

Working Paper

The territorial dimension of future policies

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Introduction

Shaping the territorial dimension of future policies requires understanding the territorial diversity – key challenges and development perspectives – of different places around the EU within and beyond their administrative boundaries as well as formulating policy approaches and implementation tools that can help to maximise their development potentials with the aim of promoting the well-being of EU populations.

Eventually, this **territorial thinking should become an integral part of pan-European and national policy orientations** and guide the design and implementation of regional, urban and local development strategies.

Amidst the discussions on the future of EU-level policies (including Cohesion Policy) and in view of the upcoming preparations for the next round of strategies and programmes at national, regional and local scales, the ESPON 2020 Cooperation Programme has delivered new territorial evidence on a variety of subjects (employment, business development, connectivity, public services, low-carbon economy, governance, etc.), addressing key challenges and opportunities for the future development of cities and regions.

This working paper presents a synthesis of key observations and policy messages from the ESPON studies developed as part of the ESPON with the **aim of supporting the debate on the territorial dimension of future policies at European, national, regional and local scales.**

Accordingly, this working paper seeks to answer **three main questions**:

- What should be the **geographical principles** of future policy interventions and how should certain types of areas be specifically targeted?
- How should one address regional and urban development challenges and **create new opportunities in key development fields**?
- Which **methods/approaches should be applied to increase the efficiency of policy interventions** – achieve critical mass, maximise the return on investment and develop synergies leading to innovative development solutions?

KEY POLICY MESSAGE

The territorial dimension in policy-making should continue to be promoted on the basis of the concepts of **polycentricity and place-based approach in the purpose of better** understanding and stimulating territorial assets in the context of local and regional development strategies.

At the same time, **increasing interconnections and interdependencies** among places require us to adopt a new perspective on their development. It must extend across administrative boundaries and engage a broad range of stakeholders in joint efforts to increase positive results and impacts through combined resource potential and better coordinated development initiatives.

Achieving more and better results with scarce public resources is possible only through joint action. Therefore, **cooperative endeavours** at wider geographical scales should become a much more prominent element of public policies at all scales.

Accordingly, in future policies the **territorial dimension can be strengthened by**:

1. designing policy frameworks that **incentivise cooperation**;
2. tailoring public policies and interventions to **functional areas** – functional urban areas, cross-border areas, transnational areas, etc.;
3. developing **new governance solutions** that engage public authorities and private stakeholders in joint efforts to address shared development challenges;
4. expanding cooperation practices in planning and making investments, by offering tools that support **joint investment initiatives** and allow the **combining of resources** from different funding streams;
5. **strengthening the capacities** of national, local and regional actors to engage in cooperative activities.

Part I

Geographical orientations

1.1. Promote polycentric development by strengthening the potentials of places on the basis of their specific assets and through intensified functional links

Polycentricity is a **relational concept** that encourages regions and cities, working with neighbouring territories, to explore common strengths and promote more functional links and interactions among places.

Polycentricity is sometimes misunderstood and perceived as a policy framework that legitimises requests for more investment to grow larger and stronger cities. Policy implementation experiences around Europe show that polycentricity does not bring the expected results if it is not implemented through **collaborative governance and planning tools** engaging the potentials of, and promoting cooperation between, places beyond administrative borders.

If understood and implemented from a relational perspective, polycentricity helps to strengthen the **competitive power of urban centres**, while delivering **more balanced development between regions** and overcoming the **negative effects of peripherality** through more cooperative and functional urban-rural linkages. At the same time, polycentricity contributes to **increasing the efficiency of using limited resources** by avoiding duplicating roles and functions and by bringing more benefits to local inhabitants using the combined resource potential. Moreover, it contributes to **making cities and regions more resilient and diversified**, which strengthens the competitiveness of Europe in the global economy.

Therefore, polycentricity contributes to creating **a new culture of public policy and public action** that acknowledges the benefits of collaborative working and integrated solutions to address shared territorial challenges more efficiently.

In practical terms, pursuing the benefits of polycentricity requires **acknowledging and strengthening the potentials of different places** (urban, rural, inner peripheries, territories with geographical specificities, etc.) based on their specific assets and **designing policy interventions for functional areas** that make it possible to increase the potentials of places through intensified links and exchanges. These elements are explained in more detail in the following sub-sections.

Further ESPON reading:

Polycentric Territorial Structures and Territorial Cooperation. Policy brief

<https://www.espon.eu/topics-policy/publications/policy-briefs/polycentric-territorial-structures-and-territorial>

Governance, Planning and Financial Tools in Support on Polycentric Development. Policy brief

1.2. Focus on the potentials and challenges of urban areas to promote European competitiveness on a global scale and more balanced regional development

Urban regions have the highest **natural population growth**. This is especially evident in large metropolitan areas in northwest Europe and in the Baltic Sea region. As urban centres are more attractive and offer more and better job opportunities, people move to major or second-tier cities. The more densely populated urban centres in the wealthier parts of western and northern Europe attract ever younger and economically active people. Dynamic urban centres report high positive net migration, with capital cities showing the highest net migration rates.

Highly competitive and knowledge-based regions are mostly urban areas in northwest Europe, such as southern Germany, Paris and Dublin, as well as the west coast of Norway and of Sweden. These regions are characterised by economic growth and have seen improvements or very small declines in labour market

characteristics since the economic and financial crises. Furthermore, these regions experience population growth, in particular, due to the inflow of people.

Knowledge economy employees move to metropolitan areas. There are greater proportions of people with higher education qualifications in northern Spain, Ireland, Scotland and western Norway as well as the metropolitan areas of Stockholm, Helsinki and Paris.

The direct impact of non-European-owned firms is highest in urban regions, in particular capitals and metropolitan areas. Of all non-European-owned firms in Europe, 69 % are in urban regions, while 25 % are in intermediate regions and only 6 % in rural regions. The focus on urban regions is more pronounced when analysing productivity spillover effects such as employment and value added.

Non-European-owned firms in urban regions account for 83 % of employment and 81 % of production (measured by operating revenue) generated by these firms across all regions. European capitals in particular benefit from foreign-owned firms.

Information and communication technology (ICT) hubs tend to be concentrated in large and easily accessible urban centres, making these regions more attractive for highly skilled people.

In general, urban areas (especially large metropolitan areas and capital cities in northwest Europe) **hold major innovation potential and capacity** (human, technological, financial and social capital) that should be further exploited to contribute to the overall global competitiveness of Europe. At the same time, employing collaborative governance and planning tools that engage the areas beyond the administrative jurisdictions of “de jure cities” and rural areas allows cities to generate wealth and provide services not only for their residents but also for wider territories.

At the same time, continuous densification of urban areas creates **quality of life challenges** related to the availability of housing and congestion that **have to be tackled** to make sure that increasing competitiveness does not come at the cost of reduced sustainability.

Further ESPON reading:

European Territorial Review: Territorial Cooperation for the Future of Europe
<https://www.espon.eu/european-territorial-review>

1.3. Support a more decentralised place-based approach to addressing the challenges of inner peripherality

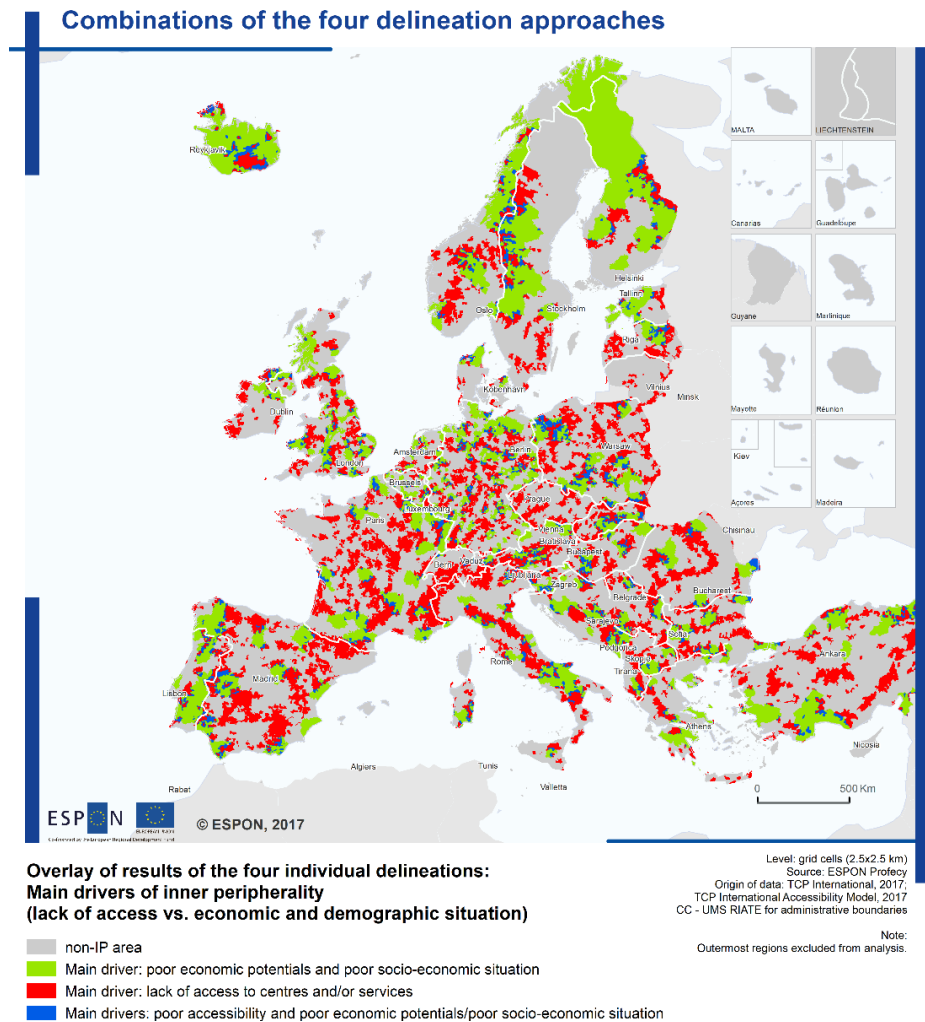
Inner peripherality is the effect of the combined action of several processes and features on one territory in a way that causes significant limitations in its development potential. It is related to low economic potential, poor demographic situation, poor access to services of general interest (SGI) or a combination of those factors. At the core of the concept are aspects linked to the capacity of a territory to “connect” with its environment (regardless of its geographical location). Connectedness generates synergies, networks and other types of links that allow to be present in the places where relevant decisions are made, both in relation to public policy as well as in investment and private strategies.

Inner peripheries (IPs) are present in almost all European countries (Map 1) and there are many areas that are at risk of becoming IPs in the future. Territorial patterns for IPs are dominated by the following features:

- A) The most peripheral areas in geographical terms - frequently appear as IPs.
- B) Border regions, not only national but also regional, show a greater incidence of IPs than their non-frontier counterparts.
- C) IPs with poor accessibility tend to overlap with intermediate, rural and mountain areas.
- D) Depleting IPs also overlap significantly with urban and metropolitan areas, which imply that processes of peripheralisation could affect “enclaves” in these territories too.

Map 1

Delineations of inner peripheries according to the main drivers



Source: ESPON, *Inner Peripheries: National Territories Facing Challenges of Access to Basic Services of General Interest*, 2017

Inner peripheries tend to be demographically disadvantaged, showing ageing, lower proportions of children and working-age population, and high age dependency ratios. Outmigration of young and skilled populations is perceived as a particular problem.

Therefore, ESPON argues for the need to pay political attention to inner peripherality and has formulated a set of policy recommendations for different governance levels to support stakeholders in dealing with the associated challenges, as presented below.

Future European policies should support a more decentralised place-based approach to addressing the challenges of inner peripherality by sub-national actors in the context of a more simplified and coordinated set of EU programmes

Decentralisation of design and implementation, cooperation between local communities and between different tiers of policy intervention, better guidance and training of local capabilities are the main ingredients of a stronger place-based approach. This requires **approaches based on decentralisation to local actors and stronger support to build and develop capacity** in project design and innovation.

This would not necessarily mean new policy tools, but it implies **strengthening the role of those that already exist (in particular, integrated territorial investment (ITI) and community-led local development (CLLD) and simplifying the working rules of European Structural and Investment (ESI) Funds**. This would ensure more coherent investment and simplify the life of beneficiaries, as well as strengthen complementarity.

