ETRF - European Territorial Reference Framework

Applied Research

Interim Report

Version 15/08/2018
This applied research activity is conducted within the framework of the ESPON 2020 Cooperation Programme, partly financed by the European Regional Development Fund.

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.

This delivery does not necessarily reflect the opinion of the members of the ESPON 2020 Monitoring Committee.

Authors
Andreu Ulied, Laura Noguera, Oriol Biosca, Dubravka Kuljac, MCRIT - Multicriteri
Kai Bohme, Maria Toptsidou, Christian Lüer, Spatial Foresight
Fabian Zuleeg, Alison Hunter, Robin Huguenot-Noël, European Policy Center
Roberta Capello, Roberto Camagni, Andrea Caragliu, Politécnico di Milano

Strategic Advisory Forum
Jácek Szlachta (Warsaw School of Economics), Chair
Marjorie Jouen (Jacques Delors Institute), Co-chair

ESPON EGTC: Gavin Daly (Project Expert), György Alfoldy (Financial Expert),
ETRF - European Territorial Reference Framework
# Table of contents

1 **Introduction** ........................................................................................................................................... 9  
1.1 Objective of the report 9  
1.2 Objective of the European Territorial Reference Framework project 9  
1.3 Methodology 10  
1.4 Main Outputs 10  

2 **The Participatory process** ...................................................................................................................... 12  
2.1 The Strategic Advisory Forum (SAF) 12  
2.2 Organisation and participation on other events 14  
2.3 Online survey and other activities 17  
2.4 Repository materials and references 17  

3 **Policy Messages for the Territorial Agenda post-2020 (SAF1)** ................................................................. 18  
3.1 Background 18  
3.2 The political context of the post-2020 Territorial Agenda 19  
3.2.1 The Territorial Agenda post-2020 debate 19  
3.2.2 The EU Cohesion Policy post-2020 debate 20  
3.3 Territorial Cohesion & EU post-2020: a better-connected narrative? 24  
3.4 Challenges ahead 25  
3.4.1 Fragmentation and disintegration 26  
3.4.2 Interdependencies, spill-overs and (their) externalities 27  
3.4.3 Mismatch of functionalities 29  
3.5 Actions for the European Territorial Reference Framework 31  
3.6 Policy Conclusions 32  

4 **Main Trends (SAF 2)** ................................................................................................................................. 35  
4.1 Background 35  
4.2 Analysis of trends 37  
4.2.1 Technological and environmental trends 39  
4.2.2 Societal and economic trends 41  
4.2.3 Political trends 44  
4.3 Spatial impact of selected trends 45  
4.4 Possible pathways towards scenarios 51  

5 **Scenarios (SAF 3)** ....................................................................................................................................... 53  
5.1 Background 54  
5.2 Design of scenarios by a Governance Approach 56  
5.3 Pervasive Uncertainty Reference Scenario 60  
5.4 Successful Cooperation Scenario 61  
5.5 Global Balance Scenario 63  
5.6 Local Renaissance Scenario 65  

6 **Reference Scenario 2020-2035 (SAF3)** ...................................................................................................... 68  
6.1 Story-line: Pervasive Uncertainty Ahead (2020-2035) 68
6.2 Quantitative analysis
6.2.1 MASST4 results by Member State
6.2.2 MASST4 results at regional level

7 Policy recommendations for the TA post2020
7.1 Governing times of accelerated change
7.2 Facing Challenges Ahead
7.3 Reinventing European government in the long-term
7.4 Supporting European Territorial Governance in the short-term
7.5 Promoting more open and polycentric development of Europe
7.6 Framework Reference for European Policies
7.7 The governance of the Territorial Agenda
7.8 Further policy pointers by ESPON COMPASS

8 Next Steps Ahead
8.1 Next participatory events
8.2 Contribution to TA Task Force

Annex 1 Results from online survey
References
List of Figures

Figure 1 SAF1 and SAF2 workshops at EPC, Brussels. www.eu2050.eu .............................................. 13

Figure 2 Brussels- Policy Dialogue at EPC celebrated after SAF1 with Fabian Zuleeg (EPC) and Prof. Jacek Szlachta, chairman of SAF with the Commissioner for Budget & Human resources Günther H Oettinger ................................................................................................................................................. 14

Figure 3 Sofia - Joint Meeting DGs -18th and 19th April 2018 ................................................................. 15

Figure 4 Cohesion Policy: EUR 460 billion (2014-2020) allocated by theme and fund ........................... 20

Figure 5 Results of the group discussions at the 2nd meeting of the Strategic Advisory Forum SAF2... 46

Figure 6 Satellite image. Light from cities (NASA). This image is not expected to change much in the coming decades ...................................................................................................................................... 46

Figure 7 Images representing the four scenarios proposed ........................................................................ 56

Figure 8 Possible evolutions overtime of the proposed scenarios to be discussed in SAF3 .................... 57

Figure 9 Four scenarios to be discussed in SAF3........................................................................................ 58

Figure 10 Spatial development images that may represent the four scenarios initially proposed, taken from ET2050 scenarios ................................................................................................................................... 60

Figure 11. Theil indices, 2018-2035 ........................................................................................................ 83

Figure 12 Territorial Reforms in EuropePaweł Sławniewicz Adam Gendźwiłł (2017) .............................. 88

Figure 13 Landscape of European policies ............................................................................................. 94

Figure 14 Topics, functions and tasks of territorial European policies .................................................... 95

List of Maps

Map 1 Territorial Scenario based on Network of Cities ........................................................................... 63

Map 2 Territorial Scenario based on Global Metropolitan Areas ............................................................. 65

Map 3 Territorial Scenario based on Promoting Regions and Smaller Cities .......................................... 67

Map 4 Annual average GDP growth rate – 2018-2035 ........................................................................... 76

Map 5 Per capita GDP in 2018 and 2035 ................................................................................................ 78

Map 6 Map 2035 per capita GDP ........................................................................................................... 79

Map 7 Annual average total employment growth rate – 2018-2035 ........................................................ 80

Map 8 Annual average manufacturing employment growth rate – 2018-2035 ....................................... 81

Map 9 Annual average service employment growth rate – 2018-2035 .................................................. 82

Map 10 European Quality Index 2010, 2017 ........................................................................................... 85

Map 11 Proposals to reform French regions in 2014 .................................................................................. 88

Map 12 Cross-border and Functional Urban zones in Europe ................................................................... 90
List of Tables

Table 1 Open events carried out from the beginning of the ESPON TRF project ............................ 17
Table 2 Recap of key challenges and key messages identified in the 1st discussion paper .............. 38
Table 3 Links between trends and challenges ..................................................................................... 49
Table 4 Table Scenarios designed in European studies (1999, 2012, 2017) ...................................... 55
Table 5 Four scenarios against territorial challenges. T ................................................................. 57
Table 6 Scenarios from ET2050 and other relevant studies in line with TRF proposed scenarios ...... 59
Table 7 Table Qualitative assumptions, model’s levers and quantitative assumptions ..................... 71
Table 8 Table GDP, productivity, manufacturing and service employment average annual growth rates by country and for EU - 2018 – 2035 ................................................................. 73
Table 9 The next meetings of the Strategic Advisory ................................................................. 100
Abbreviations

CEF  Connecting European Facility
CLLD  Community-Led Local Development
EC  European Commission
EGTC  European Grouping of Territorial Cooperation
EMU  European Monetary Union
ESDP  European Spatial Development Perspective
ESPON  European Territorial Observatory Network
EU  European Union
GDP  Gross domestic Product
ITI  Integrated Territorial Investment
MFF  Multiannual Financial Framework
S3  Smart Specialisation Strategies
SAF  Strategic Advisory Forum
TA 2020  Territorial Agenda 2020
TAEU  Territorial Agenda of European Union
TEN-T  Trans-European Transport Networks
1 Introduction

1.1 Objective of the report

This report is Delivery 2 of the European Territorial Reference Framework ESPON project.

According to the terms of reference of the Service Contract, it is the Interim report and comprises the up-to-date status of the implementation of the Participatory Plan and the interim outcomes of the participatory process. Delivery 2 is due at T-9 months, five months after Inception delivery.

The Interim Delivery should include a written report comprising the following deliveries:

- Interim mid-term policy recommendations for EU level action following feedback from the participatory process (Task 2/3).
- Updates of the reference baseline and scenarios, following feedback from the participatory process (Task 1/3), and draft proposals for the long-term territorial development perspective.
- A PowerPoint presentation (max. 20 slides) including the interim results of the completed tasks to communicate in a simple and easy way the main findings focused on the key policy questions.

Given the participatory nature of the project, D2 includes results from SAF1 and SAF2 deliberations and updates and modifies the Inception Report (D1). D2 is basis for the preparation of coming work activities, in particular the third Strategic Advisory Forum SAF3 due the 2on October 2018.

1.2 Objective of the European Territorial Reference Framework project

In the framework of the ESPON programme, this project will undertake the development of a European Territorial Reference Framework, as an input for the development of the upcoming policy debate on a Territorial Agenda post-2020. It will develop a long-term territorial development perspective for Europe to assist in informing about the territorial dimension of EU post-2020 strategic policy.

This Applied Research Activity will contribute to facilitate the intergovernmental process towards the preparation and adoption of a Territorial Agenda post-2020, which is scheduled to be agreed during the German Presidency of the Council of the EU in 2020.

While the Territorial Agenda post-2020 is a key milestone, it is also explicitly intended that this Applied Research Activity will also assist in advocating for an improved territorial dimension in other relevant post-2020 EU level policies, the framework for which shall be agreed during forthcoming presidencies. The specific focus should therefore be how to strengthen the governance and implementation of the future Territorial Agenda in order to achieve greater coherence with other macro-level EU policies and investment programmes.

The key questions to be asked. The following questions are posed in the process of the European Territorial Reference Framework:

- What are the key long-term challenges and opportunities that will shape Europe’s territories and regions to 2050 and beyond?
• What should Europe’s territory ideally look like in 2050 in order to achieve EU cohesion and convergence goals?
• Which key thematic policy areas should future territorially relevant strategic EU policies focus on in order to address key long-term (2050) development challenges and opportunities facing Europe’s territories, regions and cities, and in order to promote the advancement of cohesion and convergence goals?
• What is the most appropriate and efficient EU investment strategy to address differentiated territorial development challenges in Europe and to maximise the potentials of cities and regions in the framework of post-2020 EU strategic policies?
• How can the governance of a Territorial Agenda post-2020 be strengthened and implemented in practice, in order to bring about greater strategic coherence and integration with other EU strategic policies and investment Programmes?

1.3 Methodology

The European Territorial Reference Framework (ETRF) is composed of different working steps which correspond to the different work packages of the project. Together, these aim to inspire the development of the Territorial Agenda post-2020.

In the first meeting of the Strategic Advisory Forum, three key challenges that the EU faces were discussed and agreed. These challenges are influenced by current and future trends. The identification of the most relevant trends for the development of the Territorial Agenda post-2020 was the task of the second meeting. During the meeting, the selection of the most relevant trends was done by looking at the combination of trends for which there is a need for action, and those trends which are most territorially relevant (chapter 3). This selection will be linked to the key challenges identified in the first discussion paper (meeting of the Strategic Advisory Forum) and to the territorial policy objectives (chapter 4).

Based on these findings, the project team will develop scenarios and policy pathways. Two timeframes have been identified for the scenarios: 2030 and 2050. In the 3rd meeting of the Strategic Advisory Forum, future scenarios will be discussed. Together with the input from the scenarios, the policy pathways will be designed. Those pathways will give a clear picture of ‘who needs to do what and why’ to respond to policy objectives. Accordingly, the policy pathways and scenario for 2050 will be discussed at the 4th meeting. The combination of all these activities form a solid starting point for the development of the Territorial Agenda post-2020

1.4 Main Outputs

The main outputs of the Applied Research Activity should be a consolidated and integrated Territorial Reference Framework for Europe which shall include: (A) a long-term territorial development perspective; and (B) realistic and achievable mid-term policy proposals for the governance of investment programmes and improvement of intergovernmental process on territorial cohesion.
The study will be underpinned by a participatory process, which aims to gather the participation of a wide and diverse range of views, feedback and inputs from a wide range of experts and stakeholders.
2 The Participatory process

2.1 The Strategic Advisory Forum (SAF)

The Strategic Advisory Forum (SAF) is the core of the participatory process the project is based. It is composed by 17 high-level strategic thinkers on the current and future territorial development of Europe. SAF will contribute to the development of the European Territorial Reference Framework through discussing, debating and reflecting upon selected working results of the project team, including the possible future scenarios for the territorial development of Europe.

SAF members:

Jacek Szlachta (Varsow School of Economics), as chair person
Marjorie Jouen (Jacques Delors Institute) as co-chair person
Rudiger Ahrend (OECD, FR)
John Bachtler (UK)
Fabrizio Barca (IT)
Simin Davoudi (UK)
Andreas Faludi (NL)
Klaus Kunzmann (DE)
Peter Nijkamp (NL)
Mila Mancheva (BG)
Philip McCann (UK)
Tatjana Muravska (LV)
Michael Parkinson (UK)
Tea Nõmmann (EE)
Slavo Radošević (UK)
Andrés Rodríguez-Pose (UK)
Janusz Zaleski (PL)

Two workshops have been celebrated, the first devoted to discuss key political messages favouring the territorial dimension of European policies – particularly Cohesion (SAF1) and the second devoted to discuss trends and introduce possible scenarios (SAF2).
This Interim Report contains results for SAF1 and SAF2, as well as preliminary inputs for SAF3 in relation to scenarios. All these materials must be considered as open to be reviewed in coming SAF workshops. They constitute the basis for further discussions.
2.2 Organisation and participation on other events

Besides the meetings of the Strategic Advisory Forum, the participatory plan envisages participation in

- The policy process of the EU Council Presidencies concerning the development of the Territorial Agenda (Column “Audience”: TA)
- Events for a wider group of policy makers, academics and practitioners beyond the TA community to discuss links between the Territorial Reference Framework and other policies (Column “Audience”: Beyond)
- Wider outreach events in the framework of ESPON TNO activities (Column “Audience”: TNO)
- ESPON seminars (Column “Audience”: ESPON).
Together with the SAF workshops, ESPON ETRF project has organised and/or participate in a number of parallel deliberative events. The more relevant ones are listed below:

- Nova Gorica – 16th May 2018 ESPON TNO Project Seminar “New thinking on functional urban areas, polycentric territorial development and cross border collaboration”
- Sofia -18th and 19th April 2018 - DGs Joint Meeting
- Brussels – 11th April 2018 Workshop at EPC: Addressing populism – What role for the EU budget in reducing disparities?
- Brussels – 14th March 2018 Policy Dialogue at EPC
- Seville – 22on February 2018 Workshop with JRC on modelling
- Tallin – 6th-7th December 2017 ESPON Seminar
The table below shows a detailed account of the Territorial Reference Framework ESPON project participation on a broad coverage of events on EU-wide and national policy processes, EU presidencies, and scientific conferences, i.e. with both policy makers from different levels and academic target groups.

<table>
<thead>
<tr>
<th>Name of the event</th>
<th>Organiser</th>
<th>Audience</th>
<th>Location</th>
<th>Date</th>
<th>Type of presence</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transforming territorial thinking through digitalisation</td>
<td>ESPON</td>
<td>ESPON</td>
<td>Tallinn (Estonia)</td>
<td>06.-07.12.2017</td>
<td>Session on ESPON TRF</td>
<td>Andreu Ulied &amp; Jacek Szlachta</td>
</tr>
<tr>
<td>Addressing the impact of globalisation and technological change: what role for the EU budget?</td>
<td>EPC</td>
<td>Beyond</td>
<td>Brussels (Belgium)</td>
<td>14.03.2018</td>
<td>Presentation of ESPON TRF during panel discussion</td>
<td>Fabian Zuleeg &amp; Jacek Szlachta</td>
</tr>
<tr>
<td>ESPON TRF workshop</td>
<td>ESPON TRF</td>
<td>TA</td>
<td>Sofia (Bulgaria)</td>
<td>18.04.2018</td>
<td>Workshop on ESPON TRF</td>
<td>Andreu Ulied &amp; Kai Böhme</td>
</tr>
<tr>
<td>DG Meeting</td>
<td>Bulgarian EU Presidency</td>
<td>TA</td>
<td>Sofia (Bulgaria)</td>
<td>19.04.2018</td>
<td>Presentation of ESPON TRF</td>
<td>Andreu Ulied &amp; Kai Böhme</td>
</tr>
<tr>
<td>New thinking on functional areas</td>
<td>ESPON TNO</td>
<td>TNO</td>
<td>Nova-Gorica (Slovenia)</td>
<td>16.05.2018</td>
<td>Presentation of ESPON TRF project</td>
<td>Kai Böhme</td>
</tr>
<tr>
<td>Kick-off meeting of the territorial governance network</td>
<td>Western Balkan Network for Territorial Governance</td>
<td>Beyond</td>
<td>Tirana (Albania)</td>
<td>17.05.2018</td>
<td>Presentation including key messages of ESPON TRF</td>
<td>Kai Böhme</td>
</tr>
<tr>
<td>Spaces Crossing Borders Conference</td>
<td>University Corvinus</td>
<td>Beyond</td>
<td>Budapest (Hungary)</td>
<td>24.05.2018</td>
<td>Presentation including key messages of ESPON TRF</td>
<td>Kai Böhme</td>
</tr>
<tr>
<td>Territorial Cohesion Post 2020: Integrated Territorial Development for Better Policies</td>
<td>ESPON</td>
<td>ESPON</td>
<td>Sofia (Bulgaria)</td>
<td>30-31.05.2018</td>
<td>Session on ESPON TRF</td>
<td>Andreu Ulied, Jacek Szlachta &amp; Fabrizio Barca</td>
</tr>
</tbody>
</table>
2.3 Online survey and other activities
In addition to the participatory approach focusing on face-to-face interactions, a number of online expert consultations during the project lifetime, possibly anticipating or following up other participatory activities like the SAF meetings.

On April 2018 a first online survey was carried out to validate key messages discussed in SAF1. Full questions and main results are included as Annex to this report.

2.4 Repository materials and references
A virtual library has been created at the beginning of the project to gather all the documents of interest for TRF activities. The library inherits the works of previous virtual libraries integrating all documents for a suitable use of the European Territorial Futures, ESPON ET2050, the FLAGSHIP and PASHMINA libraries (co-funded by FP7) and the URBAN-RURAL linkages library (contribution of the Spanish Presidency to the construction of the Territorial Agenda in 2009). Besides from literature on socioeconomic, demographic, territorial and environmental trends, scenarios, data and policies, the online library contains a section focussed on Territorial Policy related to the TA2020, the TA2020+ debate and the reform of current Cohesion Policies.
3 Policy Messages for the Territorial Agenda post-2020 (SAF1)

3.1 Background

SAF1 aim was analysing the political context in which the Territorial Agenda post-2020 –and the territorial vision to be promoted by it, will be embedded. The TRF project remains aware of, and – where appropriate – connected to, the current post-2020 political debate. The TRF project is also influenced by the outcomes of this debate, there are also potential opportunities for ‘upstream’ influencing of this agenda, in terms of the EU’s longer-term direction in relation to territorial and ‘place-based’ policy making.

The ESPON ET2050 project developed a vision updating the policy-aims of the ESDP (1999) and the Territorial Agenda 2020. It was considered as a background reference for SAF1 discussions on policy-messages.

The TA 2020 provides strategic orientations for territorial development and underlines the territorial dimension of the Europe 2020 Strategy for smart, sustainable and inclusive growth, the successor of the Lisbon Strategy and adopted by the Council in 2010 (European Commission, 2010). The TA 2020 identified six territorial priorities for future territorial development in the EU:

- Promote polycentric and balanced territorial development,
- Encouraging integrated development in cities, rural and specific regions,
- Territorial integration in cross-border and transnational functional regions,
- Ensuring global competitiveness of the regions based on strong local economies,
- Improving territorial connectivity for individuals, communities and enterprises, and
- Managing and connecting ecological, landscape and cultural values of regions.

According to ESPON ET2050 “Making Europe Open and Polycentric” was the most coherent territorial vision supporting the economic growth and competitiveness, social cohesion and sustainability goals to be promoted by the Territorial Agenda in the coming decades. The strategy combines growth and cohesion, and it produced liveable places for people.

- “Openness” to the rest of the world and to the Neighbouring countries was understood as a necessary condition for all European cities and regions to take advantage of the development opportunities created by global growth and technologic progress. Competition of regions in the Single Market and co-development strategies with the Mediterranean and Eastern Neighbourhood.
- “Polycentricism” across cities and regions was considered key to spread development opportunities across European cities and regions, making development more resilient and diversified, further diminishing economic gaps, and differences of welfare conditions. Making Europe polycentric requires unleashing regional diversity and endogenous development as well as territorial cooperation as means to optimise the location of investments and reduce regional disparities, to support balanced and polycentric urban
structures, favouring compact settlements and smart renewal of cities, as well as a sustainable management of natural and cultural resources.

3.2 The political context of the post2020-Territoria Agenda

Two policy processes are relevant for developing the European Territorial Reference Framework.

- Firstly, the Reference Framework shall feed into the upcoming policy debate on a Territorial Agenda post-2020. This chapter will thus start with a brief overview of the current status of the Territorial Agenda.

- Secondly, EU Cohesion Policy and the debate about the post-2020 EU budget, the Multiannual Financial Framework (2021–2027), provide important framework conditions for the formulation and implementation of a Territorial Agenda post2020.

3.2.1 The Territorial Agenda post-2020 debate

The Territorial Agenda post-2020 will be elaborated in an intergovernmental process, which started in late 2017. The following (tentative) key steps outline the currently envisaged road towards the next Territorial Agenda:

- 2018: Key policy areas and priorities, implementation and governance mechanisms,
- 2019: Key actions, actors and roles, communication plan,
- Early 2020: Complete final draft,
- Late 2020: Approval at an informal ministerial meeting (German EU Council Presidency).

The starting point for the debate on a Territorial Agenda post-2020 is the current Territorial Agenda of the European Union 2020 (TA 2020) agreed by the Ministers responsible for Spatial Planning and Territorial Development in 2011 (MSPTD, 2011a). It updated and reviewed the first Territorial Agenda of the European Union (TAEU) from 2007 (MUDTCEU, 2007), which in turn based itself on the European Spatial Development Perspective (ESDP) from 1999, often referred to as the “Mother Document” (Faludi, 2010) of European spatial planning (European Commission, 1999).

The TA 2020 was accompanied by a background document, the Territorial State and Perspectives of the European Union (MSPTD, 2011b). It provides evidence on trends influencing territorial development, changing territorial structures and gives an overview of relevant EU policies, as well as some perspectives on territorial challenges and what results from this for the priorities and implementation of the TA 2020.

