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COMMISSION STAFF WORKING DOCUMENT

***Annex to the**_

**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND PARLIAMENT**

Cohesion Policy and cities: the urban contribution to growth and jobs in the regions

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<u>Annex to the</u>
**COMMUNICATION FROM THE COMMISSION
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Cohesion Policy and cities: the urban contribution to growth and jobs in the regions

1.   SUSTAINABLE URBAN DEVELOPMENT IN EUROPEAN REGIONAL POLICY 2007 – 2013

The European Council of March 2005 reaffirmed that "Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital". The Council underlined that the Union must "mobilise all appropriate national and Community resources – including Cohesion Policy".

In line with this objective, the European Commission has proposed that Cohesion policy should strengthen this strategic approach for the next period, 2007-2013. Accordingly, it adopted in July 2005 draft Community Strategic Guidelines for Cohesion, which set the European agenda for growth and jobs as the main priority for Cohesion Policy.

Special attention is paid in the guidelines to specific needs of certain territories, such as urban and rural areas, with a view to achieving balanced development and removing obstacles to growth. The guidelines also promote an "integrated approach" to Cohesion Policy, delivering not only growth and jobs, but also social and environmental goals.

During an informal meeting in Rotterdam in November 2004, Ministers responsible for urban policy stressed the substantive contribution that Cohesion Policy can make to urban development. Work on urban issues has continued under successive presidencies.

Moreover the European Parliament, in its report on the urban dimension in the context of enlargement[1], welcomed the incorporation of sustainable urban development into the mainline of Cohesion Policy and the European Structural and Cohesion Funds. Furthermore it requested the Council to ensure that this is followed up in the framework of strategic reporting, under articles 27 and 28 of the proposed Council regulation.

. The debate received a new impetus at the Bristol ministerial council in December 2005. Sustainable urban development integrates economic, social and environmental goals with good public services. Local partnerships including public, private,

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[1]   Report on the urban dimension in the context of enlargement, rapporteur : Jean Marie Beaupuy, A6(2005) 0272 of 21.09.2005.

voluntary and community interests are essential to deliver these "sustainable communities" as referred to in the "Bristol accord".

The Community Strategic Guidelines define the areas of intervention where it would be appropriate to give a priority to the preparation of Operational programmes for Cohesion Policy for 2007-2013. The Communication stresses certain specific aspects of the urban dimension which may be relevant in this context.

The Commission staff working paper develops the analysis and provides background to the suggestions for actions made in the Communication. The suggestions for action are backed up by findings from statistical analysis (especially the Urban Audit[2]) as well as feed-back from the current implementation of urban actions in Structural Funds and other EU-financed actions, such as the R&D framework programme. The findings are drawn from a range of cities. In fact, the definition of "towns", "cities" and "urban areas" varies from one Member State to another. This text therefore uses all these terms in a broad sense, often interchangeably.

 Furthermore, all suggestions for policy actions should be seen in the framework of the institutional organisation of each Member State and in conformity with Community rules on State Aid. They must be examined in their political, geographic, cultural , local, regional and national context.

Local actors already play a crucial role as partners in the pursuit of growth and jobs. Cities and metropolitan areas are drivers of economic development. They are also key locations for removing obstacles to growth and jobs – notably social exclusion and environmental degradation. Accordingly, the Structural Funds regulations require where appropriate the inclusion of local authorities in the programming and implementation of the Structural Funds and allow Member States to sub-delegate the implementation of urban actions to urban authorities.

The national authorities are therefore invited to use this communication with the relevant partners – particularly local and regional authorities – in the preparation of the new round of Cohesion Policy programmes. The proposals for actions will of course vary between cities covered by the Convergence Objective and those covered by Competitiveness and Employment. Moreover, in order to be effective, EU funding must be concentrated and selective. There will therefore have to be choices made, in the light of EU, national, regional and local priorities. In every case, the recommendations in terms of good governance must be respected to ensure the highest possible added value of Cohesion Policy.

The Commission conducted a public consultation on the communication, which closed on February 2006. The many contributions (90) were largely positive. Comments have been incorporated into the communication and the present working paper.

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[2]   The Urban Audit is the European Commission's periodic collection of data on the quality of life in large and medium-sized cities across Europe. It currently covers 258 cities in the EU27 and it will cover almost 300 cities in 2006.

2. **U**RBAN REALITIES: WHY CITIES MATTER

2.1. **Cities as motors for growth and jobs**

For two centuries, towns, cities and metropolitan areas have driven economic development in Europe, creating growth, innovation and employment. This pivotal role has been coupled over recent years with an extension in their powers. But cities do not operate in isolation. They are key players in regional development, including the development of neighbouring rural areas. Cities and regions need each other. A region will be successful if its cities are successful and cities will flourish if the wider region flourishes.

In the European Union over 60% of the population lives in urban areas of over 50 000 inhabitants. Apart from the two mega-poles of London and Paris, Europe is characterised by a unique polycentric structure of large, midsize and small cities. However, population is a relative criteria and sustainable urban development within Cohesion Policy is not only about big cities. A small town in a sparsely populated area plays a significant role in the regional economy.

The European Union will be most successful in pursuing its growth and jobs agenda, if all regions – especially those with the greatest potential for higher productivity and employment – are able to play their part. Cities are essential in this effort. They are the home of most jobs, businesses and higher education institutions and are key actors in achieving social cohesion. Cities are the centres of change, based on innovation, entrepreneurship and business growth.

This is why policy at the national and European level needs to have an urban dimension. To promote the exchange of experience and best practice. To help overcome the market failures that underlie urban unemployment and social exclusion. To bring forward new investment that helps the urban areas to realise their full potential.

2.2. **Making growth sustainable: social cohesion and environmental quality**

Economic, employment, social and environmental policies are mutually reinforcing. Economic growth is sustainable when it goes hand in hand with efforts to reduce poverty, fight social exclusion and tackle environmental problems. Sustainability is particularly pertinent in cities, which are on the frontline of the battle against social exclusion, environmental degradation, dereliction and urban sprawl. These issues, along with others such as inadequate governance and leadership, are among the main challenges to the economic performance, attractiveness and competitiveness of cities.

Cities encompass significant disparities in economic and social opportunities. These can be spatial (between neighbourhoods) or social (between different groups) and often both. In fact, disparities are often greater between neighbourhoods within a given city than between cities. This situation damages the attractiveness, competitiveness, social inclusiveness and safety of cities. By extension it impacts negatively on the sustainable growth of the wider region, the Member State and European Union as a whole.

The quality of the urban environment is also a key factor in attractiveness.

2.3.   Achieving a better territorial balance across the EU

Europe is characterised by a polycentric structure of large, medium-sized and small cities. Many of these cities cluster together to form metropolitan areas, but many exist as the single urban centre of a region.

The effort for growth and jobs within a context of global competition needs to build on the resources of the whole territory, urban, peri-urban and rural areas, regardless of size. One tool for balanced development is co-ordination or strategic alliances. One example is at the urban-rural level: co-ordination between urban, peri-urban and rural authorities or between city authorities and those of the wider region. Another example is strategic alliances between neighbouring small and medium-sized towns, especially in peripheral locations of the Union. Such alliances should be created to engender a 'city effect' and maximise the economic advantages which can be derived from critical mass and increased collaboration.

The aim of Cohesion Policy is to improve the competitiveness of regions and help lagging regions catch up, thus contributing to economic growth and more and better jobs. Its urban component requires national and regional governments to make strategic choices in identifying and strengthening growth poles. These poles serve wider territories and contribute to a sustainable and balanced development of the region as a whole.

