The Territorial State and Perspectives of the European Union

2011 update

Background document
for the Territorial Agenda of the European Union 2020

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Coordinated by the Ministry of National Development and VÁTI Nonprofit Ltd., Hungary

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FOREWORD

A strong Europe needs strong regions and strong integration between them. In the past more than 50 years, Europe has witnessed an ever deepening co-operation among its countries on behalf of solidarity, to achieve a common goal: to establish a closer union among the people of Europe where overall harmonious development embodies economic, social and territorial cohesion. The relevance of the territorial dimension is underlined by the permanent effort to reduce disparities between the various regions and backwardness of the less favoured regions, with the key messages of "growth and jobs" and "smart, sustainable and inclusive growth", but in order to effectively realise its objectives, Europe must move beyond these goals and respect the territorial dimension of development.

We all are aware that Europe is facing global challenges which have real and measurable territorial effects. The global economic crisis, climate change, demographic and social challenges like ageing or migration; the increasing interdependence of regions in socioeconomic terms, or the loss of biodiversity all have their impacts on the various development paths of European territories, although at different scales depending on their geographical specificities, economic structures and vulnerability.

Naturally, Europe is actively seeking solutions instead of being a mere mute witness. The commitment of the Member States and the supporting countries to share competences and combine forces to draw attention to the importance of territoriality and get Europe back to the way of progress is reflected in their co-operation in the field of territorial cohesion. The very first step towards a territory-based policy-making was made by the ministers responsible for spatial planning and territorial development in 2007 when they approved the Territorial Agenda of the European Union and gave a political significance to the territorial dimension.

The document entitled "The Territorial State and Perspectives of the European Union", was the evidence-based background document to the Territorial Agenda of the European Union in 2007. In its updated form, it offers a solid knowledge base for the renewed Territorial Agenda 2020, providing a comprehensive analysis on Europe's territorial structure and development. It highlights the diversity of European territories, confronts us with their differences and peculiarities; strengths and potentials; weaknesses and burdens; trends and opportunities and offers a basis for a strategic guide to take territorial aspects into account when seeking responses to challenges and unleashing potentials.

We need solid knowledge in order to make appropriate decisions on any future policies and fully integrate the territorial aspects into our policies.

Our regions are diverse, but each has its own potential to be unleashed in order to contribute to building a strong European Union and setting it on the path of long-term development based on smart, sustainable and inclusive growth.

Dr. Tamás Fellegi
Minister of National Development

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INTRODUCTION

In 2007 under the German EU Presidency in Leipzig, the Ministers responsible for spatial planning and development had agreed on the Territorial Agenda of the European Union (TA). Together with TA another document had been prepared with the title "Territorial State and Perspectives of the EU" (TSP) providing evidence base for the TA. In 2011 under the Hungarian EU Presidency the revised Territorial Agenda is adopted by the Ministers at their meeting. In order to adopt the revised TA to the changing circumstances, also an update of the TSP was decided upon - building both on the valid content and the changes encountered since 2007. Based on the agreements in May 2009, Prague the Scoping Paper of the DG meeting declared that the update process would use the results of the evaluation of TA 2007 as well as the first results of the First Action Programme in order to be able to provide relevant basis for the revised Territorial Agenda as its background document. It is important to point out that the updated TSP is not discussed by the Ministers - the document provides them with adequate background information about territorial and sector-oriented status and processes of the European Union.

Since 2007 we have witnessed important events and phenomena influencing certainly the future development of the whole EU and its Member States, cities and regions. These new issues played key role during the update of the TSP. Nonetheless the update of the document also gives opportunity to address those fields of territorial development which were not described previously. Moreover major EU policies have undergone changes, which have to be considered during revision of the Territorial Agenda – thus the updated TSP laid special emphasis also on this topic.

Due to the fact that the overwhelming part of the TSP 2007 is valid for the present and also for the next decade in the course of the TSP update those statements of the old document which are still valid and relevant were kept in the chapters. In some cases where the data were obsolete or circumstances had changed statements have been updated. Regarding the new issues and phenomena which have a significant influence on territorial structures of the economy and society some new content appeared in the updated TSP including territorial impacts of the financial and economic crisis and the recovery; the increased impact of globalisation and its anticipation; the issue of territorial integration after the enlargement of the EU; the growing challenges from the demographic imbalances and the high volatility of energy prices and the issues of energy security, renewable energies, and energy efficiency which themes were touched already by the TSP 2007. Out-of-date and irrelevant parts of the content have been deleted from the final document.

The first chapter of the updated TSP - **Rethinking territorial matters** – serves as an introductory part showing strong coherence with the TA Chapter 1. It comprises actually justifications, first of all about the need to update the TSP. Among the reasons emerge the changing European trends enlisted in the previous paragraph and the changing European policy framework. Regarding the latter as one of the most important developments the appearance of territorial cohesion in the Treaty of Lisbon can be mentioned– actually the nomination of territorial cohesion as one of the Treaty's main goals. The chapter deals with the relationship between the TA2020 and the Europe 2020 Strategy which relation has to be mutual: territorial policy should contribute to the achievement of the Europe 2020 Strategy goals and the implementation of the Europe 2020 Strategy shall contribute to territorial cohesion. Important issue is the relationship between the Territorial Agenda and urban policy – actually the need to strengthen the urban dimension in Cohesion Policy. The mutual coordination of the two policies has to be ensured. Another important element of the changing policy context is the process towards a reformed Cohesion Policy post 2013. Europe-wide discussions are contributing to the reform process, emphasising the territorial orientation of sector policies and the cross-sector approach which are key tools for strengthening territorial cohesion.

Moreover the wide-ranging application of the "place-based" development approach and the implementation of geographically tailored interventions in functional territorial units are to be expected.

The closure of the chapter introduces the clarifications and development of the notion of territorial cohesion. According to this territorial cohesion is described as a wished better state of the EU. Territorial cohesion should play crucial role in achieving territorial optimum through integration and coordination of different sector policies and through harmonising different development paradigms such as sustainability, convergence and regional competitiveness. The importance of the wise management of territory and space is mentioned as well.

Chapter 2 introduces the most important **trends influencing territorial development** in the EU. The chapter with its definite exploratory character contains descriptive subchapters according to a thematic approach – each subchapter deals with a given issue (e.g. increased impact of globalisation; long term effects of global economic and financial crisis; cross-border and broader neighbourhood); field or sector (e.g. demographic and social challenges; accessibility and transport conditions; climate change; energy challenges; environmental issues; diverse and vulnerable cultural heritage). The trends and processes revealed by the chapter considered as the main evidence basis (together with Chapter 3) of the challenges defined in the revised Territorial Agenda.

To sum up the territorial implications of the thematic subchapters Chapter 3 („**Changing territorial structures of the EU**") is a synthetic one as a crucial instrument to strengthen the territorial approach in the document. It describes the main territorial structures of the continent from the slowly changing, quite steady core-periphery dimension through the North-South and East-West differences to the variety of urban-rural relations. On top of that the chapter introduces the main challenges of urban regions as well as different types of rural territories and their potentials and problems they are facing with. The chapter contains an additional part, the actual territorial synthesis that has been elaborated as a result of comprehensive examinations to identify and shortly describe bigger geographical zones within Europe. Besides giving short presentation of Europe's main parts the subchapter synthesises the messages of the thematic (sector-oriented) chapters to the given geographical unit providing territorially relevant answers to the main challenges of Europe's main regions. Use of these categories can be assessed as representation of the place-based approach at higher territorial level.

The contribution of thematic EU policies and the improvement of their territorial content are essential to implement territorial cohesion in Europe. Chapter 4 - **Contribution of policies to the territorial development** - describes two main groups of EU policies. The first group - consisting of Cohesion Policy, urban development policies and integrated maritime policy- comprises the policies of cross-cutting (or horizontal) nature. In the second group rather community sector policies (CAP, energy, climate change, transport, environment, competition, R&D, fishery and social policy) were enlisted. In case of all policies both the existing and potential territorial implications and recommendations for strengthening their territorial dimension are described. The chapter is quite detailed due to the fact that it serves as important complements of TA2020's general messages for sector policies.

Chapter 5 called **Territorial perspectives** constitutes the real bridge between the updated TSP and the TA 2020. It summarizes the main territorial challenges emerging from European trends introduced in the thematic subchapters and the territorial chapter. Based on these challenges it describes the way towards the priorities of the revised Territorial Agenda as well as the instruments and methods to make territorial cohesion a reality actor by actor from the EU to the MS level.

The updated TSP has been prepared by the Drafting Team nominated by the Working Group for the update of the TSP. The Team has worked within the scope defined by the Director Generals in Prague in 2009 and through discussions with the Working Group.

The chapters were developed and updated through regular redrafting of thematic trends and EU policy subchapters in an iterative way. The final version is based on the work of the Drafting Team members, and comments from the Working Group, the Network of Territorial Cohesion Contact Points, the meeting of Directors General responsible for spatial planning and territorial development and the European Environmental Agency.

1 RETHINKING TERRITORIAL MATTERS[1]

The Ministers responsible for spatial planning and territorial development at their meeting in Leipzig, under the German EU Presidency in 2007 agreed on their common TA, a joint policy document to orient the future development of the EU territory. The TA was based on evidence provided by the TSP. In order to align the revised TA to be adopted by the Ministers at their meeting under the Hungarian EU Presidency in 2011 to the changing situation, an update of the TSP was decided upon. Therefore, the current document is an updated version of the TSP. It retains and builds on what remains valid while also responding to the changes encountered since 2007.

1.1. Why is there a need to update the Territorial State and Perspectives of the European Union?

1.1.1. European trends are changing

Since the discussion on the TSP and the adoption of the TA in 2007 there have been several factors that brought the need for an update in the assessment of territorial development throughout Europe. The last three years witnessed a series of important events which will certainly influence the future development of the World, of the EU and its Member States and regions. New drivers of territorial change have appeared, while other factors have gained significance. The update of the TSP needs to be based on these new issues; however it also gives opportunity to address fields of territorial development which were not described previously. Also, in response to trends across Europe, major policies have undergone changes, which have to be considered in revising the TA.

These new developments are of a very different nature and some of them have only an indirect spatial impact. Not all important changes are included in this list, only those which are anticipated to have an impact on the territorial structures of economy and society. The overwhelming part of the TSP 2007 is still valid for the present and also for the next decade.

The *financial and economic crisis* from 2008 with its complex challenges caused some important changes in territorial structures through market forces, which are intertwined with the availability of assets in European territories. Though the duration of the recovery process is still uncertain, changes will have a long lasting effect. Possibilities for policy action are changing due to various socio-economic factors which affect the perspectives of regions, their internal and external relations, and hence the structure of the European territory too.

Territorial integration after the enlargement of the EU has progressed, with new territorial relationships between EU15 and the new Member States that joined in 2004 and 2007, and also with the neighbouring territories at the new external EU borders.

Recent years have seen *high volatility of energy prices and the issues of energy security, renewable energy, and energy efficiency* have come to the fore. Changes in energy markets have serious territorial consequences both on the energy consumption side and also on the locations of the energy sector.

There are *growing challenges* posed by *the demographic imbalances* in Europe. Ageing and depopulation in certain regions, and immigration and growing congestion, have serious impacts on socio-economic development and policy needs.

The increased impact of globalisation and its future implications brought to the fore the role of the EU in the global economy. Territorial policies within the EU face the challenge of balancing between the utility of world trade and of local markets, as the former may

[1] Authors: Ádám Radvánszki, Géza Salamin, Judit Ricz, Iván Illés, Marek Jetmar

bring external resources to the development of cities and regions, while the latter may strengthen the sustainability of development.

1.1.2. The European policy context is changing

Territorial cohesion in the Treaty of Lisbon

The Treaty of Lisbon, which came into force in December 2009, nominated territorial cohesion as one of its main goals. The Treaty states that the Union "shall promote economic, social and territorial cohesion, and solidarity among Member States." (Art. 3 TEU). Territorial cohesion, however, needs to be further clarified. "The Union shall aim at reducing disparities between levels of development of the various regions and the backwardness of the least favoured regions. Particular attention shall be paid to rural areas, areas affected by industrial transition and regions which suffer from severe and permanent natural or demographic handicaps." (Art. 174 TFEU)

In the implementation there is a shared competence between the Member States and the EU in the field of economic, social and territorial cohesion. (Art. 5c TFEU) The Union and the Member States may legislate and adopt legally binding acts in this field. Member States shall exercise their competence to the extent that the Union does not exercise it. This gives a stronger base for joint action in pursuing territorial cohesion, however the subsidiary principle has to be respected, and this means that "the Union shall act only if and in so far as the objectives cannot be sufficiently achieved by the Member States at central, regional or local level, but can be better achieved on European level." (Art. 5 TEU) Policies of the Union have to pursue the goal of territorial cohesion and Member States shall conduct and coordinate their economic policies to attain territorial cohesion. (Art. 175 TFEU)

"Territory matters to make Europe 2020 a success"

The Europe 2020 Strategy sets out a new vision of Europe's social market economy for the 21st century and is determining the framework for all EU policies. This new joint strategy of EU27 shows how the EU can be turned into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. Territorial cohesion plays an important role in this effort. As the development opportunities of the diverse regions are different in all dimensions of the defined targets, the success of the Europe 2020 Strategy can be achieved if the territoriality of the strategy is respected.

Although the Europe 2020 Strategy does not include any section specifically dedicated to territorial issues it has a few (rather randomly placed) references to territorial issues, and it definitively will have considerable implications for European territorial development.

The relationship between the TA 2020 and the Europe 2020 Strategy has to be mutual: territorial policy shall contribute to the achievement of the Europe 2020 Strategy goals and the implementation of the Europe 2020 Strategy shall contribute to territorial cohesion, as reaffirmed by the Council. National economic policies should be strongly coordinated to ensure the proper implementation of the Europe 2020 Strategy. The European and national achievements of the Europe 2020 Strategy goals will be coordinated and monitored by the Commission. Ways are needed to ensure that the territorial dimension is sufficiently reflected in the implementation and monitoring process in the future.

The Director Generals at their meeting in Seville underlined the importance of interlinkages between the Territorial Agenda and the Europe 2020 Strategy by adopting a joint contribution entitled "Territory matters to make Europe 2020 Strategy a success" The main conclusion of this joint statement is that the Europe 2020 Strategy and the Territorial Agenda should cross-fertilise.

The renewed EU Sustainable Development Strategy (EU SDS, 2006) is also a core document shaping the European policy framework and covering a wide range of thematic objectives (environmental protection, social equity and cohesion, economic prosperity

and international issues). The EU SDS is not explicitly about territorial issues, holistic as it is; nonetheless it has important implications for the future development of the European territory.

The Territorial Agenda and urban policy

In parallel with the adoption of the TA, the Leipzig Charter on Sustainable European Cities was also approved at the Informal Ministerial Meeting on urban development in 2007. The issues of territorial development and urban development relate to each other strongly; therefore the mutual coordination of the two policies has to be ensured. Urban policy is a key field addressed through inter-ministerial cooperation on urban affairs. The Ministers responsible for urban development made progress towards the implementation of the goals in the Leipzig Charter and adopted the Toledo declaration in June 2010, which highlights the importance of the integrated approach in urban regeneration and development. There is the need to strengthen the urban dimension in Cohesion Policy and to establish greater coordination between territorial and urban issues, to ensure that the two policies cross-fertilise and can support the implementation of the objectives in a mutual way.

Towards a reformed Cohesion Policy post-2013 – milestones of the debate

Europe-wide discussions are contributing to the reform process of Cohesion Policy. The outcome of this debate on the future of Cohesion Policy post-2013 will significantly shape the territorial development of the European Union. The two most important milestones in this respect are the background report to the Kiruna Conference on Cohesion Policy and Territorial Development, which summed up the results of the European debate around territorial cohesion, and the often cited Barca Report on future Cohesion Policy, which emphasised the need for a place-based approach in a reformed Cohesion Policy.

A Europe-wide consensus appears to be forming around some aspects of Cohesion Policy. First of all, there seems to be support for the wide-ranging application of the "place-based" development approach, which proposes geographically tailored interventions in functional territorial units. These changes might result in a more balanced distribution of financial subsidies between regions falling under the current convergence and competitiveness objectives. This might have complex territorial impacts for Europe and slow down the territorial cohesion process at European level. Another important emerging consensus is that a territorial orientation is needed in sector policies, and that, together with a cross-sector approach, this can be a key tool for strengthening territorial cohesion.

1.2. Why take a territorial approach to development?

The issues of local endowments and unique characteristics of regions and the importance of territorial capital have come to the fore in the recent years. 'A region's territorial capital is distinct from other areas and is determined by many factors (which) …may include... geographical location, size, factor of production endowment, climate, traditions, natural resources, quality of life or the agglomeration economies provided by its cities... Other factors may be "untraced interdependencies" such as understandings, customs and informal rules that enable economic actors to work together under conditions of uncertainty, or the solidarity, mutual assistance and co-opting of ideas that often develop in small and medium-size enterprises working in the same sector (social capital). Lastly there is an intangible factor, "something in the air", called the "environment" and which is the outcome of a combination of institutions, rules, practices, producers, researchers and policymakers, that make a certain creativity and innovation possible.' (Territorial Economy, OECD Territorial Outlook 2001).

In addition, common regional features in European geographical zones – such as Northern, Southern or Central-Eastern Europe etc. – and macro-regions – such as the Alpine, the Mediterranean, or the Atlantic one etc. – as well as in micro regions – such as numerous cross-border ones – influence the territorial capital of a region. Many of the

components of territorial capital and human resources (economic and non-economic, social, environmental, cultural, and the "genius loci"), including their integration and connectivity (both cross-border and transnational) to other areas, can lead to productivity gains and generate growth. Public policies aimed at promoting territorial development and limiting disparities – in contrast with the imposed uniformity or loss of diversity – should first and foremost help areas to develop their territorial capital, to maximise their competitive advantage while maintaining a high quality of life, and thus to become attractive for investments of the private sector. The promotion of regional innovation strategies and the exploitation of regional territorial capital is therefore an important prerequisite for improving the global competitiveness of the whole EU territory. The same goes for European territorial cooperation, especially when focused on cooperation between structurally weaker regions and stronger ones. Governance plays a key role in this respect.

The logic of territorial development policies is that economic growth is based in part on the organisation of space which is shaped by a range of policies at all levels of government as well as by social trends, technological development and market forces. Some of these mainstream economic and sector policies have unintended spatial impacts which can negatively influence territorial development. Policies with a territorial focus not only counteract these effects but more importantly add value by integrating the economic, social and environmental dimensions of cross-sector policies. An important element in territorial development policies is the cooperation of various sectors, levels of authorities and stakeholders, such as partnerships with the private sector and civil society that play an important part in growth and development processes. Therefore, territorial development policies are important instruments for strengthening regional territorial capital.

In European territorial debates there has been a strong emphasis on the notion of territorial cohesion. The concept has mainly been equated to the exploitation of the potentials of "territorial capital" in all countries and regions of the EU. Recently other interpretations have also emerged, among them the consideration of the special situation of regions with geographic disadvantages (like mountain areas, islands, coastal areas, areas with severe climate, etc.). This view appeared in the "Green Paper on Territorial Cohesion" prepared by the Commission. Therefore it is worth revisiting the notion of territorial cohesion and reappraising its different interpretations.

1.3. The notion of territorial cohesion

The development of thinking on territorial cohesion

The concept of territorial cohesion builds on the European Spatial Development Perspective (ESDP) and on the Guiding Principles for Sustainable Spatial Development of the European Continent. It adds to the concept of economic and social cohesion by translating the fundamental EU goal of balanced and sustainable development into a territorial setting. The first formal attempt at defining territorial cohesion came from the Commission in its Third Report on Economic and Social Cohesion. Building on this definition, the Rotterdam Informal Ministerial in 2004 took the next step in sharpening the policy scope of the concept. The appearance of territorial cohesion in key documents indicates its increasing importance. Territorial cohesion is reflected in Cohesion Policy 2007-2013 in the Community Strategic Guidelines. Definition of territorial cohesion then emerged in the Lisbon Treaty – on the level of primary EU law. Last but not least, the Green Paper on Territorial Cohesion[2] and the public debate that followed brought the

[2] The EC opened broad discussion regarding the COM(2008) 616 final COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN PARLIAMENT, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE - Green Paper on Territorial Cohesion Turning territorial diversity into strength. The importance of territorial cohesion was highlighted in the Community Strategic Guidelines on Cohesion adopted by the Council in 2006, which stated that "promoting territorial cohesion should be part of the effort to ensure that all of Europe's territory has the opportunity to contribute to the growth and

topic into focus too. The following paragraphs introduce the main interpretations of the notion of Territorial Cohesion and the main implications of these for the TA 2020.

Territorial cohesion as a desired better state of the EU

According to the *Green Paper on Territorial Cohesion – turning territorial diversity into strength* the main function of territorial cohesion is to work for the harmonious development of all types of places, and to make sure that the citizens of these places are able to make the most of the inherent features of their territories. Territorial cohesion is an approach that aims at transforming diversity into an asset. It contributes to sustainable development of the entire EU through clarifying the type of development operations that are best tailored to different areas. In the case of regions which are lagging behind, this might mean that they need external interventions, additional resources and support to find their own sustainable ways of development. In short, territorial cohesion aims for a harmonious, balanced, efficient and sustainable territorial structure, where different territories (regions, cities, macro-regions), wherever they are, can make the most of their territorial potentials and achieve their optimal long-term development, thus making their own contribution to enhancing the territorial state of the EU.

It is very important to understand that territorial cohesion applies at multiple levels besides at the European level also at global, macro-regional, national, regional, sub-regional and local scale. The main justification of the notion of territorial cohesion is its integrative character. It is a tool to build networks of functional areas. This change of spatial paradigm strengthens the interdependences of regions, and thus highlights the need for networking between cities, and cooperation and integration between various regions/territories of the EU at all territorial levels.

Territorial optimum: integration and coordination of sector policies

Territorial cohesion is a crucial issue for TA 2020 in two ways. On the one hand, it looks to the *contribution* of regions, local levels and other territories to common priorities (e.g. competitiveness, climate change, etc.). On the other hand, it plays a key role to secure a *"territorial optimum",* both through support of the (long-term) efficiency of sector policy interventions and through contributing to the improvement of the quality of life experienced by citizens at local level. The co-ordination of different sector policies to optimise their territorial impact and coherence can significantly increase their success, and help avoid negative effects from conflicting policies at all territorial levels. Those responsible for design and implementation of sector policies should take the related principles and objectives of TA 2020 into account.

Many EU policies have direct or indirect territorial impacts. They affect the economic, social and environmental aspects of a given territory's development, location decisions of investors, and the willingness of the population to remain in the territory. There is a clear will to adapt these activities so that they are precisely tailored to local conditions, to knit together and coordinate them with other measures of national, regional and local authorities to increase their effectiveness. In this respect, *Cohesion Policy with its integrative, horizontal and multi-level character* plays an important role. It has a natural potential *to harmonise and coordinate policy actions*. This is why the role of policy for the third dimension of cohesion –territorial cohesion– is increasing.

Harmonisation of different development paradigms

The territorial approach is a key concept for *harmonising different development paradigms* such as *sustainability, convergence* (solidarity between regions), and *regional competitiveness*. The best balance of economic, environmental and social needs has to be specific to each particular territory. This harmonisation is strongly linked to the Europe

jobs agenda". Similarly, the Community Strategic Guidelines on Rural Development highlight the contribution which EU rural development programmes can make to pursuing territorial cohesion.

2020 Strategy. Smart growth can be understood as competitiveness in the general way– building on local potentials and assets and finding locally sustainable and unique development paths. Inclusive growth is related to convergence: some regions might need external interventions, resources and additional support to find their own sustainable ways of development, to strengthen their own competitiveness and to stimulate their development. Last but not least, sustainable growth speaks for itself. The optimal balance of sustainability, competitiveness, and social cohesion can be realised in tangible territories through integrated territorial development strategies.

Subsidiary, partnership and multi-level governance supported by the place-based approach

Progress towards territorial cohesion entails a permanent and cooperative process involving the various actors and stakeholders of territorial development at political, administrative and technical levels. This process of cooperation is called territorial governance. The private sector, the scientific community, the public sector, non-governmental organisations and other players need to act together in order to make better use of crucial investments in European regions and contribute to tackling the different challenges a particular region is facing. This cooperation is characterised by the history, culture and institutional arrangements in each Member State. EU Cohesion Policy should be able to respond to the territorial needs and characteristics, specific geographical challenges and opportunities of the regions and cities.

The related issue, the place–based approach which is concerned with horizontal coordination, evidence-informed policy-making and integrated area development, has come to the fore in European spatial (regional) development. It contributes to territorial cohesion. It can help in the implementation of the subsidiary principle and multi-level governance in territorial development policy. The reason for that is that place-based development builds on specific assets of places, and recognises the important part that local and regional authorities must play in realising optimal solutions for long-term development.

Wise management of territory and space contributes to territorial cohesion

Wise management of territories and space also contribute to territorial cohesion. The inclusive, sustainable and efficient use of territories at all levels – including maritime territories as well – is a key element of territorial cohesion and a basic condition for harmonious development of Europe's territories and regions. Better use of space can contribute to the development of agglomeration economies and secure the proper availability of services of general interest, infrastructure and public goods as well as the management of natural and cultural assets.

Territorial cohesion, the TA and the TSP

TA 2020, the revised TA of the EU, can be considered as the main policy framework to support territorial cohesion in Europe. It provides strategic orientations for territorial development, fosters integration of a territorial dimension within different policies and governance levels, and combines territorial cohesion principles with the Europe 2020 Strategy goals. To present the crucial mechanisms of how to achieve territorial cohesion, the TA needs information about the main territorial structures and processes of Europe. The updated TSP of the European Union, as the evidence-based background of TA 2020, attempts to reveal territorial and sector trends of the EU and the contribution of EU policies to territorial development. In this way it provides a sound basis for the TA 2020 to define challenges and appropriate territorial priorities for Europe and to achieve territorial cohesion.

2 TRENDS INFLUENCING TERRITORIAL DEVELOPMENT

2.1 Increased impact of globalisation on territories of Europe [3]

Regional integration in a globalised world: progress between Europe, Asia and USA, though linkages with Africa and the Middle East still need strengthening

Globalisation is an important opportunity that can help boost growth and employment in Europe. The success of the EU 2020 strategy will depend not only on integration between Europe's regions but also on their integration with neighbours, and even with worldwide relationships. Europe, besides NAFTA, India and Eastern Asia, is one of the major economic poles in the world. Not only have these three major poles intense economic interrelations developed between them, but also their relations to newly emerging dynamic economies have been rapidly expanding. While economic North-South integration is progressing in America and Asia, large economic disparities and political instabilities hamper North-South integration between Europe and Africa and the Middle East. In fact, Japanese firms invest four times more and US firms even six times more in the developing regions of their neighbourhood than European firms do in theirs. In the long run the competitiveness of Europe within the world will depend heavily on its integration into and attained position within the world economy.

Further efforts are needed to sustain the EU's strong position in the emerging new global economic order

The EU has maintained its superior world position in absolute terms as the largest world-wide GDP producer and foreign trade partner, as well as the most important Foreign Direct Investments (FDI) recipient and exporter. The EU also scores highly in competitiveness rankings. The level of prosperity of EU citizens remains one of the highest in the world, and has been constantly growing.

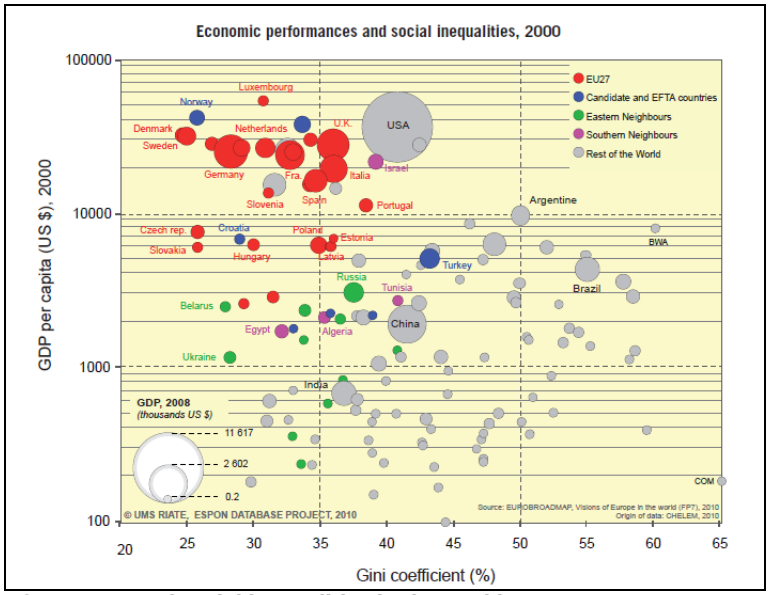


Figure 1: Economic performances and social inequalities in the world
Source: First ESPON 2013 Synthesis report, 2010.

However, the EU's share of world GDP and trade has been diminishing due to the faster growth of many non-EU economies. The decentralised structure of the EU27 means that coordinated reaction to external economic and demographic challenges seems more time consuming than in the case of the other economies of similar magnitude. The need for closer co-ordination of some national policies (e.g. fiscal, migration) has become evident.

[3] Authors: Jacek Zaucha, Judit Ricz

Territory matters for development and competitiveness
The smart, sustainable and inclusive growth of the EU involves much more than just increasing GDP. It encompasses also territorial, social, environmental and cultural aspects. The diversity of EU territories, the high quality of rural cultural landscapes, the spatial order of cities, and Europe's extraordinary cultural and natural assets contribute to that. The oral and intangible heritage of Europe contributes to its world-wide importance and identity. The EU can remain a global leader in multi-scalar processes such as preserving urban polycentricity, promoting integrated maritime development and integrated urban development, ensuring biodiversity of marine and terrestrial ecosystems, combating climate change, safeguarding human rights, and combating social exclusion.

EU external immigration flows: a challenge and an opportunity for the EU territory
The EU is amongst the most popular destinations world-wide for immigrants. Some 3 to 4% of the EU population is of non-European origin. Most of them came from Turkey, Northern Africa, the rest of Africa, Southern Asia and the Middle East – roughly 4 to 5 million from each region. International migration may increasingly help to ease competition amongst EU regions for labour. However, by itself it will not reverse the ongoing trend of population decline and ageing. Although migration may offer important economic benefits the existing inflow of immigrants has already raised concerns about social aspects of immigration. In territorial terms, the challenges linked to international migration include unbalanced development between and within urban areas, rapid changes in urban and cultural landscapes, and increased segregation in access to services of general interest (especially education).

Cultural diversity is a development asset to be protected in a globalising world
The comparatively small EU is endowed with a diverse cultural heritage of global significance. Its oral and intangible heritage enriches culture world-wide. Europe's built environment, together with the complex system of cultural landscapes (reflecting the scale and intensity of development of Europe over the centuries), contributes to a quality of life and attractiveness to tourists that are extraordinary in global terms. Globalisation stimulates European culture. It facilitates diffusion of new ideas, lifestyles, exchanges and dialogues on norms and values. However, in an era of globalisation, many forms of the European cultural heritage are in danger of disappearing, threatened by cultural standardisation, the harmful consequences of mass tourism, rural exodus, migration and environmental deterioration.

Territory and climate change are closely interlinked
Economic globalisation has increased pressure on natural environment and cultural landscapes and contributed to acceleration of climate change. Economic growth in the EU adversely affects not only the environment of EU countries but also that of external territories which supply the EU with inputs and are exposed to pollution originating from the EU. Globalisation adds to the growing disintegration of natural environments and the failure of ecologically active areas (e.g. sea basins) to absorb the increased load of greenhouse gases.

