to compete in wider markets.

Estimates of the full impact of agglomeration on output are not yet widely available. These require detailed research and data sets, which are not yet in existence. More therefore needs to be done in order to understand the impact of agglomeration within EU regions, in particular:

- Whether businesses and industry sectors benefit from the spill-over effects generated by proximity;
- Whether the existing labour market is sufficiently dense enough to offer choice to both workers and employers; and
- Whether agglomeration creates further opportunities to build niche businesses, exploit knowledge transfer and foster innovation.

It will be important to understand the potential diseconomies resulting from rapid growth in the conurbations and the growing pressures that agglomeration places upon land-use (commercial, housing etc), critical infrastructure (utilities, public services etc), transport (connectivity, commuting etc), labour supply and recruitment (accessibility, travel to work etc).

However, the study will remain focussed on exploring economic development issues rather than being overly focussed on the social issues per se facing cities and their city regions, e.g. poverty, crime, health, social polarisation, or social capital. The same

approach will be taken to issues of environmental quality that play an increasing role in the process of agglomeration.

The study should also provide a good understanding of the process of agglomeration within the wider European territorial context, and therefore providing an exploration of potential future policy options, and shared lessons from approaches of different city regions in the EU.

Objectives of the targeted analysis

There is a demand amongst policy makers in all the geographical areas addressed by this project, and also in the wider European territory, for a detail assessment of the full impact of agglomeration upon productivity. To meet this demand there is a need for comparable information across a number of EU MEGAs (Metropolitan Urban Growth Areas)². This information will help to identify priorities, to target actions and to assess progress. Such information is currently very limited.

Therefore, this targeted analysis shall aim to:

- Provide an understanding of the sources of agglomeration within the context of the geographical areas involved (MEGAs: Barcelona Province, Greater Lyon, Dublin Region and the Manchester City Region), and outline whether there is a policy role for influencing agglomeration economies.
- Provide a comparative analysis of agglomeration, including both potential economies and diseconomies, across the MEGA areas of the stakeholder partnership listed above.
- Develop strategic policy options, based on the acquired economic intelligence, for inclusion within the reviews of regional and sub-regional economic policies and priorities, which ensure that ‘hot-spot’ / agglomeration growth spill over to benefit the wider regional economy (both businesses and residents). This must draw upon the lessons that can be drawn from successes and failures of past policy responses. It must also look at policy options in light of governance arrangements in the target areas and how this has helped or could potentially help future growth.

The analysis shall complement existing work that mapped the spatial development of economies across Europe, i.e. that undertaken by ESPON 2006 programme as well as other relevant research and intelligence. Furthermore, the project shall act as a catalyst to raise both awareness and understanding of European City Regions’ economies and to help European partners understand the potential for a higher long-term growth rate for the city regions and the areas where public sector intervention might or might not foster an acceleration of economic growth.

² MEGA is a class of functional urban areas defined by the ESPON project 1.1.1 and used by ESPON project 3.4.1. The definition is based on travel to work areas or employment catchment areas delineating functional urban regions.

The added value of this targeted analysis is to develop further understanding of the territorial trends of urban agglomerations and their development opportunities at a finer grained level of detail than covered previously - that is at specific city and city region level. This will illustrate and attempt to understand the relationship between the city and the wider city region, as well as the importance of dense urban agglomerations and their influence on economic growth including: productivity, innovation and knowledge spill-overs, and local trade links.

On a more advanced level, the analysis shall contribute to create an understanding and to suggest optimum scales for urban form and agglomeration, taking into account both the economics costs (e.g. transport, housing, utilities etc.) and benefits of large urban agglomerations (e.g. specialisation, innovation, knowledge spill-overs, career opportunities, earnings etc). It is worthwhile noting that the project should not be a detailed critique of urban form, but should provide a quantitative analysis of the study areas, using mapping to illustrate key trends where possible.

A further development of this work should aim to establish potential policy choices for influencing the effects of agglomeration in a variety of different settings and locations (other MEGAs) by working transnationally - potentially with partners across four or more EU cities including Category 1 MEGA: Barcelona Province; Category 2 MEGAs: Greater Manchester and Dublin; Category 3 MEGA: Greater Lyon.

In the considerations on potential policy choices, the targeted analysis should consider the strategic context set out by European policy documents (such as the European Commissions Cohesion Reports and the Territorial Agenda for the European Union) and by the National Strategic Reference Frameworks and the Competitiveness Programmes 2007-2013 (delivered in the partners' regions), which have a clear urban focus.

