

SS36. ESPON Session

The European Territory in the Future

Title: **Short-term territorial investment for Europe's long-term future**

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Abstract

A large number of geographical and economic theories, along with relevant empirical research have supported the adoption of common (semi-standardized) processes that could enhance long-term territorial development (e.g. employment, inclusion, GDP growth). These much needed processes may lead the European Union to make appropriate integrated strategic investments in its territory which can offset *ad hoc* and sectorial austerity measures (cf. the Juncker Investment Plan). Furthermore, this seems to be the only way to respond to the pseudo-global financial and economic war currently under way (geo-economic and geopolitical play at no summa zero), focusing resources on maintaining the status quo.

Starting from a critical review of the literature, this paper discusses what the models the European policy actions should adopt in order not to compromise the results that the implemented austerity measures have so far obtained. Multilevel experiences (benchmarking at different geographical scales) from several 2013 programs (mainly ESPON, URBACT, ENPI CBC MED) are summarised below to support this thesis.

In order to assess and measure the validity of this stance, territorial cohesive capability is used as it has proved to be the most effective way to transform European challenges into common geopolitical goals. Hence, this study discusses the Europe 2020 pillars and flags as the means to enhance territorial regional capability, which can turn the EU's regional diversity into cohesive and competitive development.

This paper will be partly devoted to a discussion of the effective compliance with Structural Funds objectives, declared priorities of investment and territorial regional capability. Thus this evaluation includes complex and multidisciplinary variables such as cohesion, sustainability and subsidiarity confidence.

Examples of place evidence and socio-economic trends from countries, regions and cities are mentioned and compared so as to establish the potential distance between symbolic anticipated priorities and real potentials in the short term. To this end, the 2020 political addresses by government declarations and obligations, the regional potential to attract capital, and cities' potential to attract public and private investments will be illustrated by considering in particular Italy's future role within Southern Europe.

Detailed attention will also be devoted to the significance of European territorial evidence in relation to the European Union funding policy (e.g. the distinction between internal inner areas, and related programs). This allows us to understand better the different impacts and effects produced by such European directives. Moreover, this approach becomes extremely important in the event the national/regional interpretation does not take in account the relationship between territorial evidence and programming obligations aiming at increasing employment and income.

Lastly, a set of feasible recommendations to be applied in the short term are proposed. They provide viable, flexible, and effective answers to the existing needs for territorial investment. This type of investment is vital and long-awaited by a large number of European citizens who are coping with today's economic stagnation. Theoretically speaking, strategic investments should help territories (mainly cities) to achieve territorial regeneration by accessing mainstreaming financing linked to the new Structural Funds, which define the prospective horizon of long-term European challenges.

These funds also imply joint capitalization, which does not mean proposing a (or another) *prêt-à-porter* concept, but a multifaceted approach ("quick & dirty" ideas/solutions) instead. Yet, one should also consider the challenges that such an approach faces. For instance, both the fragmented territorial intelligence and the need for a certain critical mass willing to get involved has to be accounted for. Nonetheless, it is possible to create models for strategic integrated sustainable planning by evaluating the efficiency of technology across various sectors (e.g. energy, climate change, public services, accessibility and transport, etc.) in territories of different types and dimensions. These models can support territories in their development of ambitious and innovative projects that can become part of a comprehensive territorial agenda.

Key words: territorial investment, European regional development, post-crisis perspective

1. Territorial Investment

The European Financial Policy has recently launched significant anti-austerity measures (i.e. the 2014 *Junker Investment Plan* and 2015 Mario Draghi's *Quantitative Easing* policy). In this light, territorial investments are able to play a major role in combating the economic crisis and, at the same time, paving the way for a stable and balanced development.

However, Territorial Studies¹ have as yet been unable to fully analyse and understand the implications and risks that such complex actions really entail. Consequently, scholars in this field have left major questions unanswered. For instance:

- *Is a multiplying investment the sole tool for boosting growth and employment in the short term?*
- *Are there any territorial dimensions that can activate an investment process that is likely to yield stable and long-lasting effects?*
- *Can we detect any shared and useful start-up features from the analysis of a diverse territorial landscape?*
- *What are the driving forces in short-term territorial investment that can help long-term development?*

1.1 A critical review of the dominant thinking

An overview of the relevant literature makes it clear that the notion of territorial investment, and particularly the notion of strategic territorial investment, is still mainly bound to the sectorial approaches deriving from Macroeconomics and Business Economics schools. In addition, it is linked to structural and functional planning. The places and the territories that are supposed to be the recipients of such investments are instead likely to become a mere vessel or backdrop.

As a matter of fact, many seem to forget that a specific place, particularly a city, is the first and most visible part of a territory that any investor is likely to come across. Moreover, practitioners and stakeholders seem to forget, or ignore, the role that planning plays in territorial investments, ensuring as it does that the latter comply with the well-known *three E's* of planning (Effectiveness, Efficiency, Ethics²) in the long run. These three E's have been also applied to the economy, which fosters investments but overlooks their long-term results. Conversely, the EU has recently been discussing possible future scenarios and visions (cf. ESPON ET 2050, 2015).

Not surprisingly, economic theories are based on a thorough understanding of world markets and their trends. Yet markets are inherently unstable due to their intrinsic uncertainties, which increase according to the time needed to calculate their Return on Investment (RoI). In contrast, theories of planning are based on medium and long-term approaches that can help predict the potential success (in terms of investment) of any planning projects. These approaches are especially welcome as they aim to provide sustainable results.

A critical analysis of both theoretical stances has revealed how the economic models based on long-term approaches prove to be more place-neutral, while the geographical-economic models tend to be place-based³. Academic schools of the geography of localization had earlier debated such matters and pointed out that "spatial" approaches are incompatible with "territorial" ones. Moreover, they stressed the role that the environment and the territory have had in making production choices⁴. In particular, they have

¹ Lucia M.G. e Rizzo L.S. (eds.) (2014) *A geographical approach to the European financial crisis. Challenges and policy agenda*, Roma, Aracne.

