Territorial Reference Framework for Europe

Discussion Paper No. 3
Scenarios

Discussion paper in preparation of the 3rd meeting of the Strategic Advisory Forum on 2 October 2018

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Table of Contents

1 Introduction ............................................................................................................................ 3
2 Territorial Challenges (SAF1) ............................................................................................... 4
3 Trends (SAF2) .......................................................................................................................... 5
   3.1 Main trends ....................................................................................................................... 5
   3.2 Impacts on territorial challenges ..................................................................................... 6
   3.3 New emerging territorialities in the “Space of flows” ...................................................... 7
4 Reference Scenario 2020-2035 ............................................................................................ 9
   4.1 Story-line: “Pervasive Uncertainty” (2020-2035) ........................................................... 10
   4.2 Modelling growth and disparities (2020-2035) ............................................................... 11
5 Policy-Scenarios 2020-2050 .................................................................................................. 16
   5.1 A Territorial Governance Approach ................................................................................ 16
   5.2 Policy-Scenarios to Govern Times of “Pervasive Uncertainty” ........................................ 18
   5.3 Muddling Through ......................................................................................................... 24
   5.4 Successful Cooperation ................................................................................................... 25
   5.5 Global Balance .............................................................................................................. 27
   5.6 Local Renaissance .......................................................................................................... 28
6 Ways forward .......................................................................................................................... 30
   6.1 The Governance of the Territorial Agenda ..................................................................... 30
   6.2 Mapping Stakeholders in the Sphere of the Territorial Agenda ...................................... 31
7 Questions to be discussed ....................................................................................................... 34
References ..................................................................................................................................... 39

For additional background documents supporting this discussion paper are available at: http://www.eu2050.eu

Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AMIF</td>
<td>Asylum, Migration and Integration Fund</td>
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<td>CEF</td>
<td>Connecting Europe Facility</td>
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<tr>
<td>COTER</td>
<td>Commission for Territorial Cohesion Policy and EU Budget of the Committee of the Regions</td>
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<td>DG</td>
<td>Directorate General</td>
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<td>DGTC</td>
<td>Directors General responsible for Territorial Cohesion</td>
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<td>DGUM</td>
<td>Directors General responsible for Urban Matters</td>
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<tr>
<td>EaSI</td>
<td>EU Programme for Employment and Social Innovation</td>
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<td>EC</td>
<td>European Commission</td>
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<td>EGTC</td>
<td>European Grouping of Territorial Cooperation</td>
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<td>ESDP</td>
<td>European Spatial Development Perspective</td>
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<td>ESPON</td>
<td>European Territorial Observatory Network</td>
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<td>ET2050</td>
<td>ESPON Study on The European Territory 2050</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUSBSR</td>
<td>EU Strategy for the Baltic Sea Region</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<td>MEGA</td>
<td>Metropolitan European Growth Areas</td>
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<td>NTCCP</td>
<td>Network of Territorial Cohesion Contact Points</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<tr>
<td>S3</td>
<td>Smart Specialisation Strategies</td>
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<td>TA 2020</td>
<td>Territorial Agenda 2020</td>
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<td>TAEU</td>
<td>Territorial Agenda of the European Union</td>
</tr>
<tr>
<td>TEN-T</td>
<td>Trans-European Transport Networks</td>
</tr>
<tr>
<td>UDG</td>
<td>Urban Development Group</td>
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</table>
1 Introduction

The European Territorial Reference Framework project is a stepwise process aiming to inspire the development of the Territorial Agenda post 2020.

The project is being developed linked to the different meetings of the Strategic Advisory Forum (SAF) and its corresponding papers.

- Having identified and discussed three key territorial challenges that the EU faces in the 1st Strategic Advisory Forum workshop (SAF1), the 2nd Strategic Advisory Forum workshop was focused on most relevant trends for the development of the European territory 2020 (SAF2).

- Building up from SAF1 and SAF2, the project team developed scenarios as policy-options or strategic options considering as reference more relevant future-oriented studies in the field. The purpose of the 3rd Strategic Advisory Forum (SAF3) is the discussion of these scenarios.

- The Vision for 2050, and the policy pathways attached to it will be discussed at the 4th workshop (SAF4).

The combination of all these activities is expected to form a solid grounding for the development of the Territorial Agenda post 2020, as well as for its governance. For this purpose, an stakeholder’s map has been produced to visualise more relevant actors to be involved along the process.

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2 Territorial Challenges (SAF1)

At the 1st meeting of the Strategic Advisory Forum (SAF1) three overarching challenges and key policy messages (see Figure 2.1) were identified. These challenges and messages should be taken into consideration for the European Territorial Reference Framework and the Territorial Agenda post 2020.

Figure 2.1 Recap of key challenges and key messages for the ETRF identified in the 1st discussion paper

<table>
<thead>
<tr>
<th>Key territorial challenges identified in the SAF1</th>
<th>Key messages to be advocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>The economic geography of Europe is changing, accompanied by an increasing fragmentation of society and territories.</td>
<td>The social and territorial fragmentation linked to Europe's changing economic geography demands spatially sensitive (and tailor made) policy responses.</td>
</tr>
<tr>
<td>Social and economic development show strong interdependencies between places. Major impacts (positive and negative) on development perspectives in other places and vice versa.</td>
<td>The positive and negative externalities of developments in one place on developments in other areas demand a wider geographical perspective of policy decisions.</td>
</tr>
<tr>
<td>There is a misalignment between geographical jurisdictions for decision making and the corresponding geography / geographies affected by policy making.</td>
<td>The mismatch between the geographical delineation of impacts of economic and societal developments and the geographical jurisdictions of decision making demand more territorial cooperation at all levels of governance in the short-term, and possible reforms in the longer time.</td>
</tr>
</tbody>
</table>

Source: Discussion Paper No. 1 supporting the Strategic Advisory Forum of 14 March 2018

The challenge of “fragmentation” have been deeply analysed by different studies developed in the crisis aftermath. It involves many different dimensions: between citizens and EU institutions, between Member States, between states and national societies, between social groups, as well as cultural and geopolitical. Combating fragmentation is a critical challenge for Europe, as much as restoring as much as still feasible the “win-win” character of European integration – an economic catch-up process able to reduce disparities, a fair distribution of costs and benefits of integration. Both are closely related to the key territorial challenges identified.

The above mentioned challenges and messages are linked to the development of different political, economic, environmental, societal and technological trends, that are discussed on the next section.

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3 See “Towards a New Pact for Europe” (EPC, 2014) for a comprehensive analysis of European strategic challenges.
3 Trends (SAF2)

A wide range of political, economic, environmental, societal and technological trends was discussed at the 2nd meeting of the Strategic Advisory Forum (SAF2) reviewing recent future-oriented studies.\(^4\)

3.1 Main trends

Main trends are listed in next table considering the whole 2020-2035 period, classified according to PEEST approach (political, economic, environmental, social and technologic). These macro-trends are the basis for the scenarios being introduced in the next chapters.

**Figure 2.2 Trends with potential impact**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>The broad consensus to protect Europe’s common values: social and economic model remains, despite all uncertainties. Increasing “flexibility” in European policies. Increasing conflicts with neighbouring countries Retrospective political feelings: Reinforcement of existing bounded territorialities.</td>
</tr>
<tr>
<td>Environmental</td>
<td>Heterogeneous policies on Climate Change adaptation and mitigation</td>
</tr>
</tbody>
</table>

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\(^4\) ESPON TRF review has updated previous ESPON repositories of prospective studies to support the participatory process in the TRF with approximately 30 new scenarios from 10 new studies developed between 2015-2017 in Europe. In particular, the following relevant reports were considered:

- **New EU-scale environmental scenarios until 2050** (UFZ Leipzig et al. 2018)
- **Future Scenarios for Research & Innovation Policies in Europe** (EC 2017)
- **Europe in 2030: four alternative scenarios** (Elcano 2017)
- **Mapping Global Transformations: European Union** (World Economic Forum 2017)
- **Future of the European Union - Enlarged or Broken?** (Patrick Dixon 2017)
- **¿Can the big idea of EU integration become a reality?** (Carnegie Europe 2017)
- **White paper on the future of Europe and the way forward: Reflections and scenarios for the EU27** (EC 2017)
- **Europe in 2026: nightmare or utopia?** (Global Agenda Council 2016)
- **Future of Europe Scenarios** (BrandEU 2016)
- **Wind Energy in Europe. Scenarios 2030** (WindEurope 2017)
- **ESPON European Territory 2050** (ESPON 2014)
- **Citizenship in Europe 2030: four scenarios** (De Reijter, NACE 2013)
- **Global trends 2030** (SPA, 2017)
- **ESPON Possible Futures project. Vol. B** (ESPON, 2016)
Circular economies favouring “place-based” economic activities
Decoupling of energy and growth, and significant increase on renewal resources
Decoupling of transport and growth only at urban scale
Contained urbanisation. Emphasis on renewal and regeneration
Limited increase in biodiversity protection. Sea pollution.

| Economic | Industry 4.0 leading to reindustrialisation and demand for new working skills
Changing nature of tourism: provision of a variety of personal services
Global trade becomes higher than internal EU trade
Overall growth and demand on transport and energy
Disparities at regional scale increase if measured as GDP/capita
Social disparities within regions and cities increase. Accumulation of wealth in smaller groups. |
| --- | --- |
| Societal | More migration from outside Europe
Increasing internal migration
More residential mobility across Europe
Ageing
Change in values on younger European generations (e.g. millennial, digital born…)
Change in the educational landscape
Cultural fragmentation |
| Technologic | Becoming Digital
Development of the Intelligent Energy Grid
Robotisation and automatisation of industrial processes
Smart cities and regions
Biotechnologies (p.e. cellular farming, molecular medicine, genetic engineering)
Digital gap |

Source: Project team.

