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There is no European policy for cities and urban areas, but nonetheless the importance of supporting their sustainable development, as key centres of economic competitiveness, innovation and creativity, is well established in EU regional policy. Launched in 1990, the Urban Pilot Projects (UPPs) tested innovative approaches to urban regeneration and allowed to develop the "urban dimension" of EU cohesion policy. From 1994 to 2006, a total of €1.63 billion was invested in deprived urban areas through two generations of the URBAN Community Initiative. URBAN I and II built on the lessons learned from UPPs, supporting locally-based regeneration strategies in 188 areas across the EU15, underpinned by a common commitment to local partnership and an integrated approach to urban development challenges.

In November 2004, EU ministers agreed a political agenda to strengthen urban development in Europe. Ministerial meeting on urban policy under the Dutch presidency acknowledged that the

experience of member states over the past decade in urban policy had generated a set of common principles that underpin successful policies - the so-called Urban Acquis.

The integrated approach is valid even more than in the past both for tackling the high concentration of social, environmental and economic problems increasingly present in urban conglomerations, combining the rehabilitation of obsolete infrastructure with economic and labour market actions, complemented by measures to combat social exclusion and upgrade the quality of the environment, and for a better exploitation of opportunities.

In the context of the policy evolution, it is worth mentioning the URBACT programmes, where the EU really acted in its role of capacity builder, for the role of those programmes in the development and the strengthening of exchange and networking between decision-makers, practitioners and other stakeholders involved in urban issues. URBACT objectives are indeed to provide for a platform for knowledge and good practice exchange and dissemination in order to support decision-makers, practitioners and managing authorities of operational programmes in defining action plans and to improve the effectiveness of urban development policies and strengthen the common concept of integrated urban development.

This process has led to the emergence of what I mentioned as the "urban acquis", which includes several principles, of which particular reference should be made to the integrated and cross-

sectoral approach (involving coordination both at horizontal and vertical level), the new instruments of urban governance, administration and management, including increased local responsibilities and enhanced partnership at local and regional level, and concentration of resources and funding on selected and targeted areas, all directed to a strong involvement of the regional and local stakeholders, on one hand, and to tailor-made interventions, on the other, in order to allow for long lasting effects of the investments.

The EU's political commitment to integrated urban development has grown over time. The European Commission, in the framework of the major reform of the cohesion policy in 2006, proposed mainstreaming of Urban Initiative objectives and principles into the regional policy framework for 2007-2013.

The Regulations for 2007-2013 made, for the first time in the history of the policy, all urban areas in the EU potential beneficiaries of EU cohesion policy. However, there was no agreement on making it obligatory for Member States to include the urban dimension in Operational Programmes. Both the form and importance of urban dimension varies between Member States and as a consequence also financial support.

Through mainstreaming, the Commission wanted to take up the successful approaches to urban development and spread them and the methodological concept to cities and regions across Europe.

In fact a substantial part of the current Operational Programmes includes a strong element of sustainable urban development. Over half of all ERDF Operational Programmes from the three objectives contain either a specific priority axis on urban development or at least "mixed" priority axes which include urban actions.

The urban dimension as it appears in the Operational Programmes today can be broken down into three different groups of actions: (1) actions to promote internal cohesion of deprived urban neighbourhoods ("URBAN-type actions"), which are the direct legacy of programmes formerly implemented under the URBAN Community Initiative; (2) actions to promote sustainable urban development in relation to specific urban challenges, which do not always follow a holistic approach and might even refer to only one specific sectoral challenge and are not necessarily concentrated on disadvantaged urban areas; and (3) actions to promote a more balanced, polycentric development, which include the development of networks of cities and the creation of links between the economically strong cities and other urban areas¹. In the current programming period, the urban issues targeted by Cohesion Policy financing comprise the rehabilitation of industrial sites and contaminated land areas (EUR 3,4 billion), urban and rural regeneration projects (EUR 9,8 billion), clean urban transport (EUR 7 billion), and housing (EUR 917 million), and the total

¹ Working Document of the Directorate-General for Regional Policy, entitled "Fostering the urban dimension - Analysis of the Operational Programmes co-financed by the European Regional Development Fund (2007-2013)", Brussels, 25 November 2008.

amount earmarked for urban development (EUR 21,1 billion) corresponds to 6,1% of the Cohesion Policy budget.