3.   ATTRACTIVE CITIES

European cities attract investment and employment by offering economic opportunities and a high quality of life. Cities can do a lot to improve their attractiveness and many elements in the Commission's proposals for Cohesion Policy can support these initiatives.

The challenges vary. For some cities, the challenges are increasing population, rising house prices, a lack of available land, traffic congestion and overstretched public services; for others, depopulation, dereliction, lack of jobs or low quality of life. In many cities, the key challenges are suburbanisation and "urban sprawl" – where the area around the city attracts residents and development away from the city itself, leading to contrasting problems and new needs: depopulation in the city, but congestion in the suburbs and surrounding rural areas.

At least four key issues require attention:

–   Transport, accessibility and mobility

–   Access to services and amenities

–   The natural and physical environment

–   The cultural sector

3.1. Accessibility and mobility

Transport is a key element of attractiveness. **Accessibility**, defined as the connections to inter-urban and long-distance networks, is crucial in terms of access to markets. But it is also important to ensure clean, efficient, affordable and effective intra-urban mobility, both within the city centre and with the urban and rural periphery. Such mobility contributes both to economic efficiency and to the quality of life of the inhabitants.

European cities vary in the quality of their external transport links and internal transport systems. In terms of external transport links, some cities are important transport hubs, while others due to their location or infrastructure are difficult to reach. Good external land, sea and air links are the responsibility not just of city authorities, but also of regional and national governments. Cities such as Dublin, Helsinki and Stockholm have become major players in the global knowledge economy, despite their peripheral location. However, a study by ESPON[3] identified significant deficiencies in air accessibility, particularly in the capital cities of most of the new Member States. Nevertheless, experience in the EU15 shows that, the creation of over-capacities at regional airports (airports of other cities) should be avoided in the EU10 by means of careful planning and a better use of existing capacities.

Mobility within the city is a challenge which increases with the size of the city, because of both the distances involved and the volume of traffic. The trend of ever-increasing car use has aggravated congestion in both new and old Member States. Moreover, in the new countries, gaps in terms of quality and frequency have even led to underutilisation of the existing train network. If nothing is done, the costs attributable to traffic congestion will increase to 1% of EU GDP by 2010[4].

Increased traffic and urban congestion go hand in hand with more accidents, as well as air and noise pollution. One fatal traffic accident in two takes place in urban areas and children and the elderly are most vulnerable. Pollutants affect health. Particulate matter, partly from road transport, is estimated to cause approximately 350,000 premature deaths per year in Europe[5], most of which will occur in urban areas where exposure to air pollution is highest. The total social cost of road provision and use (excluding vehicle operating costs) amounts on average to some 4% of GDP in Western Europe. Furthermore, EU25 households spent each year in transport the equivalent of 7.7% of GDP[6]. Urban transport accounts for 40 % of carbon dioxide emission from road vehicles.

Many cities are trying to reduce these negative effects by providing high quality public transport and better management of traffic as part of an integrated strategy to improve their transport system. It is estimated[7] that between one-third and a half of

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[3] ESPON project 1.2.1.: *Transport Services and Networks: Territorial trends and basic supply of infrastructure for territorial Cohesion (2002-204)*. Website: http://www.espon.eu

[4] "European transport policy for 2010: time to decide". COM(2001) 370, 12.09.2001, p. 8.

[5] Impact Assessment, SEC(2005) 1133, p. 38

[6] World Health Organisation Report, "Health Costs due to Road Traffic related Air Pollution. An impact assessment project for Austria, France and Switzerland", June 1999.

[7] Study undertaken for the EC Thematic Strategy on the Urban Environment, 2005.

Europe's largest urban areas already have integrated management strategies for urban transport in place. Affordable access to public transport is a key component of such a strategy[8]. Another is increasing the opportunities for cycling and walking, which is not only a contribution to sustainability but also to public health.

Moreover, a lot of European cities have made a substantial investment in tram or light rail systems. Currently, 137 cities in the EU25 operate such a system[9]. Many of these are being lengthened, while 18 cities are in the process of constructing an entirely new system and 41 are in the planning process. It is expected that by 2020 the length of tram and light rail lines in the EU will double. In addition, 30 cities in the EU25 operate a metro and 3 are constructing new systems. Furthermore, nearly 100 cities in Europe operate trolleybus systems, the large majority of them in the new Member States and acceding countries.

A planned and effective transport system is a determining factor in business location. It enables location decisions which are compatible with balanced and harmonious urban development.

There is a strong link between mobility and social and economic inclusion. The issue is gaining importance as the population ages, as transport becomes increasingly vital to access jobs and services and as rising housing costs in inner cities push out poorer households. Therefore, although it is essential to provide all sections of the population with alternatives to the private car, this need is particularly pressing for those without cars or that are unable to drive, including older people, young people and the mobility impaired.

Guidelines for action include:

– Sustainable urban mobility means making the best use of all the transport infrastructure, co-ordination between the various transport modes and the promotion of the least polluting modes.

– Cities in peripheral locations need good links to major airports and to the major axes of the Trans-European Transport Networks (TENs). For example, air accessibility is a particular issue in many new Member State capitals.

– Successful management of urban transport often requires the city and its surrounding region to coordinate transport planning, construction and land-use. New projects should form part of an integrated transport strategy for the urban area. Issues considered should include road safety and other public health concerns, including noise reduction and air quality.

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[8]   According to a Eurobarometer survey in 2004 (Special Eurobarometer 219 - Services of General Interest), 20% of EU citizens using transport services within towns/cities consider that prices are not affordable, and a further 10% declared spontaneously that prices are excessive. This was especially the case for young people and students (15-24 years old) who often consider prices of bus, tram and underground to be too high in relation to their budget. Yet this is one of the population groups that relies on public transport the most.

[9]   European Rail Research Advisory Council (ERRAC), "Light Rail and Metro systems in Europe", 2004.

– It is important to improve the affordability, efficiency and effectiveness of public transport, as well as linking the different transport modes. An issue for public transport in many cities is the need to reduce criminal behaviour and improve the safety of employees and users.

– Cities should, as part of an integrated approach and where possible, promote the use of cycling, walking and other alternative and "soft" forms of transport. This includes: demand management, regulated access to or even the pedestrianisation of the city's sensitive zones; the construction of cycle and pedestrian paths; encouragement of energy efficient vehicles and alternative transport fuels, such as biofuels.

– Transport planning should take account of those without cars or those unable to drive (e.g. older people, young people and those with mobility impairments). The goal is to ensure access to jobs and services (healthcare, shopping) and to facilitate personal autonomy without reliance on the private car.

3.2. Access to service facilities

Well-working and affordable services related to health, social services, training, retailing and public administration are vital to urban competitiveness, business location decisions and quality of life. Whether offered by the public, private or voluntary sector, they make a city more attractive and liveable. They are also an employer in their own right. Moreover, quality health services – especially preventative medicine - will improve the fitness and working capacity of local people.

Childminding services facilitate employment, particularly for women.

A good service infrastructure is particularly pertinent in the context of an ageing population. Older people put specific and recurring demands on health and other services. The reduced mobility of the elderly is an argument in favour of making some services more local or delivered in the home.

Some services operate at the neighbourhood level, while others serve an entire agglomeration from one site. Deprived neighbourhoods often miss out in either situation: first, well-working services may be less available in such areas; secondly, locals may be unable to access more distant services for various reasons (eg lack of transport, confidence barrier).

An unconventional and innovative solution to this challenge is to create a citywide amenity in a deprived area. At a stroke, this creates services, reduces isolation and improves the image of the area within the broader urban context.

Information technology should be used to improved the effectiveness of public services, promoting innovative solutions, particularly online access to public services (eg: eGovernment, eHealth and eLearning/training domains).