Overall, these trends will exacerbate the territorial challenges previously presented, as it is discussed in the next section.

### 3.2 Impacts on territorial challenges

According to the discussions of SAF2, most trends accelerate the challenges and increase their negative effects. Only a few trends have the potential to mitigate them.

**Increasing fragmentation of societies and territories.** This challenge is further accelerated by many of the most relevant trends. Others like social exclusion or polarisation between local and global
are direct expressions of fragmentation. Disparities are related to social groups as well as to places themselves (e.g. so-called “places that do not matter”). New models of democratic engagement, attempts to preserve the European social model have the potential to mitigate the increasing fragmentation, but on the other hand, there are movements in EU member states that are arguing for a renationalisation of economic and social policies to achieve that aim, this may further increase fragmentation rather than mitigate this trend.

**Increasing interdependence of places.** Digitalisation is a major driving force subverting the concept of distance and geographical proximity. Networks of transport and communication connect any connected place to any other connected place independently of their location. Migration flows (and their effects, such as the reliance of some emigration countries on the economic performance of immigration countries through e.g. remittances) reflects the growing interdependence of places. On the other hand, the likely decrease of energy and carbon intensity, as well as emerging Circular economies, have the potential to reduce the mutual influences and impacts between places in quantity and quality, favouring self-sufficiency. Most trends however rather contribute to further integration of, and stronger linkages between places, such as the loss of biodiversity in the field of environmental trends, which leads to a need for more eco-system services from other territories. This suggests that interlinkages between places will most probably increase and deepen in the future. This increasing interdependence, that can have both positive and negative impacts, needs to be better reflected in policy-making by applying a wider geographical perspective.

None of the selected trends will mitigate the **misalignment between territorial jurisdictions of policy making and relevant developments.** Most of them will contribute to further misalignment. Trends show that the traditional perspective, which presumes that territories are containers with clear boundaries, is unlikely to hold and will be put under increased pressure in the future. Some territorial jurisdictions are too big for the small problems, and some other too small for the big problems. From municipal and metropolitan boundaries in densely populated areas to larger regions, inherited jurisdictions from previous centuries are not always efficient nowadays. This may also result in problems of legitimacy of public institutions attached to bounded territories and hints at a clear need for more cooperation and more open and fuzzier administrative boundaries everywhere.

Next section introduces how socioeconomic and technological trends are changing how the political power distributed across the space, and actually creating so-called “new territorialities” based more on the logic of “networks” and “projects” than on the logic of “zones”, or “sectors”. Technology drives societies and economies to become more fluid, but government remains to a large extend attached to inherited borders, as well as communitarian identities (e.g. as is reflected on political elections).

**3.3 New emerging territorialities in the “Space of flows”**

The territorial challenges discussed are structural. Overlapped to inherited territorial jurisdictions (municipalities, counties, regions…), “new territorialities” emerge in the so-called “Space of flows”, as defined by the sociologist Manuel Castells. The main impact of new technologies is subverting
inherited political geographies. “Distance” is not being vanished, but it is becoming more related to “connectivity to networks”. Territorial jurisdictions defined by physical borders are being overpassed by flows – of people, goods, energy and resources, information. In a way, “zones” are becoming “nodes” connected to other nodes through networks. Paradoxically, when location is relevant to support development, zones may both become “no-places” or recreate their value as “places”. In this way, fragmentation and interdependency can happen simultaneously, leading to the mismatch between territorial bounded jurisdictions and social, economic, environmental and technologic relations. In the “Space of flows” there is a simultaneous polarisation of local (even personal) and global scales, and remote activities can be more closely related (e.g. through just-in-time processes) than neighbouring activities. Virtual communities develop common identities by sharing projects, more than memories. Multinational corporations are becoming “multilocal” corporations, groups of highly interconnected decentralised units.

Nowadays, “new territorialities” emerge as a result of technological changes, often spontaneously, but already in mid fifties the “European Union” was already created in purpose, as an innovative “new territoriality”, still unique and under construction.

Improving quality of government – in terms of both efficiency and legitimacy, is necessary for governments to engage with advanced governance processes able to overcome main challenges (fragmentation, interdependencies, mismatch of functionalities) in political geographies in which “new territorialities” emerge.

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5 Philosophers like Martin Heidegger and Michel Foucault already introduced concepts that were then taken by Manuel Castells in his investigation of the so-called “Space of flows”. Gabriel Dupuy (“Urbanism of networks”), Stephen Graham (“Splintering urbanism”) or William Mitchell (“e-topia”, Me++) have further analysed territories as constituted by flows and networks as much as by places and borders.
4 Reference Scenario 2020-2035

The Reference scenario\textsuperscript{6} adopted is consistent with the official European Reference Baseline scenario elaborated and updated regularly by the European Commission, with the participation of the DG ECFIN\textsuperscript{7}, DG Clima, DG Move, DG Energy\textsuperscript{8}, Eurostat\textsuperscript{9} and the Joint Research Centre\textsuperscript{10}. It is also relevant in terms of qualitative orientations the White Paper on the Future of Europe, promoted by the EC\textsuperscript{11}.

Many trends identified are relatively certain: from ageing to the progress on digital technologies, from an increase concern on environmental issues to the rapid growth of emerging market economies worldwide, and trade. However, if relatively certain, certitude is not perceived in the daily lives of people, firms and governments. The present adult generation knows less about the future than previous generations. There is also a broad feeling that governments have “lost of control” of key trends (e.g. in relation to the control migration, taxing large global corporations and financial flows and e-commerce, or managing new currencies). Power seems today reallocated more in private and global corporations than to public administrations and democratic governments attached to territorial jurisdictions. This situation begins to generate social and political movements promoting retrospective feelings, favouring stronger Nation-States regardless of the their size and relative power, and

\textsuperscript{6} Following definitions for territorial scenarios and visions for Europe 2050 developed during the Luxembourg EU Presidency (Zilmer et al., 2015), we propose following understandings:

- Scenarios are a plausible description of how the future might develop, based on a coherent and internally consistent set of assumptions (‘scenario logic’) about the key relationships and driving forces.
- Scenarios are used in different phases of the policy process. Often they provide the starting point for policy development.
- Discussing scenarios can be a vehicle for exchanging ideas, possible agreements and changing the mind sets of policy-makers.
- Scenarios are based on empirical evidence, quantitative and/or qualitative information. Thus, they can provide a sound basis for developing recommendations or illustrate the likely effects of different policy options.
- In order to take all relevant perspectives into account, including processes driven by experts, participatory processes are a key element in the development of scenarios.
- Addressees are decision-makers in the fields of territorial policies and various other relevant sector policies. Moving beyond this group of territorial specialists and ‘associates’ is however a challenge that requires that sector policies are addressed in appropriate and convincing ways.


\textsuperscript{9} Eurostat (2017); “2015-based population projections”, released by Eurostat in February 2017

\textsuperscript{10} JRC (2016); “Regionalising the 2015 Ageing Report’s projections”, implemented by the LUISA Territorial modelling Platform.

\textsuperscript{11} EC (2017); “White paper on the future of Europe and the way forward: Reflections and scenarios for the EU27”, presented by the European Commission on 1 March 2017.
Euroscepticism. These are the main ingredients of the “Pervasive Uncertainty” scenario taken as a reference. The story-line is introduced in the next section.

4.1 Story-line: “Pervasive Uncertainty” (2020-2035)

The current political mood in the EU (Summer 2018) is strongly influenced by hard security concerns and negative perceptions of an on-going migration crisis (while numbers have actually reduced, the impact on different parts of Europe is very different). This has enabled the success of populist, Eurosceptical political parties that have utilised these issues to make electoral gains in a wide range of countries, including entering government. In addition, the East-West divide continues and a number of mainstream parties are starting to adopt the same populist arguments and policies. While the EU economy has improved significantly, the perception of instability and uncertainty is pervasive. Political fragmentation between the EU’s member states remains a key barrier to any positive steps forward and there appears little, current momentum for a more future-oriented approach to further EU integration. A number of observers even suggest the European Union should have a “theory of disintegration” (e.g. as suggested by Ivan Krastev, 2017).

It is likely that this narrative will continue to be central to the political debates in the EU on the next decade at least. The political implications are a focus on ‘protective’ policies such as stronger border controls, as well as unilateral Member State initiatives to control migrant flows. Increasing fragmentation at the Member State level, in political decision making will challenge the continuation of common and unified EU responses to on-going or new EU problems and opportunities.