If you look into objectives of the programmes, projects and initiatives set up until now, namely (1) the strengthening of economic prosperity and employment in cities and towns; (2) the promotion of equality, social inclusion and regeneration in urban areas; (3) the protection and improvement of urban environment, and (4) the contribution to good governance and local empowerment, you can see that they are fully in line with the current EU2020 Strategy. In fact, the Commission, in their own words, is placing the cities at the centre of this Strategy's objectives delivery. It is indeed widely acknowledged that cities and towns have effectively a very significant potential for smart, sustainable and inclusive growth.

The EU 2020 strategy, which draws a path towards a smarter, greener and socially more inclusive Europe, is of utmost importance for future urban development strategy and policy.

The challenges, both problems and opportunities, those that we know and those that will come tomorrow but are of long term importance, have to be dealt with at a time when budgets of all our cities are squeezed as never before. All major sources of urban budgets have declined. They require solutions, both innovative and sustainable. You know better than I statistics underlining the weight of the urban dimension of European development challenges. 70% of us, European citizens live in cities, generating

80% of European GDP and 90% of jobs. Cities account for about two thirds of the final energy demand and generate up to 70% of all CO₂ emissions. What a challenge to reduce these two indicators! But we also know that cities have high capacity to achieve energy-efficient solutions. So we can be very efficient in coping with these challenges through urban policy.

It is easier to reach the needed changes in lifestyles in the city, to make them far less energy-intensive. It is in the city where cars can be more easily replaced by bikes or electric cars than in rural environments. District heating systems can become energy efficient through public action. These are the cities where we can take energy savings seriously. So the climate or environmental battle will be lost or won in the cities.

Many of you would know from your own experience that cities are places where problems of social exclusion and poverty tend to accumulate. Again, experience shows that cities have high potential to achieve integration, improve education and enhance cultural dialogue. You are also home to universities and businesses, so delivering innovation across all sectors of economy is in your reach.

Given the contribution of cities to the EU's GDP, and their undeniable impact on areas around them, one can claim with confidence, that Europe's challenges are to a great extent the challenges of the cities. Globalisation, demographic issues, climate change, energy, urban sprawl, territorial cohesion and pursuing

integrated urban development are all of direct concern to our cities. Actions aimed at tackling problems are best started in cities: local expertise is needed to assess the needs of a city so that appropriate measures may be prepared and implemented locally.

Cities are becoming highly specialised areas with respect to the profile of local industries and technologies. Increasingly, they have to measure their strength against the global context. They also enter increasingly all links of networks. But the level of connectivity between individual urban areas is getting more complex. Striving to remain major players in the globalised world, cities have to find the right responses and they need to be fast. Europe as a whole will benefit from their success.

Urban development policies cannot be disconnected from these challenges. You, policy makers, need to identify how to create an environment that fosters sustainable urban development.

It will not come as a surprise if I say that the competitiveness of today's economy depends on various factors, among which the development of "city brands" might not be widely understood. Branding a city or a region could play a positive role in enhancing innovation and other competitiveness related investments. There are capital cities that suffer from a lack of branding, but they could consider rebranding in the context of city development, energy-efficiency and the mitigation of CO2 emissions.

Branding could help exploiting geographic assets and overcome geographic barriers. A city that is situated far from economic hubs could benefit from a brand that emphasizes its other assets.

Successful cities are those with an identified image, and with policies to strengthen their positive attributes. Therefore, cities need to exploit their comparative advantages, to invest in their own brand, and to create a place that is attractive to live and work in and this will bring investors.

City branding is not easy - it takes time, flexibility, cooperation, capital and belief in own values. It can be a painful process in case of an existing negative or unfavourable brand and limited resources. But there are success stories: many urban regeneration projects demonstrating the potential for a successful change. The “carrier” of a city can be re-launched. What seems essential in such cases is social capital, shared vision, access to funding, good policies, as well as ability to communicate with the public.

Cities need to foster local development based on indigenous factors and also to be part of a global knowledge system and be competitive on an international scale. In this respect, creating a favourable environment to research and innovation is very important.