A lack of coordination between different programmes and policies hampers the design and implementation of comprehensive territorial development. In this context, **greater territorialisation of both cohesion and rural development policies** would strengthen interventions around the specific challenges of inner peripheral areas rather than following presupposed topics and sectoral intervention logic.

For local stakeholders in inner peripheral areas, it is **important to access supra-local funds on the basis of locally defined priorities**. This is closely linked to the sub-delegation of powers and resources to the lowest possible regional/local level in contrast to the still often prevalent drafting and management of programmes at a higher governance level, which might not be sensitive to local specifics.

In some cases, local stakeholders criticise the administrative and accountability burden that goes along with the implementation of EU policies and programmes. It should be ensured that the necessary control of compliance with rules and legality does not overshadow attention to the quality of interventions and to their results and impact with regard to overcoming or reversing peripheralisation processes.

At national level, addressing the challenges of inner peripheries requires sufficient political attention and addressing geographical and relational connectedness

There is a common perception among stakeholders in IPs of “being forgotten” in the national political agendas, in a two-fold sense: it is difficult to get support from higher political levels, and there is a feeling of being weakly connected to the decision-making policy arenas, and thus having little capacity to influence future agendas. It may now be the time to **increase political attention to the IPs** as locations with specific socio-cultural but also economic assets.

The pathway to change rests upon an endogenous development process and the capacity to connect with exogenous resources and agencies. National/regional governments can support IPs. This is not necessarily a call for new funding programmes but implies political attention to IPs in the national context. The main reason for their relatively worse position is a lack of connectedness in terms of geographical and/or relational proximity. Therefore, **different aspects of connectedness have to be addressed** in order to break a continuing downward cycle.

Regional and local action should be based on articulated **strategies to promote connectedness, joint initiatives and sufficient institutional and interaction capacities**.

It is important to develop a clear “narrative” with regard to the intervention logic, based on an understanding of the specific place-based assets and limitations that cause peripherality, and developed through a stakeholder involvement process.

In some cases, IPs are rather small in scale or very dispersed, so that it is difficult for local stakeholders to raise resources for an effective intervention strategy. A supra-local platform is important for connecting resources and developing action plans. **Regional cooperation might be specifically effective** regarding locality branding and positive visibility of IPs; strategies for attracting a skilled workforce; fostering innovation and small and medium-sized enterprise (SME) development; evaluation; etc.

Case study evidence points to a substantial lack of regional policy coordination, as well as of trans-sectoral policy development, and gaps in internal and external interactions in most cases. A regional agency may have an important role as an intermediary actor that ensures that coordinated efforts from below can create dynamics, and that relevant resources are bundled and channelled into the area from higher levels.

The **development of strategic institutional capacity is a decisive factor** for breaking downward cycles, changing routines and reversing trends.

Local policy-makers could adopt an **explicit focus on connectedness and interaction capacity** when reflecting the localities' territorial capital. Examples of this are related to the labour market, network brokerage to support the attraction of external labour force to the region, or joint initiatives for qualifying the local labour force. In response to deficits in service provision, it might involve new methods and constellations incorporating novel IT-based solutions.

Smart specialisation strategies (S3) are also an effective tool to engage the potentials of localities by means of interaction among public, private, academic and non-governmental actors. They build on research and innovation strengths in a territory to address emerging opportunities and market developments in a coherent manner. The S3 networking and cooperation approach should cover each step in the value chain from research to commercialisation, and all relevant actors of different sizes and across sectors.

Further ESPON reading:

Inner Peripheries: National Territories Facing Challenges of Access to Basic Services of General Interest
<https://www.espon.eu/inner-peripheries>

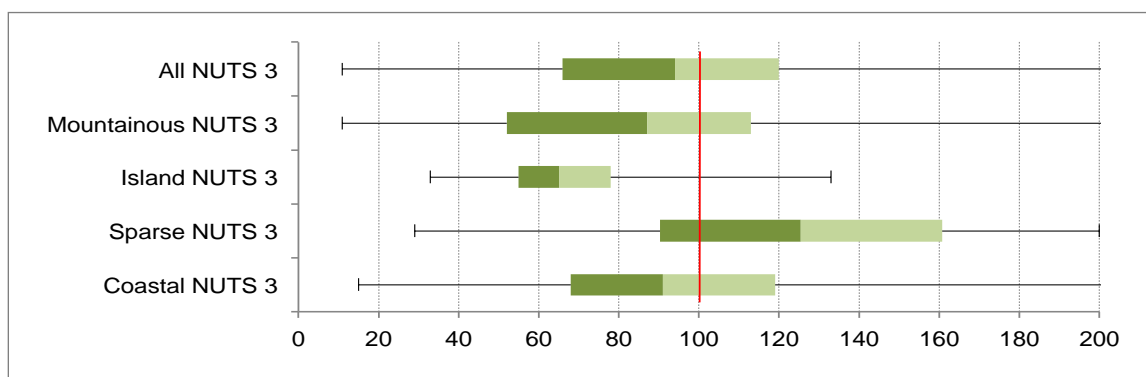
1.4. Promote the development of territories with geographical specificities based on their development assets

The European policy debate on the development of territories with geographical specificities has been moving in recent years away from discussions of the need to compensate for “natural handicaps” and develop a special policy or instrument “per handicap/specificity”. The discourse nowadays, acknowledging that the specific challenges of these places may need tailored solutions, is focused on the **need to reveal and strengthen their development potentials**.

Socio-economic conditions in territories with geographical specificities in Europe are very diverse. Geographical specificity is a feature that needs to be considered in a **broader territorial context** (e.g. islands in relation to neighbouring coastlines, mountain areas in relation to their piedmonts) **and national economic context** to formulate strategic options for their future developments. For example, gross domestic product (GDP) values (see Figure 1) observed in island regions tend to be distinctly lower than the EU average, while the opposite is true of sparsely populated areas. This can, however, be ascribed to the fact that a majority of island regions are found in Greece, southern Italy, Spain and the outermost regions, while sparsely populated areas are mainly found in the Nordic countries and Scotland. Differences between different types of territories with geographical specificities are mainly linked to the national economic context of each region and its relationship with surrounding areas or territories.

Figure 1

Distribution of GDP per head (2013) within different categories of specific types of territories, EU28 average 100 %



Source: ESPON Policy Brief: *Shaping New Policies in Specific Types of Territories in Europe: Islands, Mountains, Sparsely Populated and Coastal Regions*, 2017

Despite the wide diversity of territorial development patterns among and within groups of specific territories, some common trends can be identified.

Specific types of territories are normally characterised by **low levels of economic diversification, limited added-value and small-scale economic activities, and lack of critical mass**. This exposes them to external shocks and limits their resilience. An insufficiently diverse labour market can, for example, lead to limited employment opportunities for women, triggering a gender imbalance that, in the medium to long term, jeopardises the local communities concerned. A recurring issue in many specific types of territories is that natural resources are exported unprocessed, generating limited added value. A shared challenge in a number of mountainous, insular or sparsely populated areas is small farm size and low labour productivity. Island fisheries similarly tend to be primarily artisanal.

Territories with geographical specificities reveal a **rich biodiversity**, which works as a development factor by offering tourism and recreation activities such as fishing, agro-tourism, hiking, bird or whale watching, and aqua sports. Specific types of territories are also, in different ways, particularly exposed to impacts of **climate change** (e.g. changes in precipitation regimes in mountainous areas, sea level rise, storms, erosion and flooding in islands and coastal areas), which have very direct economic and environmental effects (e.g. low-altitude ski resorts shut down as a result of insufficient snow cover, additional risks to agriculture and forestry that are very climate dependent, or ecosystem disturbances such as new pests in forests).

In terms of accessibility, islands, sparsely populated areas and mountains often face more challenges than coastal and cross-border areas. Air transport therefore plays a major role in binding together the European continent; it is particularly important for remote regions. In some cases, **lower accessibility and connectivity**, as well as a weaker economic base, lead to emigration flows and brain-drain.

ESPON's recent analysis on this topic suggests that situations may be classified in **four categories**:

- **Market failures:** market forces generate sub-optimal use of human and natural resources of territories with geographical specificities, and affect the quality of life of their inhabitants.
- **Policy inadequacies:** policies that are insufficiently tailored to the diversity of geographical conditions generate unforeseen and/or undesirable effects.
- **Policy dependence:** territories with geographical specificities depend on established policies to develop in a sustainable way.
- **Path dependence:** past direct or indirect effects of geographical specificity continue to generate effects through some self-reinforcing feedback loops.

In all these situations, a relational perspective should be promoted. This implies that territories with geographical specificities are not considered in isolation. Proximity to mountains, for example, is relevant to piedmont regions; being surrounded by sparsely populated areas changes the development perspectives of a regional capital town or city; insularity is addressed by considering relations between islands and their mainlands.

Considering this mindset, ESPON has recently come up with a set of recommendations for promoting the development potentials of these territories.

Place-based strategies and policies should aim to promote diversification of economic activities

Considering that territories with geographical specificities are usually characterised by a low level of economic diversification, strategies and policies should promote **multi-activity through smart solutions and preservation of small-scale activities**.

Challenges linked to specific types of territories have, in some cases, been successfully overcome through **smart specialisation strategies** capitalising on their unique resources, developing and branding high-added-value niche-products (e.g. aquaculture specialised in seed mussels).

There is a wide political agreement that **small-scale agriculture and fisheries** should be preserved in specific types of territories. In this context, their products should be able to compete on European markets and compensatory measures might be considered as an option.

At the same time, the viability of agricultural and fisheries activities can be improved by promoting **cross-sectoral** (agro-tourism, tourism-fishing) **and vertical** (organic produce, products for niche markets) **integration**.

Policy actions should counteract population decline and address the impacts of seasonal variations of population

In declining areas, it is necessary to design and implement policy actions to **encourage return migration and to attract young graduates** and, at the same time, to promote **sufficient employment opportunities for women**. Access to services of high quality is increasingly a precondition to avoid population decline. Policy actions to provide access to services of general interest should be integrated as part of development policies in specific types of territories. For transport as for other services of general interest, market actors often do not spontaneously offer a satisfactory level of service provision in these territories. Public intervention is, therefore, important, but expenditure has to be carefully weighed against the potential demographic gains.

In islands, coastal areas and mountain resorts that attract large numbers of tourists and generate significant activity, **amenity migration policies** should specifically address the **impacts of additional pressure on local infrastructure and increasing housing prices** (e.g. through additional regulation of the housing market).

Policy actions related to accessibility should be linked to existing and future economic activities and overcome bottlenecks

Accessibility is the combined result of a transport network and the location of service points, markets and other facilities or destinations that are considered attractive. The improvement of accessibility may therefore be approached both from the perspective of investments in transport infrastructure and from that of the territorial organisation of service provision, settlements, natural areas, etc.

The underlying assumption is that increased accessibility will enhance growth and therefore contribute to territorial development. From the perspective of specific types of territories, a more place-based rationale is needed, in which the **starting point for reflections on improved accessibility would be the needs of the existing economic activities, their development perspectives**, and perspectives for improving the living environment of their inhabitants.

The objective for a region is to have access to the transport infrastructure needed to draw benefits from its economic development opportunities. For instance, an attractive island region needs airports connecting it to potential tourists, while a sparsely populated region with mines may need trains to export ore, and a forested mountain region may need roads to export wood products.

Access to high-quality broadband should be enhanced

For an increasingly broad spectre of economic activities, access to high-quality broadband is essential. Providing such access is challenging for a number of specific types of territories. Low population numbers, large distances and challenges linked to the natural environment (e.g. topography, bodies of water) often mean that it is not profitable for private companies to provide broadband to these territories.

The Digital Single Market should represent an opportunity to participate fully in the single market. Specific action at both the national and European levels is necessary. Policy actions could include investment in infrastructure that ensures full broadband penetration in territories with geographical specificities and in particular in islands, and in research and development aimed at achieving greater efficiency and innovation. Given the significant reliance in most islands on SMEs, it is also important that policy and specific measures

are designed to improve SME competitiveness such as improved trade and digital connections as well as encourage entrepreneurship.

In spite of its importance, broadband access is not defined as a universal service obligation (USO) at the European level. Exchanges of experience on how these USOs are implemented could be particularly relevant for specific types of territories.