The need to adapt to climate change has brought to political attention the importance of the environmental services of the ecologically active areas, such as Natura 2000. Such areas are so often located in peripheral territories. It also opens new possibilities for green growth and green technologies such as carbon capture and sequestration possibilities. However, this shift is mainly internal to the EU rather than the result of international cooperation (except for cross-border cooperation).

Clean energy requires a global planning perspective
The Directive of 2009 on renewable energy sets ambitious targets for all Member States, such that the EU will generate 20% of its energy from renewable sources by 2020 and a 10% contribution from renewable energy specifically in the transport sector. In a territorial context those targets may require transnational planning of transmission networks enabling access to clean energy from sources located outside the EU territory.

Globalisation accelerates economic transformation
Global competition enhances relocation of economic activities outside EU boundaries due to rapid development of advanced technologies and significant markets in emerging economies. Global competition is not limited to enterprises – regions and cities compete with each other as locations but also cooperate to attract economic activities. The most competitive are those that are able to respond most effectively to globalisation by using their territorial advantages and creating functional networks. Some other regions may suffer as a result of globalisation, increasing EU regional disparities. And both are influenced by social imbalances, migration and the impacts of climate change.

Globalisation intensifies socio-economic interdependencies of territories
The integration of EU regions in the global economic competition and, at the same time, the increasing dependencies of states and regions in the world are accelerating. Globalisation changes functional profiles of regions and cities, linking places that were once treated as remote and hardly dependent of each other. For instance, fresh flowers and vegetables nowadays can be easily imported from Africa instead of being grown in the vicinity of metropolitan regions. Development of the IT sector in Ireland has resulted in out migration from middle-size cities in Poland. The US financial crisis has affected the Baltic States via liquidity problems of Scandinavian banks. This means that even small changes in one part of Europe might cause rather large effects in other parts of the continent.

Local assets are decisive for global competitiveness
Globalisation made people think in terms of accessibility. However, global accessibility is no longer only a matter of distance or location. Accessibility has become a function of the quality of the infrastructure (transport and ICT), the frequency of existing connections, innovative thinking, policy making and networking. Access to key raw materials, drinking water, food and energy sources have become ever more important. At the same time, the role of local intrinsic (territorial) characteristics such as human and social capital or the existence of local "milieus" has been increased. Being accessible, in global terms, has increasingly become about having good integration of local, regional and national development policy, supported and implemented through strong public-private partnerships and cooperation.

However, in parallel globalisation has exerted pressure on those territorial assets. For instance, due to changing lifestyles it has accelerated urban sprawl, increased congestion in large cities, intensified pressure on environments and created some backwash developmental effects, for example by eroding human capital in peripheral regions due to weakening their traditional social structures and encouraging the migration of their educated labour force to core regions.

Metropolitan areas play an important role in sustaining the EU's global competitiveness
EU metropolitan areas, while being of a relatively modest size, host the most advanced worldwide services and most innovative high-tech manufacturing sectors. The risk of diseconomies of agglomeration is much lower in the EU than in some other pars of the world and new activities can still be accommodated. However, the capability of European cities to compete worldwide is considered as an important challenge in relation to Europe's competitiveness in the world. Among reasons for this are the structural and social problems of EU cities.
Globalisation by its nature has also contributed to spatial polarisation (e.g. the patchwork development of the EU core), while opening chances for the emergence of new global integration zones around Scandinavian and Central European metropolises.

EU neighbours benefit from EU spill-over effects
The EU immediate neighbours benefit from economic globalisation and the EU's openness in terms of Europeanisation, sharing values and the flow of ideas. However, the spill-over effects of the EU's prosperity with regard to semi-peripheral countries and the less developed part of the world are limited. For instance, the major line of discontinuities in

economic prosperity in a southerly EU direction is not located on the Southern shore of the Mediterranean Sea but rather between North Africa and sub–Sahara Africa.

Emerging framework of EU territorial policy in the global context
Despite clear territorial effects of global interactions and processes, the EU's external policies tackling globalisation are mainly sector oriented and managed by different EU agencies without territorial competences. There is hardly any consistent policy framework for issues of global magnitude that have a very real territorial aspect, such as climate change or access to sustainable and competitive energy.

Observations for policy consideration

- Europe's cities and regions are facing the challenge of a rapidly globalising context; international competition forces them to identify more sharply their specific territorial advantages and local endowments and position themselves within the European context.
- Territorial implications of globalisation (such as the increasing importance of metropolitan regions and continental gateways, the growing demand for long-distance transport and essential infrastructure, or the emergence of new global integration zones) show the need for new types of developmental policies at local, regional, national and EU level.
- In particular, there is an urgent need for coordinated local responses to global challenges. These can cover among others: local economic development, as more resilient local economies can be more successful in a globalised environment; local responses to climate change as locally sustainable systems can contribute to global progress in mitigation and adaptation to the consequences of climate change; and the cultural and social cohesion of local communities, which can improve the EU's ability to better position itself in the globalised world.
- EU countries should better integrate their responses to the global challenges in terms of policy making. This means establishing shared responsibilities between national and regional and local governments on the one hand and national governments and the EU Commission on the other hand.
- Some efforts require global co-ordination. For instance, although the EU has been doing a lot to mitigate and to adapt to climate change those efforts alone are not sufficient to tackle this problem.
- The lack of a coherent territorial policy framework in the global context is a particular concern in respect of all economic disparities, demographic challenges, climate change and access to sustainable and competitive energy. A territorially more sensitive external and development policy is necessary for the EU if its global position is to be maintained or strengthened in the future.

2.2 Long-term effects of the global economic and financial crisis on Europe [4]

The economic crisis has brought regional growth and convergence to a halt
In the years before 2008, economic development was more dynamic in some of the peripheral areas of Europe than in continental core areas. Economies were restructured: the material-, energy- and transport-intensity of the economies decreased substantially. The share of services in the GDP increased significantly, economies became more open. Most of the new EU Member States and their regions recorded faster development than EU15. Between 2000 and 2006 regional disparities in GDP per capita over Europe decreased by 8% pointing to economic convergence among EU regions.

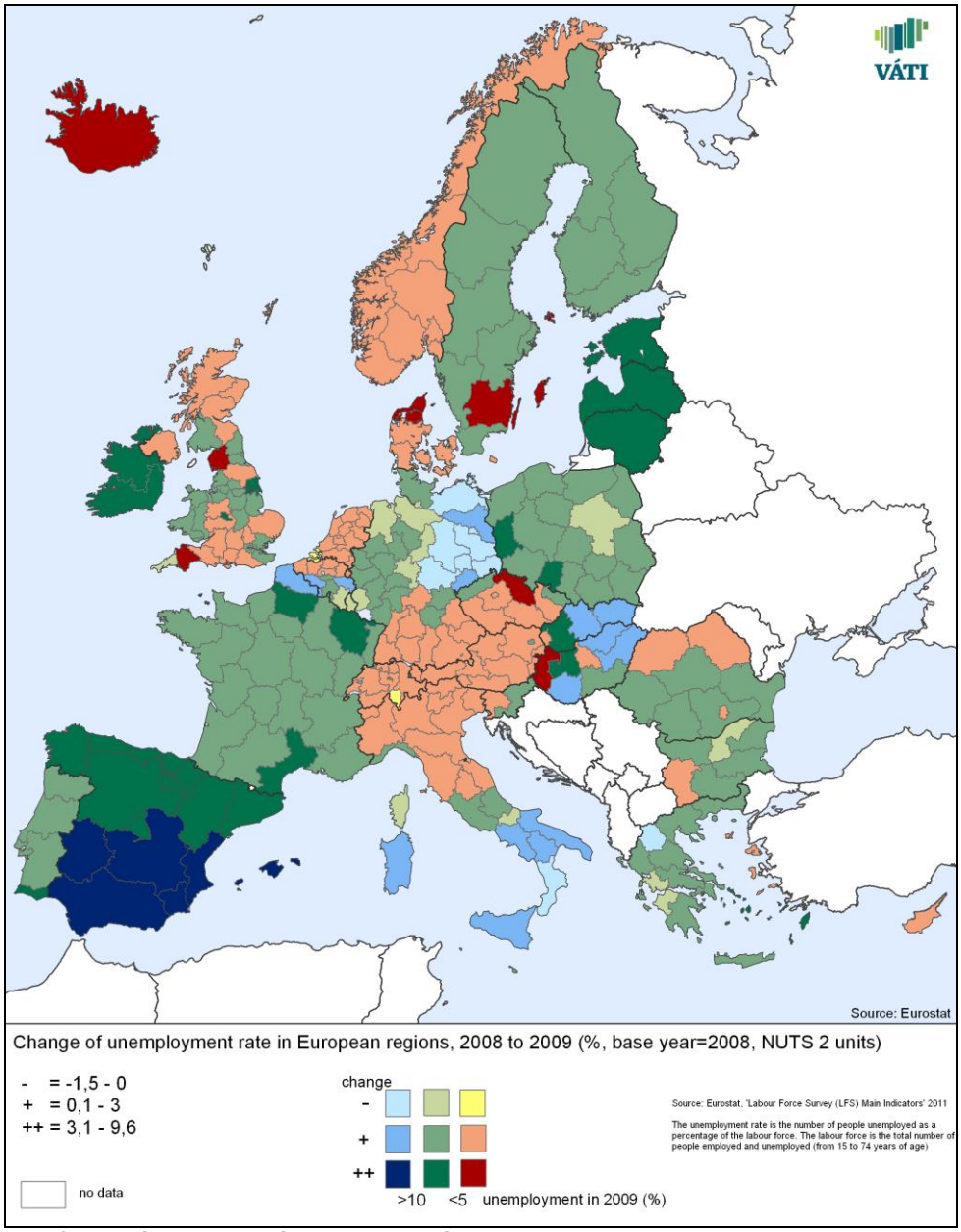
The global economic crisis interrupted long term trends of economic growth and increased territorial cohesion within the EU. Some of the places that have faced the biggest economic challenges since 2008 were those that were the fastest growing countries and regions before 2008. So current economic processes risk driving Europe

[4] Authors: Peter Schön, Volker Schmidt-Seiwert, Ádám Radvánszki

towards divergence and polarisation: steering Europe back to convergence of countries and regions is a critical challenge.

Regions are hit differently depending on the structure of their economy

Actually, Europe has not seen one crisis, but has been facing different sorts of interlinked economic and financial crises: a banking and loans crisis, a housing markets and construction crisis, a public debts and national ratings crisis, a Euro crisis, a trade crisis and an employment crisis. Different countries and regions have been hit differently and are exposed to specific combinations of those elements of crisis. Accordingly, countries and regions have to fit their response strategies to such local specificities.



Map 1: Change of unemployment rate in European regions, 2008 to 2009
Source: Eurostat

Regions that are highly globally embedded reveal high sensitivity in the global crisis

The economic crises showed that it was not only regions depending on basic goods industries that suffered. Regions that were strong in high-technology, very globally embedded and export-oriented economic activities showed a marked sensitivity to the global situation. The construction sectors have also suffered sharp reverses partly because they had grown on the back of overvalued housing markets. Regions with high

concentration in capital intensive and speciality goods industries form the 'new' group of crisis sensitive regions. Regions with significant export-orientation like Baden-Württemberg in Germany, Noord Brabant in the Netherlands, or Aragon in Spain have been particularly hit by shrinking global demand and experienced the highest rates of decrease in GDP in national and European comparisons.

Such different sensitivities to the economic crisis show that territorial and regional policies need different tailor-made approaches to stabilise and develop regional potentials. Diversified regional economies can strengthen resilience. Regions which are less involved in global production and consumption networks have been less affected. This may suggest that building on local economic development can lead to more resilient and sustainable development. This lesson is also true for the competitive regions which seem to be back on the track of fast recovery.

Public debts restrict the scope for public territorial policies
Public finances and public spending programmes have been severely affected by the recession. Average deficits have reached 7% of GDP and debt levels are at over 80% of GDP. Governments will have to cut back their expenditures. Fiscal space for national and regional spatial policy and public investments will shrink. This might even affect co-financing of Structural Funds support, which would then restrict the ability to return to the path of cohesion. In general, there are varying capacities amongst and within EU Member States to respond to the crisis on a national or regional level, and a risk that reduced budgets will reduce levels of accessibility to services of general economic interest.

European regions can recover through innovation and a knowledge-based economy
Smart growth means developing an economy based on knowledge and innovation. Innovation is an important element for boosting Europe's economy. In relation to the goals of the Europe 2020 strategy more nations and regions are likely to strive for improvement to their knowledge base. There is a huge territorial diversity in R&D activities. R&D spending in Europe is currently below 2% of GDP, compared to an agreed goal of 3%, and against 2.6% in the USA and 3.4% in Japan. The whole EU area still has a long way to go to reach the 3% goal, and the new Member States, joined by Italy, Portugal, Greece and Cyprus are furthest from the target. Only Sweden and Finland are above the threshold of 3% of GDP expenditure on R&D. The sources of R&D investment differ between countries: where R&D expenditures are the lowest the funding comes mostly from the government sector.

Metropolitan areas and networks of medium-sized towns can build more on R&D
The concentration and above average importance of R&D expenditure in the metropolitan areas, and especially in capital regions in absolute terms, is visible in many countries. In France, 45% of national R&D expenditure is concentrated in Ile de France, the region with the highest R&D expenditure of any European region in absolute terms. In the new EU Member States these are the regions with the best national R&D scores. Bratislava, Budapest or Praha rank in the same range like Göteborg, Toulouse or Lyon in the so to say second Western European line. But they are some important metropolitan areas with considerable less importance of R&D, like Athinai and Roma which display rather more cultural and administrative functions, or Barcelona, which has conventional industries, culture and tourism.

But also a large number of medium-sized urban areas display high figures for R&D importance as cites show in Finland, Germany or in the Netherlands. There is no absolute size that determines effectiveness in building clusters: small and medium-sized cities and rural areas are also very important in applying knowledge and in creating new innovations. Smaller regions are often more efficient and regenerative. The mass of regions and cities can be increased through networks, generating economies of scale and scope as well as creating synergies. Creative, attractive and interesting areas are hotspots where highly qualified professionals like to locate and thus attract business investments.

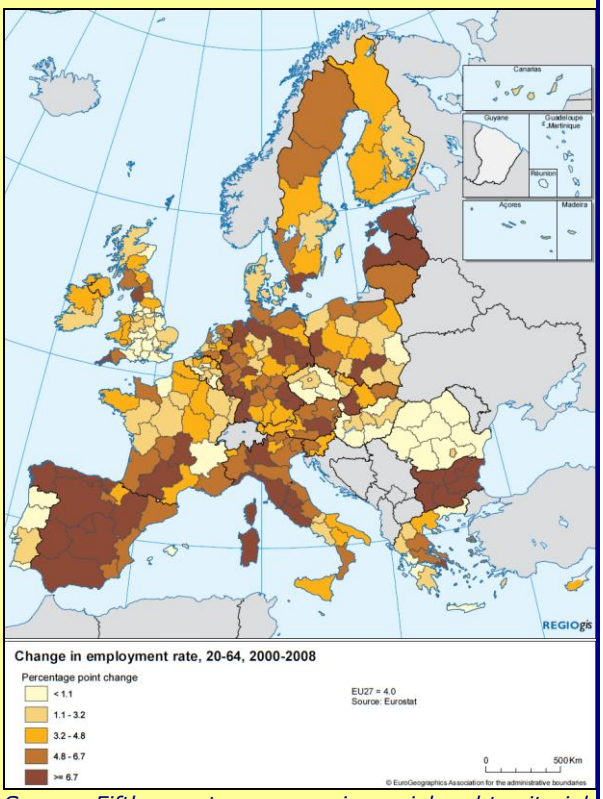
Regions have different potentials and perspectives to grow

A central aspect of the inclusive growth goal is to foster a high-employment economy delivering economic, social and territorial cohesion. The key to this is a better educated European workforce. As the Leipzig Charter (2007) outlined, the urban and local level is the starting point for the implementation of this. Education and social policies and actions are needed to support regional labour markets that are affected not only by the crisis but also by demographic changes and a potential mismatch between the skills of the labour force and demands from the economy. Social stability is at risk. Economic recovery programmes and fiscal stimulus packages need to be given much more emphasis to avoiding social divergence.

Some territories are at risk of entering a perpetuated crisis

Europe is at a crossroads between growth and lasting crisis. The potentials for recovery differ across the European territory, and there is a risk of vicious circles of downturn, especially in those countries worst affected in financial terms. Persistent unemployment might result in a long-term structural reproduction of economic problems. The longer a region has low economic output and low levels of R&D and investments, the more likely it is that equipment and infrastructure will become relatively obsolete. These territories may be further excluded from the socio-economic circuit, hampering the integration of regions.

Change in employment rate 20-64, 2000-2008

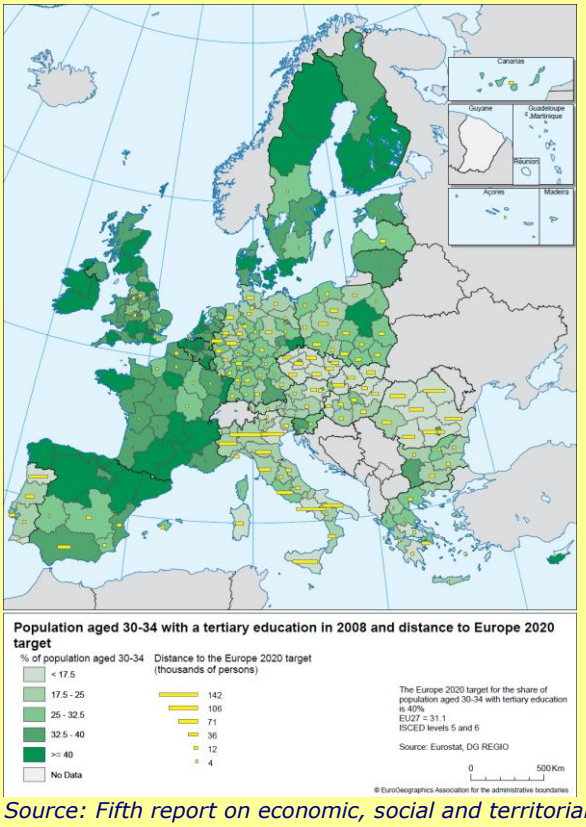


Source: Fifth report on economic, social and territorial cohesion (European Commission, November 2010)

One lesson learned from the recent economic crisis is the need to safeguard and raise employment. This is a key concern of the Europe 2020 strategy. The creation of more and better jobs in an innovative Europe contributes to both smart growth and to inclusive growth. It is not only high-skilled job growth that is needed. More low skilled jobs will improve the situation of youths or help to integrate migrants into work.

In the strategy, the employment rate is the key variable measuring job opportunities. EU-wide, 75% of people aged 20-64 years old should be employed. In 2009, the EU27 figure dropped to 69% due to the economic crisis. The regional picture for 2008 shows that in some parts of Europe there is still a long way to go. In Denmark and Sweden all regions, and in the United Kingdom most of the regions, were above the threshold. In Germany and Austria a considerable number of regions were above 75%. Southern and Eastern European regions, along with the North and the very South of France, Wallonia in Belgium and the Northeast of Germany showed relatively low levels in employment. Belgium and also France had no regions with very high employment which might compensate on a national level for these deficits.

Population aged 30-34 with a tertiary education in 2008

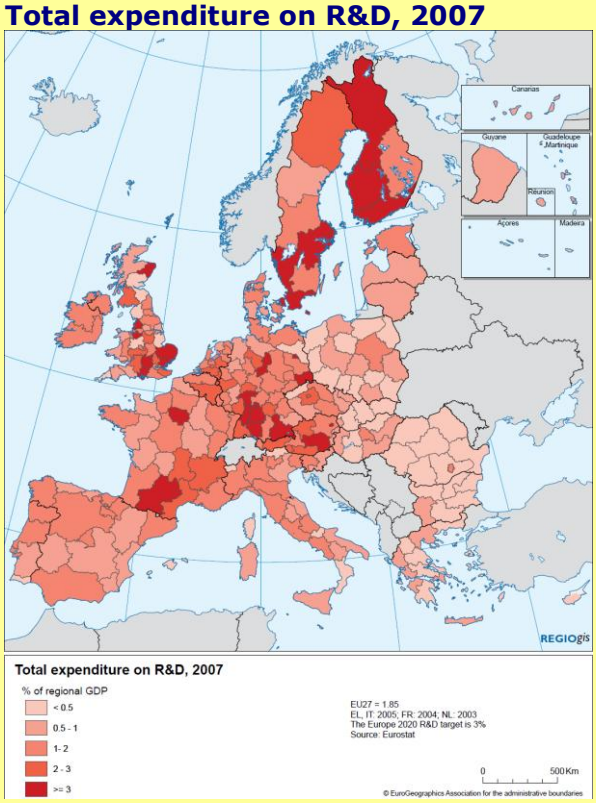


Source: Fifth report on economic, social and territorial cohesion (European Commission, November 2010)

Smart and also inclusive growth in Europe is seen as strongly associated with education. Good education generates knowledge and innovation. It is one of Europe's main assets, and safeguards Europe's position in global competition. Good education also opens individual job opportunities and facilitates labour market integration in an open Europe.

One of the key measures in education is the proportion of the population with third level education. The EU target is that at least 40% of 30-34–year-olds should have completed third level education. The regional picture of Europe shows a distinct West-East divide; the East of Europe in this case includes all Germany. The EU Member States show a high national homogeneity, the Scandinavian countries, United Kingdom and Ireland, the Netherlands, Belgium, France and Spain in general have higher rates than the other countries. In Eastern Europe, the capital regions have the highest values, with the Warsaw region, for example, recording above 40%.

Total expenditure on R&D, 2007



Source: Fifth report on economic, social and territorial cohesion (European Commission, November 2010)

In respect of innovation the EU is still catching up with its main global competitors. Increasing R&D expenditures to 3% of GDP remains a main target in European policies, along with improving investment in R&D by the private sector.

The regions with the highest expenditures on R&D in 2007 were concentrated in the North and West of Europe. Regions above the EU 3 % threshold were concentrated in Finland, the South of Sweden and the United Kingdom, the Île de France and Midi-Pyrénées, the Germany region of Baden-Württemberg as well as Damstadt, Braunschweig and Dresden, and Steiermark in Austria. In Eastern Europe, most of the regions in the Czech Republic, and the capital regions in Poland and Hungary reached Western European levels.

Observations for policy consideration

- Europe's economy needs greater resilience and adaptive capacities against external shocks and turbulence.
- This is not only a matter of 'abstract' regulations in the financial and monetary systems. It also refers to 'material' policies such as fostering renewable energy to make Europe less vulnerable to external volatility in oil prices, for instance. Another example is having a better skilled work force which is more able to adapt to structural changes in labour markets.
- In order to reduce the vulnerability of EU regions to negative consequences of globalisation there is a need to better tailor developmental polices to local conditions and requirements, i.e. to the specificity of the local and regional endowments, such as endogenous potentials and development mechanisms.
- The new challenges require territorially coordinated solutions and local economic development strategies based on local potentials, local territorial capital and local skills and values.
- Place-based policy aims at tackling persistent under-utilisation of territorial potential and reducing persistent social exclusion in specific places through external interventions and multi-level governance.
- To support local and regional actors and promote cohesion among territories, national, EU-wide and global frameworks are needed (in line with the Green Paper on Territorial Cohesion).
- The economic dimension of sustainability needs to be taken into account and needs to be expressed through measures like: fiscal sustainability, local economic development based on local endowments, and capacities of local sub-systems (such as society, environment etc.).
- Policies are needed to address the capacity of the disadvantaged regions to participate in global exchange. Such regions can offer important services to Europe's global integration zones based on their cultural heritage and cultural landscapes and their nature values.
- Support is needed to diversify the economic bases of the most vulnerable EU regions. Furthermore national territorial policies should include standards for accessibility to services of public economic interest.

2.3 Challenges of EU integration and growing interdependences of regions – cross-border and the broader Neighbourhood[5]

The enlargement of the EU and its consequences still pose a challenge for territorial integration

From a European perspective the EU territory still shows a core-periphery orientation: GDP, innovation capacities and high-level jobs are concentrated in the core and in the Northern part plus a number of other urban agglomerations outside the core. Mainly due to EU Enlargement, disparities highly increased, and although until the start of the crisis in 2008 the new EU Member States had been catching up in a number of fields, they still face severe problems meeting the challenges ahead, and some of these became even more pressing due to the long-term effects of the crisis. Growing economic and social imbalances and disparities are also caused by concurrently dislocation of jobs within and outside of the European Union. All these mean a pressing threat to the deepening and widening of EU territorial integration. The persistent gap in development levels between old and new Member States and difficulties in cross-border cooperation pose a growing threat. They are reproducing a core-periphery division and the threat of "two Europes" within the EU.

Developmental potentials divided by administrative borders

Borders divide natural ecosystems, functional networks and regions (including clusters) and even cities. Therefore cooperation across administrative borders is an essential factor for enhancing smart, sustainable and inclusive growth. For instance ecosystems would

[5] Authors: Jacek Zaucha, Judit Ricz, Ádám Radvánszki

benefit from connectivity and a minimum degree of fragmentation. This would improve their internal functioning and strengthen their ability to cope with natural and anthropogenic shocks. Also cities or clusters might become more innovative thanks to enlargement of their functional zones and increased exposure to the cultural, administrative, economic and social diversity of different countries. The main vehicle for economies of scale in Europe can be networking between agglomerations and big or middle-sized cities.

Border areas are important for sustainable growth
A large part of the most valuable ecosystems are located in border areas. Borders run traditionally along rivers, mountain and maritime ranges, the most suitable places for the evolution of the ecosystems. In addition, many borders were forbidden areas for tourism, travel and economic activity for several decades. Ecosystems were able to develop undisturbed and untouched during that time. Many of those natural ecosystems provide important climate services, create necessary preconditions for high quality tourism and for maintenance of biodiversity at European level.

High potential for inclusive growth in border areas
National borders also divide people speaking the same language, sharing the same culture and/or history and united by self identification as members of the same nation or ethnic group. They form important, although currently underused, social and human capital for development of border territories. Their active engagement might facilitate collaboration of public administration and social partners from different countries.

Culture extending across administrative borders – potential for smart growth
Europe is rich in its culture. Paintings, sculptures, architecture monuments, underwater heritage, systems of landscapes, oral and intangible heritage all form important developmental assets and contribute to European identity. Cross-border cooperation by enhancing the flow of ideas, exposure to the achievements of other nations and by pooling cultural resources strengthens dynamism in production of new cultural artefacts and adds to the attractiveness of the cooperating regions and countries as a place of residence or tourist destination. It also reduces perceived differences and facilitates innovation by fostering the growth of a creative class. Numerous projects aiming at creating cross-border tourist products and cultural networks pave the way for cultural integration crossing the borders.

Policy support for spontaneous territorial cooperation
The evident benefits of territorial cooperation have turned it into a grass-roots phenomenon, as manifested in the establishment of Euro-regions or twin city links. Currently there are more than 70 Euro-regions in Europe. Most of them operate without any external financial support. Typically their work is based on multi-annual action plans or strategies. Twin city networks and Euro-regions are engines for numerous cross-border projects and initiatives. However, due to existing language, cultural, administrative, information and even physical barriers, territorial cooperation and networking requires, in many cases, some external start-up support. The importance of such stimulation is growing as physical distance increases and when cultural differences are wide and/or there is little history of cooperation.

Territorial cooperation as a core objective of EU Cohesion Policy
Territorial cooperation gradually has become a comprehensive system under Cohesion Policy (mainstreamed as Objective 3) and in the European Neighbourhood Policy (ENPI CBC programmes). Also a new legal instrument has been created, the European Grouping for Territorial Cooperation (EGTC). Despite all these efforts, the current territorial cooperation system is composed of three loosely co-ordinated blocks: territorial cooperation within the EU, territorial cooperation with neighbouring, candidate and potential candidate countries, and cooperation with other countries. Their contribution to territorial cohesion, as well as mutual synergy, varies.

The reform process of Cohesion Policy provides a good opportunity to improve its performance in the post-2013 period. For this reason it is important to build upon the

experiences of implementation of the Territorial Cooperation Objective of the Cohesion Policy.

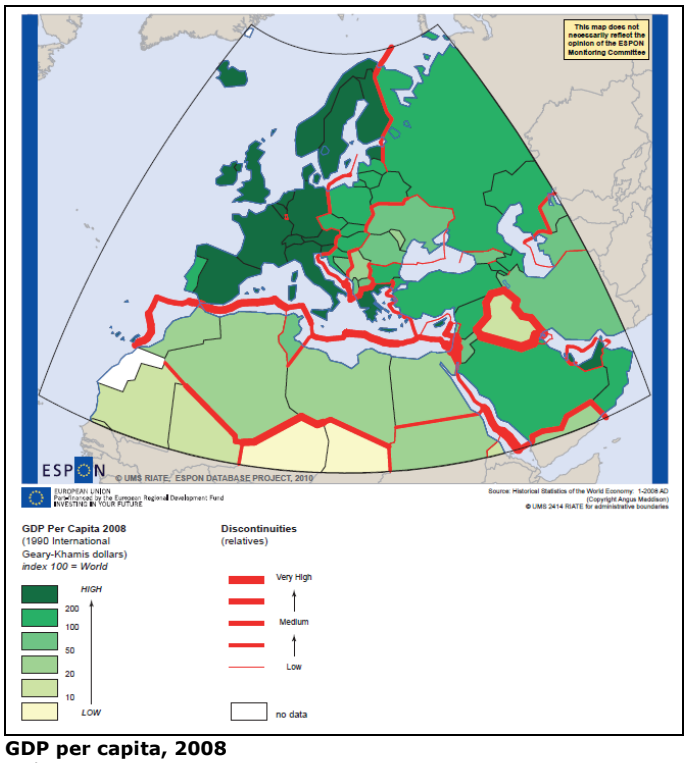
Complexity of territorial cooperation

The essence of cross-border and transnational cooperation is in facilitation of contacts between people, institutions, businesses and social organisations. This means reducing the external costs created by incompatible administrative routines, insufficient infrastructure, different laws, cultures and languages. However, success stories of territorial cooperation are usually those based on more complex interventions which aim not only at lowering physical and communication barriers but also nurturing self-reinforcing (cumulative) developmental forces. Such an approach requires the creation of appropriate institutional structures, activation of market forces, strengthening or building regional identity and establishing territorial marketing, while also respecting ecological systems.

Borders divide the new Member States more strongly than the old ones

Territorial cooperation has already helped to reduce negative border effects among the old EU Member States, fostering territorial cohesion. But there are still major discontinuities along the EU external borders and the borders between the new and the old Members States. There are some asymmetries in institutional capacities and developmental priorities among the new and the old Member States which hamper cross-border cooperation and which might lead to unequal long-term benefits out of it.

The most difficult situation is found at EU external borders (except for those with Norway, Switzerland and some candidate countries). Many of these EU border regions have lost their previous economic, social and cultural relations with the neighbouring territories on the other side of the border. Spontaneous cooperation is hampered by different competencies within the local/regional governments, limited institutional capacity, and divergence of strategic aims and goals on both sides of the border.



Map 2: Discontinuities of GDP per capita, 2008
Source: First ESPON 2013 Synthesis report, 2010.

Transnational and interregional cooperation is tackling complex spatial problems

The transnational territorial cooperation strand has produced numerous good practices and model examples of solving complex developmental problems through multilateral territorial cooperation. They have been disseminated across large groupings of European

regions. Some of them were of a pioneering nature, like the first maritime spatial plans or enhancement of territorial conditions for fostering innovation. The inter-regional cooperation strand, on the other hand, has worked for improvement of the effectiveness of policies and instruments for regional development and cohesion. Unfortunately, those results have not been given sufficient systematic attention to enable them to be multiplied across various types of EU territories and to secure synergies among different strands of territorial cooperation.

