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REGIONAL DEVELOPMENT

THE ROLE OF CITIES IN COHESION
POLICY 2014-2020

EXECUTIVE SUMMARY

Abstract

Urban regions are an important factor in regional development. During the 2007-2013 programming period, the main input provided by cities and urban areas was at project level. For the 2014-2020 programming period, Cohesion policy enhances the role of urban areas. Nevertheless, in practice the role of cities still seems similar in scale. As the programming phase is almost completed, there is now limited scope for further influence on the design of the new programmes. The next opportunity to involve cities will be as part of partnerships during the programming period.

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EXECUTIVE SUMMARY

The role of cities in Europe

Seventy percent of the European population lives in cities and urban areas. Cities are economic and social hot-spots containing the wealthiest society as well as the poorest social areas. Europe has only a small number of very large metropolitan regions, such as London, Paris and the Rhine-Ruhr area. Most of the urban areas contain between 500,000 and 4 million people. A significant share of urban areas is below 500,000, with different status in different Member States, depending on a country's size, political system and position. The cities are heterogenic and face various different challenges. Cities have different issues, with some handling massive urban sprawl and growth, while others are actually shrinking. Cities and urban areas are hubs for creative industry as well as criminality. Environmental aspects such as energy resources are of primary importance to be solved in urban areas. The OECD has defined the key challenges of urban areas as smart growth, sustainability and resilience, inclusive growth and urban sprawl (OECD, 2013).

In order to enhance the role of cities and urban areas in future policy-making, it is necessary to **understand the characteristics of cities**. Several attempts have been made to define urban areas using different typologies. However, those typologies do not capture the reality of heterogeneity and the difficulty in comparability. There is also the challenge of defining actual borders of urban areas, as agglomerations of urban areas and their hinterlands are characterised by administrative borders lying between functional systems.

Within the urban literature and studies, the underlying message is that **national growth depends on fostering urban agglomerations** (Gardiner *et al.*, 2013). While cities are becoming increasingly important in European economic and social development, policies are still oriented towards sectors and administrative borders.

Cities and urban issues in Cohesion policy

Cohesion policy is also oriented towards sectoral thematic areas and administrative borders. In recent years, various Member States as well as the **European Commission** started to acknowledge the importance of **focusing on urban areas** as a central element of national and regional development policy. Since 1990, the European Commission has been mainstreaming specific urban actions in order to support the urban development aspects of European policies. A number of key documents have been developed within the last 15 years – particularly the **Lille Action programme** (2000), the **Urban Acquis** (2004) and the **Bristol Accord** (2005), which preceded the Leipzig Charter on Sustainable Cities. In the scope of the **Leipzig Charter** and the **Territorial Agenda** of the European Union of 2007, the European ministers responsible for urban and spatial development set joint objectives for sustainable urban development. Previously, in 1996, the Network of European Metropolitan Regions and Areas was founded as a tool for the exchange of practitioners, politicians, officials and their advisors at metropolitan level. In 2002, the first urban programmes were launched under Cohesion policy. The **URBACT** I and II programmes, initiated by the **URBAN** Community Initiative, had the goal of facilitating a European Network for Exchange of Experience. This programme was based on the 2004-endorsed Urban Acquis.

In the 2007-2013 period, the **urban aspects were mainstreamed** in more of half of the Operational Programmes with a substantial amount of budget but differences between the EU12 and the EU15. The **experiences** that the EU15 had **gained from the URBAN** Initiative made an impact on the mainstreaming of the Operational Programmes in those Member States.

A new financial instrument was launched in the 2007-2013 period, the Joint European Support for Sustainable Investment in City Areas (**JESSICA**), which has been implemented in 13 of the EU15 and 10 of the EU12. Many of the lessons learned from JESSICA are visible in the new Cohesion policy regulations. In general the programming period 2007-2013 has been an important learning process for EU12 and the need of integrated urban development has been understood.