Development strategies and policies should consider specific opportunities and vulnerabilities of the physical environment, and environmental protection measures aimed at generating opportunities for development

There is extensive evidence on **environmental processes and risks** to be taken into account in economic development strategies, such as the vulnerability of buildings and other types of infrastructure along the coastline. In addition, monitoring would help to identify possible needs for preventative and risk management measures.

At the same time, territories with geographical specificities can effectively build their strategies around the **high value of natural capital**, which creates additional prospects for the development and branding of these places. For example, natural environments create very good conditions for the production of renewable energy (hydropower, offshore wind power, wave and tidal energies, biomass and solar energy) as a way of both satisfying local energy demand and developing a niche export industry. Another example is related to developing goods and services that do not receive market pricing (air purification, groundwater recharge, recreation, bioremediation of waste and pollutants).

In addition, territorial development strategies should include **measures to preserve landscapes and wilderness** that constitute assets for tourism development, as well as to preserve fish stocks and plants that can be collected for human consumption and for medical purposes.

Further ESPON reading:

ESPON Policy Brief: Shaping New Policies in Specific Types of Territories in Europe: Islands, Mountains, Sparsely Populated and Coastal Regions

<https://www.espon.eu/topics-policy/publications/policy-briefs/shaping-new-policies-specific-types-territories-europe>

ESPON, Territories with Geographical Specificities

<https://www.espon.eu/bridges-territories-geographical-specificities>

1.5. Design policy interventions for functional areas

Increased interconnections and interdependencies among different places have caused the spillover of development patterns beyond administrative borders. Territorial challenges need to be addressed and new opportunities developed at the scale of functional geographies.

Nowadays, **functional areas of different sizes and character shape territorial development in Europe**. These range from urban or rural areas, via rural-urban partnerships, functional cross-border regions, and transnational and macro-regions, to global integration zones. They tend in the majority of cases to break with existing administrative delineations of municipalities, regions and countries. Furthermore, delineations of functional areas can differ according to the function and, being highly dynamic, can shift over time. For example, labour market catchment areas and the functional geography of providing advanced SGI or industrial symbiosis processes vary considerably. Therefore, one single place can be part of several different functional areas.

Identifying functional areas, understanding their respective development potentials and bottlenecks, tailoring governance mechanisms and planning frameworks to fit the functional geographies are important preconditions for increasing the efficiency of policy interventions and return on investment, at the same time avoiding wasteful (overlapping, fragmented) investment. The latter is particularly important, considering the increasing public resource constraints and the need to achieve more

with less. In addition, tailoring support programmes to functional geographies can increase the visibility and the added value to the EU of investment.

The importance of functional areas, and the fact that they are not aligned with administrative boundaries, **make governmental cooperation an imperative for territorial development**. Links between places and the need to develop territories with regard to their functional interdependencies imply that a single administrative territory (be it a municipality, region or country) cannot disregard other places in its policy development. Depending on the nature of the policy issue, this implies cooperation within functional urban or rural regions, across national borders, or in wider transnational or macro-regional contexts.

Accordingly, ESPON advises further encouraging Member States (MSs), regions and cities to **plan and implement their investment initiatives at functional geographical levels**, i.e. looking beyond administrative borders. At the same time, EU-level policies should provide opportunities to **implement policy measures within functional areas through joint initiatives and projects**.

Further ESPON reading:

European Territorial Review: Territorial Cooperation for the Future of Europe
<https://www.espon.eu/european-territorial-review>

Part II

Thematic orientations

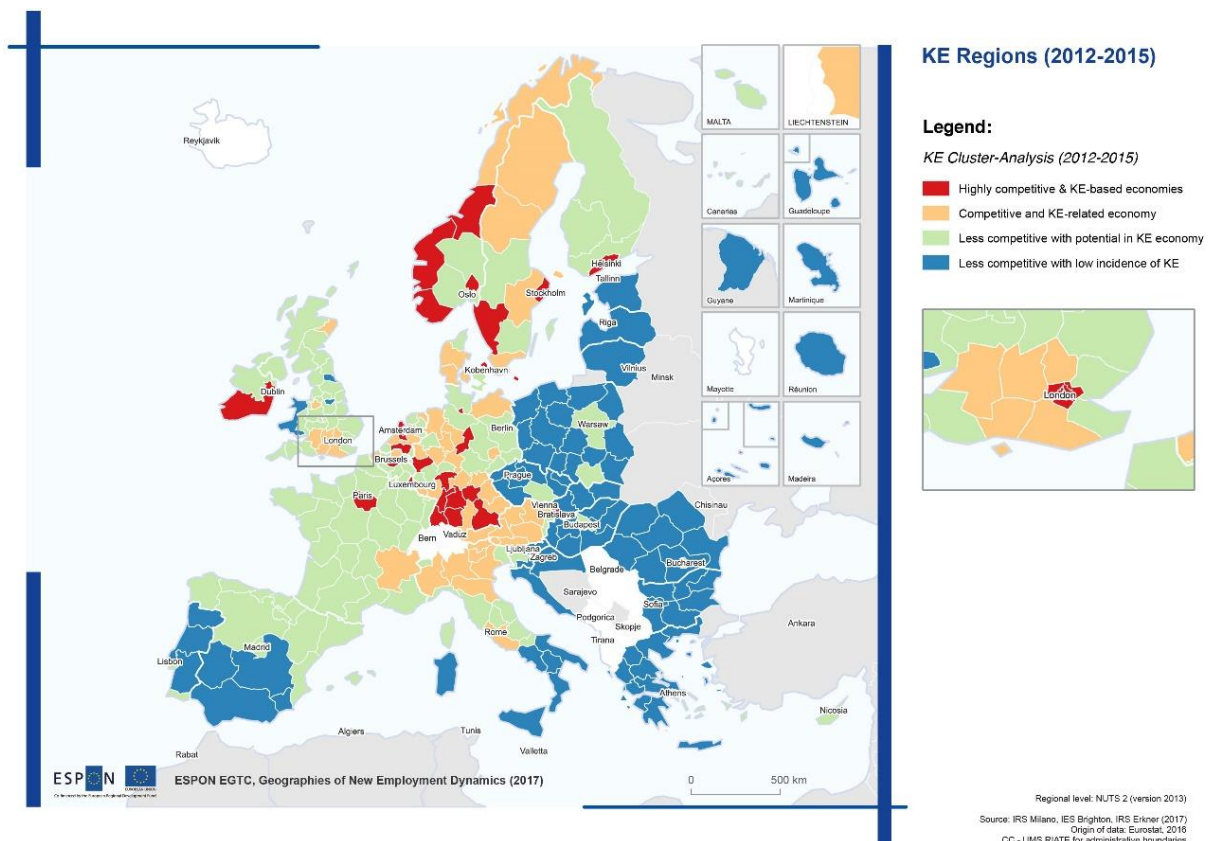
2.1. Stimulate the knowledge economy by supporting lagging regions and improving urban-rural linkages and quality of institutions

Stimulating the knowledge economy (KE) is one of the key preconditions for the long-term competitiveness and resilience of regions around Europe. Therefore, developing knowledge economy factors should be one of the key priorities of future policies at European, national and sub-national scales.

The analysis of economic and labour market conditions in European countries and regions, as well as population and migration dynamics, allows us to identify four types of knowledge economies as presented in Map 2.

Map 2

Regional classification according to labour market conditions, KE potential, population and migration dynamics, and context indicators, 2012-2015



Source: ESPON, *The Geography of New Employment Dynamics in Europe, 2017*

The latest ESPON research suggests several policy directions for cohesion policy post-2020.

Increased focus on lagging regions

Support to lagging regions could be strengthened by:

- **valorising existing local knowledge and assets to make places attractive for living** (e.g. cultural and natural heritage; economic, financial, infrastructural and scientific assets; low cost of living; cultural and creative context; local knowledge and craftsmanship; etc.);
- **providing services and infrastructures of general interest** (e.g. healthcare, education and training, transport, ICT and digitalisation) in order to improve accessibility, connectivity, and living and economic conditions;
- **fostering vertical and horizontal cooperation among stakeholders** (especially public institutions, universities and SMEs), as well as territories, through incentives, technical assistance, networking or the creation of formal structures (such as the “innovation poles” in Abruzzo, or the BioConValleyGmbH in Berlin);
- **supporting return migration** (as in the North-East region in Romania) and/or incentivising non-returning migrants to invest in the development of their region of origin through economic support (e.g. with remittances, direct investments, diaspora tourism), the creation of knowledge networks and human capital investments, and social investments (infrastructures and services).

Strengthening urban-rural linkages and finding proactive solutions

A possible way is to **focus on functional regions and on integrated cross-region and cross border cooperation** in order to promote spillovers between urban and surrounding areas, and to support targeted measures for second-tier cities and rural areas. Regional cooperation and investments in enhancing accessibility and connectivity, as well as in services of general interest, improve living conditions and may reduce depopulation trends, including in territories with low KE potential.

Tailoring measures also implies the capacity to find “new” solutions when tackling territorial problems. For example, interventions addressing migration and depopulation could adopt a more proactive approach, **incentivising return migration or adopting diaspora measures** to facilitate investment from high-skilled diaspora communities in local development, as well as improving connectivity and cultural/social services (e.g. childcare) to attract new families.

Interventions addressing population ageing can focus on improving the provision of social and healthcare infrastructures and services activating business and employment opportunities in these sectors. In this respect, the strategy adopted in the Mecklenburg-Western Pomerania region in eastern Germany is of particular interest, as this region centred its strategy not only on the development of its health and biotechnology sector, but also on the valorisation of its geographical position and natural environment, with the creation of high-quality wellness facilities, good connections to nearby German and Polish cities, and low housing costs, in order to become the preferred place to live for commuters and retirees from other regions.

The quality of institutions at the local level is particularly important for place-based Cohesion Policy to be effective

In this respect, the introduction in the current programming period of **ex ante conditions**, requiring the presence of appropriate regulatory and policy frameworks, and **sufficient administrative/institutional capacity**, has acted as an important incentive for the development of comprehensive and targeted strategies and action plans at the regional and local levels. The introduction of **new territorial instruments, such as ITI and CLLD**, has also strengthened the participation of local stakeholders in decision-making. However, lagging regions still have little experience, especially at the regional and local levels, in how to exploit local assets and potentials through the use of innovative and knowledge-based enablers, and often regional strategies show weaknesses in their design and implementation. CP governance and implementation mechanisms should therefore better support capacity building among local stakeholders as well as institutional multi-level and interregional networking and cooperation. The question is how to design a more effective shared governance and management system and to support the strategic and administrative capacity at local and regional levels as well as promote the involvement of private investors.

Capacity building could be promoted through multi-level governance and technical assistance

A **multi-level governance framework** has clearly defined roles for the different levels of governance and public and private stakeholders. The urban regeneration programmes presented in the Berlin and Iași cases, as well as in the Mecklenburg case, provide useful insights in this respect, showing how national, regional and local authorities and actors were effectively involved in the design and implementation of complex integrated strategies.

Providing **technical assistance** to local institutions and stakeholders and supporting the exchange of experiences for institutional learning.

Box 1

Strategies to stimulate knowledge economy drivers

The analysis of six cases conducted by ESPON shows rather successful KE strategies, strongly based on existing assets, and therefore provides useful indications for future policies.

According to the case study analysis, there are **five potential strategies that could be deployed to stimulate knowledge economy drivers**.

In four out of six cases (Abruzzo, Molpolska, Berlin, North-East region of Romania), an approach adopted is based on the **provision of monetary or non-monetary incentives**, such as fiscal deductions, grants, services or other incentives, to attract (high-skilled) workers, companies or research centres. Incentives often support the promotion of clusters of universities and companies. The regular and close interaction promoted under the clustering scheme is expected to improve cooperation among actors that were not cooperating before.

A second strategy, well represented by the Mecklenburg-Western Pomerania strategy for the health and wellness sector, can be referred to as an **“oasis strategy” insofar as it focuses only on the most successful, vibrant and growing sectors of the region**. To achieve this common goal, the sector’s stakeholders are incentivised to work together, in order to foster innovation and promote economic development.