Macro-regional strategies

A new phenomenon is the preparation of comprehensive strategies for the EU macro-regions as a joint venture of the EU Commission and the Member States in order to coordinate actions and policies of the Member States, regions, international organisations, financing institutions and non-governmental bodies targeting the given territory. The benefits of a macro-regional strategy derive, to a large extent, from its highly integrative approach. Such strategies are based on functional cooperation reflecting common challenges and common solutions. The lesson of the EU strategies for the Baltic Sea Region and the Danube Region in this context is that there is substantial benefit in a coordinated approach to implementation of existing rules and policies.

Observations for policy considerations

- The main challenge is to ensure networking and integration of territorial potentials (city networks; clusters; cultural, social and human capital; ecological systems etc.) divided by borders.
- To achieve economies of scale, regions and cities need to be able to benefit from the growth occurring in other territories, which calls for permeable borders.
- Territorial cooperation brings various benefits such as: the creation of a critical mass for development, less fragmentation of ecosystems, or the building of mutual trust and social capital.
- In some situations not only cross-border, but also transnational cooperation makes sense. Such cooperation in large European macro-regions should encompass not only projects but also voluntarily policy co-ordination.
- Better integration should be achieved between interregional cooperation programmes and transnational and cross-border ones which might serve as vehicles for implementing and testing the results achieved at interregional level.
- Cross-border programmes should be seen as a part of a broader mechanism of macro-regional development. Better cooperation among them is needed. There should be clear links between strategic macro-regional projects and cross-border ones applying their results to local circumstances.
- Not all border regions are the same. Different approaches are needed for different types of borders.
- The enlargement of the EU and its consequences still pose a pressing threat.
- There is a growing threat of "two Europes" and the division between core and periphery.
- Extra efforts are necessary at new external EU borders. These need to focus on accessibility improvement and the development of endogenous potentials (e.g. the creation of EU gateways on new EU external borders).
- This emphasis is important not only for the EU itself but also to ensure the stability and prosperity of EU neighbours across Eastern Europe and the Southern and Eastern Mediterranean.
- EU macro-regional strategies would benefit from a more coherent territorial approach. Their territorial impact should be regularly assessed in defined time intervals.
- It is equally important to maintain the European character of territorial cooperation e.g. by issuing relevant EU guidelines, encouraging use of broader territorial criteria for project adoption and monitoring the overall results (national, and EU impacts) of local and regional projects. This could help to overcome some previous weaknesses, e.g. too many cooperation projects have focused on purely local actions of a parallel nature.

2.4 Different areas face special demographic and social challenges[6]

Increasing demographic imbalances between urban and rural, central and peripheral areas, and Eastern and Western parts of Europe

Demographic development is in particular related to two factors (a) natural population change (births versus deaths) and (b) net migration (immigration versus emigration). In many parts of Europe either both factors are negative and thus the population is declining and ageing or both positive and the population tends to increase. Low fertility rates will result in unbalanced age structures with ageing and consequently population decline.

There is a clear territorial pattern of increasing polarisation. Depopulation of rural and peripheral areas is a significant problem, with several consequences for social cohesion, provision of services of general interest, and labour markets. Urban areas, especially in the Mediterranean and some Northern countries, are attracting young immigrants.

Since 2000 all EU15 countries except Germany and Portugal have experienced a new rise in the fertility rate, while the new Member States, mainly from the Eastern part of Europe, are characterised by lower fertility rates.

All Europe is getting older

Ageing is still the most important demographic – and even economic – challenge for all European regions and countries. In many parts of Europe the average age of the citizens is in the mid or late thirties. This will change substantially over the next few decades. In 2030 the median age will be above 40 in most parts of Europe.

Ageing is reinforced by the increase in life expectancy. The number of oldest old persons (over 75) has risen in almost every European region since 2000, without any specific geographical concentration. In 21% of the European regions average life expectancy is 80 years or over. In contrast in 17% of the regions, mainly in Eastern Europe, life expectancy is 76 or younger. The percentage of people aged 65 or over is high in several Northern regions (mainly in Sweden), in central regions (mainly in Germany) and in Southern regions (in Italy and Spain). The rate of ageing is relatively low in Poland, Ireland and Iceland.

Ageing can generate new possibilities for the economy. The 'silver economy' is driven by the development and marketing of products and services aimed at older consumers, such as private health care services, new gated communities etc. In all of the richest European countries, during the last decade there has been an increase in the number of immigrants providing assistance to the elderly.

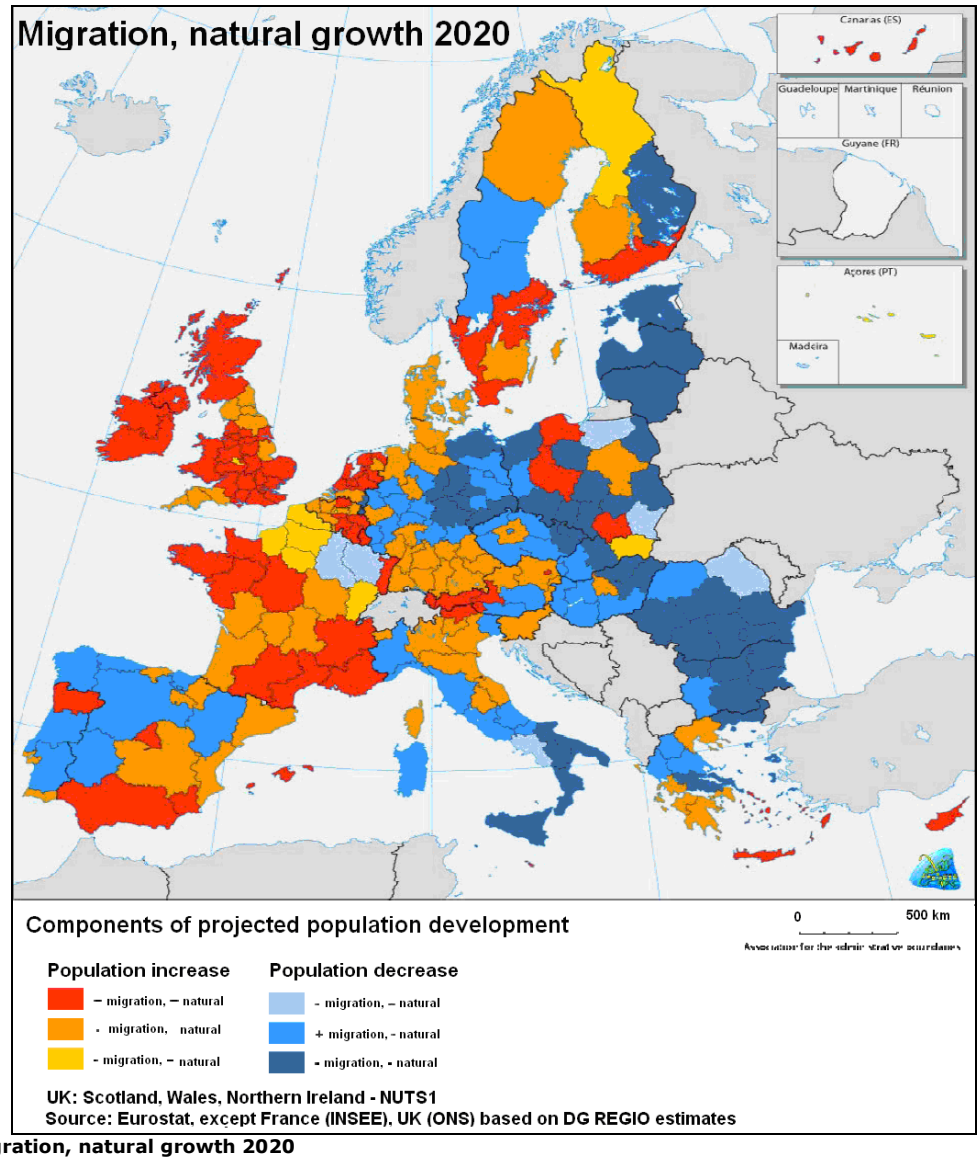
Migration has a major role in population growth today

In many Member States, the size of net migration determines whether the population still grows or has entered a stage of decline. Net migration flows are assumed to be concentrated on a few destination countries, and in particular regions. Since 2000 net migration has been high in several Southern-European regions, especially in South-eastern regions of Spain, and Northern Italy; moreover before the economic crisis hit, Ireland had high positive net migration. However migration flows cannot compensate for ageing trends. Even if fertility rates are more favourable than in the 90s in many European states and regions, they are still below the replacement level. Usually, in 80% of the regions, if the net migration is positive, total population change is also positive.

On the other side, many regions in Eastern Europe and several French regions have had negative net migration. Furthermore, Southern regions of Italy and Northern regions of Norway, Sweden and Finland have had negative net migration too.

The crisis may have slowed down migratory flows. As the baby boomers approach retirement age, countries with low fertility rates, such as Italy, might face the problem of a shortage of workers.

[6] Authors: Isidro López, Kyra Tomay



Map 3: Migration, natural growth 2020
Source: REGIONS 2020 – Demographic Challenges for European Regions, 2008.

Migration flows concentrate in metropolitan areas

Looking at migration flows within countries, metropolitan areas (e.g. Paris, London, Madrid, Barcelona, Budapest and Helsinki) are the most favoured targets of immigrants, while older industrial areas are less attractive. The dominance of the capital cities in these countries reflects their rather monocentric urban systems. Other countries show rather polycentric webs of domestic migration flows with several cities being main nodes. Examples are Spain, Italy and Germany. These migration patterns mirror the polycentric urban systems in these countries.

Some countries have only very limited domestic migration, while others have large internal migration flows, mainly between neighbouring regions. Examples for this are the Czech Republic or Austria. Short distance migration flows also dominate in Germany and the United Kingdom.

Population change affects labour markets

In one quarter of European regions the working age population has been declining since 2000. This is particularly so in Germany, in the Northern regions (e.g. Northern Norway, Sweden and Eastern Finland) and the Eastern part of Europe, such as several Slovakian, Romanian and Bulgarian regions. In contrast in most of the Polish regions a moderate growth has been observed, as well as in Spain, Southern France, Ireland, United Kingdom and Iceland.

Migrations can be part of the solution to labour market deficits both in qualitative and quantitative terms. Demographic trends indicate that the working-age population in the EU27 will start to fall by 2013, and will decrease by around 39 million (12%) by 2050 compared to 2008. In general economic terms every migration implies a shift in the knowledge base of both the arrival and the departure country. As migrants carry different skills with them there can be important processes of increasing or declining skills in the labour force (brain gain or brain drain). In territorial terms, migrations, and particularly intra-EU migration can strengthen transport and communication links between the departure and the arrival point of migrants.

There is no territorial cohesion without social cohesion

People's standards of living and well-being strongly depend on the economic wealth of the country in which they live. In most EU15 countries the household income is relatively high, while Bulgaria and Romania have the lowest values among EU Member States.

In spite of the positive economic environment before the widespread crisis, in most countries there was no reduction of relative poverty. Employment rate increases for vulnerable groups have also been more limited than those for the labour force in general. In the EU, the percentage of children and adults living in jobless households has remained unchanged since 2000 at nearly 10%.

With the onset of the unemployment crisis, poverty rates may rise dramatically. More European citizens are claiming benefits. In recent months unemployment has risen considerably in the EU as a whole and in most Member States. This trend has been really acute amongst vulnerable groups such as migrants or temporary workers. Children are the most vulnerable group facing poverty. In most EU countries children have higher poverty risk than the overall population. The highest risk of poverty is experienced in Romania (25%), Lithuania (27%) and Poland (29%). Children in lone parent households or in large families are most likely to be at risk of poverty. The educational attainment and employment status of parents are also important factors.

There are territorial differences in access to the services of general interest

There are big differences in access to different services such as education, housing, health and social care, and information and communication technologies. Inequalities in health between different socio-economic groups persist and Member States tend to complement their universal approach with measures targeting the most vulnerable. Access to education is very unbalanced: Southern Europe continues to have low levels of human capital, whereas advanced skills concentrate in Northern and Western Europe. Eastern Europe registers a mismatch between jobs and qualifications.

There is a significant challenge in provision of services of general interest, caused by demographic changes. For instance, ageing or depopulation could change demands, as well as affordability and the structure of services of general interest. The changing demographic situation calls for a more flexible public service structure.

The integration of minorities can be a driving force of spatial development

The EU-MIDIS survey on attitudes to migrants found that discrimination on the basis of ethnic or migrant origin is widespread in the EU. Measures to encourage access and integration into the labour market should include anti-discrimination policies. Labour market policies include subsidised employment programmes, pre-employment training, career guidance and supervision to help minorities integrate into the labour market, and the appointment of mediators to assist job search.

The increasing unemployment and insecurity caused by the crisis may sharpen competition for jobs, and so reinforce intolerance and discrimination against migrants and minorities. Social cohesion could be damaged.

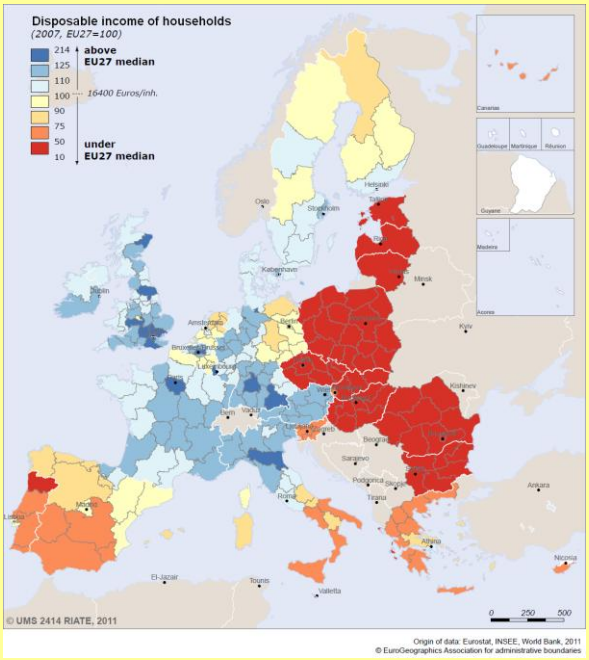
Roma are the most prominent group a risk of poverty in many of the countries of Central and Eastern Europe. A survey found that nearly 80% of Roma in Romania and Bulgaria live on less than 4$ a day, and even in Hungary 40% of Roma live below the poverty

line. The situation of migrant and Roma minorities calls for strong, integrative anti-segregation policy interventions in housing, education, employment and health care.

Aggregate data may hide huge disparities in income and social conditions within cities

As the Leipzig Charter highlighted, cities are faced with major challenges, especially from globalisation and changing economic and social structures. Very high unemployment and social exclusion pose especially acute problems. Within one city, there can be considerable differences between neighbourhoods in economic and social opportunities and in the quality of the environment. Where these social and economic divides widen there is the risk of instability.

Disposable income of households, 2007.



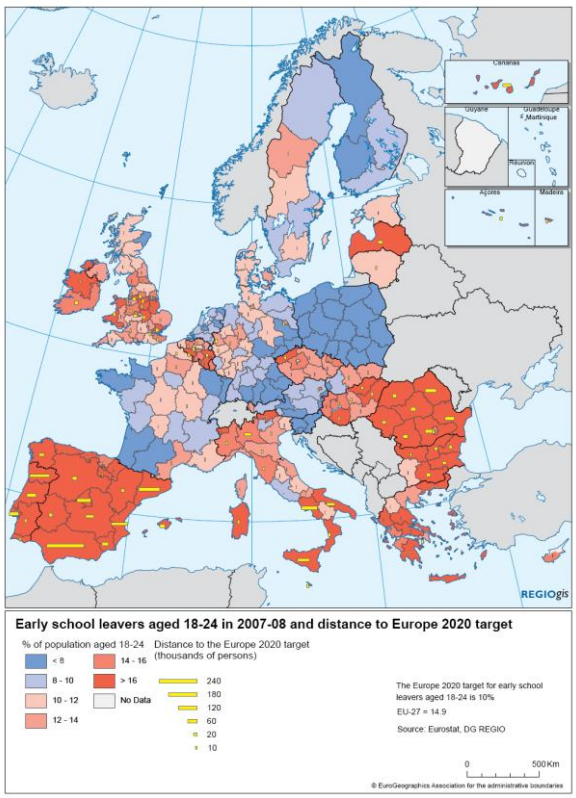
Source: EUROSTAT, INSEE, Word Bank, 2011, © UMS RIATE

The Europe 2020 objective is to lift 20 million people out of being at risk of poverty and exclusion. The indicator chosen covers the number of people who are at risk of poverty and/or severely materially deprived and/or living in households with very low work intensity.

At risk of poverty - a widely used measure of relative poverty - is defined as having equivalent disposable income (i.e. adjusted for household size and composition) of less than 60% of the national median household income. It is a great tool to show regional disparities within countries. However it has several weaknesses if used in EU-wide comparisons. For example, housing costs are not included, yet access to affordable and decent housing is one of the main determinants of people's well-being. In 2008, 17% of the EU population had an income after social transfers below 60% of median disposable income in the country in which they live — the at risk of poverty level. Regional differences are also pronounced. Within a country, the level of regional development has a substantial effect on the risk of poverty. Less developed regions tend to have the highest rates of poverty, whereas the most developed regions have much lower rates. This can be clearly seen in the United Kingdom, Spain, Italy and Germany. The poverty threshold is, therefore, 4–5 times higher in the countries with the highest income levels than in those with the lowest.

Absolute poverty is measured by severe material deprivation and shows clearly that the regions lagging behind from the South-eastern part of Europe concentrate the highest share of poor people. In Romania and Bulgaria, the proportion is over 30% compared to the average 17% of people in the EU. The share of people in households with very low work intensity in most Member States ranges between 4% and 7%, however in Hungary and the United Kingdom it was over 12% in 2008.

Early school leavers aged 18-24, 2007.



Source: Fifth report on economic, social and territorial cohesion (European Commission, November 2010)

The Europe 2020 Strategy target for inclusive growth includes better educational attainment, in particular reducing school drop-out rates below 10%. The EU has around 80 million people with low or basic skills. People with a low education are less likely to have a job and more likely to have low income and low life expectancy.

As the map shows the share of people with low education is substantial in all the Southern Member States. The Europe 2020 'early-school leaving' target of having at most 10% of people aged 18–24 with no education beyond basic schooling has been reached in 85 NUTS2 regions, around one in three, but it will require a substantial effort in many regions to achieve it, especially in the 15 regions in Spain and Portugal where the rate is still above 30%; in Romania, Bulgaria and Hungary, in some regions of Italy, in Greece and in some parts of the United Kingdom.

Observation for policy consideration

- Demographic imbalances are important; depopulation of rural and peripheral areas is a significant problem, with several consequences for social cohesion, provision of services of general interest, and labour markets. Reinforcing the attractiveness of rural and peripheral areas is a key process for strengthening territorial cohesion.
- Migration is the main driver of population growth today. More balanced and targeted migration patterns can both alleviate demographic ageing and maintain a critical mass for the development of dynamic labour markets.
- Net migration flows are concentrated in a few destination countries, and in particular regions. This concentration should be counteracted by developing comprehensive approaches to territorial cohesion, balancing the attractiveness of regions and cities.
- There is no territorial cohesion without social cohesion. Social cohesion concerns should be taken into account in cohesion policies.
- Integration of minorities should be a concern in spatial development. Migratory flows always imply social changes in both the sending and receiving societies.
- In several countries there are already policies preventing discrimination against Roma people. Preventing discrimination against Roma minorities could avoid large migrations of this group into other countries. This concern should be incorporated into spatial planning practice.
- A policy of social integration which contributes to reducing inequalities and preventing social exclusion will be the best guarantee for cohesive and safe environments in European cities.

2.5 Slow changes in connectivity discrepancies influenced by accessibility and transport conditions[7]

A growing interrelation between transport networks development and energy, as well as energy-climate policy

The spatial development of transport networks increasingly will be closely related to the energy situation. The prices of fuels, as well as the energy-climate policy, will make it necessary to introduce modal, technological and organisational changes (e.g. the introduction of widespread road pricing). Widespread implementation of inter-modal solutions will be necessary. Pricing will have the most unfavourable effects for lagging and peripheral regions. The share of transport in CO_2 emissions is growing both globally and in Europe. The EU is striving to be a world leader in curbing climatic changes. In the long time global resources of liquid fuel are likely gradually to be used up.

Improving accessibility is more than just infrastructural development

According to the current paradigms accessibility means more than the simple road/rail/waterway or air accessibility status of a given geographical location. Accessibility is increasingly dependent on the scope and quality of the ICT infrastructure. The skills and standard of living of the people utilising that infrastructure are also hugely important. In addition to transport and communication, accessibility is greatly influenced by such factors as the distribution of travel and contact destinations, including, in the first place, the job market as well as services of public and business interests. Thus transport networks and services, together with ICT infrastructure and services, are accessibility tools that secure the proper availability of particular functions. In many European regions, the spatial reach of labour markets and the distribution of services are not correlated with the system of transport networks (e.g. in the metropolitan areas of Central Europe).

The need for simultaneous improvement of accessibility on different geographical levels

Accessibility is one of the most important indicators used to describe the territorial aspects of transport systems. Road and rail accessibility are clearly the best in the core of Europe. However, the level of accessibility differs when examined from the European, national and regional perspective. Some areas, though relatively easily accessible from the core of the European Union, still remain peripheral at the national scale. At the national level, central areas show a better accessibility than more peripheral, coastal or border regions, including mountainous regions and islands, within most countries. Not only regions in the European periphery but also regions in the periphery of their respective national markets suffer from "peripherality". The situation is aggravated in some regions – mostly in the new accession countries - by the lack of appropriate road and railway linkages between the primary and the secondary systems.

The challenge of external accessibility of the European Union

Satisfactory accessibility to the European Union from other continents is crucial to the EU's competitiveness on a global scale. At present the accessibility of the European Union's area is relatively satisfactory only in relation to links with the United States, with which there is well developed air transportation and maritime shipping. In contrast, the transport infrastructure connecting Europe to its close neighbours (Russia, Asia, the Middle East, and North Africa) has not been developed over the last decades. Complementary roles for different modes of transport could be stressed in that respect. Growing overloading of the port infrastructure in Western Europe (Rotterdam) and congestion at the major hub airports are real problems. In overland transport, Europe needs further development of rail and road networks connections to some of the Asian states (in particular, China and Iran) which would facilitate the development of overland transport (especially rail transport).

[7] Authors: Tomasz Komornicki

The need for more effective inter-modal solutions and better accessibility of the airports in overland transport

Integration of transport systems geographically and in inter-modal connections is not sufficient, especially in the metropolitan areas and with regard to coastal shipping and air transport. There is a lack of hotspots in the new accession countries. The role of road/rail and land/sea (including motorways of the sea) inter-modal solutions in goods transport is still not sufficient. Inland waterways are indispensable arterial waterways with great impact on the industrial, urban and cultural development. Their future development (mainly in the Eastern part of the Union) is limited by the massive costs of projects and the need for ecosystem protection. In some regions maritime connections are among the main factors in local accessibility. The Baltic Sea is one of the areas of intensive intra-Union navigation in coastal waters, with a potential for development of motorways of the sea. The hinterland of the airports is still narrow, and poor connections to them cause accessibility problems mainly in Central and Eastern Europe. Another type of vulnerable region is located in-between the core and periphery; these are the places from where the core cannot be reached via one-day business trips.

Infrastructure is needed to support polycentric development of the European Union and particular Member States

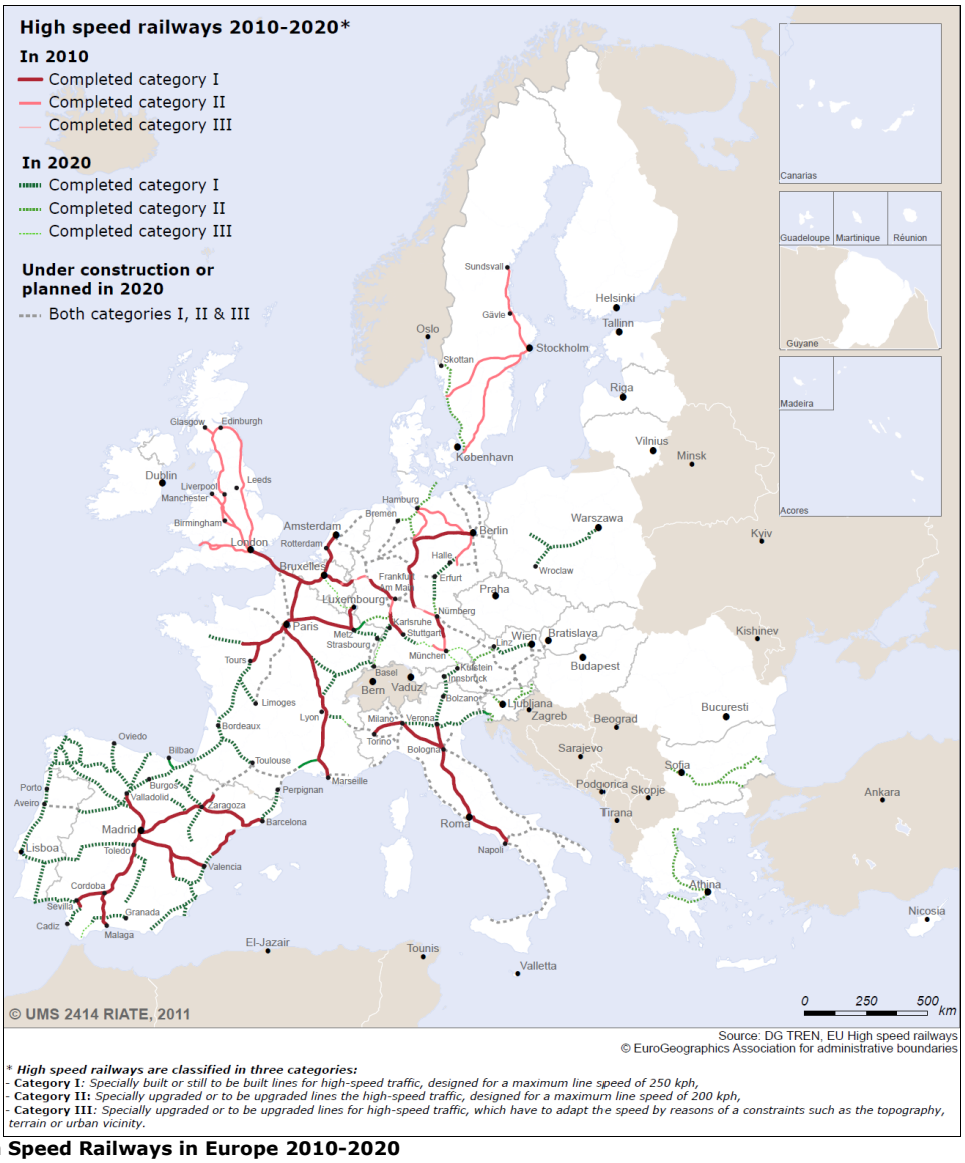
The mutual accessibility of the main centres of Central and Eastern European countries in the second half of the 20th century, proved to be insufficient for the needs of the market economy and the growth of traffic of goods and people. The main road and rail investments (including projects supported by the EU) are generally transit oriented. Because of this polycentricity on the national level has not been boosted. On the other hand, there has been fast development and greater dispersal of air traffic.

A Core-Periphery pattern in European road and rail accessibility - including the effects of the high speed trains network development

Accessibility by road, which provides the most transport services to population shows still clearly European core-periphery pattern even though after the year 2004 road accessibility improved in Central Europe (East Germany, Czech Republic, South-Western Poland). However, these improvements and their benefits were spread very unevenly in the area. Furthermore, core-periphery differences are not confined to road transport. They can be observed also in railway transport; however, in this case they have a qualitative dimension. The concentration of high-speed rail development in Western Europe poses the threat of creating a new core-periphery system in Europe. The traditional railway network must also be developed, whereas in fact in some of the Central European countries the railways have regressed and are deteriorating.

Disparities in transport network development between the old and new Member States

The disparities in development of transport networks and spatial accessibility between the old and the new EU Member States are likely to endure over the next 10-20 years. The increase of road transport flows is highest in Central and Eastern Europe. However, the degree of saturation of the space with the TEN-T network in some of these states is significantly lower than in Western Europe. The networks of motorways are still at the initial stage of development (except in Hungary and the Czech Republic), and high-speed trains are practically non-existent. Accession of the new EU Member States led to the acceleration of transport investment activities in these new EU areas. The effects of these processes in terms of spatial accessibility, however, are still limited, especially in Eastern Poland, Slovakia, Romania and Bulgaria.



Map 5: High Speed Railways in Europe 2010-2020
Source: *DG TREN, EU High Speed railways, © UMS RIATE*

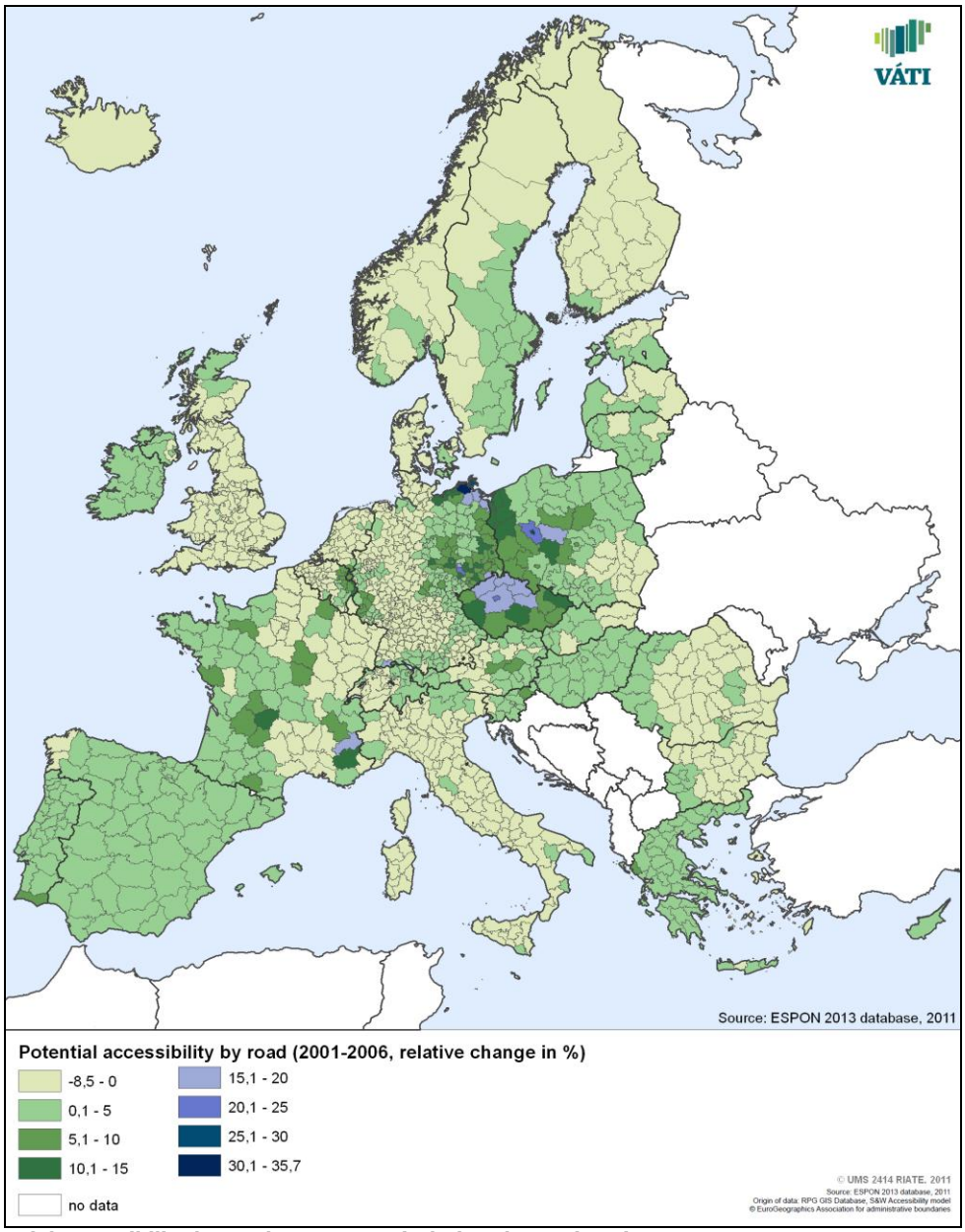
Accessibility of isolated areas as well as to the peripheral and rural areas is still a problem

Europe entails a huge diversity of island and other isolated areas that often depend on one single transport route. Some of these areas are peripheral and ultra-peripheral and face difficulties in accessibility. In some of these cases e-accessibility can serve, to a certain extent, as a substitute for transport accessibility. In addition low accessibility is however no longer a concern solely for those in the European periphery, but also an issue for regions located in the core of Europe. This is partly the result of the major airport location. The areas of highest potential accessibility by air are strongly concentrated around those airports. Maritime transport and motorways of the sea, along with associated port infrastructure are particularly important for the integrated development and accessibility of some coastal and islands regions.

