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on the urban dimension of cohesion policy in the new programming period

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➤ 1. HISTORICAL INTRODUCTION.

Questions concerning urban development are at the heart of both the new territorial cohesion objective and the Lisbon strategy. The reason for this central position is easy to see when it is observed that cities are responsible for generating 70-80% of EU GDP and 80 % of EU citizens live in cities. It is important to focus on cities also because a high concentration of problems of economic, environmental and social nature are to be found in urban agglomerations

Consequently the European Commission and the European Parliament have a long history of dealing with those urban issues which are better dealt with in common at the European level. The importance of these actions initially undertaken under the Urban initiatives, has always been recognised by Parliament Thus Parliament actively encouraged actions under the Urban initiatives and in the negotiations on the legislation governing the structural funds, which were adopted in 2006, it took the initiative and pushed the European Commission into recognising the need to permit the financing of certain renovation projects concerning social housing and energy conservation in urban areas in the New Member states.

Parliament's REGI committee has been the author of a number of influential reports and opinions which have helped define development policy in this sphere¹ culminating in the Kallenbach report on the Follow up to the Territorial agenda and the Leipzig Charter. The present report must be seen as a chapter in the series of reports defining Parliament's dynamic position on urban policy.

The principal policy orientations and the progress achieved following Parliament's requests for action can be summarised as follows:

- The Conference of Presidents granted competence over urban issues to the REGI committee;
- Following a request by Parliament, the European Commission established an inter-service Group on Urban development chaired by the Regional Policy DG;
- Regular ministerial meetings to discuss and coordinate urban development are now a standard feature of successive EU Presidencies;
- An integrated spatial and thematic urban policy is being developed;
- The importance of access to good quality affordable housing is recognised;
- The relationship between employment, education, research, housing, transport, the environment is well established , hence an integrated approach underpins policy implementation;
- Region specific treatment of spatial characteristics in territorial development is now standard;
- The importance of public-private partnerships and the participation of all stake holders in policy development is recognised;
- The development of a simple set of indicators is being undertaken by ESPON;

¹ See the Beaupuy report on “Urban dimension in the context of enlargement” and Andria report on "Housing and Regional policy”.

- The role of cities in achieving the Lisbon and Gothenburg objectives is fundamental to all EU policy;
- The necessity to take specific action to avoid urban sprawl, ensure a high standard of building in towns and cities and reduce pollution is recognised by all Member States.

➤ 2. WHAT DO WE MEAN BY URBAN?

Many attempts have been made to establish a **common understanding of Urban**, there are definitions by the UN², the World Bank³, the OECD⁴, and then again by individual countries. Most if not all of these definitions are based on statistical information concerning population size and density.

Whilst large differences undoubtedly exist in the geographical distribution of the population of one country or another the European Institutions have until now relied on the approach adopted by Eurostat in its **European regional and Urban statistics Reference guide**⁵ which identifies four levels of spatial unit for which observations are collected. These vary from the central or "core" city, through the larger urban zones (LUZ), the "Kernel" for nine capital cities where the concept of the administrative city did not yield comparative spatial units and finally subcity districts (SCD).

➤ 3. URBAN PROBLEMS AND STATISTICS

Urban statistics are fundamental for the development of innovative policies to face the challenges of cities. Under the supervision of EUROSTAT, the national statistics offices have established a **data base with 358 participating cities and 330 indicators (Urban Audit)**. The database has historical information for 1996, 2001 and 2004 and will start gathering a limited number of variables as from 2009. Mainstreaming of the urban dimension facilitated delivery of the main issues **in the Leipzig Charter** and the EP resolution. The Audit identified some of the main challenges for the future such as ageing populations, migration and depopulation. In central Europe certain cities are shrinking faster than others an example being Leipzig. Sub city data has highlighted the importance of deprived neighbourhoods which require physical improvement. Cities remain major sources of pollution affecting climate change; consequently they have a key role in combating it by promoting energy efficiency and clean urban transport systems.

➤ 4. THE URBAN DIMENSION IN REGIONAL POLICY UP TO 2006.