Let me say a few words about universities. They can play a strong role in the sustainable life of the city. Universities have a strong impact on the local economy – therefore they are important for

cities, they can enhance their competitiveness and upgrade their human capital, cities that have universities can capitalise on their resources via research and innovation. Universities, even if strongly involved in contributing to local growth, care for and maintain their connection with global knowledge and its market. They can help local businesses plug into global supply chains and make them indeed globally competitive.

It is not smart to say in this room that R&D development does not need to be confined to capitals. The common factor in the choice of location of the most dynamic technology industries is that it is not a location in or near capital cities, but one close to the most innovative technological universities. A prime example is Cambridge, but across Europe in many small and medium sized towns, universities stimulate innovation and growth. It can be a challenge for capital cities that often host well known university centres.

Smart cities, towns and regions increasingly harness the capabilities of their universities but cities must themselves actively engage in enhancing research and innovation systems and the creation of favourable conditions for cooperation at local level. All parties at local level – institutions and universities embedded in the regional economy – are responsible for defining a place-based approach and creating a portfolio linked to the local industry's profile.

From everything I have said so far, a conclusion comes that Europe expects a lot from its cities in the areas of green, smart and socially inclusive growth. You are an asset for Europe.

You will say that massive financial means are needed in cities if you are to deliver on expected changes - from quality of life to new energy schemes to social innovation. To find a way out of the funding challenge, cooperation between all levels of European governance, cities, regions, national governments and the European level, is needed. They need to work together more closely, combining public funding available from different resources. Public funding from national budgets will continue to be cut for years to come, regions and cities will put pressure on what can potentially come from the European budget through, first of all, regional policy financial instruments. That is why it is so important for them to ensure an adequate weight and role of urban development in the post-2013 cohesion policy and multiannual financial perspective. The role of public funding will be crucial for triggering innovative solutions to major challenges cities have to face. Pre-commercialisation public procurement should be encouraged to enhance innovation in city infrastructure and services, green public procurement should become a standard. I would like to leave with you a very strong message on the need to use public procurement as a very powerful instrument to innovate and progress on all areas of your functioning.

But public funding, including European regional and cohesion funds cannot solve all funding needs that cities will put on the

table. Financial engineering, that has become an important element of European regional policy, and in particular Jessica should be further developed. The revolving funds approach – introduced to cohesion policy – had a long starting phase, but is now showing first, very promising results. With the partners from the European Investment Bank and the Council of Europe Development Bank agreements for 14 JESSICA schemes in nine Member States, worth over € 1.1 billion have been signed so far. Good news is that this figure is likely to double in the course of this year. So there is a great interest and demand all over the Union. I therefore believe that we will indeed need to strengthen our efforts in this direction.

Continued expansion of EIB funding at city level is another path to follow. Project bonds have been already mentioned by the European Commission as an additional funding instrument. In the New Member States, World Bank investment continues.

But cities are an investment location which can be easily made attractive to private investors. There are numerous examples across Europe of cities where investment initiated on the basis of ERDF or cohesion fund has increased attractiveness of the place for private investors. Future European urban agenda should look into solutions that would generate higher leverage of the European funding.

It is in the interest of Europe to consolidate European urban agenda that would allow us to fully exploit the potential of our cities and towns as drivers of growth and sustainable development.

In the resolution on “the urban dimension of cohesion policy in the present programming period” Parliament viewed urban areas as a high priority in cohesion policy. MEPs expressed concern that urban dimension has been inadequately taken into account by some Member States in the present programming period. Therefore, a clear role for urban areas as intermediary structures should be envisaged in the future. Urban dimension should be mandatory in the future, however, sub-delegation should not lead to fragmentation of the policy.

A further proposal recommended that any public urban development support should be based on integrated urban development plans. The EP called for the integrated approach to be made a binding condition, as soon as possible but no later than the next programming period, for granting and implementing Structural Funds and also for receiving loans from the European Investment Bank. This is in fact in line with the recent Toledo Declaration that highlights the integrated approach in urban development and Ministers express a common view that it would be advisable to have a common understanding of what is integrated approach in urban development.

In the present legislature, the Committee has just started to work on a report explicitly targeting urban issues², but there have already been several exchanges on this matter, and also many members of the Committee are actively involved in the Urban Intergroup.