In combination with the global headwinds for open economic policies, the current political trends are likely to lead to more closed borders and a more functional, and pragmatic, rather than principles-based, approach, for example in the EU’s policies towards its neighbourhood. This implies we will only see ‘more Europe’ in those areas where common EU action serves this narrative (border controls, anti-terrorism) and the likely marginalisation of more positive cross-border cooperation. In terms of encouraging cohesion, the main narrative is shifting from a more solidarity-based approach to one which is more functional and oriented towards net payer priorities (including structural reforms to stabilise the EMU and rewards for accepting appropriate burdens e.g. on migration, combating populists).

Under a scenario of pervasive uncertainty, there are policy implications that can be drawn. These include a far greater focus on risk and crisis management, as well as a strong focus on flexibility and speed of policy response as a pre-condition to effective reactions to change / emerging developments (both positive and negative).

Nonetheless, within this context globalisation dynamics are likely to influence the nature of economic interactions, which will become increasingly decentralised and personalised, while easily crossing borders.

The precautionary principle remains central but there is an increasing need to apply the innovation principle, to shape change in a positive way. There will be a continuous challenge to existing structures and processes, implying a need for stronger efforts of more traditional political actors to
remain relevant. These political actors – most likely having to accept the inevitability of this environment of continuous change - will have to compete with a strengthened, more populist-oriented narrative based on identity, closed borders and protection. At the same time, is possible that the recentralisation at Member State level will pave the way towards internal territorial reforms where subsidiarity principles be strictly applied.

4.2 Modelling growth and disparities (2020-2035)

The Reference scenario has been modelled using the MASST4 model\textsuperscript{12} which has been run on the more detailed assumptions presented in the following table.

\begin{table}[h]
\centering
\begin{tabular}{|l|p{0.8\textwidth}|}
\hline
\textbf{Political.} & \begin{itemize}
\item Brexit becomes a reality in 2020;
\item Even if some regional independency requests take place, no regional independence takes place;
\item Redistribution of the European budget in favor 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 29th May, and maintaining regional shares as in the 2014-2020 programming period.
\end{itemize} \\
\hline
\textbf{Economic .} & \begin{itemize}
\item High volatility of investments of the post crisis period will continue;
\item A normal reactivity of investment growth to GDP growth will be replaced by a high reactivity of investment growth to GDP growth, even if decreasing in the long term;
\item Free international trade between US and EU is replaced by the present risk of protectionist measures between US and EU, which leads to a lower increase in export with respect to the past long term trend;
\end{itemize} \\
\hline
\end{tabular}
\caption{Detailed assumptions by MASST4 model in relation to the Reference scenario}
\end{table}

\begin{itemize}
\item In the estimation part, the GDP growth is obtained as the sum of the national GDP growth and the regional differential shift. GDP growth is therefore made dependent (in time series between 1995 and 2016) on two sets of equations. The first set of equations are macroeconomic in nature and explain national GDP growth (for each of the 28 EU countries). The second set of equations represents structural, supply side elements, explaining the differential growth rate between the regions (all NUTS2 in EU countries) and their nations.
\item In the simulation part, a number of national, regional and urban independent variables can be changed, so to simulate their effects on regional GDP, employment and productivity growth, which are the main outcomes of the model. The scenarios are obtained by inserting into the model assumptions on the way changes in the main elements or driving forces that influence and regulate the economy will occur; the simulation procedure leads to a ‘conditional’ forecast of the dependent variable.
\item The outcomes are available at different geographical levels, from the EU to national and NUTS2 levels, as well as for any kind of national and regional typology the modeler is interested in. In the way it is conceived, MASST has not the aim to provide precise estimates of future GDP levels, but rather to provide scenarios depicting tendencies and relative behavioral paths of regional GDP growth in each individual region under certain conditions, i.e. probable states of the system that may become real under certain conditions that are exogenously assumed.
\item In its fourth version, built for this project and used for the first time in this simulation, the variables have been updated, and the model estimated so to capture the structural changes that economies went through in reaction to the crisis. Moreover, the 4\textsuperscript{th} version has been strengthened also in its regional part, by adding equations to grasp the structural changes in innovation modes that regions put forward and the changes in the determinants of urban growth and urban agglomeration forces.
\end{itemize}
What emerges from the modelling exercise are the following key tendencies¹³:

- The Reference Scenario is characterized by a stable relaunch after the crisis, with an average yearly growth rate of 1.6% for EU 28. This rate is higher if United Kingdom is taken away from the list, due to its lower performance determined by some negative effects of Brexit (+1.40%).

- Inside EU27 (after Brexit), all countries perform relatively well, with growth rates higher than 1.5%, with the sole exception of the newest Member Country, Croatia, characterized by the problems of the early years of transition (mainly coming from institutional change and lack of really competitive sectors) and by a slow increase in overall productivity, in line with what suggested by OECD in its official document on its worry about the “the future of productivity”.¹⁴

- Concerning spatial disparities, the ones related inter-national level show a continuing decrease, at a slight pace. Internal disparities inside the countries, on the other hand, will increase, slightly until 2025 and faster afterwards. These last trends, only imperfectly counterbalanced by the inter-national trends, will generate an increase in overall inter-regional disparities definitely starting from the mid of the next decade.

- Employment increases are overall very limited, due to the full deployment of the effects of new ICT and network technologies, particularly on service and trade sectors; on the other hand, productivity increases are due to show higher figures with respect to the past). For what

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¹³ Before reading the results of the reference scenario, a word of caution in reading them is necessary. Results depict the main tendencies, major adjustments to change, relative behavioural paths of regional GDP growth (and regional employment growth) in each individual region under the assumptions presented above. The numbers provided therefore represent tendencies of the variables and not precise forecasts.

¹⁴ OECD (2017), The Future of Productivity, June, Paris
concerns total employment, best performing countries are respectively the Czech Republic, Bulgaria and Slovakia in the CEECs group and Italy and Germany in the Old 15 one, interestingly being the most industrialised ones, taking advantage of the re-industrialisation trend hypothesized in the scenario (and witnessed by the present relaunch of fixed investments). These trends are in line with the recent evolution in EU manufacturing employment. While in 2012 the EU Commission set the target of having at least 20 per cent of EU value added in manufacturing by 2020 (Heymann and Vetter, 2013), the economic crisis starting in 2007/2008 has left an impressive negative mark on manufacturing jobs at the EU level: about 3.1 million jobs in manufacturing have been lost between 2008 and 2017, according to EUROSTAT figures. However, some evidence of a weak recovery took place both at the EU28 level, where the share of manufacturing employment has constantly grown on a yearly basis ever since 2014, as well as in various EU member states. Among individual countries, manufacturing recovered quickest in CEECs (most notably, in Poland, Czech Republic, Slovakia, Hungary, and Romania, where the share of manufacturing employment grew on average more than 0.5 per cent on a yearly basis between 2010 and 2017). Slovenia, Austria, Lithuania, Portugal, and Ireland also show positive manufacturing employment growth rates.

• Coming closer to the analysis of macro-sectors employment performance, an impressive turnaround takes place with respect to the general trend of the last (almost) 40 years: manufacturing is leading in the generation of new employment while services show very limited increases (an yearly +0.27%, which becomes 0.38% in CEECs), definitely hit by the rationalization of the global industrial value chains (in the direction of BtoC) and the novelties brought in by the large providers of e-commerce. Employment growth in manufacturing is higher than average in Italy, Germany and Portugal, and, in the CEECs, in the Czech Republic, Lithuania and Bulgaria. Of course, these results still depend on more traditional trends, like FDI in CEECs and some control on unit labor costs and wages (like in Italy).

Regional results are displayed in the next maps.

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Reference scenario Jul. 16, 2018
2018 per capita GDP
- < 18.27
- 18.28 - 31.51
- 31.52 - 48.50
- 48.51 - 95.09
- > 95.09

Regional level: NUTS2
Source: Politecnico di Milano, 2018
Origin of data: © EuroGeographics Association for administrative boundaries

Map 1 Per capita GDP in 2018
Map 1 presents the annual average GDP growth rate between 2018 and 2035 in EU NUTS2 regions. The map does not show any more the macro-regional patterns that were present in the past (namely East-West clear differences and the North-South divide that emerged in the early stages of the crisis). Regional growth rates are now converging around the averages and diverging behaviours touch specific regions (like Castilla Leon, Algarve, Languedoc-Roussillon, Croatia, the north-western regions in Greece and the Aegean islands, southern Sweden).

See in the Annex more detailed assumptions and aggregated results per Member State.
5 Policy-Scenarios 2020-2050

For the purpose of facilitating a useful discussion regarding TA +2020, the scenarios having a 2020-2050 time horizon were also designed as political-scenarios, following the approach applied in similar exercises. While the Reference Scenario assumes for 2020-2035 most likely policies, the four scenarios are designed to explore alternative strategic policy options implemented overtime.

5.1 A Territorial Governance Approach

In order to be as useful as possible for the “Territorial Agenda post2020”, the policy-scenarios follow a “territorial governance” approach, and focus on how key territorial challenges can be resolved in both the short time (the period of the Territorial Agenda) and longer time (up to 2050).

