



Background Report on the urban dimension of the Cohesion Policy post 2013

REPORT

prepared at the request of the Polish EU Presidency

by

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This report has been produced with the assistance of the European Union. This document has been prepared as the basis for a discussion with experts and as part of a general reflection process on the future of Cohesion Policy. It does not prejudice in any way the final position of the Presidency on the issues discussed.



**NATIONAL
COHESION STRATEGY**



Ministry of Regional Development

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This Background Report was developed on the basis of the discussions held during the meetings of the Working Group on urban dimension of Cohesion Policy which was set up as a subgroup of the Urban Development Group¹ and was led by Poland. The working group met four times in the first half of 2011 and discussed different issues relevant for the future Cohesion Policy as regards its urban dimension. However, it has to be underlined that this document does not reflect opinions or official position of all members of the working group nor of the EU Member States.

This report has been prepared by Pawel Swianiewicz (University of Warsaw), Rob Atkinson (University of the West of England) and Anna Baucz (The Ministry of Regional Development in Poland) as the basis for a discussion with experts and as part of a general reflection process on the future Cohesion Policy. It does not prejudice in any way the final position of the Polish Presidency on the issues discussed herein. The Background Report benefited from the insight and written contributions of the German Federal Ministry of Transport, Building and Urban Development, the Dutch Ministry of the Interior and Kingdom Relations and the Secrétariat général à la ville from France.

¹ Urban Development Group (UDG) - is a working group composed of the representatives of ministries responsible for urban development in individual Member State. The Presidencies of the Council of the EU coordinate the work of the UDG. The UDG is tasked with preparing meetings of the Directors General and, potentially, meetings of the Ministers for Urban Development. The outcome of intergovernmental cooperation in this area consists principally of documents adopted during informal Ministerial meetings; these provide guidance for the activities of individual EU Member States within the scope of urban development, as well as affecting EU policy, including, in particular, Cohesion Policy.

Introduction

The aim of the Background Report on the urban dimension of the Cohesion Policy is to enhance the debate on the urban dimension of Cohesion Policy. Together with other documents prepared for the Polish Presidency it should serve as the starting point for further discussion on different forums and for the formulation of the Presidency conclusions.

The document is composed of three main chapters, of which the latter is the most relevant for the further debate as it elaborates on the different issues that need to be discussed in the near future. Furthermore, the first chapter of the document sets out the challenges the European cities are facing, whereas the second chapter describes how the urban issues have been tackled within the framework of the European Union so far. Additionally, an appendix with more detailed information in that respect has been added to the document; it includes information on urban issues in EU programmes in the different programming periods as well as information on urban policies in EU-Member States. The last part of the appendix constitutes a "Non-paper on global grants for cities" which was prepared by the Department for Coordination of Implementation of the EU Funds in the Ministry of Regional Development, Poland.

1. The challenges for the cities: issues and responses

Since the 1970s, policy-makers and academics across Europe have become increasingly concerned with the processes of urban change and restructuring taking place in European cities. These processes have often had their origins in deeply rooted economic changes which were a result of global and European processes involving the decline of traditional manufacturing industries and the inexorable rise of the service sector (see Van Den Berg, Braun and Van Der Meer, (eds) 2007;). In many western and northern European countries, during this transition from a 'manufacturing' to a 'service-based' economy, large numbers of (usually male) workers found themselves facing long periods of unemployment (in some cases even permanent unemployment), while at the same time many of the new service-sector jobs created were often taken by women. Simultaneously, many young people, especially males, entering the labour market for the first time found themselves unable to secure permanent, reasonably well-paid jobs in the service sector. These global and European changes took a somewhat different form in many southern European cities, partly as a result of their later and less intensive industrialisation (although cities such as Milan, Turin and Barcelona underwent significant industrial restructuring similar to northern cities) but also partly due to different economic, social and cultural structures that resulted in the continued existence of a sizeable sector of the economy being based around small and medium-sized enterprises, often located outside of major cities and related to family businesses. Moreover, in a number of northern and southern cities the issue of migration, particularly from outside the EU, had a significant impact on changing social and employment structures, social exclusion and spatial segregation. The situation was quite different in many cities in the new Member States (particularly in East Central Europe) which, while experiencing many of the problems found elsewhere in Europe, albeit often in less extreme forms, also faced distinct challenges related to their own histories and the legacy of Communism (for instance infrastructural deficiencies, environmental problems and the legacy of mass-housing estates) (see Van Kempen, Vermeulen and Bann (Eds.) 2005). Interestingly, although at different points in time, over the last 40 years many cities across Europe have also experienced urban sprawl and a range of associated issues (land use, transport systems, individualised forms of housing, etc). Nevertheless, while the temporalities may differ, in many European countries - especially their cities - these developments were expressed in the growth of inequalities between social groups, development of 'excluded spaces', racial tensions, etc - in many ways the society and urban areas in particular became more unequal, segmented and less cohesive.