² On this subject, cf. Sue Hendler's (1993) 'The Three E's of Planning: Effectiveness, Efficiency, Ethics', in *Planning Theory*, 9, summer, 49-54.

³ Barca F., McCann P., Rodríguez-Pose A. (2012) 'The case for regional development intervention: place-based versus place neutral approaches', in *Journal of Regional Sciences*, 52 (1), 134-152.

⁴Cf. Puga D. (2002) 'European Regional Policies in Light of Recent Location Theories', in *Journal of Economic Geography*, 2, 373-406; Prezioso M. (2004), 'Modello di organizzazione territoriale per la gestione della qualità

highlighted the fact that the theories of settlement planning and localisation of production have to integrate empirical evidence of territorial diversity. Systemic analysis⁵ usually supports such integrated approaches by making use of investigation methodologies that lead to integrated and multidisciplinary growth. Had the objectives set by the Lisbon Strategy (2001, 2009) been taken into account, this approach would have resulted in a more stable relationship between economic and financial investments and territorial planning. Moreover, it would have been less dependent on other factors such as political reliability, the regulation process currently underway in different contexts, and the tendency to withhold capitals rather than exploiting debt capital.

By means of the *Quantitative Easing* (QE) policy, integrated and strategic territorial investment has relied on debt capital and low pay to demonstrate that QE could well be a useful tool for enhancing European urban growth and fighting stagnation during the current economic crisis. Like the Keynesian multiplier, QE becomes a key instrument within the European macroeconomic approach, which has been designed according to the *Juncker Investment Plan*⁶.

Investments are therefore the only way consumption can be fostered, thus in turn activating a growth process. Hence, the multiplier underlying the European QE can help us predict the effect that the level in consumption deriving from supported investments will have within the European economic system. In addition, it allows us to predict the effects on growth in relation to the added value of an internal market and its system. According to the Juncker Investment Plan, the effects of QE will be first and foremost visible in cities. As suggested by the Keynesian theory, the multiplier effect can measure the incremental percentage of the Gross National Income (GNI). By the same token, the QE can be applied at the regional level and, to some extent, at the local level for the same purpose (although more empirical evidence is needed to confirm this). The ratio has been usually calculated in relation to the incremental value of one or more macroeconomic variables (i.e. consumption, investments and public spending), which are part of the aggregated demand. However, it is now possible to include regional (meso) and local (micro) variables in this calculation. These variables have been based on European data on territorial, economic and financial planning (ESPON INTERSTRAT, 2012). This means that they have been devised according to a place-based evidence approach on investments⁷.

It should be borne in mind, however, that QE is an instrument that supports the EU monetary policy. It has been conceived to enhance public spending and private investments, thus complying with the objectives set by EU 2020 and beyond. Public or private spending can be stimulated so as to transform it into investments; in turn, this can increase income, employment, profit, consumption and returns for those who invested, be they private companies or the government itself. The BCE and the EU employ this instrument in order to increase total expenditure, which should be higher than public expenditure, the latter having been previously funded by the EU via the Juncker Investment Plan. The increased total expenditure can be achieved through the involvement of individuals and private enterprise in the investment process. This in turn can raise the incomes of those who work to offer products and services. In other words, those who decide to invest in an economy that is currently facing underemployment (as is the case in many EU countries) may obtain an increased purchasing power based on debt capital that banks have made available through the BCE's *Quantitative Easing*. All this can be made possible if the following three conditions are fulfilled: i) that private companies are willing to make long-term investments; ii) that the government does

ambientale della produzione', in G. Calafiore, C. Palagiano, E. Paratore (a cura di), *Atti del XXVIII Congresso Geografico Italiano, Sez. "Dinamiche del localismo, dall'obsolescenza dei 'sistemi chiusi' alle tensioni dei 'sistemi aperti'*, vol. III. Roma: Edigeo, 2921-2943; Ottaviano G., Thisse J. F. (2004) 'Agglomeration and Economic Geography', in Henderson V. and J.F. Thisse (eds.), *Handbook of Regional and Urban Economics*, Vol. 4: Cities and Geography, Amsterdam, Elsevier: 2563-2608.

⁵Cf. Compañó R., Pascu C., Bianchi A. et al (eds.) (2006) *The Future of the Information Society in Europe: Contributions to the Debate*, Technical Report EU 22353, Luxembourg, Ipts-DG JRC: 22.

⁶Cf. The A Scenario in the ESPON ET2050 Project.

⁷Haughwout A. (2002) 'Public Infrastructure Investments, Productivity and Welfare in Fixed Geographic Areas', in *Journal of Public Economics*, 83: 405-425.

not impose further taxation on financial deposits; lastly, iii) that the marginal spending trend remains constant (at least in the short term).

In general, business management tends to overlook the needs of the territory in which it operates. Hence, including diversified parameters at the regional and local levels brings about a diversified range of territorial capital needed for each investment. Consequently, risk management becomes more difficult to calculate⁸. In this light, scientists have to adopt additional tools, methodologies and cognitive processes to evaluate the ex-ante strategic and integrated territorial RoI. Far from being simple to achieve, this process needs be based on at least three criteria: 1) relying on venture or equity capital, not only on debt capital; 2) having access to contextual analysis (i.e. exogenous factors) that allow for adequate decision-making; and 3) the political stability of the country in which the company operates.

For instance, Italian scholars and researchers have carried out thorough investigations into Italy's financial market⁹. Moreover, a number of researchers in the social sciences (geography, economics and regional planning studies) have organised policy workshops¹⁰ to investigate this issue. In general, they all agree on the results obtained by previous economic investigations of those sectors that are deemed relevant to short-term territorial investment. These segments are:

- 1) housing, which in Southern Europe includes both construction land and buildings. This approach clashes with the Northern European countries' promotion and investment in social housing;
- 2) transport and logistics, which are of little interest to the private building sector. However, it appeals to public and semi-public companies;
- 3) energy, environment, territory and water supplies, of interest to both private and public companies;
- 4) health, education and training, social services, of interest to mostly public but also private companies;
- 5) leisure, culture, tourism, communications, media and the Internet, of interest to citizens, non-profit organizations and communications enterprises;
- 6) Urban and territorial production processes, of interest to sector stakeholders and enterprises insofar as they can boost private and public investments.