The TA 2020 states that the Member States and the EU institutions have a shared role in the implementation of the TA 2020. Nevertheless, it is not considered for decision-making in EU policies. Hence, its relevance for public policy decision making is decreasing gradually (Medeiros, 2016). Its complexity, abstract character and the lack of implementation mechanisms increases the weakness of the TA 2020 in strategic EU policy considerations and points at its eroding strategic value (Böhme et al., 2015). This is closely related to the fact that cooperation on territorial
matters takes place mainly in the intergovernmental realm as intergovernmental cooperation, and is not always the most straightforward vehicle for implementation. Here, it largely depends on available resources and thematic priorities of Member States, which often diverge between Member States (ibid.).

The main policy documents which underpin the study on a European Territorial Reference Framework (the TA 2020 and the ESDP) are characterised by a lack of thematic focus, an unclear division of competences and responsibilities, and basically no implementation mechanisms. This is to be taken into consideration when working on the Territorial Reference Framework for Europe and feeding into the upcoming policy debate on a Territorial Agenda post-2020.

### 3.2.2 The EU Cohesion Policy post-2020 debate

The second main policy process, which is important to understand when discussing a European Territorial Reference Framework, is the debate on the **EU’s post-2020 funding strategy and the Multiannual Financial Framework** (MFF) which is already on-going.

![Figure 4 Cohesion Policy: EUR 460 billion (2014-2020) allocated by theme and fund](image_url)
The following key dates are important references:

- May 2018: Proposal for the post-2020 MFF by the Commission,
- June / July 2018: Legislative proposals for post-2020 EU programmes,
- December 2018: Council meeting to discuss the progress report on the next MFF,
- Late 2019: Final agreement between EU Member States on the post-2020 MFF.

The ESPON TRF project is therefore timeous, offering a short window of opportunity for strategic engagement with this debate. If the ambition for this study on a European Territorial Reference Framework – the future sustainability and enhanced value of the spatial dimension across relevant EU policies up to 2050 – is to set out a long-term, relevant agenda it should seek to align itself with the current debate, through a strong, solution-oriented focus which is linked to the EU’s territorial cohesion commitments.

The current Multiannual Financial Framework (MFF) debate has already set out key challenges which will influence both the size and direction of the future EU budget. These include, i.a., the following questions:

- How can the Brexit gap in the budget be addressed?
- Which ‘new priorities’ will be included (e.g. migration, security and defence)?
- What role will/can the MFF play in improving the resilience of the Economic and Monetary Union (EMU) and what are the linkages to the structural reform agenda?
- In how far shall/can the MFF encourage structural reforms?
- How can the MFF boost the transformation of Europe’s industry?
- How can the EU promote an ‘open but protective’ environment in light of challenges arising from globalisation?

Some of the above issues are linked to populism and Euroscepticism, which is also creating political uncertainties.

In the context of the double gap (Brexit and new priorities) and a reluctance of net payers to fully compensate for this effect, ‘traditional’ EU policy and investment programmes (including Cohesion Policy and the Common Agricultural Policy) are likely to be subject to budgetary pressures, with stronger conditionalities being attached to many funding streams. This points to a need to identify synergies at all levels to create greater leverage potential for targeted investments, and a redoubling of efforts to address EU added value through the post-2020 financial framework.

The EU’s economic prospects are more positive than they have been for quite some time, with most core indicators (including GDP growth, investment and employment) offering grounds for renewed confidence. However, the recovery remains fragile and its sustainability is far from assured. In addition, concerns over economic and social disparities across the EU’s territories have become more pronounced, based on an increasing recognition that geographically concentrated discontent (which might be caused or perpetuated by a concentration of social and/or economic challenges) can spill over into political instability (Rodríguez-Pose, 2017). In this
context, concerns about an uneven geographical spread of the benefits associated with economic integration – in the form of the EU single market, monetary integration or the EU trade agenda – have become more visible.

The narrative underpinning the role and impact of the Single Market is changing, in relation to its relevance for economic growth and its implications in terms of regional imbalances (ESPON, 2014). Global trade and economic integration become at least as relevant as the Single Market, regional impacts are far more complex than decades ago, and traditional narratives supporting Cohesion policies as compensation for further integration to ‘peripheral regions’ need to be redefined in many respects. Furthermore, excessive disparities between European Union and its neighbouring countries are placing further pressures on humanitarian conflicts challenging the core of European values.

The changing face of Europe’s economic geography is a theme which is gaining some traction in the current post-2020 debate. Its causes – while not entirely known – are increasingly aligned with the need for greater geographical sensitivity in understanding both causes and effects of social and economic disparities. Equally, the agglomeration logic, long held as the route to economic growth, has come under pressure for providing weaker productivity gains and higher social and environmental costs than originally expected (Rodríguez-Pose, 2018).

These developments highlight potential for a strong geographical dimension to actively support the narrative underpinning the post-2020 debate, and to effectively address the key challenges the EU faces. EU policy makers have started to recognise that geography matters for the EU’s sustained future. This is reflected in recent EU Reflection Papers (European Commission, 2017c) and the 7th Cohesion Report (European Commission, 2017b) calling for more targeted support for EU citizens in places which have been left behind. In the same vein, the recently published ‘Renewed EU Industrial Policy Strategy’ highlights the need to provide “tailor-made and joined up support to address the specific challenges of regions going through an acute crisis or falling into decline” (European Commission, 2017a). There is a growing recognition that one-size-fits-all policies cannot address effectively the differential challenges faced in different geographies, for example regions potentially caught in the middle income trap or those who are negatively (including those affected disproportionately) affected by global competition or technological change.

However, despite these warnings, the geographical impact of the EU’s wider policies and frameworks (including possible adverse consequences faced by less mobile populations) has so far failed to be integrated in a comprehensive manner in on-going policy debates. An example is the lack of attention granted to the Cohesion Policy’s territorial focus in the recently launched Cohesion Policy public consultation exercise.¹ There continues to be only limited visibility of

---

territorial cohesion objectives in the emerging narrative concerning future policy and investment solutions.

To a large extent, this lack of read-across between territorial cohesion objectives and the current policy debate is caused by the amorphous nature of what underpins a place-based approach. To achieve greater traction, it might be helpful to clearly set out in what way geographic considerations matter for territorial cohesion within the context of the current policy debate:

- **Place-based policies can address differential outcomes which are caused by differences between territories**, i.e. the specific geography under question is an explanatory variable for the outcome differential. For example, mountainous areas which experience transport challenges because of their geography or a regional concentration of socio-economic disadvantages such as unemployment, unskilled labour force or low rates of female participation in the labour market, creating negative externalities locally which affect the long-term economic prospects of the region.

- **Place-based approaches or ‘treatments’ to policy make a material difference to the outcomes of the targeted geography.** There is a need – in this context – to use comparative data to show either:
  - counter-factual evidence of outcomes in a similar geography with the same challenge where such an approach to policy making was not applied and where outcomes were less positive; or
  - where outcomes in the same geography (over time) are materially different when comparing non-territorial policy making solutions to a more tailored, territorial policy treatment in the targeted geography.

- **Place-based approaches can help to overcome the negative impact of geographical disconnect if evidencing that there are positive outcomes from these connections**, such as a reduced unemployment differential. Connecting places which are not geographically bordered, including programmes like Interreg Europe, can also potentially generate clear economic benefits and outcomes (e.g. creating new scale advantages or increasing innovation activity due to collaborative efforts) which would not have occurred otherwise.

In short, there is a gap between the EU’s recognised territorial challenges and the application of geographically focused solutions, and therefore a need to make a place-based approach more relevant for the current policy debate. While it is not the purpose of this study to address this paradox, it is – nonetheless – a prevailing, influential, contextual factor which should be understood in the context of this study.
3.3 Territorial Cohesion & EU post-2020: a better-connected narrative?

It seems that both policy processes addressed above (Cohesion Policy and the Territorial Agenda) operate in a parallel universe, both thematically and time-wise. The thematic challenges for the debate on the future Cohesion Policy are already on the table and subject to discussions whereas the Territorial Agenda post-2020 process is only about to get off the starting blocks.

**Conceptual understanding of Territorial Agenda and Cohesion Policy**

Besides the pragmatic differences pointed out above, there are also conceptual differences between the two policy processes. The below points present some of the opposites of the territorial cohesion aspects as they feature on the policy processes around the Territorial Agenda and EU Cohesion Policy. The opposites magnify differences for the sake of clarity (e.g. in the actual regulation of Cohesion policies “Integrated territorial investments” and “Community-led development” are included).

<table>
<thead>
<tr>
<th>Territorial Agenda</th>
<th>Cohesion Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human and physical geography</td>
<td>Political geography</td>
</tr>
<tr>
<td>Spaces which are not always institutionalised</td>
<td>Institutionalised territories defined by physical boundaries</td>
</tr>
<tr>
<td>Communities of places</td>
<td>Territorial administrations</td>
</tr>
<tr>
<td>Functional relations</td>
<td>Territorial relations</td>
</tr>
<tr>
<td>“Anywheres” (Goodhart, 2017)</td>
<td>“Somewheres” (Goodhart, 2017)</td>
</tr>
</tbody>
</table>

There is a need to ensure that territorial policies are positioned in the current debate. For this reason, the project focuses on key messages which can link to both of these settings (the current post-2020 debate and establishing a clear direction of travel for this study).

One question remains for the post-2020 Cohesion Policy: Is there still room for a better articulated critique of the Territorial Cohesion agenda and what this offers to address a wide range of EU-focused challenges and opportunities? Or does the historical, prevailing narrative of the TAEU and TA 2020 limit the extent to which this will be considered relevant and useful to the current debate?

Europeans still feel attached to ‘communities of place’, at the same time as they share multiple identities and belong to many virtual communities supported by emerging social networks and communication means. Cities, made of public spaces open to anybody, remain a common cultural dimension shared by all Europeans.

All EU investment programmes are competing for a place in the EU’s post-2020 future, seeking to demonstrate not only that they are a ‘good’ use of European funding but that they offer greater European value than other areas of spending. In this context, territorial policies must seek to boost its visibility, relevance and added value. The key challenges addressed in section can serve as starting points for this.
At a more general level, the importance of the spatial dimension for effective policy delivery implies among others the following points (that derived from the discussion at the first meeting of the Strategic Advisory Forum):

- **People, traditions, habits, identities and institutional capacities show a huge diversity across Europe.** A stronger spatial dimension to policy making can offer more relevance and specificity to generate a stronger strategic fit between policies, institutional capacities and people. This helps to ensure that policies are fit for purpose and fit for place, in line with people’s needs.

- **The territorial dimension of Cohesion Policy balances between the objectives of compensating regions in need and supporting regions with potential.** Either way, a stronger spatial dimension can imply focusing on ‘place relevant thematic objectives’. The needs of the territory would thus drive the nature of the supporting policies, offering clearer targeting for investments.

- **A stronger spatial dimension can also generate improved focus on how places link better to each other** (in different parts of Europe and also between places in Europe and elsewhere in the world). This could support how different EU territories connect to each other (including an improved approach to integrated value chains). This could also offer stronger foundations for interregional learning and joint investments.

The above points provide an illustration of key messages from the Strategic Advisory Forum discussion and underline that a stronger spatial dimension of European policies is not a quick fix. There is no ‘one size fits all’ solution. An improved spatial dimension of European policies needs to be integrated by decision makers at all governance levels (local to European). Indeed, multi-level governance, shared management, openness and participation are important for policies which make best use of the territorial diversity of Europe.

To summarise, place-based policies involve more targeted responses to on-going policy challenges at all levels of governance.

Europe faces a wide range of far reaching development challenges and the upcoming policy choices will be decisive for Europe’s direction of travel. Consequently, the European Territorial Reference Framework should address these challenges and provide insights on how a stronger spatial focus could offer relevant and effective responses.

Given the post-2020 influencing timetable, there is a current opportunity to formulate some key messages and further nuance these with territorial research on scenarios and visions.

### 3.4 Challenges ahead

As outlined in many previous studies (e.g. ESPON, 2017, 2018; European Commission, 2017) there are a wide range of development challenges ahead. Three of which we believe are particularly important for understanding the spatial dimension of the future of Europe. While ESPON and territorial policies usually start with territorial and regional development challenges,
this paper focuses rather on overarching challenges which have, or might benefit from, a spatial dimension.

The remainder of this chapter identifies three key challenges which are highly visible (yet not currently well-defined or embedded) in the post-2020 debate. Policy responses which are currently aligned to these challenges are outlined, as well as possible, further routes to addressing these challenges. The role of the European Territorial Reference Framework in supporting how these challenges could be addressed is also outlined, recognising that – in the ‘hierarchy’ of territorial cohesion objectives – it could play a specific and unique role.

3.4.1 Fragmentation and disintegration

Challenge 1: The economic geography of Europe is changing, accompanied by an increasing fragmentation of society and territories.

This fragmentation – which is, in part, the result of economic and social developments in Europe – puts Europe’s potential to respond to globalisation at risk, given the widespread recognition that cities and regions in Europe require to strengthen their approaches to joining forces, to improve prospects for growth and competitiveness.

Understanding fragmentation and disintegration: The European Single Market and trans-European transport networks (TEN-T) have supported efforts to continuously develop political, social and cultural cohesion, and to reduce barriers to achieving this. However, today there are many different types and complexities of EU fragmentation, with some as cause and others as consequence of a range of trends. These include political choices, the social fabric within and across different regional contexts, geographical landscapes and economic circumstances in different locations. Inequality between and within countries has been recognised as a crucial factor driving fragmentation, including political instability.

The current trend towards fragmentation threatens EU cohesion (in all its formats). Different geographies of the EU perceive different ‘everyday realities’ and different future prospects. This can be seen, increasingly, in social and economic disparities and asymmetric economic growth perspectives. Increasingly wealth is concentrated to specific groups in society and specific types of cities and regions.

This fragmentation trend and its political consequences are a fundamental threat for overall European integration2. “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 on-going 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.” (ESPON, 2017: 19) The effects of possible disintegrations in

---

Europe would be reductions in economic growth in all regions as shown in various studies (ESPON, 2017, 2018).

**Current policy responses:** Macro-level analyses, heavily relied upon during the economic crisis era, have been insufficiently sensitive in highlighting the various forms of fragmentation which are posing domestic, political challenges and / or threatening EU integration and cohesion. There is a growing awareness, across the EU, of the need to improve understanding of the root causes and prevalence of different types of fragmentation. There is also a growing recognition of the need for policy solutions to address growing economic and social disparities. This narrative has spilled over into the debate concerning the EU’s post-2020 priorities.

**Opportunities for future spatial support in responding to the challenge:** The changing nature of Europe’s economic geography has led to social and territorial fragmentation. Spatially sensitive, and tailor-made policy responses building on the variety of territorial assets in Europe can help to overcome fragmentation. In the longer-term, this could also benefit the social and economic well-being of places and the people within them.

### 3.4.2 Interdependencies, spill-overs and (their) externalities

**Challenge 2:** *Social and economic developments in one place have major impacts (spill-overs, positive and negative externalities) on development perspectives in other places and vice versa.*

In an increasingly interconnected world, most things we do in one place impact developments in other places and what is done elsewhere can impact on where we are living and working. In consequence, local development is shaped by a place’s characteristics and interdependencies with other places (ESPON, 2017).

It is all too often the case that positive externalities are under-reported or not acknowledged whereas the effects of negative externalities can become heavily magnified. An improved evidence base which identifies, defines and communicates the presence of EU positive externalities (such as the many positive examples of the Single Market) also offers a clear framework for sustaining and further developing routes to EU integration. On the other hand, ignoring, or failing to capture, define and address negative (cross-border) externalities, threatens to further perpetuate fragmentation and disintegration in Europe.

**Understanding relations and interdependencies:** In the economic field, the European Single Market has catalysed cooperation across Member States, and the network of links and relations between players in different places and different Member States has steadily grown over the past decades. Still, there remain many barriers to effective operation of the European Single Market. These barriers exist at local, regional, national and EU levels. Evidence of positive outcomes from cross-border and trans-national collaboration (whether geographical or otherwise) range from increases in employment rates, reduced unemployment, positive impacts on growth, more innovative policy responses and (increasingly) scale benefits from new forms of collaboration (such as joint investment activities which boost innovation efforts and support industries to globalise) (Vanguard Initiative, 2017).
The increasing web of relations and interactions has also led to increasing interdependencies between places. This, in turn, creates a stronger propensity for the emergence of positive and negative externalities. Therefore, both the cause and effect of specific actions, policies and interventions require to be better understood in a wider territorial context. This not only concerns interventions within Europe, but also the effects that interventions in other parts of the world have on local and regional development in Europe. When designing policies for regions negatively affected by globalisation, a spatially targeted approach and focus on linkages between places should be considered as an alternative to the traditional ‘compensation approach’. Again, this points to the value of understanding root causes of externalities and shifting away from investment responses which lack a clear diagnosis of the issue.

**Current policy responses:** A wide range of existing EU tools, policies and programmes already provide a framework for EU geographies to collaborate and generate mutual benefits and strong positive outcomes. These include Connecting Europe Facility (CEF), macro-regional and sea-basin strategies, Interreg transnational cooperation and Smart Specialisation Strategies (S3). These approaches have various objectives but they contain many common themes and aspirations such as promoting greater domestic and EU solidarity, quality of life, stronger linkages and networks, and citizen empowerment. Many of them aim at large-scale cooperation through networks or along corridors rather than between neighbouring regions.

The 2014-2020 programming period has seen an increase in demand for approaches that aim at (further) developing linkages, in particular approaches that operate across the borders of Member States. This demonstrates increased awareness and demand across EU geographies for new forms of collaboration, partnership, networks and inter-connectivity. A macro-level exploration to understand both their nature and the benefits of their removal could help future policy action (as is partly done by the ESPON study on cross-border public services).

Arguably, this emerging trend, which has been underpinned by a ‘territorial’ ethos, has not yet been well-captured or utilised as a positive driver for EU integration. These approaches often lack a clear, underpinning rationale for the evidence-base to support their alignment with the parallel objective of ‘addressing fragmentation’. In some cases, greater inter-connectedness can even deepen territorial disadvantage and divergences (for example where improved transport links support more economically successful territories).

The potential policy added-value from actions which promote linkages between places are not very widely acknowledged. In the current debate concerning the post-2020 Multiannual Financial Framework (MFF), there are some voices calling for greater investment in programmes which promote such inter-connectivity but this is by no means a view which is universally shared or understood, not least because the underlying rationale for such actions is not clearly set out or communicated.

There is a clear case for EU intervention where evidence of negative externalities poses threats beyond the borders of the geography of the problem’s origins. This is an argument frequently
used, for example, when the EU seeks to act to contain the risk of the spread of financial problems across the Eurozone – i.e. addressing negative cross-border externalities.

**Opportunities for future spatial support in responding to the challenge:** Increasing European integration, accompanied by deeper social and economic linkages across European geographies, requires a better understanding of positive and negative externalities. By understanding better the nature of the challenge or opportunity in the context of the appropriate geographical ‘unit’, new and revised policy responses can be shaped. This is relevant at local / regional, member state, cross-border and EU levels. Strengthening local and regional economies, and seeking to address the root causes of disparities will require a stronger focus on understanding and supporting geographically, functional interdependencies. Understanding functional interdependencies can also help to better approach them as levers for local and regional development and supporting interregional integration in Europe. Within this context, there could be more compelling reasons to link economically weaker and stronger places.

Given the high level of global integration of the European economy, worldwide interdependencies of European places need to be taken into account. This also implies a more robust consideration of global trends and how these impact on different places in Europe.

### 3.4.3 Mismatch of functionalities

**Challenge 3:** There is a mismatch between geographical jurisdictions for decision making and the corresponding geography / geographies affected by policy making.

Building on challenge two, noted above, there is increasing awareness of the ‘reach’ of jurisdiction for policy making when compared to the policy impacts which can be felt beyond this reach. This implies that a single administrative territory (be it a municipality, region or country) should not disregard neighbouring territories or other administrative levels in its policy development. Globalisation processes and impacts create place-specific challenges that spill over from neatly and geographically defined boundaries relating to administrative jurisdictions. This is a phenomenon which is not widely understood or considered in the context of EU policy making (through the whole spectrum of local policy making through to the EU level). The EU’s goals and the underpinning architecture of the Single Market imply a continuation of a European model with an open society and economy. However, the implications of this are not well-considered in terms of proactive or reactive policy making. Place-based decision making should consider place-specific interrelations.

**Understanding functionalities:** The relations and links between players in different places build on place-specific characteristics. Striving for a place-based approach improves performance of development policies (by stimulating endogenous development potential and tailoring policy to local circumstances) and properly outlines the role of territorially bound assets (factors) such as settlement and accessibility infrastructure (Barca, 2009; Zaucha et al., 2013).

There exists a mismatch between the geography of place characteristics (including impacts of economic and societal developments) and the geography of decision making. Policy decisions...
and actions can reach beyond administrative boundaries or can be concentrated only on parts of a place, for example. This has generated an increasing focus on functional areas of varying types. Depending on the issue at stake, functional areas can, for example, address wider urban regions, rural regions or cross-border regions. The most frequently used types of functional areas are (ESPON, 2017):

- Functional urban regions. Cooperation between authorities in a city and its functionally interlinked surrounding urban areas, e.g. the commuter catchment area;
- Functional rural regions. Cooperation between authorities in neighbouring rural areas which are functionally interlinked e.g. through commuter or service provision patterns;
- Functional urban-rural partnerships. Cooperation between authorities in neighbouring urban and rural areas which are functionally interlinked;
- Cross-border regions. Cooperation between adjacent territories across national borders. Examples are Interreg cross-border regions, Instrument for Pre-accession Assistance IPA) regions, Euro-regions or bilateral cooperation.

**Current policy responses:** Beyond traditional approaches to geographically-focused policy making, there is growing awareness of, and demand for, policy responses to new and emerging challenges and opportunities which might require specific, tailored and targeted support (or ‘treatment’) in places which transcend existing geographical boundaries and governance arrangements (PBL Netherlands Environmental Assessment Agency, 2016). The nature and prevalence of this development is currently not well-understood.

The need for a stronger place-based focus and importance of functional areas, and their lack of territorial synchronisation with administrative boundaries, make governmental cooperation an imperative for territorial development (Böhme et al., 2015; Committee of the Regions, 2015; ESPON, 2014, 2017; European Commission, 2015; MSPTD, 2011a; Zaucha et al., 2014).

Instruments such as European Territorial Cooperation (Interreg), Leader, Community-Led Local Development (CLLD) or Integrated Territorial Investments (ITI) are steps in that direction. However, demand for and uptake of such instruments is – at best – variable. They are often considered as rather cumbersome, bureaucratic and complex.

**Opportunities for future spatial support in responding to the challenge:** There are opportunities to develop a more coherent evidence base concerning territorial impacts of economic and societal developments and the potential for place-based policies. In particular, a stronger narrative (including concrete practice examples) could be generated and disseminated concerning the mismatch between the specific geographical jurisdiction of policy making and the reach and impact of such policies. Correspondingly, the demand for designing approaches to cooperative policy making could be better defined and explored (whether at local, regional, national, European level). This could provide a strong state-of-play overview of the rationale and demand for place-based policy responses at the level of functional areas.
3.5 Actions for the European Territorial Reference Framework

In understanding the above noted challenges, there is growing awareness that the spatial dimension matters for both the decisions which are taken in different places and in the geographically differential outcomes which can be observed.