While these process have affected the society as a whole, their impacts are often most clearly apparent in urban areas where whole districts, and sometimes cities, experienced major large scale job loses as the result of key industries' closures. However, the picture was not simply one of job loses, most cities developed new forms of service-based employment creating large numbers of new jobs which include a considerable number of well-paid positions as well as larger numbers of low-paid and insecure jobs.

These developments found concrete expression in the growing levels of unemployment, social polarisation and segregation - which became apparent in the increasingly complex spatial structure of most cities, even the ones deemed to be successfully adapting to the new economic circumstances. Thus, in many run-down inner city districts and peripheral social housing estates there are large concentrations of the unemployed, ethnic minorities and other groups (such as single-parents, the elderly, young people) often dependent on social assistance. In Europe, the term social exclusion has increasingly been used to describe these developments and growing concern has been expressed about the corresponding decline in social cohesion and solidarity within society, which are seen to pose a major threat to the viability of the European Social Model. The details of these processes have different character in various parts of the continent. In Western Europe the groups which are most vulnerable to social exclusion are immigrants, while in Central and Eastern Europe the issue especially concerns either indigenous ethnic minorities (such as Roma population in Romania, Hungary or Slovakia) or poor groups with no specific ethnic origin (as in Poland).

One of the outcomes of these changes includes the development of what is often referred to as a new economic geography that has important implications for the structure of both societies and cities in terms of their spatial organisation. In terms of urban development - and development more generally - a key source of changes in the debate may be related to new location theories stressing changes in the relative importance of location factors and the environment determining economic competitiveness of cities (e.g. the growing emphasis on the quality of place). The change reflects the evolution of the economy away from traditional notions based on factor inputs, such as land and labour costs towards an emphasis on innovation and skills, that are considered to be of greater significance than factors related to costs. In this view, the cutting edge of growth and innovation in the contemporary economy is to be found in sectors such as the high-technology industry, neo-artisanal manufacturing, business and financial services as well as cultural and creative industries. These sectors are thought to constitute the 'new economy' (Trip, 2007) based on the creation of symbolic meaning which is closely associated with situated knowledge and the mechanisms through which it is articulated with global cultural and information flows. Quality of labour (instead or in addition to labour cost), quality of life, quality of environment and other 'soft factors' have become crucial for local economic development policies. In some formulations the traditional distinction between economics of production and economics of consumption becomes irrelevant. Improvements in human capital and social capital are increasingly identified as central to urban policies concentrated on competitiveness (Putnam et al 1993). These characteristics are seen as crucial to the new 'knowledge-based economy' that increasingly relies on innovation and creativity as the factors stimulating (economic) development.

These arguments have been developed by Richard Florida (2002, 2003, and 2008). His work has exerted considerable influence in the policy debate. It relates to urban economic development and the behaviour of a wide range of 'creative' workers, rather than firms or managers, addressing the conditions that collectively make a city an attractive place of residence and work for the so called 'creative class'. The relevant attributes are considered to include economic and spatial diversity, specific leisure and cultural amenities that fit the interest of the creative class, a mixed population, the chance of informal meetings in so-called 'third spaces', safety, vibrancy, as well as indefinable aspects such as authenticity, tolerance, street life, buzz, and urbanity. Florida's work utilised a set of indicators for technology, talent and tolerance (the 3Ts). This approach is not without its flaws but it does point to the importance of criteria such as creativity and talent, diversity, tolerance and safety, and in particular to the presence of specific amenities as key factors in the new economy. The implication being that cities need to support the development of the 3Ts if they are to successfully compete in the global economy.