A third place-based strategy occurs in the case of very remote areas with rather low potential of attracting resources from abroad. In this case, development strategies can be oriented towards **“building a magnet”, i.e. attracting highly skilled workers by exploiting some “unique” resources of the territory**. This is well illustrated by the Abruzzo case study, where the Gran Sasso Science Institute leveraged the presence of one of the world’s top four laboratories of particle physics (housed inside a tunnel originally constructed as part of a motorway) and various university-based research groups to create a centre of excellence attracting students and teachers from Italy and abroad.

A fourth strategy option is building KE opportunities through urban development. Examples of this strategy can be found in Berlin, London and the city of Iași in Romania (the largest in the North-East region). These policies provide a **physical environment that facilitates cooperation between science and industry** and the perception of opportunities for young professionals to work in innovative businesses in regenerated and/or newly developed areas.

A fifth option, most suitable for well-established KEs, is **branding**. For example, the slogan “the world in one city” was used by London to win the 2012 Olympic games and, more recently, London’s Mayor has used the hashtag #LondonIsOpen to show that London – after the Brexit referendum – is still aiming to remain open for business and welcoming diversity. Berlin’s slogan “poor but sexy” also contributed to Berlin’s image as an open and diverse city.

Other policy options aim to **steer the inflows of migrants and exploit the skills of emigrants with ad hoc diaspora measures**. For example, the UK government set up selective policies to steer its high migration flows from non-EU countries, in order to attract high-skilled students, researchers and professionals. Romania, which is one of the EU countries with the highest outmigration rates, recently tried to exploit its diaspora, providing financial incentives for Romanian emigrants to set up non-agricultural businesses in urban areas to encourage return migration.

Further ESPON reading:

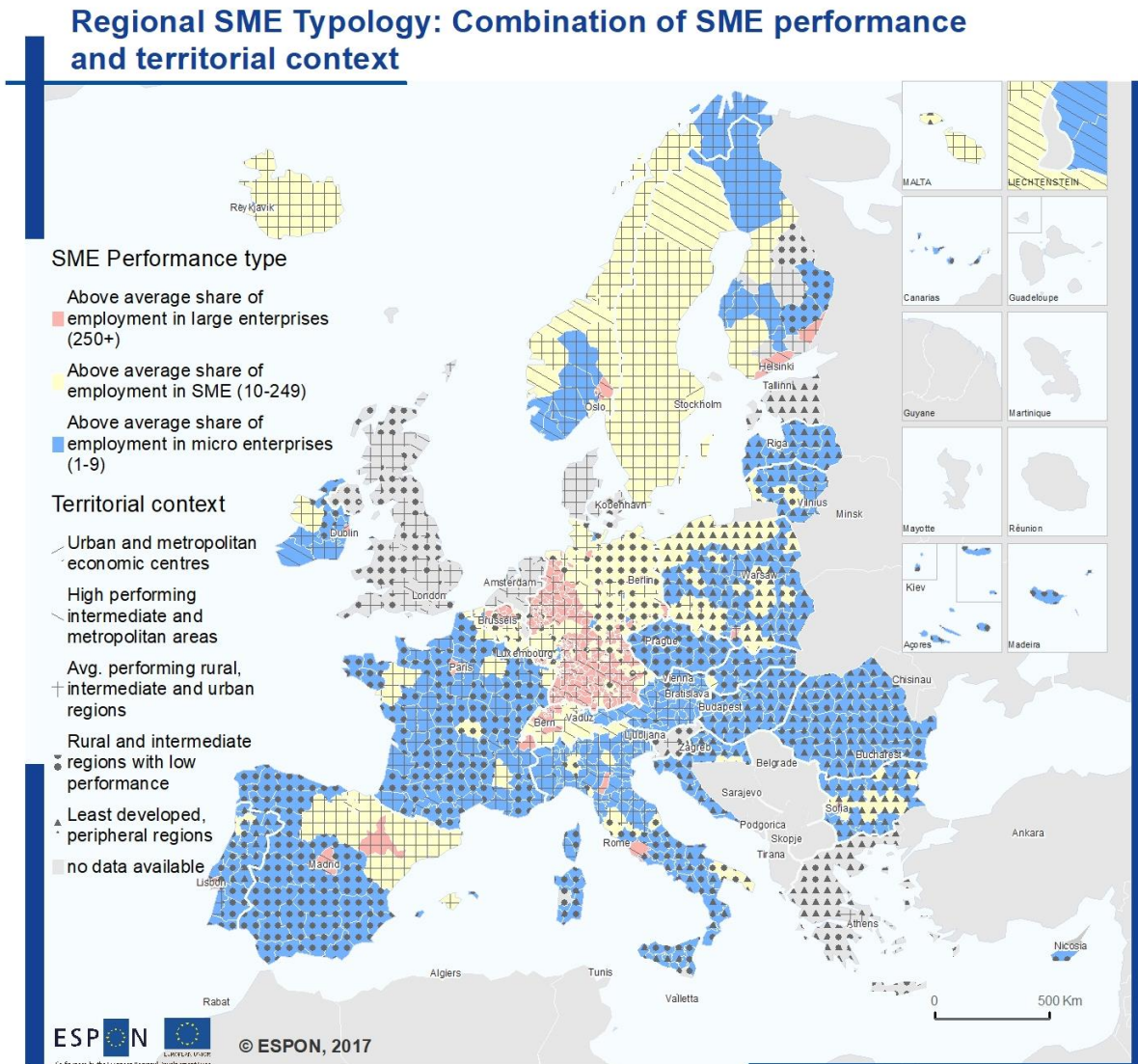
The Geography of New Employment Dynamics in Europe
<https://www.espon.eu/employment>

2.2. Create favourable business environments in cities and regions to improve SME performance and support start-ups and scale-ups

SMEs are the **backbone of the economy** and supporting SMEs is therefore of vital interest to the regions. Map 3 shows that there are significant differences in the performance of SMEs in terms of their life cycle and employment across Europe's regions and in different territorial contexts. Therefore, given this diversity among European regions on the one hand and SME demographics on the other hand, strategies for regional SME development need to be tailored to different regions and territorial contexts.

Map 3

Regional SME typology combining SME performance and territorial context



Regional level: NUTS 3 / NUTS 2 / NUTS 0 (version 2013)
 Source: ESPON SME, 2017
 Origin of data: Eurostat Business demography, Structural Business Statistics, Statistics Austria national SBS, Statistics Belgium Demografie Ondernemingen, ORBIS, Beschäftigtenstatistik Bundesagentur, national SBS, Statistics Finland national BD, Insee, Direction des statistiques démographiques et sociales (DSDS), Financial Agency, Central Statistical Office (CSO) national BD, Statistics Iceland national BD, Amt für Statistik Fürstentum Liechtenstein - Beschäftigungsstatistik, Statistics Norway national BD, Central Statistical Office Poland national BD, Statistics Portugal Integrated Business Accounts System, National Statistics Institute Romania national SBS, Statistics Sweden Business Register, Bundesamt für Statistik Schweiz
 CC - UMS IRIATE for administrative boundaries

Source: ESPON, *Small and Medium-Sized Enterprises in European Regions and Cities, 2017*

The latest ESPON research on the topic suggests a set of recommendations for future policies at European, national, regional and local scales.

Promoting the development of SMEs at all scales requires tailor-made solutions, good governance and complementary use of funds in different types of territories.

“Tailor-made” is the keyword for any strategy towards SME development at any level of the European multi-level governance system. However, critical conditions for SME development, such as **education, good governance and infrastructure, should be addressed at all levels**, just as the need for differentiation along the life cycle of SMEs applies, as well as the distinction between micro-enterprises (1-9 persons employed) and SMEs (10-249 persons employed). Predominantly rural and peripheral regions tend to have higher proportions of employment in micro-enterprises than urban and capital regions.

Most importantly, SMEs rely on **good governance**. In this respect, all governance levels can lead by example, by increasing transparency and improving communication. This also implies that improved cooperation between all levels of governance would be beneficial. Levels closer to the citizens, such as local and regional authorities, as well as the MSs should promote the initiatives of the more distant levels, while both the EU and national levels can enable the levels closer to the citizens.

The expansion of the regional micro-enterprise sector (and of employment in it) can be driven and fostered, even in rural and peripheral territories, mainly by creating an ecosystem of good levels of education and good governance frameworks (access to finance, incentives, etc.).

Parallel instruments and funding are often a result of uncoordinated use of various measures and lack of sound strategies. The post-2020 CP should put an **emphasis on efficient complementary use of funds without duplicating national measures**, with the aim of filling gaps to form a cohesive innovation and/or start-up ecosystem in the region, with support from the national and European levels. On the other hand, MSs and regions should also be encouraged to identify funding gaps and make appropriate investments, and/or occasionally be required to enhance quality standards by formulating *ex-ante* conditionalities. **Financial instruments** that can trigger behavioural change should be encouraged.

Cohesion policy post 2020 should promote more flexibility (allowing differentiated support to start-ups and scale-ups and across different sectors as well as the various size classes), support to innovative measures and business education

The post-2020 CP should continue to promote tailor-made solutions for MSs and regions in relation to SME growth and development. **More flexibility** in the post-2020 framework might be necessary, and more options to enable tailor-made solutions could be provided. In the current framework, there is a lack of **differentiation between start-ups and scale-ups** and their specific needs. The post-2020 CP should support the introduction of specific strategies to help and encourage more micro-enterprises to grow or scale up, and should also consider that **SMEs in different sectors have different needs as well as capacities to innovate**. Policy-makers are urged to continue promoting tailor-made solutions for SMEs in MSs and regions.

CP is important for providing not only resources, but also innovative ideas. Therefore, it should further **support innovative measures encouraging risk-taking**. Measures triggering behavioural change, such as certain financial instruments, have been deemed particularly effective in SME policy. Keeping in mind that the choice of measures should be tailor-made, an inventory of various kinds of measures could be created to inspire relevant regional and national policies as well as strategies.

To support more effective business education, the CP can assist MSs and regions in engaging in more **effective business education and competence and skills development** through encouraging exchange between regions as well as dissemination of information and good practices. This is particularly important for micro-enterprises in regions with limited access to higher education and research centres, which is often the case in islands and mountainous and sparsely populated areas. As for direct measures from the EU

towards target groups, one promising idea is for regional envoys representing SMEs to offer direct information exchange.

National policies play an important role in providing overall policy frameworks and resources for SME development, reducing administrative burden, encouraging the Quadruple Helix approach and creating demand for innovative products through public procurement

Different MSs have various powers concerning SME policy. However, regardless of the role of the national level, MSs can provide the **overall framework and support as well as resources for SME development**. This includes investments in relevant infrastructure, such as telecommunication networks, broadband and public transport, and setting regulations, standards and norms. MSs also need to provide resources for investments in clusters/networking, research and educational institutions, and a skilled workforce. MSs can and should support the development of an entrepreneurial culture and open-mindedness at the national level.

Incentives can remain ineffective when **administrative burdens** are too high. The case studies revealed that there are still many obstacles for SME development caused by administrative burdens. Business creation will remain low where the financial costs setting up and shutting down of enterprises are high. Significant administrative burdens also relate to leasing premises and employing staff (labour and social security law), as well as business succession.

The MSs should focus on **fostering collaboration** on new and cross-industrial enterprises between academic, private and public sector representatives in science parks. This Triple Helix approach strengthens cooperation and provides a favourable environment for innovation while improving the teaching and education of the future workforce. However, it must also include civil society, as many initiatives originate at local or regional levels (non-governmental organisations (NGOs), community groups and associations, etc.).

National governments should support and encourage such processes through **active dialogue with the regions to understand their needs based on their territorial specificities**. It is important that the MSs not only facilitate bottom-up initiatives, but also actively support them. The MSs can support and share measures aiming at the creation of a good SME ecosystem and encourage the regions to do so too.

Through **public procurement**, the MSs can set standards and demand-led policies for SMEs for innovation. The role of the public sector for creating demand for innovative products should not be underestimated (e.g. digitalisation of public administration, waste collection and treatment, framework for distributed energy systems), and setting the right incentives at different administrative levels is of utmost importance. In addition to setting standards for new or improved technologies and sectors, public procurement for innovation should be considered to ensure that the conditions are enabling/incentivising for SMEs and not only for large businesses.

