New (economic) geographical narratives and place-based responses

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What ESPON does

- Applied research
- Targeted analyses
- Tools, indicators and data

Supply

European

Local // regional, national // cross-border transnational

Demand

Policy processes
### Ongoing ESPON activities

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Thematic orientations

Place-based responses for economic, social and environmental transformation

- Economic transition
  - Emerging sectors
  - Innovative technologies
  - Third industrial revolution
- Regional economies
  - Inter-regional relations
- New business models
- Sustainable land use
  - Rural development
  - Quality of life
- Impact of natural disasters
  - Environmental challenges
  - Climate change
  - Natural hazards
  - Resource depletion
  - Degradation
  - Pollution
- Social change
  - Migration flows
  - Ageing
  - Segregation
  - Unemployment
  - Poverty
  - Depopulation

Transversal drivers of change
New solutions in:
- Digital
- Mobility
- Energy

Applied research themes
New narratives: what has changed?
Changes from 2010-2020

- **End of enlargement to Eastern EU countries**: 2004-2007-2013
- **The 2008 economic crisis lasting impacts**: It revealed the weaknesses of key common policies and the contradictory impact of Cohesion policies
- **Public debt increased**: the continuous expansion on social expenditure was stopped
- **Travel and tourism accelerated growth**: From 2 trillion U.S. dollars in 2006 to more than 2.50 in 2017
- **Migration flows**: Germany has the higher ratio of immigrants, about 15%
- **Africa’s demographic growth**: 1.1 billion inhabitants now, it will rise to 2.4 billion by 2050 according UN.
- **The refugee crisis challenged core European values**: 1.4 million non-EU nationals, excluding asylum seekers and refugees arrived in the EU each year (2010-2013)
- **Security is becoming a major concern in Europe**
- **Euroscepticism and “retrospective feelings”**: antiglobalisation, national-populism
- **The Brexit process**
Changes from 2010-2020

- **Growth of the internet from 2000 to 2010**: almost all European citizens are Internet users
- **Digital monopolies have grown worldwide**: Google, Facebook and Amazon, Huawei…
- **Electrification of energy markets**: Battery electric vehicles from 10 million to 200 million 2012 to 2017
- **Oil prices have been declining**: about 50$, after having a 135$ peak in 2008.
- **“Slowbalisation”: the “Golden Age” of globalisation -1990-2010 is over**: Global trade remained in the 2010s, after the 2008 crisis, around 25% of the global GDP.
- **Increasing trade within Europe and world blocks**
- **China launched in 2015 the new Silk Road: Belt an Road Initiative**: 60 countries, primarily in Asia and Europe, US$4–8 trillion
- **Growing consensus on Climate Change**: mitigation/adaptation policies, “resilience” as main concern.
Population and employment dynamics

Out-Migration and Higher Education (2014)

Legend:
Net Migration
Sowing
Higher Education (% of total Population)
0 - 10
10 - 20
20 - 30
30 - 40
> 40

Rural population change
Average annual population change in rural Local Administrative Units (%), 2001 - 2011
< -4
-3 to -4
-2 to -3
-1 to -2
0 to 1
1 to 2
2 to 3
> 3

Notes:
- Data for LT, PT, SI correspond to LAU1
Changes from 2010-2020: “Space of Flows”, Global/Personal Polarisation

Source: Bloomberg

Source: International Telecommunications Union statistics
Investment flows

Intra-European FDI inflows across European regions 2003-2015: greenfield investments

Value of Greenfield projects as a share of total intra-European FDI inflows across European regions in 2003-2015 (in percentage)

0
0.1 - 20
20 - 40
40 - 60
60 - 80
80 - 89.9
100
No intra-European greenfield investments inflows
Geographies of digitalisation

Share of digitalised services provided at local, regional and national levels, by type

- e-inclusion of citizens to local governance
- Spatial planning and construction
- Social and welfare services
- Education
- Health
- Culture, leisure and sports
- Road infrastructure and parking
- Public transport

Local | Regional | National

- 80%
- 60%
- 40%
- 20%
- 0%
Europe’s challenges today: social fragmentation, networked interdependencies & territorial mismatch
growth and convergence (1)… then recession and disparities (2)… now moderate growth and disparities (3)

European Growth: aggregated Manufacture output

EUROSTAT Manufacturing output

Regional disparities (Theil index)

ESPON ETRF MASST4 POLIMI
“Geographies of discontent” : Economic relative expectations may explain political fragmentation