Another widely identified trend that is also closely related to the changes in the contemporary economy, and to its globalization, relates to the flows of capital and materials that are seen as outcomes of the production changes and that have fundamentally altered the spatial perspective in which cities compete with each other. This does not mean that space (or place) has become irrelevant. It implies rather that processes of globalization have triggered the redefinition of spatial relations, both in the political and economic dimension. 'Denationalization' of economies and social relations has opened an important window of opportunities for cities and regions, which have ceased to function only within their state-level systems and have increasingly become integrated into wider continental and global flows. The combination of globalization and growing importance of local context (e.g. quality of place) is often addressed through the notion of *glocalization*, which indicates the shifts of power up and downwards from the state level. A similar point is made by concepts related to shifts of power and discretion, in particular as represented by the *reterritorialization* and *rescaling* theory (Brenner 1998, 2004, Swyngedouw 1997, 2004). It underscores the crossing of various traditionally defined (administrative) levels by the scales (relations) produced in the processes of globalization. These new 'scales' often go beyond formal, administrative boundaries, but require analysis (and addressing issues) on various levels below or above the city (administrative) limits. It is especially important in the case of the largest cities which are said to gain much importance in the globalized economy, and which become important agents on the world scene, to some extent independent from the State. Additionally, such notions have also become significant in terms of the polycentric structure of many city regions where a number of towns and cities working together may constitute a polycentric city-regional structure which in turn may be inserted into wider global flows of capital, goods and knowledge.

Finally, for the style of policy formulation and implementation the debate on the change from *government* to *governance* is very important (Rhodes 1998, John 2001). The politics of urban development change from hierarchically structured *power over* to a focus on outcomes rather than formal competencies and the more inclusive *power to*. To achieve policy goals it is increasingly important to involve non-public actors, including the private sector, social organizations, and community groups. It is considered important to develop participatory mechanisms which would allow not only to consultation but also the involvement of a range of stakeholders (from the public, private and civil society sectors) in the development of policy goals as well as in the implementation of agreed policies. But in the world of governance the contacts within the public sector become also more complex. Urban policy requires involvement of public administration and politicians from various tiers of government. Involvement of cities in the *multi-level governance* process, and especially cooperation at the regional, national and EU level are especially important.

As regards the management of urban issues, one should mention New Public Management as an important theoretical inspiration. The NPM has brought several management ideas, including strategic planning, performance indicators, benchmarking, involvement of private sector and delegating the management of urban issues to semi-public agencies (such as Urban Development Corporation in Britain). Although the NPM was later criticized for its technocratic approach and excessive belief in market mechanisms solving social issues, it still remains popular, and sometimes directly referred to, in policies of several Member States, especially in Central and Eastern Europe. More importantly, some of NPM-inspired ideas have been incorporated into the mainstream of European policy making, even if other elements of the approach have been rejected (Wollman, Marcou 2010).

2. Urban issues within the framework of the European Union

Over the last two decades, urban areas have gained recognition as the engines of economic growth for Europe. Already during the drafting of the Maastricht Treaty there were attempts to give the European Commission a formal competence in the field of urban policy. However, in the end the EU Member States rejected this proposal drawing on the principle of subsidiarity. For this reason, European urban policy began to develop within the existing EU regional policy. However, despite the fact that the Member States were not willing to give the Commission the formal competence in the field of urban policy, they started to cooperate within the field of urban development. To sum up - urban issues have been tackled on the one hand within the EU Cohesion Policy and on the other - they have been subject of intergovernmental cooperation.