Sub-delegation is not widely used in the present programming period; in the future even if cities are not given the role of a Managing Authority, they should appear more often as intermediary bodies. An alternative could be the use of global grants, awarded to cities.

Integrated approach should be carried forward; however, it must be implemented on the right scale, targeting an area with a population of app. 80.000. More guidance is needed in the future.

Building on the territorial focus of the earlier URBAN initiative, Cohesion Policy could support specific actions, e.g. in the field of clean urban transport. With cities in the driver's seat, these actions would imply active local participation. To ensure visibility of their impact, these actions must have a minimum level of aid intensity.

A certain budget should be ring fenced for urban actions, but the ceiling should be set with precaution, since urban problems are not at the same level in each Member State.

² European Urban Agenda and its Future in Cohesion Policy, Rapporteur: O. Vlasák

Integrated approach is harmed by strong restrictions in terms of cross-financing between ERDF and ESF; therefore it should be made easier.

Networking should be fostered in the future, with exchanges built on concrete actions, to make them more reasonable and more concrete.

Given their complexity, innovative financing instruments might be better managed on regional or national level. JESSICA instrument has proved to be more complicated and time-consuming than expected. However, the structures are there, they could be used also in the future. Controls should be more “easy-going” in the future.

Could programming target functional areas, such as urban clusters or metropolitan regions, in the future? The Commission could give guidance to Member States with their programming. Strategies could be created for functional areas, and the operational programmes could follow the priorities defined in those strategies.

The European Commission is proposing several building blocks for the future urban dimension of cohesion policy.

Thematic concentration of urban actions on EU 2020 priorities delivered within integrated frameworks. Sustainable, smart and socially inclusive growth in the cities means clean urban transport

or waste water treatment, investment in research and innovation or social inclusion.

We will continue the commitment to integrated approach to urban development with a view to fully exploit synergies between different policy and investment areas.

What was a follow-up to the Leipzig Charter, the common European "Reference Framework for Sustainable Cities", adopted in Marseille in November 2008. The European Commission will support this important source of benchmarks for urban development, financing the test phase of this instrument. When it becomes operational, it will be a tool to make cohesion policy interventions in cities better integrated and more sustainable.

Second, experimental approaches to complement and bring innovation to the mainstream. Cities as drivers of innovation and progress need to have innovative and experimental instruments at their disposal to address new challenges. I see a real need in developing such approaches in urban development, especially within cohesion policy. Some of the most successful programmes were the ones which entered into new, often unknown territory.

The role of the European Commission should be as it has always been – to initiate and promote progress. I therefore believe that we will need to get back what we lost with the URBAN initiative: a tool which deals with experimental urban approaches in some cities, especially in those suffering from multiple deprivation. Drawn up in

close cooperation with regions and Member States and focussed on integrated city regeneration, such an instrument would not replace a solid urban dimension of mainstream programmes, but complement it for the purpose of managing a joint learning process. It is my personal conviction that a European initiative in this direction will help us all – Member States, regions and cities – to think in new directions and to foster innovative, integrated operations in city areas.

Third, let me say that one of the set-backs of the current programming period is that the role of cities in programming and decision-making processes has not been taken seriously. With the new regulations we should envisage to close this gap between cohesion policy responsibility to sufficiently involve cities and the reality of programming at national and regional level. City administrations (which best know the needs but also talents of their citizens) should be more involved in urban policy. We should act towards more local development initiatives, more global grants handed out to city authorities, more urban stakeholders in programme monitoring committees and a more consensual work between the regional and local level.

Fourth, European networking needs to support the implementation of concrete actions in cities. With the URBACT programme we have a valuable tool at hand which we should better use to build capacities and skills in our cities. The need to learn from each other and to find joint solutions to urban challenges is a must.

Such a common exchange and learning platform is an important prerequisite for a successful urban policy.

New urban agenda of cohesion policy needs to strengthen and complement the efforts undertaken at national, regional and city level – and between our Member States. The Leipzig Charter is a common guiding light and we need to make sure that cohesion policy follows it for better integrated and more sustainable urban policies across the Union.

I believe also that the debate on the future model of European cities should take us faster to implementation of new European city model. China is modernising its cities with a skyrocketing speed.