Transport systems are major obstacles for development of some of the metropolitan areas

Congestion is the main factor limiting accessibility inside core areas. Although transport and communication networks are better developed here than in much of the rest of Europe, these systems are not able to meet the growing needs arising from the concentration of human capital and economic potentials. In many Western and Southern European cases the possibilities for further development of traditional transportation systems (in particular roads) have been exhausted. In Central-Eastern and Southern

Europe there has been a spectacular growth in everyday mobility and in car ownership. At the same time the public transport systems have become less competitive (e.g. in their quality and efficiency). The result is that the share of public transport is relatively high but decreasing compared to individual transport.



Map 6: Potential accessibility by road 2001-2006 (relative change in %)
Source: ESPON 2013 database, 2011, © UMS RIATE

E-Accessibility still remains diversified regionally

The existing regional differences in e-accessibility are a result of: (a) great differences in the availability of broadband Internet access and of mobile phone networks; (b) differences in institutional development of teleworking as well as e-services and e-commerce; (c) the variety of national policies for development of the information society; (d) different e-competencies of populations. Considerable regional disparities in the degree of e-accessibility are occurring both within the old and the new EU Member States. Northern Scandinavia, Scotland and Ireland provide examples of peripheral areas whose overall accessibility has been considerably enhanced by tele-information solutions. In contrast Central and Eastern European peripheral areas most often remain handicapped with regards to both transport and tele-information infrastructure.

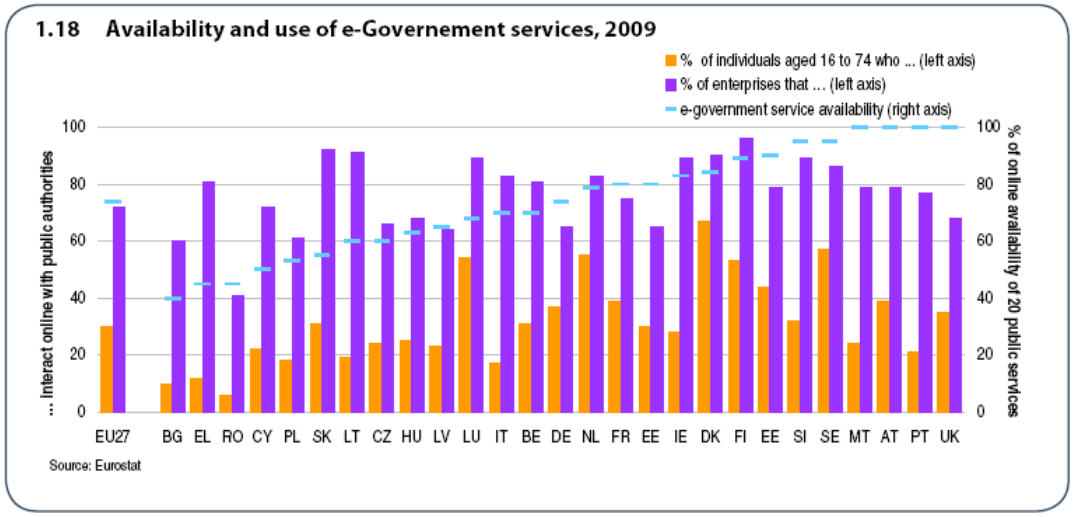


Figure 3: Availability and use of e-Government services, 2009
Source: Fifth Cohesion Report

Observation for policy consideration

- European transport policies are broadly favouring balanced territorial development, though they improve accessibility in the central part of the continent more than in other less accessible regions.
- Urban centres that have good transport connections at the national level may have poor accessibility from their surrounding regions. This affects the size of the labour market and accessibility to social services.
- Metropolitan areas should look to integrate private and public transport (and also different transport modes).
- Multimodal accessibility underlines the importance of airports for accessibility outside the core of Europe.
- Secondary networks are of high importance in particular in the light of the expected transport increase in rural areas.
- Effective inter-modal solutions are a necessary condition for development of maritime shipping (including motorways of the sea) and air transport.
- The location of Europe's major airports in the Western part of the continent is worth highlighting, as it leads to reliance on less efficient transport (as regards energy and taking into account the need to reduce CO_2 in air transport) in connecting to the rapidly growing Asian markets.
- The overloading of "dry ports" at the Eastern borders of the EU, as well as of connections running through Turkey, could be mentioned.
- The spatial range of labour markets and distribution of business services and public services should be taken into particular consideration when deciding on the location of new transport investments at regional and local scale.
- Transport development should help to secure the sustainable accessibility and proper availability of natural and cultural heritage and services of general interest.
- The establishment of a single digital market and better access to broadband is needed so that even remote regions can directly reach global markets. E-government services need to become more widely available.

2.6 Climate change: geographically diverse vulnerability to its impacts [8]

Climate is changing and its territorial impact aggravates other pressures

Cumulative effects of climate change and other ongoing processes in Europe, like agricultural reform, migration, habitat fragmentation, sprawl and congestion exacerbate the strain on economic growth and biodiversity. They also magnify energy poverty and

[8] Authors: Liesl Vanautgaerden, Isidro López, Ágnes Somfai

other social risks. In order to increase the resilience of cities, agriculture and forests, biodiversity, ecosystems and water, in-depth analysis should take into account these territorial interrelationships.

Climate change affects regions and sectors differently

The territorial impact of climate change is asymmetric in Europe, and adaptive capacity to climate change also differs from one region to another. This means that some regions and sectors are more vulnerable to climate change impacts than others. Coastal zones, areas prone to river flooding, mountains and the Arctic are particularly vulnerable, as are cities and urban areas. Eastern Europe is highly vulnerable to flood risks; the countries most vulnerable to coastal flooding are the Netherlands, the United Kingdom, France and Latvia. Southern Europe, and especially its agricultural sector, is at significant risk to drought, desertification and heat stress. Densely populated areas are vulnerable to temperature increases or flooding due to their extensive built surface etc.

Map 7: Key past and projected impacts and effects on sectors for the main bio-geographical regions of Europe
Source: Based on EEA-JRC-WHO, 2008.

Territorial potentials are shifting due to climate change

The effect of climate change on territorial capital, and vice versa, the consequences of changes in territorial capital on climate change vulnerability, is characterised by a

complex interaction between the climate system, ecosystems, the socio-economic and institutional systems and the settlement structure. Changes in temperature and precipitation patterns will modify sector conditions considerably, creating new demands and opportunities and putting increasing pressure for sector adaptation and economic restructuring.

Climate change makes it necessary to develop territorial capital within a long time perspective

Adaptation strategies that take a long term view can help to reduce vulnerability to climate change by sustaining territorial capital: they support structural adjustment to territorial conditions that are changing due to climate change. For instance, in the Mediterranean region the impact of the long term shift towards a more arid climate will be influenced by the extent of the economy's and society's demands on scarcer water resources. An increase in water use, as is happening, will mean greater vulnerability to climate change.

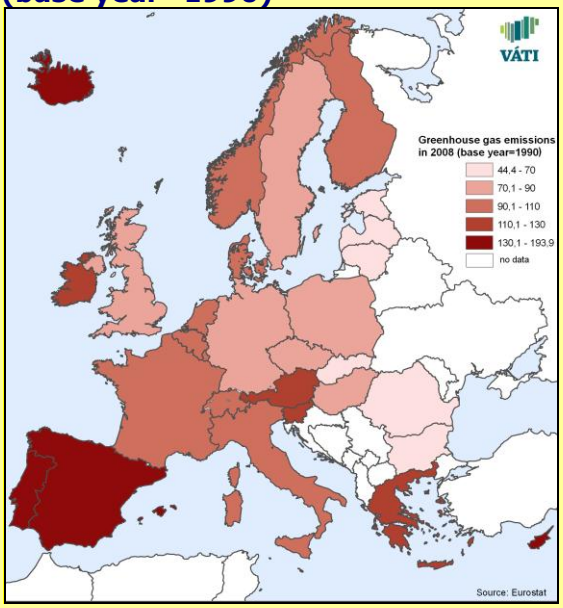
Adaptation is a viable and inevitable strategy

Societies and ecosystems are highly vulnerable to even modest levels of climate change. In fact, human vulnerability is increasing even if climate is not changing (due to developments such as building on floodplains, forest clearing on hillsides etc.). Adapting to current climate conditions and to unavoidable future climate change is therefore an essential part of ensuring that European regions remain desirable places to live and work. Only a combination of mitigation and adaptation seems to effectively reduce the risks associated with climate change.

Mitigation and adaptation capacity of European regions are place specific

Decarbonisation of the economy is essential to meet the challenge of climate change mitigation and offers many opportunities for different European regions. All areas of the EU have significant renewable energy resources, or the ability to participate in producing the goods and services that will be demanded by a transition to clean energy. Different types of European regions however need different, tailor-made responses because of uneven territorial opportunities.

Greenhouse gas emission in 2008 (base year=1990)



Source: Eurostat.

Greenhouse gas emission trends in Europe in spite of the Kyoto targets are alarming on the whole, but there are several differences country by country. In 2008 the annual total greenhouse gas emissions - in relation to 1990 emissions - in Central European countries was below the European average, but the level of emissions in the Mediterranean region and Ireland and Iceland was above the European average. The Europe 2020 Strategy goal on greenhouse gas emissions is to reduce by at least 20% compared to 1990 levels or by 30%, if the conditions are favourable; to increase the share of renewable energy sources in our final energy consumption to 20%; and a 20% increase in energy efficiency.

Observations for policy considerations

- Many systems and regions are particularly vulnerable to climate change and need groundwork for actions to reduce the vulnerability of human life, ecosystems, infrastructure, and the economy.
- Regional potentials are shifting, due to change in climatic zones. Vice versa, vulnerability to climate change can vary over time by adapting territorial capital.
- The aggregated estimates of climate change impacts mask large sectoral and regional variability; however, coastal systems are affected everywhere.
- Effective climate policy involves a portfolio of both adaptation and mitigation. Timely and proportionate adaptation makes economic, social and environmental sense, and, while assessed to be smaller than mitigation investments, is very important in limiting residual damage.
- Climate change strategies should be forward-looking, build capacity and need territorial indicators and projections of possible developments in the coming decades.
- Strategies for mitigation and adaptation are not necessarily complementary by themselves. A place-based approach to optimising territorial capital should be the means for integration.

2.7 Energy challenges come to the fore and threaten regional competitiveness [9]

Common challenges and goals: efforts are needed at all levels

The EU's three principal goals for energy policy (*security of supply, competitiveness* and *environmental sustainability*) are strongly reflected in the Europe 2020 Strategy. The triple challenge of climate change, energy security and rising energy prices, makes it crucial to run a systematic assessment of the true cost of energy supply, complete with external costs including damage to the environment and human health. Energy efficiency and renewable energy are pillars of eco-efficient development and are an important opportunity for countries and regions which need to overcome problems of energy dependency.

Energy challenges, climate change and transport issues are closely interlinked and need regional solutions

If we do not take further actions to reduce energy demand, energy-related CO_2 emissions will increase significantly and all regions will face higher energy prices in the medium to long-term. The energy challenges are closely interlinked with climate change and transport issues. Energy-related greenhouse gas (GHG) emissions account for 80% of total emissions, with electricity, heat production and transport - the largest emitting sectors. The environmental impacts of energy production and consumption are manifold and are significant at the local level: GHG emissions, impacts on land use and water, on ecosystems and biodiversity. In addition, energy security risk will be greater due to the increased EU dependence on fossil fuel imports from a small group of countries with high (existing) oil and gas reserves, notably Middle Eastern members of OPEC and the Russian Federation.

Increased energy efficiency is a key for territorial development

Increasing the European energy system's efficiency, energy saving and changes in the consumers' behaviour can reduce environmental effects and dependence on fossil fuels and can help to limit the increase in energy costs. Whilst in recent years, the efficiency of energy production has increased, the potential for further improvement is still significant and less emphasis is put on innovative solutions. Studies reveal that there is a significant lack of institutional capacity at the local level to implement energy efficiency policies and disburse European funds for these activities. There is an imperative need for energy efficiency in the transport sector: a binding percentage target for renewable energy is likely to become increasingly difficult to achieve if overall transport energy demand

[9] Authors: Isidro López, Ágnes Somfai, Tomasz Komornicki

continues to rise. Currently, European production from renewable energy sources in the transport sector is almost exclusively restricted to biofuels, which in 2007 accounted for only 2.6% of Europe's energy needs in the transport sector.

Renewable energy sources: opportunity for regions with socio-economic and environmental benefits

According to their specific regional capital certain regions might contribute to the European energy production in diverse fields like oil and gas, and renewable energy sources like wind-, bio-, hydro-, solar- and geothermal energy. The development of renewable energy sources is crucial in the battle against climate change and for the security of supply. Areas for the production of renewable energies will become sought after. These areas differ regarding the type of energy source (such as wind, water, biomass or solar). Regions with high self-sufficiency and low sensitivity (indeed most parts of the EU) have the highest potential:

- Biomass energy is the largest source in Europe, and areas with high percentages of forests and industrial wood residues, as well as farming areas, are well placed to provide it. Conflicts may emerge between bioenergy and food production in an individual region.
- Wind energy potential is particularly high in countries with coastlines and islands notably those in the North Sea and even locations in Central and Eastern Europe and the Mediterranean.
- Solar energy potential is highest in Southern Europe, but increasingly new technologies make it accessible to Northern Europe. In terms of cohesion more regions will be energy producing and thus current imbalances might decrease.

There were clear variations across Europe in electricity generated by renewables in 2007. In Norway, Iceland, Sweden and Austria renewable sources accounted for more than 50%. Other countries with high figures between 20% and 50% included Denmark, Finland, Portugal, Latvia, Spain, Slovenia and Romania. However, only a few Member States are responsible for the EU's progress and states and regions need to make considerable efforts. A more mature market for renewable energy technologies is expected to bring about a number of social and economic benefits, including regional and local development opportunities, export opportunities, greater social cohesion and employment.

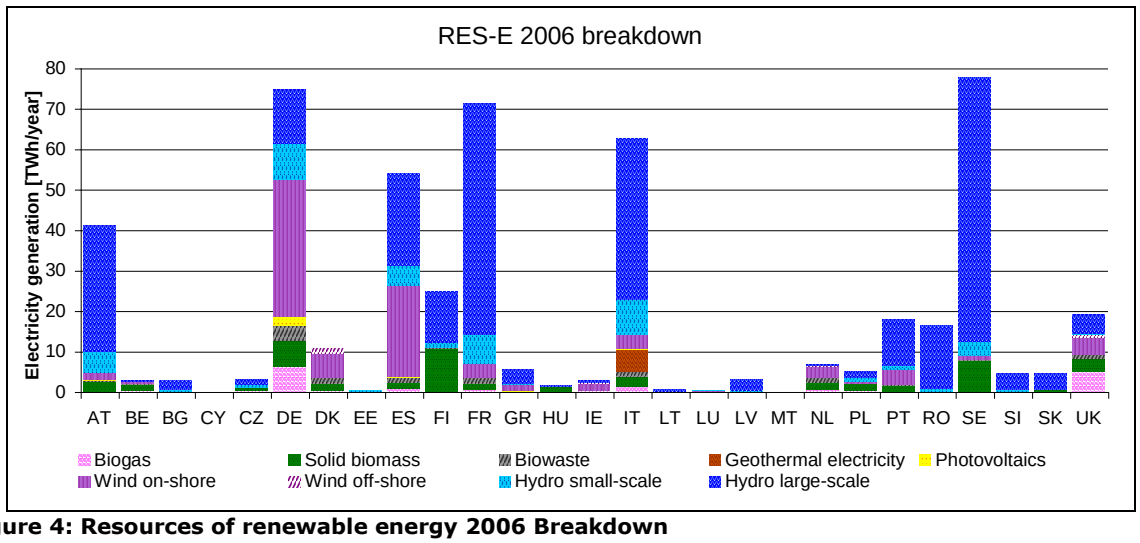


Figure 4: Resources of renewable energy 2006 Breakdown
Source: "Promotion and growth of renewable energy sources and systems" Final Report, Ecofys et al.

Local and regional authorities can foster end-use efficiency and energy conservation

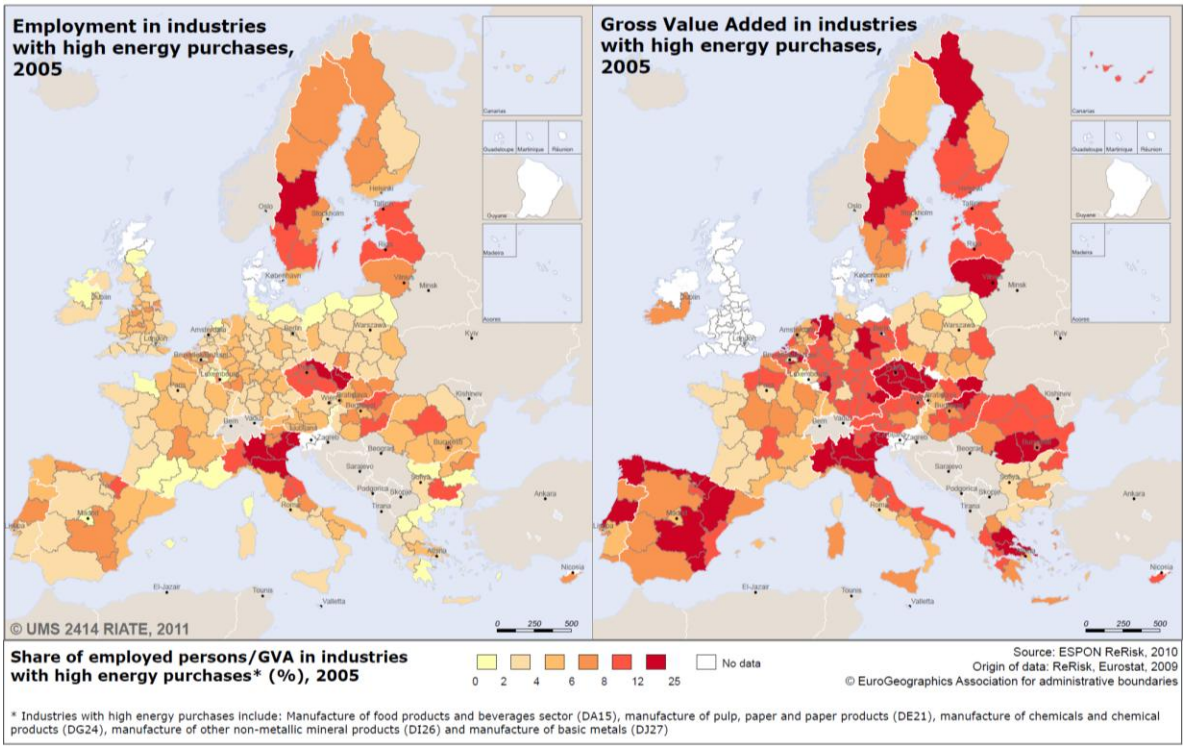
Energy prices are a complex function of international prices for energy commodities and other incentives or taxes applied at European, national and local level. Regions can keep energy prices affordable by implementing measures to foster local energy solutions and

innovation. By introducing new technologies, local and regional authorities have a crucial role to address social concerns; proper communication and risk assessment is essential.

Local and regional authorities' involvement in the energy planning process is growing. The coordination of local initiatives is important. If more local initiatives were to develop faster than in the past but in an uncoordinated way, eventually it would create significant problems for EU energy security and lead to higher expenditure on refurbishing the energy system. This is because it creates huge uncertainty over expected energy demand (hence investments in crucial networks or gas supplies - which do not necessarily have to be via pipelines - will be postponed), and neighbouring territories will have to implement expensive measures to maintain the system's reliability (e.g. electricity flow controllers).

Insufficient Trans-European natural gas and oil networks

Natural gas and oil networks still do not guarantee sufficient diversification of energy sources, to give greater energy security for the Member States and for the EU as a whole. On this point, the self-sufficiency levels for energy sectors (oil, natural gas, solid fuels) can be discussed separately, and countries can be identified which are particularly dependent on imported energy. Some countries only have small energy resources of their own, but the current networks of energy infrastructure do not allow intra-Union exchange. Oil and natural gas are delivered into the European Union mainly from Russia, the Middle East and North Africa. Risks of political and/or economic instability in those areas (and/or in some of the transit states) means that it makes sense in terms of energy security to look to ways of supplying these natural resources to the whole of the EU from alternative geographical directions.



Map 8: Employment and gross value added in industries with high energy purchases, 2005
Source: ESPON Rerisk 2010, © UMS RIATE

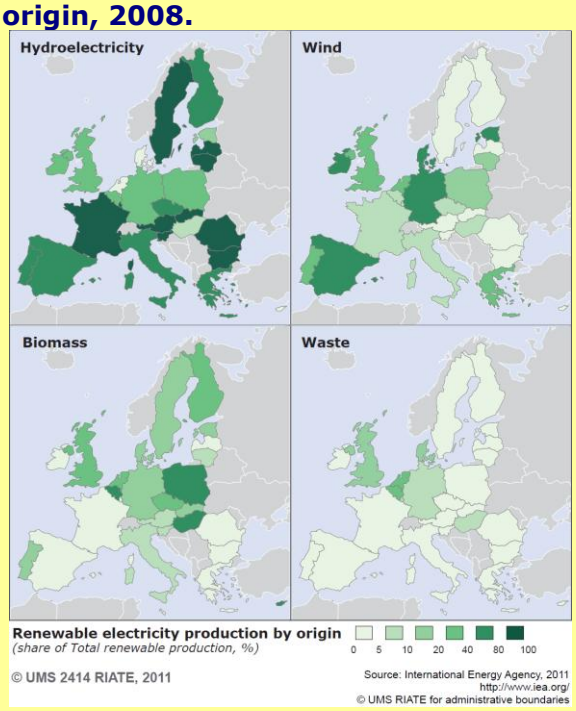
Regions specialised in energy intensive activities may be especially vulnerable

Regions specialised in energy intensive activities may be especially vulnerable particularly if their industries are spending more money than their competitors on energy purchases. The regions most vulnerable to rising energy costs for transport are the large logistic centres, peripheral and island regions. Also there are rural regions whose residents depend on commuting to work in nearby urban poles. Agricultural regions whose products are exported long distances face the same challenge. Rising energy prices are bound to become a serious social problem in the area which extends from Eastern Germany to the New Member States.

Increased transport energy costs particularly affect rural and remote areas

Energy shortages and/or rising energy prices will have direct impact on the cost of transportation, of (energy intensive) industries, and of housing. In relation to transport, increased oil prices will affect in particular, rural, lagging and peripheral regions and may slow down the catching-up process in the Eastern part of the EU as regards km travelled. Rural areas in close proximity to urban centres might be less affected.

Renewable electricity production by origin, 2008.

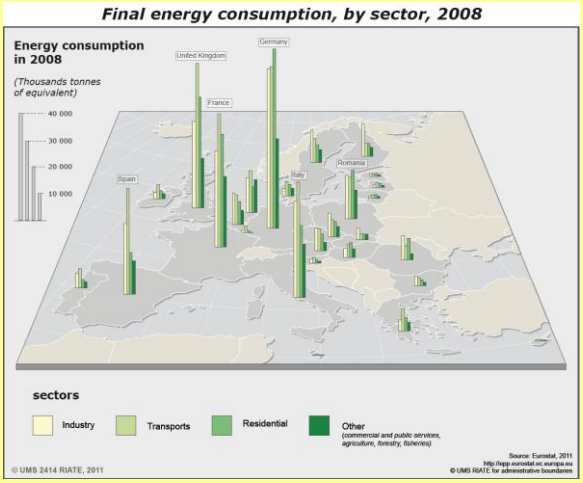


Source: International Energy Agency, 2011, © UMS RIATE

The Europe 2020 Strategy goal on the share of renewable energy is to increase the share of renewable energy sources in our final energy consumption to 20%. The Strategy also aims for a 20% increase in energy efficiency. Thus the goals support both reducing energy consumption and an increase in the usage of renewable energy sources.

The picture of the share of renewable energy sources is quite diverse: the leading countries have high hydropower potentials (Nordic countries, Austria, Slovenia), but other renewables can also be significant (e.g. solar energy: Mediterranean countries).

Final energy consumption by sector, 2008



Source: Eurostat, 2011, © UMS RIATE

The Europe 2020 Strategy goal on energy consumption includes concerns for the production of clean and efficient energy: meeting their energy goals could result in € 60 billion less in oil and gas imports by 2020. Further progress with the integration of the European energy market can add an extra 0.6% to 0.8% GDP. Meeting the EU's objective of 20% of renewable sources of energy alone has the potential to create more than 600000 jobs in the EU. Adding the 20% target on energy efficiency, it is well over 1 million new jobs that are at stake.

From territorial point of view, the highest values for final energy consumption are in Western European countries (with some exceptions), in the Mediterranean region (Spain, Italy) and in some Central European country (Germany, Poland). Eastern European countries have generally lower energy consumption, and the Nordic countries have medium values.

Observations for policy considerations

- European regions and states need to make strong efforts to meet European targets for renewable energies. So far progress has not been satisfactory. New policy measures are required, including investigation of new technologies.
- The EU must develop a comprehensive strategy for integrating renewable energy sources into the grid, in full cooperation with national and regional authorities and market actors.
- The EU, Member States, and local and regional authorities should also encourage and facilitate decentralised energy production, which contributes to energy security and offers an important opportunity for regional development.
- Regional development measures should be taken to encourage the exchange of best practices in renewable energy production in local and regional development initiatives. EU funds should be used in this area.
- Rising energy prices and increased energy security risks make emission reduction essential. Emissions will have to be reduced across all economic sectors, with a rise in prices and demand expected.
- Energy and transport issues need to be integrated into local and regional planning. Energy efficiency and renewables, for instance, are mostly a local issue and so is innovation. Elements of good practice are usually set out in national policies, so local and regional authorities have an important role to foster innovation and sustainable energy usage.
- Extraction of natural resources or implementation of new technologies have environmental consequences for local communities, which need to be addressed in a coordinated way if these investments are to be made in the most efficient way.
- A more efficient and sustainable energy system can be created, along with a level playing field for different technologies and for different countries and regions with different economic structures. This can be achieved through better coordination and by changing the rules that govern energy markets. For example, renewables have high up-front investment costs but low variable costs, and this should be recognised. Incentives for energy efficiency could be included in tariffs, and incentives for cross-border trade could be revisited, etc.

2.8 Wise environmental management as key element of well-balanced development[10]

Europe's natural heritage is unique

In global terms, this comparatively small continent has a complex system of landscapes, reflecting the scale and intensity of development of its natural resources over the centuries. The remnants of Europe's original natural and its varied cultural landscapes hold an essential part of the continent's abundance of wildlife. In Europe's national parks and large nature reserves, nature is left to develop freely. Regional and nature parks and biosphere reserves safeguards cultural landscapes which have been shaped over hundreds of years. However the European objective of halting biodiversity loss by 2010 has not been achieved, though progress has been made in protecting habitats with nearly 17% of the EU territory now included in the Natura 2000 network.

Human activity causes loss of biodiversity and ecosystem services in Europe's land and seas

The main causes of biodiversity loss are overexploitation of natural resources, land-use intensification and change, water and energy demands, transport and climate change. These cause habitat loss and change, fragmentation and degradation. Fragmentation threatens the EU's green infrastructure; nearly 30% of EU27 land is fragmented moderately high to very high due to urban sprawl and infrastructure development. Biodiversity loss is linked to the loss of ecosystem services, such as the provision of food, energy, clean air and water, fibres and medicines, climate regulation etc.

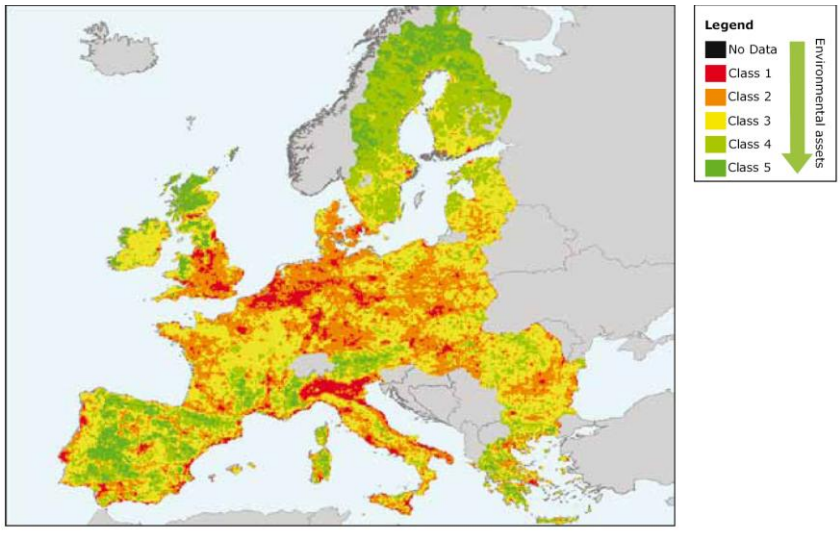
[10] Isidro López, Iván Illés, Ágnes Somfai

Different land-use conflicts, growing artificial areas

One of the principal drivers of environmental change is the way that land – a finite resource - is used. In turn, environmental change, and climate change in particular, will increasingly influence Europe's use of land. Although the overall rate of land use change in Europe has slowed since the 1990s, biodiversity-rich natural and semi-natural areas continue to decline. This is partly because they are used by agriculture, but mostly because they are becoming forested. Extension of artificial surfaces also contributes to increasing land consumption. Coastal and mountain areas are among the most affected regions in Europe.

Preservation of natural and environmental assets is a key for territorial cohesion

European territories' unique environmental characteristics have to be better understood, since environmental assets and features are key aspects in defining a territory and they contribute to its identity. Environmental assets make specific regions unique and support regional development when such assets are used properly and in a sustainable way.



Note: Class 1 is the lowest share of environmental assets to Class 5 with the highest share
Input data : Proximity natural areas, urban rural typology, air quality, high nature value farmlands, degree of soil sealing, effective mesh size, diversity of habitats, dynamic areas (negative impact), dynamic areas (extension of forest), dominant landscape types, rural typologies.

Source: EEA/ETC-LUSI, *Characterisation of European Territories.*

Map 9: Map of natural environment assets
Source: EEA, 2010 (*http://www.eea.europa.eu/publications/the-territorial-dimension-of-environmental-sustainability/at_download/file*)

Marine nature conservation

Natural heritage includes not only the terrestrial but also marine fauna and flora. Approximately 90% of the planet's biomass lives in the ocean. The rate of loss of marine biodiversity through ocean acidification is alarming. Its conservation and protection needs special methods. Therefore, it is essential that the Habitats and Birds Directives are applied to the offshore marine environment of the EU, especially for the establishment of the Natura 2000 network. However, there have been relatively few Natura 2000 sites identified for the offshore marine environment. This represents the most significant gap in the Natura network. The EU recommendation on Integrated Coastal Zone Management is a useful tool in order to implement sustainable land use practices and to adapt to climate change in coastal areas.

