

ESPON

TERMS OF REFERENCE PROJECT 3.4.2.

TERRITORIAL IMPACTS OF EU ECONOMIC POLICIES AND LOCATION OF ECONOMIC ACTIVITIES

(o) Political challenges for the ESPON projects

The Second and Third Report on Economic and Social Cohesion, published in January 2001 and February 2004 respectively, presented for the first time a third territorial dimension of cohesion (beside the economic and social cohesion), which calls for a better co-ordination of territorially relevant decisions. Stressing the persistence of territorial disparities within the Union, the report stated the need for a cohesion policy not limited to the less developed areas as well as the need to promote a more balanced and more sustainable development of the European territory.

The Cohesion Reports represent in that respect a follow up of the European Spatial Development Perspective (ESDP), adopted at ministerial level in May 1999, calling for a better balance and polycentric development of the European territory. The projects launched under the ESPON programme shall follow an integrated approach and, seen together, cover a wide range of issues, such as:

- Identifying the **decisive factors relevant for a more polycentric European territory**; accessibility of a wide range of services in the context of enlargement; integration of wider transnational spaces; promotion of dynamic urban growth centres; linking peripheral and disadvantaged areas with those centres; etc.
- Developing **territorial indicators and typologies** capable of identifying and measuring development trends as well as monitoring the political aim of a better balanced and polycentric EU territory
- Developing **tools supporting diagnoses of principal structural difficulties as well as potentialities**, such as disparities within cities and regenerating deprived urban areas; structural adjustment and diversification of rural areas; strategic alliances between neighbouring cities at transnational, national and regional scale; new partnerships between rural and urban areas; potential support from infrastructure networks in the field of transport, telecommunication, energy; etc.
- Investigating **territorial impacts of sectoral and structural policies** in order to enhance synergy and well-co-ordinated decisions relevant for territorial development within policy fields such as Structural Funds, agriculture, transport, fisheries, environment, research and development as well as impacts to be taken into account in Integrated Coastal Zone Management activities; developing methods for measuring the territorial impact of sectoral and structural policies; etc.

- Developing **integrated tools in support of a balanced and polycentric territorial development**; approaches to enhance the potential of cities as drivers of regional development, new tools for integrated urban-rural development and planning, etc.

The Third Report on Economic and Social Cohesion included new scientific knowledge and information from a series of ESPON projects. As such the ESPON programme has met one of its objectives by delivering new scientific knowledge and information on European spatial issues as basis for future policy development at EU-level and within Member States.

With the results of all ESPON projects, the Commission and the Member States expect in particular to have at their disposal: **a diagnosis of the principal territorial trends** at EU scale and of the difficulties and potentialities within the European territory as a whole; **a cartographic picture of the major territorial disparities** and of their respective intensity; a number of **territorial indicators and typologies assisting a setting of European priorities** for a balanced and polycentric enlarged European territory; some **integrated tools and appropriate instruments** (databases, indicators, methodologies for territorial impact analysis and systematic spatial analyses) to improve the spatial co-ordination of sector policies.

In this respect, the ESPON projects will serve as a strong scientific basis for the propositions of the Commission in view of the reform of post-2007 Structural Funds.

i) Relation to the ESPON 2006 Programme

The priorities describing the work-programme of the ESPON 2006 Programme are structured in four strands:

1. **Thematic projects** on the major spatial developments on the background of typologies of regions, and the situation of cities.
2. **Policy impact projects** on the spatial impact of Community sector policies and Member States' spatial development policy on types of regions with a focus on the institutional inter-linkages between the governmental levels and instrumental dimension of policies
3. **Co-ordinating and territorial cross-thematic projects** represent a key component of the programme. These projects evaluate the results of the other projects towards integrated results such as indicator systems and data, typologies of territories, spatial development scenarios. The cross section projects help to thematically co-ordinate the whole programme and add value to the results and to fill gaps, which are unavoidable when different themes are dealt with in different projects.
4. **Scientific briefing and networking** in order to explore the synergies between the national and EU source for research and research capacities.

This project belongs to the third strand of projects and holds an important position in deepening the aspects of already existing ESPON projects and in improving the knowledge on the position of Europe in relation to other continents taking part in the global competition focusing territorial dimension as such, an on flows and structures in particular. A number of other projects of the ESPON programme are ongoing and a strong co-ordination will be required with these projects in order to reach consistent projects results within the ESPON

programme.

ii) Thematic scope and context.

The project shall further develop and deepen the understanding of the economic dimension of the development of the European territory.

