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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE
EUROPEAN PARLIAMENT, THE COMMITTEE OF THE REGIONS AND THE
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE**

**Green Paper on Territorial Cohesion
Turning territorial diversity into strength**

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1. A TERRITORIAL PERSPECTIVE ON ECONOMIC AND SOCIAL COHESION

From the frozen tundra in the Arctic Circle to the tropical rainforests of Guyane, from the Alps to the Greek islands, from the global cities of London and Paris to small towns and villages dating back centuries, the EU harbours an incredibly rich territorial diversity.

Territorial cohesion is about ensuring the harmonious development of all these places and about making sure that their citizens are able to make the most of inherent features of these territories. As such, it is a means of transforming diversity into an asset that contributes to sustainable development of the entire EU.

Issues such as coordinating policy in large areas such as the Baltic Sea region, improving conditions along the Eastern external border, promoting globally competitive and sustainable cities, addressing social exclusion in parts of a larger region and in deprived urban neighbourhoods, improving access to education, health care and energy in remote regions and the difficulties of some regions with specific geographic features are all associated with the pursuit of territorial cohesion.

Increasingly, competitiveness and prosperity depend on the capacity of the people and businesses located there to make the best use of all of territorial assets. In a globalising and interrelated world economy, however, competitiveness also depends on building links with other territories to ensure that common assets are used in a coordinated and sustainable way. Cooperation along with the flow of technology and ideas as well as goods, services and capital is becoming an ever more vital aspect of territorial development and a key factor underpinning the long-term and sustainable growth performance of the EU as a whole.

Public policy can help territories to make the best use of their assets. In addition, it can help them to jointly respond to common challenges, reach critical mass and realise increasing returns by combining their activities, exploit the complementarities and synergies between them, and overcome divisions stemming from administrative borders.

Many of the problems faced by territories cut across sectors and effective solutions require an integrated approach and cooperation between the various authorities and stakeholders involved. In this respect, the concept of territorial cohesion builds bridges between economic effectiveness, social cohesion and ecological balance, putting sustainable development at the heart of policy design.

Recognition of the importance of the territorial dimension is not new. It is at the core of the EU structural policies¹ and has been since its inception. Several sectoral policies also have a specific territorial impact and some have elements² which address specific territorial problems.

As far as structural policies are concerned, eligibility for support is principally determined at the regional level, and there has been growing awareness of the need to frame development strategies around the particular assets of territories, their physical, human and social capital as well as their natural resources. Moreover, over the years, EU structural policies have championed a multi-sectoral, integrated approach to economic and social development across the EU.

The importance of territorial cohesion was highlighted in the Community Strategic Guidelines on Cohesion adopted by the Council in 2006, which stated that "promoting territorial cohesion should be part of the effort to ensure that all of Europe's territory has the opportunity to contribute to the growth and jobs agenda"³. Similarly, the Community Strategic Guidelines on Rural Development⁴ highlight the contribution which EU rural development programmes can make to pursuing territorial cohesion. At the same time, there has been increasing recognition of the need to promote cooperation, dialogue and partnership between different levels of government and between these and organisations and people on the ground directly involved in the development process.

Yet, the pursuit of territorial cohesion would benefit from a clarification of the many issues it raises. A shared understanding of these issues could assist in improving the governance of cohesion policy, making it more flexible, more capable of adapting to the most appropriate territorial scale, more responsive to local preferences and needs and better coordinated with other policies, at all levels in conformity with the principle of subsidiarity.

Following the conclusions of the informal meeting of the EU ministers responsible for spatial planning and regional development in Leipzig on May 24-25, 2007 inviting the Commission to "prepare a report on territorial cohesion by 2008"⁵, this Green Paper launches a debate on territorial cohesion with a view to deepening the understanding of this concept and of its implications for policy and cooperation. This debate takes place without prejudice to the outcome of the parallel ongoing Commission reflection on the budgetary review. The Green Paper does not cover any financial aspects of cohesion policy within the current financial framework.

2. TOWARDS MORE BALANCED AND HARMONIOUS DEVELOPMENT⁶

The settlement pattern of the EU is unique. There are about 5 000 towns⁷ and almost 1 000 cities⁸ spread across Europe, acting as focal points for economic, social and cultural activity.