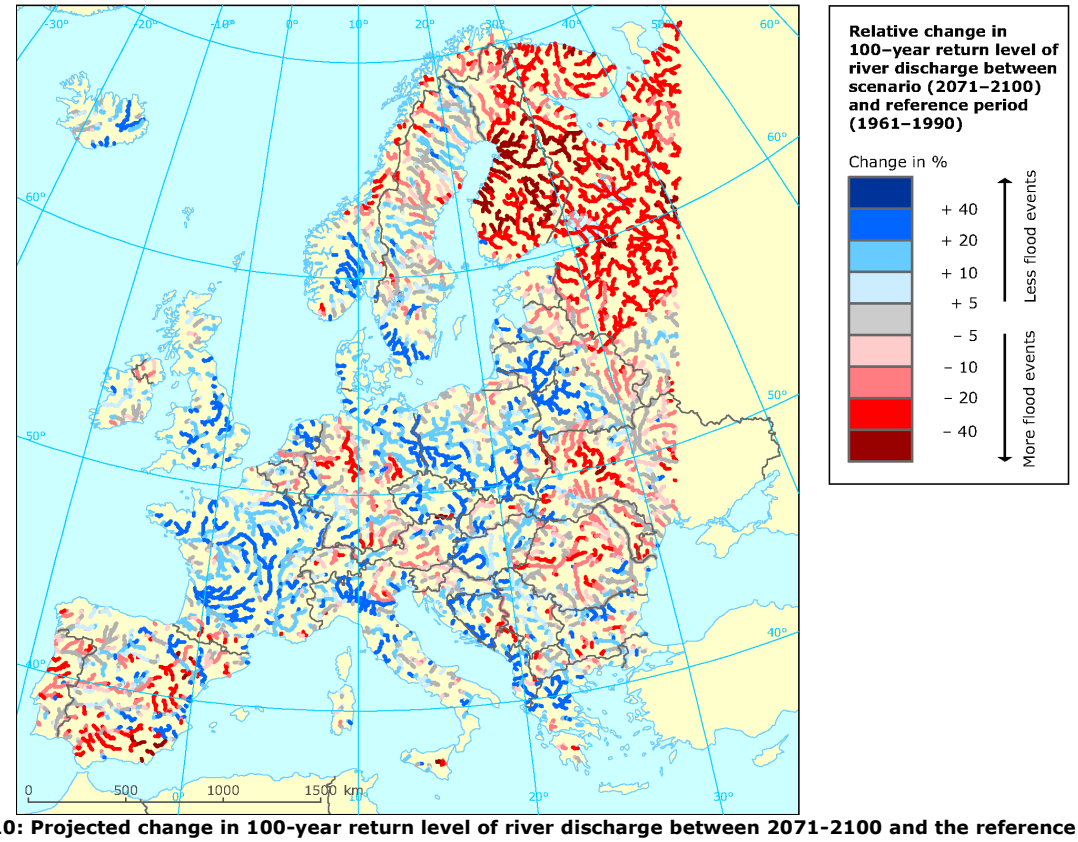
Sprawling urban areas face environmental challenges and have environmental impacts far beyond their boundaries

Although urban areas comprise only 4% of Europe's surface, four out of every five European citizens live in urban areas. Urban areas are concentrated in territories of high population density and intense economic activity (Belgium, the Netherlands, Germany, Northern Italy, the Paris Region). High urban growth rates characterise the coastlines. Thus the situation in the Mediterranean region is doubly worrying given the vulnerability of the coastal ecosystems. General challenges comprise poor air quality, increasing traffic volumes and congestion, high levels of ambient noise and scarcity of – potential -

recreational areas, urban sprawl, generation of large volumes of waste and waste water and increasing intensity and frequency of extreme events such as floods, droughts, heat waves etc. Thus Europe's expanding urban areas face a number of environmental challenges, while their human activities impact on the environment far beyond their boundaries.

Increasing economic losses due to natural, technological and industrial hazards in Europe

Europe appears to be experiencing an increasing number of natural and technological and industrial disasters. Between 1998 and 2009 they caused nearly 100,000 fatalities, more than 112 billion € in economic damages in Europe, and more than 11 million people were somehow affected. Floods are a significant part of this: they have caused more than 1,000 fatalities and affected more than 3 million people. Direct economic losses account for more than 60 billion €. Despite these experiences, the number of people and economic assets located in flood-prone areas still continues to grow. Also, the frequency of floods is likely to increase due to climate change, as well as to inappropriate river management and construction in flood plains, soil sealing and deforestation. Such irresponsible human behaviour results in the expenditure of large amounts of money on remediation. Stricter legislation and controls have significantly diminished these hazards. Integrated risk management is being used throughout Europe to manage hazards and disasters.



Map 10: Projected change in 100-year return level of river discharge between 2071-2100 and the reference period 1961-1990

Source: Dankers, R.; Feyen, L., 2008b. Climate change impact on flood hazard in Europe: An assessment based on high resolution climate simulations. Manuscript submitted to Journal of Geophysical Research Atmospheres.

Water scarcity in Southern and Mediterranean countries

The need to adapt economic activities to the quantity of water available locally remains a challenge. Water scarcity is no longer limited to Southern Europe. The Member States most affected by water scarcity and droughts in the past have made efforts to identify the river basins that are facing quasi-permanent or permanent water scarcity. Additional water supply infrastructures (such as storage of water, water transfers or use of alternative sources) should be considered as an option when other ones, including effective water pricing policy and cost-effective alternatives, have been exhausted.

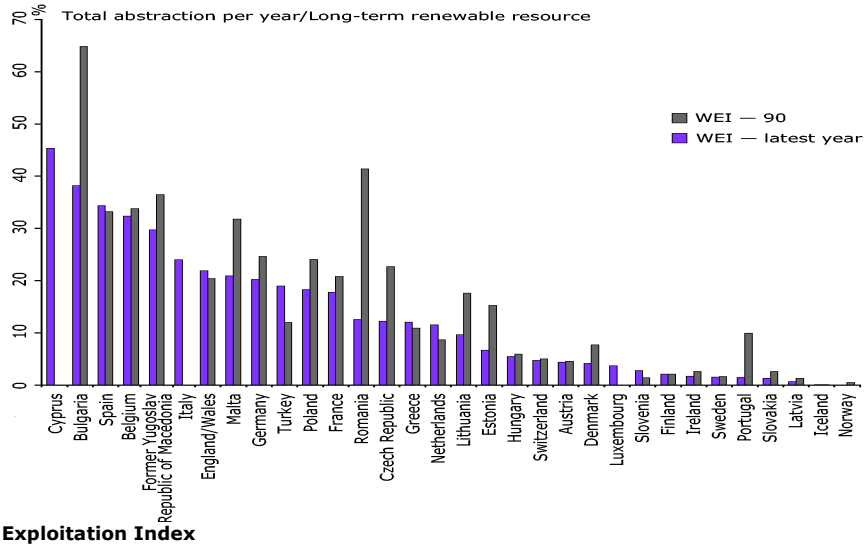


Figure 5: Water Exploitation Index
Source: EEA, Environmental Signals, 2009

Observations for policy considerations

- The integration of environmental concerns into sector policies (especially in transport, land-use, energy, agriculture, tourism and urban development policies) needs further work in order to stop unsustainable trends.
- A solidarity approach, sharing the benefits and burdens equally, is needed across the EU in order to ensure good environmental conditions for all.
- Environmental problems often require a cross-border approach involving comprehensive spatial planning, and different administrative levels.
- A key challenge is now to further develop the Natura 2000 network into an integrated, solid and sustainable ecological structure and establish a supportive green infrastructure network for the rest of the territory to counterbalance intensive land-use changes.
- The new Member States should focus on ensuring the enforcement of regulations and extending the more permissive types of protected areas (particularly for cultural heritage).
- Legal protection of areas has to be complemented by economic instruments, spatial planning and other policy measures.
- Appropriate urban and landscape planning should counterbalance the harmful effects of land-take for urban purposes and infrastructure development.
- In order to decrease the ecological footprint and to enhance environmentally friendly urban development, exchange of know-how and good practices on "smart urbanisation", and smart design of cities needs to be strengthened.
- Sustainable land-use policies are needed that should rely on the optimal use of the territorial capital, reuse of land resources (e.g. brown field regeneration) and integration of multi-functional land-use practices.
- A regional and European integrated spatial approach is necessary to resolve land use conflicts through balanced, sustainable spatial planning solutions in the interest of all.
- An integrated risk management approach and good cooperation at European level are needed to manage hazards, targeting vulnerable parts of the population. The necessary tools include early warning systems, public awareness raising, evacuation procedures and use of spatial planning as a decision support tool.

2.9 Diverse and vulnerable cultural heritage[11]

Cultural heritage as an essential element of European identity

The diverse European cultural heritage and identity are assets that put Europe in pole position with respect to the rest of the world, and offer most European regions unique

[11] Authors: Iván Illés, Géza Salamin

social and economic development opportunities. Many cultural assets and traditions are points of reference not only for the local populations but also for Europeans. Cultural heritage is a non-reproducible asset, that offers all European regions a unique development opportunity, both in economic and social terms.

Cultural heritage as an element of territorial capital and source of a smart growth

Cultural assets are typically place products that cannot be separated nor moved from the regions they are located in. They are important inputs for the creative industries and the tourist industry, two of the most important and dynamic sectors in the post-industrial economy. Cultural heritage can generate income and employment in both direct and indirect ways. It can serve both as a part of the economic base of communities and as an instrument for strengthening local and regional identity.

Cultural landscape

Whilst cities are concentrations of human culture, in rural areas the value of traditions can be more visible. Village and landscape architecture, folkloric arts, culinary traditions and the preparation of art objects for everyday use should be regarded as important parts of cultural heritage. Though cultural landscapes are diverse, the main zones of Europe – e.g. the Mediterranean, Latin, Nordic, Central European, Balkan, or the Western Slavic cultural macro regions and also the Atlantic Arc - have their own general cultural characters, which encapsulate both tangible elements and partly intangible elements of culture. The high value of European cultural landscapes should be protected and developed in qualitative terms. Areas rich in cultural landscape values need special attention.

Cultural heritage needs far-sighted, integrated policies

European cultural heritage is threatened from a number of sources: environmental pollution, floods, earthquakes, and some negative effects of urbanisation and uncontrolled economic activities and globalisation of lifestyles. The growth of mass tourism continues to put serious pressure on the cultural assets of many European regions. The intangible forms of heritage are particularly vulnerable. International recognition has been given to the vital contribution that oral and intangible heritage makes to cultural identity, promotion of creativity and the preservation of cultural diversity. It plays an essential role in national and international development, and fosters tolerance and harmonious interaction between cultures.

Legal and professional arrangements are needed to preserve respect for, and the memory of, all nationalities, language and religious groups, that together make up the unique cultural heritage of Europe. Local, regional and national efforts are needed to increase awareness of territorially diverse cultural values, strengthen local and regional identities and promote the responsibility of communities towards their cultural and natural heritage.

Local-territorial heritage management and the cultural routes

The local, regional and trans-regional management of cultural and natural heritage is of key importance. Protection, rehabilitation, reproduction and utilisation of heritage through a coordinated place-based approach are vital in order to maintain, reproduce and exploit cultural assets. Improving regional and local identity through strengthening awareness and responsibility of local and regional societies towards their environment, landscape, culture and natural values is also important.

Transnational cooperation is an important means to increase the utilisation and also the protection and reproduction of cultural assets. Coordinated transnational interventions should aim at enhancing "cultural routes" that would protect the distinct character of the various communities while also underlining the existence of common values, and above all contribute to the mutual valuing and conservation of heritage. Cultural heritage is not only what was created in past centuries; the "production" of cultural heritage is part of sustainable development.

The specific challenges of new Member States

New Member States generate new economic, social and physical pressures on European cultural assets, but also contribute to a redefinition and a refocusing of the very concepts of culture and identity. The new countries represent much more than an addendum. They bring numerous languages, dialects, and ethnic groups, as well as a remarkable total of 49 UNESCO World Heritage sites (a 20% increase to the 240 existing ones in EU15 territory). However, there is a real risk that economically backward regions will be tempted to "fill the gap" that divides them from the richer regions by abusing their cultural resources. One example would be investment in a "bite and run" model of tourism development, which gives high priority to short term economic gains and disregards the need for long term conservation of those assets. Other dangers come from the loss of "stakeholdership" for heritage and culture in general, which result from migration and added ethnic complexity. There is also the possibility of conflict in the "recognition" of heritage.

Map 11: European Capitals of Culture 2000-2015
Source: VÁTI

Principal international and EU initiatives addressing cultural heritage

The Culture2007 programme was originally launched for the 2000-2004 period but was extended first until 2007, and later to the 2007-2013 phase. The main strands of the 2007-2013 phase are: support for cultural actions; support for cultural bodies and support for analysis and dissemination activities. The European Capital of Culture Programme has run since 1985, the year that Athens became the first Capital of Culture. Following suggestions made by the Committee of Regions, the selection of cities was modified in order to allow the new Member States to organise a cultural capital as rapidly

as possible. In fact, between 2009 and 2018 two capitals are selected, one from the old and one from the new Member States (plus occasionally one from non-member European states). This project has been trying to emphasis that cultural and regional development, if properly managed, support each other.

Observations for policy considerations

- Cultural heritage should be considered an important element of territorial capital (not just a set of values to be protected).
- The heritage management approach should be strengthened. It can protect and, at the same time, utilise the assets both culturally and economically. Local and regional heritage management is essential to turn cultural heritage into a source of development. Cross-border and transnational cooperation in cultural management (e.g. in thematic routes) should also be developed, alongside national activities.
- Protection and utilisation of cultural heritage can be balanced in given territories (regions, cities etc.).

3 CHANGING TERRITORIAL STRUCTURES OF THE EU[12]

3.1 Main territorial structures of Europe

Territorial diversity as potential and challenge

Europe is a continent of large territorial diversity. This diversity includes, amongst other things, differences in natural assets, landscapes, cultural assets and culture itself, ethnical diversity etc. The diversity of assets comprises potentials that can be capitalised and which can contribute to making Europe one of the most competitive territories in the world; on the other hand overexploitation of natural and cultural heritage has to be avoided. European diversity can be discussed at many different geographical levels reaching from general appreciation such as core-periphery, North-South or East-West to more detailed insights such as functionality of urban regions, urban-rural relations, land-sea relations or low and high population density, accessibility and hazard risks, and cross-border territories. However, the potentials of diversity can be capitalised only with proper institutional ability (capacity and knowledge) to reveal and systematically consider the territoriality in decision making and planning. Improvement of space consciousness of communities can also support to contribute in the growing significance of territorial approach.

Core-periphery relations: slow changes, steady picture

In general terms the economic as well as the accessibility patterns in Europe are core-periphery centred with the highest peaks in the core of Europe. Indeed almost half of the EU27 GDP is concentrated in the Pentagon area that covers only 14 % of the territory and is home to one third of EU citizens and comprises most of Europe's metropolitan locations. In terms of economic performance however, the Northern and Central parts of Europe are at equal footing with the core area and even outperforms it in some indicators. Basically market forces work towards a concentration of economic activities, both at European and national levels. At the same time, there are evidently catch-up processes underway and areas are developing outside the traditional core area. Nonetheless there are differences even between peripheries: the post socialist Eastern regions are in a quite different position than Europe's Western or Northern peripheries. Tendencies suggest that the European core-periphery paradigm shows signs of dissolving. However, these changes are very slow. Research shows that the traditional core-periphery dichotomy and the associated picture of the geography of economic potential have hardly changed in the last two decades. Centrally located economic concentrations still hold the most advantageous positions.

[12] Authors: Géza Salamin, Attila Sütő

Challenges of the East catching-up
The economic disparities between East and West are obvious. The East was in a catching-up process in recent decades in a number of areas (e.g. transport accessibility, GDP increase etc.) and through received FDI and expanded trade in goods and services within EU12 and between EU12 and EU15. However, this trend seems to have been stopped by the economic crises. Eastern and Western regions compete with each other for locations of industries and the European work benches, while the competition for highly skilled labour is more European and world wide. Furthermore, the catching-up process has been slowed down by several factors such as the socialist heritage (the political culture, low level of entrepreneurship, less active civil society), relatively underdeveloped infrastructure, patterns of urbanisation or ineffective rural development in several Central-Eastern European states.

North-South differences
The North-South difference is one of the most evident dimensions of the continent's territorial structure. Its roots lie in the distinct development paths of these two parts of Europe, their differing economic structures, and the environmental contexts of these two distinct cultures. The future of Northern and Southern regions might lie in different fields of activity. Many Northern regions can benefit from their current strengths in relation to ICT and innovation and further capitalise these. The North may manage to keep its image of being "cool" but could face severe challenges in terms of low accessibility, demographic development and possible increases in energy prices. Many Southern regions can benefit from their pleasant climate, strategic location at the interface between Europe, North Africa and the Middle East, and a population density which also in times of population decline will allow the provision of a suitable level of services of general interest. The large number of non EU immigrants plays significant role in this situation. Thus the South has the prospect of becoming a "hot" location which can easily attract knowledge workers, service sector businesses, mobile retired people as well as holiday and second homes.

Variety of rural-urban relations
The relation between rural and urban areas differs widely throughout Europe. First of all, a basic difference exists in urban-rural relations between Western and Eastern countries. This is due to the special characteristics of the latter group, such as its less developed "culture" and tradition of cooperation and partnership between localities, along with the more recent suburbanisation in the East where urban sprawl has boomed in recent decades. The significant infrastructural differences between urban and rural areas further aggravate the situation. In general the distinction between rural and urban is becoming increasingly blurred. This regards in particular rural areas close to urban centres where a process of integration of rural and urban spaces is taking place. At the same time more remote rural areas with low population density and weak economic background face an increasing dichotomy between rural and urban areas; the polarisation between capital regions and their wider hinterland is also increasing.

Specific geographic characteristics offer unique development potentials
Europe has many regions with geographical specificities, such as islands, coastal and inland (landlocked) regions, mountainous territories, plains and remote regions (ultra peripheral sparsely populated as well as overseas), internal peripheries (exceptional locations with unique economic-social problems) or territories with political and/or administrative specificities, such as sea territories and border areas. Overall, these regions show the same variety of development paths and challenges connected to special themes like climate change or risk management etc. as the rest of Europe. They show even – though facing physical, economic and demographic limitations – a high diversity with regard to economic success, with some being highly adaptive and others lagging behind. Indeed, most of them have clear positive territorial potential that can be fully capitalised only by collective actions of authorities and organisations from different states and/or regions. Such planning and programming across administrative borders call for new spatial planning methodology, tools and know-how.

Observations for policy considerations

- European diversity and geographic specificities represent both an underestimated potential and a source of disparities. To capitalise on these assets requires a proper institutional and planning background and better awareness of spatial development within communities.
- Core-periphery dichotomy remains one of the strongest dimensions of Europe's territorial structure. The core-periphery structure show steady pattern and its change is very slow.
- The catching-up process of Eastern Europe has been slowed down by the economic crisis; the post-socialist countries now face severe difficulties in meeting the challenges ahead.
- Northern and Southern Europe have different territorial potentials, which are diverging further due to the financial and economic crisis. These two parts of Europe have been hit differently by the crisis and are facing different challenges.
- Relations between urban and rural areas differ widely. Although distinction between them has become increasingly blurred, the rural-urban dichotomy will increase in some areas, resulting in further challenges.

3.2. Urban regions and major cities

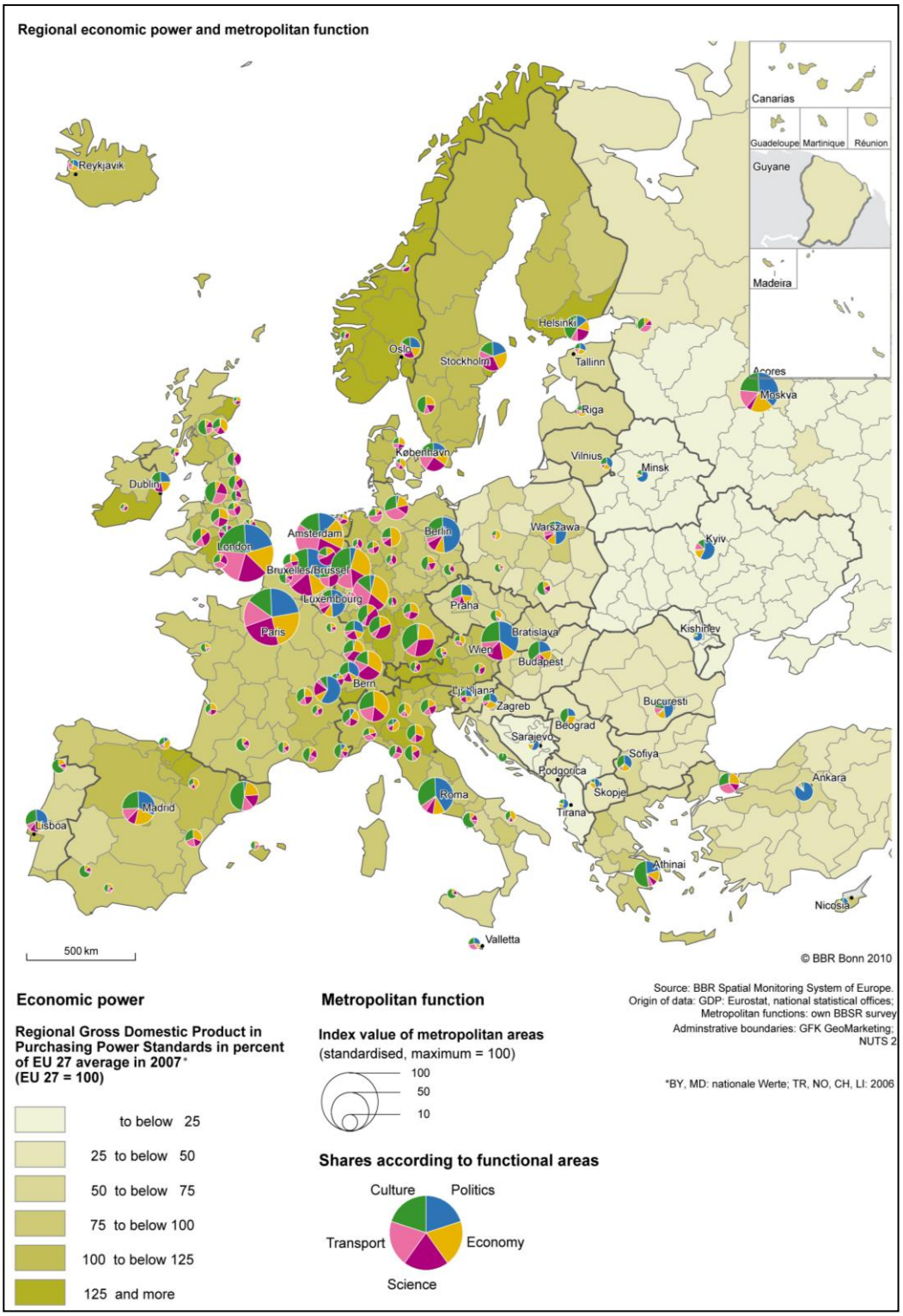
Different levels of the urban hierarchy face unique challenges

The role of the individual urban regions, cities at different levels of the settlement network differs. Metropolitan urban regions and capital cities are often players in the European and global processes. Small and medium-sized cities have important functions as nodes for development of national and regional territories although they can be important players also at the global or European level in certain special sectors. Each elements of the European urban system at each levels of the settlement network have their own characteristics and specialties and face their own special challenges. Metropolises of the core area with good accessibility attract skilled labour and economic sectors with high added values. Such places have different problems than the small and medium-sized towns that play more of a regional role in European terms. However, even these regions are being hit differently by the long term effects of the crisis, depending on various factors such as their R&D potential, fiscal stability, or structural imbalances, for example. Furthermore, among metropolitan areas the metropolises outside the core can be viewed as another special group of urban centres. This diversity has to be taken into account when analysing the system.

Metropolitan areas: motors of development inside and outside the core

Metropolitan areas within the classic European core play a crucial role in the continent's competitiveness. This economic importance derives from the basic characteristics of these areas, such as their outstanding accessibility in European terms, economic weight, and their opportunities to benefit from agglomeration economies etc. These areas can be viewed as members of networks that link the global market; they are players in European and global processes, creating new innovations, and beneficiaries of R&D expenditure. They are magnets for intra-European migration.

Outside the dominant European core area in Western, Northern and Southern Europe there are more sparsely but quite evenly distributed networks of individual metropolitan regions to counterweight the predominance of the core area. In the East new metropolitan regions and their networks are emerging which play a crucial role for the integration of the new EU Member States, such as Budapest, Praha, Bratislava or Warszawa. These areas also show comparably good Europe-wide accessibility and they may attract young labour force and thus become important nodes in the future European structure. Some of them are even outperforming the metropolitan areas in the core of Europe, with regard to specific economically significant factors.



Map 12: Regional economic power and metropolitan function
Source: BBSR 2010

High polarisation within the new Member States' settlement network

Since the 1990s most European countries have experienced increasing regional polarisation between centrally located city regions, and peripheral regions or regions undergoing structural change. This is especially true for many of the newer EU Member States, with Poland and Lithuania as clear exceptions. Urban areas outside metropolitan areas are often important motors for their regions and some of them are leading locations even in terms of educational or cultural functions; R&D or highly specialised services and products.

Small and medium-sized cities as important nodes with diverse development potentials

The importance of small and medium-sized cities for their wider region depends also on the territorial structure of a region. In more sparsely populated regions they can act as poles for development of rural areas and provide services of general interest. In more densely populated areas cooperation between small and medium-sized cities in close proximity to each other, even on a transnational exchange basis, or the cooperation with larger urban centres offers various opportunities. Some small and medium-sized cities host functions of higher importance than larger cities and even show better economic growth figures than large agglomeration areas. Nonetheless, unless cooperation becomes more intensive, both between individual towns and between towns and their hinterlands, small and medium-sized centres are not able to play the role of important nodes.

Increasing cooperation and networking between cities

Beyond the competition between cities for investments and a highly skilled labour force that have increased over the years, putting more emphasis on factors such as environment, culture and integrated urban management in order to offer attractive urban spaces, there has been increased cooperation between neighbouring cities (as well as cross-border), pooling their resources and potential in an effort to create synergies together. Cooperative networks such as EUKN, URBACT etc. are good indicators of this improved collaboration, which will hopefully further prosper in the future.

Disparities between and within urban settlements

Cities are not homogenous units; there are several disparities within a given urban environment both in terms of social issues, economic performance and living environment. Vulnerable groups often concentrated in particular city districts – segregation linked to social exclusion and discrimination is getting stronger. The social balance in cities and urban regions for keeping them attractive as places of innovation and to create jobs for their inhabitants, thus favouring social cohesion, is in danger. In fact the economic and social differences between housing areas within a specific city are often bigger than between different cities. This fact influences negatively the attractiveness, competitiveness and social integration as well as security of cities.

Beyond social and economical differences, other inequalities also exist between and within urban settlements, closely linked to the aforementioned factors. The quality of the living environment, including the condition of both built and natural environments, shows great diversity even within a given town. In line with social and economic processes negative trends can strengthen each other and lead towards deprivation of particular neighbourhoods. Different parts of a city offer different living environments that are reflected in social segregation. Since the differences reproduce themselves, it is difficult to break out of this vicious circle.

Observations for policy considerations

- Urban centres play a crucial role in their wider hinterland's competitiveness at different territorial levels, whether as important growth engines and key international locations for specific functions, centres for general service provision and/or rural development poles.
- Metropolitan and urban areas can become stronger and more competitive through better focusing on and developing their individual profiles and their functional role and position in the division of labour within the European urban system.
- There are metropolitan areas outside the core of Europe which can be strengthened to better utilise their territorial potential and counteract current imbalances, supporting a more balanced and polycentric EU territory.
- A crucial condition for strengthening the role of small and medium-sized centres as important nodes is the intensification of cooperation, both between individual towns and between towns and their hinterlands.
- Many EU countries, and especially new Member States, are experiencing increasing regional polarisation within their national settlement network causing special challenges that make polycentric development more difficult to achieve.

- To cope successfully with global and local challenges it is essential to develop globally competitive R&D intensive sectors, and the so-called innovative and knowledge-based economy. Equally important is the development of locally-oriented sectors based on local endowments and resources and concentrating mainly on local demand and markets.
- Social balance and differences within urban labour markets and living environments may be a crucial issue for the economic development of both cities and regions and there might be substantial disparities within the individual cities.

3.3. Rural diversity

Rural areas with underused potential

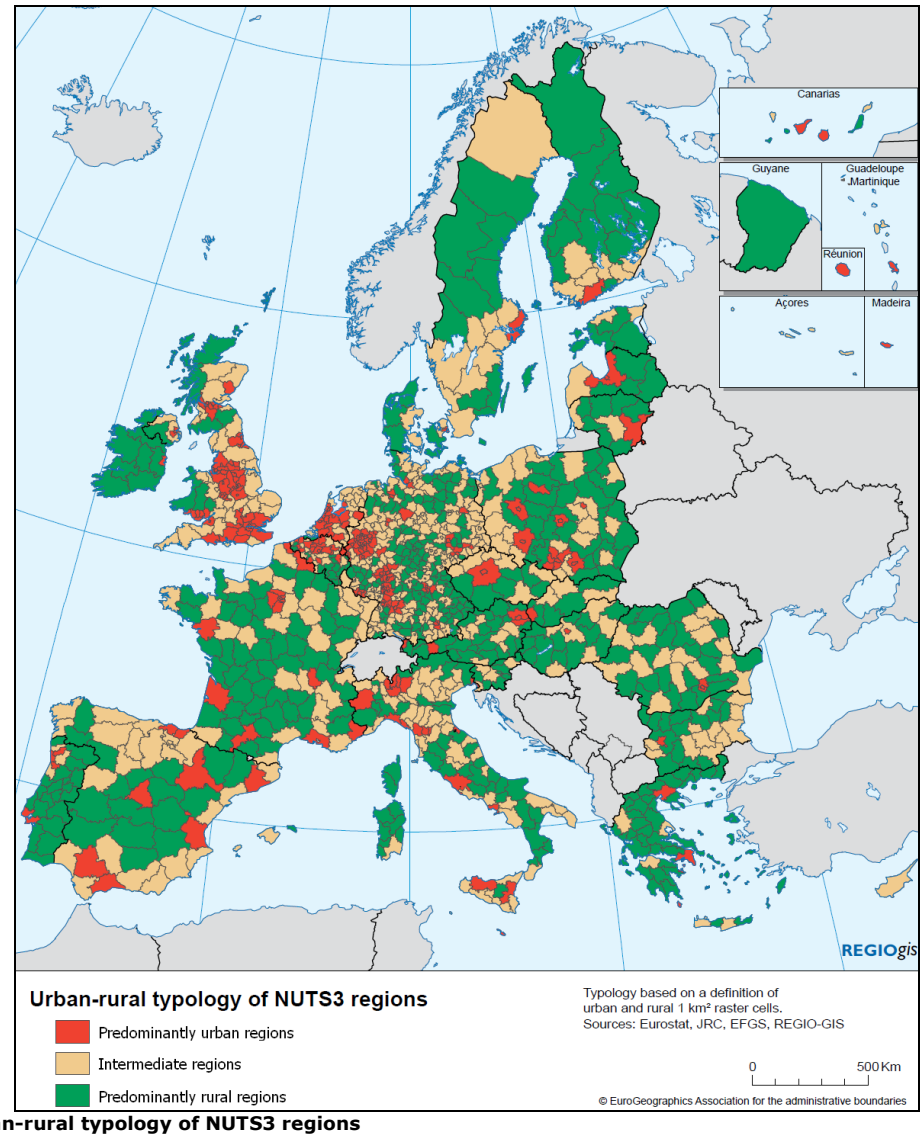
Remote and disadvantaged rural areas show a diverse picture in terms of natural and cultural heritage. Both land and human capital give the impression that the potential of the rural areas are not fully capitalised on. It is the relationship between tangible and less tangible resources and how they interact in the local context which causes different opportunities and constraints for local development. Often it is not so much the tangible resources themselves that matter for economic performance, but the social capital and the way local people are able to exploit those resources available e.g. to value natural and man-made assets, strengthen the economic environment and improve institutional capacity. Nonetheless, without appropriate cooperation and division of labour with the central urban settlements, several rural areas might suffer from population decline, economic vulnerability and a diminution in the value of their immovable assets. These problems are caused by concentration processes that produce local and regional core-periphery dichotomies.