Regional GDP per capita in relation to each Member State average

Poland, 24 May 2015 / Brexit, 23 June 2016 / Germany, 24 September 2017 / Austria, 15 October 2017 / Italy, 4 March 2018 / ...
Territorial mismatch between “functions” and “jurisdictions” (political difficulty to fulfil citizens demands)
Key Territorial Challenge: How to govern fragmentation and interdependencies

Fragmentation ("place-based")...
- ...a political dimension (e.g. discontent)
- ...an social an economic dimension (e.g. disparities)
- ...a cultural dimension (e.g. diversity)

Interdependencies ("network-based")...
- Digital technologies subvert distances: Proximity in terms of "connection"
- Network industries create "new territorialities" (e.g. global digital markets)
- Increasing flows at all scales and therefore spill-overs and externalities
Quality of Government is heterogeneous, and it is not improving everywhere.

Source: "Quality of Government Institute, University of Gothenburg (2018)"
Looking forward towards 2030 and 2050
Main Drivers (and territorial dilemmas) towards 2025 and 2050

- Singular Technologies (virtual/material)
- Networked Economies (connected/unplugged)
- Fluid Societies (“anywheres”/”nowheres”)
- Environmental Risks (local/global)
- Reactive Governments (efficiency/legitimacy)
Preventing the European Territory to live with “Pervasive Uncertainty”

**e.g. Environmental trends**

- **Decoupled urban mobility** and shifted to soft modes,
- **Increase and more diversified in interurban mobility**
- **Lower energy** intensity and more renewal sources, 35% renewal in 2030 (50% in 2050)
- **Resource consumption decoupled** from growth (e.g. water, materials, food, land…)
- **Recycling waste as new resources** in more circular and efficient economies
- **Limited urbanisation**: it may still grow at 1.000 km² per year to 2030, but no more land taken in 2050.
- **Reduced CO2 emissions**: reduction up to 30% in 2030 (and 50% in 2050)
- **Increasing risks because of Climate Change hitting asymmetrically Europe**
Preparing the European Territory to live with “Pervasive Uncertainty”

Increasing risks because of Climate Change hitting asymmetrically Europe
Territorial implications
Land-use patterns and structures change (relatively) slowly in Europe
Key spatial development impacts in Europe

- **European urban structure will remain based on relatively small cities** compared with global megalopolis: need to reinforce urban networks at all scales.

- **More intensive renewal processes** linked to the “smart city” vision and the renaturalisation of cities: inclusive nature-based solutions for mobility, energy and waste management become cost-effective solutions.

- **Depopulation of sparsely populated areas and old industrial centres** (“inner peripheries”)

- Concerns related to people living in “places left behind” at all scales: Risk of spatial segregation/exclusion

- **Development of more specialised/premium physical networks**, from telecommunications to logistics.

- **Redistribution of global gateways, ports and airports** because geostrategic shift from the Atlantic to the Pacific, as centre of the global economy:

- **Uncertain evolution of co-development strategies with neighbouring countries**, and border regions.
Exacerbation of the mismatch between “spatial development processes” and “territorial jurisdictions”

- Emerging networks overpass existing territories
- Many places affected by policies decided on other territories
- The political geography as “territories of mutually exclusive sovereignty” becomes less efficient and legitimate
- The paramount challenge is “reinventing democracy in the society of networks”
- What governance requires new “functional” areas?
Emerging “Functional” Cross-border Areas:

Source: MOSAME (Luxembourg); Swiss Federal Statistical Office (OFS); Trinational Eurodistrict of Basel (ETB); metrobasel; Geneva Agglomeration Project
Local Functional Urban Areas (new Metropolitan Areas)
Functional regions (new Euroregions)
Macroregional/transnational functional areas (New Macroregions)
European *sui generis* “continental” functional areas (New European institutions)

What new governance is needed for functional areas?