This corresponds with a growing demand to adopt a more spatially sensitive ‘toolkit’ to generate better evidence both to understand and to take action to address such challenges. The unit or level of action to address different forms of fragmentation and linkages depends on the nature of the issue and the most relevant and effective course of corrective intervention.

European Territorial Reference Framework. The European Territorial Reference Framework offers a timely opportunity to provide insights on how a stronger spatial focus might help to address the above challenges. Against this backdrop, specific actions could be formulated which could be addressed within the context of the European Territorial Reference Framework, recognising the wider context of the territorial cohesion hierarchy of objectives, under which the European Territorial Reference Framework is positioned. Specific areas for further consideration are:

- **Territorial evidence** is needed on the fragmentation and linkages between places and how this might develop in the years to come. The scenario and vision work, which forms a critical element of the study on a European Territorial Reference Framework, needs to clearly address these above challenges and set out conclusions of how this may develop both in the context of a spatially-sensitive policy making approach and in the context of the status quo (where spatially-sensitive policy making is more the exception than the rule). This also implies generating a deeper appreciation of the value of using a place-based framework to assess and act on problems associated with fragmentation – i.e. stimulating stronger demand for the value of such a policy making framework. This could, in turn, encourage greater demand for the numerous analytical ‘tools’ with which to generate robust evidence for the nature of the problem. This also strengthens the argument for improved evidence-based policy making to address such challenges.

- **Convincing arguments and key messages** need to be formulated to advocate a stronger focus on geography. Policy messages – and effective dissemination and diffusion of such messages – are required and should be better targeted at players beyond the group of usual suspects of ESPON and the Territorial Agenda. Key messages need to provide a clear and consistent rationale that a strengthened spatial dimension in policy making will enhance the policies’ effectiveness and impact. This includes also arguments supporting action to challenge the continuation of an agglomeration approach to economic growth where that approach can be shown to adversely affect outcomes and future economic prospects in parts of the territory which were intended to benefit from it.

- **Need to act now and not wait until later** – the time planning and work programme of the elaboration of the European Territorial Reference Framework implies the presentation of key
messages in early 2019. However it is critical that key messages are formulated now, so that the intergovernmental policy community around the Territorial Agenda post-2020 can adapt and apply these to prepare an entrance into the wider, post-2020 policy debate. There is significant scope in the current debate to make the case for further aligning programmes and actions and, so generate momentum for this type of ‘inter-connected Europe’ action, under the banner of the EU’s future Territorial Cohesion agenda.

<table>
<thead>
<tr>
<th>Key messages to be advocated by the European Territorial Reference Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>The social and territorial fragmentation following the changing economic geography demands spatially sensitive (and tailor made) policy responses.</td>
</tr>
<tr>
<td>The negative externalities of developments in one place on developments in other areas demand a wider geographical perspective of policy decisions.</td>
</tr>
<tr>
<td>The mismatch between the geographical delineation of impacts of economic and societal developments and the geographical jurisdictions of decision making demand more territorial cooperation at all levels.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key actions for the European Territorial Reference Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territorial evidence is needed on the current status of fragmentation and linkages and their potential future developments. This includes a deeper appreciation of the value of using place-based frameworks.</td>
</tr>
<tr>
<td>Convincing arguments and key messages need to be formulated in a way that they can be targeted, disseminated and diffused to a wider group of players. They must advocate the added value of a strengthened spatial dimension in policy-making.</td>
</tr>
<tr>
<td>The time to act is now as the intergovernmental policy community involved in the Territorial Agenda post-2020 process needs time to adapt and apply them, and this way feed them into the post-2020 policy debate in due time.</td>
</tr>
</tbody>
</table>

3.6 Policy Conclusions

The European Territorial Reference Framework should contribute to strengthening the spatial dimension of overarching European policies and territorial governance processes. The current post-2020 debate offers an important opportunity to increase the visibility and significance of this.

The Strategic Advisory Forum followed largely the lines of arguments developed in the input paper prepared for the meeting. In the discussion it was made clear, that it is important for the next working steps to differentiate between (a) short term actions to ensure a stronger place-based dimension of EU policies post-2020, and (b) the long-term vision for the European territory possibly also touching upon more fundamental issues (e.g. linked to the marked economy and the European Single Market).
Furthermore, the discussion confirmed the three key challenges identified in the paper and stressed the need to further elaborate them in the context of the next working steps of the project (including the work on trends and scenarios).

The discussion of the Strategic Advisory Forum also pointed to a number of additional areas to be considered in the work on the European Territorial Reference Framework.

Additional points were raised during the meeting which are noted below. These points offer valuable insights and examples of the challenges and tensions which are prevalent across many parts of Europe.

The principles and ‘framework’ which is proposed in this paper for seeking to better define and analyse issues which have a territorial dimension are highly relevant to the examples raised below:

- **Placing the EU in a global context.** It is important to avoid an exclusively Europe-centric perspective when considering the spatial dimension of issues and challenges. For example, the new wave of global, industrial transformations (based on the new ‘knowledge economy’) is expected to have a sizeable territorial impact, which should be taken into account in policy responses to this trend. In addition developments outside of Europe, e.g. in China, the United States or India have a strong impact on future developments in Europe. This implies that more attention should be paid to relevant domestic policies and investments both in these countries and from these countries to Europe. An example is Chinese investments in the context of the Belt & Road initiative (BRI), which may compete with EU funds targeted at regional economic development, for instance in Central and Eastern Europe.

- **Investing in regions with potential or in regions with needs?** One part of the discussion centred also on the role of EU Cohesion Policy and the spatial dimension of discontent. In short, the European Territorial Reference Framework should explore whether EU Cohesion Policy should, continue to focus on regions in need (in an extreme case establish permanent compensations for the negative externalities), or should rather focus on regions where development potential can be strengthened (in an extreme case abandon places with a less positive trajectory).

- **Middle income trap.** The current narrative underpinning the EU’s Cohesion Policy agenda includes a focus on regions stuck in a ‘middle income trap’ with the aim of providing support to foster a smooth ‘industrial transition’. This issue also requires greater evidence and analysis to better understand root causes. There is a risk that (early) solutions are sought which might, in fact, mask a wider range of challenges. The territorial dimension of this ‘middle income trap’ issue requires a more holistic understanding.

- **Multifaceted territorial inequalities.** Disparities between places and regions are manifold and in many regards are increasing, partly because public policies (following an agglomeration logic) have – arguably – offered better support to strong places more than those lagging behind. Such path dependency, public policies might be perpetuating (and
possibly widening) the wide range of disparities which are being felt across Europe. This is why the European Territorial Reference Framework, must focus not only on disparities and fragmentation as challenges but also on the root-causes behind them. The study should focus not only on economic outcomes (such as GDP per capita) but also on social and political outcomes as well as public perceptions. This implies a stronger analysis of citizens’ current concerns and the factors driving discontent and populist voting patterns. Further, specific issues such as youth unemployment, access to health care services, environmental and climate aspects, institutional legacy, and natural and human resources deserve further investigation through a territorial lens to better understand the nature of these challenges in relation to the ‘place’ dimension.

- **Challenging the value of ‘space-blind’ policies.** It was noted that EU ‘blanket’ policies with a spatially blind dimension (such as the macro-economic conditionality in the current programming period) are insufficiently sensitive to their impacts on different territories. This study offers an opportunity to challenge the effectiveness of this type of EU approach in addressing disparities in the post-2020 period.

- **Focus of future (post-2020) EU Cohesion Policy.** More concrete discussions about EU Cohesion Policy post-2020 stressed the need for more place-relevant objectives to support interregional integration. ‘One size fits all’ does not work in different geographies, with different institutional capacities. To remedy this, some of the proposals suggested a stronger prioritisation in the Policy’s future objectives on place-based potentials and needs. Policies need to consider the most relevant ‘granularity’ for analysis and intervention. This would require to go hand-in-hand with a stronger commitment to improving the institutional capacity of programme areas. Regional policies need to be tailored to institutional capacities.

- **Links and flows as levers in future Cohesion Policy.** Another discussion point optimising the value of interregional integration by building stronger links between places across Europe and focusing on flows as levers for development and cohesion. Establishing and strengthening interdependencies between regions (and going beyond the spirit of European Territorial Cooperation programmes) was felt to offer a renewed focus on the specific value to different territories from providing relevant connection routes.

- **Strong endorsement for a refreshed ‘inter-connected Europe’ narrative.** There was clear support for the EU’s post-2020 agenda to reinforce the value of Europe’s ‘connectivity’ trajectory and to provide stronger messages and evidence of how this benefits EU citizens.

- **Implementing Territorial Governance Decision-making processes** bringing together “place-based” and multi-leve governance, and considering short and long-term impacts of policies.
4 Main Trends (SAF 2)

4.1 Background

In 2014, the ET2050 project identified a number of key trends affecting the European territories, very much influenced by the outcomes of the financial, economic, and institutional crisis during the period 2007 – 2014.

More recent documents, such as Juncker White Paper on the Future of Europe and the Commission proposal for the next Multi-annual Financial Framework have been published afterword containing more updated and comprehensive analysis, even if the territorial dimension is generally missing.

ET2050 trends were critically revised and updated with the latest developments, as input for the participatory process. ET2050 trends were updated/refined by considering 2014-2018 most relevant foresight studies and databases, presented in some detail in the Inception Report.

- Official European Reference Baseline scenario elaborated and updated regularly by the European Commission, with the participation of the DG ECFIN\(^3\), DG Clima, DG Move, DG Energy\(^4\), Eurostat\(^5\) and the Joint Research Centre\(^6\).
- White Paper on the Future of Europe, promoted by the EC\(^7\). (2017)
- ECFIN Ageing Reports 2012, 2015 and 2018
- EUROSTAT Regional Yearbook (2017)
- AMECO DB (2018)
- ESPON Data&Maps Update (2017)

The review undertaken during the ET2050 project covered almost 100 prospective studies defining trends and scenarios for 2030 and 2050 (approximately 300 different scenarios) at European and World.

---


\(^5\) Eurostat (2017); “2015-based population projections”, released by Eurostat in February 2017

\(^6\) JRC (2016); “Regionalising the 2015 Ageing Report’s projections”, implemented by the LUISA Territorial modelling Platform.

\(^7\) EC (2017); “White paper on the future of Europe and the way forward: Reflections and scenarios for the EU27”, presented by the European Commission on 1 March 2017.
ESPON TRF review has updated previous repositories of prospective studies to support the participatory process in the TRF with approximately 30 new scenarios from 10 new studies developed between 2015-2017 in Europe. In particular, the following relevant reports were considered:

- New EU-scale environmental scenarios until 2050 (UFZ Leipzig et al. 2018)
- Future Scenarios for Research & Innovation Policies in Europe (EC 2017)
- Europe in 2030: four alternative scenarios (Elcano 2017)
- Future of the European Union - Enlarged or Broken? (Patrick Dixon 2017)
- ¿Can the big idea of EU integration become a reality? (Carnegie Europe 2017)
- White paper on the future of Europe and the way forward: Reflections and scenarios for the EU27 (EC 2017)
- Europe in 2026: nightmare or utopia? (Global Agenda Council 2016)
- Future of Europe Scenarios (BrandEU 2016)
- Wind Energy in Europe. Scenarios 2030 (WindEurope 2017)
- ESPON European Territory 2050 (ESPON 2014)
- Citizenship in Europe 2030: four scenarios (De Reijter, NACE 2013)
- Global trends 2030 (SPA, 2017)
- ESPON Possible Futures project. Vol. B (ESPON, 2016)

Based on the review of these references, the Inception Report, as a background for SAF2 deliberation, contained an analysis of the following 15 macro-trends:

- Overall stability persist, despite global uncertainty.
- Ageing is a common European trend.
- Increasing and more diversified migration.
- Persisting internal imbalances.
- Regional disparities may diminish in relative terms.
- Regional disparities maintained in absolute terms.
- Unequal Quality of Government across European regions.
- More complex European governance.
- New global trade patterns.
- Slow unemployment reduction and pressure on salaries.
- Expanding tourism.
- Decoupling mobility and more inclusive transport systems.
- Decreasing energy and carbon intensity.
- Increasing urbanisation.
- Climate change hitting territories asymmetrically.
As well as the following 25 critical uncertainties:

- Will European economies be able to adjust to structural transformations?
- Will migrations continue to be necessary in Europe to prevent a shirking labour market?
- Will European countries be able to sustain their welfare system?
- Will Europe (and its single countries) be able to find ways to finance its public debt?
- Will Europe be able to compete with emerging countries in high-value sectors?
- Will Europe be decarbonised and decentralized energetically, reducing emissions?
- Will Europe will be able to tap the untapped potential of its regional diversity richness?
- Will spatial development and settlement structures be more polarised?
- Will Europe politically more integrated?
- Will decision and management processes of EU key policies be more decentralised?
- Will be European countries able to re-qualify its aging labour force?
- Will be Europe able to put in place a “smart growth” as suggested by the Agenda 2020?
- Will Europe be able to create and take advantage of demand from emerging countries?
- Will trade continue to grow worldwide at a higher ratio than GDP?
- Will tourism continue to grow worldwide at a higher ratio than GDP?
- Will intra-European migrations grow?
- Will long-distance freight transport decouple from economy?
- Will long-distance passenger growth decouple from economy?
- Will urban transport decouple from economy?
- Will be Europe able to put in place energy efficiency?
- Will be Europe able to take the lead in the green and circular economy sectors?
- Will European agriculture become more competitive?
- Will land-use patterns become more hybrid due to ineffective planning?
- Will governments become more corporative?
- Will Europe become more spatially integrated?

Next chapters presents the conclusions of SAF2 deliberations.

4.2 Analysis of trends

The EU’s economic prospects are more positive in mid 2018 than they have been for quite some time, with most macro indicators (including GDP growth, investment and employment) offering grounds for renewed confidence, at least at aggregated scale. However, the recovery remains fragile and its sustainability is far from assured. In addition, concerns over economic and social disparities across the EU’s territories have become more pronounced (Rosés and Wolf, 2018), based on an increasing recognition that geographically concentrated discontent (which might be caused or perpetuated by a concentration of social and/ or economic challenges) can spill over into political instability (Rodríguez-Pose, 2017). In this context, concerns about an uneven
geographical spread of the benefits associated with economic integration – in the form of the EU single market, monetary integration or the EU trade agenda – have become more visible.

Against this background, we identified three overarching key challenges and key policy messages for the 1st discussion paper of the Strategic Advisory Forum. These challenges and messages should be taken into consideration for the European Territorial Reference Framework and the Territorial Agenda post-2020.

As the intergovernmental policy community involved in the Territorial Agenda post-2020 process needs time to adapt and apply the key messages and feed them into the post-2020 policy debate in due time, the time to act is now.

### Key challenges identified in the 1st discussion paper

<table>
<thead>
<tr>
<th>Key challenges identified in the 1st discussion paper</th>
<th>Key messages to be advocated by the European Territorial Reference Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>The economic geography of Europe is changing, accompanied by an increasing fragmentation of society and territories.</td>
<td>The social and territorial fragmentation following the changing economic geography demands spatially sensitive (and tailor made) policy responses.</td>
</tr>
<tr>
<td>Social and economic developments in one place have major impacts (positive and negative) on development perspectives in other places and vice versa.</td>
<td>The positive and negative externalities of developments in one place on developments in other areas demand a wider geographical perspective of policy decisions.</td>
</tr>
<tr>
<td>There is a misalignment between geographical jurisdictions for decision making and the corresponding geography / geographies affected by policy making.</td>
<td>The mismatch between the geographical delineation of impacts of economic and societal developments and the geographical jurisdictions of decision making demand deep reforms according to subsidiarity principle and/or more territorial cooperation at all levels.</td>
</tr>
</tbody>
</table>

*Table 2 Recap of key challenges and key messages identified in the 1st discussion paper*

Source: Discussion Paper No. 1 supporting the Strategic Advisory Forum of 14 March 2018

For this, territorial evidence is needed on the current status of fragmentation and linkages and their potential future developments. This includes a deeper appreciation of the value of using place-based frameworks to strengthen the spatial dimension in policy-making.

The abovementioned challenges and messages are not independent from current and future trends and policies. They are linked to the development of different political, economic, environmental, societal and technological trends. These encourage a reflection or re-think of future EU policies beyond the current debates.

In this second paper we broaden the discussion to see which other development trends and long-term policy developments should be taken into consideration. The following questions are at the forefront of the discussion:

- **Political trends**: What major development trends are currently in the political debate?
- **Economic, environmental, societal and technological development trends**: What major development (exogenous and endogenous) trends do we see based on recent analysis and research?
- **Key challenges**: How do the trends accelerate or mitigate the key challenges identified in the first paper and further specified at the 1st meeting of the Strategic Advisory Forum?
• **Implications:** What policy and territorial implications may the trends have over the next decades?, what reforms on public administrations will be needed?

This chapter builds upon a thorough desk study on trends literature and on the input from the Strategic Advisory Forum members during the 2nd Strategic Advisory Forum meeting.

To facilitate a discussion on which trends should be taken into consideration for the elaboration of the European Territorial Reference Framework, the project team collected information on a wide range of different trends. These are not definitive and are intended to offer an illustration of trends in identified areas. The trends have been grouped in order to highlight particular issues which after the 2nd meeting of the Strategic Advisory Forum, the team understands to be significant for this paper and for the overall study. There are many different ways to categorise and organise trends and certainly many trends escape a clear categorisation as they are multifaceted. For this paper we follow the PEEST approach (political, economic, environmental, societal and technological), groups this approach by attributing a different colour to each theme. This colour coding is followed along the whole paper, making the navigation in the trends easier.

As regards the grouping of trends, first, we sought to distinguish between trends at global and European level. Global trends are trends concerning developments outside Europe with global implications, including Europe. European trends are those that may affect Europe, without necessarily affecting the rest of the world to the same extent.

As a second step for the following overview we sort trends roughly by those mainly exogenous to policy making (e.g. technological and environmental trends), those that are partly exogenous and partly endogenous, i.e. they have a certain degree of autonomy but still can be influenced by policy-making (e.g. social and economic trends), and trends that are endogenous to policy-making, i.e. political trends.

All these trends are presented in the figure below, which distinguishes between trends at global (in darker colour) and European level (in lighter colour). This first collection of trends was to stimulate discussion and, where possible, form the basis for feedback concerning a selection of trends deemed to be important and relevant from a territorial perspective. This was a key task of the second Strategic Advisory Forum meeting.

Based on the discussions of the 2nd Strategic Advisory Forum meeting, trends with territorial relevance per category have been selected and are further described in sections 3.1, 3.2 and 3.3 of this chapter

**4.2.1 Technological and environmental trends**

Technological and environmental trends are rather exogenous factors that have to be taken as general framework conditions and are most difficult for policy makers to influence directly.

**Technological trends.** Technological progress is a main driver closely related to many of the abovementioned trends. Thus, technological trends come at global level and can impact developments in Europe. Developments that will shape future perspectives, range from social
and new media, mining and processing big data to automation, digitisation and artificial intelligence. The 4th industrial revolution is expected to have rather disruptive effects across a number of dimensions including work organisation, social engagement, the transformation of industry, health and education systems.

The question of how the trends will accelerate or mitigate the three key challenges identified in the 1st meeting of the Strategic Advisory Forum (cf. chapter 1), is addressed in chapter 4 of this paper, based on the discussions taken place at the 2nd meeting of the Strategic Advisory Forum. Here, the relationship between current trends and the key challenges for Europe’s future development will be explored to better understand the presence and extent of any spatial impact where possible.

---

**Examples of territorially relevant technological trends**

**Industry 4.0.** The so-called 4th industrial revolution will lead to fusions of technologies and blur the lines between physical, digital and biological systems. By 2030, firms and industry will be predominantly digitised. The so-called Internet of Things (IoT), supported by big data analytics, artificial intelligence and machine learning tools will enable smart machines to be increasingly adjustable through sensor technology, cheap computing power and the real-time use of algorithms. This will disclose opportunities for new business models and entrants, together with new challenges concerning the substitution of labour and the role of the European economy in new patterns of production at world level. (ESPON, 2018; Schwab, 2017)

**Changing educational landscape.** New modes, content, needs and methods change the educational system at all stages. Especially technologies and digitisation will have a major influence, e.g. more online learning opportunities, interactive tools, digital programmes tailored to individual needs and learning analytics to provide immediate feedback and adjust individual programmes. It is unclear, however, whether this will lead to more democratic and equal access to, and availability of, education or increasing polarisation between mass programmes on the one hand, and highly specialised and individual offerings only available for those who can afford it on the other hand. (European Strategy and Policy Analysis System, 2015)

**Environmental trends.** At global level climate change is the main development in the field of environment with a number of implications, e.g. on decarbonisation and carbon intensity of energy production and consumption – from transport and industry to electricity and heating. This includes also trends in the field of more sustainable urban mobility. Pollution of the seas is another global trend becoming more and more relevant.

At European level, environmental policies will address the challenges resulting from these overall developments, from biodiversity to economic transition towards circular and eco-system based approaches. The loss of biodiversity is an important trend that will impact Europe.

---

**Examples of territorially relevant environmental trends**
**Climate change.** Different regions in Europe have different vulnerabilities to climate change. Whereas some parts of Europe will have to deal with more water and sea level rise, other parts will be challenged by more and longer periods of drought. Climate change not only impacts nature, seasons, the climate and natural hazards but entails many political, economic and societal consequences. e.g. water supply related issues. The more challenges a region faces, the more vulnerable it is to climate change. While the issue of sea level rise affects the North Sea in particular, due to a lack in capacity it is Southern Europe, however, that will be most vulnerable to the impacts of climate change. (ESPON, 2018; Lüer et al., 2015)

**Loss of biodiversity.** Biodiversity loss is a major environmental challenge. Despite some local success, biodiversity is in decline globally. This decrease is projected to continue in the future (OECD, 2016).

**Pollution of the seas.** Spreading of harmful substances such as oil, plastic, industrial and agricultural waste and chemical particles into the sea causes detrimental effects to the marine organisms and life, and directly affects maritime industries like fishing and tourism. Pollution further affects the quality of life of the sea coast inhabitants. (Böhme et al., 2016; HELCOM, 2010)

**Decreasing energy and carbon intensity.** Energy intensity will gradually decrease because of more service-oriented European economies, increased energy efficiency and savings, as well as due to improved technology, especially wind and solar sources. (ESPON, 2018; International Energy Agency, 2016)

### 4.2.2 Societal and economic trends

Societal and economic trends are an in-between category of elements, partially exogenous and partially endogenous, that have a certain degree of autonomy and cannot be influenced but are still subject to policy choices and can be influenced.

**Economic trends.** Economic trends represent the overall direction in which a territory’s economy is moving. They can also be differentiated in global and European trends.