Urban centres securing the availability of central functions in rural areas

Towns in rural areas are important centres ensuring universal access to a variety of services, particularly in sparsely populated areas (both remote and internal rural peripheries). At the same time, the ongoing diversification of the rural economy in many areas widens the functionality and role of rural cities as development poles accordingly and emphasises their importance for regional development. The development of economic clusters based on local assets combined with the use of new information technologies is a key element in this respect, which may be boosted by partnerships between rural territories and their urban entities. To support rural areas and their residents and businesses to make use of what the towns can offer, there needs to be good accessibility to urban centres.

Different types of rural territories represent rural diversity

Extensive areas of Europe can be considered as rural areas (the following map shows the location of these kinds of territories). However, there is great diversity within and between these rural areas in resources and assets. Different categories of rural regions can be defined based on their relative location, economic structure or social features. There are rural areas that are easily accessible from bigger urban centres and have a suburban character and function. These contrast with the (mostly Northern) remote regions. There are internal rural peripheries of the continent with special social and economic problems and traditional agricultural territories. Such diversity means that no single rural development policy can offer a common, optimal solution at the same time and in the same way. Rather than "one size fits all", each policy intervention should reflect the special characteristics and problems of the given area.



Map 13: Urban-rural typology of NUTS3 regions
Source: Fifth Cohesion Report

Accessible rural territories in the metropolitan centres' surroundings

Some rural areas benefit from nearby urban areas and people moving from urban areas to the rural surroundings and vice versa. The population in rural areas, in reach of greater cities and agglomerations is growing steadily reinforcing the trend towards scattered settlement development or suburbanisation. This contributes to the appearance of environmental challenges/conflicts e.g. uncoordinated growth of artificial surfaces, loss of biodiversity, growing environmental pollution and results in pressure on land use on extended parts of rural areas. Overexploitation, competing demands and interest may threaten the rural diversity as a whole and especially the provision of amenities, cultural heritage features and the environmental performance. Furthermore, these demographic processes can cause social and economic tensions, and conflicts between municipalities. At the same time the out-migration from urban areas may create new opportunities to some of those areas which previously suffered from depopulation with all its consequences.

Depopulation in remote rural areas

Rural areas in particular in remote locations face diverse demographic challenges. Ageing and out-migration are serious concerns leading to deterioration in the operational environment of the business community. Labour shortages (quantitative and qualitative) may deter investment. Remote rural areas will face depopulation tendencies and difficulties in keeping a workable median age and sensible level of services of general economic interest. Working-age people, and especially better-educated younger people,

tend to move elsewhere to find better chances and opportunities. These challenges are often associated with people tending to concentrate in highly urbanised areas, thus further contributing to the already existing imbalances in population density patterns. This demographic change endangers the rural fabric of peripheral rural areas. This might result in a vicious circle leading to depopulation risks in some rural areas. However, ICT-related solutions (teleworking, e-services) could be potential solutions in some cases for the problem of a shortage of appropriate local job opportunities.

Internal rural peripheries are lagging behind

Internal peripheries are unique types of rural peripheries in European terms. The vast majority of these areas are located in Central and Eastern and in Southeast Europe and most of them have serious problems. Their peripherality comes primarily from their poor accessibility and paucity of real urban centres where central functions can be concentrated. These problems derive from the historical under-development of these territories and they are often compounded by specific features of the settlement network or social characteristics. The main problems of these areas are their weak and vulnerable regional economies and their lack of appropriate job opportunities. In these circumstances negative demographic processes, notably out-migration and ageing of the population, are getting stronger and stronger. These trends create the conditions for social exclusion, and even territorial exclusion from mainstream socio-economic processes and opportunities. While rural ghettoes are mainly a result of social factors, ethnic segregation can make difficult situations worse. This is the case, for example, in rural peripheries of Slovakia, Hungary and Romania where there are areas with high proportions of Roma population.

Traditional agricultural areas mainly in the East

The classical rural areas with traditional agriculture are predominantly to be found in the Eastern parts of the EU. Here more than 16.4% of the workforce is employed in agriculture. This is also reflected in the population density and type of land-use in rural areas which show a higher degree of human influence in Eastern parts of the EU as well as in Denmark, Eastern Germany, Bulgaria and Romania. These traditional agricultural regions have high reserves and potentials that could be used for example by extensive and/or ecological agriculture, bio-industries, production of alternative energies etc.

Diversification of rural economy

Rural development covers many different perspectives and priorities. Economic development and viability in rural areas are core issues for the future. While tangible factors such as natural and human resources, investments, infrastructure and economic structure have traditionally been seen as the main determinants of differential economic performance, more recent researches have highlighted the important role of less tangible or soft factors including various kinds of social, cultural, institutional, environmental and local knowledge which constitute the basic capital for regional development.

Local entrepreneurial capacity has been identified as a key aspect for capitalising on territorial potential in rural areas. Furthermore open and inclusive soft networks are positively related to the mobilisation of entrepreneurial capacity and local initiative. Nonetheless, along with diversification local and regional economies should also recognise that they may need to specialise to be competitive.

Observations for policy considerations

- Large parts of the European territory are rural areas and there is still about 30% of the continent's population living in these locations. However, they produce a disproportionately small part of the GDP as their potentials are not fully exploited.
- Rural areas close to urban agglomerations will benefit from the location in terms of population and economic development, but they will also face the challenges of urban sprawl and conflicts between urban and rural land-use demands and social, economic and environmental conflicts.
- Cooperation should be strengthened between urban and rural territories among other things through new forms of (multi-level) governance and planning.

- Remote areas may face challenges in terms of population decrease and the possibility to provide the necessary services of general interest.
- Internal rural peripheries should find solutions to social exclusion and the lack of appropriate job opportunities.
- There might be land-use conflicts between the production of food and alternative energy sources in the long run as some traditional agricultural areas will have the opportunity to benefit from an increasing production of renewable energy sources.
- The diversification of the economic base in rural areas will be affected by stimulation of entrepreneurship in these areas and the creation of local networks and local authorities with appropriate competences.
- Better accessibility to urban centres could help to secure equal opportunities in the availability of central functions in rural areas.
- For proper analysis of rural development the statistical definition of rural areas needs to change in all EU countries so that settlements that are within urban functional areas are excluded.

3.4. Potentials and challenges of the main geographical regions (zones) of Europe

To reveal the most important territorial contexts within Europe, the following new, territorial sub-chapter presents Europe's four main geographical regions or zones. Regions, countries or smaller units within a given zone unambiguously share some important common features, like endowments and developmental patterns. They are also facing similar challenges which differentiate them from the other zones, even though there might also be some internal differences. Similarly, the borders between each other are not sharp boundaries but rather overlapping frontiers, as shown on Map 14. Nevertheless, in today's situation, as set out here in the TSP, recognition of these structural differences is absolutely critical if the problems of regional development are to be tackled effectively. As a step to improving the territorial approach of the whole TSP 2011, the sub-chapter synthesises the messages of the other thematic sub-chapters into these four major geographical units.

Map 14: Main European Geographical Regions (Zones)
Source: VÁTI

Northern Europe

The Northern regions of Europe are connected via multifaceted economic and political cooperation based on their shared natural endowments and common history. The Baltic States, like other post-socialist countries, at present differ from the classical Northern countries in many ways, and they are often classified as Central and Eastern European countries. However, the Scandinavian states are their most important and preferred partners for co-operation. The geographical pattern within the zone is diverse: there are also significant mountainous areas as well as large plains. This is predominantly a sparsely populated area in which the larger population concentrations are in the Southern part and the coastal zones. Internal and increasingly external migration strengthens this difference. Another unifying factor is the Baltic Sea itself and the joint efforts being made by the countries along its shores to maintain the quality of its natural environment. GDP per capita and household incomes are high in the Scandinavian countries, although in the Northern part of the area there are limited job opportunities. The Baltic States and Poland are relatively poor but improving their well-being. The North is rich in some natural resources (for instance in hydropower, forests, ores, and fisheries) but it is poor in agricultural land or hydrocarbon (except for the North Sea). The economy is competitive and considerably specialised. The driving forces of development are innovations, knowledge and socio-economic transformation. The transport networks are rather limited because of the low population density.

Unique characteristics, developmental forces and territorial challenges of the region

Europe in the Globalised World
- Its competitive and specialised economy and strong position in R&D intensity mean that this zone has a good platform from which to build in the markets of the globalised world.
- It has a flexible economy that can adapt to changing global and regional conditions, and a strong SME sector.

Economic Competitiveness
- The economy is well placed: it is on an equal footing with the EU core area and even outperforms the core on some indicators, though major differences persist between the Scandinavian countries and the Southern part of the Region.
- This zone has great potential for future economic growth (smart growth).
- The high educational levels underpin strengths in human capital and a competitive and innovative economy.
- Strength in R&D intensity and importance in the Scandinavian part is particularly notable, while the other countries are trying to capitalise on Scandinavian know-how and experience.
- There is a high level of economic cooperation within the region; a high level of mutual trust and understanding, along with the will to co-operate are the main driving forces.

Cross-border relations and the Broader Neighbourhood
- There is a long tradition of strong cooperation between the Scandinavian countries.
- Cooperation between the Baltic countries and the Scandinavian states is increasing.

Demography and Social Trends
- Positive characteristics: a high level of education and training, solid instruction levels, high lifelong learning and reduced early school leaving.
- Low levels of social exclusion.
- As a result of demographic and economic trends there are large territories with ageing populations (a high percentage of elderly people) and also out-migrations, though the migrants partially remain within the region.
- In several regions the population within the working age group has been declining since 2000.

Transport and ICT Accessibility
- Generally the region shows good performance/results in information society, ICT and innovation.
- While some of Europe's leaders in ICT accessibility are here, the Northern peripheries and the Baltic States and North-Eastern Poland suffer from poor transport accessibility.

Climate Change
- The anticipated impacts of climate change are: less snow, lake and river ice cover, increased river flows, higher forest growth, higher crop yields, northward movement of species, more energy from hydropower, lower energy consumption for heating, more (summer) tourism, but higher risk of damage by winter storms.
- Sea surface temperature increase in recent decades has already had visible effects on marine ecosystems, with species moving north.

Energy
- Due to the large distances, transport dependency will increase energy demand.
- There are abundant forest reserves with high biomass energy potentials.
- Wind energy potential is particularly high (North Sea coast).

Natural and Built Environment, Risk Management
- Winter storms, storm surges and floods cause problems.
- River basins subject to water scarcity have been identified
- The zone has a high level of biodiversity (it is one of the green lungs of Europe)
- There is a joint challenge to conserve the Baltic Sea natural environment, and combat eutrophication

Southern Europe

The Southern part of Europe is strategically located at the interface between continental Europe, North Africa and the Middle East. This brings benefits but also disadvantages. Climate change is making this area more vulnerable: among the risks are forest fires and water shortages for the agriculture sector. However, solar energy potential is high. Societies in this part of Europe have some unique features, but the region is shown in a disadvantageous position on many indicators. Good examples are its low employment rate, low performance on labour force qualifications and low average number of schooling years etc. At the same time it is becoming attractive for the new economy and for pensioners from the North and for immigrants from Africa, Asia and Eastern Europe. The main economic problems are the large share of low value-added activities and low competitiveness. Many of the cities in the coastal zone of the Mediterranean region are growing. There is a wide range of rural and sparsely populated areas in the inner territories of the countries.

Unique characteristics, developmental forces and territorial challenges of the region

Europe in the Globalised World
- It is strategically located at the interface between continental Europe, North Africa and the Middle East. This brings benefits but also disadvantages.
- Its economic vulnerability is relatively high in the world market due to the structure of the economy and relatively weak labour force qualifications.

Economic Competitiveness
- A diverse picture: some regions show dynamic development; others are shown as in a disadvantageous position on many indicators.
- The zone has a large share of low value-added activities and weaknesses in labour force qualifications.
- The area, and especially its agricultural sector, faces significant risks of drought and heat stress.
- It's economy is mostly specialised in textiles and low-level services.
- The technological level of the zone is quite weak; it could be unable either to compete with low-cost regions of Eastern Europe and extra-European countries, or to move up to a higher technological level.
- Tourism depends on natural conditions; current weather and climate conditions favour this area in the summer.

Cross-border relations and the Broader Neighbourhood
- The zone has an especially strong relation with non-EU countries (North Africa, Middle East), which means opportunities but also difficulties (threats) e.g. net migration.
- Cooperation between Mediterranean countries could be based on their similar climate, social-economic structures and common historical-cultural characteristics.

Demography and Social Trends
- Disadvantageous position on many indicators: population decline, ageing (high percentage of elderly people) and low fertility rates seem to reinforce each other.
- Since 2000 net migration has been high in several Southern regions.
- Employment rates for males are higher than for women, and the gap is wide.
- The proportion of the population with low educational attainment is very high; investment in human capital is below average.
- Early school leaving is frequent in these countries, reflecting the incidence of low-skilled labour markets.

Transport and ICT Accessibility
- Inefficient transport systems are major obstacles for development of some of the metropolitan areas.
- Weakness in relation to e-accessibility.

Climate Change
- Concerns over the combined effect of high temperature increase and reduced precipitation in areas already coping with water scarcity.
- There are potential trends of desertification that might endanger agriculture production.
- Europe's river basins worst-affected by water scarcity are located here.
- Increasing water use makes this area more vulnerable to climate change.

Energy
- This is the part of Europe with the highest solar energy potentials.
- Sparsely populated areas in the inner territories of the countries means challenges in energy supply.

Natural and Built Environment, Risk Management
- The original vegetation (forests) has been obliterated, so the ecosystem is more vulnerable.
- The zone's pleasant climate is a basis of attractiveness.
- This part of Europe is rich in cultural/built heritage.
- Urban sprawl is a concern, because of the vulnerability of coastal ecosystems.
- Existing natural hazards/risks: forest fires (highest risk in Europe), drought, earthquakes, volcanoes.
- Change in the length of the dry period is a serious challenge (water scarcity).

Western Europe

The most developed areas are concentrated in the Western part of Europe. Generally the economy is highly developed, the society is post-modern and healthy, life expectancy is high, and population growth is positive because of net migration. The West comprises the Atlantic area (a wide coastal zone and islands), and the practically landlocked West Central, which also includes the greatest part of the Alps. The West Central - as the Western part of Central Europe - developed together with East Central for many centuries. It was only separated in the last century, mainly along the "iron curtain", but similarities can be seen in many fields. The different conditions described are mainly reflected in environmental risks and special economic features based on natural conditions, though the societies and the demographic pictures of these areas (West and West Central) are quite similar.

The West zone comprises the most developed central states of the European space. It is a highly urbanised area, with a huge population and settlement density, high levels of GDP per capita and high standards of living. Urban sprawl, or the problem of declining cities; integration of immigrants and ethnic minorities, and environmental problems are the common challenges. The Atlantic area consists of both peripheral regions and areas with great density of cities.

Unique characteristics, developmental forces and territorial challenges of the region

Europe in the Globalised World
- Functions of global and European importance are concentrated here.

Economic Competitiveness
- Compared to some other parts of Europe and the world, development as measured by growth in annual GDP has been relatively slow.
- The concentration of functions of global and European importance are located here.
- Regions that have been strongly embedded in global economic networks have shown relatively high sensitivity to the global crisis.
- The zone has a strong position in R&D intensity and importance.
- Business clusters are developing within urban areas and between them.
- Fisheries are already experiencing the effects of the stress on marine ecosystems resulting from overfishing, and will be further affected by climate change.

Cross-border relations and the Broader Neighbourhood
- These were Europe's "pioneer" countries in the field of integration.
- Close cross-border co-operations exist (particularly in the core area), thanks to the high level of urbanisation (metropolitan areas, agglomerations), multimodal accessibility and the highly qualified and mobile labour force.

Demography and Social Trends
- Positive population changes in general, because net migration is positive.
- Europe's major centres of population, its metropolitan locations and major urban agglomerations are located here. These are the most favoured destinations of immigrants.
- Access to education is very good; advanced skills are concentrated here in Western Europe.
- Integration of immigrants and ethnic minorities is important.

Transport and ICT Accessibility
- The zone enjoys favourable ICT accessibility.
- The transport networks are well developed, and there are hotspots of multimodal accessibility.
- The core-periphery pattern still exists; the high-speed rail and road networks etc. are concentrated here.
- There is very good accessibility of inland territories by road, railway and air.
- The relation between ports and the inland territories are unsatisfactory in some places.
- Congestion is a problem, especially road congestion in metropolitan regions and along main corridors;
- Due to the high level of concentration of demographic and economic potentials, the transportation and telecommunication systems are not able to fully meet the growing needs.
- Coastal zones suffer from growing overload of the port infrastructure (e.g. Rotterdam).
- Mountainous areas are in a disadvantageous position in relation to accessibility.

Climate Change
- Inland areas might suffer from river floods, droughts, forest fires as potential contingencies.
- In coastal zones the risks are: storms, storm surges and floods, tsunami; faster sea level rise threatening the large concentrations of population living in coastal zones; also salt water incursion.
- In mountainous regions the risks are: flash floods, landslides, avalanches; widespread melting of snow and ice changing river flows; higher risk of rock falls, soil erosion, species extinction; forest clearing on hillsides could increase regional vulnerability.

Energy
- Regions that are specialised in energy-intensive activities may be especially vulnerable.
- In general this zone has efficient energy use.

Natural and Built Environment, Risk Management
- The zone has several areas with protected landscape values, where nature and human activity are reconcilable and sustainable.

- Urban sprawl causes problems in many expanding metropolitan areas.
- There are some general environmental problems, for instance because of the high population density.

Central and Eastern Europe

The Eastern part of Central Europe (the East Central) includes most of the new Member States. High proportion of the area is landlocked, with the disadvantages this brings. In the second part of the last century this area developed under socialist regimes, and this path still determines many social and economic features. The demographic picture is unfavourable: the population is decreasing, net migration is negative, and fertility rates are low, and there is low life expectancy etc. The economy started to catch up after the political transition, and became more open. Nonetheless the only driving forces are FDI, exports to developed countries. Development is spreading slowly and unequally. Central and Eastern Europe in general remains handicapped with regards to both transport and ICT infrastructure. Unemployment is high, and household incomes are below the EU average. The environmental risks are high, because of low investment and vulnerable protective infrastructures etc.

These countries' settlement networks show several common characteristics. The capital cities' metropolitan areas are very dominant, economically and in terms of their population, within each of the countries. Due to the delayed suburbanisation, bigger cities are now suffering from accelerated urban sprawl. Several vulnerable rural areas are in crisis, with very weak accessibility, lack of proper financial and social capital, and they are also suffering from serious social exclusion - often aggravated by ethnic segregation - resulting in formation of rural ghettos. Because of the central position and the relatively small country-size, cross-border cooperation plays a strategic role in facilitating wider processes of integration within the area.

Unique characteristics, developmental forces and territorial challenges of the region

Europe in the Globalised World
- Less competitive regions here may suffer from globalisation, leading to greater EU regional disparities.
- The capital cities mostly play an important role in the global economy.
- Economic vulnerability of the zone is relatively high in the world market due to the economic structure and relatively weaker labour force qualifications.

Economic Competitiveness
- The economies generally became more open and have recorded faster development since the transition, due to several reasons (a low starting base, assistance from structural funds, benefits of the single market).
- Some of the fastest growing countries and regions before 2008 suffered the harshest decline during the economic crisis.
- FDI and growth is restricted to a few regions (e.g. capital regions), and consequently regional disparities have increased.
- This part of Europe in general has a weaker position in R&D intensity and importance, and what it has comes mostly from the government sector.
- The vulnerable sectors are those open to external competition (a high import penetration ratio), with a negative and deteriorating trade balance.
- There is a gap between large multinational enterprises (owned mostly by the state or foreign investors) and "micro" enterprises (owned by local people).
- Economic and trade relations are not balanced: foreign trade is concentrated on one or just a few large developed countries.

Cross-border relations and the Broader Neighbourhood
- There are important asymmetries between the new and the old Member States in institutional capacity and demographic potential, which make the cooperation even more difficult.
- There is a legacy of weak traditions and a low culture of cooperation between countries within the region.
- Relations with the European members of the Commonwealth of Independent States remain difficult.

Demography and Social Trends
- The zone faces major challenges from negative population growth, negative net migration and low fertility rates.
- These can be characterised as "Unhealthy societies": there is low life expectancy, and the population in the working age groups is in decline.
- Health care investments are below average, and health systems face organisational problems.
- In education there is often a mismatch between jobs and qualifications.
- A high proportion of the Roma population are found in the most prominent poverty risk group in particular areas.

Transport and ICT Accessibility
- Development of transport networks compares unfavourably with that in the other three zones, and there is a lack of hotspots. Future development is limited by the massive costs of projects.

- Mutual accessibility between the main centres within the zone remains insufficient.
- There are weaknesses in relation to e-accessibility and ICT application.
- The secondary transport networks that link rural areas internally and with their urban centre (and thus connect rural businesses and residents to the primary transport infrastructure), are often inadequate.
- Inefficient transport systems are major obstacles to development of some of the metropolitan areas.
- Public transport has remained unattractive when compared to individual transport.

Climate Change

- There are risks that extreme temperatures and droughts might cause problems.
- The area is highly vulnerable to flood risks and yet is also subject to water scarcity.

Energy

- Rising energy prices are bound to become a serious social problem in an area extending from Eastern Germany to the new Member States.
- Increased oil prices will particularly affect rural, lagging and peripheral regions and may slow down the convergence process.

Natural and Built Environment, Risk Management

- The zone is rich in natural heritage and protected areas.
- There is a high potential of droughts and forest fires.
- This zone has a smaller ecological footprint as a consequence of its smaller environmental load, but at the same time environmental management efforts are weaker than in the Western or Northern parts of the continent.
- There has been some tragic destruction of cultural heritage here.

4 THE CONTRIBUTION OF POLICIES TO TERRITORIAL DEVELOPMENT – PERFORMANCE AND RECOMMENDATIONS

This chapter deals with the territorial implications of different EU policies. EU policies can be classified according to their territorial impacts. Some policies have direct territorial dimension, such as transport and energy policy, environmental policy, agricultural and rural development policy, maritime and fisheries policies. Other community policies have an indirect territorial dimension; these include policies for competition, climate, social issues and employment, research and technological development, innovation and entrepreneurship. The chapter is split into two parts based on the main characteristics of the policies in question. Thus, sub-chapter 4.1 refers to policies that are cross-cutting in nature; then subchapter 4.2 deals with the community policies with strong sector characteristics (in effect, with sector policies). All policy sub-chapters contain an introduction to, and assessment of the particular policy's territorial implications, and also make recommendations about the policy's contribution to the territorial cohesion.

4.1. European policies of cross-cutting nature

4.1.1 Cohesion Policy – the notion of territorial cohesion and a place-based approach gather ground[13]

In the reform of Cohesion Policy for the period 2007–2013, the main aim remained to utilise national and regional development potential and thus contribute to reducing disparities through pursuing harmonious development across the Union. In order to achieve that, the concentration of resources on less developed areas remained inevitable. At the same time, the territorial dimension was taken on board at policy level in Cohesion Policy's overarching strategic document (CSG) 2007–13. In order to promote territorial cohesion, Cohesion Policy requires specific problems and opportunities of particular territories – e.g. urban and rural areas - to be addressed through a territorial approach. The Lisbon Treaty introduced the idea of *territorial cohesion* as a new common objective of the European community and it is also named as one of the priorities of the Europe 2020 Strategy. Although "*territorial cohesion*" has become the third dimension of Cohesion Policy that is referred to in several policy documents (e.g. in the vast majority of Operational Programmes 2007–13), the process of developing a common understanding of "territorial cohesion" is still in progress, both on community level and in

[13] Authors: VÁTI, Liesl Vanautgaerden, Iván Illés

Member States. Currently the Commission seems to use territorial cohesion to transform Cohesion Policy towards a place-based development policy simultaneously with the emergence of the concept of the "*place-based approach*". This latter promotes the territorial logic of cohesion-type interventions that may prevent uneven regional development.

On the strategic level, Cohesion Policy is being further fine-tuned in the context of EU enlargement, the economic crisis and global challenges like climate change and poverty reduction. While the solidarity and redistributive rationale of the policy remains a central feature, the competitiveness and efficiency aspects of the policy have assumed a heightened importance. As intensifying global challenges have asymmetric territorial impacts, Cohesion Policy may need to respond – in line with the Europe 2020 Strategy's main objectives: smart, green and inclusive growth – by putting more emphasis on some territorial aspects such as cities, macro-regions, territorial co-operations, environment etc.

Two complementary and mutually reinforcing territorial principles are emerging as the cornerstones of Cohesion Policy: **flexible territorial programming** and **strategic territorial cooperation**. While the former emphasises harnessing territorial capital by a results-oriented approach, which is aligned with EU objectives as well as flexible enough to address regional specificities, the latter is recognising the importance and added value of territorial networks with a thematic focus.

Considering recent years' results, Cohesion Policy has made a positive contribution to the reduction of disparities across EU Member States and regions by promoting economic growth, employment and competitiveness. Nevertheless, disparities across EU regions remained high, and given the continuing existence of pressures towards regionally imbalanced development – especially during the crisis – maintaining an active Cohesion Policy at the EU level is widely considered as necessary. Furthermore, there is a recognition that the economic benefits of Cohesion Policy do not accrue solely to the poorer regions and Member States of the EU, but also spread to the more prosperous parts, contributing to economic growth and employment through all Member States and promoting the realisation of their broader economic interests through market integration. Finally, beyond its contribution to EU level objectives and goals, Cohesion Policy is recognised as having had important *positive influences* – as indirect impacts – among other things on cross-border cooperation, urban regeneration, improving access of services in rural areas, environment protection and last but not least *on a range of domestic institutions*, processes and policies. These are especially from the field of the promotion of integrated, multi-annual programming; increased partnership working; the improvement of long-term strategic and operational management systems and working methods; strategic thinking, better networking, cooperation and exchange of best practices; and the promotion of place-based approaches to socio-economic development.

In the recent programming period Cohesion Policy has still supported polycentric development and is also orientated to the specific problems of the urban areas. Vast amounts of resources became available for the new Member States to develop their infrastructure in order to reach the EU average development level. Altogether, the EU Cohesion Policy has had several direct territorial impacts.

Policy recommendations

- Cohesion Policy has to remain the principle instrument for achieving balanced growth based on a clear set of priorities and has capacity to intervene at the most appropriate scale.
- Cohesion Policy has and will have a crucial role in the implementation of the TA through planning of integrated programmes/projects with a clear territorial dimension, supporting networking and exchange of experiences and further improvement of cross-border, transnational and interregional cooperation.

- The priorities of the TA should be translated into Cohesion Policy guidelines and regulations.
- Cohesion Policy has to maintain its integrated approach as it ensures the harmonised coordination of different development aspects, taking into account real territorial needs, urban-rural relations, flows, and networks between territories.
- Territorial orientation and horizontal coordination of sector policies should be more encouraged at the EU level and at various other tiers of government; therefore, the territorial and thematic coordination role of EU Cohesion Policy has to be strengthened at Community level and in terms of national policies as well.
- There is a need for a higher quality, better functioning monitoring and evaluation system comprising Territorial Impact Assessment (TIA) of various key-policy decisions and investments as a tool for evaluating different territorial impacts.
- It is very important to enhance coherence and synergies between rural and regional policies (especially in terms of a policy focus on regional development). This is necessary in order to consider urban-rural partnership and to take into account the special characteristics of rural regions in development interventions.
- According to the place-based approach that has to be supported at all scales and in all types of regions in Europe, better tailored territorial messages are needed for regions, cities and other functional territorial units within the interventions of Cohesion Policy (e.g. allowing greater flexibility in organising operational programmes).
- The policy's multi-level governance approach should be reinforced at every geographical level. Besides harmonising the EU strategic objectives with the local needs, it fosters interventions that are matched with local development ideas and opportunities.
- Deeper and more detailed geographical thinking is still needed within Cohesion Policy. Such thinking is necessary for the application of an understanding of territorial cohesion in a planning and programming way, and to create a proper platform for harmonising regional competitiveness and regional sustainability.

4.1.2 Urban development in European policies - significant territorial impacts as a consequence of multi-sector characteristic [14]

Currently there is no official common European urban policy. In the EU urban matters belong to the Member States' competences. However, urban related initiatives, programmes or objectives emerge indirectly within other common policies.

Nevertheless, the focus on the urban dimension is getting stronger. The issue has come to the fore within Cohesion Policy in the current programming period. This encourages Member States and their regions to create integrated, tailor-made urban development programmes to invest in towns and cities through 'mainstream' Cohesion Policy Programmes, built on the experiences of the former URBAN Community Initiative. Since the adoption of the Leipzig Charter in 2007 the recognition of, and support for integrated and sustainable urban policies in European Member States have been accentuated. The immediate effects of the Leipzig Charter can be observed in a number of things. There has been widespread preparation of integrated urban development plans; revitalisation of deprived neighbourhoods; implementation of the integrated approach; social and economic problems and the elimination of their negative impacts have come to the fore. To implement the Leipzig Charter's recommendations most of the Member States have applied integrated models of urban development, regulations, assistance and exchange of experiences. The latter is supported by joint programmes or networks such as EUKN or URBACT etc. Since 2007, the need for strengthening the urban dimension in Cohesion Policy and for the integrated approach and urban regeneration was reaffirmed by the

[14] Author: Attila Sütő

Toledo Declaration approved on July 22nd 2010 by the Ministers responsible for urban development. However, European cities still have a long way to go to realise an integrated and sustainable approach in urban development in practice.

A strong sector-oriented focus still prevails within urban development initiatives, and this is aggravated by the significant territorial differences in the use of the integrated approach and frequency of URBAN-type actions, especially between EU15 and EU12. In the new Member States urban development actions tend towards sector investments, both financially and in their general approach. Important related activities such as capacity building and guidance, which are necessary to develop know-how and skills in integrated urban development, are only attached to the projects in a few cases, and mostly in the old Member States. The main cause of these special characteristics is the fact that the new Member States have little experience in integrated urban development and/or were unable to benefit from the URBAN Community Initiative in the past. Another traditional problem is the lack of integrated strategies managing urban-rural relations.

Territorial impacts of urban development policies are unquestionable. Due to the fact that European cities are key actors for smart, sustainable and inclusive growth, a high proportion of financial support is allocated to them. Cities are also providers of services of general interests, making them important partners for the EU and national level development policies. Another important aspect regarding territorial impacts is the propagated multi-sector approach that has a clear territorial dimension. This approach on the one hand can integrate the different sector policies' development intentions into a given area (in this case city or district). On the other hand, it can also support balanced urban-rural relationships and strengthen natural functional relationships within the territory, i.e. "catchment" or "commuting" links between places fulfilling different social and economic functions.