The fundamental hypothesis is that what kind of territorial cooperation may happen between political institutions is the key dimension to design meaningful policy-scenarios dealing with the challenges of fragmentation, interdependency and mismatch of functionalities. Reforming inherited territorialities by strictly applying the Subsidiarity principle, and further developing the European Union as a “new territoriality” is not a viable strategic option in the short-term, but may be in the long-term. Territorial cooperation is considered as a necessary step towards further harmonisation and integration.

“Close cooperation” and “Enhanced cooperation” strategies were already endorsed by Amsterdam (1998) and Nice Treaties (2001). Then, in the White Paper on European Governance (2001) the European Commission launch a broad debate and inspire action in pursuit of the fundamental objectives and principles underlying good governance in Europe. European governance is about the

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16 Since the “Scenarios of Europe 2010” (1999) by the European Commission Forward Studies Unit, to the recent “White Paper on the Future of Europe” (2017) by the European Commission, a large number of prospective studies have been carried out in Europe. Different methodological approaches –quantitative and qualitative, and participatory, have been applied, and each study had a particular thematic or sectorial focus. All studies considered, however, deal one way or another with the topics and main visionary ideas introduced in the “Scenarios of Europe 2010”. Twenty five leading analysts to look into the future and work through a number of scenarios to see where the EU might be in 2050. Their work, presented in the Global Europe 2050 report (2012) analyses three key scenarios which describe different but nonetheless possible pathways that Europe could choose to follow over the decades to come.

17 Like the studies mentioned in (16), scenarios are designed no as “ideal distant futures” but as strategic political options in evolution. We consider strategic options not always necessarily contradictory, or alternative choices at the beginning. We assume that some strategies are more likely to be implemented and have influence in the short-term, and we also assume that their impact may facilitate or no the implementation or others strategies in the mid-term or long-term. The future ahead is understood then as a combination of these strategic options and the whole scenarios related. This approach is inspired on to the so-called Horizons model approach to scenario-building: we can imagine scenarios actually happening over time, each one having more or less relevance/dominance at each moment of time.

18 “Closer cooperation” allows some member states to commit themselves to an agreed-upon activity while other member states choose not to participate in it. It also allows a variation in the degree of participation or the timing of participation. “Closer cooperation” is the language of the treaty establishing procedures whereby member states are authorized to engage in some forms of differentiated activity. “Enhanced cooperation” is a term used with respect to those same types of provisions. The term “flexibility” includes closer cooperation or enhanced cooperation, but it is also used to refer to the broader issues surrounding the accommodation of difference or diversity of obligation within the Union and its constitutional structure and governance. Needless to say, uniform and unanimous implementation of Community obligations is a bedrock principle of Community law, and therefore there is a contradiction between the process moving towards more uniformity in the common legal framework and more flexible governance systems.

ESPON 2020
principles and tools for decision-making within the context of the multiple layers of players and decision-makers—from the European Community, through the Member States, to regional and local authorities and private parties. The coexistence and intertwining of several governance levels clearly constitute unprecedented challenges. There is a need for improving bottom-up involvement in EU policy shaping and implementation; widening the choice of regulatory instruments to respond to governance challenges; and define clearer responsibilities to European institutions. The *White Paper on Multilevel Governance* by the Committee of the Regions (2009) emphasised the need to build Europe in partnership from local and regional up to European scale.

European Territorial Cooperation (ETC), better known as Interreg, provides a framework for the implementation of joint actions and policy exchanges between national, regional and local actors from different Member States. The overarching objective of European Territorial Cooperation (ETC) is to promote a harmonious economic, social and territorial development of the Union as a whole. Interreg is built around three strands of cooperation: cross-border, transnational and interregional. A 'macroregional strategy' is an integrated framework endorsed by the European Council to address common challenges faced by a defined geographical area relating to Member States and third countries located in the same geographical area which thereby benefit from strengthened cooperation contributing to achievement of economic, social and territorial cohesion.

“Territorial governance” is still an ambiguous concept build upon the “multi-level governance” concept. It involves “cross-border cooperation” as well as an stronger “place-based” approach in line with community-led development processes. Territorial governance is a form of cooperation that can significantly improve the efficiency and legitimacy of governments, without requiring structural reforms, modifying political and administrative borders and/or political power. Needless to say, territorial governance involves much complex decision-making processes and requires more open, intelligent corporations.

Moreover, territorial governance is important for the targeted and result-oriented implementation of EU Cohesion Policy, the Europe 2020 strategy, the Territorial Agenda 2020 (TA 2020) and the Urban Agenda. For Cohesion Policy in particular, the shared management system, the partnership principle and territorial instruments such as Community-Led Local Development (CLLD) and Integrated Territorial Investment (ITI) are the basis of territorial governance. However, the actual effect of CLLD and ITI\(^\text{19}\) is marginal, since they are not widely used by Member State programmes.

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\(^{19}\) ITI was introduced in Article 36 of the CPR. This tool makes it easier to implement territorial strategies that need funding from different sources. In this sense, ITI is a tool to promote a place-based form of policy-making; it exploits the development potential of various territories (national, regional, rural, functional, etc.) through the integrated use of various funds. CLLD was introduced in Article 32 of the CPR. It encourages local communities to develop integrated ‘bottom-up’ approaches in circumstances where there is a need to respond to territorial and local challenges calling for structural change. CLLD strategies can respond to growing diversity and complexity. The methodologies for CLLD should focus on specific sub-regional areas and are community-led by local action groups, carried out through integrated and multi-sector area-based local development strategies and take into consideration local needs and potential. CLLD is based on the LEADER approach to community-led local development and may be supported by any ESI Fund. In the past the corresponding funding under the EAFRD
5.2 Policy-Scenarios to Govern Times of “Pervasive Uncertainty”

Four scenarios are suggested focusing on how European governments at all scales will manage to face the territorial challenges identified, assuming they will be exacerbated by more likely trends\(^\text{20}\). In order to make the scenarios useful for the political debate in relation to the Territorial Agenda, scenarios are defined based on political trends, as strategic options –or policy-scenarios\(^\text{21}\). Each scenario or strategic option assumes a different evolution of the territorial framework in which policies are designed and implemented: more cooperative of competitive, centralised or decentralised, as well as different styles of government, from more authoritarian to more participatory. No scenario is assumed to be a worse-case scenario as such, but as a possible mid-term evolution of one of them “Muddling Through”.

Each scenario assumes a particular driving force taken: migration fears and threats related to globalisation, governments and public institutions aiming to reinvent themselves, technologic progress and accelerated globalisation, and/or changes in the values of new generations, millennial and Digital-born Europeans.

Scenarios run from 2020-2035 (like the Reference scenario) and continues towards 2050, but some are more likely in the short-term and other are unlikely to be relevant until longer time. We can imagine the future ahead as an unknown combination of the following policy-scenarios\(^\text{22}\).

- **Muddling Through**: most likely scenario on the short-term, based on different and often contradictory and reactive policy responses to most pressing trends (migration and globalisation), with many governments (not all) moving to protectionism. More or less intense rise of retrospective values everywhere. More authoritarian governments. Euroscepticism. Increasing disparities among regions. Increasing tensions with neighbouring countries. In the mid-term (2035) the scenario can move towards any other scenario, as well as towards more fragmentation and disintegration.

has proven to be an effective and efficient tool in the delivery of development policies. By integrating this approach in the CPR, a single methodology makes CLLD applicable to all ESI Funds.

\(^{20}\) The scenarios are to some extend inspired by strategic policy documents and reflections developed in the crisis aftermath:

- **Three visions, one direction. Plans for the future of Europe**, European Political Strategy Center on Juckers, Macron and Merkel visions (2018)
- **Time to move up a gear: the results of an insufficient summit**, by Janis A. Emmanouilidis (EPC, 2018)
- **Towards a New Pact for Europe**, EPC, 2014

• **Successful Cooperation**: it assumes more successful territorial governance processes in the next decade, inside Member States as well as at European and global scale. More policy coordination is assumed in Europe, without reaching harmonisation or unification. More flexible, closer integration among few EU Member States. More intense co-development projects in neighbouring countries and better redistribution of migrants. Maintenance of social and economic disparities among regions in Europe at current levels. Improvement of the quality of government everywhere in Europe. It is an scenario where the driving force is the improvement of the quality of government. In the mid term the scenario can move towards “Global Balance” or, less likely, “Local Renaissance”.

• **Global Balance**: Top-down scenario where European institutions are able to carry on structural reforms on political systems in the long term, from 2035. Technologic progress and globalisation requires new common European regulations in critical areas. The more cosmopolitan mind-sets of new generations make easier to advance towards a more integrated Europe, removing “cost of non Europe” on most sectors. Reindustrialisation and robotisation reduce the need for labour migration, and neighbouring countries are able to grow faster. The subsidiarity principle is strictly applied, and functional mismatches reduced. Cooperation becomes actual synergy. Territorial structures are reformed through both processes of decentralisation and recentralisation.

• **Local Renaissance**: Bottom-down scenario lead by communities and local institutions that become dominant only at a very long term, from 2040. It involves an optimistic view of new technologies empowering people and communities as well as facilitating environmentally friendly activities. Political borders become fluid within Europe. The European Union engage in international agreements favouring the promotion of “European values”, and establish strong common regulations protecting citizens from being abused from global corporations. The scenario can be understood as a radical realisation of the local-global polarisation, in which local and global institutions become the most relevant players. It assumes a highly decentralised and intensively interconnected political structure.
The vertical axis represents the “dominance” or “relevance” of each defined scenario over time. The “Muddling Through” scenario can derive in any other scenario, as well as in a “worse-case scenario” involving e.g. the disintegration of the European Union, with much higher fragmentation at all scales.