The BCE's debt policy (i.e. purchasing approximately €60 billion bonds, mainly government bonds, every month until 2016) is primarily based on the guarantees that the acting body (i.e. the BCE) can offer. It relies less on the financial guarantees offered by the beneficiaries (e.g. states, regions and local institutions) that are backed by each countries' central bank. However, some European countries have low debt (e.g. Estonia) while others very high public debt (e.g. Italy, Spain, Greece). Hence, the neutrality of the markets is unlikely to be sustained. In considering the 2050 horizon, these issues have to be taken into even greater consideration. The following sections will be devoted to the analysis of the relationship that these sectors may develop, by referring in particular to exogenous variables (i.e. the territorial factors and the revised cohesion policy).

1.2 *The importance of the territorial dimension*

The conditions described above are likely to take place in a discontinuous way in those countries that have been heavily hit by the economic crisis. Matter-of-factly, such countries appear far from achieving the EU

⁸*Risk management* is applied to the territory so as to measure and manage risk (i.e. vulnerability and sensitivity of the territorial system) in an integrated way. Understanding risk can prevent the inefficient allocation of investments.

⁹ Giannotti C. (a cura di) (2010) *Il risk management nei fondi immobiliari*, Roma, Banca Editrice.

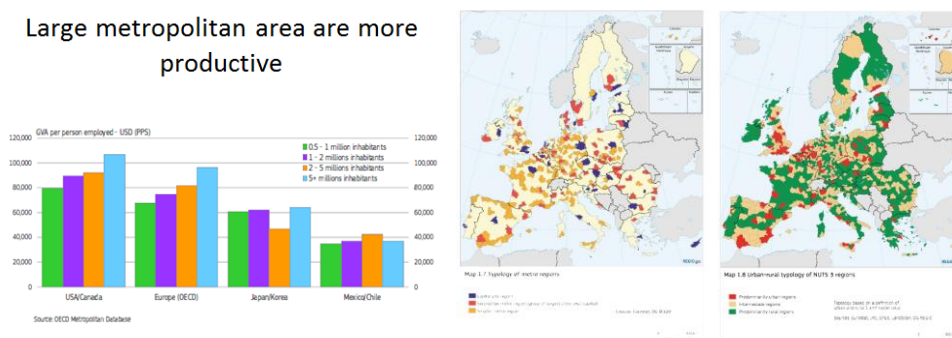
¹⁰The latest event was organised by Riccardo Cappellin (University of Rome "Tor Vergata") and took place at the Polytechnic University of Milan. This event aimed to define some guidelines and action proposals that could help enhance fixed gross investments of public and private companies in Italy. Such investments are becoming extremely important to this country's economy; they are more important than the 8% reduction of its GDP in the period 2008-2014 and the more recent 2.2% decrease in industrial production from January 2014 to January 2015. The proceedings of this event are available at: www.economia.uniroma2.it/dedi/ebook-politiche-industriali/

2020 targets (Monfort, 2011; Prezioso, 2013; ESPON Siesta, 2013, ESPON ECR2, 2014). It is important to note that the EU is not a “closed market” (although sometimes it behaves as such) and: “In this context, the re-concentration of activities and strategic functions does not only occur on a global scale, but also at the national level, especially within the integrated European market. The hypothesis is that Europe's wealth now depends especially on the connective capacity and economic wealth of the major European cities. The research has proven the important role of cities that contribute to the welfare of Europe and to the strengthening of the access gateways to the global dimension.” (Montanari, Staniscia, 2014, p. 72).

Large metropolitan areas in Europe have proved to be more resilient in the face of the economic crisis (Fig. 1). However, their distribution across Europe does not appear to be relevant to their resilience (Fig. 2). Hence, the program connected to the Cohesion Policy (VI Cohesion Report, 2014) suggests that each region or city should:

- select investment opportunities that comply with their established priorities. In particular, they should do so in relation to their national 2020 targets and consider how far they are from reaching them;
- identify how to best meet the regional/local development needs and, at the same time, contribute to the 2020 growth strategy and its objectives; monitor the declared regional spending power until 2020 in relation to investments based on realistic supply/demand data

Large metropolitan area are more productive



Substantial literature has been produced in response to the ESPON 2013 applied research call (FOCI 2010 e SGPTD2012 Projects). Researchers highlighted the fact that, when considering the period from the start of the 20th century to 2006, large cities tended to dominate over and sometimes clash with second-tier cities (ET 2050, 2015). Only recently have academics started to believe that both types of cities can integrate to become polycentric drivers of the European economy.

It is therefore not surprising that territorial planning and metropolitan and urban management have been continuously advocated. Similarly, many openly suggest that there should be an increased interest in strategic planning and governance that can propose alternative territorial solutions, especially in peripheral regional contexts that need to clearly state their political stance on territorial management.

By examining the regional data, it is possible to understand the reasons for the conflicts that often spread across urban contexts, along with their possible solutions. Interestingly, the peripheral/inner parts of the metropolitan areas are the places where the highest levels of territorial inequality can be detected. The eastern and southern parts of Europe have proved to be even more seriously affected by such inequality, which ultimately leads to further stagnation and economic decline, in addition to low polarisation and the paucity of Foreign Direct Investment (FDI).

Investments in innovative technology (cf. ESPON KIT, 2012) have been strongly advocated within the Europe 2020 Program and supported via the 7th Framework Program and Horizon 2020. They have yielded varying? results, which have so far praised applied R&D regions and cities (e.g. Paris and, more recently, Bucharest) for their ability to invest in non-general purpose technology. Also, they have financed intelligent technology (in highly urbanised regions located in Northern Spain and Madrid, Northern Italy and the French Alps) rather than supporting imitative innovation (as has occurred in the rest of Romania, Southern Italy and Greece).