Historically the urban dimension was standing alongside the main volume of structural operations. Since the 1990 there have been Urban Pilot Projects. Since 1994, there was the URBAN Community initiative programme that allowed the promotion of integrated local

² http://unstats.un.org/unsd/demographic/sconcerns/densurb/Defintion_of%20Urban.pdf

³ http://siteresources.worldbank.org/DATASTATISTICS/Resources/table3_10.pdf

⁴ <http://stats.oecd.org/glossary/detail.asp?ID=6492>

⁵ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-005/EN/KS-RA-07-005-EN.PDF

development models. One of the examples of good practice, that has been pursued, is also the URBACT (European Programme for Urban Sustainable Development).⁶

In the 2000-2006 period 16 billion EUR were explicitly allocated to urban policy under the structural funds. Of this 15 billion EUR for objective 1 and 2 programmes focussed on urban regeneration. Beyond the specific measures, the Structural Funds financed a large number of measures in urban areas consisting of investments in infrastructure, support for small and medium-sized enterprises and social integration measures.⁷

➤ 5. THE URBAN DIMENSION IN REGIONAL POLICY 2007 -2013.

Whereas during the previous programming period the various Urban initiatives were allocated specific funding, this is not the case during the 2007-2013 period. Following the adoption of the new regulations governing the structural funds, **urban development policy has been integrated into the cohesion and regional competitiveness and employment objectives** thus underlining the importance the Union attaches to this aspect of cohesion policy.⁸

LEGISLATION AND ITS IMPACT

The **regulation laying down general provisions**⁹ claims that greater account should be taken of towns and cities, particularly medium-sized ones, by developing their role in programming to promote urban regeneration. Within the operational programmes co-financed by the ERDF under the Convergence and the Regional competitiveness and employment objectives, the regulation also allows Member States, regions and managing authorities to organize sub-delegation to urban authorities in respect of priorities concerning the regeneration of towns and cities. Article 27 (4) of the regulation furthermore indicates that the national strategic reference frameworks (NSRF) shall include, where appropriate, actions relating to sustainable urban development. Article 37 (4) of the same regulation indicates that operational programmes shall, where appropriate, contain information on the approach to sustainable urban development. In the article 37 the regulation maintains that the operational programmes (OP) financed by the ERDF shall also contain information on the approach to the sustainable urban development where appropriate. It may also contain the list of cities chosen for addressing urban issues and the procedures for sub-delegation to urban authorities, possibly by means of a global grant.

The **regulation on ERDF**¹⁰ anticipates in article 8 that in the case of sustainable urban

⁶ URBACT is a European Programme which aims to foster the exchange of experience among European cities and the capitalisation-dissemination of knowledge on all issues related to sustainable urban development. URBACT I (2002-2006) was successfully rallied in 217 cities across Europe to work in 38 different projects.

⁷ Third report on economic and social cohesion, 2004; EU Guide on the Urban dimension in Community policies 2007-2013, 2007.

⁸ The EP approved of this change in the Beaupuy report.

⁹ Council regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

¹⁰ Regulation (EC) No 1080/2006 of the European Parliament and the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999.

development, the ERDF can finance operations falling within the ESF domain (within a limit of 15 % of the credits allocated by the Community to each key priority of an operational programme). This is an exemption from Article 34 of the General Regulation, which fixes the limit at 10 %. The article also puts forward a list of activities that shall promote sustainable urban development such as: strengthening economic growth, the rehabilitation of the physical environment, brownfield redevelopment, the preservation and development of natural and cultural heritage, the promotion of entrepreneurship, local employment and community development, and the provision of services to the population taking account of changing demographic structures. Article 8 of the regulation on the European Regional Development Fund furthermore specifies that interventions in distressed urban areas may cover a broader scope for assistance, supporting the development of participative, integrated and sustainable strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas.

Hence in drawing up the NSRFs and OPs, **Member States are encouraged but not obliged, to integrate sustainable urban development as a strategic priority.** However, given the importance of cities and urban agglomerations in the European economic fabric, not to do so would largely defeat any plans they may have had to be a dynamic player in the Union's efforts to achieve its goals.¹¹

So far, there has been **no complex evaluation of the scope of implementation of urban dimension in the Member states.** However first observations are not very positive. For example national authorities and regions mostly did not decide to give cities the possibility sub-delegation as they prefer to call for proposals in the different sector policies.

GUIDELINES AND THEIR ROLE

Together with the new regulations governing the structural funds the Council has also issued **Community strategic guidelines**¹². These Guidelines dedicate a whole part (2.1) on the contribution of cities to growth and jobs.