Source: Interim Report.
Next table illustrate how the scenarios deal with the paramount challenges identified:

**Figure 5.2 Territorial key challenges according to the proposed scenarios**

<table>
<thead>
<tr>
<th>Territorial Challenges</th>
<th></th>
<th>=</th>
<th>↔</th>
<th>↓</th>
<th>↑</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmentation of society and territories</td>
<td>–</td>
<td>+</td>
<td>++</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Mismatchment of interdependencies: spill-over and externalities across boundaries</td>
<td>–</td>
<td>+</td>
<td>++</td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Misalignment between geographical jurisdictions and the corresponding geography</td>
<td>–</td>
<td>+</td>
<td>+</td>
<td>++</td>
<td></td>
</tr>
</tbody>
</table>

Source: Interim Report

The figure shows how well the scenarios, as designed, are prepared for mastering the challenges ahead – as identified by the study. Minus (-) means not very well prepared, i.e. Europe will be hit by the negative consequences of the challenge. Plus (+) means well prepared to respond to and master the challenge. Double plus means very well prepared. To display scenarios, we can represent in a vertical axis economic efficiency versus political legitimacy as claims asking for reform, while the horizontal axis attachment to existing territorialities.
The scenarios just introduced can be further developed to enhance their spatial implications taking as the starting point the ET2050 scenarios\(^\text{23}\), assuming that there is a clear spatial development implication linked to how political power is distributed across the European geography. While more centralised and top-down scenarios may provide for common integrated policies at continental scale and scale-up urban structures over time, more decentralised and bottom-up scenarios may do just the opposite. In either case, no radical transformations can be expected in a few decades giving the resilience of European patterns. Figure 5.4 Illustrates which scenarios by relevant studies will inspire Territorial Framework scenario’s narratives:

\(\text{Source: Project team}\)

Figure 5.4 The four scenarios in light of the scenarios developed in relevant studies (titles of scenarios more closely related to the four scenarios proposed are listed)

\(^{23}\) As they were originally drafted, the focus of ET2050 scenarios was mostly related to spatial development aiming to provide a reference for a possible update of the European Spatial Development Prospective (ESDP, 1999), in line with the Territorial Agenda 2020. That effort was also in line with proposals by the Committee of Regions that reiterates its call for a new territorial vision that would bring the 1999 European Spatial Development Perspective up to date (COTER, 2018).
**SUCCESSION COOPERATION**
- Public policies promoting secondary city-networks
- Those who want more do more
- Creative Societies
- Shared Responsibilities
- Doing less more efficiently
- Moving ahead ambitiously

**GLOBAL BALANCE**
- Market based growth favouring large metropolis
- Triumphant Markets
- Doing much more together
- European Renaissance
- Leaping Forward

**MUDDLING THROUGH**
- Mixed governance styles and ad-hoc policies
- EU under threat scenario
- Turbulent Neighbourhoods
- Nothing but the Single Market
- Carrying on
- Consolidating past achievements
- Going back to basics

**LOCAL RENAISSANCE**
- Local and European initiatives promoting small cities and less developed regions
- 1000 flowers
- Changing the more/less Europe logic

Source: Project team

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**Figure 5.5 Hypothesis on “New Territorialities”**

<table>
<thead>
<tr>
<th>Hypothesis on “New Territorialities”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Muddling Through</strong></td>
</tr>
<tr>
<td><strong>Successful Cooperation</strong></td>
</tr>
<tr>
<td><strong>Global Balance</strong></td>
</tr>
<tr>
<td><strong>Local Renaissance</strong></td>
</tr>
</tbody>
</table>

Source: Project team

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**Figure 5.6 Hypothesis on strategic options for Europe**

<table>
<thead>
<tr>
<th>Hypothesis on Strategic Political Options for Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Muddling Through</strong></td>
</tr>
</tbody>
</table>

As Emmanouilidis (2018), states, three things are inevitable if the EU27 fails to exploit the current window of opportunity to repair or reform its institutions:
increased fragmentation and distrust among member states, insufficient defences to face future storms and further strengthening of illiberal "anti-forces". The scenario of disintegration, avoided in the worse moments of the recent monetary crisis, may happen as a possible evolution of the "Muddling Through" scenario.

**Successful Cooperation**

It involves the implementation of most reforms proposed by President Junckers, President Macron and Chancellor Merkel on 2017-2018, many of them also advocated by the New Pact for Europe project in the "Moving Ahead Ambitiously" strategic option. This scenario proposed three main pillars of political pathways: "Enabling Europe", "Supportive Europe" and a "Participatory Europe". It also advocates in favour of a new "grand project" such as implementing an Energy Union, and preparing the process of a treaty change. This scenario is in line with the “Doing less more efficiently” developed in the White Paper of the Future of Europe, and to some extend to “Those who want more do more”.

**Global Balance**

It is build on the basis of the “Leaping forward” strategic option by the New Pact for Europe project. On the one hand the recent crisis have proof that the EU lacks key tools to face future possible crisis, such as economic, fiscal, financial, social and political union. This strategic option is unfeasible in the short-term. A sort of federal entity is not a viable option. In the mid term, however, the need for further harmonised legislation will be obvious, to fill existing gaps and regulate new common problems and opportunities, from the digital market and security, to the environment. On the one hand emerging technologies, on the other changes in the values and behaviours of new generations will push towards an “ever closer Union”. This option may emerge from a positive evolution of the “Muddling Through” or, more likely, “Successful Cooperation”. It takes elements of the “Doing much more together” scenario.

**Local Renaissance**

It is build on a fundamental change on how political power is distributed among institutions. Based on an optimistic understanding on how technology may empower citizens in policy-making regardless if at local or European scale, as well as may facilitate decentralised and strongly-place based economies and communities. It is not contradictory to the “Global Europe” scenario, necessarily, but the drivers are social groups, communities and local institutions.

Source: Project team

Next, qualitative synthetic and qualitative descriptions of the scenarios are introduced (more detailed, by European policies, territorialised and quantified versions will be developed on a later stage):

### 5.3 Muddling Through

The scenario is nowadays dominant and therefore closer to the Reference scenario than other scenarios. It runs from 2020-2035 with no clear direction and is expected to end up in one of the three other scenarios. It is characterised by a number of political changes carried out by different actors at local, regional, state and European levels with insufficient coordination and no clear direction. The paramount political aim of the policy-scenario is assuring stability within the territory under the jurisdiction of each government, but there is a lack of cooperation in the policies taken. Paradoxically,

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24 This scenario will be further developed and territorialised by considering references such as:
Václav Klaus, “Europe. The shattering of Illusions” (2011)
Claus Offe, “Europe Entrapped” (2015)
because of the unavoidable interdependencies, there is a growing uncertainty and feelings of governments losing control – in front of migration and global corporations, in relation to the digital economy. There is a recentralisation process at Member States level, and reforms of local and regional governments (e.g. municipal amalgamations) are feasible in countries where national governments are strong enough.

This scenario assumes many governments – no all, applying ‘Governing by authority’ styles, and suggests the use of traditional forms of authority, such as regulation and direction that persist despite reforms. This method is seen when national governments intervene directly in local politics through mandates or other compulsory means. This scenario is a likely one in the coming years. A positive evolution of this scenario in the mid-term is possible by its failure to accomplish their promises. A negative evolution will imply further fragmentation.

Disparities among cities, regions and Member States will tend to keep growing, and companies operating in each European national economy will look for their own global trade opportunities. New technologies will be implemented more slowly in Europe that in other developed regions, in an inharmonious manner. Environmental policies will be applied very much on relation to the needs and capabilities of each Member State, and region. ‘Costs of non-Europe’ will grow. Cohesion policy becomes further renationalised, transfers reduced and strict conditionality applied in relation to macroeconomic conditions only. Most national capitals become global cities and polarise growth, attracting migrants from the rest of the country. While this could continue to be the case for more skilled people, the less skilled and mobile will remain in the places which are further ‘removed’ from economic opportunities. Agglomeration economies in these cities, and network economies between them and the rest of the world become more relevant than nowadays. Political borders still have relevance on people’s lives.

The Reference Scenario can develop towards one the other three scenarios considered. It can also move towards European further disintegration.

5.4 Successful Cooperation

It assumes a well spread implementation of the territorial governance paradigm in the short-term already beginning in the 2020-2035. The scenario is based on the ‘Governing through enabling’ paradigm, facilitating, co-ordinating and encouraging action through partnership with private and voluntary sector agencies, and through various forms of community engagement. Governing through enabling works through persuasion, constructive criticism and incentives. It is based on a ‘flexible geometry’ and runs at a ‘multiple speed’. Even if many barriers to cooperation remain, political integration is further developed, particularly in some euro-regions and macro-regions (e.g. Baltic, Alpine, Danube…), as well in cross-border and functional urban areas where social and economic

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25 This scenario will be further developed and territorialised considering as references:
Anthony Giddens, “Turbulent and Mighty Continent” (2014)
Jürgen Habermas, “The crisis of European Union. A Response” (2011)
relations already exists, as well as common interests. Multiple association agreements will be established with an increasing number of neighbouring countries.