Other factors contribute to uncertainty and pose further challenges: climate change, energy dependence and risk due to the EU's heavy reliance on external suppliers (65% by 2025), which may reach 80% for gas.

Moreover, the production of nuclear energy (mostly in France) and oil in the North Sea (which is depleted and is therefore being replaced by offshore production) seems incapable of meeting the EU's energy needs in the short term, especially when taking into account the 20-20-20 strategy and its targets, which promote the production of renewable energy, the reduction of CO2 emissions and improved energy efficiency. The situation is further complicated by the lack of long-term strategic agreements between the Member States and their neighbouring suppliers (Russia and the Middle East, which possess oil and gas reserves while Turkey is a transit country). The results produced thanks to those programs specifically devoted to urban systems (e.g. URBAC II 2013) have clearly shown that cities and capital areas have a great potential to reach these targets. Yet, these results have also demonstrated that these programs are unable to tackle the issues relating to the layering of power that influences the political actors involved in the governance of the territory. A good deal of the literature analyses this specific aspect that aims to identify what type of regional organisation should be used to support cities' or territories' ability to invest¹¹ (level and functions). Germans call such an approach *Wirkungsgefüge*, which implies a "humanised" territorial whole that can be investigated according to geographical and economic parameters that can provide guidelines and proposals for development.

Scholars of economic and political geography have often pointed out that (especially in Italy) in quali-quantitative studies a multidisciplinary approach is better suited to investigate the regionalization and territorial organization of cities and the large metropolitan areas (LUA o LUZ). They have furthermore stressed the need to analytically and empirically assess the reality so as to transform macro-economic and regulation hypothesis into plans and projects.

Most approaches have favoured proposals that aim to boost growth in terms of regionalization and investments, thus often proposing original and innovative solutions for the diversified management of spending power. This can be done in relation to the available resources and the development demand. Therefore, it is important to clarify that in Europe regionalised investment in cities and territories – regardless of their size and role within the country – is mainly based on the legitimization of power, which allows for place-based evidence actions (cf. for instance the cases of Lazio in Italy and the Ile de France in France, Prezioso and D'Orazio, 2015). Geographical data help regional analysis and planning define the territorial areas that can best respond to a given type of investment. Such data mainly focus on dimensions and socio-cultural and environmental characteristics (while at times blurring the lines in their terminological definitions).

Extremely good reasons to embrace the territorial approach can be put forward to support the separation between short and balanced long-term development, which can be achieved through EU's Integrate Territorial Investments (ITI). Some may like to refer to quali-quantitative estimations that have been carried out via a wide range of methods, which can further be integrated. This can help to show the (ex-ante territorial framework of) the initial state of territorial capital to assess the (potential) growth demand/need level along with the financial governmental support.

To this end, we should not overlook those trends already present in Europe that support the adherence to a supra-regional or even transnational type of governance (i.e. shared planning). Some examples can be found in the Baltic and Danube regions, where the management of resources for sustainable development is shared. Hence, the discussion of territorialisation of investments regarding the peripheries of urban (inner) and internal areas has to take into account certain basic factors:

- 1) the structural and territorial relation of the areas under scrutiny with their own regions;
- 2) what areas have to be included in the new (Strategic) Integrated Territorial Investment
- 3) the ex-ante and ex-post system of territorial organisation (i.e. scenarios)

¹¹ Economists explain that this is necessary because central governments are not successful in dealing with change and offering adequate responses to socio-cultural change; having political actors who are close to the local community is surely an advantage, as local organizations are bound by budget constraints that limit the amount of public services they can offer, despite the growing demand for such services; moreover, this approach can help governments to manage resources since it delegates this task to the local authorities.

2. Ambitions Inspiring Change

During 2014-2015, the so-called TRIO (including Italy-Latvia and Luxembourg European Presidency in 2014-2015) have proposed a program policy that places great importance on “investments and integrated developing strategies for cities and inner areas” in a context such as that of Europe, characterised by an extremely non-homogeneous territory from the geographical, economic and social point of view. This proposal has been put forward while policymakers remain well aware of the fact that, in order to create a more balanced territorial structure, the 2014-2020 Cohesion Policy will have to concentrate its growth and employment investments on a limited number of thematic objectives and priorities. In this light, distinguishing ‘inner areas’ from ‘internal’ ones becomes pivotal as it forces us to reconsider the definition of the European territorial typologies, as reported in the literature. During the Italy’s presidency of the EU, such typologies have emerged as possible areas of investment, especially when considering the EU 2014-2020 planning program.

The EuroCities document entitled *An EU urban agenda. Engaging cities for a smart, sustainable and inclusive Europe* (2014), and its further revision by the Council of European Municipalities and Regions entitled *European Section of United Cities and Local Governments*, indirectly show the differences already stated in the geographical literature. They provide the following definitions:

- Inner area, which is an area *located or occurring within or closer to a center*. In particular, this term has been used since 1990s to refer to the urban peripheries, or to define those urban contexts whose activities are strictly linked to the city itself¹²;
- Internal area, which is an area or geographical region that faces extremely challenging situations, which ultimately make it more resilient to development inputs. This is often due to its peculiar geographical position making it a difficult place to reach¹³.

Being places that may offer interesting relocation and investment opportunities does not mean that both opportunities will actually take place. As a matter of fact, each type requires different interventions and actors to carry them out.

In the case of the internal areas (small and medium-sized towns lacking basic services), some solutions can be implemented so as to allow them to be more productive in a broader European perspective and more harmonious in their relation with the countryside. This can be done by adopting approaches that foster both the development and the protection of the territory. Moreover, the natural and cultural heritage can be supported to help cities grow and become more modern while still preserving their traditions and identity.

However, the development perspective on internal areas cannot overlook the broad and long-term scenarios that have been thus far put forward. These scenarios propose a “managed” evolution of the Europe 2020 policy that takes into account the city-rural relationship, which is, however, separated from the 2020 Territorial Agenda. This approach has to consider: 1) the size (small and medium-sized towns with a population between 5,000 and 50,000 inhabitants that are managed by local authorities in internal areas of Europe) 2) the geographical and economic situation of the area under scrutiny (e.g. city, internal areas).