That includes

(1) Identifying the spatial pattern of company/investment locations and the factors influencing these patterns and

(2) Looking from a policy perspective identifying the key measures having impact on these patterns.

The policy perspective should address both measures undertaken at EU level in terms of defining the overall conditions of the internal market and related EU regulation of economic factors, and the conditions and policy impacts created by national, regional and local actors in order to attract companies/investments to a particular location.

Based on this multiscale approach, conclusions regarding the territorial impacts of EU economic policies and location of economic activities in Europe should be developed as well as policy recommendations in support of territorial cohesion.

The project should as far as possible include dynamic elements in the analysis and try carefully to distinguish impacts from EU policy intervention from national ditto.

iii) General objectives

The general objectives of the project are as follows:

- a) To refer to the three fundamental objectives within the ESDP with regard to balanced and sustainable spatial development: the economic and social cohesion, the conservation of natural resources and cultural heritage and more balanced competitiveness of the European territory;
- b) To contribute to the identification and comparison of regions and larger territories of Europe, in particular to the degree and diversity of polycentrism and to gain concrete and applicable information on EU wide effects of spatially relevant development trends within the economic sector.
- c) To contribute to the knowledge on the European spatial structure as well as impact of economic policies and factors, which affect the distribution of activities and the diversity of the European territory. This will include analysis of the territorial trends, potentials and problems deriving from the policy, at different scales, and in different parts of an enlarged European territory.
- d) To delineate the influence of economic sector policies on spatial development at relevant scales sustained by empirical, statistical and/or data analysis, the response provided by companies (SME and larger enterprises) and the support given by the

public sector in terms of framework conditions for economic activities.

- e) To develop appropriate indicators and typologies for measuring the territorial impact of policy and changes in location behaviour providing an input to the ESPON database and map collection.
- f) To develop possible orientations for policy responses and strategic projects from a territorial perspective with the aim of supporting a territorial cohesion, and in doing so, considering institutional, instrumental and procedural aspects.
- g) To consider the analytical provisions and results made by other ESPON projects and to provide input for the achievement of other horizontal projects under priority 3 of the ESPON programme, in particular for project 3.2, such as diagnosis and observation that can contribute to the forthcoming long term spatial scenarios.

In the efforts to meet these objectives the project shall make best use of existing research and relevant studies inside the ESPON programme as well as external relevant existing research on general economic and economic geographical issues.

iv) Primary research questions

The research within this project shall contribute to further understanding the economic dimension in the development of the European territory. A tender for the project shall include the structuring components and issues mentioned below. The many questions serve the purpose of guiding the development of the tender:

1. Trends and dynamics in territorial dimension of economic development

(a) Measuring regional economic development as an aggregate

- Economic potentials, what are the main indicators which display economic strength in a territorial view (indicators may range from aggregates such as GDP to the location of particular types of firms and investments)?
- Regional competitiveness, what does it mean and how can it be measured?
- Territorial capital, how could it be defined in detail? How can it be measured and how does it influence the economic development of a region?
- Services of General Interest, how do they influence investments and location decisions as well as economic development in general? And how could these services be measured?
- Trade flows, how could such flows support the description of territorial development potentials? To what extent are they important in understanding regional economic potentials? And how could they be measured?

(b) Location of companies and investments

- Where are the strongest economic potentials located? Are location patterns visible of enterprises and investments with reference to company profiles? Is there a difference of location patterns depending of the activities character of being global, national or regional?
- The relation between economic performance of companies and the types of jobs created, are there spatial patterns occurring?

- What are the main characteristics of attractiveness for companies? What are the main factors for location decisions of enterprises? How do modern multinational firms think on location factors?
- How do these factors influence location decisions and how do existing structures and endowment influence location patterns? What frame conditions are influential dependent of sector, size and technology intensity? What role does parameters such as accessibility, qualifications of work force, environmental qualities, and support in innovation play for making regions attractive for FDI (foreign direct investments)?
- Do patterns exist of location choice of companies/investments resulting in a typology of regions? What kind of role is due to the settlement structure and polycentric development playing for the economic dimension of development?
- What is the relationship between concrete investment strategies and the functional potential of different nodes in the European urban system and different types of regions?
- What is the ratio of relocation of companies and what patterns can be distinguished? Is the location behaviour different in situations of relocation compared to setting up new companies? Or is it more a matter of differences between branches of the economy?