Regional and local authorities and stakeholders should develop tailor-made specialisation strategies, adapted to their territorial specificities, promoting favourable economic environments, engaging in interregional coordination, developing regional/local brands and promoting connectivity (both physical and digital)

At the regional and city levels, the closest interaction with SMEs comes from the managing authorities. Further SME support can be stimulated by creating a **tailor-made favourable economic environment**, which should be aligned with the interests of the region or city in question. SWOT (strengths, weaknesses, opportunities and threats) analyses are a useful tool for regions to understand their position and future possibilities that could indicate the direction for investments. The case studies have identified that **cultural factors** are very significant in SME development. As these factors have to be considered in developing a strategy, LRAs are in the best position to adapt the strategy to the cultural specificities of the region.

Any strategy for SME growth and development should be carefully chosen. **Specialisation strategies** should not necessarily follow classic industrial taxonomies, but rather focus on technology and competence

fields which can be flexibly applied in different industries. Any specialisation strategy should avoid creating potential dependencies, and the transferability and adaptability of other models should have already been considered when choosing the appropriate strategy. It is important not to simply choose and replicate models from other regions, but to consider the specific territorial context of one's own region, as well as to consult and interact with different relevant actors and stakeholders.

A favourable economic environment can be created and sustained only through the application of different approaches. First and foremost, this involves **high-quality governance** with transparency and stability, clear and possibly simple regulations based on a tailor-made strategy, collaboratively drawn up, as well as clear communication and a proactive approach from the authorities. LRAs can facilitate contact and communication between start-ups, SMEs, entrepreneurs and local bodies. To foster cooperation between public and private stakeholders, LRAs can create and promote a common vision. A shared common vision enhances the cooperation between different kinds of stakeholders and encourages action.

LRAs should engage more in **interregional coordination processes**. This is especially the case for neighbouring regions/cities concerning governance; however, more distant regions can also cooperate through the S3 platform.

Good visibility and marketing can help to attract investments and thereby strengthen the SME environment. Through the implementation of an S3, regional assets can be further strengthened, which allows the development of a “regional brand” in accordance with these strengths, which will then support SME development and positioning.

Finally, all SMEs are dependent on **good infrastructure**, in terms of accessibility as well as telecommunications and broadband. In cities, the focus should be on intra-regional networks and connections to the hinterlands, while good connections to other European economic centres and access to markets are important in more rural areas, as well as in islands and mountainous areas.

Further ESPON reading:

Small and Medium-Sized Enterprises in European Regions and Cities

<https://www.espon.eu/sme>

2.3. Promote the circular economy through territorial cooperation

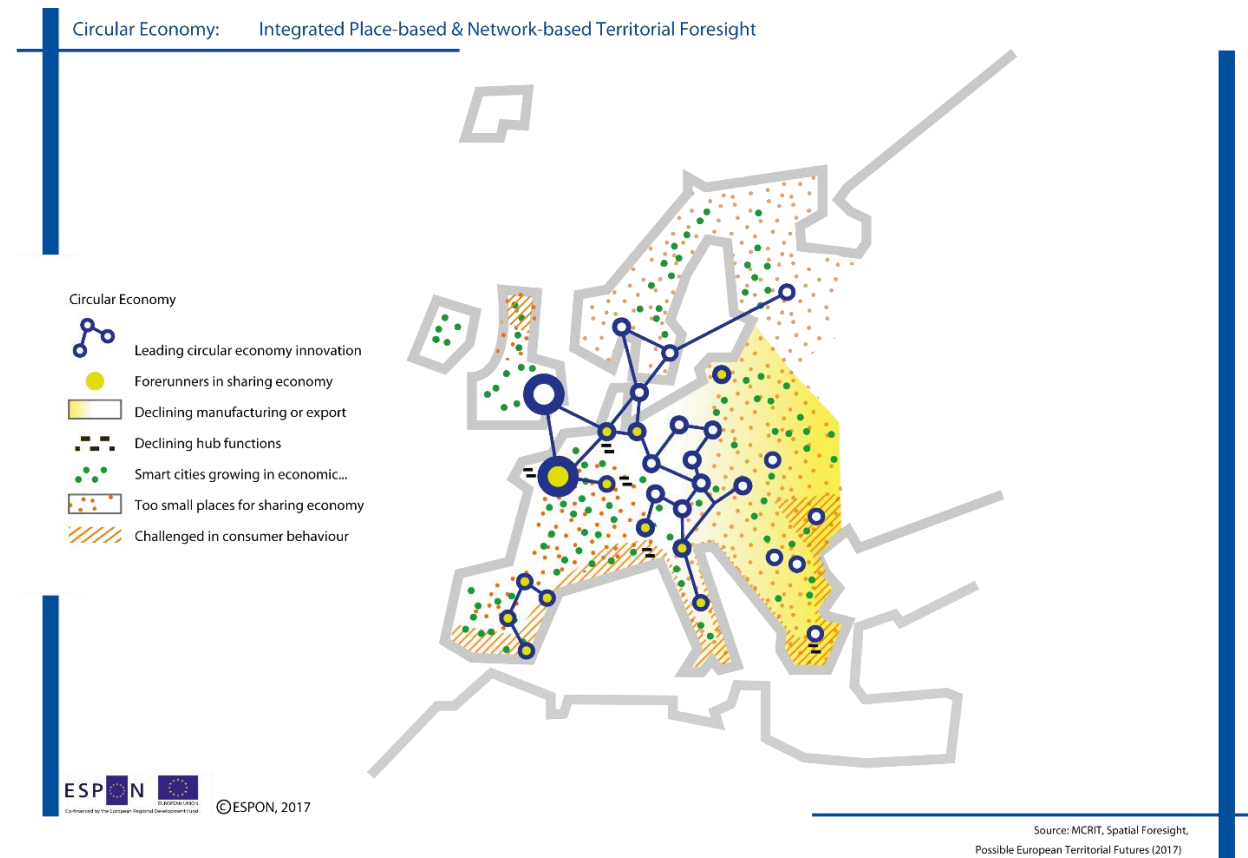
“The circular economy” is a phrase that describes a move towards resource-efficient industrial production whereby the value of products, materials and resources is maintained in the economy for as long as possible. It is considered a pathway for a competitive European economy which can meet the objectives of climate change policies and sustainable development by a wide range of policies.

Developing a circular, resource-efficient economy requires a mega-shift in production and transport as well as in consumer behaviour, and is therefore a (very) **long-term policy orientation**. It is at a preliminary stage in Europe and recognition of the urgency of its implementation varies but could increase considerably.

A circular economy will imply huge changes for all parts of Europe and will also affect the European urban system and territorial balance. At a European level, the differences between strong socio-economic areas and the lagging regions may reduce under a place-based circular economy. Map 4 illustrates the potential for small and medium-sized towns, as well as the challenges for sparsely populated areas and inner-peripheries. It also highlights the importance of networks in driving innovations in a circular economy and leading areas in the sharing economy. Furthermore, the map shows areas which could expect particular transition challenges in consumer behaviour (including that of tourists) and changing manufacturing structures.

Map 4

Territorial impact of transition to a place-based circular economy



Source: ESPON, *Possible European Territorial Futures*, 2017

Developing a circular economy has **wide-ranging territorial implications**, from the local to the European level. For example:

- A strong focus on “repair, reuse and recycle” implies the **creation of jobs in more labour-intensive sectors**. This also allows more job creation in rural and lagging areas and holds the potential to help ease current rural-urban disparities.
- **Large-scale manufacturing needs to adjust**. This will be a challenge for all cities and regions with high percentages of employment and/or gross value added in the manufacturing sector. Particular transition challenges are expected for cities and regions with low levels of resource efficiency, or with a limited variety of manufacturing activities that can cooperate to establish residual streams.
- **Innovative technological solutions are needed**. Areas with strong innovation profiles, in particular for eco-innovation and the green economy, face less of a transition challenge.
- **The role of transport hubs will change** because of a substantial fall in international transport volumes. This implies that major transport hubs for freight (ports and airports) will decline in importance.

Local and regional authorities have an important role in launching and accelerating the transition to a circular economy

Local and regional authorities (LRAs) can lead by example, set clear framework conditions or directly support local and regional stakeholders. Steps that can be taken by LRAs to foster a circular economy are the following:

Start by analysing the local and regional context. A circular economy may have a different flavour in every European city and region, depending on geographical, environmental, economic or social factors. The industrial profile of a city or region plays an important role, with, for example, service and resource-intensive sectors each calling for different types of support. Factors such as accessibility can play a role as well. For instance, implementing more resource-efficient transport systems, district heating systems or a sharing economy could be a greater challenge for less accessible areas (e.g. islands or peripheral regions) than for territories with large concentrations of inhabitants such as metropolitan areas with a higher critical mass.

Lead by example using smart public procurement. As consumers, LRAs can lead by example and include circular economy considerations in their purchasing decisions by using green public procurement criteria and mechanisms. In practice, this means including criteria related to the costs of maintenance, recycling and sustainable sourcing of raw materials.

Set up clear framework conditions. Cities and regions should send a clear signal to local and regional stakeholders by integrating their commitment to a circular economy into relevant strategic documents, setting out local priorities, planned measures and forms of support available. This way, the stakeholders can plan their activities in the long term. Relevant strategic documents can be EU regional operational programmes, long-term development plans, environmental strategies and other thematic or sectoral strategies, such as waste management or industrial development plans. The progress made should be measured by specific indicators focusing on the circular economy.

Support local and regional stakeholders. LRAs can offer support to relevant stakeholders by providing targeted funding, access to knowledge and information or networking opportunities. In the first instance, this can be done by using platforms or information channels already present, such as local sustainability councils, business associations or start-up incubators.

A circular economy should build on cooperation: between enterprises to streamline residues and industrial symbiosis and between individuals to develop a sharing and collaborative approach on consumption

To make the most of the circular economy, territorial cooperation can help in different ways, of which the following stand out:

Create critical mass for industrial symbiosis. Industrial symbiosis mostly requires a range of production facilities in close proximity so that the waste or by-products of one become the raw materials for another. In particular, for small places (e.g. rural areas or small and medium-sized towns) with limited industrial activities this can be challenging. Critical mass can be created by building on the industries of an entire functional urban region (e.g. in smart specialisation strategies).

Create critical mass for local sharing economies. Sharing-economy approaches at local level require sufficient participants within reasonable proximity to share goods or collaborate on services. The same goes for local reuse and repair approaches. Areas with low population density, such as rural areas and IPs, may suffer from insufficient critical mass to embrace changes in consumption behaviour. Critical mass can be created by developing joint regional sharing-economy platforms, such as car sharing or tool sharing.

Cooperate for new production and repair systems. The transition to additive manufacturing, repair and reuse holds development potential in particular for small and medium-sized towns as well as for lagging regions. However, players in these areas should cooperate in larger networks or with central places – polycentric networks.

Draw up joint strategies for changing transport systems. The transition to a circular economy will also affect transport flows from the global to the regional level. Regions with below average levels of physical connectivity may hold the potential to rethink transport systems at the level of macro-regions or functional urban areas (e.g. transport pooling).

Set up circular economy knowledge transfer networks bringing together forerunners and areas needing to adapt. At present, there are a few, mainly urban, areas leading the way in developing new solutions for production processes supporting a circular economy. Cooperation is needed to bring together decision makers and entrepreneurs across Europe so that new solutions are picked up rapidly.

Set up circular economy knowledge transfer networks on consumer behaviour in the circular economy, mixing different cultural habits. Consumer behaviour concerning waste prevention, recycling and the application of sharing-economy approaches varies widely across Europe. Advanced territorial cooperation between areas covering waste reduction, recycling or use of the sharing economy for example, can be expanded to other areas to disseminate new solutions.