Policy recommendations

- The role of the EU is to support a more balanced development of cities and regions and to strengthen the urban dimension in sector policies.
- Europe faces a range of new territorial challenges, e.g. demographic changes in shrinking/growing cities, economic restructuring, land-use changes, proper accessibility and availability of services of general interest. Therefore it needs new answers for balanced development of settlement networks.
- Mutual exchange of best practices and knowledge through networking and research programmes should be further strengthened (e.g. EUKN, URBACT).
- Towns have to be important contributors of development policies at regional, national and EU scale, and so they should be inspired to take those broader responsibilities.
- Through implementing integrated development strategies for cities it should be possible to achieve overarching sector-specific/thematic aims while also integrating urban-rural systems.
- A focus on sustainable and socially inclusive urban development in line with the Toledo Declaration is essential.
- The use of existing tools that support the integrated approach (e.g. financial initiatives like JESSICA or the principles of URBAN type initiatives) should be strengthened, along with better coherence between different legal frameworks and other financial instruments.
- The development of new ways of organising territorial governance and planning (including participatory measures), and partnerships between the different levels of administration and other relevant stakeholders, is recommended for proper planning and organisation of services of general interest from the European level to the municipal level.
- Urban policies in expanding cities (city-regions) need to reconcile the process of urban sprawl with the aim to improve the quality of life in cities.
- Holistic urban development strategies are appropriate frameworks for promoting green, compact and energy-efficient cities, as answers to the recent urban-related challenges of climate change and energy issues.

4.1.3 Integrated maritime policy - a vehicle for opening the sea space for sustainable development[15]

The integrated maritime policy, thanks to its holistic and integrative approach, is a new phenomenon. It is the first Community policy that applies all aspects of territorial cohesion. It has progressed a lot since its release in 2006. The Blue Book together with an Action Plan was issued in 2007 and followed by other important documents, studies and reports such as: the report on *Legal aspects of maritime spatial planning* (2008), the *Roadmap for the development of maritime spatial planning by the Member States* (2008) and some others[16].

The main territorial impact of the policy is through the introduction of maritime spatial planning as a vehicle for opening the sea space for sustainable development. Such planning will contribute to the alleviation of the spatial conflicts occurring both inland and off-shore. It will also force integration of terrestrial and sea use planning and management, including Integrated Coastal Zone Management, and will provide incentives to take a wider perspective on off-shore space. Several countries have already managed to prepare maritime plans and some others have even decided to adopt special legislation on that.

Policy recommendations

- Experiences from the EU integrated maritime policy should be used as best practices for strengthening the territorial orientation of other policies: it is a blue print for the territorial cohesion approach.
- The use of the sea space under the EU countries' jurisdiction should be subject to similar regulatory mechanisms as apply on the land in order to prevent random and excessive sea space allocation to some interests.
- Maritime Policy should facilitate national efforts to make the sea space an integral part of national spatial policy and regional and local spatial policies, where appropriate.
- EU Maritime Policy should be further developed in close relation to the EU territorial visions, perspectives and strategies, and in line with the TA objectives and priorities.
- Maritime space should be even more closely integrated into the relevant EU macro-regional strategies when they are being prepared or revised.
- In the long run, the EU Maritime Policy might become a prominent part of Cohesion Policy, leading to the territorialisation of sea space.

4.2. Sector and other territorially relevant policies

4.2.1. Common Agricultural Policy: territorial impacts towards territorial cohesion have to be improved in line with the objectives of Cohesion Policy[17]

Currently the Common Agricultural Policy (CAP) is divided into two pillars. Pillar 1 supports farm incomes and production through direct payments to farmers and market support measures, while Pillar 2 supports agri-environment and rural development objectives. Before 2007, rural development support was part of the Structural Funds but from 2007 it became part of the CAP. Experiences with this new allocation of rural development competences have not been favourable. The artificial separation of smaller settlements from larger ones, of cities from their rural environment, has restricted the efficiency of measures. Several Member States recommend the restoration of the former

[15] Author: Jacek Zaucha

[16] On Maritime Clusters, on maritime surveillance, on maritime monitoring, surveillance and environmental data, on climate change adaptation, on tourist facilities and tourism development, on maritime employment, on lifestyles and marine ecosystems, on shipbuilding intellectual property and on some legal issues. For details please see http://ec.europa.eu/maritimeaffairs/studies_en.html

[17] Authors: VÁTI, Iván Illés

arrangement. There are some discussions that rural development should be relocated into the framework of Cohesion Policy.

There has been a gradual change within the CAP in the recent years by transfer of an increasing percentage of the Pillar 1 budget to Pillar 2. In the future, support within Pillar 2 will be more concentrated on "common goods" in agriculture and rural development, addressing concerns like biodiversity, clean water, the use of renewable energies and adaptation to and mitigation of the impacts of climate change.

As a compensation for the removal of the previous subsidies, the Single Farming Payment (SFP) has been introduced and is having a decisive role in the CAP budget allocation. The decoupling of support from actual production could simplify the CAP, but total decoupling could have also negative impacts in poor agricultural areas. The second pillar of the CAP takes into account the diversity of rural areas. It aims to develop non-agricultural sectors; to stop the depopulation of the countryside by promoting employment and improving basic services; and to protect and improve natural resources and mitigate climate change.

The LEADER Programme is a good example of support for local communities and improvement of territorially integrated solutions. LEADER supports the local rural economy or community through working closely with it through grants from the European Agricultural Fund. This enhances local connection and responsibility.

Regarding territorial impacts of the CAP, the conditions of the new Member States are different, as they are still a long way short of having similar availability of the CAP resources as the old Member States. The overall territorial impacts of the CAP are rather slight because the different territorial impacts offset each other. Thus, the impact on territorial efficiency in the regions (e.g. competitiveness of agricultural concerns, rising productivity) may have negative impacts on territorial quality and territorial identity (through standardisation of landscapes and reduction of their diversity, risks of soil erosion, reduction of community viability, lack of alternative job opportunities). The reformed CAP has diverse territorial impacts in rural areas through Pillar 2. To some extent CAP financial allocations are inconsistent with those of Cohesion Policy. For example, expenditure through the CAP tends to be concentrated in the wealthier and more densely populated areas of the EU. Additionally, the agricultural sector could play a crucial role in the preservation and enhancement of natural resources.

Policy recommendations

- The impacts of resource reallocation from 1st to the 2nd pillar could help to improve territorial cohesion in most of the rural areas.
- As a minimum requirement, stronger coordination needs to be achieved between Cohesion Policy and rural development policy at the level of planning and implementation. Simultaneous decision making on the financial resources, implementation and governance systems, as well as the use of common monitoring, control and IT systems, would greatly aid the planning and implementation of interventions in a place-based context.
- More powerful rural development type of activities could result in more place-based and favourable territorial impacts and provide more relevant tools for organising a sustainable rural economy, local production and consumption, as well as reducing unfavourable side-effects of modern agriculture and food production.
- There is great diversity amongst rural areas in landscape conditions, environmental and natural values, as well as social, cultural and economic structures. Therefore more diversified definitions of special types of rural regions (e.g. functional rural areas) and of rural regional interventions are recommended.
- More financial support is needed to focus on and handle social and economic problems of rural areas in an integrated way, whether through CAP or other integrated policies.

- Agriculture has impacts on the environment and is facing challenges from climate change. Therefore there should be support for environmentally friendly and high nature value farming systems, and preservation of biodiversity; development of sustainable water management practices in rural areas; and development of agricultural and rural infrastructure and related research-development activity.
- CAP's development beyond 2013 must continue to support multi-functional rural systems.

4.2.2. Energy policy – the spatial dimension in energy policy is of growing significance[18]

EU Energy policy has territorial impacts mainly through variations in energy process and energy production, sources of energy including renewables and the location of TEN-E. The significance of a spatial dimension in the common energy policy is growing**.** The last few years have overwhelmingly revealed the lack of cohesion of the European energy networks. This situation limits the possibilities for creating a uniform energy market and also reduces the energy security of the whole area.

The EU energy policy is now relying on the development of renewable energy sources and energy efficiency. Both can have an important impact at local level by increasing the use of endogenous energy resources. The potential for production of energy based on renewable sources is highly diversified regionally. At the same time, the standards from the EU energy-climate policy apply to each of the EU Member States. The limiting of emissions by introducing changes in the energy sector may pose a threat to the old mining regions and other local economies based on traditional energy sectors. The important challenge is the long-term security of energy supply. The world's resources of liquid fuel are gradually being used up. Simultaneously the EU appears to be in a vulnerable position due to over-dependence on a few countries for its supply. Oil and natural gas are delivered into the EU mainly from Russia, the Middle East and North Africa. Political and/or economic instability of those areas and of transit states makes the diversification of the supply side a crucial issue.

Policy recommendations

- The most crucial task is to quickly overcome gaps in the natural gas networks and energy transmission system, as well as to create energy rings around the Baltic and Mediterranean Seas.
- Challenges of climate change and the dependence on imported energy require further exploration and development of opportunities for a decentralised, efficient, safe and environmentally friendly production of renewable energy.
- Coordination between climate, energy, environmental and transport policies needs to be strengthened.
- Policy concerning greenhouse gas emission reduction cannot be limited only to supporting development of renewable energy sources. It should also include support for the other emission-free and low emission solutions, as well as for the new technologies allowing the "clean" utilisation of traditional fuels, such as systems of coal gasification.
- There is a need for simultaneous support for a few investment projects aiming to develop oil and natural gas pipelines and terminals for maritime shipping.
- A necessary condition for enhancing energy security is to secure the supply of these natural resources to the whole of the EU from alternative geographical sources.
- To increase energy efficiency in urban environments, promotion of some special solutions will be important, e.g. insulation of buildings, efficient heating systems, and environmentally friendly and green, efficient public transport methods.

[18] Authors: Tomasz Komornicki, Isidro López.

4.2.3. Climate change policy – climate policy is coming to the fore and supporting mitigation and adaptation in European regions[19]

Climate action has become a key priority in EU policy. The establishment of the new Directorate-General for Climate Action in 2010, as well as the EU's continuing role at the forefront of international efforts to combat climate change confirms that climate change remains high on the EU agenda. An important step in the international negotiations were the Cancún Agreements in December 2010, though it has not resulted in international reduction commitments that will be sufficient to keep the temperature increase below two degrees Celsius.

Climate change originally was introduced as an environmental topic, but now it is more and more considered as a cross-cutting policy issue and a challenge to be dealt with by all EU sector policies. It was clearly presented as one of the priorities in the Territorial Agenda 2007 and in the renewed Sustainable Development Strategy. The Europe 2020 Strategy considers that tackling climate change is a dynamic element in a strategy for growth by creating jobs and obtaining economic efficiency. There is an upcoming 'transport climate package', along the lines of the existing climate and energy package, and adaptation is highlighted in water management as well. The 'greening' of the second pillar of the future CAP includes adaptation to climate change. Climate change has also assumed a heightened importance in Cohesion Policy, as a priority in need of cross-border, structural or integrated approaches.

The local level has an important role to play in adaptation policies. One example targeting local action is the EU Covenant of Mayors programme, under which cities commit to developing and implementing a far-reaching sustainable energy action plan. It is likely too that as climate change impacts lead to widening regional inequalities, there will be an increasing move towards action at the European level.

The White Paper on adapting to climate change (EC 2009a) explicitly recognised that since impacts of climate change will vary by region, and certain areas will be more vulnerable than others, many adaptation actions will need to be carried out nationally, regionally and across borders. Moreover, the priority sectors differ widely among countries and regions due to historical and geographical circumstances. Policies and the actions put in place need to be cross-cutting and cover areas from flood risk management through agriculture to biodiversity protection, all policy areas with strong territorial dimensions. Furthermore, the benefits of adaptation strategies targeting functional areas by acting and cooperating at levels of river- or lake-basin, sea coast, urban region etc. were also acknowledged. Together with recognition of regional and urban-rural differences, the call is for place-based approaches within climate adaptation policy and for more strategic long-term spatial planning and regional development.

Policy recommendations

- Strategies for mitigation and adaptation need to be made complementary and mutually reinforcing to avoid unintended negative consequences. An overall long term climate change strategy requires the integration of different policy levels that can be provided by a wide range of instruments (regulatory plans, fiscal incentives or sanctions, voluntary and soft measures). Spatial planning is an important instrument for integrating and implementing many climate policy aims.
- Problems and opportunities associated with climate change are cross-border, multi-level and require cooperation. To overcome barriers of policy coordination and implementation, an EU strategy should support both the integration of multiple sectors and levels of decision-making, and the development of frameworks where top-down policies and visions can meet with bottom-up initiatives.

[19] Authors: Liesl Vanautgaerden, Isidro López, Ágnes Somfai

- Climate change policy requires a new type of planning project with a multi-actor, multi-level and multi-scalar approach, which also includes mid-term and long-term perspectives.
- Integration of climate policy into other policies is still mostly at a very initial stage. Such integration is necessary into areas such as land use planning, since many adaptation as well as mitigation measures have important spatial implications that need to be aligned with other goals for land use. Effective social policies are needed to manage the adverse effects of climate change on vulnerable groups of people.
- Since climate change policy considerations are increasingly feeding into all EU policy fields, it can support a qualitative and integrated translation of Cohesion Policy to the national and the regional levels. It could be valuable to use territorial cohesion as a viewpoint for developing and assessing policies and programmes in this area.

4.2.4. Transport policy – different challenges in the old and the new EU Member States[20]

EU transport policies have important territorial impacts, in particular through the development of infrastructure and pricing policy. Transport investments have positive effects on the development potential of many regions outside the "Pentagon" – including Spain, Scandinavia and some regions of Central and Eastern Europe. EU transport policy has also some indirect impacts on cities and regions. While areas around high speed train stations, motorway junctions and major airports may profit from development, other areas may experience drawbacks. However, the territorial impact of the EU transport policy is still limited because of the excessive dispersion of the investment funds (co-financed by the EU, mainly in the new accession countries). Some of the projects that are designated as strategic from the EU point of view are carried out at a very limited level, which suggests that the EU Commission has limited capacity for providing real support in some of the undertakings. In addition, though EU transport policy addresses challenges of a continental nature (e.g. improving internal and external accessibility, reducing external costs), it remains insufficiently diversified between the old and new EU Member States. Within the old Member States, goals related to inter-modality are becoming more important, as well as those related to better efficiency of transport systems. In contrast, in the accession states, the chief need remains the improvement of accessibility.

Policy recommendations

- The future transport policy has to resolve the problem of coordination with climate and energy policy in a comprehensive way, which at the same time is spatially diversified. The possibilities for curbing CO_2 emissions can be based on:
  - decreasing the need for movements of people, goods etc.
  - improvement of the efficiency of existing transport networks
  - changes in the modal structure of transport that would diminish transport pressure, and support environmentally friendly and sustainable modes of transport (fixed track and other alternative solutions – especially in urban transport systems) for a cleaner environment and a healthier society
  - new technological solutions to reduce the use of fuels and levels of CO_2 emissions in road transport
- It is necessary to improve the linear linkages between primary and secondary transport networks, especially in the new Member States, so that improvement of European level accessibility can be balanced with national accessibility of regions within a Member State.
- Deconcentration of the EU's external transport links is an important goal. This should mean support for:
  - development of new sea ports for ocean-going voyages and the creation of motorways of the sea in the Mediterranean Sea;

[20] Author: Tomasz Komornicki

- development of intercontinental airports outside the EU's core area;
- development of overland connections, especially rail transport in the Asian direction, as well as running towards the Maghreb countries.

4.2.5. Environmental policy – environmental integration contributes to the sustainable development of Europe[21]

The Sixth Environment Action Programme of the European Community (6th EAP for 2002-2012) sets out the framework for environmental policy-making in the EU. It concentrates on four priority areas of climate change: nature and biodiversity, environment and health, natural resources and waste. Integration of environmental protection requirements into all policies is an overarching objective of environmental policy and is essential for the sustainable development of the European continent and for reaching the objectives of the EU Sustainable Development Strategy.

Some EU environmental policy themes have a very strong territorial relevance, by setting conditions for territorial developments and policies. Those that have the most explicit spatial planning dimension and territorial relevance are: environmental and strategic environmental assessment (EIA, SEA), nature and biodiversity (Habitats and Birds Directive, the establishment of the Natura 2000 network), water (the Water Framework Directive with its regional focus on river basins, the Marine Strategy Framework Directive, Floods Directive, Urban Waste Water Directive), waste, air (Air Quality Directive), soil, land contamination, chemicals and industrial risks (such as the Seveso II, the Environmental Liability Directives). EU environmental policies have moved from a sectoral regulation of different environmental issues to take on a more integrated character. The environmental dimension should not stand alone, and can only be effective if it is really taken into account in socio-economic decisions.

Environmental regulations either affect all land-use, the location of activities or put restrictions on land-use arising from nature protection objectives. Many aspects favour the cooperation of different regions and countries and enhance trans-European spatial planning.

Policy recommendations

- Despite existing detailed environmental legislation at Community level, unsustainable trends prevail in Europe, biodiversity loss continues and the environment is deteriorating in many aspects. These trends demonstrate the need to rethink the means used by European environmental policy and to emphasise environmental integration.
- Poor communication of EU environmental policies often causes their disapproval by the regional and local stakeholders who are supposed to implement them.
- Member States and regions have a considerable role in determining how European funds are used in serving the aims of Cohesion Policy. In order to better serve European level objectives related to the environment, consistency of national and regional strategies needs to be enhanced, putting higher emphasis on environmental integration.
- Environmental policy does not stand alone and can be efficiently implemented if other relevant policies are adjusted to its requirements. A good example of such an adjustment is changes in land use planning in sensitive areas.
- Strategic Environmental Assessment as a tool for integrating environmental concerns into plans and programmes, including the environmental dimensions of territorial cohesion, should be used consistently and in a more effective way.
- The implementation of EU environmental policies should be connected to spatial planning instruments to bring together policy and decision makers from different sectors at concrete spatial planning issues.

[21] Authors: Ágnes Somfai, Isidro López

4.2.6. Competition policy – regulation effects territorial development and economic and social cohesion mainly[22]

Regulation of competition by the EU like the restrictions on state aid, the liberalisation of markets and anti-trusts legislation can affect territorial development patterns by influencing business location decisions, both in positive and negative directions. Recent state aid to the financial sector contributed to the rescue of the financial system and had an important role in minimising the spill-over effects to the real economy. However, the most direct benefits were in the more developed regions.

The increasing role of competition policy in achieving the objectives of economic and social cohesion of the EU has special significance for the control of regional assistance and for regional convergence.

Several important issues in European competition regulations and policy affect territorial development. One is the liberalisation of the energy-market. In the transport sector competition policy currently impacts on air transport through the open sky policy. In the medium term it will also relate to rail-transport. One evident territorial impact of the liberalisation of the air-transport sector has been the success of low-budget airlines, which has brought growth to regions with hub airports outside the metropolitan areas.

In the countries in which the liberalisation of rail transport is already being implemented, increased competition has led to improvements in some regional connections. Not only the connections between centres profited from this development, but also development in the territories, sometimes by the reopening of rail lines that had been closed down previously. If rail connectivity of centres may be improved by competition, with better quality and lower prices, then the railways will become more competitive with road and air traffic.

Regulations of the telecom market may increase ICT connectivity in remote and especially cross-border regions, contributing to the better integration of these territories.

Policy recommendations

- A balanced approach between cohesion and competition policy must ensure that particular interventions work together to support the endogenous development of the regions, and to respect differences in the level of development.
- Exemptions from the general overall restriction of State aid and regional aids shall be made only taking regional imbalances into account, and to contribute to long term economic and social and territorial cohesion.
- The relative advantage of regions with better technologies due to trade liberalisation on European and global level should be balanced, and the territorial dimension in R&D and innovation policy should be increased to promote territorial cohesion.
- With the liberalisation in the transport and telecom industry, improvements in connectivity have to be ensured not only between the main urban centres, but also in peripheral areas.

4.2.7. R&D policy – an important tool for turning knowledge, skills and capacities into sustainable competitive advantage[23]

Research and innovation are crucial to point at some of the major issues the EU facing and uphold an EU model based on economic growth, social responsibility and sustainable development. They are most effectively addressed at regional level, as physical proximity fosters partnerships between actors in both public and private sectors. The formation of regional clusters is often the key to the successful promotion of research, technological development and innovation. The capacity of regional decision makers and entrepreneurs

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[23] Authors: Peter Schön, Volker Schmidt-Seiwert, Ádám Radvánszki

to turn knowledge, skills and competencies into sustainable competitive advantage is crucial to regions' economic performance.

At the Community level, the Union possesses three key funding instruments to support research and innovation: Structural Funds, the Research Framework Programme and the Competitiveness and Innovation Framework Programme.

Within the Structural Funds, the European Regional Development Fund (ERDF) priorities include modernising economic structures, creating sustainable jobs and economic growth, research and innovation, environmental protection and risk prevention. The European Social Fund (ESF) focuses in this context on the development and improvement of skills for employment.

The Research Framework programme groups research-related EU initiatives together under a common roof. It plays a crucial role in regional competitiveness with activities that encourage the creation of European poles of (scientific) excellence. The specific programme 'Ideas' aims to reinforce excellence, dynamism and creativity in European research in activities commonly understood as basic research. It improves the attractiveness of Europe for the best researchers from both European and third countries, as well as for industrial research investment, by providing a Europe-wide competitive funding structure, that is additional to, but does not replace, national funding.

The Competitiveness and Innovation Framework Programme (CIP) supports innovation activities (including eco-innovation) and provides better access to finance and delivers business support services in the regions. It encourages better use of ICT and helps to develop the information society.

Policy recommendations

- Fostering access to ICT infrastructures outside agglomeration areas to counteract disadvantages, especially in rural areas is recommended.
- Capitalisation of existing and functioning regional innovation clusters as motors in a broader regional surrounding is important.
- It is essential to support the restructuring of the research base in regions with deficits in business R&D and enhance the marketability of public research.
- Enhancement of interregional networking activities to speed up synergies in regions that are strong in R&D and to introduce R&D knowledge to regions lagging behind in innovation is crucial.
- Identifications of the special, endogenous potentials of regional economies to enable SME's to develop innovative strength are recommended.

4.2.8. Common fisheries policy - emerging challenges require more focus on territorial approach[24]

Although the 2002 reform of the Common Fisheries Policy (CFP) created a more long-term approach to fisheries management and aquaculture, its achievements did not meet expectations. Fisheries still show low economic resilience, the volume of fish caught is in decline and fishermen depend on heavy subsidies. In 2009 the Commission issued a Green Paper integrating the CFP into the broader maritime policy context. Furthermore it raised some fundamental questions for the policy itself such as differentiated management regimes for large- and small-scale fleets, extending the principles of sustainable and responsible fisheries internationally, and support for development of mariculture.

The CFP impacts are located mainly in the coastal area, although they differ in accordance with the regional characteristics. Unfortunately so far CFP has been sector oriented and many of its territorial impacts have been unintentional, e.g. polarised development of the coastal regions or failure to strengthen ecological sea structures. In

[24] Author: Jacek Zaucha

particular, development of coastal settlements and cultural landscapes has been influenced adversely by directing cash transfers in favour of strong regions and endangering the economic viability of the fishing sector and its coastal populations.

Policy recommendations

- Maintain the current direction of the reform of the CFP is recommended, in particular with regard to the recognition of the specific role of small-scale fisheries and to the intention to develop mariculture.
- CFP should be placed in a more holistic territorial context. For example, fisheries policies should be linked with environmental protection (eco-maricultures), or development of maritime tourism (angling) and preservation of coastal cultural landscapes.
- CFP also needs to be harmonised with integrated coastal zone management and maritime spatial planning.
- More precise definition the CFP's territorial needs and requirements should be encouraged.
- The CFP could use an integrated spatial approach for conservation of fish stocks and fishing communities.

4.2.9. Social policy – the spatial concentration of disadvantaged and vulnerable people means that social policies need a territorial dimension[25]

Social inclusion policies, both at EU and national levels, tend to focus on specific groups of disadvantaged and vulnerable people (such as lone mothers, elderly people living alone, migrants, homeless people, ethnic minorities and people with disabilities), *without any spatial dimension*. Measures are directed at helping those concerned wherever they live. There is a growing awareness, however, of the concentration of social exclusion in particular places, especially in *inner city areas and deprived neighbourhoods*. Such concentrations also occur in *rural areas*, mostly in the EU12 where economic activity is limited and few employment opportunities exist.

The nature of disadvantage affecting people in situations of poverty and social exclusion is influenced by the area where they live. A concentration of disadvantaged people in certain neighbourhoods results in increased pressure on services of general interest, reduced economic activity and private investment, the emergence of ghetto situations and an erosion of social capital. At the same time, living in deprived areas means reduced access to jobs, often inadequate services of general interest, stigmatisation and discrimination.

The 1992 Council Recommendation on sufficient resources and social assistance in social protection systems is still the key reference point. Progress can be made provided the principles set out therein are better implemented and integrated into a more comprehensive strategy. This would involve common principles for inclusive labour markets and access to quality services, addressing the special situation of those excluded from society and from the labour market. Nonetheless, rates of poverty and long-term unemployment have not fallen significantly. Other negative indicators (e.g. number of early school-leavers and those living in jobless households) confirm the emergence of new social risks linked to changes in our societies. Despite the progress made, national policies have not always identified the right response to the growing complexity of multiple disadvantages affecting vulnerable persons. All this work has produced a broad consensus confirming that the EU can and must give new impetus to the fight against exclusion and poverty while fully respecting subsidiary.

In July 2008 the Commission issued a Communication on a renewed Social Agenda that reinforced the Social OMC (open method of coordination). The concept of active inclusion the Commission presented here fits in perfectly with the Lisbon Strategy and the

[25] Authors: Isidro Lopez, Kyra Tomay

integrated approach that it advocated for the renewed Social Agenda based on three principles: opportunities, access and solidarity. Area-based social policy was one of the main themes of the 2009 European Roundtable on Poverty and Social Exclusion organised by the Swedish Presidency. The Roundtable called for increased efforts to combine "people-based" and "place-based" approaches in the social OMC, as well as in Cohesion Policy.

Key challenges concerning poverty and social exclusion defined by EU actions are: to eradicate child poverty by breaking the vicious circle of inter-generational inheritance; to promote the active inclusion in the society and the labour market of the most vulnerable groups; to ensure decent housing for everyone; to overcome discrimination and increase the integration of people with disabilities, ethnic minorities and immigrants and other vulnerable groups and to tackle financial exclusion and over-indebtedness.
With the enlargement of the EU in 2004 and 2007 to include new members in Central and Eastern Europe, the Roma population living in the EU now numbers several million. The situation of Roma minorities needs strong and integrative policy interventions connecting housing, education, employment, health care and anti-segregation. The decade of Roma Inclusion (2005-2015) and the European Roma Strategy - launched during the Hungarian Presidency in 2011 - are initiatives aiming at the inclusion of the Roma.

Policy recommendations

- Territorialisation of social policies and incorporation of social policy aims into the territorial policies are both needed.
  - Social policies need to tackle the territorial aspects of disadvantage if they are to succeed in helping people in the places where they live and to encompass the regeneration of deprived areas as well as support to the people themselves.
  - European territorial policies should incorporate the priorities of social policies in their own regional and local context.
- Territorial policies should take into account the interrelations between immigration, labour markets and social inclusion.
- Tackling poverty involves creating a better basis for policy making at local level by involving NGOs, social partners, local and regional authorities and those working with people in poverty.
- The situation of the Roma should be taken into account in all relevant EU programmes and policies. This multifaceted approach to Roma exclusion, involving a wide range of actors and mainstreamed into a myriad of policies, needs to be replicated by other European countries if the problem is to be addressed on a sustainable long-term basis.

5 TERRITORIAL PERSPECTIVES[26]

5.1. Territorial challenges emerging from European trends

One of the main reasons for updating the TSP 2007 was the fact that some major trends have had significant influence on the territorial situation and future perspectives of the EU. These trends represent significant processes with serious impacts on the continent's territory and the future development of its Member States and regions. This chapter reviews the main results of Chapters 2 and 3 to reveal the most decisive territorial trends of the European Union which the new revised TA will have to answer.

The financial and economic crisis from 2008 with its complex challenges is creating important changes in territorial structures through market forces. The impacts on various regions differ from each other. The most vulnerable areas are those with high global embedding, an export- or technology-oriented economy, high concentration of capital intensive industries or heavy reliance on sectors such as tourism or construction. Slow recovery could cause long-term structural reproduction of problems, e.g. persistent unemployment.

The increased impacts of globalisation put the focus on the role of the EU in the global economy. According to Chapter 2, the balance between the two main directions of economic development (on one hand development of local markets based on unique endowments, and on the other hand concentration on leading economic branches such as knowledge and innovation intensive industries and integration into the world economy) is important. The one way may bring external resources to the development of regions, while the other might strengthen the sustainability of development.

After seven and four years since the last enlargements of the EU, we now have a better picture of the impacts of the accession of the new Member States. Substantial changes have occurred in the interrelations of regions in new Member States as well as in old Member States and also between them. The territorial integration of new Member States and their regions brought some new challenges into focus. Sharp divides remain at the borders of the old and new Member States and on the external borders between the EU and its neighbouring countries. Chapter 2 pointed to the growing interdependences of territories, the issues of cross-border relations and links to the broader Neighbourhood and the need for a highly integrative approach at different levels. The enlarged EU territory also has to face more complex demographic and social challenges.

Further issues that got less emphasis in TSP 2007 have come to the fore during the recent examination of European trends. Among these are the complementary nature of urban centres and their hinterland; the recognition of endowments, needs and potentials of different types of rural territories; and the increasing territorial disparities and slowing down of convergence processes. Special new issues stand out, such as the segregation of the Roma population, and problems of internal peripheries which are concerns in many of the new Member States from Central and Eastern Europe.

Nonetheless most of the territorial challenges defined in TSP 2007 and TA 2007 still exist. Among these are the high volatility of energy prices and the issues of energy security, renewable energy, and energy efficiency, the growing demographic imbalances in Europe (ageing and depopulation in certain regions and immigration and growing congestion in others) which affect socio-economic development and policy needs.

Comparing the main findings of the trends chapter with the challenges that emerged in the TA 2007, it seems that much of the old TA remains relevant, and scopes many of today's challenges. While the challenges from TA 2007 are still valid, new ones have arisen. Increased exposure to globalisation and disadvantaged territories trap vulnerable social groups are important new issues – the latter as a part of the demographic and social challenges. The problems which they reveal did not emerge in the TA (and TSP)

[26] Authors: Géza Salamin - Ádám Radvánszki - Attila Sütő – with the strong contribution of TSP Drafting Team Members (Philippe Doucet, Jacek Zaucha, Tomasz Komornicki, Peter Schön, Volker Schmidt-Seiwert).

2007. They are the response of the new TSP to new trends and circumstances. The further challenges are concerned with issues that had already been described in the former TSP and TA. These are: EU integration and interdependences of regions; climate change and environmental risks; energy challenges; and natural and cultural heritage.

Nonetheless the updated versions of these challenges are more detailed than their predecessors and contain additional information. They have a significantly stronger territorial content than the older versions, and discussion of them is more detailed. For instance, there is greater focus on intra-European migration and issues of non-EU immigration within the demographic and social challenge; the threat of "two Europes" related to the enduring core-periphery dimension is focussed in the EU integration challenge; the increasing energy insecurity has been brought into focus among energy issues; while the climate change challenge gives a more concrete and detailed description of climate change impacts and their regionally differentiated types.

All in all, based on the main conclusions of territorial trends described in Chapter 2, the following territorial development challenges can be drawn.