(c) Economic potentials of different types of regions and FUA's

- What would be the results of cross analyses of impacts and location patterns provide a typology of regions with positive/negative prospects of economic investment/dynamics in relation to cohesion objectives?
- Which new knowledge could be achieved by crossing the above typology with ESPON typologies like FUA/Mega, rural/urban, accessibility to road, rail, air and telecom as well as R&D capacity and environmental risks?

2. Impact of economic policy on territorial development

(a) EU economic policies

The common market was created in order to increase competition in the EU, which should raise efficiency in the economic production and as a result create consumer's and worker's benefits by lower market prices and higher demands for production/services. The common market rules defined at the EU level (such as free movement of goods, capital and persons, breaking of national monopolies (such as energy, water, postal services and opening of public tendering to the whole EU a.s.o.) may have resulted in territorially diverse effects. In addition, member states provide economic support to certain parts of their national territory through the EU State and Regional Aid mechanisms. As well the impacts of the current general reform of State Aid policies - which calls both for a reduction in overall aid levels and a better targeting of aid measures, towards measures which support the realisation of the objectives and targets set as part of the implementation of the Lisbon Agenda – should be envisaged.

- What are the territorially most influential elements/measures of the common market introduced since the Maastricht Treaty?
- Which regions/types of regions can be expected to benefit most from positive impacts of EU economic policies and attract investments of companies and foreign investors above average? And which regions/types of regions are likely to benefit less?
- Which kind of economic effects could be identified and related to specific territories and/or types of regions? Are spatial patterns resulting from specific measures apparent?

- How in particular do the State and Regional Aid mechanisms influence investments and location parameters? Can any patterns of core-periphery be revealed at European scale or are the territorial impacts supporting a balanced territorial development? Is it a correct hypothesis to assume that the EU economic policies and State Aid mechanisms contribute to territorial cohesion?
- Do EU economic policies have significant spatial effects on the regional balance within national territories?

This part of the project has to be closely coordinated with project 3.3/Lisbon-Gothenburg strategy.

(b) National, regional and local economic policies

National, regional and local authorities make efforts to attract the location of companies and activities by a range of measures. On the national level measures such as taxation policy implying regional and sectoral incentives, public investment in R&D, transport infrastructures, and other framework conditions relevant for the choice of the location of companies/activities.

The regional and local levels are more committed to the conditions on the spot in cities as well as the countryside, such instalment of industrial and commercial districts, services of general interest, improvement of environmental qualities and living conditions.

Based on findings from a representative number of case studies covering both the national, regional and local perspective the following questions should be addressed:

- To what extent do economic measures at national, regional and local level to influence the territorial patterns of national territories? What are the most crucial fields of lack of coordination between measures taken at national, regional and/or local level?
- What seems to be the concrete economic policy measures mostly used and most influential on territorial development at the three levels? Are there any general approaches or patterns in dealing with these issues?
- Relevant for attractive location conditions could also be how coordinated and integrated regional development programmes meet the demands of companies and investments. Do examples on the implementation of integrated development programmes reveal a positive correlation?

3. Combined territorial effects of economic trends and policy impacts

Based on part 1 and 2 of the project it is requested that the project integrate the findings in trying to characterise the territorial diversity and dynamics within Europe. In doing so the project should apply the three level approach used within the ESPON programme displaying spatial patterns at European scale as well as at national and regional/local scale (as far as possible based on cases).

Questions to address include the following:

- Are the winning regions dominantly regions part of MEGA's and the core area of the EU? Or are the prospects of a beneficial influence equally distributed to regions

characterised by small and medium sized cities (second tier of the urban system) and rural areas, and/or specific areas such as peripheral, mountain areas and islands?

- Can any spatial patterns be detected in relation to access, innovative capacity and tacit knowledge, governance and environmental qualities (in a broad sense)?
- What is the territorial capital (the territorially bound key assets) most relevant for economic development, which might be supported by policy measures?

4. Policy recommendations

Policy recommendations in the form of option for policy decision should be made considering a range of relevant issues covering questions such as:

- Which kind of territorial endowment (polycentricity, rural areas, urban areas) and functionality (access, services of general interest, environmental qualities, etc.) offers the best conditions for which kind of companies and investments? What lessons could be learned for spatial strategies and policy in general?
- What role could the understanding of territorial capital play in supporting a successful economic development?
- What conclusion can be drawn on the impact of EU economic policies for the EU cohesion policy?
- In which policy fields could an enhanced coordination of EU sectoral policies benefit spatial economic development and vice versa?
- On the national level, how could the research results contribute to considerations on introducing elements of cohesion in economic policies? Could such efforts bring added value in fully exploring the competitiveness in different regions/territories?