At global level, trends include global competition and tensions on global trade, the rise of protectionism, the collaborative and cooperative economies, the circular economy, high levels of economic growth in developing countries and the rise of the global middle class, increasing economic concentration on a few hotspots and the intangible economy.

At European level, in addition to the global trends, the ‘debt trap’ in some countries and expanding tourism are trends that could influence Europe in future.

**Examples of territorially relevant economic trends**

**Circular economy.** The circular economy is an economic model which aims to close material and energy loops through long-lasting design, maintenance, repair, reuse, remanufacturing, refurbishing and recycling. The potential and impacts vary across Europe. In general urban areas
in Northwest Europe are best positioned to pick up this trend, while sparsely populated areas and inner peripheries lack critical mass. (Ellen MacArthur Foundation et al., 2015; ESPON, 2018)

**Changing nature of tourism.** New forms of sustainable tourism in areas not directly related to leisure, such as training, education and health will emerge, while vacationing and business will still grow in the coming decades. Tourism will keep growing as middle classes grow worldwide. Many European cities and regions will become new global destinations for tourism and many cities and regions will have to address the challenge to manage these massive flows properly to avoid devaluing their cultural and ecological assets. In addition, residential tourism and temporary migration to European sun belt regions will increase.

**Increasing concentration to few hotspots.** Economic concentration tendencies and the emphasis on new technical solutions which are rolled out globally at once, increasingly create economies where the ‘winner takes it all’ both in terms of companies leading the way to change as well as in terms of locations where these companies and key players are located. (ESPON, 2017, 2018)

**Accumulation of wealth and capital among a small group.** The accumulation of wealth and capital among a small group is the social dimension of increasing concentration to few hotspots. While some own more and more, the majority of the people will not benefit (equally) from economic growth and will increasingly be excluded from global value chains. The elites, on the other hand, separate from society, e.g. by making use of business models in offshore tax havens that are not accessible for middle and lower classes, which further intensifies the accumulation of wealth and perception of social inequality. (European Strategy and Policy Analysis System, 2015)

**Societal trends.** Asymmetries will shape future global demographic development. While some countries and societies will become increasingly older, others show low median age values. Another trend refers to worldwide urbanisation, leading to ever higher shares of the total population that live in urban and urbanised areas. The most attractive and fastest growing centres are expected not to be in Europe, and may increasingly attract talent from Europe.

At European level, ageing will remain the key aspect related to demographic development with high impact on different trends, from pension systems to social values and lifestyles. Other relevant trends at European level refer to increasing migratory pressures, regarding both external and internal migration. Further to this, trends are overall characterised by contradictions, as are more diverse societies and new forms of democratic participation, but at the same time coming with decreasing trust in traditional democratic institutions. Counter-movements reacting to these trends are also likely to become more of a prevailing feature. Neo-nationalism and illiberal democracies, together with anti-democratic manipulation and the desire to close borders and minds contrast with the cosmopolitanism mainly in urban areas and the heterogeneity and divergence if social values and norms. Other trends concern among others the social exclusion
of some groups as well as the wealth accumulation to small groups, increasing diversity and the digital gap.

**Examples of territorially relevant societal trends**

**New models of participation and democratic engagement.** People increasingly want to have a say in decision-making. This goes beyond providing information and consulting the public occasionally. New forms of participation aim for actively involving and empowering the citizens so that they cannot only make final decisions but are also allowed to gather the technical expertise necessary to prepare and implement decision (or at least monitor the implementation process). Based on such co-decision making principle, citizens, civil servants, and other representatives of public authorities as well as civil society will become equal members of self-organised communities. (European Strategy and Policy Analysis System, 2015)

**Persistent economic inactivity.** In an ever more specialised and diversified economic system, employees need to hold the pace of progress. Certain groups of workers will have problems in doing so. One example are unemployed young people who will be at the verge of falling behind in society. Many of them are at risk of being the long-term unemployed of the future and socially excluded in the long run. They become a ‘lost generation’ – a term frequently used since the financial and economic crisis with a particular focus on Greece, southern Italy, Spain and Portugal. (European Commission, 2015)

**Ongoing migratory pressures: external and internal migration.** Internal migrations will increase, towards large cities as well as more temporary migrations towards attractive residential zones. The other side of the balance is how to deal with migration-drained areas in Europe, given the fact that those leaving are labour active cohorts, increasing the processes of ageing and social dependency and exclusion in many migration origin regions. Also external migrations may increase, in absolute number as well as in diversity. From the 0.75 million extra-EU migrants in 2010, towards 2030 the annual volume could be 1.2 million, from more diverse origins, backgrounds and purposes than nowadays. (ESPON, 2014; World Bank, 2015)

**Polarisation between autonomy and openness.** As it touches upon many aspects (from identity to economy) and occurs on different scales (from sub-local to global), the question how open or closed people and places will be in the future is key to future developments. People still feel attached to their communities and the municipalities they live in. At the same time they share cosmopolitan identities and belong to virtual communities. Current polarisation is intensified by national governments and nationalistic movements in many (not only but also European) countries that proclaim the revival of a strong and inward-looking nation state. (ESPON, 2014)

**Asymmetric global demographic growth.** Global demographic growth will increase the overall demand for resources. World population will increase to about 8.3 billion by 2030. At the same time, life expectancy will also increase and lead to an ageing of the world population. In political terms migration at global level might become an even more prominent feature as the number of
migrants is expected to further increase. While the medium age in Europe is increasing in some countries it is below 20 years. Low medium age countries show traditionally high levels of conflicts, which may further accelerate migration to other countries (e.g. to Europe). Furthermore too high medium age might in the long turn make countries unattractive and might cause migration trends to more dynamic countries. (ESPON, 2014; Eurostat, 2016)

4.2.3 Political trends
Political trends are endogenous factors that can be influenced (more) directly by policy makers. It is mainly a matter of political majorities which political and policy priorities guide decision making and policy choices.

Political trends. At global level, a combination of antipodal developments can be seen. On the one hand, global tensions increase with a tendency towards block building and protectionism. On the other hand, multilateral agreements are negotiated and adopted in different fields, from climate change to free trade, although we now observe heightened difficulties to keep all governments committed to their implementation (e.g. Paris Climate Agreements, Iran Nuclear Deal). Important overarching political discussions that relate to both external and internal developments and also link back to the other trends and their implications, refer to sustainable development. Going beyond usual sets of socio-economic indicators regularly used for cohesion debates, policy discussions increasingly address issues of quality of life and the shift from ‘quantitative’ to ‘qualitative’ growth.

At European level, there are on the one hand, developments regarding the external dimension, i.e. focusing on Europe’s position in the world such as external security threats which lead to an increasing focus on the protection of the EU’s external borders. On the other hand there are trends oriented towards internal developments within Europe such as efforts to preserve the European economic and social model in times of crisis, increasing divergence in the quality of government, e-governance, going beyond multi-level governance and public economic and social investments.

Examples of territorially relevant political trends

Preserving Europe's social and economic model. The social pillar of the European integration process consists of various aspects, from civil and political rights and decent housing to health services, quality education and protection from poverty and social exclusion. These basic principles have increasingly been challenged over the past years, mainly due to demographic change and austerity measures. Public authorities will increasingly retreat from certain regions, especially from rural and peripheral regions. Consequently, the pressure to preserve the model will increase in more and more regions.

In how far are these selected trends linked to the three main challenges identified in the project? What is the spatial impact they have in relation to the challenges? Chapter 4 tries to bring those two aspects together to identify to what extend they influence the effects and consequences of the three challenges.
4.3 Spatial impact of selected trends

Summing up the two previous sections, three key challenges for the future of Europe have been so far identified in the framework of the European Territorial Reference Framework. These challenges ask for stronger spatial focus that could offer effective responses and spatially sensitive policies. Besides these three challenges, the future of Europe would also be influenced by different political, environmental, social, economic, technological and societal trends, as identified in the previous chapter.

The trends collected and described in the previous chapter do not come without any effects on the identified challenges, resulting in spatial implications and impacts on territorial development. These together, have a spatial impact which is influenced both by the trends and their influence on the challenges.

Bringing both the challenges and the different trends together, this chapter aims to identify in how far and in what way the collected and selected trends influence the effects and consequences of the three challenges. For instance, some of the trends may increase the consequences of the challenges and hence may have a negative impact on Europe’s territories. Others, may decrease the effects of the challenges, and hence have a positive spatial dimension, while others may be rather neutral.

How to read the table

The Table 3 Links between trends and challenges lists the different trends, as identified and analysed in chapter 3. The different arrows show the influence that these trends can have on the three identified challenges, as follows:

⇒ does not influence the identified challenge
⇒ increases the effects of the challenge
⇒ decreases the effects of the challenge

Based on the extent to which those challenges are influenced, the spatial dimension may differ.

The colour coding of the table mirrors the colour coding used in presenting the different trends according to the PEEST approach.

The trends are only sorted by categories of trends, following the PEEST approach. They are not sorted by relevance, neither does the order imply any implicit or explicit prioritisation.

Following this circle of interactions, this paper tries to identify which trends need careful consideration, as they may cause challenges, or which trends may ease the effects of the challenges. This sorting will support the work and discussions on the scenarios, in view of the 3rd meeting of the Strategic Advisory Forum, and eventually support the development of more spatially sensitive policies.

The reflection concerning possible territorial implications focuses only on those trends which featured more prominently at the 2nd meeting of the Strategic Advisory Forum as being of territorial
relevance and in need for action. The below figures are a snapshot of some of the discussions. Based on them, a selection of trends has been made for further consideration of their implications. This input to the next steps of the project work is presented in the overview table.

Figure 5 Results of the group discussions at the 2nd meeting of the Strategic Advisory Forum SAF2

It is worth to mention that, in aggregated terms, European spatial development patterns are expected no to change significantly in the coming decades. Land-taken will be reduce gradually and towards 2050 most spatial development processes will involve regeneration. Therefore, the impacts being assessed are mostly focused on challenges for governments –from local to European scales, still based on territorial jurisdictions and limited by physical boundaries.

Figure 6 Satellite image. Light from cities (NASA).

This image is not expected to change much in the coming decades
<table>
<thead>
<tr>
<th>Trend</th>
<th>Contributes to increasing fragmentation of society and territories</th>
<th>Contributes to further increasing interdependencies of places</th>
<th>Puts further stress on the misalignment of geographical jurisdictions for decision making and the corresponding geography of developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial transformation</td>
<td>Following expectation that an industrial transformation will lead to stronger concentration of single economic players (read winner takes it all) and thus single territories (read hotspots), an increasing fragmentation can be expected</td>
<td>Potentially the links between the concentration hotspots as well as the dependence of other places on these hotspots may increase</td>
<td>Potentially the links between the concentration hotspots as well as the dependence of other places on these hotspots may increase</td>
</tr>
<tr>
<td>Changing educational landscape</td>
<td>An education landscape with MOOC (massive open online courses) for the masses and highly tailor made face-to-face courses for those able and willing to pay for it, is likely to further societal fragmentation</td>
<td>possibly neutral</td>
<td>possibly neutral</td>
</tr>
<tr>
<td>Climate change</td>
<td>The geographically diverse and asymmetric impacts of climate change are likely to contribute to further territorial fragmentation</td>
<td>Climate change mitigation and adaptation will require strong territorial cooperation as large scale measures will stretch beyond single territories</td>
<td>Climate change impacts are not aligned to administrative borders</td>
</tr>
<tr>
<td>Loss of biodiversity</td>
<td>Should be neutral, respectively can go either way</td>
<td>Loss of biodiversity and increasingly poorer ecosystems might imply increased necessity to rely an ecosystem services produced in other places</td>
<td>Should be neutral, although biodiversity and eco systems do not correspond to administrative units</td>
</tr>
<tr>
<td>Pollution of the seas</td>
<td>Principally population of the seas should be neutral, although it has a potential to push differences between polluting places and places suffering under pollution</td>
<td>Pollution of the seas is caused by many different pollutants and as such a result of interdependencies of places</td>
<td>Seas and sea basins are not aligned to administrative borders</td>
</tr>
<tr>
<td>Decreasing energy and carbon intensity</td>
<td>possibly neutral</td>
<td>Decreasing energy and carbon intensity and a shift to more local / regional supplies may reduce the interdependencies between places</td>
<td>possibly neutral</td>
</tr>
<tr>
<td>Trend</td>
<td>Contributes to increasing fragmentation of society and territories</td>
<td>Contributes to further increasing interdependencies of places</td>
<td>Puts further stress on the misalignment of geographical jurisdictions for decision making and the corresponding geography of developments</td>
</tr>
<tr>
<td>-------</td>
<td>------------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Changing nature of tourism</strong></td>
<td>➤ Should be neutral, respectively can go either way</td>
<td>➤ Expanding tourism (incl. higher dependence of EU cities and regions from non-EU tourists) and also lifestyles where people stay for longer periods in different places can potentially increase the links, integration and interdependencies between places</td>
<td>➤ possibly neutral</td>
</tr>
<tr>
<td><strong>Circular economy incl. waste management</strong></td>
<td>➤ Recent ESPON studies suggest that a stronger circular economy has the potential to contribute to more territorial cohesion (ESPON Futures)</td>
<td>➤ Industrial symbiosis process will increasingly require the integration of material flows from different territories</td>
<td>➤ Circular economy approaches economic and environmental systems require cooperation across administrative borders to establish meaningful industrial symbiosis processes</td>
</tr>
<tr>
<td><strong>Increasing concentration to few hotspots</strong></td>
<td>➤ Increasing economic concentration to a few hotspots goes together with increasing fragmentation between places thriving and others</td>
<td>➤ Potentially the links between the concentration hotspots as well as the dependence of other places on these hotspots may increase</td>
<td>➤ Potentially the links between the concentration hotspots as well as the dependence of other places on these hotspots may increase the misalignment</td>
</tr>
<tr>
<td><strong>Accumulation of wealth / capital among a small group</strong></td>
<td>➤ Accumulation of wealth to a small group is a direct expression of increasing societal fragmentation</td>
<td>➤ The agglomeration of global wealth to a small group most likely goes hand in hand with a concentration of economic decision making power of global level which will compare places and their profitability across the global</td>
<td>➤ possibly neutral</td>
</tr>
<tr>
<td><strong>New models of participation and democratic engagement</strong></td>
<td>➤ New models of democratic engagement might help to overcome some fragmentations</td>
<td>➤ Should be neutral (maybe some potential to increase integration of functional areas)</td>
<td>➤ Potentially some new models of participation and democratic engagement can cut across existing political and administrative delineations</td>
</tr>
<tr>
<td><strong>Persistent economic inactivity/unemployment among certain groups, social exclusion</strong></td>
<td>➤ Increasing social exclusion is as such already an expression of societal fragmentation</td>
<td>➤ A possible geographical concentration of social exclusion leads indirectly to increasing interdependencies of places, e.g. via the social welfare system</td>
<td>➤ possibly neutral</td>
</tr>
<tr>
<td>Trend</td>
<td>Contributes to increasing fragmentation of society and territories</td>
<td>Contributes to further increasing interdependencies of places</td>
<td>Puts further stress on the misalignment of geographical jurisdictions for decision making and the corresponding geography of developments</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>--------------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>On-going migratory pressures: internal migrations</strong></td>
<td>↗ Internal migration within regions, countries and Europe will lead to increasing territorial concentration</td>
<td>↗ Increasing territorial interdependencies with demographically growing and declining places</td>
<td>➔ possibly neutral</td>
</tr>
<tr>
<td><strong>On-going migratory pressures: external migrations</strong></td>
<td>↗ External migration pressures and the political tensions related to it, risk to increase the societal and territorial fragmentation in Europe</td>
<td>↗ External migration flows contribute also to increasing interdependencies between places incl. places of origin, transit and destination</td>
<td>➔ Migration flows challenge administrative divisions as places of origin, transit places and places of (desired) destinations are not part of the same administrative area</td>
</tr>
<tr>
<td><strong>Polarisation between autonomy and openness</strong></td>
<td>↗ Increasing polarisation is an expression of increasing fragmentation</td>
<td>➔ Polarisation should be neutral, the development of interdependencies depends on which pole prevails</td>
<td>➔ possibly neutral</td>
</tr>
<tr>
<td><strong>Asymmetric global demographic growth</strong></td>
<td>↗ Asymmetric global demographic growth is most likely to further accelerated fragmentation at a global level as exciting power balances / pattern will be challenged</td>
<td>↗ Asymmetric global demographic growth may increase interdependencies of places, as regards e.g. services or migration</td>
<td>➔ possibly neutral</td>
</tr>
<tr>
<td><strong>Preserving Europe’s social and economic model</strong></td>
<td>↗ The European model of society attempts to combat societal fragmentation</td>
<td>↗ Europe’s social and economic model is built on increasingly stronger ties between places and the freedom of movement</td>
<td>➔ possibly neutral</td>
</tr>
</tbody>
</table>

Table 3 Links between trends and challenges

The trends identified in the previous chapter influence either in a positive, negative or neutral way the identified challenges for the future of Europe. This may have some consequences on the spatial dimension of these trends, by identifying that some trends need careful consideration, as they may cause challenges, or which trends may ease the effects of the challenges.

**Technological trends.** Technological trends are exogenous trends to which policies need to adjust. Their impacts may vary being either positive or neutral. When it comes, for instance, to industrial transformation, it may increase fragmentation with some territories becoming hotspots and others lagging behind. This fragmentation would also increase places’ interdependences and cause a rather negative impact on the territorial development. Changing the educational landscape seems to be rather neutral on spaces in Europe, without largely influencing places interdependencies or places fragmentation.
**Environmental trends.** Environmental policy is one of the policies that requires special attention when it comes to territorial development objectives, as environmental issues go beyond administrative borders and require a strong cooperation and linkages between places. When linking the environmental trends with the identified challenges, the impacts on objectives on territorial development seem rather negative. Taking for instance, climate change, and given its geographically diverse and asymmetric impacts and the requirement for stronger cooperation, or pollution of the seas and loss of biodiversity which both may have a neutral influence on increasing fragmentation, combined with the required strong linkages and cooperation between places, they seem not to have a positive impact on territories. Decreasing energy and carbon diversity is the only from the environmental trends which would positively influence territories in the EU.

**Economic trends.** As regards economic trends, the picture differs per identified trend. Circular economy is not linked to administrative geographies and has the potential to contribute to territorial cohesion, increasing the integration of material flows between administrative borders. This may have a positive impact on territorial development policies and objectives in future. This is, however, not the case for the trend on increasing concentration to few hotspots, which may increase both the fragmentation between places and the dependence of hotspots between places. This might also increase the misalignment of geographical jurisdictions for decision making. As a result, it may have a negative impact on territorial development objectives. Expanding tourism, seems to overall have a neutral effect on spatial development, without negatively influencing the three core challenges identified so far.

**Societal trends.** The societal trends identified seem to potentially have a negative impact on territorial development objectives. Persistent economic inactivity and unemployment among certain groups causing social exclusion, on-going internal and external migration, the desire to close borders and minds, the asymmetric global demographic growth and the accumulation of wealth in a few groups can result in further fragmentation across spaces. Similarly, these trends exacerbate the interdependences across territories or even ignore them (when it comes to closing borders), stressing at the same time the misalignment of geographical jurisdictions for decision making. The new models of participation and democratic engagement, would on the contrary overcome some fragmentations and go beyond administrative borders, eventually having a positive impact on spaces.

**Political trends.** The political trend that shows high territorial relevance and need for action is the preservation of Europe’s social and economic model. This trend seems to have a positive impact on objectives related to territorial development. For instance, the trend does not increase the fragmentation of society and territories, while it builds on stronger links between places.

Instead of looking at the table from the perspectives of different groups of trends, it can also be summarised from the perspective of the three key challenges, i.e. by columns. Most trends indeed accelerate the challenges that European governments will face and increase their effects. Only
few trends have the potential to mitigate them. This confirms the need for action and the territorial relevance of the trends which were discussed at the 2\textsuperscript{nd} meeting of the Strategic Advisory Forum.

### 4.4 Possible pathways towards scenarios

In the discussion of the 2\textsuperscript{nd} meeting of the Strategic Advisory Forum, several possible paths for developing scenarios have been highlighted:

- **From trends to scenarios.** Taking further the trend discussion, in particular exogenous trends could be used to develop scenarios for Europe. Some trends will shape our future with policy making mainly reacting to them, rather than shaping them. This is in particular true for environmental and technological trends. A selection of exogenous trends and different bifurcation points, can serve as a robust basis for scenario development – in particular when considering territorially differentiate implications of the trends.

- **From policies to scenarios.** Serving policy development, different outlooks on key policies can function as starting point for scenario building. In a European context technology policies, migration policies and monetary policies could be of particular interest. For these policy areas a set of scenarios could be developed assuming different possible policy decisions (or pathways) for each of them.\(^8\) Scenarios based on different key policy decisions and their knock-on effects and territorial implications would serve as highly policy oriented input to the next steps of the project work.

- **From territorial governance to scenarios.** Taking a wider and more comprehensive approach, the three territorial challenges identified in SAF1 and further developed in SAF2 can be considered as drivers forcing the reform of European governance systems. In this case, scenario building would imply back-casting, starting from assumptions or ‘what if questions’ about repairing or rebuilding European old political structures at local, regional, member state and European scales to be in a better situation to face new trends. The quality of government, in terms of efficiency and legitimacy, relies on how it can be reinvented in the coming decades taking into consideration technologic and cultural changes. It is not only a question of which policies, but also of whom will design and implement them.

Considering these three possible ways forward as well as the above understandings of scenarios and visions, the project team will prepare the next steps towards scenarios and visions to be discussed in autumn 2018. The meeting of the Strategic Advisory Forum on 2\textsuperscript{nd} of October 2018 is meant to focus on mid-term scenarios (2030), and the meeting on 20\textsuperscript{th} of November 2018 on a long-term territorial vision for 2050.

\(^8\) In the same way scenarios could also be build around different assumptions about the future Multiannual Financial Framework of the EU or about EU Cohesion Policy. However, this was not followed up as these policies have a shorter time horizon than the scenarios.
TRF scenarios introduced in the Interim Report are initially be drafted from the third possibility mentioned (a Territorial governance approach), and also include elements of the other two possibilities as well.
5 Scenarios (SAF 3)

For the development of scenarios, different approaches can be used. The next chapter gives first some definitions to keep in mind before working on the scenarios, as well as presents as a background relevant scenarios and different paths to take for the scenario development.

**Understanding of ‘Scenarios’ and ‘Visions’**

Following definitions for territorial scenarios and visions for Europe 2050 developed during the Luxembourg EU Presidency (Zillmer et al., 2015), we propose following understandings:

**Scenarios** are a plausible description of how the future might develop, based on a coherent and internally consistent set of assumptions (‘scenario logic’) about the key relationships and driving forces.
- Scenarios are used in different phases of the policy process. Often they provide the starting point for policy development.
- Discussing scenarios can be a vehicle for exchanging ideas, possible agreements and changing the mind sets of policy-makers.
- Scenarios are based on empirical evidence, quantitative and/or qualitative information. Thus, they can provide a sound basis for developing recommendations or illustrate the likely effects of different policy options.
- In order to take all relevant perspectives into account, including processes driven by experts, participatory processes are a key element in the development of scenarios.
- Addressees are decision-makers in the fields of territorial policies and various other relevant sector policies. Moving beyond this group of territorial specialists and ‘associates’ is however a challenge that requires that sector policies are addressed in appropriate and convincing ways.