Increased exposure to globalisation: structural changes after the global economic crisis

Since 2007 local and regional communities have been more severely exposed to some of the negative consequences of accelerating globalisation, in the form of growing vulnerability to external shocks. Serious risks have come to the fore. These include the erosion of local social cohesion, natural and environmental resources and economic potentials to an extent that threatens the prosperity, sustainability and stability of cities and regions. The financial and economic crisis has highlighted these anxieties. The long-term effects of the crisis on development opportunities will depend on a variety of factors. The route to recovery will differ across regions. The crisis might provide an opportunity for a transition towards more sustainable economic structures. Globalisation brings important territorial consequences at EU, national and local levels. It strengthens metropolitan regions and continental gateways, induces urban sprawl around them, creates a patchwork type of development and increases demand for long distance transport. Local endowments and territorial characteristics are increasingly important as regions seek to manage external shocks.

Challenges of EU integration and growing interdependences of regions

Deepening and widening of EU integration is challenged by internal factors such as regions divided by administrative borders, different fiscal disciplines and commitment of Member States. Growing interdependences of regions mean that small changes in one part of Europe can cause large effects in other parts of the continent. The threat of "two Europes" and the core-periphery division are still present, even at national scale. Integration with the broader neighbourhood is progressing only slowly. The growing interdependence of regions generates demands for transport infrastructure that connects major centres both at the European and the national level. Global interdependences also mean that the capacity of Europe's global hubs is strained. This is true both in passenger transport, particularly at airports, and in freight transport, where the problems are most acute at sea ports and dry ports serving destinations to the east. At local and regional level, barriers to integration result in the underutilisation of human, cultural, economic and ecological endowments of the border regions and increase their peripheral position and social exclusion.

Territorially diverse demographic and social challenges, segregation of vulnerable groups

Europe faces demographic challenges that are increasingly differentiated between its different territories. Ageing and depopulation are the most crucial challenges. For some rural and peripheral regions these threaten to have severe impacts on social cohesion, public service provision, and in labour and housing markets. In other regions the population is growing, but this too has consequences. After the enlargement of the EU, significant intra-European migration started from the East to the North-West. It generated

special challenges, mainly in the urban areas of some Northern and Western countries. Large numbers of non-EU immigrants mainly from less developed countries also place new requirements on urban management in terms of integration and housing supply and location particularly in the Mediterranean countries and cities.

There is a strong territorial dimension to socio-economic exclusion. The risk of exclusion is greater in areas with low accessibility, weak economic performance, lack of social opportunities or other particular territorial conditions. Vulnerable groups whose housing options are limited, like migrants, the unemployed and ethnic minorities, may then be concentrated in urban or rural areas that have their own handicaps, a process that further impedes social inclusion. These "territories of exclusion" are usually part of larger administrative units and therefore they can easily be invisible in official statistics.

Climate change and environmental risks: geographically diverse impacts

The impacts of climate change vary considerably across Europe. In terms of geographical regions some territories are more vulnerable than others to its impacts. The increased risk of sea level rise, aridification, floods and other natural hazards calls for territorially different responses. Regions have different opportunities to embed adaptation and mitigation into their strategies, to decrease greenhouse gas emissions and adjust their socio-economic systems to a low carbon economy. These efforts can encourage the development of a green economy. Challenges of climate change highlight the need for territorial coordination of policies, especially climate, energy, agriculture and transport policies.

Energy challenges come to the fore and threaten regional competitiveness

Some European regions face challenges of security in energy-supply, as they are heavily dependent on fossil fuel imports or specialised in energy intensive activities. Significant imports from third countries exposed to economic or political instability increase energy insecurity. Rising energy prices and carbon emissions draw the attention to sustainable energy solutions such as developing renewable energy sources and shifting towards low carbon economic activities. Insufficient energy infrastructure and dependencies created by existing networks call for diversification of energy production and supply. Remote rural areas are more susceptible to energy shortages and rising prices, while urban sprawl contributes to high, unsustainable energy consumption rates.

Loss of biodiversity, vulnerable natural areas, landscapes and cultural heritage

Natural and cultural heritage are crucial parts of territorial capital. Access to nature, a pleasant green environment, ecological values and cultural assets can offer unique development opportunities for strengthening local and regional identity. The overexploitation of these resources to sustain current levels and forms of production and consumption causes serious damages. Expansion of artificial surfaces, intensification of agriculture, transport and communal infrastructure development, particularly where they take place in a territorially uncoordinated manner, can cause severe environmental problems. Changes in land use, urbanisation and mass tourism threaten cultural assets and landscapes.

5.2. Towards priorities of the Territorial Agenda

1. Promote polycentric and balanced territorial development

Cities play a crucial role in embedding the European space into the global context. Increased globalisation and the primary effects of the global financial and economic crisis hit cities first, yet cities, where R&D and economic activities are concentrated, have an essential role in the recovery of the entire EU space. The "Pentagon" area has the best opportunities to get on the track of recovery and growth, whereas urban centres outside the Pentagon can have an important position in spreading the recovery to the whole EU territory. The economic crisis has shown that economies are interdependent and a sustainable growth path can be achieved only if development is balanced. Successful cities in the Pentagon area attract qualified labour force from other parts of Europe, whereas strong metropolitan areas attract people from other areas. The resulting concentration and monocentric development causes congestion and environmental problems in some city regions, and depopulation, weak economic activity, increased costs of public service provision, including energy costs, in other regions. Unbalanced monocentric development also can lead to the exclusion of territories which trap vulnerable groups in rural areas and even in given parts of growing city regions.

Polycentric territorial development can be a key element for achieving territorial cohesion, where the most developed cities and regions are distributed in a balanced way within Europe, and cooperate as parts of a polycentric pattern. In this way added value can be achieved and the strong centres can contribute to the development of their wider regions. Cities are encouraged to form networks in an innovative manner to improve their performance in European and global competition. Urban development policies can have a significant role in strengthening territorial development. There is a need to foster the territorial competitiveness of the EU territory outside the core 'Pentagon area' to connect other areas into the main European and global flows. However, polarisation between capital or primary cities and secondary, medium-sized cities on a national scale should be avoided, while still strengthening metropolitan areas outside the Pentagon. Policy efforts should aim at reducing strong territorial polarisation of economic performance and high regional disparities within the European territory. Small and medium-sized towns have a crucial role at regional level in this respect.

2. Encouraging integrated development in cities, rural and geographically specific regions

The Lisbon Treaty and the Green Paper on Territorial Cohesion highlight the importance of utilising the potentials that lie in Europe's territorial diversity. Regional diversity is a key asset of Europe. Most EU citizens live in cities, though most of the EU territory is rural, and many regions are characterised by geographical specificities. Inclusive, smart and sustainable development in the EU can only by achieved if these characteristics are recognised in integrated development policies.

Cities have an important role in the global and in the European economy as motors of development and as ties connecting regional economies within Europe and also with third countries. Metropolitan areas are more exposed to globalisation. Towns are interdependent, and their position in European and global competition is defined by their ability to be effectively connected, which can be enhanced by cooperation and networking. These activities have increased importance in border regions, where effective integration can turn the border position into a development potential. Cities face various demographic challenges. Some are attracting population with challenges for integration or congestion; others are losing population, but face urban sprawl; there are also cities that are shrinking. Cities concentrate not only economic prosperity, but also social and environmental problems. Integration and social regeneration is a key issue in many cities. Cities also consume large amounts of energy and have high levels of emissions, and thus contribute to climate change. Built and intangible cultural heritage are threatened by

globalisation and investments, while biodiversity and Europe's natural heritage is largely vulnerable to urban sprawl.

The crucial role of cities in balanced and polycentric territorial development should be strengthened. Cities need to become efficient motors of development and attractive places for living. To move in this direction an integrated and multi-level approach is needed in urban development and regeneration policies. Cooperation and networking of cities could contribute in the long term to smart development of city regions at varying scales. Those involved in the planning and management of urban settlements should look over their administrative borders and focus on functional regions that include their peri-urban neighbourhood. Growing urban regions should seek better integration of migrants and ways to best restructure their regions to accommodate their increasing population. In line with these territorial challenges and potentials, the objectives and concerns set by Ministers responsible for urban development in the Leipzig Charter on Sustainable European Cities and the Marseille and the Toledo Declaration on Urban Development should be taken into account.

Rural and peripheral territories seem to have been better protected from the global economic downturn, though they have less opportunity to profit from fast growth rates driven by the growth in the world economy. Rural areas may face challenges in accessing European markets. However, EU integration opens new opportunities, especially for regions adjacent to disappearing borders. Strengthening rural territories is crucial in diminishing depopulation and ageing trends, whereas coordinated solutions are needed for those territories where population and segregation are growing. While cities can contribute to the mitigation of climate change, in rural areas adaptation is particularly importance. How rural development is managed is vital for the conservation of Europe's natural and cultural heritage.

Recognition of the diversity of rural areas is essential for a place-based development that builds on their unique characteristics. Rural and peripheral territories need to enhance their accessibility, foster entrepreneurship and build strong local capacities. Most rural areas are vulnerable territories rich in cultural and natural values. Territorial capital should be utilised and ecological functions have to be safeguarded. Attention should be paid to underdeveloped peripheral rural areas often affected by territorial segregation. Territories facing severe depopulation need long term solutions to maintain their labour force by providing jobs, attractive living conditions and public activities for inhabitants. In rural areas where agriculture and forestry are still important land users, modernisation of the primary sector through encouraging resource efficient investments in new, alternative sectors is essential, along with the preservation of high quality arable land.

The recent economic crisis underlined the interdependence of regions. This applies particularly for urban-rural relations. Population change has a significant effect on urban-rural relationship. Around cities the border between urban and rural territories is blurred, which leads to challenges of coordination and policy intervention. While cities are the main motors connected directly to the European and global networks, rural areas have to be well connected to the city network. Peripheries and rural areas with a high share of vulnerable groups particularly need to have sufficient connections to centres.

The intensifying relations between cities and the rural territories surrounding them call for deepening the connections and cooperation between urban and rural territories, between cities and their regions. The guiding concept should be that their relations can be complementary - different functions, different characters that can be preserved and improved in a new synergy. Urban-rural interdependence should be tackled through multi-level governance including integrated planning based on a broad-based partnership. Within these frameworks there is much potential in place-based strategies developed locally to address local conditions. Small and medium-sized centres might have a crucial role in this field in rural areas; therefore it is important to improve the accessibility of urban centres from rural territories and so enhance people's access to job opportunities and services of general interest.

Special geographical endowments significantly influence development opportunities of many regions, as was recognised by the Treaty of the Functioning of the European Union (Art. 174 and 349). Coastal zones, mountainous areas, plains, islands, river valleys or lake basins and other types of territories have special - often cross-border - features, which influence their development potentials. These regions share some challenges and may follow some similar development paths, though there is diversity within the diversity and each region needs to utilise its unique territorial potentials Even so, these potentials can often be capitalised jointly so the development of regional strategies can also benefit from cooperation with actors from different states or regions.

3. Territorial integration in cross-border and transnational functional regions

Global competitiveness requires better integration of the EU territory, and cross-border integration is fundamental to this. There are limits to global integration at external borders, while internal borders still cut environmental systems and cultural spaces. City regions and local labour markets extend beyond borders, yet policy responses are mostly developed individually on the two sides of the boundaries. Unconnected networks will pose greater challenges in energy supply and in inadequate policy responses to socio-economic processes that go beyond borders. These problems may result in decreasing competitiveness and attractiveness of border regions.

Integration of different territories through territorial cooperation can be a key factor in global competition. Potentials such as valuable natural and cultural heritage, city networks and a labour force divided by borders can be better utilised. Territorial integration and cooperation can create critical mass for development, diminish ecosystem defragmentation and build mutual trust and social capital. In order to match socio-economic changes, transnational and cross-border integration of regions in some cases will need to go beyond cooperation projects. These areas could benefit from proper policy coordination and harmonisation of strategies from different countries.

Cross-border and transnational cooperation are mutually complementary approaches to support collaboration of actors from different countries. Better coordination between different programmes of European Territorial Cooperation could contribute to better integration of these territories. Nonetheless, spontaneous cooperation along external borders is still hampered by different institutional settings and different strategic aims. In these regions there is still a need to improve accessibility and to develop endogenous potentials.

4. Ensuring global competitiveness of the regions based on strong local economies

The economic crisis in 2008 made it clear that regional and local economies are exposed to global changes and the vulnerability to global economic processes is defined by the structure of the regional and local economy. Though regions with less external connections seemed to be less affected by global shocks, a faster growth path and recovery are linked to the integration of regions in the European and world economy. Regions with lower competitiveness risk losing population and their qualified labour force, and thus face the risk of a downward spiral that drains their economic strength and attractiveness. Weak local economies are more vulnerable, especially disadvantaged territories with a high share of vulnerable groups. Building on a mono-structural and/or export oriented economy not only increases economic vulnerability but, through dependence on long distant transport, leads to greater energy consumption and higher greenhouse gas emissions.

Diversification of the local economy is needed to decrease vulnerability. Economic competitiveness needs to be based on a globally integrated leading economic sector and a strong local economy. Activation of social capital, territorial assets and the development of innovation and smart specialisation strategies in a place-based approach can play a key role. The global and local strands are mutually reinforcing and interlinked, thus they should be developed in parallel to each other. Research, development, human

capital and innovation capacity have an important role in the recovery and long-term development.

Integration of local endowments, characteristics and traditions into the global economy is important as well to strengthen local responses to external forces. Improving a local economy through development of local products and markets, its business environment, locally oriented training provision, partial self-sufficiency and building up cohesive and strong local communities can improve economic sustainability. Improvement of the innovation capacity in organisational, demographic and cultural terms can enhance the performance of cities and regions.

5. Improving territorial connectivity for individuals, communities and enterprises

Europe needs to have a strong economy in order to be an important player in the world economy. The internal market plays a crucial role and connectivity to it is an essential factor for the development of economic and social ties. On the one hand it is important to connect European regions into the worldwide socio-economic circuit; on the other hand it is also essential to further develop the ties within the EU to increase integration, particularly between the Western old Member States and the Central-Eastern new Member States. Insufficient accessibility of urban centres at regional level and the inadequate secondary networks may lead to the exclusion of some territories from the main socio-economic circuits. However, improved connectivity may lead to greater emissions of greenhouse gases; therefore climate-friendly and energy saving transport solutions are important for long-term sustainable development.

It is essential to minimise infrastructural barriers to ensure fair access to services of general interest, information, knowledge and mobility. It is important to secure access to road, rail, water-based and air transport and to other infrastructure facilities like broadband ICT and Trans-European energy networks. Decentralised and environmentally-friendly production of renewable energy can mitigate negative climate change impacts and increase energy security and efficiency.

Effective inter-modal transport solutions are needed especially within city-regions, and for sea-overland connections and airport-railway links. The increasing importance of global linkages creates the need for deconcentration of intercontinental traffic, including the greater use of overland connections with Asia. The further development of Trans-European Transport Networks (TEN-T) linking the main European centres and improved linkages between primary and secondary systems are also essential. Development of secondary networks is important especially at regional and local level. Better connections to urban centres are crucial for rural peripheries where there is territorial segregation of vulnerable groups. Transport connections across territorial barriers such as those to islands and overseas are important for the integration of these areas.

6. Managing and connecting ecological, landscape and cultural values of regions

The speed and extent of globalisation has significant impacts on cultural and ecological values: heritage is at risk as culture becomes more standardised. Extension of transport networks may cut ecosystems. However, European and global networks can also help in the management and production of cultural values and in the closer integration of European regions. Better connections between cultures of different regions can revalue regional and local identities, thus strengthening the "roots" of population in areas and reducing outmigration from depopulating territories. International migrants can add to the richness and diversity of urban cultures, opening opportunities to redefine the city-region's "brand" and so tap new markets.

Climate change increases the risk of natural hazards. European integration provides opportunities for joint risk management in border regions and in transnational areas. Wise management of Europe's ecological structures, cultural and natural heritage can contribute to long-term, sustainable development. Their functioning, protection and enhancement has to be ensured. Joint risk management is particularly important: it takes into consideration different geographical specificities, such as catchment basins of

rivers; common needs and risks of climatic zones; mountainous areas, coastal areas and islands. Ecological networks, represented among others by Natura 2000 sites, and other areas protected for their natural values need to be integrated into a green infrastructure supported by spatial planning at all levels.

High quality European landscapes should be fostered and protected. Areas rich in natural and cultural landscape value need special attention. They require not just conservation but also environment-friendly job creation and strengthened recreational functions. The local, regional and trans-regional management of cultural and natural heritage is of key importance. Heritage needs to be protected, rehabilitated, reproduced and utilised through a place-based approach. Intensification of regional and local identity can be achieved through strengthening the awareness and responsibility of residents towards their local-regional environment, landscape, culture and other unique values.

5.3. Ways to make territorial cohesion a reality

Actors and instruments at different territorial levels

Chapter 1 argued that territorial cohesion is relevant at different territorial levels and in different functional territories. A harmonious and balanced territorial structure, and sustainable territorial development should be pursued through efforts to realise territorial cohesion at EU, national, regional and local levels. At the same time, functional territories that cross administrative borders are increasingly important in the utilisation of territorial capital. Different levels may have different priorities in this regard.

Inclusion of territorial cohesion as a main goal of the Treaty of Lisbon means that its implementation - along with economic and social cohesion – became a shared competence between the Member States and the European Union. This gives a stronger base for joint actions in its implementation. However, the subsidiary principle has to be respected. It means that policies of the Union have to pursue the goal of territorial cohesion, and Member States shall conduct and coordinate their policies to attain territorial cohesion (Art. 175 TFEU). At EU level effective management of territorial cohesion seems possible with strong political leadership and broad political ownership, a strong network of stakeholders and effective links to the EU policy process. One of the most important functions of the EU level is the maintenance of informal frameworks of cooperation such as through the Network of Territorial Cohesion Contact Points. Meanwhile the focus of DG Regio will be on the territorial dimension of the implementation of the EU 2020 Strategy, paying special attention to urban development, functional regions, macro-regional strategies, areas suffering from geographic / demographic disadvantages and local developments. A stronger territorial dimension of sector policies and the TA itself could result in increased commitment to the local level as the main locus of added value. Another important function of the EU level is the coordination of EU sector policies, for which an Inter-service Group has been established by the Commission. Thus, EU institutions when participating in design and implementation of EU policies should take territorial aspects into account, and especially the principles of TA 2020.

At the level of Member States, cities and regions, it is important to define tailored, integrated concepts, goals and tools for enhancing territorial cohesion. These should be in accordance with the EU level approach and actions, and in line with the subsidiary principle and the place-based approach. It is up to these national and sub-national authorities to determine the exact nature of the relevant measures they intend to apply to integrate objectives of territorial cohesion into their own national sector policies and spatial planning and monitoring activities. This integration will depend on their own specific geographical context, territorial development tradition, political culture, legal system and territorial capital. Content-wise however, the resulting policies should be in line with the TA 2020 principles, and should contribute to the territorial cohesion of the EU. Member States are not encouraged to develop separate policy for territorial cohesion, rather they should integrate the territorial considerations into their own national sector

and integrated development policies and spatial planning mechanisms. Authorities responsible for territorial development policy at regional and local levels and, where applicable, at the national or federal level, should contribute through their own action plans and local agendas to strengthening territorial cohesion.

Some possible means and methods and general considerations related to the implementation of territorial cohesion are now introduced below. Most of them can be relevant to all levels, though to different extents and in different ways.

Multi-level territorial governance and the ability to consider territorial aspects

The model of territorial cohesion calls for the simultaneous contribution of actors from different levels (Member States, EU institutions, regional and local authorities and private actors). There is a clear need for vertical and horizontal coordination between decision-making levels and sector-related policies to secure mutual consistency between the various decisions.

Multi-level and geographically flexible territorial governance should be able to manage different functional territories and ensure the balanced and coordinated contribution of the local, regional, national, and European actors – such as authorities or governments - in compliance with the principle of subsidiary through systematic integration of territorial aspects. Territorial coordination of policies, creation of territorial knowledge, planning and monitoring mechanisms are essential to meet this requirement.

Contribution of policies and territorial coordination

At EU level, the territorial content of policies has come to the fore in the last decade. The territorial approach - especially the notion of the territorial cohesion - has gained special importance and there has also been much discussion of the need to anticipate territorial impacts when designing and implementing sector policies. In practice the extent of territorial coordination and the spatial sensitivity of policies are very variable between Member States, but most countries could gain benefits by strengthening the territorial interplay of sectors.

The Green Paper put particular emphasis on sector policies' territorial references, and focused particularly on 8 special sector policies (cohesion, transport, energy, agriculture, environment, employment, competition and research policies). However, it is not enough to identify EU policies' territorial impacts and implications; it is just as important to address ways to achieve positive territorial impacts from these policies and minimise their negative effects on territories. The EU Ministers for spatial development are best placed to strengthen awareness of the territorial impact of EU and national policies and to increase their efficiency, and so achieve positive territorial impacts and synergies with other policies.

It is very important that different sector policies strengthen each other through territorial coordination and are implemented in ways appropriate to the unique characteristics of the given area. It is equally important that each sector policy becomes familiar with the territorial structure of its field, takes its territorial effects into consideration, and defines its own territorial preferences or priorities and linkages to other sectors and to the regions. Recognition of the territorial dimension of EU and national policies, and the territorial coordination of sector policies, are among the most important tools to foster territorial cohesion of the European Union and its regions.

In order to increase the contribution of sector policies to territorial cohesion the following elements are recommended:

- Use of territorial impact assessments to deepen understanding of the potential territorial impacts of all policies. This would improve the performance of these policies and facilitate coordination between them.
- Territorial impacts and territorial differences should be taken into consideration in the design and implementation of policies.

- Sector policies should also apply territorial planning approaches to optimise the territorial consequences and their territorial interplay, through the utilisation of territorially diverse resources.
- The synergies of sector policies should be supported by their coordination at each territorial level through different institutional solutions (e.g. at EU level the Inter-service Group led by DG REGIO) involving regional and local authorities and other relevant bodies.
- This coordination should be supported by territorial analysis, planning mechanisms and territorially sensitive monitoring systems.
- National policies – including territorial development policies – also need to be positioned in European context.

Deepening the territorial dimension of Cohesion Policy

Cohesion Policy is especially important. Its integrating character and cross-sector nature makes Cohesion Policy the main instrument to implement territorial cohesion. Though it naturally has a strong regional-territorial dimension, this dimension of Cohesion Policy should be further deepened through:

- strengthening mechanisms which support the territorial coordination of its interventions;
- improvement of the territorial dimension in its evaluation and monitoring activity;
- enhancement of the territorial dimension in the strategic guidelines (Community Strategic Framework) for the period 2014-2020 and also in the operational programmes;
- encouraging the preparation of integrated place-based programmes and projects which integrate sectors and funds in a given territory;
- increasing the possibilities to adjust the Cohesion Policy programmes and projects to the special conditions of the different territories, and easing the restrictions on possible priorities at EU level;
- taking territorial aspects into consideration during all phases of the programme life cycle e.g. in the partnership, planning, implementation (e.g. via project selection criteria) and evaluation processes.

Territorial monitoring, analyses and impacts assessment

A key element in managing the territorial impact of policies is the availability of a sound "evidence base" of key EU territorial structures and processes, trends and methodologies. The need for territorial analyses and impact assessments was identified during the discussion on territorial cohesion and its policy implications which were launched by the European Commission after it had adopted its Green Paper on "Territorial Cohesion" in 2008. The key challenge is to produce targeted analyses for use at key moments in the whole EU policy process.

ESPON plays a crucial role in the development of a sound analytical base, and also in the development and use of methodologies for ex-ante territorial impact assessments of European Commission proposals. The first results of these researches are already available from projects like TIPTAP or EDORA, for example. If the political will is there, these results could be used as a framework for a formal integrated impact assessment procedure. ESPON is also undertaking targeted analyses that zoom in on specific EU territories. In future it would be useful to extend the list of analysed territories with additional types such as internal peripheries of the continent or special types of rural territories, etc. The utilisation and capitalisation of ESPON results could also be developed at national and regional level. The whole ESPON programme should be adapted to the needs of the period after 2013, in agreement with the European Commission, to better serve European policy making related to territorial development and cohesion.

The concrete implementation of the EU policies' objectives is realised in the individual Member States. Territorial assessment or evaluation can be valuable within Member States at different levels (policy-programme-project) and in different phases of development: e.g. ex-post evaluations and ex-ante territorial impact assessments.

The establishment of territorially sensitive monitoring systems can be used to inform policies with up-to-date knowledge. Such systems can continuously produce the necessary information and at the same time strengthen the contribution of territorial analysis to impact assessments. Continuous monitoring and regular evaluation of the territorial socio-economic processes and the status of the environmental and physical spatial structure are indispensable for the assessment of the achievement of territorial policy objectives. In this respect, the Unified Monitoring Information System contains sufficient data about the projects of the EU's support system to enable territorial evaluations. However, at this moment the monitoring of these processes and impacts are new challenges for regional and national territorial development policies. The introduction of a territorial dimension into the monitoring of sector programmes seems inevitable, along with regular territorial evaluation of the programmes, monitoring of changes in spatial processes and analyses of different types of areas with specific character. The time has come to take territorial matters into consideration in impact assessments. This territorial monitoring does not necessarily need separate efforts and a new system to be established: rather, they can be integrated in general monitoring and evaluation processes. However, a fundamental challenge to be solved by DG Regio together with the Member Sates is to define a set of territorial cohesion indicators to support the efficient implementation of territorial strategies.

Changing approaches to planning that will support territorial governance

National spatial policy using the territorial cohesion approach is no longer a mere combination of certain development tools, though it can have its own set of mechanisms for implementation. Rather a territorial approach and thinking are now becoming increasingly accepted in segments of social activities. An ability to enforce territorial interests in a transparent way is an important part of governance as a form of flexible and strategy-oriented management involving multiple stakeholders and ensuring partnership. This requires that the relevant processes be made systematic and transparent and responsibilities clarified. Decision making should be based on a transparent planning system that ensures feedback cycles. In line with the Territorial Agenda, the strategic and integrated character, territorial specifications, place-relevant strategy making and the real involvement of local-territorial stakeholders could be strengthened to increase the added value of planning in terms of territorial cohesion. Land use oriented physical planning, strategic regional planning and relevant sector policies do need to be integrated, but to do this requires institutions and methods. Part of the answer lies in strengthening the evidence base of planning. To this end, the findings of academic research - particularly territorial-regional and urban research - should be systematically channelled into the cycle of planning and decision-making processes.

In order to support coordination of sectors and multi-level governance, plans and strategies of different regions should also give precise territorial guidelines for sector programmes. Such territorial detailing and the place-based approach in creating strategies are all important aspects.

National planning strategies and decision-making now need to take account of the European dimension, but also give expression to the part that regions, cities or key sectors can play in delivery. The ESPON programme can make a significant contribution here, as it provides European territorial knowledge for regional, national and sector planning across a wide range of topics.

Let's make it public – dialogues on territorial "affairs"

To advance the territorial approach it needs to become widely accepted within the development of Europe as a whole, in the countries and other territories. If this can be done, and there is a genuine application of the territorial approach in development

activities, the returns will include better capitalisation of local-territorial characteristics, more positive territorial impacts from development actions and progress towards territorial sustainability.

International forums need to be created dealing with territorial questions with active participation of stakeholders from different levels. Decision makers should be involved in discussions on territorial processes and the special social, environmental, economic and geographical features of Europe and also its Member States. Public awareness of territorial problems should be mobilised. It is especially important to ensure publicity and participation in spatial development policy. A special feature of spatial development policy in terms of publicity is that it can address the public at various levels across the territorial hierarchy.

Individual citizens and members of civil society have a vital role to play in making the territorial approach work. The task is not confined to territorial planners and researchers, public officials and administrators. However, they would need to have a stronger geographical approach and knowledge. This means not only enhancing the territorial awareness of citizens about the places where they live, but also raising their sense of civic responsibility for their wider region and local-regional communities.

Creation of territorial knowledge and systemising territorial expertise

A key way to build and share territorial knowledge is through programmes such as INTERREG IV C, URBACT and INTERACT. These are channels for the promotion and exchange of good practices. They encourage international knowledge transfer through networking.

Involving territorial experts when a sector policy is being formulated could enhance territorial cohesion by the integration of territorial information into sector activities. An even deeper involvement is recommended in the case of regional and territorial policies. It is important to use the EU network of territorial experts, and to keep the European Commission informed about the availability of territorial experts. ESPON can already be a good starting point for setting up a European expert database and knowledge network and for making recommendations on territorial competences for educational and similar institutions.

An early priority is to standardise the core competencies of territorial experts. Territorial knowledge has a complex structure; it needs geographical understanding but also the capacity to synthesise sector information. Territorial knowledge cannot be applied without an integrative geographical approach as the real added value of territorial expertise. A further part of the core competences would be a sound grasp of issues in several key sectors which have a significant territorial element, like economic development, tourism, environmental protection, energy etc. A broad network of EU experts is now emerging, mainly thanks to ESPON and the Territorial Agenda of the EU Ministers for spatial development.

Cross-border and transnational territorial development strategies building stable territorial relations

Trans-European cooperation not only increases economies of scale and synergies, but also can also reduce trade-offs and inconsistencies in policies. Territories with common potentials or challenges can collaborate in finding common solutions and utilise their territorial potential by sharing experience. Territories with complementary potentials, which often are neighbours, can join forces and explore their comparative advantages together and so create additional development potential.

Many regions now try to develop joint cross-border and transnational territorial development strategies. Such regions typically face huge challenges from differences in administrative systems, competences, languages, policy cycles, political priorities, etc. Therefore, EU Cohesion Policy, and especially the instruments for European Territorial Cooperation, in many cases provides a *conditio sine qua non* for such cooperation. The

elaboration of cross-border and transnational integrated development strategies should certainly be encouraged further. Building on relevant experiences, full advantage should be taken of the new opportunities offered by the legal instrument of European Grouping for Territorial Cooperation (EGTC).

Territorial cooperation initiatives should be further strengthened for achievement of long-term territorial cohesion. Among these initiatives, macro-regional strategies can assist in integration of sector policies and better policy ownership.

There is also a need to solve sea use conflicts by stronger cooperation in maritime spatial planning, which should become an integrated part of the existing (spatial) planning systems.

List of Acronyms

CAP	Common Agricultural Policy
CBC	Cross-border cooperation
CSG	Community Strategic Guidelines
CFP	Common Fisheries Policy
DG	Directorate General
DG REGIO	Directorate General for Regional Policy
EAP	Environment Action Programme
EC	European Commission
EEA	European Environmental Agency
EGTC	European Grouping for Territorial Cooperation
ENPI	European Neighbourhood and Partnership Instrument
ERDF	European Regional Development Fund
ESDP	European Spatial Development Perspective
ESPON	European Observation Network for Territorial Development and Cohesion
ESF	European Social Fund
EU	European Union
EU12	The new Member States of the European Union
EU15	15 EU Member States prior to the last two rounds of accession
EU27	27 Member States of the European Union
EUKN	European Urban Knowledge Network
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GHG	Greenhouse gas
MS	Member State
ICT	Information and communication technologies
IT	Information technology
LC	Leipzig Charter
LEADER	Liaison Entre Actions pour le Development de l'Economie Rurale (European Union Initiative for Rural Development)
NGO	Non-governmental Organisation
NMS	New Member States
NUTS	Nomenclature des unites territoriales statistiques (Nomenclature of Territorial Units for Statistics)
OECD	Organisation for Economic Cooperation and Development
OMC	Open method of coordination
OPEC	Organisation of the Petroleum Exporting Countries
PPS	Purchasing Power Standard
R&D	Research and development
RES-e	Electricity from renewable energy sources
SDS	Sustainable Development Strategy
SEA	Strategic Environmental Assessment
SFP	Single Farming Payment
SME	Small and medium sized enterprise
TA	Territorial Agenda of the European Union
TC	Territorial cohesion
TEN-E	Trans-European Energy Networks
TEN-T	Trans-European Transport Networks
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
TIA	Territorial Impact Assessment
TSP	Territorial State and Perspectives of the European Union
UNESCO	United Nations Educational, Scientific and Cultural Organisation
URBACT	Urban Actions