¹ The term "EU structural policies" mainly refers to policy interventions of the ERDF, the ESF, the Cohesion Fund, the rural development fund and the fishery fund.

² For example, the specific schemes for the outermost regions and some small Greek islands.

³ Official Journal L 291, 21.10.2006, p. 29.

⁴ Official Journal L 55, 25.02.2006, p.26.

⁵ http://www.bmvbs.de/Anlage/original_1005349/Conclusions-of-the-German-EU-Council-Presidency-accessible.pdf

⁶ See SEC(2008) 2550 for an explanation of the territorial typologies used in this section.

⁷ Population between 5 000 and 50 000.

This relatively dense urban network contains few very large cities. In the EU, only 7% of people live in cities of over 5 million as against 25% in the US, and only 5 EU cities appear among the 100 largest in the world⁹.

This settlement pattern contributes to the quality of life in the EU, both for city dwellers living close to rural areas and those rural residents within easy reach of services. It is also more resource-efficient because it avoids the diseconomies of very large agglomerations¹⁰ and the high levels of energy and land use typical of urban sprawl¹¹, which will become more important as climate change, and the action to adapt or to combat it, proceeds.

The pattern of economic activity, however, is far more uneven than settlements (map 1). There are economic gains from the concentration of activity, but also costs from congestion, high property prices, social exclusion and pollution. Economic activity has become more evenly spread across the EU in the past decade due to the high growth in Ireland, Spain and the new Member States (map 2). It has become more evenly spread within some countries too, such as again in Ireland and Spain, but there continue to be heavily congested urban areas and other areas with untapped potential.

More balanced and sustainable development, implicit in the notion of territorial cohesion, would achieve a more even and sustainable use of assets, bringing economic gains from less congestion and reduced pressure on costs, with benefits for both the environment and the quality of life.

In its World Development Report 2009, the World Bank recognises how density, distance and division may affect the pace of economic and social development. The EU faces *mutatis mutandis* similar questions. Policy responses to these may lie in action on three fronts: concentration, connection and cooperation, as indicated below.

Moreover, certain regions have geographical features which may pose particular challenges with regard to territorial cohesion. These are addressed separately in the last section of this part,

2.1. Concentration: overcoming differences in density

As noted above, economic activity is more concentrated across the EU than population. There are gains from such concentration in terms of the increasing returns from agglomeration and from the clustering of particular activities in specific locations, including the wide availability of health care services and relatively easy access to higher education institutions and training facilities. This is reflected in the high level of GDP per head, productivity, employment and research and innovation activity relative to the national average in capital cities and in most other densely populated conurbations.

At the same time, there are also diseconomies from congestion and a number of inner city areas face acute problems of urban decay and social exclusion. This is reflected in below average levels of GDP per head and high levels of unemployment but also

⁸ Population above 50 000.

⁹ www.citypopulation.de.

¹⁰ See OECD, 2007, *Competitive Cities in the Global Economy*.

¹¹ See Peter Newman and Jeffrey Kenworthy, 1999, *Sustainability and Cities*. Island Press.

in pockets of deprivation, crime and social unrest in many of the more prosperous cities. Here the focus should be on reducing the negative externalities of agglomeration and ensure that all groups can benefit from highly specialised and productive economies.

Intermediate regions, which have more small cities and towns, can also benefit from increasing returns if they create a strong network of cities and towns and develop their strengths in a coordinated manner. Towns and cities in intermediate and rural regions also provide essential services for the surrounding rural areas.

Indeed, in rural areas which are more remote from cities of any size, small and medium-sized towns often play a more important role than their size might suggest. The role these towns play in providing access to services including the infrastructure necessary to invest in the adaptability of people and enterprises, is key to avoiding rural depopulation and ensuring these areas remain attractive places to live.

Although most economic activity is concentrated in towns and cities, rural areas remain an essential part of the EU. They are the location of most of the natural resources and natural areas (lakes, forests Natura 2000 sites, etc.) (map 6), have good air quality (map 7) and are often attractive and safe places to live or visit.

The key challenge is to ensure a balanced and sustainable territorial development of the EU as whole, strengthening its economic competitiveness and capacity for growth while respecting the need to preserve its natural assets and ensuring social cohesion. This implies avoiding excessive concentrations of growth and facilitating the access to the increasing returns of agglomeration in all territories.