**Visions** define a desirable picture of the future. This picture is based on a core set of ideas, values and principles. Other terms also used to describe similar long-term pictures of desirable futures are ‘perspectives’ or ‘strategies’. However, perspectives and strategies have a stronger focus on steps towards a desirable future, whereas ‘visions’ often only describe the picture without much explanation of how to actually achieve it.
- There is a willingness among policy-makers to work on visions. The rather different time horizons used by vision processes and policy-makers are however difficult to align.
- When identifying the relevant themes for visions it is important to search for common interests and objectives and to focus on aspects that need to be tackled (also) beyond national policy-making.
- Vision processes can be useful in raising awareness among policy-makers and in work to identify common goals and achieve a common understanding.
- Addressees are decision-makers from both the territorial policy community and from various other sector policy areas. The long time spans required for vision processes however
undoubtedly hamper the development process and the continuity of ownership among the players involved.

- The relation between the territory and visioning process needs to be clarified. A territorial vision is not an end in itself. It should serve larger objectives, such as well-being and/or living conditions. Accordingly, a territorial vision should be understood to represent only the territorial translation of a spatially blind objective or vision.

5.1 Background

Based on the discussion of various trends shaping the future of Europe and its territorial diversity, the project moves forwards to developing scenarios and visions for Europe. The purpose is to inform and support the development of a renewed Territorial Agenda 2020, taking into account the conclusions of the Luxembourg EU Presidency (2015): This process should be informed by a long-term scenario and visioning process, involving relevant stakeholders from all sectors and levels of government leading to the development of long-term European territorial development perspective and mid-term policy recommendations (European Territorial Reference Framework for Europe).

In 1989 the Forward Studies Unit was established by the European Commission as a small 'think tank' staffed with EU officials reporting directly to President Jacques Delors. Now it is known as Bureau of European Policy Advisers. Since the “Scenarios of Europe 2010” (1999) by the European Commission Forward Studies Unit, to the recent “White Paper on the Future of Europe” (2017) by the European Commission, a large number of prospective studies have been carried out in Europe.

Different methodological approaches –quantitative and qualitative, and participatory, have been applied, and each study had a particular thematic or sectorial focus. All studies considered, however, deal one way or another with the topics and main visionary ideas introduced in the “Scenarios of Europe 2010”.

Twenty five leading analysts to look into the future and work through a number of scenarios to see where the EU might be in 2050. Their work, presented in this Global Europe 2050 report (2012) analyses three key scenarios which describe different but nonetheless possible pathways that Europe could choose to follow over the decades to come.

- The first scenario is what if “Nobody cares” and Europe just muddles along with no clear vision or direction. In this scenario the analysis shows that economic growth will remain stubbornly lower than in the US and China, and that we will fail to exploit our potential for innovation and will, in consequence, lose our position in terms of global competitiveness to other regions in the world.

- At the other extreme, the “EU under threat scenario” paints a bleak picture of global economic decline followed by reactionary protectionist measures. The EU will see its share of world GDP fall by almost a half by 2050. Frequent food and oil crises will occur. EU Member States will become more inward-looking leading to inefficient fragmentation of effort that will touch every sector especially research – so vital for our future prosperity.
• The third scenario, which the experts call the “European Renaissance”, describes a much more attractive pathway. The EU continues to enlarge and become stronger. It consolidates its political, fiscal and military integration. Innovation systems become more efficient with an increased role given to users. Investment in technological and services innovations will have a direct impact on economic and social development. Member States will work together to make the European Research Area fully functional with research agendas being decided in common across Europe. EU GDP almost double by 2050.

The scenarios developed by “White Paper on the Future of Europe” (2017) by the European Commission are summarised as follows (see the full table in annex).

• **Carrying on**: Single market is strengthened, including in the energy and digital sectors; the EU27 pursues progressive trade agreements

• **Nothing but the single market**: Single market for goods and capital strengthened; standards continue to differ; free movement of people and services not fully guaranteed

• **Those who want more do more**: As in “Carrying on”, single market is strengthened and the EU27 pursues progressive trade agreements

• **Doing less more efficiently**: Common standards set to a minimum but enforcement is strengthened in areas regulated at EU level; trade exclusively dealt with at EU level

• **Doing much more together**: Single market strengthened through harmonisation of standards and stronger enforcement; trade exclusively dealt with at EU level

Next table presents the scenarios developed in the three studies and the relative influences. While the 1999 study is far more comprehensive and the 2017 more focused on European institutions, similarities between both are interesting indeed.

The logic of the scenarios usually designed assumes a pessimistic baseline based on a growing number of conflicts leading to gradual adjustments from the status-quo (1), a more or less important disruption of previous trends leading to the political disintegration of Europe –(2), or a more optimistic evolution requiring bold reforms towards alternative forms of cooperation and integration (3). In this sense, it is interesting to notice how much the “Turbulent Neighbourhoods” scenario from 1999, and the “EU under threat scenario” of 2012, corresponds to a large extend to the way nowadays we tend to think on present times.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turbulent Neighbourhoods</td>
<td>EU under threat scenario</td>
<td>Carrying on</td>
</tr>
<tr>
<td>Triumphant Markets</td>
<td>Nobody cares</td>
<td>Nothing but the Single Market</td>
</tr>
<tr>
<td>The Hundred Flowers</td>
<td>European Renaissance</td>
<td>Looking for more do more</td>
</tr>
<tr>
<td>Shared Responsibilities</td>
<td></td>
<td>Doing less more efficiently</td>
</tr>
<tr>
<td>Creative Societies</td>
<td></td>
<td>Doing much more together</td>
</tr>
</tbody>
</table>

Table 4 Table Scenarios designed in European studies (1999, 2012, 2017) and “proximity” among them
5.2 Design of scenarios by a Governance Approach

Theoretically speaking “old territorialities” (governments with territorial jurisdictions) can be rebuild following the principle of subsidiarity strictly, or be repaired by *piece-meal engineering*. The gradual transformation of European public administrations will anyway require to increase the quality of government in the short term, opening the way towards deeper reforms only possible in most cases in the long-term. The long-term rebuilding process may be driven by a combination of a local bottom-up push and/or pulled from European institutions. Overall, there is a major uncertainty related to the impact of new technologies, if they will result in further centralised and controlled or in more decentralised and self-organised activities.

Different alternative scenarios are proposed focusing on how European governments will manage to face the territorial challenges:

- **Pervasive Uncertainty** (as a Reference, most likely scenario based on protectionism and rise of retrospective values, authoritarian government)
- **Successful Cooperation** (as a preferable scenario, based on implementing successful territorial governance processes in the the next decade, enabling government),
- **Global Balance** and **Local Renaissance** (alternative top-down and bottom-up scenarios able to carry on structural reforms on policy systems).

These scenarios are not understood necessarily as alternatives strictly running from 2020 to 2050.

*Figure 7 Images representing the four scenarios proposed*
In the time framework of the Territorial Agenda post 2020 "Successful Cooperation" is proposed to be the dominant scenario to be further promoted.

Next table illustrate how the scenarios deal with the paramount challenges identified:

| Territorial Challenges                                                                 | |=|leftrightarrow|↓|↑ |
|--------------------------------------------------------------------------------------|---|---------------|---|---|
| Fragmentation of society and territories                                            | - | +             | ++ | + |
| Mismanagement of interdependencies: spill-over and externalities across boundaries.  | - | +             | ++ | ++ |
| Misalignment between geographical jurisdictions and the corresponding geography       | - | +             | +  | ++ |

*Table 5 Four scenarios against territorial challenges. T*

The figure shows how well the scenarios are prepared for mastering the challenges ahead - as identified by the study. Minus (-) means not very well prepared, i.e. Europe will be hit by the negative consequences of the challenge. Plus (+) means well prepared to respond to and master the challenge. Double plus means very well prepared.

To better display scenarios, we can represent in a vertical axis economic efficiency versus political legitimacy as claims asking for reform, while the horizontal axis attachment to existing
territorialities, in terms of retrospective feeling aiming to reinforce or repair inherited communities or prospective claims to move forward new communities.

![Diagram of Territorial Agenda 2020-2030](image)

**Figure 9 Four scenarios to be discussed in SAF3**

According to the so-called “Three horizons model” approach to scenario-building we can imagine that all scenarios move over time, each one having more or less relevance/dominance at each moment of time. In this view, the narrative of the Territorial Agenda post2020 should support the “Successful Cooperation” scenario in the next decade, as stepwise process towards the deep reforms at European and local scale required later.

The scenarios just introduced will be redrafted to enhance their spatial implications taking as starting point the ET2050 scenarios\(^9\), assuming that there is a clear spatial development implication linked to how political power is distributed across the European geography. While more centralised and top-down scenarios may provide more likely for common integrated policies at continental scale and scale-up urban structures overtime, more decentralised and bottom-up scenarios may due just the opposite. In either case, no radical transformations can

---

\(^9\) As they were originally drafted, the focus of ET2050 scenarios was mostly related to spatial development aiming to provide a reference for a possible update of the European Spatial Development Prospective (ESDP, 1999), in line with the Territorial Agenda 2020. That effort was also in line with proposals by the Committee of Regions that reiterates its call for a new territorial vision that would bring the 1999 European Spatial Development Perspective up to date (COTER, 2018).
be expected in few decades giving the resilience of European patterns. Next table illustrates which scenarios by ET2050 and other relevant studies will inspire TRF scenario’s narratives:

<table>
<thead>
<tr>
<th>SUCCESFUL COOPERATION</th>
<th>GLOBAL BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Public policies promoting secondary city-networks</td>
<td>• Market based growth favouring large metropolis</td>
</tr>
<tr>
<td>• Creative Societies</td>
<td>• Triumphant Markets</td>
</tr>
<tr>
<td>• Shared Responsibilities</td>
<td>• Those who want more do more</td>
</tr>
<tr>
<td>• European Renaissance</td>
<td>• Nobody cares</td>
</tr>
<tr>
<td>• Doing much more together</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PERVASIVE UNCERTAINTY</th>
<th>LOCAL RENAISSANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• EU under threat scenario</td>
<td>• Local and European initiatives promoting small cities and less developed regions</td>
</tr>
<tr>
<td>• Turbulent Neighbourhoods</td>
<td>• 1000 flowers</td>
</tr>
<tr>
<td>• Nothing but the Single Market</td>
<td></td>
</tr>
<tr>
<td>• Carrying on</td>
<td></td>
</tr>
<tr>
<td>• Doing less more efficiently</td>
<td></td>
</tr>
</tbody>
</table>

*Table 6 Scenarios from ET2050 and other relevant studies in line with TRF proposed scenarios*
5.3 Pervasive Uncertainty Reference Scenario

A likely evolution of actual trends it is assumed as a reference scenario in the 2020-2030. The scenario is characterised by insufficient political changes. The paramount political aim is assuring stability Europe to deal with the growing uncertainty and feelings of national governments losing control –in front of migration and global corporations. There is a recentralisation process at Member States level, and only few internal reforms of local and regional governments are feasible in certain countries. A positive evolution of this scenario in the mid-term is possible by its failure to accomplish their promises. This scenario assumes “Governing by authority”, and suggests the use of traditional forms of authority, such as regulation and direction that persist despite reforms. This method is seen when national governments intervene directly in local politics through mandates or other compulsory means.
Disparities among cities, regions and Member States will tend to keep growing, and companies operating in each European national economy will look for their own global trade opportunities. “Costs for non-Europe” will grow. Cohesion policy become further renationalised, transfers reduced and strict conditionality applied in relation to macroeconomic conditions only. Most national capitals become global cities and polarise growth, attracting migrants from the rest of the country. Agglomeration economies in these cities, and network economies between them and the rest of the world become more relevant that nowadays.

Seed: "The 'Defend Europe' missions are meant to make the government reinforce the borders (in places where there's a great influx of illegal immigrants)." French Interior Minister Gerard Collomb condemned the "gestures" by the French anti-immigration group Generation Identitaire that blocked the Italy-France border in the Alps region to stop migrants from crossing into France. Last Saturday, up to 100 activists from the anti-immigration group gathered at Col de l'Echelle in the French Alps to prevent immigrants crossing the border from Italy — an operation they called 'Defend Europe', a group spokesman told Euronews over a Facebook message. "The wave of economic migrants is getting bigger and bigger and is the main reason for our loss of French and European identity but also the main cause of violence (in Europe)," they added.

5.4 Successful Cooperation Scenario

It is assumed to be a positive implementation of the territorial governance paradigm in the short-term 2020-2030, as a necessary pathway towards deeper structural reforms in the mid and long-term, either following the “Global Balance” (with a top-down emphasis, led by European institutions) or the “Local Renaissance” scenarios (bottom-up emphasis, from local and communitarian place-based institutions). The scenario is based on the “Governing through enabling” paradigm, based on facilitating, co-ordinating and encouraging action through partnership with private and voluntary sector agencies, and through various forms of community engagement. Governing through enabling works through persuasion, constructive criticism and incentives. It is based on a “flexible geometry” and runs at a “multiple speed”. Even if many barriers to cooperation remain, political integration is further developed, particularly in some euro-regions and macro-regions (e.g. Baltic, Alpine, Danube...), as well in cross-border and functional urban areas where social and economic relations already exists, as well as common interests. Multiple association agreements will be established with an increasing number of neighbouring countries.

Disparities among cities and regions will remain stable in terms of GPD/capita, but if measured in social wellbeing can be reduced. Cohesion policies will be reformed, the budget maintained and integrated into a single fund focused on improving quality of governance and cross-border issues, particularly targeted to borders with neighbouring countries.

Seed: The European Union Strategy for the Baltic Sea Region (EUSBSR) is the first Macro-regional Strategy in Europe. The Strategy was approved by the European Council in 2009 following a communication from the European Commission. The Strategy is divided into three objectives, which represent the three key challenges of the Strategy: saving the sea, connecting the region and increasing prosperity. Each objective relates to a wide range of policies and has an impact on the other objectives. The Strategy is an agreement between the Member States of the EU and the European Commission to strengthen cooperation between the countries bordering the Baltic Sea in order to meet the common challenges and to benefit from common opportunities facing the region. The EU member states involved in the EUSBSR are Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland. The EUSBSR implementation is coordinated in close contact with the European Commission and
all relevant stakeholders, i.e. other member states, regional and local authorities, inter-governmental and non-governmental bodies. The Strategy is also welcoming cooperation with EU neighbouring countries (Russia, Iceland, Norway and Belarus).

The Network of cities scenario (ET2050) provides an image of the European territory that may inspire “Successful Cooperation”. Economic and population growth, as well as most private and public investments, take place within existing cities that give structure to the European territory: national capitals and major regional capitals as driving forces. It is a place-based scenario that follows the priority of the European Spatial Development Perspective (1999) and the two Territorial Agenda (2007; 2011) for balanced polycentric urban systems at the macro-regional or national scale for the 261 cities of European or national significance defined in ESPON 1.1.1 (2005, 114). Policies applied are mainly in the fields of Cohesion funds being mostly targeted to cities, including urban renewal and reurbanisation, and R&D investments distributed among cities, and promotion of regional and national transport networks. This scenario is characterised by economically strong and compact cities as centres of excellence. The increasing concentration of added-value activities in cities does not necessarily implies a process of rural decline, but its increasing functional dependency on large cities.

10 This scenario was inspired by the work of the following authors (relevant references provided in each case)

Einsele, Martin, The Upper Rhine, an Alternative Metropolis, (1988)
Jacobs, Jane, Dead and Life in the American Cities
Glaser, Edward, Triumph of the City, (2011)
Sola-Morales, Ignasi, Metropolis, (2005)
White, William H., City. Rediscovering the Center (1988)
5.5 Global Balance Scenario

It assumes that short-term enhanced cooperation and increasing demands for European policy action on new areas of common interest will pave the way towards significant reforms on European political geography from 2035-2050. Flows of people, goods, energy, resources and information, will continue to grow. Feelings of new generations will be less attached to inherited territorialities, and Europeans will feel increasingly cosmopolitan, sharing multiple identities, the European one among others. The European Union will be able to continue to reinvent itself as a “new territoriality”, with institutions strong enough to push other European governments to improve their quality significantly. The common European institutions are able to deal with the power of global corporations and regulate emerging technologies to enhance their positive impacts. The European Parliament and the European Commission have a critical role in the establishment of new common regulations for network industries (e.g. European transport or energy systems) and more advanced technologic sectors (e.g. robotics, biomedicine) aiming to protect citizens rights. The “Cost of non-Europe” will be removed through a completed Single Market. The European Union will be engaged on co-development projects on neighbouring countries able to reduce forced labour migration. European Union solves its “democratic deficit”. “Governing by provision” shapes practice through the delivery of services and resources at the geographic scale if becomes more efficient. Services and incentives. Governing by provision is accomplished through practical and material means, including infrastructure. Less advanced
local, regional, state administrations increase their quality of government in few decades, removing barriers to cross-border cooperation.

Disparities are reduced in the long-run. Reforming actual territories further induce not just cooperation but synergies among European territories at all scales, as well as the private sector. European Cohesion policies deal with “places that do not matter” in the short-term, as well as with “neighbouring regions”.

Seed: Google is appealing against the record €2.4bn (£2.2bn) fine imposed by the European Union for its abuse of its dominance of the search engine market in building its shopping comparison service. The world’s most popular internet search engine has launched its appeal after it was fined by the European commission for what was described as an “old school” form of illegality. The Luxembourg-based general court, Europe’s second-highest, is expected to take several years before ruling on Google’s appeal, which had been widely expected. The Silicon Valley giant had responded to the fine at the time of its announcement by saying that it “respectfully” disagreed with the legal argument being pursued. A spokesmen for the commission said: “The commission will defend its decision in court.”

The Global Metropolitan Areas scenario (ET2050) provides a possible image of Europe in which the territory is more dynamic, flexible and adaptable to technological, social and economic change. This scenario follows the Europe 2020 strategy of promoting global competitiveness of Europe by promoting the economic development of the largest metropolitan areas of global importance in Europe, i.e. of the 76 Metropolitan European Growth Areas (MEGAs) defined in ESPON 1.1.1 (2005, 118). The policies applied are mainly investments in MEGAs supporting of high-level R&D as well as European transport infrastructure, such as high-speed rail, and enhancing connections and long distance networks, favouring more efficient technologies and management strategies. More integrated trans-national zones emerge by the networking of cities in cross-border areas, and transport and energy corridors link major European centres of production and consumption with neighbouring countries and the rest of the World.

---

11 This scenario was inspired by the work of the following authors (relevant references provided in each case)

Castells, Manuel. The Space of Flows
Bauman, Zygmunt, 44 letters from the Liquid Modern World (2011)
Dupuy, Gabriel. Systèmes, réseaux et territoires. Réseautique territorial (1985)
García Vázquez, Carlos, Antípolis, (2011)
Garreau, Joel. Edge Cities (1993)
Hall, P., Megacities, World Cities and Global Cities, in Megacities (2010)
Nijkamp, Peter. Megacities: Lands of Hope and Glory, in Megacities (2010)
Kasarda, John. Aerotropolis. The Way We’ll Life Next (2011)
Kunstler, James Howard. The geography of nowhere (1993)
Rowe, Peter. Making a Middle Landscape (1991)
5.6 Local Renaissance Scenario

It assumes an optimistic impact of new technologies, also based on successful public policies favouring more decentralised and self-organising communities, based on sharing and circular bottom-up economies. It also assumes that local renaissance will remain marginal on the short-term and only towards 2035 will begin to become a possible dominant scenarios in 2050. Actual categories such as consumer/producer ("prosumer"), local/global ("glocal"), cooperation/competition, personal/business, private/public will become obsolete soon. Multinational corporations are already becoming "multilocal". "Self-governing" includes a local public administration governing its own activities. It is characterised by self-motivated action and may take place in cities and regions. Self-governing may occur if mandatory legislation is limited or non-existent. It relies on organisational management processes. Cohesion policies are delivered through Community-led development processes having European support only in places where communities are weak.

Seed: Bristol Community Land Trust (the Trust) formed in 2011 to open up opportunities for acquiring and developing land for its members. Community Land Trusts are local organisations set up to develop and manage homes, community enterprises and workspaces. Responding to citywide housing challenges, At its launch event, 250 people attended and 150 joined as members. Each member made a payment of £1, which entitled them to a single vote in the company. The £1 is the limit of their personal liability. The management board is made up of local housing activists, professional consultants, local councillors, future residents and housing association officers elected by the members. 325 Fishponds Road was the Trust’s pilot project, consisting of 12 homes. Bristol City Council allocated £300k to help fund the project, and further support to help fund a development officer for an initial 18 months. In July 2012 the Trust applied for planning permission, and the project broke ground in summer 2015.
Promoting Regions and Smaller Cities scenario (ET2050) provides an image of the European territory in which urban and rural territories form a mosaic of different regions and types of territories with identities nourished by local and regional governments able to cooperate in areas of common interest. Local and regional scales favouring geographic proximity have to be strongly promoted by public policies to support endogenous development and increase economic resilience in a world with increasing economic vulnerability and scarce and more expansive transport and energy, even if this leads to zero growth in the short-term. European Cohesion policies should be targeted to small and medium-size towns and rural regions, especially in less developed countries, favouring changes in people and corporative behaviour. This territorial policy will support emerging alternative economic practices such as consumer cooperatives, agro-ecological production networks, social currency networks, seed banks, etc, therefore balancing the strong deterritorialisation trends of contemporary global financial. This scenario responds to the challenges of energy scarcity and climate change expressed in the Territorial Agenda 2020 (2011) by promoting small and medium-sized cities as centres of self-contained and economically resilient regions with more sustainable mobility patterns yet taking account of the necessary economies of scale of services of general interest and the prospects of an ageing society. Policies applied are mainly from the fields of cohesion funds targeting mostly rural less developed areas, and transport investments focused on local and regional networks.

---

12 This scenario was inspired by the work of the following authors (relevant references provided in each case)

Rubin, Jeff, Why Your World is About to Get a Whole Lot Smaller, (2009)
Illych, Ivan, The Art of Habitat (1984)
Latouche, Serge, Petit traité de la décroissance sereine (2009)
Map 3 Territorial Scenario based on Promoting Regions and Smaller Cities

Source: ESPON ET2050 (2016)

Next graphics shows a possible way to link spatial development-oriented scenarios with the ones focused on governance introduced before:
6 Reference Scenario 2020-2035 (SAF3)

The reference that is adopted for discussion purposes during the initial phase of the participatory process is aligned with the official European Reference Baseline scenario elaborated and updated regularly by the European Commission, with the participation of the DG ECFIN\(^{13}\), DG Clima, DG Move, DG Energy\(^{14}\), Eurostat\(^{15}\) and the Joint Research Centre\(^{16}\). It is also relevant in terms of qualitative orientations the White Paper on the Future of Europe, promoted by the EC\(^{17}\).