In the case of inner areas, investments should mainly be carried out in real estate and dwellings through urban regeneration, renovation, restoration and re-functionalisation interventions and inclusion. In this sense, some pilot projects have been supported through the Leipzig Charter (2007) and the Urban Agenda (2013), as well as URBACT II. These experiments are extremely useful as they allow for integrated urban developments, thus opening new and important paths to supply and demand intervention. Co-housing, social housing, energy efficiency of low emission buildings, fixed-term employment of working

¹²Harrison P. (1985) *Inside the Inner City: Life Under the Cutting Edge*, Harmondsworth, Penguin; Porter M. (1995), ‘The Competitive Advantage of the Inner Cities’, in *Harvard Business Review*, May-June, 55-71; Boston T.D and Ross C.L. (eds.) (1995) *The Inner City: Urban Poverty and Economic Development in the Next Century*, London, Transaction Publishers.

¹³ Myrdal G. (1957) *Economic Theory and Underdeveloped Regions*, London, Duckworth; Martin R. and Sunley P. (1996), Krugman P. and Sunley P. (1996) ‘Geographical Economics and its Implications for Regional Development Theory: A Critical Assessment’, *Economic Geography*, 72(3), pp. 259-292.

stations for creative start-ups, place-making activities via public services, employment of zero-km materials are some examples of activities that Europe's peripheral urban areas should include in their future planning of affordable housing.

When considering these inner areas, we are likely to ask ourselves: "Who is going to benefit from them?" At the moment, it seems that urban residents are likely to benefit mostly from this approach, especially in Italy. However, investors and entrepreneurs are also considering London and its real estate market as a possible place for investment. Its new buildings harmoniously fit with the so-called "second-hand to buy" variety, the private rentals segment ("Buy to Let"), the intermediate housing (below 80% market rents) and social rent (below 40% market rents).

3.1 *Timeframe and Regulation for Inner Areas*

Among the *grandeurs principales d'identification* that inspired urban planning in the past (Dupont, 1971), "convenience" and functionality were set as priorities to try and satisfy the community's needs.

The revolution brought about by the General Theory of Systems (von Bertalanffy, 1969) applied to planning has changed those long-lasting designing principles in Europe, thus leading to a profound theoretical assessment of the general schemes and hypotheses underlying any project. This assessment has to be done carefully before considering its potential to attract investments. In order to offer adequate planning and designing, the geographical peculiarities of each individual region (*Landschaft*) should be considered so as to ensure systemic and functional investments that can continue in the future (Prezioso e D'Orazio, 2014). However, an approach that selects territorial dimensions and variables to be applied to the analytical process of regionalization of investments is not neutral. This is even more relevant if such an approach aims to achieve given European targets. For example, using the funds of the 2013 JESSICA Program has been shown to be an effective way to support sustainable interventions in urban centres. Nonetheless, one may wonder why this program has not resulted in innovative processes and reforms¹⁴, especially considering the long-term advantages that the Integrated Funds can offer, along with their ability to attract a recyclable fund by which (private) investments are refundable. This process can consequently create a deposit of funds to be made available for reinvestment on new projects.

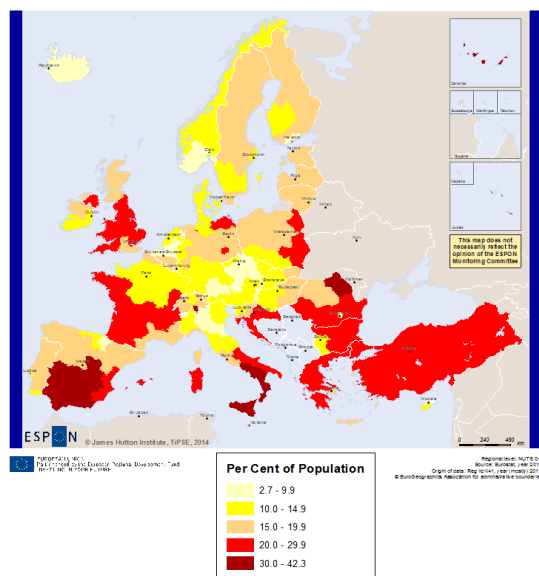
Many cities (e.g. Lille) and regions (e.g. North Rhine-Westphalia) have opted to choose those models that could be realistically applied to investments, thus demonstrating how Europe can take advantage of these funds (especially in terms of job opportunities). They are aimed to support Local Action Plans that can be carried out with the help of private building societies that are deeply rooted in the region. It goes without saying that a Local Action Plan is specifically based on the geographical peculiarities of the region it applies to. It can therefore receive the residents' support during the planning process as it has a key role in guaranteeing or thwarting the application of ITIs at urban level. At this stage, a central or regional government can support the municipalities in dealing with the financial management and payroll activities. For instance, in Austria city councils and districts have been helped to smoothly deal with the management and spending of EU's structural ESF and ERDF funds. Hence, in the case of urban "renovation" (in inner areas), the city councils are the main local authorities that can make investments. They have the institutional responsibility to use funds to implement "bottom-up" strategies and, at the same time, they have to represent the EU institutions that made those funds available by making sure that the investments are correctly implemented.

Within this framework, the issues regarding investments (especially in the housing sector) become even more complex and multifaceted. Also, in the case of cities they may not always be completely transparent. This is due to the fact the proposed options are experimental, innovative or sustainable, yet doubts may arise as to the real use and implementation of the results that the project should yield in terms of employment, production, technology and environment. As for Italy, *Re-Block* is an example of a project that has been implemented in a peripheral district of Rome (Morandi-Tor Sapienza). It has demonstrated that

¹⁴Cf. The Proceedings of the *CSI Final Conference in the European Métropole of Lille on 5th February 2015* entitled 'Making Financial Instruments Work for Cities'.

good practice such as urban regeneration involving affordable housing and social inclusion may not be matched by government support. At the moment, the UK context seems to be the most dynamic one. Not only traditional stakeholders in the private sector but also many non-profit companies have invested in the housing sector. The latter have become 'Registered providers' that operate side by side with the "housing associations" (which are slightly different from the Italian residents' committees).