2.2. Connecting territories: overcoming distance

Connecting territories today means more than ensuring good intermodal transport connections. It also requires adequate access to services such as health care, education and sustainable energy, broadband internet access, reliable connections to energy networks and strong links between business and research centres. This is also essential to address the special needs of disadvantaged groups.

Access to integrated transport systems involves building roads or rail links between cities, inland waterways, developing inter-modal transport chains and advanced traffic management systems.

In the new Member States, good road links are scarce and driving between cities takes much longer than in the EU15 (map 8). Good rail links are also unevenly distributed, and in most Member States railway lines cannot handle high speeds and are often in need of repair.

The uneven quality of secondary road networks and public transport means that airports often take time to reach (map 9), while transport by sea, which can take pressure off congested roads and reduce CO₂ emissions, remains under-developed (map 10).

Reliable access to energy is equally important and the particular situation of networks isolated from the EU market for geographical (rural and remote regions, islands) or historical reasons (e.g. the Baltic States) needs to be further addressed to

ensure a robust and efficient supply. Renewable energy and energy efficiency measures can offer opportunities for diversification and sustainable development.

Access to services of general economic interest such as health care or education is often a problem in rural areas, where for example in remote regions, 40% of people on average live more than a 30-minute drive from a hospital and 43% live more than a hour drive from a university (table 2). In remote areas especially, the potential of ICT to provide access to health care and education through telemedicine and remote learning remains to be developed.

High-speed internet access, however, which has become essential to many businesses and people, still reveals gaps. In 2007, household access to broadband internet at home is on average 15 percentage points lower in rural areas than in urban areas.

2.3. Cooperation: overcoming division

The problems of connectivity and concentration can only be effectively addressed with strong cooperation at various levels. Equally, environmental problems associated with climate change, flooding, biodiversity loss, pollution or commuting do not respect borders of any kind and similarly require cooperation. Climate change is likely to increase the frequency and severity of droughts, fires and floods affecting all regions and countries to varying degrees. Even problems perceived as purely local, such as soil pollution, often have its origins in much wider cross-border processes.

Similarly commuting across regional, and even national, borders often requires inter-administrative cooperation to provide solutions (e.g. public transport) to minimise the negative externalities.

Economic growth in a globalised world economy is increasingly driven by multiple co-operation structures involving different types of public and private actor. This is particularly true for innovation policies which need to engage new constituencies, including non-business stakeholders. Accordingly, place-based growth policies need to be adjusted in terms of the way they are implemented in order to reflect the new reality.

To tackle these and other problems effectively requires a policy response on a variable geographical scale, involving in some cases cooperation between neighbouring local authorities, in others between countries, and in yet others between the EU and neighbouring countries.

In a number of Member States, metropolitan bodies have been created to bring together several authorities at different levels to tackle issues, such as economic development, public transport, access to healthcare and higher education and training facilities, air quality and waste, which span regional borders. Some metropolitan regions cross not just local and regional borders but also national borders, such as Eurometropole Lille-Kortrijk-Tournai which includes cities on both sides of the border.

Internal border regions in the EU15 countries have benefited from many years of cohesion policy to improve cross-border cooperation, such as the EUREGIO Rhein-Waal created by German and Dutch local authorities on either side of the frontier to

improve among other things the accessibility, quality and efficiency of cross-border health care in this area. This is particularly important due to the lack of clear rules on access to cross-border healthcare¹².

Border regions in the new Member States and those on each side of the old Iron curtain have only recently started to work together. Much remains to be done to develop coherent policies for infrastructure and economic cooperation (map 11). Similarly, coherent development in maritime spaces, crossing land-sea borders is rarely observed.

External border regions lag further behind in economic development and GDP per head (table 3). The EU, however, is surrounded to the south and east by regions with still lower levels of GDP per head, combined with higher population growth (maps 12 and 13), creating strong pressure for migration.

2.4. Regions with specific geographical features

Three specific types of region in some cases face particular development challenges:

- mountain regions, which are often border regions and in which more than a third of the people live in rural region;
- island regions, which in many cases are mountainous and more than half of the population also live in a border region; islands include 6 of the 7 outermost regions;
- the 18 sparsely populated regions, all rural and almost all border regions.