The reference has been modelled using the MASST4 model\(^{18}\).

6.1 Story-line: Pervasive Uncertainty Ahead (2020-2035)

The current political mood in the EU (summer 2018) is strongly influenced by hard security concerns and negative perceptions of an on-going migration crisis (while numbers have actually reduced, the impact on different parts of Europe is very different). This has enabled the success of populist, Eurosceptical political parties that have utilised these issues to make electoral gains in a wide range of countries, including entering government in countries like Austria and Italy. In addition, the East-West divide continues and a number of mainstream parties are starting to adopt the same populist arguments and policies. While the EU economy has improved significantly, the perception of instability and uncertainty is pervasive. Political fragmentation between the EU’s member states remains a key barrier to any positive steps forward and there appears little, current momentum for a more future-oriented approach to further EU integration.

It is likely that this narrative will continue to be central to the political debates in the EU. The political implications are a focus on ‘protective’ policies such as stronger border controls, as well as unilateral Member State initiatives to control migrant flows. Increasing fragmentation at the Member State level, in political decision making will challenge the continuation of common and unified EU responses to on-going or new EU problems and opportunities.

In combination with the global headwinds for open economic policies, the current political trends are likely to lead to more closed borders and a more functional, and pragmatic, rather than principles-based, approach, for example in the EU’s policies towards its neighbourhood. This implies we will only see ‘more Europe’ in those areas where common EU action serves this narrative (border controls, anti-terrorism) and the likely marginalisation of more positive cross-


\(^{15}\) Eurostat (2017); “2015-based population projections”, released by Eurostat in February 2017

\(^{16}\) JRC (2016); “Regionalising the 2015 Ageing Report’s projections”, implemented by the LUISA Territorial modelling Platform.

\(^{17}\) EC (2017); “White paper on the future of Europe and the way forward: Reflections and scenarios for the EU27”, presented by the European Commission on 1 March 2017.

\(^{18}\) MASST4 model developed by Politécnico di Milano
border cooperation. In terms of encouraging cohesion, the main narrative is shifting from a more solidarity-based approach to one which is more functional and oriented towards net payer priorities (including structural reforms to stabilise the EMU and rewards for accepting appropriate burdens e.g. on migration, combating populists).

Under this scenario of pervasive uncertainty, there are policy implications that can be drawn. These include a far greater focus on risk and crisis management, as well as a strong focus on flexibility and speed of policy response as a pre-condition to effective reactions to change / emerging developments (both positive and negative).

Nonetheless, within this context globalisation dynamics are likely to influence the nature of economic interactions, which will become increasingly decentralised and personalised, while easily crossing borders.

The precautionary principle remains central but there is an increasing need to apply the innovation principle, to shape change in a positive way. There will be a continuous challenge to existing structures and processes, implying a need for stronger efforts of more traditional political actors to remain relevant. These political actors – most likely having to accept the inevitability of this environment of continuous change - will have to compete with a strengthened, more populist-oriented narrative based on identity, closed borders and protection. At the same time, is possible that the recentralisation at Member State level will pave the way towards internal territorial reforms where subsidiarity principles be strictly applied.

### 6.2 Quantitative analysis

As a benchmark for the different scenarios that the project aims at, a reference scenario has been built. The reference scenario differs from the baseline scenario in that while the latter has to be intended as a trend scenario, the former one is not the simple extrapolation of past trends. This one does not seem meaningful in a context where numerous factors of strategic significance are changing. Therefore, a reference scenario takes into account the structural changes that have manifested themselves in the last period.

A series of qualitative assumptions are behind the reference scenario, of different nature.

**Assumptions on macroeconomic trends:**

<table>
<thead>
<tr>
<th>A series of pre-crisis conditions are unlikely to be replicated in the post-crisis scenario:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) <strong>high volatility of investments</strong> of the post crisis period will continue;</td>
</tr>
<tr>
<td>2) a normal reactivity of investment growth to GDP growth will be replaced by <strong>a high reactivity of investment growth to GDP growth, even if decreasing in the long term</strong>;</td>
</tr>
<tr>
<td>3) free international trade between US and EU is replaced by the present risk of protectionist measures between US and EU, which leads to <strong>a lower increase in export with respect to the past long term trend</strong>;</td>
</tr>
</tbody>
</table>

Instead, some crisis trends are likely to continue in the future, namely:
4) Permanent controls on national deficits and debts;

5) Some controlled exceptions of public expenditures for low-growing and indebted countries (due to political risks, like the recent Italian elections showed);

6) Low inflation rates;

7) Expansionary monetary policy (quantitative easing) concludes by the end of 2018, as officially stated by the European Central Bank.

Assumptions on industrial trends:

8) A stop in the deindustrialization of the European economy, and instead an initial launch of high-tech industry in Europe, under the influence of the new technological paradigm «Industry 4.0»;

9) An increase in high-value added services related to the adoption of Industry 4.0 related technologies.

<table>
<thead>
<tr>
<th>Qualitative assumptions</th>
<th>Model’s levers</th>
<th>Quantitative assumptions (targets in 2035)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assumptions on macroeconomic trends</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High volatility of investments, decreasing in the long run</td>
<td>Coefficient of investment trends</td>
<td>Lower value</td>
</tr>
<tr>
<td>High reactivity of investments growth to GDP growth, decreasing in the long run</td>
<td>Coefficient of GDP growth with respect to Investment growth</td>
<td>Lower value</td>
</tr>
<tr>
<td>Risk of protectionism and therefore lower export increase</td>
<td>Constant of export growth</td>
<td>Lower value</td>
</tr>
<tr>
<td>Permanent controls on national deficits and debts</td>
<td>Targets on deficits and debts</td>
<td>3% : Deficit / GDP 60%: Debt / GDP for Eastern countries 90% : Debt / GDP for Western countries 110% : Debt / GDP for Western countries belonging to cluster 1*</td>
</tr>
<tr>
<td>Some controlled exceptions of public expenditures</td>
<td>Targets on debts</td>
<td>110% : Debts over GDP on “problematic countries”</td>
</tr>
<tr>
<td>Low inflation rates</td>
<td>Inflation rate</td>
<td>2.5% Western countries 5% Eastern countries</td>
</tr>
<tr>
<td>End of the expansionary monetary policy (quantitative easing)</td>
<td>Interest rates</td>
<td>3% Western countries; 4% Eastern countries 4% Western countries belonging to cluster 1; 6% Eastern countries belonging to cluster 1</td>
</tr>
<tr>
<td><strong>Assumptions on industrial trends</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Initial launch of high-tech industry in Europe | EU growth rate of High-tech industrial sectors | Increase of value added at European level for high-tech industries (+1.5% as an
### Assumptions on institutional trends

<table>
<thead>
<tr>
<th>Event</th>
<th>Impact</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in high-value added services related to the adoption of</td>
<td>EU growth rate of High-tech service sectors</td>
<td>Increase of value added at European level for service industries (+1.5% as an average with respect to the past)</td>
</tr>
<tr>
<td>Industry 4.0 related technologies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A slow catching-up in R&amp;D expenditure in CEECs</td>
<td>R&amp;D / GDP in CEECs countries</td>
<td>+ 0.5% with respect to the post crisis period in Eastern countries</td>
</tr>
<tr>
<td>A slow catching-up in human capital in CEECs</td>
<td>Human capital in CEECs countries</td>
<td>+2% with respect to the post-crisis period in Eastern countries</td>
</tr>
</tbody>
</table>

### Urban settlement related assumptions

<table>
<thead>
<tr>
<th>Event</th>
<th>Impact</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in urban amenities in Western countries</td>
<td>Urban amenities</td>
<td>2% increase in large cities</td>
</tr>
<tr>
<td>Upgraded quality functions</td>
<td>High-value functions</td>
<td>Increase of: 3% large and medium cities in Western countries 1% small cities in Western countries 2% large cities in Eastern countries 1% medium cities in Eastern countries 0.5 small cities in Eastern countries</td>
</tr>
<tr>
<td>Cooperative behaviour among cities everywhere</td>
<td>Networking behaviour</td>
<td>10% large cities in Western countries 5% medium cities in Western countries 3% small cities in Western countries 8% large cities in Eastern countries 4% medium cities in Eastern countries 2 small cities in Eastern countries</td>
</tr>
</tbody>
</table>

Legend: * cluster 1 countries include: Cyprus, Finland, Greece and Italy, representing the lowest growing countries in the post-crisis period.
10) a slow catching-up in R&D expenditure and a slow increase in human capital in Central and Eastern European Countries, following the post-crisis trends.

Assumptions on institutional changes:

11) Brexit becomes a reality in 2020;
12) even if some regional independency requests take place, no regional independence takes place;
13) redistribution of the European budget in favour of new fields - security and migration - decreasing the share of budget devoted to cohesion policies and CAP, setting national shares to the levels decided in the document of 29th May, and maintaining regional shares as in the 2014-2020 programming period.

Settlement structure-related assumptions

14) increase in urban amenities in Western countries;
15) upgraded quality functions and cooperative behaviour among cities everywhere.

The qualitative assumptions have been translated into quantitative levers in the fourth version of the MASST model, built and utilized for the first time in this project.

6.2.1 MASST4 results by Member State

Before presenting the results of the reference scenario, a word of caution in reading them is necessary. Results depict the main tendencies, major adjustments to change, relative behavioural paths of regional GDP growth (and regional employment growth) in each individual region under the assumptions presented above. The numbers provided therefore represent tendencies of the variables and not precise forecasts. With this attention, we can read the results that follow.

Table 2 represents the results of the average annual growth rate between 2018 and 2035 for different economic variables. The Table reports the quantitative foresights at national level, for EU28, for EU without UK and for Eastern and Western countries respectively.

What emerges are the following tendencies:

- from a macroeconomic point of view, the Reference Scenario is characterized by a stable relaunch after the crisis, with an average yearly growth rate of 1.6% for EU 28. This rate is higher if United Kingdom is taken away from the list, due to its lower performance determined by some negative effects of Brexit (+1.40%).
Inside EU27 (after Brexit), all countries perform relatively well, with growth rates higher than 1.5%, with the sole exception of the newest Member Country, Croatia, characterized by the problems of the early years of transition (mainly coming from institutional change and lack of really competitive sectors) and by a slow increase in overall productivity, in line with what suggested by OECD in its official document on its worry about the “the future of productivity”.

<table>
<thead>
<tr>
<th>Country/Aggregates</th>
<th>Average GDP growth rate</th>
<th>Average productivity growth rate</th>
<th>Average manufacturing employment growth rate</th>
<th>Average service employment growth rate</th>
<th>Average total employment growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1.72</td>
<td>0.14</td>
<td>1.07</td>
<td>0.04</td>
<td>0.23</td>
</tr>
<tr>
<td>Belgium</td>
<td>1.82</td>
<td>0.38</td>
<td>1.03</td>
<td>0.02</td>
<td>0.18</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1.96</td>
<td>0.68</td>
<td>1.32</td>
<td>0.03</td>
<td>0.43</td>
</tr>
<tr>
<td>Croatia</td>
<td>1.28</td>
<td>0.24</td>
<td>1.02</td>
<td>0.02</td>
<td>0.27</td>
</tr>
<tr>
<td>Cyprus</td>
<td>1.83</td>
<td>1.21</td>
<td>1.12</td>
<td>0.04</td>
<td>0.21</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1.76</td>
<td>0.47</td>
<td>1.57</td>
<td>0.04</td>
<td>0.63</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.74</td>
<td>-0.50</td>
<td>0.97</td>
<td>0.04</td>
<td>0.17</td>
</tr>
<tr>
<td>Estonia</td>
<td>2.13</td>
<td>0.74</td>
<td>1.01</td>
<td>0.03</td>
<td>0.26</td>
</tr>
<tr>
<td>Finland</td>
<td>1.59</td>
<td>-0.32</td>
<td>1.09</td>
<td>0.03</td>
<td>0.20</td>
</tr>
<tr>
<td>France</td>
<td>1.58</td>
<td>0.23</td>
<td>1.09</td>
<td>0.03</td>
<td>0.19</td>
</tr>
<tr>
<td>Germany</td>
<td>1.66</td>
<td>0.28</td>
<td>1.27</td>
<td>0.03</td>
<td>0.32</td>
</tr>
<tr>
<td>Greece</td>
<td>1.51</td>
<td>0.92</td>
<td>0.98</td>
<td>0.03</td>
<td>0.14</td>
</tr>
<tr>
<td>Hungary</td>
<td>1.94</td>
<td>0.42</td>
<td>1.08</td>
<td>0.02</td>
<td>0.39</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.56</td>
<td>0.22</td>
<td>0.96</td>
<td>0.07</td>
<td>0.19</td>
</tr>
<tr>
<td>Italy</td>
<td>1.57</td>
<td>0.37</td>
<td>1.51</td>
<td>0.02</td>
<td>0.36</td>
</tr>
<tr>
<td>Latvia</td>
<td>1.74</td>
<td>1.68</td>
<td>1.08</td>
<td>0.03</td>
<td>0.24</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1.88</td>
<td>1.16</td>
<td>1.38</td>
<td>0.06</td>
<td>0.33</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2.05</td>
<td>0.14</td>
<td>1.09</td>
<td>0.04</td>
<td>0.09</td>
</tr>
<tr>
<td>Malta</td>
<td>2.17</td>
<td>0.59</td>
<td>1.06</td>
<td>0.06</td>
<td>0.23</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.72</td>
<td>-0.09</td>
<td>1.17</td>
<td>0.04</td>
<td>0.17</td>
</tr>
<tr>
<td>Poland</td>
<td>1.63</td>
<td>1.03</td>
<td>1.10</td>
<td>0.03</td>
<td>0.35</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.47</td>
<td>1.26</td>
<td>1.23</td>
<td>0.03</td>
<td>0.28</td>
</tr>
<tr>
<td>Romania</td>
<td>1.74</td>
<td>1.29</td>
<td>1.04</td>
<td>0.03</td>
<td>0.31</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2.04</td>
<td>1.01</td>
<td>1.06</td>
<td>0.04</td>
<td>0.40</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1.72</td>
<td>0.07</td>
<td>1.04</td>
<td>0.03</td>
<td>0.36</td>
</tr>
<tr>
<td>Spain</td>
<td>1.51</td>
<td>0.39</td>
<td>1.06</td>
<td>0.04</td>
<td>0.19</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.54</td>
<td>-0.26</td>
<td>1.02</td>
<td>0.03</td>
<td>0.15</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.40</td>
<td>-0.04</td>
<td>1.09</td>
<td>0.03</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>EU28</strong></td>
<td><strong>1.60</strong></td>
<td><strong>0.29</strong></td>
<td><strong>1.20</strong></td>
<td><strong>0.03</strong></td>
<td><strong>0.27</strong></td>
</tr>
<tr>
<td><strong>EU27 without UK</strong></td>
<td><strong>1.63</strong></td>
<td><strong>0.30</strong></td>
<td><strong>1.21</strong></td>
<td><strong>0.03</strong></td>
<td><strong>0.28</strong></td>
</tr>
<tr>
<td><strong>Old15</strong></td>
<td><strong>1.58</strong></td>
<td><strong>0.15</strong></td>
<td><strong>1.21</strong></td>
<td><strong>0.03</strong></td>
<td><strong>0.24</strong></td>
</tr>
<tr>
<td><strong>CEECs</strong></td>
<td><strong>1.75</strong></td>
<td><strong>0.63</strong></td>
<td><strong>1.17</strong></td>
<td><strong>0.03</strong></td>
<td><strong>0.38</strong></td>
</tr>
</tbody>
</table>

Table 8 Table GDP, productivity, manufacturing and service employment average annual growth rates by country and for EU - 2018 – 2035

19 OECD (2017), The Future of Productivity, June, Paris
By and large, countries show a less differentiated array of growth rates with respect to the past. CEECs countries show still an average growth rate higher than Old 15 Countries (1.73% against 1.58%) but the distance has shrunk consistently. The former countries are likely to experience a second transition, less problematic with respect to the first one, but equally demanding, namely towards a more equilibrated, endogenous pattern of development, while the latter are entering a phase of re-launch thanks to an advanced and pervasive use of new technologies and the benefits of what is commonly known as ‘Industry 4.0’.

Inside the Old 15 group, best performances in GDP are shown by Luxembourg, Belgium, Denmark, The Netherlands and Austria, and inside the CEECs one by Estonia, Slovakia, Bulgaria, Hungary, Lithuania. The group of countries that were relatively slow in the recovery from the crisis, namely Italy, Finland, Cyprus and Greece are showing better performances, coming closer to the average one. Some western countries that were performing very well before the crisis, namely Ireland and Spain and then were severely touched by the crisis (with Portugal) are now performing a little less than the EU average.

Employment increases are overall very limited, due to the full deployment of the effects of new ICT and network technologies, particularly on service and trade sectors; on the other hand, productivity increases are due to show higher figures with respect to the past). For what concerns total employment, best performing countries are respectively the Czech republic, Bulgaria and Slovakia in the CEECs group and Italy and Germany in the Old 15 one, interestingly being the most industrialised ones, taking advantage of the re-industrialisation trend hypothesized in the scenario (and witnessed by the present relaunch of fixed investments). These trends are in line with the recent evolution in EU manufacturing employment. While in 2012 the EU Commission set the target of having at least 20 per cent of EU value added in manufacturing by 2020 (Heymann and Vetter, 2013), the economic crisis starting in 2007/2008 has left an impressive negative mark on manufacturing jobs at the EU level: about 3.1 million jobs in manufacturing have been lost between 2008 and 2017, according to EUROSTAT figures. However, some evidence of a weak recovery took place both at the EU28 level, where the share of manufacturing employment has constantly grown on a yearly basis ever since 2014, as well as in various EU member states. Among individual countries, manufacturing recovered quickest in CEECs (most notably, in Poland, Czech Republic, Slovakia, Hungary, and Romania, where the share of manufacturing employment grew on average more than 0.5 per cent on a yearly basis between 2010 and 2017). Slovenia, Austria, Lithuania, Portugal, and Ireland also show positive manufacturing employment growth rates.

Coming closer to the analysis of macro-sectors employment performance, an impressive turnaround takes place with respect to the general trend of the last (almost) 40 years: manufacturing is leading in the generation of new employment while services show very limited increases (an yearly +0.27%, which becomes 0.38% in CEECs), definitely hit by the rationalization of the global industrial value chains (in the direction of BtoC) and the novelties brought in by the large providers of e-commerce. Employment growth in manufacturing is higher than average in Italy, Germany and Portugal, and, in the CEECs, in the Czech Republic, Lithuania and Bulgaria. Of course, these results still depend on more traditional trends, like FDI in CEECs and some control on unit labour costs and monetary wages (like in Italy).

6.2.2 MASST4 results at regional level
Map 1 presents the annual average GDP growth rate between 2018 and 2035 in EU NUTs2 regions. The map does not show any more the macro-regional patterns that were present in the past (namely East-West clear differences and the North-South divide that emerged in the early stages of the crisis). Regional growth rates are now converging around the averages and diverging behaviours touch specific regions (like Castilla Leon, Algarve, Languedoc-Roussillon, Croatia, the north-western regions in Greece and the Aegean islands, southern Sweden).
Some dualisms are still present in terms of regional GDP growth rates inside the single countries, and even more so in terms of per capita GDP levels. The major and more evident cases refer to:

- the eastern part of Poland with respect to the more dynamic western (and particularly south-western) part of the country and to the capital region of Warsaw;
- the eastern and southern part of Greece, with respect to the core, central area;
- the Mediterranean axis in France, less dynamic than the rest,
- some (not all) regions in the Italian Mezzogiorno, like Abruzzo, Calabria and Sicily;
- the eastern part of Denmark, including Copenhagen, less dynamic than the rest of the country;
- some scattered regions in UK.
- In general, main large cities and their regions, although in good shape, are not the most dynamic in their countries as it could be expected. Powerful diffusion processes of new
technologies and best organizational breakthrough will be apparently at work in the
direction of solid, mid-income regions and medium-size cities.

The regional GDP growth rates depicted in Map 1 leads to a GDP per capita presented in Map 2. When the future situation of per capita GDP in 2035 is compared with the actual situation (2018), an increase in per capita GDP is depicted:

- in large cities of eastern countries;
- in industrial areas of southern countries, like the central part of Italy, the south-eastern part of Greece, south of France;
- in the eastern part of Germany;
- in Ireland;
- in the southern part of Germany and in Austria;
- in the Benelux area;
- in Scandinavian countries, especially in the capital cities, but also in regions of the North.
Map 5 Per capita GDP in 2018 and 2035
Looking at the map of regional total employment growth (Map 3), central and eastern Europe looks more directly involved in growth processes: western and southern Germany and all New Member countries (with the partial exception of the Baltic Republics) and most of the Third Italy regions (from Veneto through Emilia-Romagna to Tuscany and Marche) plus Puglia and Campania. Many single regions are also performing well in the other countries (with the exception of Greece).
Concerning manufacturing employment growth rate (Map 4), the core manufacturing regions of Europe are showing good performances: western and southern Germany, most of the Netherlands, southern Finland and to a lesser extent Sweden, south-western Poland, central Italy, most of France and Spain, the western coast of UK. New entries concern the entire Bulgaria, Latvia and Lithuania, many regions in the Italian Mezzogiorno. Some surprises concern the absence of northern Italy (with the positive exception of Emilia-Romagna) and to a lesser extent of Catalonia.
Map 8 Annual average manufacturing employment growth rate – 2018-2035

The map of service employment growth (Map 5) apparently shows a variety of performances, but this is mainly a statistical effect: growth rates are generally very low everywhere, with distances amplified by the color tones.
Concerning spatial disparities (Figure 1), the ones concerning inter-national level show a continuing decrease, at a slight pace. Internal disparities inside the countries, on the other hand, will increase, slightly until 2025 and faster afterwards. These last trends, only imperfectly counterbalanced by the inter-national trends, will generate an increase in overall inter-regional disparities definitely starting from the mid of the next decade.
Figure 11. Theil indices, 2018-2035
7 Policy recommendations for the TA post2020

Territory is central to the understanding of political institutions. Relating territorial administration and political authority is a fundamental challenge for public institutions and polities that is being exacerbated by the emergence of “new territorialities” –virtual and more ephemeral, polarised at local and global scales. The distribution of governmental authority by area and by function had always puzzled political theory and public administration.

7.1 Governing times of accelerated change

There is a broad feeling that governments have “lost of control” of key economic and technologic trends (e.g. in relation to the control migration, taxing large global corporations and financial flows and virtual trade, or manage new currencies such as bitcoin). Power seems today reallocated more in private and global corporations than to public administrations and governments attached to territorial jurisdictions. This situation generates political movements based on retrospective feelings, favouring stronger Nation-States and Euroscepticism.