The European political geography is changing:

- **From hierarchical top down governments to more horizontal governance processes** – multilevel, multi-stakeholders and public-private partnership agreements.
- **From political institutions attached to territories** ("areas with mutually exclusive sovereignty") **to specialised functional areas** (areas with fuzzy borders, or no borders, delineated according to a given policy, overlapped to other functional areas)
“Functional areas”: What Legal Framework? From national public law to international private law

**Territorial Reforms**
- Creation of new States (e.g., Montenegro)
- Reunification of States (e.g., Germany)
- Regional de/re-centralisation (e.g., Poland “voivodships”)
- New Metropolitan areas (e.g., Bucharest-Illiov Region)

**Territorial Cooperation**
- Cooperation agreements between States (e.g., Schengen Agreement)
- Macroeconomies / Transnational cross-border cooperation (e.g., Danube region)
- Euroregions / Interregional cross-border cooperation (e.g., Galicia and Northern Portugal)
- Inter-Municipal Cooperation (e.g., Local Partnership Act, Norway)
- Municipal or regional amalgamation (e.g., Denmark)
- Self-regulated zones (e.g., Free Trade zones)

**New Territorialities**
- Multi-level partnerships within within a MS (e.g., Dutch City Deals, Dutch Diamond Approach)
- Action Area (e.g., Gotthard Action Area)
- Euroregions / Interregional cross-border cooperation (e.g., Galicia and Northern Portugal)
- State – regional formal agreements (e.g., French contract - plan)

**Post-territorialities**
- Multilateral financial institutions (e.g., World Bank, EIB...)
- Intergovernmental EU process - ECJ (e.g., European Competition Network (ECN))
- Political integration of States (e.g., EU)
- Global Multistakeholder approach (e.g., Internet society)
- Partnership approach (e.g., Urban Agenda)
- Multilevel partnerships within within a MS (e.g., Dutch City Deals, Dutch Diamond Approach)
- Self-regulated zones (e.g., Free Trade zones)

**Private arbitration centers** (e.g., WIPO)

**Interterritorial Cooperation**
- Functional areas: What Legal Framework?
- From national public law to international private law
Territorial scenarios
Territorial Governance Scenarios: Alternative political geographies for the future of Europe
“Enabling cooperation” (2030)

Enabling Cooperation

- Dominant principle: "Enhanced cooperation"

- Government paradigm: Enabling

- Governance paradigm: Multilevel “place-based” governance. Intergovernmental agreements at all scales

- Functional areas as “new territorialities”

- Legal Form of cooperation: Enabled EGTC by harmonising national regulations

- Spatial Development: Promotion of urban networks

Spatial Development Promotion of urban networks

Legal Form of cooperation Enabled EGTC by harmonising national regulations

Functional areas as “new territorialities” Enabling cross-border local, interregional and transnational functional areas (e.g. euroregions, macroregions)

Governance paradigm Multilevel “place-based” governance. Intergovernmental agreements at all scales

Government paradigm Enabling

Dominant principle "Enhanced cooperation"
Impact of the economic integration assumed in the “Enabling Cooperation” Scenario: economic growth

- Higher trade flows among EU countries ("production integration effect");
- Higher decrease in non-tariffs barriers ("proximity effect to larger markets");
- Higher trust within and among countries ("social effect");
- Higher quality of government ("institutional effect");
- Stronger cooperation networks among cities ("cooperation effect");
- Higher exports ("market integration effect")

Cohesion policies will be reformed, the budget maintained and integrated into a single fund focused on improving quality of governance, particularly in relation to cross-border functional areas, also targeted to borders with neighbouring countries.

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 May 29, 2018, and maintaining regional shares as in the 2014-2020 programming period.
Impact of the economic integration assumed in the “Enabling Cooperation” Scenario: disparities

PIB per capita in relation to each Member State average

Reference scenario 2035
- < 60% of country PIB per capita
- 61 - 70% of country PIB per capita
- 71 - 80% of country PIB per capita
- 81 - 90% of country PIB per capita
- 91 - 100% of country PIB per capita
- 101 - 120% of country PIB per capita
- >121% of country PIB per capita

Integration scenario 2035
- < 60% of country PIB per capita
- 61 - 70% of country PIB per capita
- 71 - 80% of country PIB per capita
- 81 - 90% of country PIB per capita
- 91 - 100% of country PIB per capita
- 101 - 120% of country PIB per capita
- >121% of country PIB per capita
Inner peripheries in Europe
Inner peripheries cover 45% of the entire European territory

- **Delineation 1:** Higher *travel time* to regional centres
- **Delineation 2:** Low *economic potential* due to low potential accessibility
- **Delineation 3:** Areas of *poor access to services of general interest*
- **Delineation 4:** *Depleting areas* (poor demographic basis)
Key drivers and territorial patterns of inner peripheries

46% of all inner peripheries

Poor economic potential and poor demographic situation

45% of all inner peripheries

Lack of access to centres or services

- The most \textit{peripheral areas} in geographical terms frequently appear as IPs
- \textit{Border regions}, not only national but also regional, show a greater incidence of IPs than their non-frontier counterparts
- IPs with poor accessibility tend to overlap with \textit{intermediate, rural and mountain areas}:
  - 80% of the inner peripheries with low economic potential or poor accessibility are located in \textit{non-urban regions}
  - Almost half of poor accessibility IPs are in \textit{mountainous regions}
More areas risk becoming inner peripheries, if service provision deteriorates further

IP areas in Europe (grid level) with poor access to SGIs

IP areas represent grid cells which have poor access to 5 or more different SGIs, provided that among these assignments they have poor access to primary schools or poor access to hospitals or poor access to train stations.