The 2014-2020 Cohesion policy instruments enhance the role of urban areas through acknowledging the importance of cities and towns in specific investment priorities. The European Commission proposes **five levels for targeting urban aspects**: (1) **European Level**, with the introduction of an Urban Development Network and innovative urban actions; (2) **Member State level – Strategic level**, enhancing the involvement of cities and urban areas in the Partnership Agreement, the introduction of Integrated Sustainable Urban Development and better involvement of the ESF; (3) **Member State level – ERDF programme level**, with urban-related investment priorities, ring-fencing funding of 5%; (4) **Member State level – Implementation level**, with the involvement of Integrated Territorial Investments as instruments for bottom-up urban actions and the involvement of community-led local development in urban areas; and (5) **Local level – Project level** where cities have the opportunity to cooperate across borders.

Examples of implementation of cities and urban areas

The study provides a sample set of seven **case studies**: Germany (Berlin), Poland (Katowice), Spain (Sevilla), Bulgaria (Sofia), Belgium (Antwerp), Italy (Torino), and the UK (Leeds), covering both more-developed and less-developed regions of Europe. In all these case studies, Member States see cities as the main drivers of the economy in a qualitative sense, and there is a broad recognition that cities and urban areas need to be defined in terms of functional areas. The question of city size presents an important issue for prioritisation, however there are differences in perception between larger and smaller countries. Urban themes are not equally distributed in weight and importance in European cities and urban areas. They differ with size, economic situation of the Member State, and the climatic situation. This implies that different urban areas create different needs and challenges for policies.

There is a **great diversity in forms of local government** across Europe. Accordingly, when assessing the role of cities, the nature of regional and sub-regional government is an important factor to take into account. In most of the Member States (e.g. UK, Italy and Bulgaria), cities form committees in order to present their interests more effectively.

According to the interviewees, the URBAN programme was considered worthwhile for gaining experience for mainstreaming urban aspects in Cohesion policy instruments in the 2007-2013 period. However, the main input provided by cities and urban areas during this period was at project level rather than at programme-design level. This is especially true for national Operational Programmes; only Bulgaria had a specific urban priority in the national OP.

Regional OPs are by nature **more relevant for cities**, and representatives had more influence on those OPs. Regional OPs (e.g. Italy, Poland, UK, Belgium) often took the form of a sub-regional strategy. Cities were typically major beneficiaries of projects across both national and regional OPs through a mix of competitive grant schemes and directly identified projects (e.g. Katowice, Flanders). In some regions, **JESSICA** was implemented, but this occurred after a **significant delay**, and in cases such as Bulgaria the projects are still in the project selection process.

In the new 2014-2020 programming period, which is still in the preparation phase in many Member States, cities and urban areas **had no role in the consultation phase** of the Partnership Agreement preparation and the OP preparation, and in many cases they felt they had **little** (e.g. Flanders, Leeds) **or no input** (e.g. Bulgaria). At the programme level, cities and urban areas did not appear to be actively participating in the programming.

The only **programmes that actively involved cities** were those where the **OPs covered urban regions** (e.g. Berlin, Brussels). However, the minority of the seven countries had dedicated urban programmes (e.g. Italy, Bulgaria, Belgium).

In terms of the urban targeting of the new programming period, many of the Member States seemed to be **content to allocate 5%** of funds to urban areas. However, it remains to be seen how the funds will be utilised in cities with regard to integration and governance. **ITIs**, on the other hand, **did not appear to be popular** among Member States. Nevertheless, Poland, Spain, Bulgaria and Flanders are planning to involve at least one ITI.

Conclusions

In general, the **European urban agenda is handled differently** in different General Directorates of the **European Commission**. A unified and coordinated approach is missing, and this increases inefficiency in the use of both European and national resources.

The intention of the European Commission to enhance the role of cities in the new 2014-2020 programming period has not been fulfilled at Member State level. Some countries afforded some opportunity for cities to participate in the programming process, or they outlined new programmes, priorities or financial instruments to help cities participate in a more integrated delivery of projects; however, more could have been done to give the cities a stronger involvement, especially in programme development.

The programming period is almost completed, and there is **limited scope for further influence** on the design of the new programmes. The **opportunities** provided with the new Common Provision Regulation **have been missed** due to the fact that the legislative package was approved only after the programming period had already entered the final phase, and Member States did not follow the ambitious ideas of the European Commission.