Guidelines for action include :

– A competitive city needs to invest in modern, efficient and affordable services with easy online access. Key services include healthcare, social services, training and public administration. These services must develop and adapt to current and future demographic changes, especially the aging population.

– One specific issue is the provision of childcare so that carers can participate in work or training. This is of particular importance in promoting gender equality.

– It is important to ensure that citizens from deprived areas have access to services. An innovative solution is to create a citywide amenity in such an area.

– Moreover, certain groups may need help in accessing healthcare and social services. Immigrant and disadvantaged populations may suffer from particular health and social service problems. They may also face barriers in accessing these services. An increased participation of persons with different backgrounds and of different ages, in the planning and delivery of these services should help prevent discrimination and ensure that the services take account of cultural barriers.

– Cities can use new technology to bring innovative and effective solutions to public services such as health, administration and training.

3.3. Natural and physical environment

People want to live and work in cities with a distinct identity, where both natural and built environment are of the highest quality – clean air, quiet and clean public spaces, green areas, attractive and sustainable architecture that locals are proud of. In terms of attracting geographically-mobile knowledge workers and high value-added activities, environmental quality is a long term investment.

Environmental quality can be significantly undermined by the related problems of urban sprawl (the unstructured expansion of urban areas into the surrounding countryside) and suburbanisation (the flight of citizens and business from the core of cities to the suburbs). This trend is common in old Member States and dominant in new Member States.

The Urban Audit found that in the period 1996-2001 nearly all Urban Audit cities in the new Member States lost population to surrounding suburban areas, some by as much as 15 percent. More generally, there has been an 11% increase in built-up area for just a 2.5% increase in population over the last 20 years[10]. The rate of urban sprawl is generally greater around the largest urban areas (over 500,000 inhabitants).

Urban sprawl and suburbanisation can leave city centres deprived of business and services, making them uncompetitive, under-used and even derelict. It also puts pressure on rural and suburban areas. Dispersed settlements have a bigger impact on natural habitats and use more resources (e.g. greater energy use to transport goods

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[10] European Environment Agency Report, "EEA Signals 2004".

over longer distances) generating more pollution. They can establish a dependency on the private car, excluding people without access to one.

The importance of national and local land-use policies in countering suburbanisation and urban sprawl cannot be over-estimated. Since this issue plays on the urban-rural interface, co-ordination between the planning of city and rural authorities is also crucial. Some Member States have national policies to limit greenfield and promote brownfield development. For example, Germany has a target of limiting greenfield development to 30 ha per day by 2020 for the whole of Germany (approx 100km² per year), down from 130 ha/day at present (approx 400km² per year). The target will be achieved by a mixture of land-use planning and economic incentives to reuse land.

Although housing in itself has not previously been eligible for the Structural Funds, spending in this area will now be eligible under certain conditions for new Member States[11]. It is estimated that some 40% of citizens in the new Member States live in communist-era housing. Although often benefiting from good accessibility and an attractive locality, many homes need renovation due to low energy efficiency, poor maintenance and related health problems. However, experience in eastern Germany has shown that investment in the improvement of communist-era housing requires careful economic analysis, since it may not always achieve the desired return. Two important challenges are the need to establish well-functioning housing markets and to balance housing needs with demographic and lifestyle trends.

Moreover, in all Member States certain housing-related activities will remain eligible. These include: rehabilitation of common spaces; demolition of deteriorating buildings; security measures and crime prevention; energy and water efficiency[12]; support of social inclusion measures such as proximity to health and education centres. These activities should always be carried out in the context of a long term, integrated redevelopment plan for the affected area. The emphasis should be creating the basis for new economic activity or improving the overall environmental quality of the area.

Air quality is a particular concern in many urban areas. In 2001, seven out of ten Urban Audit cities had days which exceeded ground ozone targets for the protection of human health. In 2003, 142 out of 231 EU15 urban agglomerations reported breaches of the limit on airborne particles[13]. The increasing use of cars (and resulting traffic congestion) and heating systems in homes are the main sources of this urban air pollution. Many urban areas are implementing measures to tackle congestion, better manage transport demand and raise revenues for transport improvement (e.g. congestion charging in London).

Under EU law, many cities will draw up noise action plans to reduce exposure to transport related noise and protect quiet areas. Traffic calming, new 'low noise' road surfaces, restricted access zones and quieter railway rolling stock are possible solutions.

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[11]   European Regional Development Fund (ERDF) Regulation, article 7(2).
[12]   Directive 2002/91/EC on the energy performance of buildings, OJ L 1/65 of 4.01.2003.
[13]   Source : PM10 data as submitted by the Member States under the air quality legislation reporting requirements. Limit values came to force on 1.01.2005.

Cohesion Policy has enabled significant investments in the infrastructure to manage and treat waste and waste water from urban areas. However, many cities are still not in compliance with European law. In 2003, 54% of EU15 cities conformed to the waste water treatment levels required by the Urban Waste Water Treatment Directive. This is an important priority, especially in the new Member States.

Improving energy efficiency in urban areas brings benefits for citizens and businesses by reducing both costs and the emission of greenhouse gases. Local authorities have a strong role to play in achieving energy efficiency improvements through investments in district heating schemes and promoting renewable energy. Climate change is expected to increase flooding - flood management in urban areas will reduce risks to people and assets located in flood risk zones.

Accordingly, the guidelines for action are:

– Rehabilitation of derelict brownfield sites and renovation of public spaces. This improves local services and the local area, as well as avoiding the use of greenfield sites.

– Co-ordination of land use policies and Structural and Cohesion Fund investments between urban areas, rural areas, the region and the national level to manage urban sprawl. Initiatives to make urban areas and city centres attractive places to live.

– Investments to achieve compliance with EU laws on air quality, waste-water treatment, waste management, water supply and environmental noise. Active management of congestion, transport demand and public transport networks, with a view to improving air quality, reducing noise and encouraging physical activity. This is in line with the thematic strategy for the urban environment, set out in the 6th environmental framework programme[14].

– Effective energy use in urban areas requires coherent investments and economical management of energy resources. Municipal authorities have an important role to play in the promotion of energy efficiency and renewable energies: in urban planning, municipal regulations and public procurement; by setting an example of and encouraging sustainable construction practices; by working with citizens.

3.4. **Culture**

Culture and its diversity is a core area of city competence. A long term cultural vision can be an essential link in a city's plans for economic and social development. Facilities and cultural, artistic and scientific activities should therefore be part of an integrated approach to city planning and urban regeneration (including the use of vacant brownfield sites).

As with the environment, cultural amenities are a key determinant of the attractiveness of a city. In particular, a vibrant and diversified culture, a scientific environment and the presence of a university are important locational factors in attracting knowledge workers and creative industries. Moreover, local pride and

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[14]   COM(2005) 718 of 11.01.2006.

identity and the image a city presents to the rest of the world are in large part determined by the quality of the local cultural scene.

Culture is important for all cities, but particularly in changing the image of a deprived city. Universities are especially important in forming the brand image of a city. They put a city at a comparative advantage in attracting the investments necessary for development.

Cultural activities and shows (music festivals and exhibitions), blockbuster events (cultural and sporting) and actions such as the designation as European capital of culture can also transform the image of a town or city.

Culture can also be a valuable tool for intercultural dialogue[15] a cultural centre where communities meet or a cooperation project between various neighbourhoods offers space for a true encounter between peoples from different cultures. Virtual places and online culturally specific content can contribute to such cultural and social exchanges. Cultural diversity is a source of innovation and entrepreneurship which can become a positive force for the development of cities.