In developing policy recommendations a particular close coordination will be needed to project 3.3/Lisbon and to project 2.3.1/ESDP application in dealing with issues related to questions such as:

- How do the findings relate to the Lisbon/Gothenburg agenda, does it mean that increased competition in the EU has an effect on the territorial development, which are the regions most benefiting and most suffering from this approach?
- How is the ESDP addressing the important aspects relevant for the regional economic development – check of policy option, definition of improvements?

Decision-makers dealing with territorial/regional development can find supporting information on SWOT for their region/territory. Information on the parameters illustrating private sector decisions for locating new activity (or relocating existing) would contribute to improving territorial development strategies as well as to finding comparative advantages for territorial cooperation.

For further development of EU cohesion policy, and in particular an application of territorial cohesion and cooperation, the research results are envisaged to contribute to the understanding of the diversity of Europe and indirectly to targeted priorities towards specific regions/territories.

v) Expected results and timetable

One of the main objectives of the ESPON 2006 Programme is to focus on research with

policy relevance and to contribute to the development of relevant policies. Therefore, deliverables of the project should be highly operational and as far as possible fit into the relevant political agenda. The following timetable and specification of output tries to reflect this objective:

September 2005 (First Interim Report):

- (a) First description of the methodology and preliminary presentation of the hypothesis taking into account the objectives envisaged, the data availability, and the existing scientific achievements. A brief scientific literature review is expected addressing the issue, including main authors/publications, theories and results developed to date. The geography to be covered by the project includes EU 25 plus Bulgaria, Rumania, Norway and Switzerland.
- (b) A first detailed and comprehensive list of statistical and geographical data to be collected from European Institutions (e.g. Eurostat, EEA, DG Information Society) and National Statistics Offices (NSO), taking into consideration that some data are already available in the ESPON Database. Regarding this point, it is important to outline that the purpose is not to use all indicators available in different sources, but instead, the project would probably benefit from an inductive hypothesis approach to indicators definition.
- (c) First draft results on the measuring of regional economic development as an aggregate (cf. primary research questions point 1a).
- (d) First draft results on location of companies and investments (cf. primary research questions point 1b).
- (e) First draft results on economic potentials of different types of regions and functional urban areas (cf. primary research questions point 1c).

December 2005 (Second Interim Report)

- (f) A detailed presentation of the methodology and of the hypothesis taking into account possible evolution on political measures and their impacts.
- (g) Presentation of indicators and typologies of regions taking into consideration the different components of the project.
- (h) Results on trends and dynamics regarding the territorial dimension of economic development (cf. primary research questions point 1).
- (i) First draft results on EU economic policies (cf. primary research questions point 2a).
- (j) First draft results on national, regional and local economic policies (cf. primary research questions point 2b).

May 2006 (Draft Final Report)

- (k) An executive summary of the main results of the research undertaken and recommendations for policy development.
- (l) Comprehensive presentation of the state, trends and territorial impacts of EU economic policies and location of economic activities, impacts of the information society in relation to a polycentric and balanced development of an enlarged European Union (cf. primary research questions points 1 and 2).
- (m) Presentation of a combined analysis of territorial effects of economic trends and policy impacts (cf. primary research questions point 3).
- (n) Presentation of access points and concrete ideas for policy responses to the territorial trends at different scales and in different parts of the Union, that could improve territorial cohesion (cf. primary research questions point 4).
- (o) Presentation of the database and the mapping developed covering as far as possible the EU 25 plus Bulgaria, Rumania, Norway Switzerland and the neighbouring countries.
- (p) Listing of further research needs, data requirements and ideas of territorial indicators, concept and typologies and further developments linked the territorial dimension of EU economic policies and the location of economic activities.

vi) Existing access points

The access points listed bellow shall serve the purpose of providing the tender useful information for preparing a proposal. It is by no means meant to be exhaustive, but only as information that can be helpful in tracing additional useful background information:

The tenderer is in particular expected to build the research upon **relevant studies by:**

- **European Commission, in particular**
 - DG Trade and Information
 - DG Competition for what regards the reform and impact of State and Regional Aid mechanisms: see www.europa.eu.int/comm/competition/index_en.html, “State Aid” section.
- **International bodies such as the OECD, WTO, World Bank, UN, etc.**

In addition, more policy oriented documents like the **Third Cohesion Report and the European Spatial Development Perspective** shall be considered a platform for targeting a tender.

vii) Budget

The project is supposed to reach the results envisaged in an intensive process over approx. 12 months. The upper limit for the budget is 350.000 €