These are not exclusive, and there are other regions with specific features which equally face common challenges, not least coastal zones, which are under pressure from development as well as at risk from global warming, and the outermost regions, which face a number of challenges linked to demographic change and migratory phenomena, accessibility, and regional integration¹³.

Some 10% of the EU population live in mountain regions (table 4). Their average GDP per head is 80% of the EU average, though for 25% of those concerned it exceeds the average. For most of these regions, the population either rose or remained unchanged between 1995 and 2004. Mountain regions contain many natural areas and often have good transport links making them popular tourist destinations. Many also have good basic services, though the availability of these varies significantly from region to region. At the same time, they are confronted with the challenges posed by climate change, reliance on a limited number of economic activities, pressure linked to tourism, and loss of biodiversity.

Some 3% of the EU population, 14 million, live in island regions. Their diversity makes generalisation difficult. These regions vary markedly in population size and GDP per head. Their GDP growth has also varied, reflecting differences in their economic structure with some being wholly dependent on tourism and others with

¹² Proposal for a Directive on the application of patients' rights in cross-border healthcare COM(2008) 414
¹³ These are addressed in a separate Communication, due to be adopted in mid-October 2008.

strong diversified service sectors. The population increased in most of these regions between 1995 and 2004. Yet, many islands remain confronted with problems of accessibility, of small markets, and of high cost of basic public service provision and energy supply.

Few people in the EU live in sparsely populated regions, just 2.6 million in total. GDP per head varies markedly from well below the EU average to well above. While the population in most of these regions remained stable between 1995 and 2004, three experienced a decline of over 5%. Low density, peripherality and structural weakness such as dependence upon primary industry coexist in these regions and together represent a substantial cumulative barrier to development.

3. TERRITORIAL COHESION IN DEBATE AND PRACTICE AT COMMUNITY AND NATIONAL LEVEL

Although there are some exceptions, the nature of regions as considered above is not for the most part a specific factor in determining EU support. While EU structural policies have targeted less favoured regions with a view to develop their assets and potential areas of comparative advantage or to overcome the possible constraints on growth imposed by their specific features, it is less clear how most other Community policies have affected territorial cohesion.

3.1. Territorial cohesion in the programming of EU policies...

Coordination between sectoral and territorial policies is important to maximise synergies and to avoid possible conflicts. A debate on territorial cohesion is important in order to highlight the issues involved and to encourage more analysis of them, not only in the more obvious policy areas indicated below but also more generally.

- Transport policy has obvious implications for territorial cohesion through its effect on the location of economic activity and the pattern of settlements. It plays a particularly important role in improving connections to and within less developed regions.
- Energy policy contributes to territorial cohesion by developing a fully integrated internal gas and electricity market. Moreover, energy efficiency measures and renewable energy policy contribute to sustainable development across the EU, and may provide long term solutions in isolated regions.
- Ensuring high-speed connection to the internet has an equally significant part to play, given its growing importance for competitiveness and social cohesion.
- The first pillar of the Common Agriculture Policy and the support it provides to farmers also has important territorial impacts through the activities and incomes it maintains in rural areas and through the promotion of sound land management.
- The European Employment Strategy, an integral part of the Lisbon strategy, makes an important contribution to the development of human capital through better education and the acquiring of new skills in different territories. In addition,

the Employment Guidelines include territorial cohesion as one of their three overarching objectives.

- Maritime basins are confronted with competing demands for sea use. Separate regimes for fisheries, aquaculture, marine mammal conservation, shipping, oil and gas, and mining are designed to resolve conflicts within sectors, but not across sectors. An integrated maritime policy is developing at EU level to address these coordination problems to ensure the sustainable development of marine areas.
- Environmental policy impacts in many ways on the location of economic activity. Regulatory requirements can have a spatial dimension and influence land use planning. To effectively meet policy objectives and standards, regions and stakeholders work together, for example in the context of the Community Biodiversity action plan and the joint management of Natura 2000.
- Access to high-quality research and the possibility to participate in transnational projects have an increasingly important effect on regional development. The territorial dimension of research policy is embodied in the establishment of the European Research Area (ERA), in which researchers can move, interact and cooperate in an open way.
- Competition policy can affect the territorial distribution of economic activity by ensuring that regional aid is concentrated in the most disadvantaged areas and by adjusting the intensity of aid allowed to the nature and scale of problems.

