Lisbon and Gothenburg Strategies for Competitiveness and Sustainability

These notes have been compiled by the SPARC project (INTERACT). See page 12 for more information. The Lisbon and Gothenburg Strategies represent key policy commitments by the European Union of direct relevance to INTERREG projects. These are explained below, together with related concepts and policy development. These should be taken into account in all INTERREG projects.

Lisbon Strategy

The core of EU's strategies for competitiveness is the Lisbon Strategy, which outlines the steps to enhance the Union's competitiveness against global competition, while preserving and regenerating social cohesion and environmental quality. The main idea is to boost innovation in order to create more and better jobs in the EU. Specifically, the European Council of March 2000, in Lisbon, set out a ten-year strategy to make the Union "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". The 'Lisbon Strategy' is a commitment by EU governments to concentrate their efforts on a single overarching goal to bring about economic, social and environmental renewal in the EU. Specific targets were set, e.g. to raise the employment rate in the EU to 70% from the current level of around 63%. However, progress with the Lisbon agenda seemed to be disappointing as laid out in Wim Kok's report on the first five years of the strategy.

The main instruments of the original Lisbon agenda were economic reforms, and investment in growth-enhancing areas like R&D and human capital. Much of the responsibility lay with individual Member States. In 2003, the Kok report concluded that little progress had been made over the first five years of implementation of the Lisbon Strategy, and it recommended a refocusing on growth and employment and on taking on more responsibility for the strategy by the Commission itself. Hence the European Commission proposed in 2005 a new start for the Lisbon strategy, focusing on stronger and sustained growth, and more and better jobs (renewed Lisbon Strategy for Growth and Jobs). Moreover, in 2005, EU heads of state and government adopted a declaration stating that the "renewed Lisbon agenda is an essential component of the over-arching objective of sustainable development". Related Europe-wide common key actions concern in particular the support of knowledge and innovation, which are considered the engines of "sustainable growth" in Europe. In order to achieve the Lisbon goal of full employment, as well as better quality and better

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productivity at work, Europe needs to increase labour supply, improve the ability of workers and enterprises and increase investment in human capital through better education and skills.

Gothenburg Strategy

As a complement to the 'Lisbon Strategy', the EU adopted an ambitious strategy for sustainable development at the Gothenburg Summit in 2001 (hence also known as the 'Gothenburg Strategy). The Gothenburg European Council added the environmental dimension to the Lisbon process as its 'third pillar' to be added to economic and social reform. In 2002, an external dimension to the strategy was added in Barcelona in view of the World Summit on Sustainable Development in Johannesburg the same year. In 2005, the Commission reviewed the Gothenburg Strategy, highlighting unsustainable trends since 2001, including climate change, threats to public health, increasing poverty and social exclusion, depletion of natural resources and loss of biodiversity. The Commission's report recommended urgent action and a new approach to policy making to improve policy coherence, with all policies having sustainable development as their core objective.

Building on the strategy adopted in 2001, the European Council adopted an ambitious and comprehensive renewed Sustainable Development Strategy (SDS) for the enlarged EU in 2006. Under the new strategy, a stronger economy will drive job creation alongside social and environmental policies that ensure sustainable development and social inclusion. The resulting commitment to sustainable development means that economic, social and environmental policies should be developed in a mutually reinforcing way. Resulting priorities include combating climate change, ensuring sustainable transport, addressing threats to public health and managing natural resources more responsibly.

Overall European policy for sustainable development is formulated through three strands of action: the Lisbon Strategy; the Strategy for Sustainable Development (SDS) (the 'Gothenburg Strategy'); and the Cardiff Process describing the sector strategies for the integration of the environmental dimension into other policies. These policies are related to the Sixth Environmental Action Programme[2] (6th EAP), which is a binding agreement of the EU institutions, setting out guidelines for European Environmental Policy as well as defining the core environmental policy input of an EU sustainability strategy.