The Community Strategic Guidelines point out that one of the features of cohesion policy – in contrast to sectoral policies – lies in its capacity to adapt to the particular needs and characteristics of specific geographical challenges and opportunities. Accordingly, when developing their programmes and priorities, Member States should pay particular attention to these specific territorial dimensions. The Community Strategic Guidelines indicate that three key dimensions of urban policy could be taken into account:

- the role of towns and cities as motors of regional development and centres of innovation
- the need to improve the internal cohesion of urban areas (e.g. tackling social exclusion, high and rising crime rates, the worsening of the quality of life in deprived urban areas)
- promoting a more polycentric regional development and a balanced development of urban and metropolitan areas

¹¹ Lisbon and Gothenburg objectives.

¹² Council decision (EC) No. 2006/702 of 6 October 2006 on Community strategic guidelines on cohesion.

The guidelines also advocate for the integrated urban development plans. According to the guidelines the preparation of a medium- to long-term development plan for sustainable urban development is generally a precondition for success as it ensures the coherence of investments and of their environmental quality.

It needs to be highlighted that the Commission worked closely with the national authorities to integrate priorities for sustainable urban development in the NSRFs. However it is disputable to what extent is the spirit of the guidelines observed by the Member states.

FINANCIAL ENGINEERING INSTRUMENTS AND THEIR USE

The current revised regulations permit managing authorities to have recourse to a wide range of public/private partnerships in the management of funds earmarked for urban development. Thus the structural funds may finance an operation of financial engineering such as venture capital funds, guarantee funds or loan funds. The European Commission and the EIB have developed three financial instruments namely, JEREMIE¹³, JASPERS¹⁴ AND JESSICA¹⁵.

JESSICA (The Joint European Support for Sustainable Investment in City Areas) represents the greatest interest for urban development. It is aimed at achieving a leverage effect with the financial resources available. The recovered funds must be reinvested in urban development or reallocated to the managing authority for other urban projects. In fact Jessica is at present still in the early stages. First evaluation results are expected in September 2008 when the German working group on the implementation of Jessica will report.

URBACT II

The second cycle of the Programme, URBACT II (2007-2013), follows in the footsteps of [URBACT I](#) (2002-2006). The URBACT II challenge is to improve the effectiveness of sustainable integrated urban development policies in Europe with a view to implementing the European Lisbon-Gothenburg Strategy (Priority to Competitiveness, Growth and Jobs). Under URBACT II it is interesting to note that by incorporating the objectives of "Regions for economic change" the programme has asked each partner city to commit to an integrated urban development plan. It also noted the wide gap that exists between initiatives and reality on the ground, between technicians and political decision makers. It has also noted that the change in geographical scale changes the nature of the subject.

➤ 6. The achievements of successive presidencies.

As urban policy is an intergovernmental issue the importance of successive presidencies for enhancement in this field are crucial.

GERMANY:

The German Presidency recognized the fact that the era of individually optimized residential and business areas, oversized shopping centres and large traffic spaces is over. There must be

¹³ Facilitates access to finance for business startups, the development of micro enterprises and SMEs

¹⁴ Supports the preparation of major projects

¹⁵ Supports financial engineering in the Urban development field.

a greater mixture of areas for living, working and leisure in cities. Unemployment in deprived inner city areas must be addressed as must the educational requirements of the young people living in them. **The culminating event of the German Presidency was then the signing of the Leipzig Charter.**

PORTUGAL

The Portuguese presidency adopted the first action plan for the implementation of the Territorial Agenda and deepened the discussions on the definition of the concept of territorial cohesion.

SLOVENIA:

Slovenian Presidency encouraged a discussion on the role and contribution of urban planning in dealing **with the challenges of climate change** and the **promotion of greater energy efficiency**. It also stressed the importance of the integrated approach to project management and policy.

FRANCE:

The French Presidency wishes to start the process of elaborating a 'Check list' for the implementation of the Leipzig Charter. The checklist would be a dynamic table to be developed by all the participants. It would be subject to continual adaptation. The idea is not to establish a static set of rules or measures; flexibility was the order of the day, in order to account for the great variety of needs of diverse European cities and towns.

CZECH REPUBLIC:

The Czech Republic is at present drawing up documents at a national level including a methodology to develop integrated urban development plans. Czech Republic will continue in the discussion on common approach to territorial cohesion in the EU and its priorities. As an important and inseparable issue the topic of effectiveness of regional and territorial policy will be pursued. As a part of the presidency an event called European Urban Day will be organized.

➤ 7. Some ideas as to future orientations:

As can be seen from the above, much is being done at an intergovernmental and international organization level with regards to urban matters and the urban dimension in regional policy. Should Lisbon enter into force in the future; territorial cohesion and its constituent, urban development will be the joint responsibility of Member States and the Union.

The vastly different constitutional arrangements of Member States and the differing relationships between central government, and regional or local authorities militates against any form of harmonized methodology and whilst improving the efficacy of the different levels of governance can and should be of concern to Regional development, improvements must be made with due respect of the constitutional constraints.

DEFINITION OF URBAN

There is a great variety amongst member states with regards to which municipalities are considered to be labelled as urban. What is an urban space is very much unclear as there is no universal definition of the urban. However it seems *very difficult* to generate a common, *clear* definition and hence the definition issue should be left to Member states in accordance with the principle of subsidiarity.

URBAN PROBLEMS AND STATISTICS

The urban problems and how to manage them to the advantage of all concerned varies from country to country and from town to town. Demographic decline the aging of the population and the loss of populations in towns such as Leipzig will allow strict protection of green areas to be accompanied by measures to revitalize inner city areas and brown field sites, without triggering an upward trend in land and property prices. The same measures applied to London or Paris might well drive land and property prices so high as to have a negative effect on inward investment, job creation, recruitment of qualified personnel or necessary redevelopment. Such an observation demonstrates the necessity of adapting à priori good ideas to real needs at ground level. A town experiencing an economic and social boom will need not only to expand upwards, whilst revitalizing its core areas; it will also need to expand sideways¹⁶. Clearly the exchange of experience and best practice in studying such phenomenon will be of assistance but it is impossible to establish a general rule. Furthermore definition of economic, social and territorial development strategy requires that the notion of urban be limited to those areas where there is a detailed data set available as only with clear and concise data the problems can be measured.

URBAN DIMENSION IN REGIONAL POLICY

The implementation of urban dimension needs closer monitoring, finer indicators, and the development of similar methodologies for the implementation integrated sustainable urban development.

It would appear that whilst much lip service is paid to the idea of an integrated cross sector implementation policy the governance structures in place in Member States are sometimes ill adapted to encouraging horizontal cooperation. **Consequently the result is a lack of methodology adapted to needs.** The absence of a cross sector management structure with the authority to ensure the necessary coordination and take then necessary decisions can be a major problem.

One way of overcoming the implementation problem was adopted by the Union by the creation of the ENPI¹⁷ to facilitate cross border cooperation. The possibility of developing a similar management structure responsible for implementing an EU wide methodology for the implementation of an integrated approach to sustainable urban development, could be fruitfully studied.

SUB-DELEGATION

Urban development programmes must be conceived and executed at the local and regional level by those who understand local people and the business environment. In this context the sub-delegation is a very important tool, both to enhance local management administrative capacity and to become a real actor of the territorial and European growth.

¹⁶ Note the specific problems of Brussels.

¹⁷ European Neighbourhood and Partnership instrument.

Whether regional or sub-regional organisations actually acquire greater responsibilities for Structural Funds programming and delivery depends not only on the creation of a positive framework at EU level, in terms of the Regulations and Guidelines, but also on the extent to which national governments and managing authorities are prepared to accept and provide for their increased hands-on involvement.

It is questionable to what extent the voluntary framework works. In the future, the clear role of cities alongside regional and national governments as intermediary bodies should be envisaged, in the context of the multi-level governance approach.

INTEGRATED URBAN DEVELOPMENT PLANS

On the urban level often other development plans have already been devised. For the urban development plans to be viable it is crucial the representative management and decision making structure is devised. Furthermore the idea of integrated urban development plan constitutes the way forward only if sufficient resources are available.

JESSICA.

Clearly Jessica should be a primary tool for the financing of sustainable Urban development projects. The revolving principle of JESSICA and its potential for economic growth needs to be stressed.

INTEGRATED APPROACH TO URBAN DIMENSION

Apart from the regional policy, there are other Community financial policies that influence cities and also offer financial resources that can be used on city territories. Amongst them, the European Transport Policy and the European Research and Development Policy seem to be the most important. In the future these policies should be more closely interlinked with Cohesion policy.