3.2. ... and in the debate in and between the Member States

Territorial cohesion has been debated in the EU in an intergovernmental setting since the mid-1990s, mainly by the Ministers responsible for spatial planning. This debate led in 1999 to the adoption of the European Spatial Development Perspective (ESDP), which, in turn, led to a number of important initiatives, such as the first generation of transnational cooperation programmes under INTERREG and the creation of the European Spatial Planning Observatory Network (ESPON).

The debate, however, has not progressed as far as it might have until recently. This is perhaps partly because of a perception in the Member States that national - or regional - competence over matters concerning land use and development planning was open for discussion. It should be made clear that it is in no way intended to call into question national and regional competences in these areas. These issues remain outside the scope of the debate launched by this Green Paper.

With the adoption of the Territorial Agenda in Leipzig in May 2007, the EU Ministers responsible for spatial planning and development underlined the need to pursue sustainable economic growth, job creation, and social and ecological development in all EU regions while securing "better living conditions and quality of life with equal opportunities irrespective of where people live"¹⁴. The Territorial Agenda, and the first Action Programme for its implementation adopted in the Açores in November 2007, have thus given new impetus to the debate by identifying six territorial priorities (ranging from regional innovation clusters to ecological

¹⁴ Territorial Agenda of the European Union, Leipzig 24-25 May 2007.

structures and cultural resources, from polycentric development to new forms of partnership and territorial governance) and the actions necessary to implement them.

As a corollary, the Commission invited the Member States in 2007 to respond to a survey on the conception and implementation of territorial cohesion in national practices (see Annex).

4. QUESTIONS FOR DEBATE

The questions listed below cover the main issues described in this Green Paper and define the scope of the debate it is intended to initiate. The Commission will provide a synthesis of this debate in late Spring 2009.

1. Definition

Territorial cohesion brings new issues to the fore and puts a new emphasis on existing ones.

- What is the most appropriate definition of territorial cohesion?
- What additional elements would it bring to the current approach to economic and social cohesion as practiced by the European Union?

2. The scale and scope of territorial action

Territorial cohesion highlights the need for an integrated approach to addressing problems on an appropriate geographical scale which may require local, regional and even national authorities to cooperate.

- Is there a role for the EU in promoting territorial cohesion? How could such a role be defined against the background of the principle of subsidiarity?
- How far should the territorial scale of policy intervention vary according to the nature of the problems addressed?
- Do areas with specific geographical features require special policy measures? If so, which measures?

3. Better cooperation

Increased cooperation across regional and national borders raises questions of governance.

- What role should the Commission play in encouraging and supporting territorial cooperation?
- Is there a need for new forms of territorial cooperation?
- Is there a need to develop new legislative and management tools to facilitate cooperation, including along the external borders?

4. Better coordination

Improving territorial cohesion implies better coordination between sectoral and territorial policies and improved coherence between territorial interventions.

- How can coordination between territorial and sectoral policies be improved?
- Which sectoral policies should give more consideration to their territorial impact when being designed? What tools could be developed in this regard?
- How can the coherence of territorial policies be strengthened?
- How can Community and national policies be better combined to contribute to territorial cohesion?

5. *New territorial partnerships*

The pursuit of territorial cohesion may also imply wider participation in the design and implementation of policies.

- Does the pursuit of territorial cohesion require the participation of new actors in policy-making, such as representatives of the social economy, local stakeholders, voluntary organisations and NGOs?
- How can the desired level of participation be achieved?

6. *Improving understanding of territorial cohesion*

- What quantitative/qualitative indicators should be developed at EU level to monitor characteristics and trends in territorial cohesion?

The Commission invites all interested parties to comment on the questions set out in this Green Paper. Replies and additional comments should be sent by 28 February 2009 to:

European Commission
DG Regional Policy
Green Paper on Territorial Cohesion

CSM1 4/161

B-1049 Brussels

or by email to:

REGIO-GreenPaper-Territorial@ec.europa.eu

Providing the sender agrees, contributions received electronically, together with the sender's contact details, will be put on the Green Paper website.