Implementation of the Strategies

The Structural and Cohesion Funds are now the main instruments the EU has for increasing growth-enhancing investment. This means that projects in the INTERREG initiative are asked to particularly take the renewed Lisbon Strategy and the Sustainable Development Strategy into account. In terms of further funding, instruments to implement the Lisbon strategy are also the Seventh Framework Programme for Research, Technological Development and Demonstration (RTD)[3] activities and the Competitiveness and Innovation Framework Programme[4].

Related concepts - competitiveness

A distinction must be made between the macro level (the competitiveness of a country), the micro level (the competitiveness of the individual firm) and the meso-level (the competitiveness of local economic systems). Place competitiveness is related to the location choices of firms and residents. Many modern businesses have become 'footloose', namely less and less dependent on particular locations.

Regions are seen as increasingly important units for creating competitive advantage. Geographic, cultural, and institutional proximity within a region means that companies may have closer relationships between each other, as well as better information and incentives. These kinds of advantages are difficult to create over distance. The more complex and dynamic the information-based economy becomes, the more proximity seems to increase in importance. Competitive advantage is more and more generated via tacit knowledge, face-to-face relationships, and inter-

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[2] http://ec.europa.eu/environment/newprg/index.htm
[3] http://ec.europa.eu/research/future/index_en.cfm
[4] http://ec.europa.eu/enterprise/enterprise_policy/cip/index_en.htm

personal motivation. It used to be that for a region, access to markets was crucial. Now it is claimed that it is access to information that makes a region successful.

Local and regional policy frequently supports the development of 'clusters', in order to enhance competitiveness. Clusters in this context are groups of complementary, competing, and interdependent industries and services that drive wealth creation in a region, mainly through export of goods and services. By locating close to one another, businesses are able to acquire information, communicate and share inputs so as achieve a "collective" advantage.

Innovation is sometimes more concentrated in some places than others, and increasingly, the region is the level at which innovation is produced. Innovative products and services are created by networks of innovators, local clusters and the "cross-fertilising effects" of research institutions. In this context, economic policy-making can encourage knowledge-based economies so as to reduce the vulnerability of regional economies, societies and environments to external pressures, while promoting economic health and quality of life. The role of government here is increasingly to encourage and assist others rather than to deliver services directly. An "innovative region" is one where novel goods and services are generated, and where clear and mutually reinforcing roles exist for government, universities, private businesses, citizens, and other actors.

The concept of a "learning economy" takes a wider perspective to foster innovation not only in new industries, but also in traditional ones. The underlying rationale is to prevent gaps between different industries. The learning economy concept relies on development of human resources, new organisational forms, and innovation networks. Innovation is considered as being interactive, multilateral and social in nature.

Cooperation between local firms, sectoral specialisation and "soft" location assets are the product of new views that have appeared since the 1980s. Regional competitiveness benefits especially from these "soft" factors, including human capital, education, cultural knowledge and creativity and environmental quality. In relation to creativity, the social theorist Richard Florida[5] suggests that aesthetic, cultural and political creativity are also necessary for real economic growth. Hence many local authorities and related organisations have sought to provide services and promote their areas (place marketing) in order to enhance the attractiveness of the area or region for inhabitants and investors.

Related concepts - sustainability
Sustainable development means meeting the needs of present generations without compromising the needs of future generations. The landmark of the birth of the concept was a report by the United Nations in 1987, the so-called "Brundtland report", entitled "Our Common Future". An effective economy is often seen as an important precondition for sustainable development. Social sustainability should improve social cohesion and equity and should reduce social exclusion of particular groups of the population as well. Achieving these goals would reduce the costs of social exclusion and inequality. Sustainability is often said to include three "pillars": economic, social and environmental. Effective institutional change to bring together these elements is sometimes considered the "fourth dimension".

Economic sustainability means profitability due to sound business practices, with measurable cost benefit relations due to strategic sustainability policies, activities and product design. Sustainable economies also need to be competitive in a world market. Products that are too expensive to buy cannot be sustainable, even if they are environmentally-friendly. Locally, this means creating wealth and providing as high a standard of living as possible, including providing employment opportunities for people in the community, and new business development in the local economy.