Not only does culture attract other activity, but cultural industries in themselves represent a growth sector, with great potential for exports and training in new media. Cultural tourism can also be a powerful element in economic development, creating both jobs and new services. An element of this is conservation and restoration of the rich cultural heritage of Europe's cities.

Guidelines for action include:

– Cities – through a sustainable cultural policy - should promote a vibrant culture, based on the availability of facilities such as cultural and scientific centres, historic quarters, museums, libraries and the preservation of the architectural and cultural heritage. These facilities, along with a programme of cultural activities, including for young people, make the city more attractive to citizens, businesses, workers (especially mobile and highly qualified workers) and visitors, and strengthens the image of the city, local pride and identity. Moreover, culture – and cultural tourism - is in itself a rapidly growing industry.

– An active cultural policy is a valuable tool for building bridges between communities and fostering the integration of immigrants and other newcomers to the city.

4.   SUPPORTING INNOVATION, ENTREPRENEURSHIP AND THE KNOWLEDGE ECONOMY

Cities often naturally provide a stimulating environment for innovation and businesses to flourish and there are steps they can take to further foster this environment. The added value of city-level actions is to have more information on the specificities of the business environment, and to be able to carry out smaller scale complex actions tackling multiple interlinked problems. They can promote synergies which build on local potential to encourage the creation and development of SMEs, set up business incubators, provide access to finance and other business services. In addition, cities can simplify administrative demands, improve education and training

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[15]   "2008, European year of intercultural dialogue", COM(2005) 467 of 5.10.2005.

opportunities, facilitate networking between universities and enterprises and stimulate the formation of clusters between companies, research institutes and universities. All these contribute to the development of a thriving knowledge economy.

4.1.   Actions for SMEs and micro-enterprises

Small and medium-sized enterprises, micro-enterprises and social economy enterprises are particularly important to urban economies. They are generally among the most potent generators of jobs. In addition, they can promote social equality and provide quality services in deprived neighbourhoods. For all these reasons, local authorities are keen to maintain and create small businesses, offering them stable and secure operating environments.

The development of communication and exchanges between public authorities, businesses and financial institutions is essential. New initiatives which have been developed, such as Business Improvement Districts (BIDs) can involve other partners, such as property owners.

In the most deprived neighbourhoods, access to finance is still extremely difficult and the barriers are numerous, particularly when taking into account the level of risk and the lack of mutual understanding between financial institutions and entrepreneurs from the local community.

Guidelines for action include:

– Promotion of business requires improvements to the economic infrastructure. This includes transport and accessibility to be integrated with regeneration and renewal of buildings, business parks and incubators, commercial centres.

– Providing advice and support services to business, including social enterprises. This includes assistance in the adoption and efficient use of new technologies, science parks, ICT communication centres and incubators. It also includes support and coaching in the areas of management, marketing, technical support, recruitment, and other professional and commercial services.

– The promotion of systems of cooperation between local partners – including business, trade unions, universities, NGOs, training institutes and the local community. New mechanisms for sharing knowledge and experience are helped by the existence of support networks. Organising workshops, networks and exhibitions is a good way of helping potential partners meet.

– Improving access to finance. In particular, partnerships between local authorities, funders, service providers and SMEs facilitate the bringing together of financial and non-financial instruments, to meet local needs. Packages may consist of grants; micro credit schemes; guarantee funds for sharing high risks; mezzanine funds, advice and training. Cities can be important initiators in this field in coordination with regional and national financial initiatives.

– Outreach to specific groups, such as young or female entrepreneurs or those from disadvantaged groups, including ethnic minorities. Access to finance can be a particular issue in deprived areas - public authorities and NGOs can play the role of facilitators, for example by guaranteeing the quality of projects.

4.2. **Innovation and the knowledge economy promoting growth**

Innovation and knowledge are at the heart of EU efforts to accelerate growth and create more jobs. The knowledge economy means focussing on industries and sectors where ideas, innovation and technology create a large share of the value added. The principle drivers of productivity growth include R&D, innovation and, increasingly, the use of and investment in the information society. Those cities which take advantage of the new opportunities introduced by the knowledge economy will flourish, those that lag behind will face an increasing "digital divide".

In addition to the measures to promote business listed above, it is therefore crucial to attract and train and upskill "knowledge workers", specialists in new technologies and creative industries. Well educated and trained people are the key to the knowledge economy.

Knowledge workers are mobile and can choose their location. The Urban Audit shows that many European cities attract highly skilled residents (76% of cities included in the Audit attract a higher share of tertiary educated residents than their country as whole). Some cities, however, lag far behind with less than two thirds of national share of tertiary educated residents. When the most educated leave or avoid a city, it significantly reduces the city's economic potential.

A related point is the importance of partnerships with universities and other institutions of higher education. Good links between business, enterprise associations, venture capitalists, training establishments, higher education, research institutions, city authorities, trade unions, and the local community are a fertile breeding ground for innovation and entrepreneurship, creating a knowledge cluster.

Recent years have seen an upsurge in interest in applied research of specific relevance to cities. This includes applied social science research, as well as the natural sciences. This builds on work previously carried out under the 5th Research Framework Programme *« City of Tomorrow and Cultural Heritage »*, which successfully involved local authorities, industry (including SMEs), and other key urban stakeholders in more than 140 research projects aiming to promote sustainable urban growth. This will be further developed under the 7th Research Framework Programme (2007-2013) - FP7 - in particular concerning innovative urban management and planning practices, new technologies to protect the environment, and sustainable urban mobility of people and goods.

Finally, cities of knowledge require easy access to a future-proof and affordable broadband infrastructure. This empowers individuals, enables the reorientation of economic activity towards high-added value products and services and contributes to the restructuring of businesses and public administrations.

Guidelines for action include:

– Cities should attract and retain knowledge workers and, more generally, an important share of tertiary educated residents. A key input to choice is the attractiveness of a city in terms of transport, services, environment and culture.

– Cities should take a leading role in preparing an innovation strategy for the broader region. They may also, where appropriate, take the initiative to support or undertake their own research.

– Cities are encouraged to be involved in European R&D activities (FP7) and should support the introduction of technological innovations.

– Cities should work to make regional RTD innovation and education supply more efficient and accessible to local firms, in particular SMEs and social enterprises.

– Cities can stimulate and co-ordinate partnerships and clusters of excellence with universities and other institutions of higher education, creating business incubators, joint ventures and science parks.

– Cities are encouraged to develop an integrated and balanced information society strategy. The aim being to tackle the digital divide, in line with the objectives of the new i2010[16] initiative (in eGovernment, eBusiness, e-Learning, digital literacy, e-inclusion and e-accessibility) as well as with regional and national information society strategies.

– Cities should support early adoption of eco-innovations and environmental management systems[17]. Investing in this area now will give European businesses the opportunity to build a leading position in a future growth sector.

5. MORE AND BETTER JOBS

5.1. The Paradox of Cities: many jobs, yet high unemployment

The Urban Audit reveals that in all EU Member States, the socio-economic situation of cities tends to be quite different from that of 'non-urban' or rural environments. Large and medium-sized cities in particular show a very specific demographic structure.

The paradox is that cities concentrate both needs and opportunities. While on the one hand, highly qualified people are over-represented in cities, so are those with very low skills and levels of qualifications. Cities offer jobs for many people who commute in from surrounding areas, but also have higher unemployment rates. In Urban Audit cities every third job goes to a commuter, while more than two thirds of the cities have an activity rate below that of the country as a whole. Moreover, cities also have a high share of the working poor as well as whole sectors of the informal

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[16]   "i2010: An information society for growth and jobs", COM(2005) 229 of 1.06.2005.
[17]   This is an area with a clear link to the Framework Programme for Competitiveness and Innovation.

economy. Furthermore, informal employment tends to be an important source of income for the working poor .