Fig. 2: Regions at risk of poverty (Eurostat 2012)



Source: ESPON Re-Risk project,

Fig. 2a: Map of Social Housing Initiatives in Italy



Source: Il Sole 24 Ore

Spain has also started pursuing this path, whereas in Italy only a few northern regions have shown an interest in it¹⁵. A number of other European countries (e.g. Germany, Hungary, Sweden, Ireland) also seem interested in implementing these solutions (Table 1). Thus far, the case studies discussed in the literature display quite different characteristics. Some institutions have created new primary infrastructures and services based on six-year investment plans while others have supported mid-to-long-term urban regeneration projects. However, they all share a decrease in the debt costs, which is the result of long-term investments. The Juncker Plan has been used to this end.

In Italy, such a urban reform has not been implemented. Moreover, little has been done to adopt those complex financial tools the EU has offered to its Member States. Interestingly enough, though, most Italian cities (drawing on the example of Barcelona in the 1980s) have adopted strategic management plans since the 1990s, but have never implemented them. Consequently, only recently has such a large-scale process started to appear in Italy. In 2015, Svimez (a private association for the industrial development of Southern Italy) has estimated that public works in Italy that are financed via the Cohesion Policy programs usually take on average four to five years to complete¹⁶. During the period 1999-2013, EU and national cohesion policies financed 35,000 public works (for a total value of over 100 billion euros). Delays were mainly due to administrative issues (i.e. two-thirds – 61% and even 65% in the South of Italy – of the total completion period for the public work). Also, the preliminary assessment period was normally rather long (one-third – at times reaching 75% of the total completion time). Only a handful of regions can complete their public works in less than five years: Emilia Romagna in 3.8 years (2.2 years are spent on planning), Piedmont, Valle d'Aosta e Tuscany (4.1 years), Lombardy (4.3 years), Trentino Alto Adige and Marche (4.4 years). At the national level, completion time can take 2.9 to 14.6 years, especially in those cases where the project implies an investment that is over 100 million euros.

¹⁵ URBACT – USEAct Project (2014) *Real Estate Investment Trust for Housing*, First Trilateral Meeting Report, London, 3rd , 4th April; KPMG (2014) *Competitive Alternatives Guide to International Business Location Costs*, http://www.competitivealternatives.com/reports/2014_compalt_report_vol1_en.pdf

¹⁶ Carlucci C., De Angelis F., Guerrizio M.A. e DPS-UVVER (2015) 'I tempi di attuazione e di spesa degli interventi infrastrutturali delle politiche di coesione', in *Rivista economica del Mezzogiorno*, SVIMEZ, Bologna, Il Mulino.

Tab. 1: Problems and Tools for Social Housing (work in progress)

Problem	Tools	UK	ES	SK	IT	NO
Development is broken	<ul style="list-style-type: none"> Creating more dynamic local "Arms Length Management Organisations" by local authorities (Urban Development Companies, Housing Associations, PPP etc.) 					
Cash-flowing development is a difficult for the public sector to do. Often takes up front investment.	Loans from Central Government to cash-flow Development: <ul style="list-style-type: none"> Public Works Loan Board (UK) Cassa Depositi e Prestiti (IT) Norwegian Housing Bank 					
Consumers cannot find the initial investment to take out a mortgage	State-backed guarantees for residents <ul style="list-style-type: none"> (www.helptobuy.org.uk) Norwegian Housing Bank 					
Lack of Funds in the public Sector to fund Social Housing	<ul style="list-style-type: none"> Attract Institutional Investors (REITS) 					
	<ul style="list-style-type: none"> Work with Pension Funds (on Sale and Leaseback vehicles) 					
	<ul style="list-style-type: none"> Municipality Aggregation Models (to access EIB Funds) 					
	<ul style="list-style-type: none"> Tax credit models 					
Institutional Lenders want too high a return on investment	<ul style="list-style-type: none"> Community Investment Community Owned Assets Owners Associations (Stefan's Scheme) 					
The property development community is not dynamic/active enough	Increase competition or between (for-profit and non-profit) housing providers.					
Lower land values, lack of finance etc. now requires more complex national, regional and local partnerships, with a range of organisations contributing into development and openly sharing returns	<ul style="list-style-type: none"> Blended Finance Models – using mixed finance sources to get a scheme to work Localism - Devolution of subsidy from the centre (for example, national tax authorities or federal programmes) to lower tiers of government where there is freedom at the more local level to augment subsidy (for example, with land) for locally-tailored affordable housing solutions. 					
Fragmented Ownership Structures	<ul style="list-style-type: none"> 3R Area type solutions 					
Private Sector is not investing in run down areas, resulting in degradation of the area	<ul style="list-style-type: none"> Compulsory Purchase Heritage Lottery Fund style grants to provide GAP finance 					

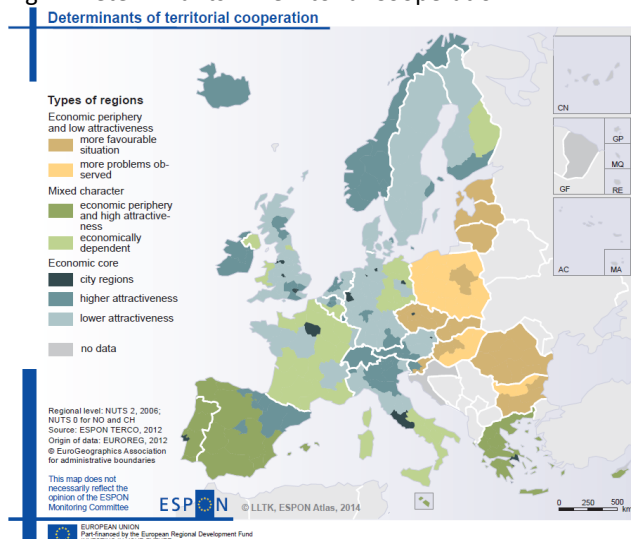
Source: The 2014 UseAct Project

The timing in completing public works is a difficult aspect to measure for all the European regions. In any case, the data collected via the ESPON TerrEvi project 2013 has helped use to shed light on some specific issues regarding the 2013 planning cycle. This has also allowed us to put forward a proposal to translate the 11 thematic objectives relating to the 2014-2020 European Structural and Investments Funds (ESIF) into projects, on the basis of five criteria: needs analysis, thematic concentration, program monitoring, project selection, and stakeholder dialogue. Matching this approach to the investigation of the urban development scheme (ESPON CityBench project, 2014) can greatly improve our understanding of how reliable cities are when selecting the projects they intend to invest in.