Environmental sustainability means aiming at protecting the environment to make sure environmental carrying capacity is not exceeded, environmental quality is not diminished, and resources are not exhausted. The point is not to deny the future generations of similar or better

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[5] Richard Florida (2003): The rise of the creative class: and how it's transforming work, leisure, community and everyday life. New York: Basic Books

environmental conditions. Current issues include global warming, over-fishing and deforestation with subsequent desertification.

Social sustainability means that the needs of people must be met equally. Access to medical care, suitable housing, clean water, food and sanitation are among the more basic needs. Opportunities for education, jobs, culture and social reproduction (leisure) are also included. A sustainable standard of living must be achieved in an adequate manner. Sustainable development addresses these needs by promoting equality, education and participation in local communities.

These three dimensions affect but also require one another. Economic development affects the availability of environmental resources. Economic growth without taking into consideration environmental quality is impossible in the long term. Hence economic growth can not be the only goal and can even be counterproductive in terms of quality of life. Equally, social stability is important for economic growth.

Sustainable regional development is the integration of sustainability principles into regional development practices. It should include all activities and instruments that promote sustainable development within the region's agenda. The different roles of regions across the EU account for widely differing levels of activity in regional sustainable development. Generally, regions provide frameworks as well as direct support for regional initiatives which are in some cases linked to Structural Fund activities. Supporting measures mainly consist of providing institutional frameworks for regional development which, in some cases, are crucial for regional sustainable development.

At the local level, 'Local Agenda 21'[6] plans, or local sustainability plans, promote participatory, long-term, strategic processes that help municipalities identify local sustainability priorities and implement long-term action plans. They support good local governance and mobilize local governments and their citizens to undertake such multi-stakeholder processes. These processes lead to the preparation and implementation of long-term, strategic plans that address priority local sustainable development concerns.

Possibilities for integrating competitiveness and sustainability

The concepts of competitiveness and sustainability may seem contradictory, but in fact are meant to complement each other. The Sustainable Development Strategy is above all concerned with quality of life, intra- and intergenerational equality and coherence between policy areas. It forms the overall framework within which the Lisbon Strategy should supply the engine for a more dynamic economy. The most visible attempt at integrating competitiveness and sustainability in EU is the Lisbon Strategy and Process, in which such integration is clearly set out. The implementation of the strategy has, however, often been at the expense of sustainability aims. It seems that competitiveness and the economic agenda as a whole is strongly advocated in EU policies, whereas the sustainability component is more vulnerable to changes in the policy climate – despite its growing presence as rhetoric. It is apparent that for sustainability to gain an equal position with competitiveness, issues of sustainability must be brought to the European and national agendas with more institutional and political strength.

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[6] http://www.un.org/esa/sustdev/documents/agenda21/index.htm

The SPARC Module

The above summary is taken from a new distance learning Module - 'Spatial Planning and Regional Competitiveness' (SPARC) – produced since 2006 in collaboration of Heriot-Watt University in Edinburgh, the Universities of Luxembourg and Ljubljana, and the Politecnico di Milano. SPARC aims to enable spatial planning and economic development practitioners, policy-makers, or others with an interest or role in EU funded co-operation projects such as INTERREG, to develop their involvement in such projects. Participants who successfully complete the Module receive a Module Award. The Module has been updated to include details of the 2007-2013 structural funding period.

The Module develops knowledge of:
- concepts of territorial development, competitiveness and co-operation as applied at the EU level;
- linkages between the EU's sectoral policies and activities, and spatial planning policy at different levels; and
- recent and contemporary shifts in EU funding priorities and philosophies, including the implications of the Lisbon and Gothenburg Agendas on competitiveness and sustainable development, and implications for the new structural funding regimes.

The emphasis is on practical application, with detailed case studies of contemporary practice throughout Europe which show how projects can be developed effectively.

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Please see the SPARC website at www.sparcmodule.org for more information and an application form, or contact us at SPARC@sbe.hw.ac.uk.

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