Accordingly, in 2001 only 10% of European cities had reached the Lisbon Agenda's ambitious goal for 2010 of a 70% employment rate. This compares to a figure of 20% for European regions. Cities are therefore a strategic location to reinforce the efforts of Cohesion Policy to promote the Lisbon objectives and sustainable development.

While unemployment depends to a large extent on macroeconomic and structural factors it is increasingly recognised that there is considerable potential for action on the local level[18]. Cities are well-placed in this regard, because they understand local needs, the realities and the strengths of their areas. Moreover, they can quickly identify employment opportunities and anticipate changes to local markets. They can create synergies, mobilising different local actors, local elected representatives, business leaders, associations and universities to create a positive dynamic of economic development and job creation. They can target populations who find employment more difficult to access (such as specific communities or the long-term unemployed).

The guidelines for action are:

– The Structural Funds can, in the framework of the convergence Objective, support actions to strengthen institutional capacity efficiency at local and regional level and particularly in the provision of public and administrative services. In particular, they can encourage the improvement of their capacities for analysis and action for example, cities should be able to use the systems and tools of analysis necessary for anticipating economic and social changes which will take base at local and regional level. They should also take measures to improve the efficiency of the administration with one-stop desk and regrouping different services. Action to create jobs and fight unemployment needs to be taken at the local level with the help of regions and Member States.

– Cities should build on their strengths. Notably, they can create partnerships and employment and innovation pacts, bringing together key players within an area – elected representatives, business leaders, NGOs, interest groups and universities – to engage in positive and dynamic social and economic development.

– Cities should tackle their weaknesses, boosting employability among those groups within the population which find it hardest to access employment e.g. women, young people, older workers, ethnic minorities, the long term unemployed, the homeless and the handicapped.

5.2.   **Improving employability by raising levels of educational achievement and training**

Cities can contribute to more and more efficient investment in human capital including the development of appropriate incentives and cost-sharing mechanisms

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[18]   In its communication "Acting Locally for Employment", COM(2000) 196 of 7.04.2000, the European Commission underlined the role of the cities in the European Employment Strategy.

for enterprises, local authorities and individuals. Cities can also support the development of coherent and comprehensive lifelong learning. It is particularly important to improve educational attainment and providing training for those who are less qualified. Socio-economic changes, such as the collapse of traditional sectors (industrial manufacturing, mining etc.) have had a particularly severe impact on cities with an industrial past because of their dependence on such sectors.

The large numbers of foreigners living in cities present opportunities. To be competitive, cities need to attract and support people with a wide variety of skills and migrants often fill useful gaps. The high-skilled knowledge and business services economy, together with personal, public and consumer services, are creating more jobs in the retail and hospitality sectors, in cleaning and housekeeping services and in construction, transport, health and leisure.

Both new and established migrants can be disadvantaged in their access to employment. Factors such as a person's migration status, as well as lack of language skills and knowledge about working practices in the host country, can be significant barriers in addition to prejudice and discrimination. To make the most of opportunities offered and to avoid the impoverishment and exclusion of immigrants, cities need to very actively encourage their integration.

Promoting employment and combating discrimination[19] is necessary to prevent social exclusion and to achieve economic growth, notably at the regional and local levels. Equally, providing comprehensive support to the most disadvantaged, such as early school leavers and those immigrants who have difficulty accessing the labour market, is important in securing economic and social gains throughout the EU. This is notably the case for the Roma population, who face significant obstacles in terms of employment and education[20].

Guidelines for action include:

– Cities can support education and training in many ways, such as supporting the development of coherent and comprehensive lifelong learning strategies, a better recognition and valorisation of non-formal and informal education, investing in attractive, accessible and high quality training provision at various levels, supporting the modernisation of systems (including modular and scalable ICT training and eLearning schemes), promoting the quality and attractiveness of vocational training, and improving investment in the learning infrastructure.

– Cities can target support at those groups which disproportionately suffer disadvantages in the labour market (e.g. early school leavers, low-skilled young people, older workers and certain groups of immigrants and ethnic minorities).

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[19]   The EQUAL initiative, financed by the European Social Fund, has since 2001 enabled new means of tackling discrimination and inequality experienced by those in employment or looking for a job. For further information see http://europa.eu.int/employment_social/equal/index_en.cfm

[20]   Commission Report on "The situation of Roma in an enlarged European Union": http://europa.eu.int/employment_social/fundamental_rights/pdf/pubst/roma04_en.pdf

– To be competitive, cities need to attract and support people with a variety of skills. Workers in support services – including retail, hospitality, cleaning and construction – have a role to play.

– Local authorities need to offer 'finely tuned' training and integration programmes, which offer routes back into employment, as well as entrepreneurship. The long-term unemployed require specific support. Comprehensive 're-engagement' packages are needed, covering work experience, training and confidence building with flexible arrangements for on the job training with local employers.

6. DISPARITIES WITHIN CITIES

The urban paradox is also reflected in disparities between neighbourhoods, a problem which confronts the Union's large and medium-sized cities. The Urban Audit shows that almost all cities where unemployment is at a level of 10% or higher, have certain areas within which unemployment rates are at least double the city average. In some cases, unemployment rates reach up to 60%.

Neighbourhood Unemployment in large and Midsize cities in 2001

Source: Urban Audit
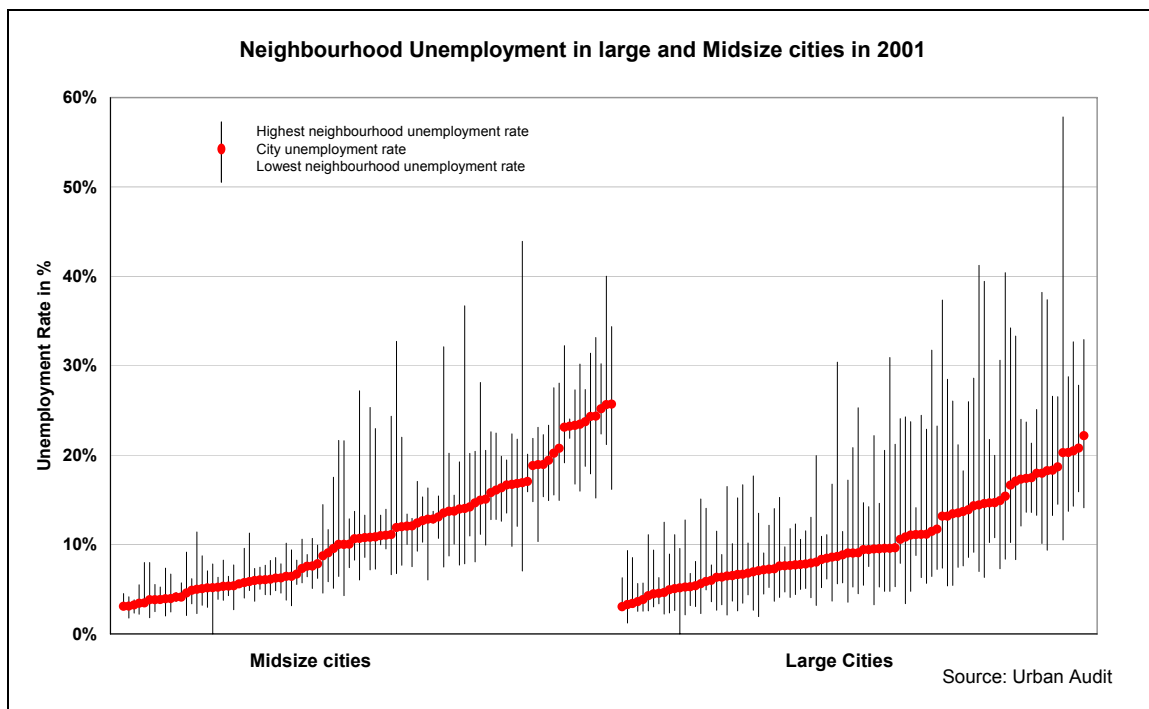
Within such deprived neighbourhoods, high unemployment is compounded by multiple deprivations in terms of poor housing, poor environment, poor health, poor education, few job opportunities and high crime rates. Disparities within cities are often significant and may even outstrip those between the richest and poorest regions in the European Union. Differences in life expectancy of 5 to 10 years can exist between people living in neighbourhoods only a few kilometres apart. Rich and poor tend to concentrate in their own neighbourhoods. Ironically, these are often in close proximity to each other, although the two worlds may seldom interact.