5. Political Reliability and Social Trust

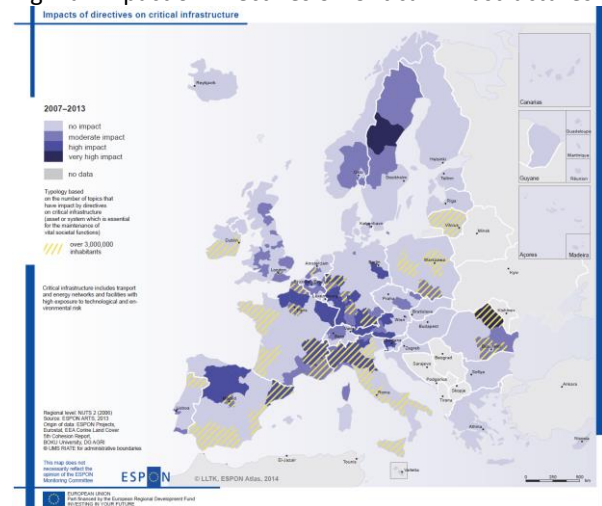
Comparing the determinants that make a city or territory attractive (Fig. 2) with the impact that EU directives have (Fig. 2a) will suffice to underline the lack of appeal that Italy has for investors. This is due to the fact that this country has this far not complied with EU standards.

Fig. 2: Determinants in Territorial Cooperation



Source: ESPON Atlas, 2014, p. 98

Fig. 2a: Impact of Directives on Critical Infrastructures



Source: ESPON Atlas, 2014, p. 97

Luxemburg, Italy and Latvia have agreed that this lack of compliance may be a key factor in implementing (or not) the 2020 EU strategy. Such considerations have led researchers to ask, “What European territory do we want?”¹⁷. In particular, they ask what exactly we want to invest in. This confirms that the polycentric territorial development (i.e. including large, medium and small cities that can contribute, each according to their own territorial capital) becomes essential to maintain European integrity and identity. It should however be borne in mind that, in many European cities, despite many attempts, the attempt to stimulate confidence in investors and citizens seems to have failed. Consequently, it is now fairly clear that each context requires specific and relevant policies.

As for Italy, this can be achieved by considering two important factors: 1) lack of transparent evaluation and information about the needs (i.e. place-evidence) that can support the public sector’s implementation of a program. In other words, government institutions have to activate and manage the participation and sharing process that needs to precede any investment; 2) the lack of (long-term) strategic visions and scenarios that could contribute to the coherent implementation of short- and medium-term projects.

¹⁷Ministère du Développement durable et des Infrastructures (2015) *What European territory do we want?*, Workshop organised by the incoming Luxembourg Council Presidency in the framework of the IT-LV-LU Trio Presidency Program, 23 April, Luxembourg.

The Urban Agenda has been proposed as a minor type of intervention within the Territorial Agenda 2020, whose themes reflect the diverse set of political views that can be found in Italy. According to the EU, the Urban Agenda (as it is conceived in Italy and in relation to city planning) should support the political ambitions of policy decision makers in defining their governance strategy. However, it is worth noting that the concept of *governance* requires that a public authority to be knowledgeable, coordinated, aware and responsible (*governance* is considered as a set of regulations that support the completion of a project, and the investment it requires; others shrewdly see it as the regulatory tool that supports the investment needed to complete a project according to the reference framework put forward by means of territorial planning). When considering the impact that the current financial crisis has had on Italian cities (e.g. in its social, fiscal and economic aspects), the lack in coordination among macro, meso and micro policies becomes evident. This can be clearly observed when examining several projects that have attempted to enhance the growing Internal Added Value that each city claims to be willing to accept (especially considering that it has been estimated that by 2030, 26-29% of the European population will be aged 64 and over). The aging of the population and unemployment trends that are affecting particularly Italy, Spain, Greece, the UK and Finland need to be inverted by introducing a new idea of cohesion and a new political perception of growth. This can be linked more effectively to the demand for development by local communities and the EU's offer of strategic Integrated Territorial Investments (ITI).

The Juncker Plan and the Quantitative Easing policy had been conceived to prevent the global market from establishing the investment costs which each local community has to pay to encourage growth. To this end, these policies have delegated the European financial and banking system to promote new investments among those local communities that see these banking institutions as the main culprit behind the current economic crisis. Considering that Europeans are increasingly negative towards such a policy, little can be gained from promoting the good practice implemented through cross-border cooperation (e.g. in the Baltic Sea). By contrast, a project underlying a polycentric development seems to be more effective in this sense as it proposes that small and medium-sized cities (in internal areas) can be included in a process of technological innovation. With the help of local enterprises, this approach could facilitate the redistribution of the regional GDP (by boosting it to at least 0.4%) and progressively reducing the gap between the regions, if not initiating fast growth processes. In this view, the application of endogenous development models will require a medium-term time frame if they are to yield more stable results.

The European Commission's initiatives on territorial scenarios and long term estimations (in 2060), which are based on ECFIN and EUROSTAT data to manage occupation, demographic dynamics, GDP growth (DG Regio 2015), have demonstrated that an NUTS3 (provinces) and a LAU (Large Urban Areas) is possible if employment is related to the Gross Added Value (GAV) growth in a converging scenario of Regional Breakdown. To this end, the Impact Assessment (IA) and Territorial Impact Assessment (TIA) are essential tools, as well as the relationship between sustainable territorial planning and programming based on the policy makers' awareness of scenarios that can increase the level of welfare. This can help them face common macro issues such as climate change in order to support endogenous regional policies that can boost investments and global policies that can attract private interventions.