Areas of risk to become inner peripheries:
Areas with poor access to three or four SGIs in Delineation 3, but which have not been identified as IP

Areas-of-risk to become IP in future

Remarks:
All areas which have, according to results of Delineation 3, poor access to three or four SGIs are considered as areas-of-risk.
Key challenges and policy pathways

Some common characteristics found in Inner Peripheries Case Studies:

1. Out-migration of the young and highly-skilled people
2. Decrease of population
3. High old-age dependency ratio
4. A lack of skilled workforce
5. An economic sector often based on traditional activities

Strategic policy response should:

1. Address all aspects of connectivity
2. Develop interaction capacity supported by a regional actor
3. Pay more political attention to overcome the perception of “being forgotten”
4. Support access to funding through place-based approach and capacity building
Territories and the low-carbon economy
Towards a low-carbon economy

Wind onshore, potential for electricity generation, [MWh/km²]

Solar energy, potential for electricity generation, [NWh/km²]
Complexity: policy frameworks

Trends in feed-in tariffs, quota and premiums in EU MS, 2009-2015

- Relevance of investment subsidies differ between MS
- Feed-in tariffs, quotas and tender procedures are of great importance
- Strategy changes 2009-15 create uncertainty
- Competition rules etc. with negative impact on the development of renewable energy sources

Regions supporting the transition

- Successful cities and regions use their **policy/governance potential**

- Cities and regions have a great impact in **creating framework conditions** for low-carbon energy projects (efficiency, renewable energies): planning, energy efficiency rulings, knowledge base and networks, financial support and partnerships

- **Complexities are high** – great variance of national regulatory regimes and tariff structures and EU rulings - supportive frameworks are needed for regions to act

- **Innovative regional platforms** and processes for promoting the low-carbon economy transition are essential and should be expanded and supported through national and EU policies

- **Public procurement**, understood comprehensively, can become a significant innovation and development instrument towards the low-carbon economy transition
Collaborative governance models
Metropolitan planning approaches

- Eight action areas to better understand the situation in metropolitan areas
- Establishing governance process
- Support decision-making about future plans and strategies
- A guide for regional and local policy makers
Soft territorial cooperation areas

- Overcoming the constraints of administratively defined territories that fail to address functional interlinkage
- Overcoming the “silo mentality” of traditional sectoral planning and rigid institutional systems
- Spiral of growth in cooperation
Conclusions
Conclusions: new narratives

- We live in “Pervasive Uncertainty”: technology is the driver for accelerated change, how to reinvent democracy in the “Society of Networks” is the paramount territorial challenge.

- The “European political geography” is changing: new “functional areas” emerge from local to continental scale, functional geographies require better governance structures.

- The relevance of territorial challenges has to be taken into account (fragmentation, increasing flows and interdependencies and mismatch between administrative and functional areas…).

- Cohesion and other policies have to be adjusted to key megatrends (e.g. technological progress, economic globalisation, social disparities and migration, climate change…).
Conclusions: new narratives

- Promoting the improvement of the **quality of local and regional governments** everywhere in Europe remains a priority given the new political challenges and the more complex political geography to deal with.

- Stronger and tailor-made **redistributive policies at all scales** (e.g. Cohesion policies) are needed since further economic integration will bring more growth but not necessarily diminish disparities.

- **Coordinating Spatial Development Plans** from local, regional and national scale is needed to support territorial cooperation by providing a comprehensive, long-term territorial reference framework.
Place-based responses for future policies

A Europe closer to citizens

- Local and regional integrated strategies
- Policies and interventions for functional areas
- Strengthening capacities
- Supporting tools for integrated development

- Governance
- Planning
- Investment
- Joint investment within and beyond INTERREG
- Multi-fund approach
- More flexibility and simplification of ITIs, CLLDs etc.

Territorial ➔ Thematic ➔ Financial ➔ Public-private ➔

Cooperation ➔ Coordination ➔ Leadership ➔