The scenario can emerge from "Mudding Through", if a number of countries decide that the EU could become a two-speed entity, consisting of a strongly integrated group of "core" countries and "periphery" countries more free to choose those EU policies in which to participate. A variant could see further EU integration being put on hold in some areas (or possibly reversed, with sovereignty reclaimed by national capitals) while greater EU integration is pursued in other select fields, such as European security or eurozone governance. A “flexible” multiple-speed entity, avoiding uniformity, can be useful step to overcome existing constrains and open windows for more customised cooperation.

Disparities among cities and regions will remain stable in terms of GPD/capita. Cohesion policies will be reformed, the budget maintained and integrated into a single fund focused on improving quality of governance and cross-border issues, particularly targeted to borders with neighbouring countries.

The Network of cities scenario (ET2050) provides an image of the European territory that may inspire ‘Successful Cooperation’. Economic and population growth, as well as most private and public investments, take place within existing cities that give structure to the European territory: national capitals and major regional capitals as driving forces. It is a place-based scenario that follows the priority of the European Spatial Development Perspective (1999) and the two Territorial Agenda (2007; 2011) for balanced polycentric urban systems at the macro-regional or national scale for the 261 cities of European or national significance defined in ESPON 1.1.1 (2005, 114). Policies applied are mainly in the fields of Cohesion funds being mostly targeted to cities, including urban renewal and re-urbanisation, and R&D investments distributed among cities, and promotion of regional and national transport networks. This scenario is characterised by economically strong and compact cities as centres of excellence. The increasing concentration of added-value activities in cities does not necessarily imply a process of rural decline, but its increasing functional dependency is on large cities.

Einsele, Martin, The Upper Rhine, an Alternative Metropolis, (1988)
Jacobs, Jane, Dead and Life in the American Cities
Glaser, Edward, Triumph of the City, (2011)
Savitich, H. V., Post-Industrial Cities, (1991)
White, William H., City. Rediscovering the Center (1988)
5.5 Global Balance

Significant reforms on European political institutions are carried out from 2035-2050. Flows of people, goods, energy, resources and information, will continue to grow at European and global scale. Feelings of new generations will be less attached to inherited territorialities, less retrospective, and Europeans will feel increasingly cosmopolitan, sharing multiple identities, the European one among others. The European Union will be able to continue to reinvent itself as a ‘new territoriality’, with institutions strong enough to push other European governments to improve their quality significantly. Stronger European institutions are able to deal with the power of global corporations and regulate emerging technologies to enhance their positive impacts. The European Parliament and the European Commission have a critical role in the establishment of new common regulations for network industries (e.g. European transport or energy systems) and more advanced technological sectors (e.g. robotics, biomedicine) aiming to protect citizens rights. The ‘Cost of non-Europe’ will be removed through a completed Single Market. The European Union will be engaged in co-development projects on neighbouring countries able to reduce forced labour migration, since the need for labour force will be reduced by automatisation and robotisation processes. European industry will become better connected to take advantage of new and improved European value chains, and to make better connections to global value chains. European Union solves its ‘democratic deficit’. ‘Governing by provision’ shapes practice through the delivery of services and resources at the geographic scale if becomes more efficient. Governing by provision is accomplished through practical and material means, including infrastructure. Less advanced local, regional, state administrations increase their quality of government in few decades, removing barriers to cross-border cooperation.

Disparities are reduced in the long-run. Reforming actual territories further induce not just cooperation but synergies among European territories at all scales, as well as the private sector. European Cohesion policies deal with ‘neighbouring regions’. Budged increased and applied to European investments only (e.g. TENs particularly on “missing links”, Nature 2000, H2020).

The Global Metropolitan Areas scenario (ET2050) provides a possible image of Europe in which the territory is more dynamic, flexible and adaptable to technological, social and economic change. This scenario follows the Europe 2020 strategy of promoting global competitiveness of Europe by promoting the economic development of the largest metropolitan areas of global importance in Europe, i.e. of the 76 Metropolitan European Growth Areas (MEGAs) defined in ESPON 1.1.1 (2005, 118). The policies applied are mainly investments in MEGAs supporting of high-level R&D as well as

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27 This scenario will be further developed and territorialised by considering the work of the following authors:
Daniel Cohn-Bendit, “For Europe!, Manifesto for a postnational revolution in Europe” (2012)
Bauman, Zygmunt, 44 letters from the Liquid Modern World (2011)
Dupuy, Gabriel, Systèmes, réseaux et territoires. Réseautique territorial (1985)
García Vázquez, Carlos, Antípolis, (2011)
European transport infrastructure, such as high-speed rail, and enhancing connections and long distance networks, favouring more efficient technologies and management strategies. More integrated trans-national zones emerge by the networking of cities in cross-border areas, and transport and energy corridors link major European centres of production and consumption with neighbouring countries and the rest of the World.

5.6 Local Renaissance

It assumes an optimistic impact of new technologies in their capacity to empower people and communities, as well as to dramatically reduce environmental damage. More decentralised and self-organised communities emerge in neighbourhoods of large metropolis as well as in rural areas, based on sharing and circular bottom-up economies. The scenario assumes to remain marginal in the short term and only towards 2035 will begin to become a possible dominant scenarios. Actual categories such as consumer/producer, local/global, cooperation/competition, personal/business, private/public will become obsolete.

Multinational corporations are already becoming ‘multi-local’. ‘Self-governing’ includes a local public administration governing its own activities. It is characterised by self-motivated action and may take place in cities and regions. Self-governing may occur if mandatory legislation is limited or non-existent. It relies on organisational management processes. Cohesion policies are delivered through Community-led development processes having European support only those less developed places where communities are weak.

Promoting Regions and Smaller Cities scenario (ET2050) provides an image of the European territory in which urban and rural territories form a mosaic of different regions and types of territories with identities nourished by local and regional governments able to cooperate in areas of common interest. Local and regional scales favouring geographical proximity have to be strongly promoted by public policies to support endogenous development and increase economic resilience in a world with increasing economic vulnerability and scarce and more expansive transport and energy, even if this leads to zero growth in the short-term. European Cohesion policies should be targeted to small and medium-size towns and rural regions, especially in less developed countries, favouring changes in people behaviour. This territorial policy will support emerging alternative economic practices such as

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29 This scenario was inspired by the work of the following authors:

Benjamin Barber, “If Majors rules the world. Dysfunctional Nations, Rising Cities” (2013)

Geddes, Patrick, Regional Planning.

Garreau, Joel, Edge Cities (1993)


Hall, P., Megacities, World Cities and Global Cities, in Megacities (2010)


Nijkamp, Peter, Megacities: Lands of Hope and Glory, in Megacities (2010)

Kasarda, John, Aerotropolis. The Way We’ll Life Next (2011)

Kunstler, James Howard, The geography of nowhere (1993)

Rowe, Peter, Making a Middle Landscape (1991)

Sassen, Saskia, Urban Economics and Fading Distances, in Megacities (2010)

Senett, Richard, Megacities and the Welfare State, in Megacities (2010)
consumer cooperatives, agro-ecological production networks, social currency networks, seed banks, etc., therefore balancing the strong de-territorialisation trends of financial activities. This scenario responds to the challenges of energy scarcity and climate change expressed in the Territorial Agenda 2020 (2011) by promoting small and medium-sized cities as centres of self-contained and economically resilient regions with more sustainable mobility patterns yet taking account of the necessary economies of scale of services of general interest and the prospects of an ageing society. Policies applied are mainly from the fields of cohesion funds targeting mostly rural less developed areas, and transport investments focused on local and regional networks.
6 Ways forward

Following the further elaboration of the scenarios, the project will develop a vision for 2050 and policy pathways to reach it. From these policy pathways more target-oriented policy pointers shall be derived giving clear indications concerning which players need to do what. Therefore, to start with, an overview of relevant players and stakeholders is needed.

To bring those policy pathways forward, the right stakeholders need to be mobilised. Identifying the stakeholders that are most relevant for the development and implementation of the Territorial Agenda post-2020 and the links between them is a first step to this approach. We have tried to identify a number of relevant stakeholders. These do not cover all possible players in all EU policies, but cover those that are most relevant from a future Territorial Agenda view.

6.1 The Governance of the Territorial Agenda

The ESPON COMPASS project derived a number of policy recommendation useful as starting point for the TA post 2020. The COMPASS analysis revealed that many planning instruments have a strategic as well as a regulatory dimension, and that this is increasing. Strategy and visioning are especially valuable for coordination across sectors of government and between private and public interests. A strategic approach will address the longer-term transformation and development of territories, as do regional and cohesion policies. A strong strategic and visioning approach in spatial planning and governance can influence sector policy making at the stage of policy formulation, that is in the early stage of the policy cycle. The strategic approach can join up and inject the place-based approach if it formulates its territorial concerns in a way that addresses the objectives of other sectors and which suits the formulation of sector policies. This will entail an increase in institutional capacity to facilitate dialogue with other sector policies in the early phases of their respective policy cycles.