The “Space of flows” subverts physical distances and political geographies. Distance is becoming more related to “connectivity to networks”. In the “Space of flows” there is a simultaneous polarisation of local (even personal) and global scales, and remote activities can be more closely related than neighbouring activities –even to interact just-in-time. Territorial jurisdictions defined by physical borders are being overpassed by flows –of people, goods, energy and resources, information, that follow increasingly dematerialised and network-based, in cases ephemeral, territorialities.

Improving quality of government –in terms of both efficiency and legitimacy, is an essential part of the strategic planning process (McCann, Vargas, 2017). Technological changes, as well as changes in social values due to generation shift and all sort of migrations, represent a major challenge for European governments, that are much more difficult to reform that anywhere in the world. If development policies are to be successful, they should build in an institutional component, including promoting transparency and accountability. The disparities in terms of quality of government across Europe are becoming recognised as a relevant factor explaining differences of economic development and wellbeing.

The quality of government is not improving in the 2008 crisis aftermath.
According to Charron and Lapuente (2018) there is a very high correlation between quality of government and the well-being of a community, measured as economic inequality and gender inequality, unemployment and educational levels, infant mortality, or social trust. Correlations sometimes implies causation, and the quality of institutions – and, in particular, the concept of quality of government (QoG) – has recently emerged as “a key factor” for understanding gaps in development across nations (Holmberg, Rothstein and Nasiritousi 2009) or European regions (Charron and Lapuente 2013).

Divergences in the quality of government or capacity to implement policies in an impartial, non-corrupt, and efficient way – are still wide across both European countries and regions. Although quality of government is not improving overall, the gap in quality of government, between Northern and Southern Europe, and between Western and Eastern Europe, is blurring but only slowly. The divergences in quality of government are not as stark in 2017 as they were in 2010. The list of regions with the most significant improvements in quality of government in the period under study is dominated by Eastern regions.

European territorial jurisdictions hardly can be adapted in the short-term. Changing legal competences and financial resources of public administrations proves to be a difficult process, not to mention redrawing physical boundaries. While major structural reforms seem unrealistic in the short, even mid-term, new forms of territorial governance are expected to provide the cross-border and multiple scale, public and private cooperation needed to overcome the challenges analysed in the previous chapter – fragmentation and disintegration, interdependencies, spill-overs and externalities, and functional mismatch between old and new territorialities.
7.2 Facing Challenges Ahead

The paramount question ahead is not just which policies will need to be implement but by whom, following which processes. Political geographies inherited from history —so called “old territorialities” (municipalities, counties, regions, states) will face the challenge to somehow operate together with emerging “new territorialities” linked to the “Space of flows” (Castells, 2000)\(^{21}\).

From the trends analysis carried out, the possible evolution of the three paramount territorial challenges in the 2020-2030 period is introduced next. Overall, the challenges reflect the dramatic contrast between accelerated social and economic changes driven by technology and, on the other hand, the relative rigidity of governmental structures at all scales. While most trends point out the emergence of local and global further polarised territorialities, increasingly dematerialised, governments remain constrained by physical boundaries and have internal democratic decision-making processes; therefore, the capacity of European governments becomes limited in both space and time —at municipal, county, regional and member state level.

**Increasing fragmentation of societies and territories.** This challenge is further accelerated by most of the most relevant trends. Especially trends related to concentration such as the focus on few hotspots or the accumulation of capital and growth among a small group clearly contribute to this challenge. Others like social exclusion or polarisation between autonomy and openness are direct expressions of fragmentation. Only new models of democratic engagement, attempts to preserve the European social model and approaches of the circular economy have the potential to mitigate the increasing fragmentation. This implies a strong need for political action in order to tackle the challenge appropriately.

**Increasing interdependence of places.** Only a decrease of energy and carbon intensity has the potential to reduce the mutual influences and impacts between places in quantity and quality. Most trends however rather contribute to further integration of, and stronger linkages between places, be it circular economy where different material flows need to be integrated, or the loss of biodiversity in the field of environmental trends, which leads to a need for more ecosystem services from other territories. This confirms that interlinkages between places will most probably increase and deepen in the future. This increasing interdependence needs to be better reflected in policy-making by applying a wider geographical perspective.

None of the selected trends will mitigate the **misalignment between geographical jurisdictions of policy making and relevant developments.** While most trends are rather neutral, some will contribute to further misalignment, e.g. migration flows that do not follow administrative boundaries or new models for participation which often reach beyond traditional administrative structures and apply a rather functional and needs-based approach. These

---

\(^{21}\) The “Space of Flows” is according to Manuel Castells “the material arrangements that allow for simultaneity of social practices without territorial contiguity. It is not purely electronic space…It is made up first of all of an technological infrastructure of information systems, telecommunications, and transportation lines”
trends show that the traditional container perspective, which presumes that territories are containers with clear boundaries, will not hold in the future. This hints at a clear need for more cooperation and more open and fuzzier administrative boundaries.

To sum it up, we can see that the most relevant trends confirm the challenges that European governments will face, and the Territorial Agenda should ideally address.

### 7.3 Reinventing European government in the long-term

Based on the analysis carried out most relevant socioeconomic, technologic and environmental trends not just overpass the physical boundaries under political jurisdiction but become virtual—"non territorial". The key strategic territorial challenge at European scale will be therefore how “old inherited territorialities” will be reformed in order to work together with emerging “new territorialities” to face fragmentation, interdependencies and functional mismatches.

The process of European political integration is actually a relatively successful process of creating a “new territoriality” based on ad-hoc political and economic intergovernmental agreements among member states of the European Union and other institutions such as EFTA, in an increasingly complicated territorial framework based on “variable geometry”, in which BREXIT will most likely be just another layer.

How “old territorialities” can be reformed to face the emerging challenges? Structural reforms are costly, , and therefore shifting from traditional forms of government to new forms of territorial governance is a useful stepwise strategy to improve the quality of government in the short and mid-term, “repairing” failures and paving the way towards the structural reforms needed to “rebuild” old territorialities in the long run.

European governs may be rebuild by applying the principle of subsidiarity as defined in Article 5 of the Treaty on European Union. This principle aims to ensure that decisions are taken as closely as possible to the citizen. According to this principle, constant checks are made to verify that action at EU level is justified in light of the possibilities available lower administrative levels.

This principle defines subsidiarity as the idea that a central authority should have a subsidiary function, performing only those tasks which cannot be performed effectively at a more immediate or local level.

Even it is true that in the short-term deep reforms on “old territorialities” seem unfeasible, many European Member States have delivered territorial reform programs, bringing about redesigned units and increased devolution to better meet the European union’s requirements in terms of territorial cohesion and competitiveness – or to satisfy regionalist identity-based claims. Other smaller-scale reforms have attempted to address the inadequacies of municipal divisions inherited from a society where mobility was more limited. The aim is to make these divisions more operative in the context of general urbanisation and metropolisation, where services are increasingly accessed on a wider scale, creating the need for revised funding models.
Applying this rational principle strictly further on, reformed local and regional institutions would be the basis for democratic government and jurisdictions above would have to demonstrate their added value.

Reforms leading to the amalgamation of municipal units, and regions, are extremely difficult. This is so due to frequent resistance from the political actors who might lose as a result of the reform, but also out of a fear of potential reformers regarding negative side-effects. In the short-term, promoting cooperation through territorial governance arrangements seems the most convenient strategy.

### 7.4 Supporting European Territorial Governance in the short-term

According to Böhme et al. (2015), territorial governance highlights three dimensions:
• Stressing the territorial or place-based dimension of policy-making, i.e. reflecting the territorial specificities of the area concerned;

• Bringing together players from different sectors and levels of governance;

• Looking at the situation strategically and considering the long-term ramifications in order to achieve societal objectives.

In this sense, territorial governance can significantly improve the efficiency and legitimacy of governments, without requiring structural reforms. Needless to say, territorial governance involves much complex decision-making processes and requires more open, intelligent corporations. Territorial governance would always remain necessary even when structural reforms are implemented.

Territorial governance is important for the targeted and result-oriented implementation of EU Cohesion Policy, the Europe 2020 strategy, the Territorial Agenda 2020 (TA 2020) and the Urban Agenda, according to Böhme (2015). For Cohesion Policy in particular, the shared management system, the partnership principle and territorial instruments such as Community-Led Local Development (CLLD) and Integrated Territorial Investment (ITI) are the basis of territorial governance. However, the actual effect of CLLD and ITI will be marginal, since they are not widely used by Member State programmes.

The debate on territorial governance is not new in Europe, however. With the July 2001 White Paper on European Governance, the European Commission wanted to launch a broad debate and inspire action in pursuit of the fundamental objectives and principles underlying good governance in Europe (European Commission, 2003). European governance is about the principles and tools for decision-making within the context of the multiple layers of players and decision-makers in Europe — from the European Community, through the Member States, to regional and local authorities and private parties. The coexistence and intertwining of several governance levels clearly constitute unprecedented challenges. There is a need for improving bottom-up involvement in EU policy shaping and implementation; widening the choice of regulatory instruments to respond to governance challenges; and define clearer responsibilities.

22 ITI was introduced in Article 36 of the CPR. This tool makes it easier to implement territorial strategies that need funding from different sources. In this sense, ITI is a tool to promote a place-based form of policy-making; it exploits the development potential of various territories (national, regional, rural, functional, etc.) through the integrated use of various funds.

CLLD was introduced in Article 32 of the CPR. It encourages local communities to develop integrated ‘bottom-up’ approaches in circumstances where there is a need to respond to territorial and local challenges calling for structural change. CLLD strategies can respond to growing diversity and complexity. The methodologies for CLLD should focus on specific sub-regional areas and are community-led by local action groups, carried out through integrated and multi-sector area-based local development strategies and take into consideration local needs and potential. CLLD is based on the LEADER approach to community-led local development and may be supported by any ESI Fund. In the past the corresponding funding under the EAFRD has proven to be an effective and efficient tool in the delivery of development policies. By integrating this approach in the CPR, a single methodology makes CLLD applicable to all ESI Funds.

23
to European institutions. The *White Paper on Multilevel Governance* by the Committee of Regions (2009) emphasised the need to build Europe in partnership from local and regional up to European scale.

New modes of governance that are not based on legislation emerge now in Europe, including private actors in policy formulation, applying the open method of co-ordination and voluntary accords more or less institutionalised, such as:

- Cross-border cooperation within states and across states, among municipalities and regions developing strategic plans and common management, particularly adapted to Functional urban zones.
- Multilevel cooperation beyond traditional hierarchies
- Integrated development policies from a bottom-up participatory process
- Public and private partnerships
- Supra/intergovernmental institutions at macroregional scale (e.g. Euroregions, Macrolegions)
- Co-development strategies with neighbouring regions

*Map 12 Cross-border and Functional Urban zones in Europe*

Territorial governance is closely linked to Cohesion policies – Cohesion is a policy area where new territorial governance processes have begun to be implemented. According to the European Parliament study on the subject (2015), the key elements favouring territorial governance are as follows:
• Start thinking about local development needs, since these define what needs to be done and who needs to be involved.

• Foster diverse approaches to territorial governance, since there is no ‘one-size-fits all’ approach.

• Foster a new culture in the public sector. Even though changing attitudes takes time, a more entrepreneurial culture in public decision-making processes is needed. This includes more transparency and open communication.

• Support individuals driving territorial governance processes, since passionate individuals can initiate territorial governance processes and bring about change.

• Advocate territorial governance, improve understanding and illustrate the usefulness of a territorial dimension

Cohesion policy has an important impact introducing new governance. For this reason institutions such as the Committee of Regions considered essential to guarantee, in the latest Cohesion reform, the functioning of multi-level governance and the bottom-up approach through shared management and in full compliance with the subsidiarity principle (2017).

Territorial patterns change even slowly than policies, much slower in relation to social, economic and technological trends. Cross-border virtual and material flows at all scales will continue to grow. Thus, according to the Task Force for the renewal of the Territorial Agenda 2020
d, the cooperative management of these interactions will gain importance and should be addressed by a revised TA more than in the past. It is assumed that only in the long term territorial structures may be deeply reformed. The focus of a revised TA should be put on implementation and governance arrangements which could also have an impact during the implementation of the post-2020-period programmes and policies.

7.5 Promoting more open and polycentric development of Europe

The only policy system featuring explicitly territorial objectives and addressing place-based and inter-sectoral tools is the Territorial Agenda.

European core values shaping Europe will not change significantly—as expressed in Treaties, strategic policy documents such as “Europe 2020” and the official Roadmaps developed for different sectors. The main policy-aims expressed by spatial policy documents, particularly ESDP (1999) and Territorial Agenda 2020 (2000) are very much coincident with the visions shared by most European cities, regions and Member States.

Polycentricity is the overarching value behind the Territorial Cohesion policy-aim, in the sense polycentric development is the precondition of territorial cohesion and a strong factor of
territorial competitiveness. Polycentricity is endorsed not just from an utilitarian point view (because it is supposed to provide higher social wellbeing) but also because it is rooted in European values and should be remain as a political imperative.

In Part III, the Territorial Agenda 2020 proposed Territorial priorities of the EU

- Polycentric and balanced territorial development
- Integrated development in cities, rural and specific regions
- Territorial integration on cross-border and trans-national functional regions
- Global competitiveness based on local economies
- Territorial connectivity for individuals, communities and enterprises
- Ecological, landscape and cultural values

ESPON ET2050, in relation to Territorial Agenda 2020 (2000) added more emphasis on “Openness”. How Europeans are connected to an increasingly interdependent and networked “world of flows” becomes as strategic as our relation with neighbouring regions with much higher demographic growth and social disparities. Retrospective feelings aiming each European country to be back to decades or centuries before, are unrealistic in a world facing accelerated technological progress.

The “Open polycentric vision”, to be realised, also according to ET2050, required from European policies to establish the following priorities, expressed as strategic policy-aims:

- Connecting Europe Globally
- Promoting co-development with Neighbouring regions
- Unleashing regional diversity and endogenous development as a mean to reduce regional disparities
- Supporting a balanced urban structure
- Sustainable management of resources

These policy-aims were further specified into more specific policy-goals:

- Opening up European markets to global competition and promoting global sustainability.
- Integration of transport and telecommunication networks at all scales.
- Intelligent energy networks connecting decentralised renewal energy sources.
- Linking transport, telecommunication and energy networks between Europe and Neighbouring regions.
- Sufficient accessibility to open up local and regional potentials.
• Universal access to services of general interest.
• Reinforcing Secondary city/regions as engines of growth.
• Smart and inclusive revitalisation of cities.
• Protecting strategic land from urbanisation.
• Sustainable management of natural and cultural landscapes.

Supporting cross-border integrated development, and integration of functional urban regions were also considered among policy-goals. Instead goals, the TA post2020 may consider these and other territorial governance processes as the core of the territorial framework in which policies should be defined and implemented.

7.6 Framework Reference for European Policies

According to the Territorial Agenda 2020 enhancing “territorial cohesion” calls for effective coordination of different sectorial policies. Most policies at each territorial level can be made significantly more efficient and can achieve synergies with other policies if they take the territorial dimension and territorial impacts into account.

“Place-based” initiatives at local scale are more likely to coordinate sectorial policies (e.g. through Integrated Territorial and Community-lead development processes) that political initiative at higher territorial scales. A number of new local initiatives (e.g. from “slow cities” to “smart cities”) aim to integrate a number of different policies under a single urban and regional development vision that can be understood and shared by citizens. While in other parts of the world (e.g. Asia) integrated regional development plans still exist, and are implemented, in Europe is hardly feasible. “Open coordination” and other soft processes may be more effective to facilitate coordination and produce useful results if they are place-sensitive and integrate relevant cross-border and transnational regions involved.

In order to assess how much Cohesion and other European policies are in line with the paramount values and political priorities proposed by the Territorial Agenda, as well as to provide objective information and relevant evidences to multi-party deliberations, instruments such as the Territorial Impact Assessment (TIA) model was proposed by the TA2020 to be regularly applied together with the systematic impact assessment (ex-ante and ex-post) already carried out by European institutions.

7.7 The governance of the Territorial Agenda

According to a recent study by Rosinak and COWI (2018) the territorial policy system at the European level is a complex, manifold and fragmented landscape developed on demand and step by step over the last decades. There is no legal competence for spatial and urban policymaking at the European level, the main tools of intervention are incentives (“soft” policies)
and funds ("hard" policies), sectoral European policies have an important and strong impact on territorial development, and the link with cohesion policy implementation is complex and fragmented.

Figure 13 Landscape of European policies
Source: Rosinak and partner, COWI (2018)

On the other hand, also according to Rosinak and COWI, governance in territorial policies at the European level is essential, because the implementation of European territorial objectives requires cooperation across different regional levels and spatial units.

In contrast to the Urban Agenda or the Macroregional Strategies, the governance system of the Territorial Agenda is weak and so is its relevance.
Possible alternative roles of the TA2020 suggested that the ESPON programme should take into account the priorities and challenges of TA2020 in its research activity. The status, role and outputs of the ESPON Programme should be therefore adapted to the future period in agreement with the European Commission to better serve European policy-making related to territorial development and cohesion.

ESPON Program on the governance system of TA post2020 will be discussed together with ESPON EGTC and SAF members in coming workshops.

7.8 Further policy pointers by ESPON COMPASS

The ESPON COMPASS project derived a number of policy recommendation useful as starting point for the TA post 2020.

The COMPASS analysis revealed that many planning instruments have a strategic as well as a regulatory dimension, and that this is increasing. Strategy and visioning are especially valuable for coordination across sectors of government and between private and public interests. A strategic approach will address the longer-term transformation and development of territories, as do regional and cohesion policies. A strong strategic and visioning approach in spatial planning and governance can influence sector policy making at the stage of policy formulation, that is in the early stage of the policy cycle. The strategic approach can join up and inject the place-based approach if it formulates its territorial concerns in a way that addresses the objectives of other sectors and which suits the formulation of sector policies. This will entail an increase in institutional capacity to facilitate dialogue with other sector policies in the early phases of their respective policy cycles.

Although the Territorial Agenda (TA 2020) is widely considered to address relevant topics, the application or implementation is rather weak. This seems mainly due to the poor connection
established with the main players in domestic systems of territorial governance and spatial planning. Even today most of the objectives are generally still considered to be relevant. The main weaknesses are rather seen in the relation to the implicit governance and implementation system. For the Territorial Agenda post-2020 some of the following reflections might help to strengthen the governance and implementation. More specific pointers include:

- **EU level – develop an EU level narrative as framework for strategic planning:** A narrative explaining the meaning of ‘one Europe today’ – and its territorial dimension – would provide an essential context for a stronger visionary and strategic orientation in spatial planning. Such a narrative would bring together various existing initiatives such as the Urban and Territorial Agendas, and EU sector policies in a collaborative approach. Furthermore, it could be linked to the on-going debate about the future of Europe launched by the European Commission and thereby strengthen the territorial dimension of the Juncker scenarios, for example. Inspiration can be taken from the ESDP which – at least in planning circles – has been relatively influential.

- **NTCCP – develop a strong territorial narrative:** A renewed Territorial Agenda should have the ambition to play in the league of a European version of The New Urban Agenda¹ or the Sustainable Development Goals² However, to do this the Territorial Agenda needs to identify a new and timely narrative which attracts high level politicians and media. It needs a European forum for spatial planning and should link its narrative to clear targets and overarching key principles which can be monitored through a set of indicators (including by ESPON). To ensure attention by national policy makers, the focus should be on influencing European policies and at the same time be more specific in the objectives so as to reflect local concerns. The ESPON study on a European Territorial Reference Framework will have potential to contribute to such a narrative.

- **NTCCP – be as visionary and concrete as the ESDP:** The ESDP has left a much stronger mark in spatial planning than the Territorial Agenda. One reason for this might be that the ESDP was more concrete in its proposal and at the same time more visionary than the Territorial Agenda. Furthermore, it comprised both concrete and soft recommendations. A Territorial Agenda post-2020 which can reproduce this mix of visioning and concrete proposals might reach the same level of influence.

- **NTCCP – strengthen the outgoing dialogue:** In the past there have been some efforts by the Territorial Agenda community to engage in dialogues with sector policies at EU level. This was e.g. the case in 2010 during the Belgian and Spanish EU Presidencies. Also the French EU Presidency in 2008 made ambitious moves in that direction. These efforts should be revisited, and new attempts undertaken to approach sector policies which are spatially highly relevant.

- **NTCCP – focus on co-creation and co-application of the Agenda:** A good narrative will however, not be sufficient. To ensure a large buy-in on the Territorial Agenda, it will be necessary to actively involve a wider range of key players in the creation process. This ranges from representatives of different EU sector policies to high level national
representatives (also covering different sectors) to regional and local representatives, e.g. from major metropolitan areas. This may help to reach more political attention. In any case, it will also make it easier to ask each and everyone involved in the co-creation to take on the application of the Agenda. The partnership approach currently used for the Pact of Amsterdam might be a model to follow. To support the partnerships, they could be mirrored through ESPON’s targeted analyses. Implementation partnerships might take the following forms.

- **Partnership topics:** For every objective of the Territorial Agenda, two or three concrete topics for implementation partnerships could be identified. One example: under the objective of polycentric development, players from several countries (say Romania, Finland and Spain) come together to develop and test policy measures on how to combat the centralisation trends towards the capital region through a functional approach, i.e. rather than approaching territorial patterns and demographic developments, the focus is on tools strengthening the functional importance of other cities vis-à-vis the capital region.

- **Partners:** The partners coming together in such a partnership involve players from the NTCCP and line ministries relevant for the topic, as well as DG REGIO and other relevant DGs and most importantly also regional and local representatives. Where appropriate also civil society organisations or business can join.

- **Coordination:** Driving the implementation processes and coordinating the various partnerships (incl. cross-fertilisation and reporting) requires some coordination resources. The coordination or secretariat role could e.g. be taken on by the ESPON EGTC, with the NTCCP as ‘project owner’. The coordination could also be in charge of monitoring the application of the Territorial Agenda.

- **National and sub-national levels – develop a narrative as framework for strategic planning:** The EU-driven narrative on Europe – and its territorial dimension – should be brought together with domestic (sub)national and local concerns. National ministries and responsible authorities should therefore promote the idea of complementary narratives and visions. To develop a strong strategic dimension, they should ensure that the national process (a) involves policy makers and planning practitioners from the ground, (b) is supplemented by local and regional initiatives and (c) aims at both developing the vision and actions for implementation at different levels.

- **NTCCP – national homework:** Despite all the focus on activities at European level, the main effort needs to be made within the Member States. Indeed, the dialogue with various national sector policies and the information about the Territorial Agenda to the regional and local level remains an essential pre-condition for the recognition of a future Territorial Agenda. The support of evidence-based practices, in shaping the arguments for a wider application of the Territorial Agenda might support this.