Further ESPON reading:

Possible European Territorial Futures
<https://www.espon.eu/territorial-futures>

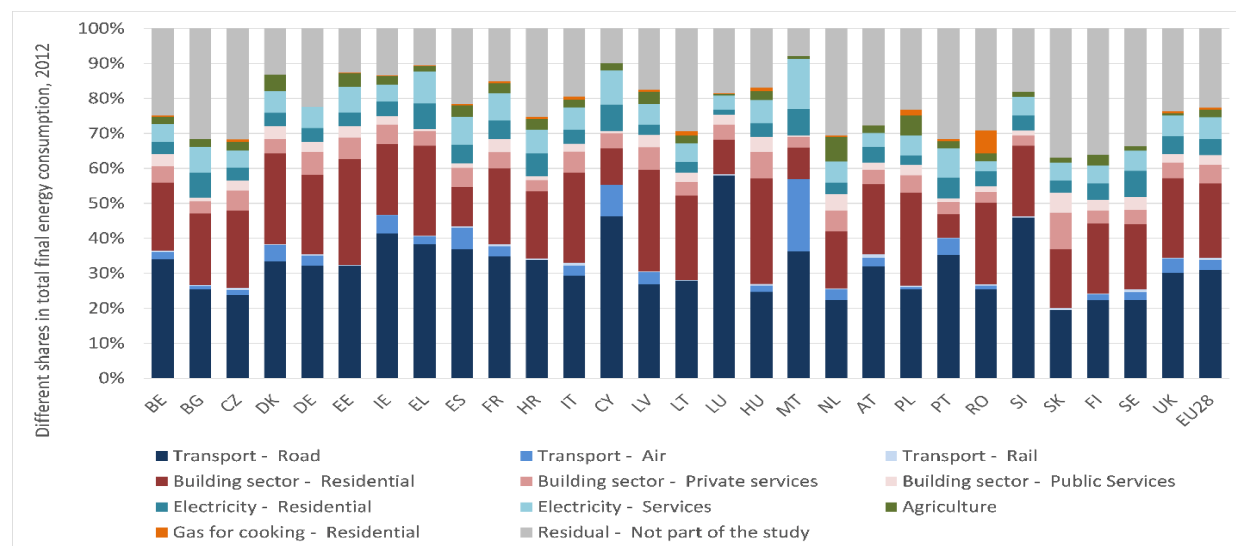
European Territorial Review: Territorial Cooperation for the Future of Europe
<https://www.espon.eu/european-territorial-review>

2.4. Promote the transition towards the low-carbon economy by empowering regional institutions to implement strategies

The 7th Cohesion Report argues that, despite the substantial progress that has been made in limiting energy consumption and greenhouse gas emissions, reaching the more ambitious EU targets of a 40 % reduction in greenhouse gas emissions and 27 % of energy being renewable by 2030 will require greater effort. The report highlights the need for more investments in energy efficiency, renewables and low-carbon transport to reduce greenhouse gas emissions. Investments in low-carbon transport will have a significant impact, as the sector accounts for the largest share of final energy consumption in most EU countries (see Figure 2).

Figure 2

Shares of different sectors in the total final energy consumption for EU countries in 2012



Source: ESPON, *Territories and Low-Carbon Economy*, 2017

The post-2020 Cohesion policy should support low-carbon economy (LCE) transition strategies by providing coordinated access to EU support schemes, information on optimal aid packages and advisory services, with a specific focus on least- and less-developed regions

ESPON advises employing the following approach to low-carbon transition support in the framework of the post-2020 CP:

- A generic **project finance portal**, including all relevant EU support schemes (ERDF, Horizon, EIB, etc.), adapted and differentiated to national and regional specifics (in terms of approachable project support schemes, taxation, etc.). A user-oriented RES-finance portal could lead project developers through the maze of options towards an optimal financing and aid package.
- Linked to this portal, an **advisory service** helping project developers to analyse economic feasibility of their proposals under optimal financing conditions.
- **Smart specialisation platforms** with tailored thematic and spatial (regional) scopes, focusing on research and technical development (RTD) efforts relating to the transition to a low-carbon economy.
- **CP financial support schemes** with substantial grants to LCE infrastructures, investments in RTD and SME development.
- A **CP focus on least- and less-developed regions**, providing support to the introduction of governance structures as a prerequisite for LCE transition strategies.

This conclusion and proposal was developed from the viewpoint and experience of regions as promoting institutions for regional economic development, taking experience from CP programme managers into account. The intention of this new setup of CP is:

- to guarantee all regional actors full access to all sources of project support; and
- to systematically build a European exchange and information platform for regions and actors attempting to develop and implement projects.

Both sides, EU programme managers and regional project developers, would profit from a new level of project quality and better support for implementation. This, finally, would lead to a more effective use of EU funds and resources in the regions that need European support and can manage them effectively.

Active and well-resourced regions are key actors for bringing about the transition towards a low-carbon economy on the ground

The regional level is important in bringing about the transition towards a low-carbon economy on the ground. Active and well-resourced regions make a difference in terms of the scope and speed of such a transition. Furthermore, the regional level can have a holistic, cross-sectional perspective and is able to work as a transition promoter in an integrated way. Successful regions cooperate with the municipal level intensively, contribute added value by pooling of resources and finding synergies, and provide important linkage between national and European frameworks and the local-level actors.

In order to stimulate bottom-up activities and motivate the local public and economic sector as well as private households in all European regions, **strengthening and supporting the regional level as an active transition promoter seems important**. Hence, a general formal responsibility of regional-level institutions (including at least human, if not financial, resources) would strengthen regional authorities/actors that aim to implement transition strategies.

The following **regional actions** are advised as most likely to be successful:

- **Combine regional with local implementation** and make use of **synergies of powers and resources**. Successful local players have considerable authority to stimulate and implement projects relevant to the low-carbon economy (including energy-focused spatial planning as an important factor). In order to establish effective sub-national forces, local- and regional-level actors have to work in a joint and collaborative way.

- Develop **tailored implementation strategies for different economic sectors, energy sources and spheres of everyday life**. Each source of renewable energy as well as each sector striving for energy efficiency follows different logics and needs specific knowledge, support and relevant groups of actors. Therefore, regional-level transition promoters need a staff of experts with a broad range of specialised know-how.
- Consider regions' vastly different geographical and economic prerequisites and actor constellations by developing **individual strategies**. These strategies need to consider regional strengths and development potentials as well as varying national framework conditions (legal, tariff and aid systems).
- **Exchange experiences and good practices** between regions and make use of the impetus of international low-carbon initiatives at regional level. As one-size-fits-all solutions do not exist, exchange is an important supportive action (as a basis for adapting ideas and concepts rather than simply transferring them).
- **Pool resources at regional level in order to be able to apply for funding**, financial investment aid and research funds. Available funds are as fragmented as the issues around low-carbon economies are multifaceted. Such aid initiatives, including EU policies, are seen as decisive for practical project implementation, but need specific organisational knowledge and resources. Therefore, coordinated information about concrete aid options and a specialised task force to apply for them and support project management are of the highest importance.
- **Make use of regional actors' presence in the region and regional knowledge**. Local- and regional-level governance are closer to the regions' actors, businesses and population and thus can be more effective for mobilising towards transition than national-level institutions. People's trust in unbiased, hands-on information and professional knowledge is an important basis for convincing potential partners and forming lasting implementation partnerships. Acting for the region with a credible regional perspective is essential for unlocking low-carbon investment from the private sector.
- **Collaborate with the economic sector as a key partner** in successful regional low-carbon transition strategies. Regions need to build a platform for bringing together actors from public and private institutions, focusing on real needs and realistic development options, and to support sustainable cooperation between relevant regional players.
- **Collect relevant information and inform regional stakeholders**. Regional low-carbon development needs appropriate information at regional level. Many regions have inadequate amounts of data available. This is posing a major challenge to regions regarding the drafting of sound strategies and feasible measures, as well as monitoring.

Further ESPON reading:

Territories and Low-Carbon Economy
<https://www.espon.eu/low-carbon-economy>

2.5. Facilitate the digital transition with multi-level governance arrangements and effective public-private collaborations

Digital tools and solutions are transforming public services and how governments respond to citizens' needs. Many cities have been actively engaging in the modernisation and re-engineering of government processes and services and have seen high returns through simplified governance and increased efficiency, effectiveness and outreach. However, cities face many challenges in the processes of digital transformation including rethinking governance, allocating resources for re-skilling and adopting new technologies, as well as legislative and policy issues.

The **digital transition is reshaping public services** and it is clear that its impact is very significant. The uptake of digital solutions shortens the time and lowers the cost of obtaining information and carrying out administrative procedures. Two in three cities have seen an increase in the uptake of specific services as

a result of digitalisation, and two in five even a substantial increase. Over two thirds of cities use the data gathered to improve services or in decision-making processes.

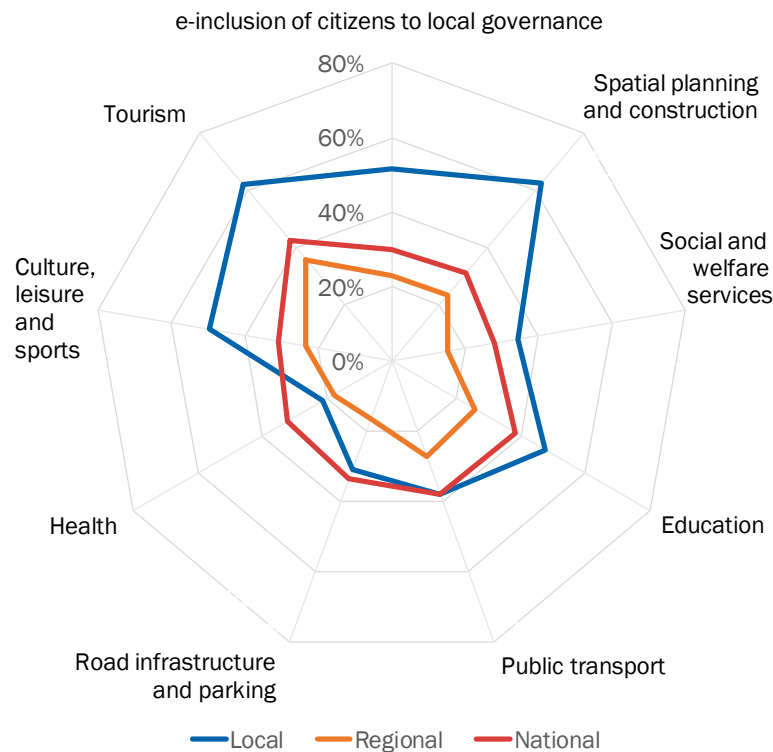
Lack of skills is one of the key constraints on the uptake of digital solutions in the public sector. **Digital skills for public administrations are essential** for making e-government happen. Existing staff need new skills to adapt local public services to the digital era and to work effectively across sectors and borders.

The majority of public services are provided at the local level. However, many digital public services are also being delivered by regional or national authorities depending on the nature of the services, the legal framework and institutional competencies. In many instances, different services offered at different administrative levels complement one another. The solutions to **successful digitalisation** are thus delivered at different levels and **require multi-level governance** arrangements as well as **effective collaborations between the public and private sectors**.

Services related to spatial planning and construction, tourism, culture, leisure and sports, e-inclusion in governance, and education present the highest levels of digitalisation in European cities (see Figure 3). Those lagging farthest behind in terms of digitalisation are health, social and welfare services, and road infrastructure and parking-related services. **Digitalised services are primarily provided at the local level** with the exception of health and road infrastructure, where a higher proportion of services is provided at the national and regional levels because of different jurisdictions and the nature of these particular services.

Figure 3

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



Source: ESPON Survey on the Digital Transition of Cities, 2017

Towns, small cities and large cities across Europe have taken on the challenge of transforming how they provide public services and interact with their citizens through ICT. **The uptake of digital solutions is modernising public administrations, increasing internal efficiency and facilitating interactions between administrations, citizens and businesses.** These are also the main drivers of the digital transition.

The current state of digital transition of cities is very diverse. **Large cities tend to be at the forefront of digitalisation** thanks to higher demand for more complex services and interactions, and their capacities to develop and provide those services. The main factors constraining the digital transition of cities are lack of funds and lack of skills, although the scope and impact of these constraints differs. Another factor, especially inherent in smaller cities and towns, is a lack of strategic vision. **Enhancing the capacities of cities to deliver digital services** and tackling these challenges requires policy responses at all levels and by all actors, targeting specifically regions and cities that are lagging behind with their digital transformation and allowing them to become more attractive and competitive.

According to ESPON evidence, stimulating further digitalisation of public services and reaping its benefits requires a certain set of actions at different governance levels.

EU level policies should remove barriers to cross-border interoperability, develop a platform for data sharing and create a supportive legal framework for digitalisation of healthcare and social welfare services

Digital public services should be developed based on agreed standards and technical specifications. Removing barriers will facilitate the uptake of solutions in cities that are currently lagging behind and enable collaborations on service provision in cross-border and transnational contexts.