Alongside these obvious disparities, further disadvantage is experienced by certain groups within cities. Cities should pay special attention to integrating immigrants, and preventing the social exclusion of young people. The integration of immigrant

women sometimes poses a particular challenge for cultural reasons. However, integrating women is one of the most powerful keys for integrating immigrant groups.

Creating the kinds of places where people want to live and enterprises want to invest, which are socially just and inclusive, also requires that crime and the fear of crime is effectively tackled. Improving the planning, design and maintenance of cities will contribute to reducing and tackling crime.

6.1. Promoting social inclusion and equal opportunities[21]

The battle against social exclusion is a key challenge. Social exclusion has many consequences: on local business (less customers), on the living environment (less security, vandalism) on the inhabitants (lack of 'positive thinking', creativity and enthusiasm at work) and on the growth potential of the city (which is less attractive). Integrated strategies covering all the issues (education, housing, the battle against exclusion, employment and sport) should be elaborated and implemented.

Managing migration and facilitating integration

Immigrants tend to live in cities, particularly capitals and large cities. The share of foreign populations of non-EU nationality reaches up to 14%, 16%, 17% and as much as 23% respectively in Austrian, German, Spanish and French cities covered by the Urban Audit. The Netherlands expects first and second generation immigrants to be in the majority in Amsterdam, Rotterdam and The Hague within five years. Particular attention should be paid to the Roma community, victims of discrimination and persecution.[22]

In keeping with their role as melting pots, cities are of overwhelming importance in the integration of immigrants. While immigration policies remain a national competence, the task of supporting immigrants on their arrival, settlement and integration (including language courses, education, housing and other support services) usually falls upon local authorities, often without sufficient resources being attributed to these tasks. A European framework established to promote the integration of immigrants[23] makes suggestions that may help cities in developing their strategies.

Programmes which are designed to assist immigrants in adapting to a new environment must be backed up by strong anti-discrimination and anti-racist measures. Cities themselves can ensure that their own services are accessible to immigrants and that staff are properly trained to understand cultural differences. Cities should also promote positive interaction between individuals of different cultural, religious and racial backgrounds in society. These programmes can include the provision of targeted support, such as language training and the involvement of local 'host' communities, particularly the voluntary and community sector. Schools

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[21] "2007: European year of equal opportunities for all: towards a fair society", COM(2005) 225 final of 1.06.2005.

[22] Website on the EU and Roma:
http://europa.eu.int/employment_social/fundamental_rights/roma/index_en.htm

[23] Communication on a Common Agenda for Integration, COM (2005) 389 of 1.09.2005

and training facilities play a crucial role in the context of immigration and can support students in learning to live together in dynamic, multi-cultural communities.

Young people and children

Cities must offer spaces and facilities adapted to the needs of young people of all ages in terms of active citizenship, security, play space, culture, sports, leisure, transport, housing and health.

Cities have to bear the costs of the non-participation of young people in education, work and training, and more generally of their lack of participation in democratic life. These costs may reveal themselves in terms of welfare benefits, uncompleted courses, unemployment, poor health, drug abuse, juvenile crime and even riots. Lack of integration impacts upon both the development of the individual and the areas within which they live.

As underlined in the European Youth Pact, average youth unemployment rates in the EU Member States range from 5% to 40%, but in the cities of some Member States, levels can be double (or more) the national average. In France and Spain, the vast majority of cities experience youth unemployment rates which exceed the national average[24]. A problem of increasing concern is child poverty in urban areas. This includes, in some Member States, a disturbing rise in the number of street children.

Experience suggests that the social integration of young people can only succeed if they are empowered to think and act independently, creatively and take responsibility. Young people need to be valorised, recognised and respected. Education services play a vital role: trust is built between young people and teachers; schools and the local community are involved in tackling exclusion. It can also be useful to build the capacity of parents, for example by parenting classes.

Gender equality

It is important for cities to offer opportunities to women, who make up 52% of the EU population. Although women's needs in the labour market closely resemble those of men – good training, encouragement of entrepreneurship, etc – there are certain specific measures which can particularly benefit women.

For example, women re-entering the labour market may find that, although their skills are good, their lack of recent work experience is an obstacle in jobhunting. Moreover women from ethnic minorities, as well as single mothers (who are over-represented among the deprived) are of particular concern.

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[24] The European Youth Pact, adopted by the European Council in 2005, aims to improve the education, training, mobility, employment and social inclusion of young Europeans, by providing a framework for formulating policy responses combining employment and education objectives (Ref.: Annex 1 of Presidency Conclusions of the European Council, Brussels, 22 and 23.03.2005 (7619/05)).

Guidelines for promoting social inclusion include :

– Actions for breaking –up of patterns of segregation and the integration of migrants, including language and more general training. It is essential to involve the target community in planning and providing such training. The inclusion of immigrant women in training actions is one of the keys to successful integration.

– Co-operation between city authorities, schools and the local community in providing training for young people. Moreover, some cities have had very positive experiences in including young people in the conception and delivery of such programmes[25].

– The improvement of social services to rise to the challenge of child poverty and prevent the emergence of street children in European cities.

– Measures to raise women's skills and qualifications, facilitating their return to the labour market after periods of absence, supporting single mothers and other women (including those from ethnic minorities) facing labour market obstacles, and also giving the opportunity to obtain knowledge and qualifications regarding entrepreneurship and self-employment. Specific training and encouragement is of particular benefit to women.

– The provision of childcare facilities for women returning to the labour market.

6.2. Increased security for citizens

Urban safety – and, just as important, the perception of safety – has become an important issue for the attractiveness of many European cities. Crime is concentrated in cities, with significantly higher rates of registered crimes per capita in cities than in the country as a whole. And for certain crime types, such as drug related crime, this concentration in urban areas is extreme[26]. For example, in a Swedish national case-study[27] in 1998 it was calculated that 60% of the most severe drug abusers were found in the three metropolitan areas (Stockholm, Göteborg and Malmö).

According to the Urban Audit, eight out of ten cities have higher crime rates than their country. Within cities, crime is concentrated in certain, often deprived, neighbourhoods. Older people are particularly vulnerable and sensitive to problems of security.

The link between safety and attractiveness was confirmed by results from the Urban Audit Perception Survey[28]. There seems to be a strong link between cleanliness and the perceived safety of a city – of the nine cities which are perceived as clean by a majority of the inhabitants, no less than seven were perceived as always safe by a majority.

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[25]   These experiences have been shared in the youth forums of the URBACT network.
Website: http://www.urbact.eu.

[26]   European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). Annual Report 2004: "The State of the Drugs Problem in the European Union and Norway".

[27]   Swedish National Institute of Public Health, National Report to the EMCDDA: "The Drug Situation in Sweden 2002 - 2003".

[28]   Urban Audit Perceptions Survey, 2004: "Local Perceptions of Quality of Life in 31 European Cities".