Although the Territorial Agenda (TA 2020) is widely considered to address relevant topics, the application or implementation is rather weak. This seems mainly due to, among other reasons, the poor connection established with the main players in domestic systems of territorial governance and spatial planning. Even today most of the objectives are generally still considered to be relevant. The main weaknesses are rather seen in the relation to the implicit governance and implementation system. For the Territorial Agenda post-2020 some of the following reflections might help to strengthen the governance and implementation.

On the other hand, according to a recent study by Rosinak and COWI (2018) the territorial policy system at the European level is a complex, manifold and fragmented landscape developed on demand and step by step over the last decades. There is no legal competence for spatial and urban policymaking at the European level, the main tools of intervention are incentives ("soft" policies) and funds ("hard" policies), sectoral European policies have an important and strong impact on territorial development, and the link with cohesion policy implementation is complex and fragmented.
6.2 Mapping Stakeholders in the Sphere of the Territorial Agenda

Next figures provides an overview of a wide range of players from different administrative scales and policy areas. These players are relevant from the perspective of a future Territorial Agenda as they are involved in decision making, policy formulation and implementation of relevant EU policies at local, regional, national and EU level, linked to the topics of the Territorial Agenda.

Especially the shared management system for the European Structural and Investment Funds becomes visible. The formulation and implementation of the national and regional programmes involves different DGs of the European Commission and (sub-)national ministries as well as regional and local authorities and representatives of the civil society.

The biggest share of the EU budget comes under shared management. In contrast to this, other EU policies are managed centrally and directly by the European Commission, e.g. the EU’s Framework Programme for R&D, the LIFE programme for environmental protection, the Connecting Europe Facility (CEF) for energy, transport and digital infrastructure, but also new instruments like the Asylum, Migration and Integration Fund (AMIF) or the EU programme for Employment and Social Innovation (EaSI).

Other relevant and influential stakeholders when it comes to wider policy sphere are the DG Research and Innovation, DG Communications Networks, Content and Technology, DG Budget, the DG for Economic and Financial Affairs and the Structural Reform Support Service and need to be considered.
Taking a closer look at the links between all relevant stakeholders, reveals that some stakeholders are placed more in the centre of the complex network and show more interlinkages than other stakeholders. Less interlinked stakeholders are placed rather at the margin of the figure. Especially stakeholders involved in EU Cohesion Policy (Structural and Investment Funds) are very well linked with other policies (except for migration and security).

As we seek to identify the wider stakeholder context with regard to a future Territorial Agenda post 2020, it is especially interesting to see that despite the focus on territorial development, key players in urban and territorial policies (e.g. NTCCP, DGUM, DGTC, COTER, UDG) are not placed in the centre of the graph. Instead mainly the DGs, Committees and ministries involved in the management of the European Structural and Investment Funds can be found here. If territorial development shall play a role after 2020, the policy community around the NTCCP and ESPON needs to establish more stable links to decisive players in the wider web of policies relevant for achieving territorial development objectives.

All the main players in urban and territorial policies are placed at the left margin, i.e. they have comparatively few linkages with players of other EU policies. If territorial development shall play a more decisive role after 2020, we need furthermore to discuss which stakeholders need to be better addressed, on which topics and how this can be accomplished.

Figure 7.1 Network of key players for selected EU policies in the wider context of the Territorial Agenda

Source: Project team

Abbreviations of key players & policies

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACER</td>
<td>Agency for the Cooperation of Energy Regulators</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>AMIF</td>
<td>Asylum, Migration and Integration Fund</td>
</tr>
<tr>
<td>BMVI</td>
<td>Border Management and Visa Instrument</td>
</tr>
<tr>
<td>CEF</td>
<td>Connecting Europe Facility</td>
</tr>
<tr>
<td>CF</td>
<td>Cohesion Fund</td>
</tr>
<tr>
<td>COESIF</td>
<td>Coordination Committee for the European Structural and Investment Funds</td>
</tr>
<tr>
<td>CoR COTER</td>
<td>Committee of the Regions – Commission for Territorial Cohesion Policy and EU Budget</td>
</tr>
<tr>
<td>CoR ENVE</td>
<td>Committee of the Regions – Commission for the Environment, Climate change and Energy</td>
</tr>
<tr>
<td>CoR SEDEC</td>
<td>Committee of the Regions – Commission for Social Policy, Education, Employment, Research, Culture</td>
</tr>
<tr>
<td>DG AGRI</td>
<td>Directorate-General for Agriculture and Rural Development</td>
</tr>
<tr>
<td>DG CLIMA</td>
<td>Directorate-General for Climate Action</td>
</tr>
<tr>
<td>DG EMPL</td>
<td>Directorate-General for Employment, Social Affairs and Inclusion</td>
</tr>
<tr>
<td>DG ENER</td>
<td>Directorate-General for Energy</td>
</tr>
<tr>
<td>DG ENVI</td>
<td>Directorate-General for the Environment</td>
</tr>
<tr>
<td>DG HOME</td>
<td>Directorate-General for Migration and Home Affairs</td>
</tr>
<tr>
<td>DG MARE</td>
<td>Directorate-General for Maritime Affairs and Fisheries</td>
</tr>
<tr>
<td>DG MOVE</td>
<td>Directorate-General for Mobility and Transport</td>
</tr>
<tr>
<td>DG REGIO</td>
<td>Directorate-General for Regional and Urban Policy</td>
</tr>
<tr>
<td>DGTC</td>
<td>Directors General responsible for Territorial Cohesion</td>
</tr>
<tr>
<td>DGUM</td>
<td>Directors General responsible for Urban Matters</td>
</tr>
<tr>
<td>EAFRD</td>
<td>European Agricultural Fund for Rural Development</td>
</tr>
<tr>
<td>EaSI</td>
<td>EU Programme for Employment and Social Innovation</td>
</tr>
<tr>
<td>EEA</td>
<td>European Environment Agency</td>
</tr>
<tr>
<td>EFSI</td>
<td>European Fund for Strategic Investments</td>
</tr>
<tr>
<td>EGESIF</td>
<td>Expert Group on European Structural and Investment Funds</td>
</tr>
<tr>
<td>EIAH</td>
<td>European Investment Advisory Hub</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EIP AGRI</td>
<td>European Innovation Partnership for Agricultural Productivity and Sustainability</td>
</tr>
<tr>
<td>EMFF</td>
<td>European Maritime and Fisheries Fund</td>
</tr>
<tr>
<td>ENRD</td>
<td>European Network for Rural Development</td>
</tr>
<tr>
<td>ENTSO</td>
<td>European Network of Transmission System Operators</td>
</tr>
<tr>
<td>EP – EMPL</td>
<td>European Parliament’s Committee on Employment and Social Affairs</td>
</tr>
<tr>
<td>EP – PECH</td>
<td>European Parliament’s Committee on Fisheries</td>
</tr>
<tr>
<td>EP – REGI</td>
<td>European Parliament’s Committee on Regional Development</td>
</tr>
<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
</tr>
<tr>
<td>ESF</td>
<td>European Social Fund</td>
</tr>
<tr>
<td>ESPON</td>
<td>European Territorial Observatory Network</td>
</tr>
<tr>
<td>INEA</td>
<td>Innovation and Networks Executive Agency</td>
</tr>
<tr>
<td>ISF</td>
<td>Internal Security Fund</td>
</tr>
<tr>
<td>LIFE</td>
<td>Programme for the Environment and Climate Action</td>
</tr>
<tr>
<td>NTCCP</td>
<td>Network of Territorial Cohesion Contact Points</td>
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<tr>
<td>OP</td>
<td>Operational Programme</td>
</tr>
<tr>
<td>UDG</td>
<td>Urban Development Group</td>
</tr>
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</table>
Questions to be discussed

This paper has sought to explore different policy-scenarios for 2035 and 2050 and present the wider stakeholder context for policy making in the EU with a particular focus on policy fields that are relevant from the perspective of a future Territorial Agenda. Based on the outputs of the 1\textsuperscript{st} and 2\textsuperscript{nd} meeting of the Strategic Advisory Forum, i.e. key challenges for future territorial development in Europe and relevant trends and their implications on the key challenges, the 3\textsuperscript{rd} meeting seeks to discuss future scenarios, as a basis to continue their development according to the needs to inspire the discussions on the Territorial Agenda 2020. The output will provide pointers for, and directly feed into, the policy debate around the next Territorial Agenda.

The discussions at the 3\textsuperscript{rd} Strategic Advisory Forum will centre around the following aspects:

- The four policy-scenarios or strategic options designed:
  
  o Is “Territorial Cooperation” or “Territorial governance” a useful/meaningful approach to design useful scenarios to inspire the Territorial Agenda 2020?, what other approaches to design scenarios can be useful/meaningful to inspire the political debate informing the Territorial Agenda +2020?
  
  o The approach that has been adopted considers scenarios as evolutionary possible futures, not necessarily alternative or opposite among themselves. Is this a useful approach in the context of the Territorial Agenda?
  
  o How scenarios can be further on described considering the trends selected and discussed at the 2\textsuperscript{nd} Strategic Advisory Forum?, how they can be further territorialised—in terms of spatial development implications?
  
  o What is the link between each scenario and the three key challenges and trends—i.e. the territorial relevance and importance of each?

