Promoting competitiveness of small and medium-sized cities in the context of the future European territorial development perspective

Ilona Raugze
Director
ESPON EGTC

VASAB Conference “Competitiveness of Small and Medium-Sized cities in the Baltic Sea Region”
4 June 2019 // Riga, Latvia
Key trends and challenges
Key Territorial Challenge: How to govern fragmentation and interdependencies

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

Interdependencies (“network-based”)... 
- Digital technologies subvert distances: Proximity in terms of “connection”
- Network industries create “new territorialities” (e.g. global digital markets)
- Increasing flows at all scales and therefore spill-overs and externalities
Territorial mismatch between “functions” and “jurisdictions” (political difficulty to fulfil citizens demands)
Emerging “functional areas” (e.g. German-Polish border area)
Quality of Government is heterogeneous, and it is not improving everywhere.

Source: "Quality of Government Institute, University of Gothenburg (2018)"
Population dynamics

Dynamic Typology of European cities* 1990-2010 (%)
- Continuous shrinkage
- Periodic shrinkage
- Recent shrinkage
- Short-term shrinkage of the 2000s
- Short-term shrinkage of the 1990s
- Resurgence
- Temporary shrinkage
- Episodic shrinkage
- Continuous growth

Rural population change

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

Notes:
- Data for LT, PT, SI correspond to LAU1

Source: ESPON 2017
Regional level: LAU2 / LAU3
Data: Eurostat, ESPON 2017
© ESPON, 2017
Employment and knowledge economy

In and Out Migration (2012 - 2016)

Sending and Receiving Regions
- Receiving (positive net migration)
- Sending (negative net migration)

Relationship between knowledge economy and out-migration (2017)

Employed in science and technology, % of active population
- 0 - 24.7
- 27.7 - 31.3
- 31.3 - 34.8
- 34.8 - 38.8
- 38.8 - 46.3
Inner peripheries cover 45% of the entire European territory

- **Delineation 1:**
  Higher *travel time* to regional centres

- **Delineation 2:**
  Low *economic potential* due to low potential accessibility

- **Delineation 3:**
  Areas of *poor access to services of general interest*

- **Delineation 4:**
  *Depleting areas* (poor demographic basis)
More areas risk becoming inner peripheries, if service provision deteriorates further

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

- non-IP area
- IP area

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

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

- Areas-of-risk to become IP in future

Remarks:
All areas which have, according to results of Delineation 3, poor access to three or four SGIs are considered as areas-of-risk.
Main Drivers *(and territorial dilemmas)* towards 2025 and 2050

- **Singular Technologies** *(virtual/material)*
- **Networked Economies** *(connected/unplugged)*
- **Fluid Societies** *(“anywheres”/”nowheres”)*
- **Environmental Risks** *(local/global)*
- **Reactive Governments** *(efficiency/legitimacy)*
Key spatial development impacts in Europe

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

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

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

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

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

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

- **Uncertain evolution of co-development strategies with neighbouring countries**, and border regions.
Territorial scenarios
Territorial Governance Scenarios: Alternative political geographies for the future of Europe

Muddling Through

Enabling Cooperation

New Territorialities

Post-territorialism

2050
<table>
<thead>
<tr>
<th>Enabling Cooperation</th>
<th>“Enhanced cooperation”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant principle</td>
<td>“Enhanced cooperation”</td>
</tr>
<tr>
<td>Government paradigm</td>
<td>Enabling</td>
</tr>
<tr>
<td>Governance paradigm</td>
<td>Multilevel “place-based” governance. Intergovernmental agreements at all scales</td>
</tr>
<tr>
<td>Functional areas as “new territorialities”</td>
<td>Enabled EGTC by harmonising national regulations</td>
</tr>
<tr>
<td>Legal Form of cooperation</td>
<td>Promotion of urban networks</td>
</tr>
<tr>
<td>Spatial Development</td>
<td></td>
</tr>
</tbody>
</table>
Impact of the economic integration assumed in the “Enabling Cooperation” Scenario: economic growth

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

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

Redistribution of the European budget in favour of new fields - security and migration - decreasing the share of budget devoted to cohesion policies and CAP, setting national shares to the levels decided in the document of May 29, 2018, and maintaining regional shares as in the 2014-2020 programming period.
Policies and good practices
Promoting competitiveness of small and medium-sized cities nowadays requires...

- Taking into consideration the relevance of **territorial challenges** (fragmentation, increasing flows and **interdependencies** and **mismatch** between administrative and functional areas…)

- **Adjusting policies and strategies to key megatrends** (e.g. technologic progress, economic globalisation, social disparities and migration, climate change…)

- Addressing issues of **territorial cooperation and governance of new functional areas**

- **Promoting connectivity** (physical, economic, relational)

- Improving the **quality of local and regional governments**
Place-based responses for future policies

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

A Europe closer to citizens

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

Territorial ➔
Thematic ➔
Financial ➔
Public-private ➔

Cooperation ➔
Coordination ➔
Leadership ➔

New (economic) geographical narratives and place-based responses
Cooperation within functional areas – key benefits

Mobilise resources for more results
Critical mass for competitiveness
Territorial profile + diversification
No overlapping and wasteful investment
More visibility
Wider spillover effects
First comprehensive overview of CPS provision in Europe

- 579 examples of CPS provision in Europe identified
- Concentration of CPS along the borders of EU-15 Member States
- Most CPS deal with environment protection, civil protection and disaster management or transport
CPS improve domestic service provision and address specific territorial challenges

- A large share of CPS aims to improve the quality of public service provision in border regions

- Territorial characteristics and developments are typical drivers for CPS

- Long-standing cooperation and existing interstate agreements support CPS development
Cross-border public services (CPS): Types of services

Themes / fields of application of CPS services
- Citizenship, justice, public security
- Civil protection, disaster management
- Communication, broadband, information society
- Education, training
- Environment protection
- Healthcare, social inclusion
- Labour market, employment
- Spatial planning, tourism, culture
- Transport

Each dot or line represents one individual CPS, provided by two or more partners.
Good practice: the EGTC Hospital de la Cerdanya

- Established in 2010
- Cross-border hospital providing services to Spanish and French citizens in a remote area of Pyrenees
- 40% French and 60% Spanish patients
- Visual of the hospital
Good practice: FDI attraction in Greater Copenhagen

- Aims at removing cross-border barriers for FDI attraction
- One of the largest numbers of FDI projects in Europe
- Focus on attracting R&D and innovation investment in niche markets capitalising on region’s strengths – life sciences and clean/green tech
- Cooperation helps to increase the market potential and develop a solid value proposition for investors based on government stability, research and innovation, levels of education and economic growth
Good practice (knowledge economy)

**Brabant-Stad urban network**
- Network of 5 major cities in the province of North Brabant
- Focus on strengthening economic resilience through knowledge, innovation and added value, increasing international allure, international accessibility and strengthening the spatial structure
- Through cooperation cities enlarge their network of potential partners and increase the international visibility of the region

**Baltic Science Link**
- Stakeholder network involving scientific expertise, industrial knowledge and government support
- Opportunity to use Europe’s leading large scale facilities for a company’s R&D