As the implementation of city digital strategies proceeds, the focus will shift from modernisation and efficiency gains to the development of new services and the expansion of existing services. A common European platform for sharing data and services is needed to meet this growing demand.

Findings indicate that the uptake of advanced digital solutions is lowest for health and social welfare services. More certainty and clarity in the forms of (de)regulation and guidance are needed on data use and cross-border data-sharing issues related to data privacy, data security, data ownership and digital identity in order to deliver citizen-oriented public services. This also applies to digitalised services beyond healthcare and social welfare. The General Data Protection Regulation (GDPR) requiring the appointment of Data Protection Officers (DPOs) for some organisations will be applicable from 25 May 2018. In addition, the appointment of data security officers within organisations should be considered.

National and regional governments should support partnerships to develop digital solutions and pay special attention to smaller cities and towns

Leadership and coordination are needed at national and/or regional level to bring together actors from the public and private sectors to design and customise complex digital solutions that are tailored to local needs. The digital transformation of education should be a key priority, as it will also address the issue of lack of skills, which is one of the main constraints. Common solutions are also needed in the transport sector, as the paradigm is shifting towards e-mobility and autonomous vehicles.

Findings indicate that larger cities are leading the way in the digital transition. Policy action is needed to ensure that public service provision in towns and smaller cities is not left behind. Services that require critical mass to be developed and/or maintained can be provided at national or regional level, depending on relevant powers, capacities and demands. Support should be provided for capacity building through networking and collaborations to facilitate the uptake of digital solutions by local authorities.

Medium-sized and large cities are advised to invest in ICT infrastructures and local digital services, and support advanced digital solutions

Lagging digital infrastructures have been identified as a barrier to the digital transition, particular by larger cities. Cities should invest in building the ICT infrastructure of the future including fibre-optic and new-generation wireless (5G) networks, sensors for Internet of Things (IoT) applications and cloud computing services.

New innovative solutions need testing in real-life scenarios with real users to deliver citizen-oriented services. Cities should open up their infrastructure and environments and serve as living labs and testbeds

to advance the development of digital solutions. Opening up public data should also be a part of this process. In this context, cities should also develop partnerships with the private sector and research organisations and collaborate with regional and national authorities in order to ensure coordination on the development of digital public service innovations in key areas. Finally, public procurement should be used to facilitate the uptake and diffusion of innovative digital solutions.

Towns and small cities are advised to appoint a digital leader, prioritise services to be digitalised and enhance peer-learning and skills development through collaborations

Adopt and implement a digital strategy and appoint a digital leader. Among the first priorities for city digital strategies should be to modernise services, increase efficiencies and improve the citizen experience. A city digital strategy should be backed by a dedicated budget to advance the digitalisation of services. Designating a digital leader to oversee the implementation of the digital strategy is also a crucial success factor.

Map and prioritise services to be digitalised at the local level. Identify which digital services should be provided at the local level and thus require the most local investment for their implementation. Some services are already or will be provided at regional or national levels based on different jurisdictions, capacities and demands. Other services can be delivered in collaboration with neighbouring cities.

Develop collaborations to enhance peer learning and skills development. Findings indicate that cities engaging more extensively in European and international networks have seen more significant improvements in their city digital services. Towns and smaller cities should participate more actively in these networks and also engage in public-private partnerships to promote peer learning and the development of digital skills within their service teams.

Further ESPON reading:

Policy Brief: The Territorial and Urban Dimensions of the Digital Transition of Public Services

<https://www.espon.eu/digital-transition>

Part III

Effective methods for increasing the efficiency of policy interventions

The latest ESPON research, conducted in 2016 and 2017 (covering either a particular subject or specific places), confirms the importance of several key elements for the design and implementation of future policies to make sure they can efficiently promote the potentials of regions and cities around Europe: **integrated place-based approach, new territorial governance solutions covering functional areas beyond administrative borders (soft governance, metropolitan governance), more territorial cooperation, sufficient institutional/governance capacities and assessment of potential territorial impacts.**

3.1. Apply integrated place-based approach (spatial, thematic/cross-sectoral, public-private)

Promoting the development of places requires an integrated place-based approach that is based on four key principles:

- **Territorial integration** requires adopting a view on territorial development perspectives of places beyond their administrative borders – understanding connections and interdependencies with other places, comparative advantages, and opportunities to maximise their development potentials and achieve critical mass through joint initiatives. At the same time, vertical coordination of development strategies and priorities across levels of government is important to ensure their mutual complementarity and reinforcement of each other's development potentials.
- **Thematic integration (horizontal coordination)** calls for a holistic cross-sectoral view on the development of places. All the different fields of policy intervention should be considered in close relation with each other to make sure they become mutually reinforcing rather than mutually disruptive. Investments in human capital, infrastructure, business development, innovation, services, etc. should all be aligned to achieve common development objectives and promote the well-being of populations.
- **Public-private partnerships and wide stakeholder engagement** are crucial to achieve the ownership and practical implementation of the agreed development objectives. Moreover, collaborative initiatives promote social capital as a crucial precondition for innovation.
- **Financial integration** requires pooling resources from different funding streams and ensuring their coordinated use for achieving locally and regionally defined objectives. At the same time, the definition of policy interventions should not be driven by the availability of funds because, in that case, they risk becoming weakly related to the assets and real needs of places and therefore will not contribute to the achievement of agreed goals and, in the worst case, will become a wasteful investment with no real results and impact.

All these principles should guide the development of local and regional development strategies, and financial integration should serve as the framework for CP-supported investments.

The post-2020 CP should continue to support the design and implementation of locally and regionally designed strategies, especially encouraging cities and regions to plan their developments and investment initiatives beyond administrative borders and to engage in joint or cooperative projects to increase investment efficiency, visibility and positive returns on investment.

Considering that strategic planning is a future-oriented praxis, it is advisable to apply **foresight methods** for policy development processes. Scenario planning and forecasting can be useful for supporting the deliberations and agreements on a vision of a particular territory, and for proactively matching policy measures with the expected trends, provided that the developed projections and scenarios are realistic and not merely optimistic.

At the same time, taking into account that planning is always confronted with quite a high degree of unpredictability of future developments, **strategies should ensure sufficient flexibility** to be able to adapt their implementation measures to constantly changing realities.

Finally, in line with the principles of place-based and integrated development, ESPON advises designing a **single development strategy** (rather than multiple strategies on specific subjects or for specific parts of a territory) that reconciles and harmonises various interests and possible development pathways and ensures a holistic view and set of policy measures for promoting territorial potentials.

3.2. Develop new territorial governance arrangements: soft and metropolitan governance

Cities, regions and national governments have in recent years been assessing their governance experiences and searching for new solutions to better capture and guide territorial development beyond politically defined borders and through new types of collaborative initiatives. ESPON's recent studies conclude that there is no single governmental level that can fully meet the current social, economic and environmental challenges and offer policy advice for strengthening governance solutions at various functional scales.

Soft territorial cooperation and a metropolitan planning approach emerge from the recent ESPON studies as two collaborative governance models that can effectively support policy design and implementation at different functional geographical scales.

Soft territorial cooperation can usefully complement “hard” structures to promote the development of governance arrangements at functional geographical scales

So-called “soft governance”, in contrast to “hard governance”, is based on **ad hoc collaborative and often thematic agreements and project-based initiatives that are not legally formalised and are characterised by “fuzzy boundaries”**. Soft governance models aim to coordinate territorial development between regions, cities and municipalities focusing on communication, coordination and establishing coalitions with other actors as “communities of interest”.

The review of soft territorial cooperation frameworks around Europe has revealed that these are not alternative but rather complementary to “hard” structures. Thinking and planning in soft territorial cooperation areas can overcome some of the constraints of dealing with territorial development within administratively defined territories and by means of hard statutory planning instruments. Frequently invoked constraints are linked to the observed failure of political-administrative territories to address functional interlinkage, the “silo mentality” of traditional sectoral planning and rigid institutional systems. Case studies have brought to light several **strengths of soft territorial cooperation**:

- The organisational flexibility increases ownership and implementation.
- The territorial fuzziness provides flexibility to tackle territorial issues at the “right” geographical scale, as it allows public authorities to optimise the scale and geographical boundaries of policy design and implementation.
- The diversity of membership makes it possible to involve different tiers of government and public and private stakeholders on an equal footing. Soft territorial cooperation can potentially strengthen multi-level governance, leading to a renewal of relationships between various tiers of government.
- Soft cooperation options are important for the achievement of strategic objectives.

The core challenge of soft cooperation is to **stimulate a spiral of growth in cooperation**. For soft territorial cooperation to remain relevant over time, it has to continuously develop, adapt to changing conditions and create new cooperation momenta. Typical phases are:

- intense dialogue, identification of relevant actors, networking, exploration (getting to know each other) and consensus building;
- implementation;

- collection and processing of experiences;
- renewal of cooperation based on accumulated experiences and evolution of framework conditions.

For this spiral of growth in cooperation to happen, soft territorial cooperation requires continuous encouragement, even if one may succeed in establishing a territorial “brand” or shared identity and in changing working habits so that cooperative initiatives become easier to implement. Understanding the cycle is important for assessing the dynamics of soft territorial cooperation and can guide its implementation.

Soft territorial cooperation requires appropriate frameworks for dialogue between actors. Since relevant actors do not necessarily possess the skills and resources needed to organise a collaborative, consensus-oriented cooperation process, European and national frameworks are needed to provide access to a wider range of human and financial resources and to facilitate cooperation. Furthermore, soft cooperation often has to position itself in the complex field of sectoral and territorial interdependencies and institutional settings, which calls for a framework that coordinates cooperation. **The role of national and European authorities is therefore essential in a number of different respects:**

- providing support and necessary expertise, as well as instruments, to cooperation processes;
- coordinating different cooperation initiatives;
- providing legitimacy to the territorial cooperation approach;
- proposing a policy narrative on the role of territorial cooperation in the promotion of a more sustainable and cohesive development;
- providing a regulatory framework;
- helping to disseminate good practices;
- providing essential basic funding to ensure continuity in the processes.

Experiences around Europe have shown that a joint elaboration involving actors from different levels is helpful, but not sufficient, to establish an effective soft territorial cooperation framework. **Continuous efforts** are needed to identify potential fields of cooperation, mobilise relevant actors, facilitate dialogue and implement measures. The extent to which these efforts need to be supported from the top down depends on pre-existing traditions of cooperation. When regional and local organisations have well-established cooperation capacities and cultures, they may use a framework more independently. In other cases, support is needed. Evidence shows that it typically takes decades to develop strong cooperation capacities and cultures, and cross-border cooperation often functions as a catalyst for enhanced cooperation within countries.

Applying a coherent metropolitan planning approach requires establishing a shared governance process, enabling more dynamic interactions between the spatial scales, policy issues, land use functions and a wide range of actors

The most recent ESPON report on functional urban governance and planning advises employing a **metropolitan planning approach**. The key success factors in this regard include:

- combining top-down policy incentives with bottom-up collaboration and implementation;
- collaboration between the relevant planning authorities at national, regional and local levels;
- involvement of a wider range of stakeholders (e.g. businesses and branch organisations);
- ensuring the transparency and openness of collaboration processes and building awareness;
- working towards a “minimum gain for all” when negotiation and compromise are needed;
- starting with bottom-up initiatives (e.g. transport) that can be convincing for most actors;
- political commitment and support from higher levels of government (e.g. national);
- mobilising political leadership to engage with different actors in collaboration;
- setting the rules of the game – combining flexible shared governance in spatial planning with the establishment of more restrictive/legal mechanisms for managing growth;
- creating common funds and agencies for supporting the metropolitan scale of planning, which can enable expertise and financial incentives to be applied (e.g. from EU and/or national sources).

The metropolitan planning approach sets out **eight action areas** that can help to gain a better understanding of the current situation in the metropolitan areas, establish the suitable governance process and support decision-making about future plans and strategies.