Accordingly, local authorities are investing in better planning of public spaces as well as creating safety related jobs. An example of the latter is that some urban transport companies have hired mediators for their bus systems. They ensure a safer environment (which increases use of public transport by residents), help combat free-riding and vandalism (and therefore increase revenues for company), and provide employment opportunities.

The guidelines for action are as follows:

– Cities should adopt a joined-up and proactive approach to local crime reduction policies. For example, by improving the planning, design and maintenance of public spaces, cities can "plan out" crime, helping to create attractive streets, parks and open spaces which are safe and feel safe. Such planning requires quality information and statistics (including victimization surveys) to enable better targeting of policy.

– Focus on "youth at risk". It is particularly important to catch young would-be criminals at an early stage in their "career". This includes strategies to reduce truancy and offer other career options, such as vocational training opportunities.

– Creation and "professionalisation" of local safety-related jobs, co-operation between security services, involvement of local residents in a meaningful and sustainable way. This includes the creation of local mediators, community safety officers and street wardens who have emerged as key figures in tackling local crime in many cities. Improved and recognised training is a key here. It also includes neighbourhood watch schemes and projects to bring the police closer to local communities.

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7. GOVERNANCE

7.1. Cities and regions

Many issues related to competitiveness are a matter for the regional and national levels, with regional development agencies often taking the lead. However, in many other issues, local authorities also have an important role. Regions may cover too large an area at which to tackle economic competitiveness. Approaches at local and even neighbourhood level are increasingly necessary, depending on the issues at stake.

What is required is flexible co-operation between the different territorial levels. There are increased efforts to devise arrangements that allow cities and their surrounding areas to work together more efficiently, partly to manage internal issues - economic development, physical infrastructure, human capital, environment, transport issues - and partly to market their areas externally. It is a particular challenge to reconcile all these issues at the urban-rural interface, where urban planning and the rapid growth of many urban areas meet the preservation of agricultural activity, the natural heritage and quality of life.

Relationships between different territorial levels tend to be informal. Some cities or metropolitan areas have indeed created formal institutional or constitutional sub-regional collaborations (some of the Metropol-regionen (D) and Communautés d'agglomeration (F)). However many cities are attempting to work informally with

partners on issues where they can. Facing global competition, cities must find forms of governance which, through a strategy elaborated at the level of agglomerations or urban networks, enable them to achieve critical mass.

In order to be capable of helping themselves cities often need support, encouragement, training and capacity building from national and regional governments. The goal is to create genuinely sustainable communities, at the appropriate spatial level, with efficiency gains, cost savings and improved governance and services.

Guidelines for action:

– Develop partnerships are necessary between cities, regions and the state, within the framework of an integrated and coherent approach to urban development.

– To rise to the challenge of global competition, it will often be necessary for European cities to elaborate strategies co-ordinated at the level of agglomerations or urban networks in order to achieve critical mass.

– Management of the urban-rural interface. This means co-ordination between urban authorities (both central and suburban) on the one hand and rural and regional authorities on the other. Both because urban areas provide a service to the wider region in terms of employment, public services, public spaces, social centres, sport and cultural facilities; and because in a similar way, rural areas provide services to wider society through the provision of rural amenities, recreational opportunities and environmental goods as reservoirs of natural resources and highly valued landscapes, Coordination is particularly important in peri-urban areas.

– Cities can make use of technical assistance from the Structural Funds. Cities need help in building and maintaining the relevant chain of skills to tackle all the aspects of urban development. Increasingly, Member States and the European Union are offering skills and resource centres as well as the opportunities to network and exchange experiences. Skills in new areas – often working across traditional professional boundaries – are particularly important[29].

– In conformity with the General Regulation on Structural Funds, the Member States have the possibility of delegating to cities funds addressing urban issues within Structural Fund Operational Programmes. To get the full benefits of partnership, cities must be responsible throughout the process. This includes responsibility for the design and implementation of the subdelegated portion of the programme.

7.2. The integrated approach to sustainable urban development

Urban development is a complex and long term process. It involves the people who live and work there, the relevant public and private institutions on the ground, the legal and planning framework and the physical and natural environment. Cities need a long term vision for maximising the many critical success factors referred to in this

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[29] The "Bristol accord" (informal ministerial on sustainable communities) of 6-7 December 2005 approved the UK presidency initiative for reflection and a symposium on the skills necessary to promote sustainable communities.

document, including accessibility and mobility, access to service facilities, the natural and physical environment, culture, SMEs, innovation, employability, social inclusion and public safety.

It is clear that a city needs to perform reasonably well in all of the above areas to generate growth and jobs. This requires an integrated approach across different fields with a clear long-term vision, action plan and a critical mass of financing. Because of the proximity of the various key partners, the integrated approach is almost always the natural solution when designing regeneration projects on the district or neighbourhood scale.

In fact, since many different inputs are required, successful urban development will almost always draw on the different strengths of a wide range of partners – the various levels of government (national, regional and local) as well as the private and voluntary sectors[30]. Such partnerships need to be developed and maintained over the long term.

The success of the URBAN Community Initiative[31] is in no small measure due to the integrated approach. URBAN has targetted social and economic cohesion in parallel, removing barriers to employability and investment at the same time as promoting social and environmental goals. The mobilisation of a broad range of partners with different skills has underpinned this approach.

Another example is the UK's "sustainable communities" concept. This recognises that cities, metropolitan areas and other territories, including rural areas, will succeed best when they integrate economic, social, environmental and physical dimensions, alongside public services, leadership and 'quality of place'. Local Strategic Partnerships bring together public, private, voluntary and community interests to ensure that these ingredients are provided. Places are more sustainable and adaptable to change when these are present.

Guidelines for action include:

– Cities should have a long term, consistent plan for all the different factors promoting sustainable growth and jobs in urban areas. Actions in one field must be consistent with those in another. Notably, economic measures must be sustainable in social and environmental terms. Monitoring and evaluation systems should be in place to verify results on the ground.

– The key partners – the private sector, the community and NGOs, as well as local, regional and national government – should be mobilised in the planning, implementation and evaluation of urban development.

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[30] The Commission white paper on "European Governance" recommended open, transparent and regular dialogue between NGOs and local authorities, COM (2001) 428 of 25.07.2001.

[31] The Community Initiative URBAN II (2000-2006): Communication from the Commission to the Member States of 28 April 2000 laying down guidelines for a Community initiative concerning economic and social regeneration of cities and of neighbourhoods in crisis in order to promote sustainable urban development (URBAN II), C(2000) 1100 of 28.04.2000.

7.3. Citizen participation

Citizen participation is a democratic imperative - the engagement of local residents and civil society in urban policy can give legitimacy and effectiveness to government actions. These actors bring local knowledge as well as specific talents. They are best placed to organise actions in the local context and to cross formal institutional boundaries by their personal knowledge of local issues and key players.

Women often play a crucial role in urban development. They are key social and cultural mediators, intervening between service-users and institutions such as hospitals, schools and local administrations. Whilst they are often well-represented in community groups and as drivers in projects related to integration into deprived neighbourhoods, they are sometimes underrepresented when it comes to decision-making positions. Similarly, young people are a vital element in community action. Facilitating their active participation at local level is a key political priority and an element of good governance[32].

One of the strengths of the URBAN Community Initiative has been the strong focus on partnership with local people and community groups. This builds local competence and capacity, making the programmes more effective. Moreover, local people have acquired development skills and partnerships have been mobilised, this has benefits beyond the URBAN programme and can contribute to local development more generally.

However, community involvement often requires a certain degree of "capacity building", where the public sector actively encourages, trains and facilitates actors from the community and voluntary sectors. Community and residents groups frequently lack the resources of more powerful partners and hence must be empowered and supported by those partners. One specific point is training and equipping voluntary groups in the formal skills necessary to play a full role in project delivery.