This new awareness calls for a change that may lead to taking on those challenges that the new approaches to general and sector investment planning may pose. At the urban intervention level, scientists can agree on emerging planning and design models. They will look to the peculiarity of the development process as the main criterion to:

- adopt both qualitative and quantitative methods (rather than quantitative only), e.g. while designing new infrastructures for sustainable transportation;
- use open data to increase the stakeholders and investors' involvement;
- take into account the complexity of urbanization and post-metropolisation processes, as well as their effects in terms of land consumption, etc.;
- within the planning process, adopt predictive instruments such as TIA in order to bridge the knowledge gap on the basis of place evidence, geo-referential and statistical data;
- coordinate programming, planning and design actions with the relevant EU funding program, which may also imply reconsidering sector political choices and the Committee of Region's regional agendas.

- by means of specific educational processes, increase the administrative ability to conceive new policies that have to be adapted to the peculiarities of each territory. This should be done by also taking into account the impact that such policies may have on the current institutional model to change its behaviour.
- Working in polycentric terms to boost investments is an effective way to overcome the challenges set by the Europe 2020 strategy. It means that new long-term and coherent scenarios will have to be designed so as to establish which targets can be achieved in the short term. However, at the moment policy making does not seem to offer much choice. Options seem limited to:
 - 1) Involving the stakeholders in the decision-making process;
 - 2) Drawing on place-based evidence to set medium-term targets for a long-term scenario, thus involving in this vision both regions and cities (especially small and medium-sized cities that could help to increase the GDP and reach the European average, as well as improve the potential of the territorial capital).

How to combine the political visions and strategies and citizens'/communities' needs is still an unresolved issue. Economists also feel the need to further investigate such a problem. As for Italy, the strategy supported through the Regional Operational Programs (ROPs) should be consistent with the national strategy, which has been previously agreed with the EU. This facilitates the distribution of the funds to the central government, which has become more centralised due to the crisis, rather than taking into account the highly diversified context that can be found on the provincial and municipality scale. This has also led to a gradually diminished central and metropolitan focus on the regional authorities' part. Consequently, new polarising trends are emerging, which have normally been found in medium-sized regional capital cities (and sometimes even outside a given region) willing to pursue individual development paths.

This does not mean that the centrality of the main city has disappeared. They have used the TIA process to become even more dominant, at least as far as systems determinants and types of functions are concerned. Examples of these are: the implementation of infrastructures and potential for research and development, the quality of life, the use of funds to attract large movements of tourists, training and employment and fund and investments. However, the willingness to attract investments can be assessed by taking into account some specific variables such as, among others: the identity of the production system, the banking and insurance system, the density of enterprises, the efficient implementation of the Lisbon Strategy, and the quality of the government, which can be enhanced through the urban residents' involvement, the management of general services, including water consumption and waste recycling.

In conclusion, when taking into account all the experience reported via empirical research¹⁸, planning practice has to be reconsidered according to the above-mentioned approach. Although re-launching the European economy can be done via new city dynamics, using socially innovative and participative processes is the only way to design diversified strategic plans that may become a real benchmark for decision-making. It will also prevent the investment in urban transformation from becoming an "ex-post hypothesis".

The Community-Led Local Development has proved to be a useful tool for reaching these objectives in the short term in places with a population of 10,000 to 150,000 inhabitants, and as far as climate change is concerned. They have created energy infrastructures, reduced the CO₂ emissions and implemented measures to encourage training and employment at the local level by using the ITIs. Words such as

¹⁸ PREZIOSO M. (2014) 'Dal quadro europeo ispirazioni per la politica urbana per l'Italia', in Cappellin R. (ed.), *Policy Workshop: "Crescita, investimenti e territorio: dalle idee ai progetti"*, XXV Conferenza scientifica annuale AISRe, *Uscire dalla crisi. Città, Comunità e Specializzazioni Intelligenti*, Padova, 12th sept., pp. 1-10, Roma, www.economia.uniroma2.it/dedi/ebook-politiche-industriali. ELISEI P., D'ORAZIO A., PREZIOSO M. (2014). 'Smart governance answers to metropolitan peripheries: Regenerating the deprived area of the Morandi block in the Tor Sapienzaneighbourhood (Rome)', in the *19th International Conference of Urban Planning, regional Development and Information Society*. Vienna, CORP. pp. 1-17 (CD); ELISEI P. (2014), *Strategic Territorial Agendas for Small and Middel-sized Towns and Urban Systems*, South East Europe Program.

“megaphone”, “antenna” and “arena” are now part of the engaging with and connecting between those players who are involved in the decision-making process that is managed by the Urban Centres.

As for the case study of the Roman periphery, the lesson that has been learnt is that, when implementing a participatory process, the following should be borne in mind:

1. To encourage a dialogue between main stakeholders and all level of institutions to discuss local planning. This can be done by using an area-based approach, which is inspired by a problem-solving logic.
2. To help those experienced stakeholders identify the existing problems so as to adopt an inclusive approach towards the different capabilities included in the LSG.
3. To provide institutions and politicians with continuous feedback about every action taken on the neighbourhood scale.
4. To cooperate closely and constantly with the selected working groups and assist them in drafting sound and feasible projects (e.g. by using the right scale of action). This helps to avoid presenting projects that are not in line with local forces and potential available funds.
5. To help stakeholders to think “outside of the box” and be open to new forms of economies connected to ecological solutions and new smart technologies (e.g. energy, IT). This will encourage planners to be extremely creative in order to think about new ways to enhance the local economy, which can be based on social interactions (real/virtual), innovative uses of public spaces, green areas and all available facilities (public/private, private in public use, etc.).

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All ESPON projects mentioned in the paper are available and download at the web address: www.espon.eu