Figure 4

Eight action areas for the implementation of the metropolitan planning approach



Source: ESPON, *Spatial Dynamics and Strategic Planning in Metropolitan Areas*, 2017

Defining the borders and the scale of the metropolitan area

Delineation of the metropolitan area is needed in order to specify the borders of the urban developments that will be considered within the area and to review the administrative jurisdictions that will be covered by the area. A clear delineation of the area can better support the set of decision-making processes and the joint governance efforts needed across the multiple number of municipalities and/or regions. Adequate delineation methods should be used to define the area based on more than one or a mix of socio-economic or environmental indicators, and on assessment of the most appropriate scale for managing spatial developments (i.e. functional urban area - FUA, morphological urban area - MUA or metropolitan development area - MDA). The delineation process should be supported by the assessment of the spatial dynamics of the area and by the expert judgement of planners and other professionals on the relevant scale for planning. This can initiate the strategic debate among the relevant authorities.

Assessing the spatial dynamics and key urban trends

This action area implies a comprehensive analysis of key urban developments. This assessment is needed to better understand the spatial dynamics of the areas and to support decision-making about urban growth and designation of urban functions. Key trends to be assessed include the degree of urbanisation and urban sprawl, the planning and extent of the transport infrastructure, demographic trends, employment trends and commuting patterns. Issues such as environmental conditions and land use are also essential for

understanding the spatial dynamics of metropolitan development. The assessment will illustrate the actual functional developments and the spatial scales to be considered in the spatial planning process. It can also support the initiation of a comprehensive discussion with policy-makers, planners and politicians about the most relevant scale to be used for establishing a clear metropolitan planning and governance process.

The selection of the scale of metropolitan planning should ensure a “spatial fit” for the planning activities and governance processes for the specific metropolitan area. The scale can therefore be linked to current statutory spatial planning, be an intermediary administrative level between different governmental levels (e.g. regional and local) or be a newly established metropolitan level of planning.

Identifying key challenges in metropolitan development

This action area aims to understand the current situation in the metropolitan area. The identification of the key challenges may include formulation of issues, impediments and new opportunities. These may concern demographic changes; spatial planning processes; specific developments such as in transport and housing; welfare; environmental quality; social and cultural integration; finances; and institutional issues. All these issues may present specific challenges for the metropolitan areas which need to be addressed in the planning and governance process.

Dealing with the different challenges may require different types of policy interventions, depending on the type of metropolitan area and its institutional context. The process of identification of key challenges needs to be supported by assessment of the key urban trends. It also involves consulting relevant actors with regard to what is to be considered a challenge for the area and why. For this, the perceptions of different authorities, businesses, academics, NGOs and the local community need to be considered. Prioritising key challenges can be part of this consultation process.

Defining the status of metropolitan areas

Many of the metropolitan areas currently do not have a clear status. Defining the status of the area is needed in order to recognise the metropolitan area as a shared territory and a governance level, where different spatial developments need to be addressed. Among the different metropolitan areas, three types of status can be identified: formal, informal and semi-formal. The choice of the most appropriate status for the area depends on the specific institutional context of the spatial planning systems and the governmental levels in charge. For some areas, a formal status defined by law would be the most suitable method of legitimisation. In other areas, more informal, flexible or semi-formal agreements between different actors and levels of government are more relevant and feasible to operationalise. In more hierarchically organised states, legalisation of the metropolitan area level of planning is more likely to work, while in decentralised states the status of the metropolitan area can be based on a strategic concept or interregional or intermunicipal agreements.

Deciding on the governance model and institutional structure

There is no single perfect arrangement for metropolitan governance, as each has advantages and disadvantages. Bearing in mind the highly political nature of institutions, the most appropriate (and feasible to accomplish) structure for a particular area needs to be designed based on both the national and the local context.

In a national context, the following factors may influence the selection of the suitable institutional arrangements:

- the constitution and legal framework at the state level;
- the degree of decentralisation and division of administrative responsibilities for urban and regional spatial planning among various government levels;
- the intergovernmental fiscal system (national resource allocation) and tax system;
- the interaction between local and higher-level governments in spatial planning.

In a local context, the following factors may influence the selection of the suitable arrangements:

- the size of the envisaged arrangement and the size of the area (e.g. number of municipalities and territorial scope);
- the political system of the local administration (e.g. elected or appointed local bodies);
- the particular current local governance structure and decision-making process;
- local political context, commitment and support;
- the access of residents to their local governments and accountability mechanisms;
- revenue sources available to the local governments.

Involving relevant actors in planning and decision-making

Effective metropolitan governance requires the engagement of relevant actors from different target groups. The involvement of a large number of municipalities in a coordinated planning process is one of the key challenges in this process and requires specific targeted actions, collaborative initiative and leadership. In addition to that, a wider range of actors needs to be involved, including businesses, the academic world, NGOs and branch organisations. The wider involvement of actors often happens through series of consultation and negotiation processes initiated by the regional or local authorities. Actors' involvement at the beginning of any planning process is an essential factor in preventing resistance and conflicts about urban developments. The mobilisation of relevant actors can be ensured through a number of actions varying from broad consultation, negotiation and consensus-building processes to specific networking and lobby actions.

Ensuring key success factors, triggers and incentives

There is no unified approach to initiating a metropolitan governance process and to smoothly embedding it in the current spatial planning practices of the regional and local authorities. In different areas, different entry points and triggers are used to launch metropolitan planning initiatives. Experiences of the stakeholders show that, in each case, a particular local issue or group of actors has usually triggered the start of a metropolitan planning initiative. In some cases, initiatives have been taken by local governments (bottom up) and in other cases by a higher level of government (top down). Establishing a spatial planning process at the metropolitan scale needs to be tailored to the specific circumstances and the “rules of the game” of multiple local actors across governmental scales and policy sectors. While metropolitan developments such as suburbanisation can proceed at a fast pace, the intuitional transformations to address these developments depend on a complex and time-consuming consensus-building process involving politicians, planners, the private sector and the local community.

Building administrative capacity and knowledge base

The implementation of the metropolitan planning approach requires adequate administrative capacities in the local and regional areas.

The aforementioned eight action areas can serve as a useful guide for national, regional and local policy-makers and also be used by EU institutions as a set of preconditions to be fulfilled for receiving EU-funded investment support.

Further ESPON reading:

Spatial Dynamics and Strategic Planning in Metropolitan Areas

<https://www.espon.eu/metropolitan-areas>

Thinking and Planning in Areas of Territorial Cooperation

<https://www.espon.eu/actarea>

3.3. Cooperation among places at all levels (in planning, governance and investment)

Cooperation among places should become the key element of planning, governance and investment practices under future policies at European, national, regional and local scales.

In EU policies, cooperative initiatives both within and beyond administrative borders should be encouraged and widely supported within mainstream EU support programmes and within the European territorial cooperation objective, as they will allow:

- more and better results to be achieved by pooling resources;
- their efficiency to be improved by avoiding potentially overlapping and wasteful investments;
- their visibility to be increased;
- geographically wider spillover effects to be ensured.

In the framework of CP, **the use of ITIs and other integrated territorial approaches and instruments** (e.g. CLLD) should be promoted to support the implementation of collaborative initiatives between different types of actors based on complementary projects. Promoting wider use of these instruments requires harmonisation of EU funding rules in order to simplify the use and coordination of different funds for the implementation of integrated territorial strategies.

At the national scale, promoting cooperation among places requires the establishment of an overarching policy framework and guidance to enhance the involvement of regional and local authorities in cooperative governance and planning initiatives at various geographical scales. Moreover, cooperation can be incentivised by national governments through:

- allocating financial incentives to support networking, cooperation and linkages among municipalities (land funds, subsidies for housing, tax-sharing methods, land acquisition and compensation);
- providing funds for territories on condition that the regional and local authorities involved implement governance and planning approaches towards polycentric development.

Regional and local stakeholders are advised to employ a certain set of principles to develop successful cooperation practices. The most important ones are the following:

- Build upon **existing traditions** of collaboration (e.g. in the fields of transport, waste management and environment protection).
- Understand the **territory's spatial dynamics**, taking into account not only the territorial and physical dimensions but also the key socio-economic and environmental impacts of developments beyond the borders of statutory (city) plans.
- Initiate **bottom-up small-scale practices with local actors** and allow cooperation to move towards new policy fields (e.g. from public transport to biodiversity or land use).
- Develop **flexible cooperation structures** to fit the spatial dynamics of the territory and to adjust to changing institutional factors.
- **Political commitment** at regional and local level is a key issue for evolving from a project-based short-term cooperation towards a (strategic or statutory) planning-based and long-term one.
- Understand **shared benefits** for actors by early recognition of interdependencies among relevant actors and creating win-win situations among them. A process to involve a broad range of actors is crucial to develop joint strategic and spatial planning approaches and to prevent resistance and conflicts.

Further ESPON reading:

European Territorial Review: Territorial Cooperation for the Future of Europe
<https://www.espon.eu/european-territorial-review>

3.4. Capacity building, skills, competences

As explained above, building institutional capacities is of the utmost importance for promoting territorial development and applying all governance and planning approaches and tools advised by ESPON. Therefore, increased efforts should be made in future EU policies to support capacity building by developing

and continuously updating territorial evidence and promoting shared learning through networking. ESPON advises paying particular attention to the following capacities:

1. **Capacities for carrying out strategic processes** – drawing up strategic plans.
2. **Capacities for carrying out coordination** – acquiring support from the national government and organising political leadership and commitment.
3. **Capacities for carrying out collaborative processes:**
 - motivating actors to collaborate in joint projects;
 - involving businesses in local economic development;
 - raising awareness among actors of their joint “problem ownership” and responsibility;
 - building upon existing traditions of cooperation;
 - identifying common benefits by consultation;
 - changing attitudes;
 - well-developed commitment mechanisms;
 - sharing knowledge.
4. **Financial capacities:**
 - joint service delivery to save costs (due to economies of scale);
 - fiscal inequality in the region (due to different tax bases).
5. **Capacities for structural organisational changes.**
6. **Capacities for implementing agreements**, restrictions on land use, etc.

While some of these capacities can be efficiently supported and promoted at EU level and through EU-level programmes (e.g. strategic planning and collaboration/networking capacities), most identified capacity needs should be addressed at national and sub-national scales. Therefore, capacity-building activities require efficient interplay among EU-level institutions, EU-funded programmes and umbrella organisations on one side and national and regional government institutions on the other.

Further ESPON reading:

Spatial Dynamics and Strategic Planning in Metropolitan Areas

<https://www.espon.eu/metropolitan-areas>

3.5. *Ex ante* territorial impact assessment

***Ex ante* territorial impact assessments (TIAs) should be performed as part of the policy design process** to estimate their potential impacts on the development of different places around Europe, to anticipate their possible implications and adjust policy proposals in order to avoid unexpected and/or negative consequences at their implementation stage.

The following elements are important for a **useful *ex ante* TIA**:

- The **involvement of multiple experts on the topic** to ensure that all possible territorial effects of a policy proposal (exposure) are considered and discussed. It is important to involve multiple experts so that their judgement, which is not an objective fact but a subjective opinion, is discussed with each other.
- The **sensitivity of the regions** measured by their socio-economic and geographical characteristics. Understanding these characteristics is essential in assessing how individual regions will be affected by the policy proposal.
- The **territorial impact**, calculated as a combination of the exposure and regional sensitivity, is then the final likely effect of a given EU policy.

The Committee of the Regions performed an *ex ante* TIA on the Aviation Strategy that has been developed by the European Commission to support the progressive development of the market for remotely piloted aircraft systems (RPAS) in Europe, and also to address concerns about safety, security, privacy, liability and/or public acceptance. The TIA was performed using the ESPON TIA web application.

The experts developed, as participants in a workshop, a conceptual model which resulted in the selection of six indicators to measure some of the impacts. One of the indicators used was “Entrepreneurship (share of private enterprises)”, for which the experts judged that the effects of the Aviation Strategy should be weakly advantageous. The sensitivity of the regions showed a predominantly moderate impact on the number of private enterprises throughout the European Union, with high impact in certain regions of Sweden, the UK, France, Germany, Austria, Hungary, Romania and Bulgaria and across the whole of Estonia.

Further ESPON reading:

ESPON TIA Tool

<https://www.espon.eu/tools-maps/espon-tia-tool>

ESPON TIA Tool Upgrade

<https://www.espon.eu/monitoring-and-tools>

E-learning on the Territorial Impact Assessment Tool

<https://www.espon.eu/e-learning-tia>

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