- Need for policy responses at EU level:
  
  o What policy responses are needed in each scenario particularly in relation to Cohesion policies?, and other European policies?
  
  o To what extend policy responses differ between the scenarios? What key similarities and differences can be identified?
  
  o Which key challenges and scenarios require action at EU level?
  
  o Which policy responses might be better delivered at Member State, Regional or Local levels?, which policy responses need to overpass inherited jurisdictions and involve “macro-regions”, “cross-border zones”, “euro region-“, or “functional urban zones”?
  
  o How can EU added value be optimised?
  
  o Which stakeholders (at all levels of multi-level governance) can be targeted as champions for a renewed approach to territorial policy making?
- Most relevant stakeholders to provide and deliver policy responses:
  
o  Which stakeholders need to be addressed in each scenario?

  o  What similarities and differences can be identified?
  
o  Which stakeholders can be identified as key stakeholders that play a key role in all scenarios?
  
o  What incentives / motivations do / could these stakeholders group have, to adopt a more territorially-sensitive approach to strategic decision making? What 'appeal' can be made to respective groups to encourage greater territorial sensitivity?

Following the discussions at the meeting, this paper will revised and further developed, e.g. by adjusting and complementing the scenarios, adding sections on reasons why we need a Territorial Agenda post 2020 at EU level, policy pathways with detailed descriptions of key policy areas and stakeholders. This information will be used to describe first ideas for a European vision for 2050, which will be the main subject of the 4th meeting of the Strategic Advisory Forum, which will take place in November 2018.
## 1 Annex

Table 1. Qualitative assumptions, model’s levers and quantitative assumptions MASST4

<table>
<thead>
<tr>
<th>Qualitative assumptions</th>
<th>Model’s levers</th>
<th>Quantitative assumptions (targets in 2035)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assumptions on macroeconomic trends</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High volatility of investments, decreasing in the long run</td>
<td>Coefficient of investment trends</td>
<td>Lower value</td>
</tr>
<tr>
<td>High reactivity of investments growth to GDP growth, decreasing in the long run</td>
<td>Coefficient of GDP growth with respect to Investment growth</td>
<td>Lower value</td>
</tr>
<tr>
<td>Risk of protectionism and therefore lower export increase</td>
<td>Constant of export growth</td>
<td>Lower value</td>
</tr>
<tr>
<td>Permanent controls on national deficits and debts</td>
<td>Targets on deficits and debts</td>
<td>3% : Deficit / GDP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60%: Debt / GDP for Eastern countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90% : Debt / GDP for Western countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>110% : Debt / GDP for Western countries belonging to cluster 1*</td>
</tr>
<tr>
<td>Some controlled exceptions of public expenditures</td>
<td>Targets on debts</td>
<td>110% : Debts over GDP on “problematic countries”</td>
</tr>
<tr>
<td>Low inflation rates</td>
<td>Inflation rate</td>
<td>2.5% Western countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5% Eastern countries</td>
</tr>
<tr>
<td>End of the expansionary monetary policy (quantitative easing)</td>
<td>Interest rates</td>
<td>3% Western countries;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4% Eastern countries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4% Western countries belonging to cluster 1;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6% Eastern countries belonging to cluster 1</td>
</tr>
<tr>
<td><strong>Assumptions on industrial trends</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial launch of high-tech industry in Europe</td>
<td>EU growth rate of High-tech industrial sectors</td>
<td>Increase of value added at European level for high-tech industries (+1.5% as an average with respect to the past)</td>
</tr>
<tr>
<td>Increase in high-value added services related to the adoption of Industry 4.0 related technologies</td>
<td>EU growth rate of High-tech service sectors</td>
<td>Increase of value added at European level for service industries (+1.5% as an average with respect to the past)</td>
</tr>
<tr>
<td>A slow catching-up in R&amp;D expenditure in CEECs</td>
<td>R&amp;D / GDP in CEECs countries</td>
<td>+ 0.5% with respect to the post crisis period in Eastern countries</td>
</tr>
<tr>
<td>A slow catching-up in human capital in CEECs</td>
<td>Human capital in CEECs countries</td>
<td>+2% with respect to the post-crisis period in Eastern countries</td>
</tr>
</tbody>
</table>
### Assumptions on institutional trends

<table>
<thead>
<tr>
<th>Brexit from 2020</th>
<th>Regional input-output trade between UK NUTS2 and all other NUTS2 in Europe, applied as a distance for spillovers of growth</th>
<th>Trade distance increased to a maximum, limiting growth spillovers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographical distance between UK NUTS2 and all other NUTS2 in Europe</td>
<td></td>
<td>Distance increased to a maximum, limiting growth spillovers.</td>
</tr>
<tr>
<td>Decrease in the cohesion policy expenditures</td>
<td>Expenditures of cohesion funds by NUTS2</td>
<td>National shares equal to the levels decided in the document of 29th May, maintaining regional shares as in the 2014-2020 programming period</td>
</tr>
</tbody>
</table>

### Urban settlement related assumptions

<table>
<thead>
<tr>
<th>Increase in urban amenities in Western countries</th>
<th>Urban amenities</th>
<th>2% increase in large cities 1% 0.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgraded quality functions</td>
<td>High-value functions</td>
<td>Increase of: 3% large and medium cities in Western countries 1% small cities in Western countries 2% large cities in Eastern countries 1% medium cities in Eastern countries 0.5 small cities in Eastern countries</td>
</tr>
<tr>
<td>Cooperative behaviour among cities everywhere</td>
<td>Networking behaviour</td>
<td>10% large cities in Western countries 5% medium cities in Western countries 3% small cities in Western countries 8% large cities in Eastern countries 4% medium cities in Eastern countries 2 small cities in Eastern countries</td>
</tr>
</tbody>
</table>

Legend: * cluster 1 countries include: Cyprus, Finland, Greece and Italy, representing the lowest growing countries in the post-crisis period.
Table 2. GDP, productivity, manufacturing and service employment average annual growth rates by country and for EU - 2018 - 2035

<table>
<thead>
<tr>
<th>Country/Aggregates</th>
<th>Average GDP growth rate</th>
<th>Average productivity growth rate</th>
<th>Average manufacturing employment growth rate</th>
<th>Average service employment growth rate</th>
<th>Average total employment growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1.72</td>
<td>0.14</td>
<td>1.07</td>
<td>0.04</td>
<td>0.23</td>
</tr>
<tr>
<td>Belgium</td>
<td>1.82</td>
<td>0.38</td>
<td>1.03</td>
<td>0.02</td>
<td>0.18</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1.96</td>
<td>0.68</td>
<td>1.32</td>
<td>0.03</td>
<td>0.43</td>
</tr>
<tr>
<td>Croatia</td>
<td>1.28</td>
<td>0.24</td>
<td>1.02</td>
<td>0.02</td>
<td>0.27</td>
</tr>
<tr>
<td>Cyprus</td>
<td>1.83</td>
<td>1.21</td>
<td>1.12</td>
<td>0.04</td>
<td>0.21</td>
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<tr>
<td>Czech Republic</td>
<td>1.76</td>
<td>0.47</td>
<td>1.57</td>
<td>0.04</td>
<td>0.63</td>
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<tr>
<td>Denmark</td>
<td>1.74</td>
<td>-0.50</td>
<td>0.97</td>
<td>0.04</td>
<td>0.17</td>
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<td>Estonia</td>
<td>2.13</td>
<td>0.74</td>
<td>1.01</td>
<td>0.03</td>
<td>0.26</td>
</tr>
<tr>
<td>Finland</td>
<td>1.59</td>
<td>-0.32</td>
<td>1.09</td>
<td>0.03</td>
<td>0.20</td>
</tr>
<tr>
<td>France</td>
<td>1.58</td>
<td>0.23</td>
<td>1.09</td>
<td>0.03</td>
<td>0.19</td>
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<tr>
<td>Germany</td>
<td>1.66</td>
<td>0.28</td>
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<td>0.03</td>
<td>0.32</td>
</tr>
<tr>
<td>Greece</td>
<td>1.51</td>
<td>0.92</td>
<td>0.98</td>
<td>0.03</td>
<td>0.14</td>
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<tr>
<td>Hungary</td>
<td>1.94</td>
<td>0.42</td>
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<td>0.39</td>
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<td>Ireland</td>
<td>1.56</td>
<td>0.22</td>
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<td>0.19</td>
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<td>Italy</td>
<td>1.57</td>
<td>0.37</td>
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<td>0.06</td>
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<td>1.23</td>
<td>0.03</td>
<td>0.28</td>
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<tr>
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<td>1.04</td>
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<tr>
<td>Slovakia</td>
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<td>1.06</td>
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<td>0.03</td>
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<td>1.20</td>
<td>0.03</td>
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<tr>
<td>EU27 without UK</td>
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<td>1.21</td>
<td>0.03</td>
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<td>0.03</td>
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<tr>
<td>CEECs</td>
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<td>1.17</td>
<td>0.03</td>
<td>0.38</td>
</tr>
</tbody>
</table>

Source: MASST4 scenario results.
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The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.