Relevant elements of other European Territorial Cooperation Programmes such as INTERREG IV Programmes, URBACT II and INTERACT II, could also be considered. The results of this project will inform and help partners to identify how best to design and implement Territorial Cooperation projects that have a long lasting and effective impact in Europe.

(iv) Implementation methodology and project governance

Partnership in the project implementation is vital in order to achieve useful results. This applies to both, the partnership between the ESPON Programme and stakeholders, as well as between the team of experts and the stakeholder representatives.

Stakeholder involvement is essential throughout the project's life-cycle and has started off with the definition and development of the specific theme for the targeted analysis. During the implementation phase of the targeted analysis, stakeholders play an active role

by providing and giving access to information relevant for the project, as well as by steering and guiding the work of the team of experts.

The Lead Stakeholder will be Manchester Enterprises Ltd., who is also the Secretariat for the Manchester Economic Independent Review (MIER)³.

Other partners in the stakeholder consortium are:

- Barcelona Provincial Council, Territorial Observatory of the Studies Department;
- Dublin Regional Authority, Regional Planning Guidelines, Dublin and Mid-East Regional Authorities;
- Greater Lyon, Department for International Relations.

All stakeholder partners will support the study with similar level of skills and expertise. They all have responsibilities towards economic development, and they have dedicated research departments and teams. Policy makers, key actors and experts from the partners' geographical areas will be consulted as part of the process – contact details will be provided to the experts implementing the targeted analysis.

To ensure coordination and communication across the partners, a CAEE Steering Committee will be established during the kick-off meeting with each partner nominating at least one member. The CAEE Steering Committee will include the ESPON Coordination Unit that on behalf of the ESPON Monitoring Committee bears the contractual responsibility for the CAEE Targeted Analysis.

The CAEE Steering Committee will have a general overview of the targeted analysis and will give appropriate directions and advice to the appointed team of experts to make sure that the agreed objectives of the project are met.

Among other decisions the CAEE Steering Committee should agree:

- Communication and reporting mechanisms with the research team and between partners;
- Date and agenda for meetings;
- Dissemination/communication strategy, including meetings and events; and
- Content of press releases and other dissemination documents.

The CAEE Steering Committee will meet 4 times during the life of the project – kick-off meeting, mid term to review the interim report and final meeting when the final report is available. When necessary and if possible, the Committee will also hold videoconferences, to discuss any issues that may arise in between meetings.

³ MIER: This is a high level economic review which will inform the future economic development of Manchester city region. Experts, policy advisers and researches involved in the Review will also be involved in the implementation of this targeted analysis. www.manchester-review.org.uk

Manchester Enterprises, as the Lead Stakeholder, will coordinate communication and the agenda for the meetings, and will be the main stakeholder contact for both, the ESPON Coordination Unit and the experts.

At this stage it is envisaged that the Steering Committee, as mentioned above, will meet with the team of experts to discuss project planning for a minimum of 4 ‘planning meetings’ during the lifetime of the project. The experts will also need to plan to deliver presentations on the findings of the Targeted Analysis to transnational partners at an additional 4 occasions. The attendance at these 8 meetings must be planned into the overall cost of the study.

(v) Envisaged results of the targeted analysis

The stakeholder consortium that expressed an interest in this targeted analysis would like to receive the following results:

- An understanding of the process of agglomeration within the context of the MEGAs (European city regions), outlining whether there is a policy role for influencing agglomeration economies.
- A comparative analysis of agglomeration economies between European city regions. This should outline the competitive positioning of the partner city regions, as well as replaying their unique proposition to future business and investment.
- An identification of a range of relevant policy options, based on the acquired economic intelligence, which will help policy makers making choices to ensure that ‘hot-spot’ / agglomeration growth spills over to benefit both the cities studied in the framework of this analysis, as well as the wider region in which they are located. This must be based on the lessons that can be drawn from successes and failures of past policy responses across the different partner cities / countries.
- An in-depth, rigorous assessment of European city region (MEGAs) economies, to improve and support the economic understanding of decision-makers in the partner city regions, including a European/global perspective on potential development opportunities.
- Attendance at stakeholder and ESPON events to disseminate findings of the experts work. Whilst specific dates are to be confirmed, it is planned that these would be arranged towards the end of the programme, against the indicative timetable set out later in this specification.