- **All levels – develop incentives for applying the Agenda:** However strong the narrative and buy-in from a wide range of players, a powerful wide application will
require incentives. This can in the form of funding, and/or attention or easier access to information and decision making processes. Which incentives can be provided in what way at national level depends very much on the planning system. One idea might be an annual national award for the best planning document applying Territorial Agenda objectives. Something similar could also be possible at European level – which does not necessarily mean that it needs to be from the European Commission or the European Committee of the Regions. The award could possibly also be organised by a European wide association such as the European Council of Town Planners\textsuperscript{25}, or the Association of European Schools of Planning\textsuperscript{26}, or an ESPON or Interreg Europe project. Besides awards, certainly also funding incentives for implementation actions are helpful. At national level, the available instruments differ between countries, at European level ESIF could be envisaged to include thematic objectives fitting the Territorial Agenda.

- **Planning education – prepare the next generation**: Looking towards the future, also the planning education system has some responsibility to increase the awareness and level of knowledge about the Territorial Agenda. It should no longer be possible to obtain a university degree in spatial planning or geography in Europe without having studied and internalised the Territorial Agenda. If the Territorial Agenda is important for a well-planned spatial development of Europe, it should go without saying that it should be discussed in planning education – and resources should be prepared to assist.

\textsuperscript{25} [http://www.ectp-ceu.eu/](http://www.ectp-ceu.eu/)

\textsuperscript{26} [https://www.aesop.com/](https://www.aesop.com/)
8 Next Steps Ahead

8.1 Next participatory events

**Austrian Presidency.** For the second half of 2018 the project team will support the Austrian EU Presidency in their work on the Territorial Agenda, incl. support to NTCCP and DG meetings as well as the envisaged workshop on governance. To do so, the project team is in contact with the Austrian MC member.

**Open Days.** Furthermore, the project team has successfully applied for a participatory session at the Open Days (Week of cities and regions). On the 10th of October from 09:30 to 11:00 the project team will run a world café for approx. 80 people scrutinizing the scenarios and visions developed by the project. The session will be opened by a short initiating dialogue with Ilona Raugze and Andreu Ulled, moderated by Amparo Montan and Kai Böhme. Thereafter the participants will be guided through the world café exercise. For more information see https://europa.eu/regions-and-cities/programme/sessions/66_en

**ESPON TNO.** The project team is also in contact with the ESPON TNO project to further support their activities with inputs on the Territorial Reference Framework.

**Strategic Advisory Forum.** The next meetings of the Strategic Advisory Forum are scheduled as follows: 02.10.2018 (mid-term scenarios and policy pathways), 20.11.2018 (long-term territorial vision), and 12.03.2019 (final European territorial reference framework).

Main participatory milestones for the project in the coming months are as follow:

<table>
<thead>
<tr>
<th>Event</th>
<th>Organiser</th>
<th>Audience</th>
<th>Location</th>
<th>Date</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAF3 to discuss scenarios</td>
<td>TRF</td>
<td>Strategic Advisory Members</td>
<td>Brussels</td>
<td>02/10/2018</td>
<td>Workshop</td>
</tr>
<tr>
<td>European Week of Regions and Cities</td>
<td>TFR</td>
<td>Represenattives from national, regional and local authorities and ESIF programmes</td>
<td>Brussels</td>
<td>10/10/2018</td>
<td>Particippatory session on the TRF</td>
</tr>
<tr>
<td>Task Force TA</td>
<td>Austria</td>
<td>MS, NTCCP</td>
<td>Vienna</td>
<td>17/10/2018</td>
<td>Presentation of preliminary conclusions of TRF</td>
</tr>
<tr>
<td>DG Meeting</td>
<td>Austria</td>
<td>MS, Directors General</td>
<td>Vienna</td>
<td>12/11/2018 &amp; 14/11/2018</td>
<td>Presentation of TRF</td>
</tr>
<tr>
<td>Governance workshop</td>
<td>Austria</td>
<td>MS, Directors General</td>
<td>Vienna</td>
<td>13/11/2017</td>
<td>Input by TRF</td>
</tr>
</tbody>
</table>
Table 9 The next meetings of the Strategic Advisory

In addition, another workshop with external stakeholders end of 2018 / beginning of 2019 to get responses to the scenarios and visions will be organised.

An open online survey aiming to reach the wider audience of experts all over Europe will be carried out in late October begin of November to validate and/or refine project conclusions.

8.2 Contribution to TA Task Force

The contribution of ESPON TRF to the Task Force on TA will in principle be structured as follows:

- What are the **key long-term challenges** for Europe? This section will dwell on the three overarching challenges and the most important thematic development challenges

- What are potential **territorial perspectives** for Europe? This section will explore the mid-term scenarios

- What **ways forward**? Input providing pointers for a policy debate

- What are the **overarching contexts and principles**? The Global Sustainable Development Goals and the focus on issues that need an answer / action at European level are leading principles for the discussion.

- **Why do we need a Territorial Agenda at European level**? This section provides input for a possible key message of a renewed Territorial Agenda, and justifies the need of such an Agenda.

- **What to focus on**? This section provides a selection and argumentation for key themes and policy areas that could be addressed in a renewed Territorial Agenda. The focus will mainly be on suggestions on which themes and policy areas in the current Agenda might deserve more attention in future. Possibly the section might indirectly also suggest some ‘rewording’ which communicates better to a wider audience.
• What is the **wider stakeholder context**? Based on the most relevant themes and policy areas, the players in these need to be identified to develop policy pathways / pointers which are more target group oriented …

• Who are **key stakeholders to be addressed**? Short stakeholder mapping of the policy areas addressed by the Territorial Agenda

• Which **messages to send to whom**? First ideas on which policy players might be particularly relevant for getting across the messages of the Territorial Agenda and to whom to address which message.
Annex 1 Results from online survey

The five questions were as follows:

1. The SAF Discussion Paper No. 1 presented in the Strategic Advisory Forum by EPC identifies and describes territorial challenges which the EU is currently facing. Which one is the more relevant on your opinion?, do you think there are other more relevant territorial challenges?
   - Fragmentation and political disintegration
   - Interdependencies and (their) externalities/spill-overs across boundaries
   - Mismatch of functionalities across administrative/political jurisdictions

2. To a large extent, lack of read-across between territorial cohesion objectives and the current policy debate is caused by the amorphous nature of what underpins a place-based approach. Do the ‘rationales’ set-out on the SAF Discussion Paper No.1 (pages 7-8) offer a solid underlying definitional framework? Please offer your suggestions…
   - Place-based policies can address differential outcomes which are caused by differences between territories
   - Place-based approaches or ‘treatments’ to policy make a material difference to the outcomes of the targeted geography
   - Place-based approaches can help to overcome the negative impact of geographical disconnect if evidencing that there are positive outcomes from these connections

3. Share with us any further insights from an EU territorial perspective regarding the post-2020 debate which you believe to be relevant for future EU policy making. For example, you might want to reflect on the following key challenges, further defining these issues (i.e. the root causes) and offering territorially-sensitive EU policy responses to:
   - Addressing territories stuck in a middle income trap
   - Growing inequality between regions
   - Growing inequality within regions
   - The spatially-blind focus of the EU’s structural reform agenda
   - Negative, territorial differential impacts of globalisation
   - Negative, territorial differential impacts of technological change
   - Anti-establishment and anti-EU voting patterns correlated with specific territories

4. Which changes could be introduced to ESIF programming post-2020 to strengthen the territorial dimension in your opinion?
   - Specific territorial thematic objectives (please provide suggestions)
   - The obligation that the thematic objectives selected by individuals OPs become much more place-relevant
   - Thematic objectives and targets need to be more clearly linked to the institutional capacity in the programme areas
   - Programmes need to better anticipate developments outside Europe affecting development potentials of European regions and cities
   - Stronger focus on interregional integration / cooperation also outside Interreg (e.g. in innovation measures)
   - Stronger focus on cooperation in functional areas in every regional and national funding programme
   - Stronger focus on demand-driven and supply-driven rationales
Stronger focus on regions in need
Stronger focus on motor regions with potential
Others (please specify)

5. All considered, what is the most important territorially-focused message(s), proposal(s) or warning(s) for the post-2020 MFF in your opinion?

Fragmentation and political disintegration is the most relevant territorial challenge now in Europe

- Territories are perceived as fragmented, even within one country or region (rural-urban etc.)
- I am impressed by the work of Jan Zielonka (2014) ‘Is the EU doomed’ arguing that the forced pursuit of integration is like Barbara Tuchmann’s ‘March of folly.’ So I regard interdependencies, spill-overs and functionalities across jurisdictions as challenges alright, but I am not at all sure whether forced integration, as if the EU were a federal state, anyhow, a formation like a state with some circumspection.
- I understand political disintegration as the lack of a European political reference, at several levels. It refers to the absence of politicians that can represent the variety of European values and visions, and the absence of European projects that represent the variety of strategies that Europe could be heading towards. And this has of course an effect on the territories/is replicated in the territories.
- ... with fragmentation/disintegration (i.e. rising territorial divides linked to inequalities) being the first challenge
- Europe is facing a new political era which is in danger of being dominated by neoliberal mentalities at the expenses of its traditional social democratic values. The over-emphasis on growth and competitiveness can easily erode its traditional concerns with solidarity and
cohesion. The shift may lead to territorial fragmentation in the sense of 'territories for themselves'.

- Fragmentation and political disintegration is the EFFECT not the cause while the last two seems to be drivers.

- In fact, I tend to consider that the 2 first challenges are caused by "external" causes / change (i.e. globalisation, technological change, advanced stage of our capitalistic economy, etc) and that the situation is aggravated because there is a mismatch of political/administrative response, not only as regards the territorial scope of this answer but also as regards the content. What is crucial is to link these challenges with the territorial dimension, by opposition to the 'traditional' (marxist?) explanation (e.g. income inequalities, disadvantaged groups, etc).

- Territories have a cultural, historical and political meaning and connotation. Administrative/political jurisdictions have often totally different backgrounds and origins. A mismatch between these two different systems is Obvious and unavoidable. The question is not whether cohesion can be created. The territorial world is full of such mismatches, and that is not a problem. Cohesion is then an artificial construct to hide the real underlying issues. We need a new balanced perspective from a different angle in Europe.

- Fragmentation and political disintegration continue to be one of the major challenges for the EU (a fragmented EU scenario) and the issue of mutual trust between the Member States. Political risks remain high: problems in forming governments in the MS, Brexit, pro-independence movement etc.

**Growing inequality within regions is the most relevant territorial challenge for the post-2020 debates**
• Addressing border regions, especially with neighbouring less developed countries.

• Well, all of them are, but these two stick out. The last one is obvious. It rests on the defence of the nation-state. Pursuing integration on the level of the EU will only exacerbate the problem. It's the nation-state model containing society within strict borders which is the problem. Independently, yes, spatially-blind policies are an issue.

• All trends which lead to further territorial fragmentation or inequalities need to be addressed by a Territorial Reference Framework if it is to make a difference and contribute to territorial cohesion in Europe.

• Administrative "Regions" are not a useful category. Inequalities run between urban and rural areas, centres and peripheries of cities, towns and cities. And these are also the divides that often capture the current "authoritarian dynamic".

• The spatially-blind structural reforms are partly the causes of growing inequalities. The foot lose global capital markets pick and choose the most profitable territories for their future investment and this always leads to winners and losers. Without concerted public sector intervention, regulation and incentivisation, inequalities will grow and this in turn will lead to the rise of social discontent and ante-EU sentiments.

• Middle income trap? We know too little about it and if there is trap at all. Inequalities within and between are again effects not the causes and hence not much can be done just by redistribution especially not in monetary union. Asking structural reforms to make this shift would be very much needed but probably politically impossible. Anti-establishment and anti-EU sentiment are recycled through nationalist political projects and these should be the focus not territories as such.

• Voting patterns may be used as a symptom of a decaying political organisation. However, the problematic situation results from the accumulation of problems in some specific places (subregions) that do not have the ability to react, do not have dynamic businessmen or politicians to initiate projects on the ground because they lack ideas, fresh money and trained people, etc. Currently the cohesion policy has got the method to develop (some of) the less-advanced regions, thanks mostly to infrastructures and keynesian-like investments; it has also pushed the capital-regions but not the others. Most of the problem comes from the lack of willingness to tailor the EU interventions to specific territorial weaknesses.

• Europe comprises a different and antagonistic set of territorial entities. The more emphasis on Europe, the stronger regional self-identity forces will become (as can be seen from recent anti-EU forces in Europe). The search for rational economic principles for cooperation may at the end be more powerful than idealistic exclamations on the European dream.

• “For example, Latvia faces the challenge of modernization to overcome the middle-income trap. Latvia invests insufficiently in innovation and will likely miss the Europe 2020 national
R&D target of 1.5% of GDP. Most of the public funding in research, more than 400 million euro between 2014 and 2020, is sourced from the EU funds. A number of economic and socio-political factors prevent low-income and low-growth economies and regions to catch up with the advanced territories. Critical development aspects have to be identified.

- To support possible solutions in reducing the gap. (see also Transition Report, 2017-2018, EBRD, pp. 14-28).

- The challenges related with growing inequalities all kinds as the original goal of the ESIF are very important. Also the spatially-blind focus of EU policies and how to go out if this is very relevant challenge.

The differential outcomes of policies which are caused by differences between territories is the “rationale” that offers a more clear definition of the “place-based” approach.

Comments

- I have ticked all three boxes, mainly because I think we need to discuss so-called place-based policies as such, more in particular the concept of space which is fundamentally different from territory. Each place defines its own boundaries and stakeholders. So places overlap. Overlapping spaces is the future.

- Place-based approaches can extract the knowledge and produce the balance of power between local and external authorities that trigger space-aware interventions and reach out to people in places.

- Place-based policies will increase the chance of addressing the differential impacts of globalisation and free market economies in general. It is not a panacea, but focusing on tackling the specific challenges and enhancing the specific opportunities of individual territories can lead to more positive outcomes (economically, socially, politically and environmentally) than just throwing compensatory money at them based on a one-size-fits-all policy.

- A stylized fact no 1: in globalized and GVC context place based policies can never be the sole answer.
A territory is not an economic force in itself. It offers a potential benefit provided the available assets are exploited. This 'possibilism' approach was recently translated into the concept of resourceful regions or territories (article available from PN).

Place-based approaches can help to overcome the negative impact of geographical disconnect being complementary to other national policies. They might be efficient in increasing effectiveness if they were focused on specific regional comparative advantages.

**Improving institutional capacity and objectives selected by individual OPs should be introduced to ESIF programming post-2020 to strengthen the territorial dimension.**

**Comments**

- This relates to my answers just given: Strong emphasis on place and place-based policies as against territory and policies contained within them.

- We should avoid complicating the programming too much. Having thematic objectives (and what is linked to it) is already quite complex, but definitely focusing them more on the real needs of the territories is a must. The promotion of cooperation should be facilitated (with incentives for example) and not imposed to avoid situations of inflexibility.

- Evidence-based accounts of specific challenges and opportunities that the territories faced should be the focus. These may or may not fit into the defined themes that are specified top-down. In the past, there has been a tendency to shoehorn the objectives into themes even when the specified themes are not the top priority in that particular territory.

- Policy that has too many objectives may realize none. These three seems to me priorities and possible. Others are either impossible to realize or would not change much.

- Regions should be responsible of their internal cohesiveness, which means the definition of intra-regional cooperation programmes between the healthy agglomerations and the weaker
areas. As regards anticipation of external change that may impact the regional situation, the improvement of resilience in all its meanings (e.g. energy, environment, social / poverty, migration, etc.) should become an umbrella covering different thematic objectives.

- The territory - if one wants to use that value-loaden and often criticized concept - is a spatial resource, not because of the territory, but because of its potency in combining various assets (human and material).

- The increase of flexibility in the regulations in general and possibility for MA in the MS and the Commission in particular to respond to challenges and to avoid administrative and budgetary constraints as well as to reduce administrative responsibilities of MA in the MS in the implementation of ESIF (lessons for the last economic and financial crisis) as well as to pay attention to good governance and administrative capacity of the public sector in the MS. The implementation has to be more result-focused.

- The obligation that thematic objectives in OPs should be much more place-relevant is the most needed and expected change. Very important is linkage with institutional capacity in the program areas. As usual we need always to remember about regions in need. Also other proposed changes sound interesting, but looks less important for me.

Possible key messages to be advocated by the Territorial Reference Framework

**Message I:** The **social and territorial fragmentation** following the changing economic geography demands spatially sensitive (and tailor made) policy responses.

*Comment more directly related to Message I (but not exclusively):*

- To overcome fragmentation, no neighbourhood, town or city or region has to be left below minimum levels of wellbeing and convergence has to be assured -even at very long term, within and outside EU borders.

- Territories should perceive (=proper communication is needed) that the EU believes in them and their potential to make a better Europe. At the moment, they feel threatened that they are going to lose the possibility to take decisions (if they lose considerable funds) and that possibility will be given to the thematic general policies in the EU.

- Without a clearly specified and unpacked place-based approach, regional, national and European territorial inequalities will widen and this will risk the sustainability of the 'European Project' itself.

- Territorial, social and political fragmentation endanger the EU. A new narrative is needed that includes all cities and regions. This narrative needs to be both visionary (i.e. a desirable future) and realistic (how to achieve the vision). Visions and actions are needed.
• The disparities between and within regions are multifaceted and growing. To understand the underlying processes better and address the territorial inequalities focus should be placed on multi factors such as economic but also social, institutional legacy, human resources factors. Such a perspective and analysis could lead to adequately tailored and territory relevant policy pathways.

• To provide all citizens on the ground with opportunities for development and for the improvement of living conditions (see my recent paper published on the JDI website).

**Message II:** The **negative externalities of developments in one place on developments in other areas demand** a wider geographical perspective of policy decisions.

*Comment more directly related to Message II (but not exclusively):*

• Increase, but at least, maintain a territorial perspective and a territory-specific (or place-based) policy for regions and their development in the EU.

• Do not fiddle with Regulation, pursuing simplification and rearranging thematic objectives, but rather make the most of the current rules on participation, outcomes and ex-ante conditionalities and introduce territorial conditionalities. To make this turn feasible a strong political commitment and a major investment in new human resources to be deployed on the ground are needed.

• EU needs positive message not warning: through inter-regional cooperation towards Europe for all (all meaning creation of employment, equalties, social security and welfare for all).

• To consider the performance of the EU budget in ensuring EU priorities related to territorial cohesion as well as further development of a framework for increasing of the catching up potential of less developed territories applying place- based policies in the most rational way.

• Post-2020 MFF should not reduce allocations on territorial oriented policies, especially cohesion policy. It is important to support competitiveness of the EU, but not on the costs of further fragmentation of EU and disintegration in the sense of division on more rich part and more poor part of EU in the horizon 2025 or 2030. Every budget proposal is announcing the priorities of the governing body. Post-2020 MFF proposal is and will be seen as declaration of intentions coming from the EC side. It should be rational and realistic as only can be, but also taking into account all possible bad-will interpretations produced by anti-EU movements.

**Message III:** The **mismatch between the geographical delineation of impacts of economic and societal developments** and the geographical jurisdictions of decision making demand more territorial cooperation at all levels.

*Comment more directly related to Message III (but not exclusively):*
- I regard the post-2020 MFF as an interim stage in restructuring our thinking in terms of states and state territories and the EU as a collection of states into some new formation more suited to a de-territorialised future, but one in which there are many place-based policies for overlapping places and overlapping institutions. Which is why cross-border planning in all its variations needs to be supported and strengthened.

- Increasing economic inequalities between regions and city regions and the rise of populist movements to exploit those growing gaps between different social groups.
References


Blue Plan (2005) The Blue Plan's sustainable development outlook for the Mediterranean


BrandEU (2016); Future of Europe Scenarios


CRPM (2002); Construction of a polycentric and balanced development model for the European territory 2030

Château, Rebolledo, Dellink (2011); An Economic Projection to 2050 : The OECD "ENV-Linkages" Model Baseline. OECD 2011

Dadush, Stancil (2010); The World Order in 2050. Policy Outlook, Carnegie Endowment for International Peace, April 2010


DATAR (2011) Territoires 2040

Deloitte (2014); Vision 2040 Global Scenarios for the Oil and Gas Industry, from Deloitte Touche Tohmatsu Limited.

De Spiegeleire, Korteweg (2006);Future NATOs Scenarios

Dixon, P. (2017); Future of the European Union - Enlarged or Broken?

EC (2017); Future Scenarios for Research & Innovation Policies in Europe

EC (2017); White Paper on the Future of Europe

Ecola, Zmud, Gu, Phleps, Feige (2015); The Future of Mobility. Scenarios for China 2030. RAND Corporation

Economist Intelligence (); The Future of Healthcare.
Economist Intelligence ();Scenarios around the economic impact of machine learning.


ESPON (2016); Regulation for Europe towards 2050, Policy Brief 3

European Commission (2012); Ageing Report: Underlying assumptions and projection methodologies.


EUROSTAT (2008); Regional population projections EUROPOP2008.


Free World Academy (2005) *Global trends 2030*

Gallopín (2012); *Five stylized scenarios; Global water futures 2050*, UNESCO 2012

Global Agenda Council (2016); Europe in 2026: nightmare or utopia?


IGEAT, AETS, BBR, CRS-HAS, CUDEM, DIG, MCRIT, NISR, Nordregio, UMS 2414 Riate (2007) *Spatial scenarios in relation to the ESDP and EU Cohesion Policy by ESPON, final report of the ESPON 3.2 project.*


IPCC (2000); *Special Report Emissions Scenarios (SRES)*

ISIS, Mcrit et al. (2010); *Qualitative Scenários, Deliverable 1.1 of PASHMINA 7FP project (2009-2013). www.pashmina-project.eu*

Jaïr van der Lijn (2013); *Scenarios Paper – The Future of Peace Operations, Clingendael Futures*

Marczak, Engelke et al (2016); *IDB Latin America and the Caribbean 2030: Future Scenarios*, from Inter-American Development Bank


NECE, De Ruijter (2014); *Scenarios on the Future of Citizenship in Europe, Networking European Citizenship Education. De Ruijter, 2014*

Netherlands Bureau for Economic Policy Analysis (2010); *The Netherlands of 2040*


Rossinak and COWI (2018), Governance System of/for Territorial Policies on European Level, Wiena 2 July 2018


United Nations (2014); The 2014 revision of World Urbanization Prospects. , UN DESA 2014

United Nations (2017); World Population Prospects: The 2017 Revision, UN DESA 2017

United Nations (2010); World Population Prospects. The 2010 revision, UN DESA 2010

United Nations (2009); World Urbanization Prospects. , UN DESA 2009


WindEurope (2017); Ecosystem Services. New EU-scale environmental scenarios until 2050 – Scenario process and initial scenario applications.


World Business Council for Sustainable Development (2006); WBCSD Water Scenarios to 2025. Business in the world of water

ESPON 2020 – More information

ESPON EGTC
4 rue Erasme, L-1468 Luxembourg - Grand Duchy of Luxembourg
Phone: +352 20 600 280
Email: info@espon.eu
www.espon.eu, Twitter, LinkedIn, YouTube

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.