The next steps in involving cities are as part of partnerships during the programme period. This can be done either via projects, through networks, or by involving cities as partners in future Cohesion-policy-related exchanges and decisions.

The implementation of regulations at national and regional levels still contains scope for formal influence by the Member States. However, if city representatives were not

involved in writing the Partnership Agreements, then they are unlikely to be substantially considered during the programme-decision process. Consequently, with regard to Structural Funds interventions, cities will again be reduced to largely being **beneficiaries at a project level**.

At the programme level, cities are **either part of a larger region**, or one **regional programme covers the city administrative boundaries**. In both cases, there are drawbacks: in the former scenario, cities have only very limited status in association with other parts of the region, and therefore their concerns are less heard (e.g. Leeds); in the latter case, the city administrative border and the Operational Programme area do not take the agglomeration area into account (e.g. Berlin-Brandenburg).

The Operational Programmes in some Member States involve one priority axis that particularly targets urban areas by employing local strategies. Although the urban areas have been transferred from the project level to the priority axis level, they are not in a position to shape ERDF programmes, and even less so for ESF programmes. Such a new programme again mainly involves urban agendas at project level rather than partner level.

The integrated territorial investment (ITI) approach proposed by the European Commission has not been popular with Managing Authorities mainly situated at national or regional levels due to concerns over the heavy managerial load for what might be relatively small budgets and the risks associated with the devolution of power and responsibilities to cities or untried associations.

All in all, the urban character has not been properly acknowledged in Cohesion policy, which is still very much oriented along sectoral thematic priorities at national level.

The territorial aspect, which in most of the more-developed countries has been reduced to 5% in one priority axis, is based on local strategies from the previous period, and in some cases there has been a **reduction in this territorial focus over the last two programmes**. Some **smart city initiatives** are planned, but this is mostly **restricted to energy and mobility topics**, and there is an absence of a wider holistic approach to the future development of the city as a social as well as a physical and technological entity.

The role of cities in the **2014-2020** Cohesion policy period seems to be **similar in scale** to that of the previous **2007-2013** programming period. Although the European Commission sought a better positioning of the urban representatives by including various articles and paragraphs in the regulations, the Member States have largely retained the established procedures. However, a distinction can be made between the EU12 and the EU15. Whereas the latter merely kept the same procedure as in the past, the EU12 tried to meet the requirement in various ways.

Recommendations

The scope to change this situation in the short term is limited at European level. However, certain aspects can be established for the future programming period, and others can improve the implementation of the current programming period. The proposed set of measures concentrates on short-term and medium-term activities. The measures relate to agglomeration and urban policy development for the future programming period, the better involvement of urban representatives, and better cross-sectoral interaction at European, national and regional levels.

Table 1: Recommended actions to support the role of cities in Cohesion policy

European Commission
Definition of an urban agenda at European level taking into account the European model of urban development
Development of instruments for implementation of the urban agenda
Acknowledgement of agglomeration issues as an indicator for project assessment
Definition of ex-ante conditionalities in terms of urban concepts and strategies
European Commission – European Parliament
Involvement of cities in policy development (EU and MS) with the EC actively identifying cities to participate
Reinforce cross-sectoral coordination of policies
Better and more systematic interaction between different European Commission DGs regarding the understanding of the role of cities and the definition of smart cities
Open up the smart-city approach beyond energy and ICT topics
European agencies and European Commission
Coordination of different urban-related initiatives, networks and programmes at European level
Development of cluster platform for urban topics joining different urban initiatives
National Administrative level
Nomination of urban policy representative participating in European urban policy development
Implementation of agglomeration policy in regional development policy
Definition of different types of regions with different needs for financial allocation and different thematic orientations
Enhancement of agglomeration interaction involving Structural Funds
Development of agglomeration strategies including not only the cities but also the hinterland
Empowerment of agglomeration management
Cross-sectoral coordination of city-relevant topics
Regional level
Cooperation networks across administrative borders
Positioning urban agendas on project and programme levels
Interaction between sectoral administrations for interdisciplinary exchange of urban agendas