(vi) Operational use of the targeted analysis

Stakeholders will make use of these expected results in the following ways:

- Build upon the existing evidence base developed by ESPON and also other stakeholders' research, therefore compiling a shared and accessible evidence base which provides economic intelligence at a more detailed level than before.
- Help understand future priorities for investment.
- Bridge some of the persistent gulfs in understanding which currently exist about how regional economies grow within different EU countries.
- Develop networks of support, and provide partners with a forum where to exchange knowledge, data and intelligence.
- Provide the platform for future collaborative research into the needs and challenges for the EU city region economies, fostering both intra- and inter-organisational sharing of data and intelligence.
- Establish a shared view of the future development of each partner city, including the longer-term drivers of change, as well as the factors that will help the economy to be more responsive to external changes and future economic shocks.
- Provide evidence to help partners make more effective decisions, and maximise their cities' future economic impact.
- Arrange a series of dissemination events which make use of the research findings. The presentations will be aimed at an audience from local policy makers, regional authorities and representatives from national government.
- It is also planned that the results of the research will feed into the Manchester's local evidence base and contribution to the revision of the UK's North West Regional Economic Strategy, planned for 2009/2010. Similar plans will be worked through and developed with other trans-national partners, to make use of the experts' outputs within local and regional economic strategy and planning.
- All outputs from the work will be disseminated through the ESPON website and plans will be made to promote targeted analysis findings via transnational partners' websites and through their local stakeholder networks.

(vii) Outputs and timetable

The following provides an indicative timetable and the main outputs from the work:

Output	Timetable (indicative)
ESPON Call for Proposal on the Targeted Analysis.	August – December 2008
Contracting with the ESPON Managing Authority	January 2009
1 st Steering Group Meeting (SGM): Kick-off, analytical scope agreed	February/March 2009
Analytical work: Data and analysis, including case studies.	April – December 2009
2 nd SGM meeting: Mid-term report including early findings. Early dissemination event (tbc).	September 2009
3 rd SGM meeting: Draft Final report(s)	January 2010
4 th SGM meeting: Final report(s) delivered	March 2010
Dissemination events (x3)	April – July 2010

(viii) Budget for the targeted analysis

The maximum budget foreseen amounts to € 200.000, including VAT if applicable. Proposals exceeding this value will not be considered. This amount will include all the experts' costs for completing the study including travel expenses and attendance at planning and dissemination meetings.

ESPON projects are generally conducted in a partnership of several bodies from at least three EU Member and Partner States (from three different countries taking part in the ESPON 2013 Programme). However this requirement does not apply to projects with a budget up to €200.000 (incl.).

(ix) Existing access points

The access points listed below serve the purpose of providing the team of experts with useful information for preparing a proposal. It is by no means meant to be exhaustive, but should be considered as information that can be helpful as background information.

ESPON Documents:

- ESPON 2006 Project 1.1.1/Urban areas as nodes in a polycentric development:

- ESPON 2006 Project 1.4.3/Urban Functions
- ESPON 2006 Project 3.2/Spatial scenarios in relation to the ESDP and EU Cohesion Policy:
- ESPON 2006 Project 3.4.1/Europe in the world
- ESPON 2006 Project 3.4.2/EU economic policies and location of economic activities:

All available at www.espon.eu.

Documents provided by stakeholders:

- Manchester Independent Economic Review (to be completed in autumn 2008) www.manchester-review.org.uk (incl. baseline statistics, primary research data, additional findings from projects commissioned under Manchester Independent Economic Review)
- It is envisaged that similar research and information from the other target analysis MEGAs (Barcelona, Dublin and Lyon) should be taken into account. This will follow on from further discussion around the data and research available during the project scoping meeting and planning stage.
- National Strategic Reference Frameworks and the Competitiveness Programmes 2007-2013 (delivered in the partners' regions)
- Other local and regional economic development strategy which the transnational partners view as useful to the experts' work.

European Policy Documents:

- Territorial Agenda of the EU (TA)
- Leipzig Charta on Sustainable European Cities
- Lisbon Strategy:
- Gothenburg Strategy
- European Spatial Development Perspective (ESDP)
- Urban Audit
- Communication from the Commission - Cohesion Policy in Support of Growth and Jobs
- Community Strategic Guidelines, 2007-2013
- Third progress report on cohesion: Towards a new partnership for growth, jobs and cohesion
- Communication from the Commission to the Council and Parliament - Cohesion Policy and cities: the urban contribution to growth and jobs in the regions: