

HIGH LEVEL GROUP REFLECTING ON FUTURE COHESION POLICY

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URBAN ISSUES

This document has been prepared by DG Regional Policy as the basis for a discussion with experts as part of a general reflection process on the future of cohesion policy. It does not prejudice in any way the final position of DG Regional Policy or the Commission on these questions

1. INTRODUCTION

Urban areas are engines of economic growth and motors of innovation. As the 2009 World Development Report underlines, agglomeration is key for higher levels of growth. It also provides a critical mass of population and economic activity which is crucial in a context of global competition. At the same time, the negative externalities of agglomeration lead to specific problems. Increasing levels of social exclusion in cities, issues related to the integration of migrants as well as environmental problems are phenomena which affect nearly all European cities¹. Hence both the challenges facing urban areas as well as their potential need to be considered when preparing and defining policy actions.

To date, cohesion policy has already made an important contribution to urban development and thereby also acted as a positive stimulus to regional development strategies. In addition, Member States have recently underlined the importance of a strong future urban dimension in the Toledo Declaration (2010). Accordingly, the conclusions of the 5th Report on Economic, Social and Territorial Cohesion call for an ambitious agenda in this context which will address urban issues and involve the relevant stakeholders.

This discussion paper provides an overview of the main areas for consideration with regard to future urban policy, and sets out a number of considerations and questions for the possible future development of the policy; namely:

- the urban contribution to Europe 2020;
- translating territorial cohesion into practice: strengthening urban governance; and
- non-grant financial instruments for urban development.

2. THE URBAN CONTRIBUTION TO EUROPE 2020

In view of their population and growth potential, cities can make a significant contribution to achieving the goals of Europe 2020. Within cohesion policy, the envisaged thematic concentration of resources on a small number of Europe 2020 priorities will require clear identification of the urban contribution.

¹ There is no common European definition of the terms “city”, “urban”, “metropolitan” or “agglomeration”. Therefore, we use these terms in a generic sense. It is up to Member States (and regions) to define these terms according to existing legislation. Considering this fact, the "urban dimension" of cohesion policy includes urban areas of all sizes (from big cities to small market towns).

A future urban dimension of cohesion policy should therefore refer to all three pillars of Europe 2020 and help to contribute to smart, sustainable and socially inclusive growth in an integrated way.

Within cohesion policy, the urban contribution to Europe 2020 could be concentrated on the following four themes:

- developing/using metropolitan structures and strengthening the links between innovation strategies and urban development (smart growth);
- promoting green, compact and energy-efficient cities (sustainable growth);
- combating multiple deprivation, poverty and the segregation of ethnic groups and rehabilitating disadvantaged urban areas (inclusive growth); and
- addressing ageing population issues and demographic change in cities (inclusive growth).

Such thematic actions, though relevant not only for urban areas, could be delivered within holistic urban development strategies and, where relevant, constitute parts of regional/national operational programmes. In addition, the conclusions of the 5th Report on Economic, Social and Territorial Cohesion call for experimental approaches within this strong thematic concentration, especially at local level.

Q1: How can urban actions within cohesion policy focus on the three pillars of Europe 2020? What further themes, others than listed above, might be examined?

Q2: In which way could cohesion policy support experimental actions at local level?

3. TRANSLATING TERRITORIAL COHESION INTO PRACTICE: STRENGTHENING URBAN GOVERNANCE

With the adoption of the Lisbon Treaty, territorial cohesion has been added to the objectives of social and economic cohesion. Consequently, this new objective should be addressed in new programmes. Cohesion policy already includes a territorial dimension; however, this should be reinforced and made more explicit and strategic. In the urban context, this could mean a better focus on the role of cities in delivering policies, on flexible geographies and functional approaches, on integrated approaches in urban regeneration, on territorial co-operation and on raising awareness for territorial and urban issues.

3.1. Improved partnerships for delivering the urban dimension of cohesion policy

In the context of the subsidiarity principle, reinforced by the Lisbon Treaty, the representation of a wide range of actors should be strengthened (e.g. regions, local authorities, civil society) both at policy dialogue and programme implementation stages. This could be achieved *inter alia* through ensuring more active involvement of local stakeholders in the design phase of operational programmes as well in the implementation of regional or national interventions.

In cases where specific actions are to be carried out by cities (e.g. urban regeneration, clean urban transport), the option of global grants or sub-delegation of parts of programmes to cities could be used more often.

Q3: *How might the involvement of cities in the design and implementation phase of programmes be improved?*

3.2. Reinforcing integrated regeneration of the most disadvantaged urban areas

Urban problems, whether related to environmental degradation or to multiple deprivation, call for specific responses. Empirical evidence suggests that segregation linked to social exclusion and discrimination is rising rapidly in urban areas in all EU Member States. The ex-post-evaluation of the URBAN II Community initiative² demonstrates that such responses can be best provided through participative, integrated regeneration activities. However, analysis of the mainstreaming of URBAN in the current programming period has demonstrated that some of the key principles of the URBAN approach have been weakened (e.g. partly less integrated character, limited role of cities, less civic participation)³.

One possibility for the future would be for stronger emphasis to be placed on targeted operations which help improve the living conditions in urban areas most affected by social, economic and environmental degradation. Such actions should be linked to the EU platform against poverty and closely coordinated between ERDF and ESF. Where appropriate and within integrated urban development strategies, social housing could be included as an eligible topic.

There is also scope for improved mainstreaming of the URBAN Community Initiative method within regional and national programmes. Based on empirical data from EUROSTAT, the Commission could propose an indicative number of potential target areas⁴ per Member State. Ideally, the designation of target areas would be made through national competitions, based on socio-economic indicators and taking into account the innovative character of the local urban development strategies. Hence, the decision of the target areas would remain with Member States and regions.

The final number of target areas would be subject to negotiation and could be listed in the Development Investment and Partnership Contracts, with funding from relevant regional (or national) programmes allocated accordingly⁵. Thereby, regions and Member States would ensure minimum aid intensity per capita as well as a critical size of the area. Within the programmes, the strategic approach and the budget allocated for such actions should be clearly identifiable. The responsibility for implementation should be given to the appropriate level of government. In the case of city authorities, global grants and the status of

² Ex-Post Evaluation of The URBAN Community Initiative 2001-2006. Final Report prepared for the European Commission. Ecorys. June 2010.
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/expost2006/urban_ii_en.htm

³ Fostering the urban dimension. Analysis of the Operational Programmes co-financed by the European Regional Development Fund (2007-2013). Working Document of the Directorate-General for Regional Policy, European Commission, Brussels, 25 November 2008.
http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/urban_dimension_en.pdf

⁴ Target areas can be located in the inner-city as well as in peri-urban zones. Equally, an area may comprise an inner-city district (or below), an area covered by two or more municipalities or entire cities.

⁵ Member States could, where appropriate, also set-up national programmes for integrated urban development which could cover operations in several cities.

intermediate bodies could be used to ensure a consistent and integrated focus on social inclusion.

Q4: *What would be alternative ways to ensure concentration and visibility of actions for disadvantaged neighbourhoods?*

Q5: *In which way and at which level should ERDF and ESF be coordinated to achieve maximum impact on disadvantaged urban areas?*

3.3. Functional approaches (e.g. for improved urban-rural linkages)

The multiple interactions between different types of territories, in particular between urban and rural settings, call for an approach which takes different functions better into account, in particular for planning and organising public services of regional interest (e.g. public transport, health care).

In some cases, this would result in a need to improve metropolitan governance structures. In other cases, a closer link between urban and rural development activities would need to be ensured by the regions. In the specific case of border regions, the specific challenge of cross-border functions could be addressed. In general, a more functional approach would mean granting greater flexibility in and across operational programmes to finance common measures (e.g. in metropolitan areas or in river basins). Particular consideration would need to be given to how to optimise coordination between different sources of funding and how to ensure the active involvement of all appropriate governance levels.

Q6: *Should the aspect of metropolitan governance be included in the proposals? What incentives might cohesion policy provide to improve metropolitan governance?*

3.4. Networking for exchanging good practice, capacity building and stronger policy impacts

In the current programming period, networking programmes under the interregional strand of the ETC objective are contributing to exchange of best practice, capacity building and an improved knowledge base. The networking programme for urban development ("URBACT") focuses on thematic exchanges on urban development topics. This is complemented by activities under the transnational and cross-border programmes which include urban themes in their actions.

There is broad consensus that territorial co-operation should be strengthened in the future. Urban topics are currently present in all three strands of ETC. The existing urban dimension could be maintained, with adjustment to new challenges where necessary. For example, as the experience from the current programming period shows, there is particularly high demand for capacity building on integrated urban development. Therefore, a future networking programme for urban development should put stronger emphasis on this aspect. In addition, the links to mainstream ERDF programmes should be strengthened (current "Regions for Economic Change" approach). Networking therefore has to be reinforced and consolidated in the future, possibly through other implementation arrangements.

Q7: How can we achieve a better coherence between mainstream ERDF programmes and networking programmes (like URBACT)?

4. NON-GRANT FINANCIAL INSTRUMENTS FOR URBAN DEVELOPMENT

Budgetary constraints for Member States, regions and cities increasingly limit their capacity to finance urban development and regeneration projects. In the current programming period, the JESSICA initiative aims to pool resources from the ERDF, the EIB, the CEB as well as other stakeholders to create revolving urban development funds. Despite its relatively late start, there has been high demand from cities and regions for JESSICA and first results are promising. In addition to JESSICA, the regulations also offer the possibility to set-up special revolving funds for energy efficiency measures in urban areas.

This approach could be maintained and financially strengthened in the next programming period. Together with a more timely start of activities, better coherence between different legal frameworks and between JESSICA and other financial instruments could improve the performance of the initiative. Member States should be encouraged to set-up urban development funds only at geographical levels which allow for a critical mass for investment.

Q8: In which policy areas do Member States see the need to create further instruments for cities or to strengthen existing instruments?