Because of the different historical, legal, political and social contexts in different cities, good practices do not always translate directly from one city to another. Nevertheless, guidelines include:

– It is important to involve local citizens, in particular young people, community groups and other NGOs in promoting environmentally and socially sustainable growth and jobs in cities. These actors bring new competences as well as promoting project legitimacy in the eyes of the community.

– A key common feature of successful citizen involvement is the availability of training and other forms of building the capacity and competence of local groups. e- government also has a role to play.

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[32]   The Commission 2001 White Paper on a new impetus for European youth, COM(2001) 681 final of 21.11.2001, identified active citizenship of young people as a priority. Pilot projects on youth local participation, associating young people and the municipalities, were supported in 2003 and 2004.

– There is a need to reduce the gap between "citizen time" and "political time" – actors from the local community often have difficulty understanding the delays induced by political and bureaucratic processes.

7.4. Networks and exchange of experience

Cities, regions and Member States need a mechanism for exchanging experience on lessons learned in the field of urban actions. This enables a continuous learning cycle and is one of the key sources of added value at the European level. Such actions are an important resource for cities, regions and Member States as they pursue urban policies, growth, jobs, social cohesion and sustainable development.

There are various associations and networks of public authorities both general and specialised at the European level.

The need for exchange of experience has led to the setting up of the URBACT[33] programme, which now includes 20 thematic networks and a number of working groups. The interest shown by the 200 cities participating in one way or another has confirmed the importance of exchanges between urban policy actors. The gathering and diffusion of knowledge and the creation of a pool of competence assists both cities and other urban policy actors.

City networks also exist at the national level in several Member States. The national level can play various roles. It can provide technical and managerial assistance to cities and regions as they run urban programmes, including European Structural Fund programmes. It can diffuse information and best practices. It can also constitute a national focal point, both as an intermediary and a partner of the Commission, Member State, regions, urban areas, urban project managers and knowledge centres.

Accordingly, the guidelines for action are:

– Skills and knowledge are an important precondition for urban regeneration. Successful solutions often require specific competences, including cooperation across administrative or professional boundaries. Cities should therefore make use of the knowledge gained and collected under URBACT as well as other European and national networks.

– For the period 2007-2013, the Commission is proposing a European framework programme for the exchange of experience and good practice. This will build on and extend the work of URBACT, which has so far concentrated on the experience of cities covered by the URBAN Community Initiative. The new framework programme would extend URBACT to cover cities in all Member States as well as the experience gained under national networks and resource centres for urban policy.

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[33] URBACT was created early in 2003 to organise exchanges among cities receiving assistance under the URBAN Programme, to draw lessons from implemented projects, and to disseminate such knowledge and know-how as widely as possible. Since 1 May 2004, cities in the 10 new Member States have become eligible to participate in the URBACT Programme. Website: http://urbact.eu.

8. FINANCING URBAN RENEWAL

Urban renewal has been extensively supported by the EU Structural Funds. Interventions supported range from transport infrastructure and systems to environmental infrastructure, such as water and waste networks and management, or education, culture and health infrastructure. Information technology or telecommunication networks, energy supply, especially renewable energy and energy efficiency actions, and efficiency actions and a wide range of other investments in urban infrastructure can be supported. Actions for the education and training of the urban population, including life long learning, have also been supported.

In addition, the European Investment Bank (EIB) and other International Financial Institutions (IFIs) such as the Council of Europe Development Bank (CEB) and the European Bank for Reconstruction and Development (EBRD), contribute with loan capital and expertise in co-financing a wide range of actions and projects in urban areas. The EIB approved, in 2004, loans of €6.1 billion for improving the urban environment in the regions of the EU. Of that amount, €3.2 billion went to urban renewal schemes, including social housing projects, while a further €2.3 billion went to urban transport projects.

A specific field of intervention of the EIB and the CEB is social housing, especially in the new Member States. This offers cities and regions the opportunity to combine Cohesion Policy money with loan finance from the IFIs, in order to promote integrated urban renewal programmes and actions. Cohesion Policy contributes by supporting infrastructure, actions for improving the urban environment, ICT networks and energy efficiency actions, while EIB and CEB loans can finance individual social housing renovation or construction.

Of course, all actions for urban regeneration and balanced development of urban and rural areas must be in conformity with EU state aid rules[34]. This can require a particular effort in urban areas - property redevelopment needs to be handled with sensitivity, as does the fact that many deprived urban areas are within relatively prosperous regions and so fall outside areas designated for national regional aid.

8.1. Developing financial engineering

In the framework of the new regulations for the European Regional Development Fund (ERDF), the Cohesion Fund and the European Social Fund (ESF) the managing authorities of operational programmes will be able to finance a wide range of urban development projects. Urban development may also be supported by the Initiatives JASPERS[35], JEREMIE[36] and JESSICA[37]. This will allow for an increase in the leverage of public resources by attracting contributions from the private sector.

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[34] Commission staff working paper « State aid control and regeneration of deprived areas », 1.03.2006 : http://ec.europa.eu/comm/competition/state_aid/others/vademecum.pdf
[35] General Regulation, articles 36 and 45 (1) a)
[36] General Regulation, articles 44 and 45 (1) c)
[37] General Regulation, articles 44 and 78 (6)a)

The JASPERS initiative[38] supports the preparation of large projects in the regions covered by the new Convergence Objective for the period 2007-2013.

Promoting business growth and innovation requires risk-taking. The EU has a particular gap in the availability of risk capital. To rise to the challenge, a new joint initiative between the European Commission and the EIB Group seeks to improve access to finance for start-ups, for the development of SMEs and for micro-enterprises.

JEREMIE, is a tool available to management authorities for the next Structural Funds programming period 2007-2013. .

JESSICA, is an initiative for sustainable urban development launched jointly by the European Commission, EIB and development bank of the Council of Europe. The aim is to facilitate urban financing, renewal and development.

Under the new General Regulation[39], Structural Fund managing authorities may: finance a broad range of public-private partnerships and urban development projects; manage urban development funds more simply and flexibly. This will allow give public resources "leverage" by attracting contributions from financial institutions, banks, the private sector, etc.

8.2.   Public-private partnership (PPP)

The regeneration and development of a city centre normally requires the municipality to take the lead, but ideas and funding from different public and private sector sources often make a vital contribution, given constraints on the public purse. Private involvement brings a different set of skills and experiences, opening the door for improving the efficiency and management culture of urban regeneration and development. A partnership can often result in solutions which are innovative for both sides.

Traditionally, public-private partnerships for urban development have been more common in fields such the creation of infrastructure and the provision of certain services (management of water, waste water, collection and processing of waste, public transport). In urban regeneration, they can include tourism, housing, commercial development of city centres, health (including private clinics, medical, wellness and fitness services), the environment and information technology. Setting up public-private partnerships will in all cases require the strengthening of capacities in planning, management, managing the legal framework, financial engineering and public administration.

Public-private partnership is not a panacea, and difficulties can emerge, especially regarding the different activities and goals of the two sides. For this reason, there needs to be a long term plan, agreed between all the different actors, to ensure the coherence of investments in space and time and to clearly define the contractual framework which binds the partners over time.

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[38]   General Regulation, articles 36 and 45 (1) a)
[39]   Article 42 bis

Guidelines for further action include:

– Private financing is useful and often necessary to complement public resources. A clear legal framework must underpin the setting up of public-private partnerships.

– The private sector brings not just money but complementary skills and competences.

– An effective public-private partnership requires both a strategic and long term vision and technical and management competences on the part of local authorities.