The intergovernmental level

As far as the latter is concerned, various Presidencies in the Council of the European Union have emphasised the issue of urban areas. In 2000, the French Presidency introduced the Lille Agenda (or the 'Multiannual Programme of Co-operation in Urban Affairs within the European Union', CSD, 2000). The report stated that:

The new stage that is beginning must allow a common approach to be formalised through new ways of co-operation, although without standardising urban policies, and Community interventions to be developed in favour of cities. Moreover, it would be convenient to systematically analyse the impact of different EU policies from the point-of-view of urban interests. This is the objective of the working programme prepared by the Urban Experts and adopted by the Committee on Spatial Development. (CSD, 2000, p. 55)

In essence what the Lille Agenda set out to do, was to create a common and permanent framework of reference within which, whilst recognising differences between countries and differing priorities within them, Member States could work together to develop a common approach. This vision was intended to facilitate a debate, sharing of experiences, development of benchmarking and a more effective and integrated use of structural funds directed at urban areas.

Subsequent developments sought to develop the Lille Agenda further. Thus, under the Dutch Presidency of 2004 there was the Rotterdam *Urban Acquis* (Dutch Presidency, 2004), then under the British Presidency of 2005 - the Bristol Accord (2005) and in 2007 under the German Presidency the Leipzig Charter (German Presidency, 2007a). Indeed one of the Leipzig Charter's accompanying explanatory notes stated: 'The Leipzig Charter will create a foundation for a new urban policy in Europe.' (German Presidency, 2007b, p. 1). Indeed, the Leipzig Charter can be seen as a foundation of the development of better urban policies both at the local and national or regional level. The document identified common principles and strategies for urban development policy. It underlined the importance of using integrated urban development policy approach and the need to pay special attention to deprived neighborhoods.

The French Presidency of the EU in 2008 sought to further develop the ideas expressed in the Leipzig Charter (see French Presidency, 2008a and 2008b) and to produce a consensus on how to develop and implement urban policies. As part of these developments, following on from the Marseille Statement of November 25, 2008, the *Reference Framework for European Sustainable Cities* was initiated to provide tools that will support cities to develop and monitor policies on sustainable urban development²

In recent years the cooperation among the EU Member States has become even more intensive. In June 2010 during the Spanish Presidency the Urban Development Ministers signed the *Toledo Declaration*³ where they acknowledged the work on urban issues carried on by successive EU Presidencies and stated that it would be appropriate to move towards the future preparation of a joint working programme or 'European Urban Agenda'. In the Toledo Declaration, the Ministers underlined also the importance of cities and towns when achieving the goals of Europe 2020, by making Europe's economies smarter, more competitive, sustainable and socially inclusive. Therefore, they stressed that it must be a political priority to empower European cities to tackle future challenges and to unlock their potential, as well as to continue and to strengthen the public support for sustainable urban policies across the EU, in particular through the Cohesion Policy.

Also the latest EU Presidencies underlined the importance of urban affairs. The Belgian Presidency tackled first of all the issue of multilevel urban governance. In the conclusions of the Multilevel Urban Governance Conference in Liege the three Presidencies of Spain, Belgium and Hungary (i.e. the Presidency Trio) called upon the Member States among others to develop new instruments for urban multilevel coordination including all levels of government: local, regional, national and European, in order to achieve the objectives of the Europe 2020 strategy, the *Leipzig Charter* and the *Toledo Declaration*. The Hungarian Presidency on the other hand concentrated the efforts on analysing demographic and migration challenges to be tackled by the urban areas. As a result the Directors General responsible for urban development agreed on the *Budapest Communiqué on European urban areas facing demographic and climate challenges*.

² More information can be found at: <http://www.rfsustainablecities.eu/>.

³ On 22 June 2010, in Toledo (Spain), in response to the invitation made by the Spanish Presidency of the Council of the EU within the framework of the Informal Ministerial Meeting the Urban Development Ministers signed the *Toledo Declaration* which can be downloaded here: http://www.mrr.gov.pl/rozwoj_regionalny/Polityka_regionalna/rozwoj_miast/rozwoj_miast_w_UE/Documents/Toledo_deklar_ENG.pdf

Despite all of this activity it is important to note that when viewed within a wider context of the European Union and the activities of the European Commission, the actual outcomes of intergovernmental cooperation have been relatively limited, mainly restricted to agreements about principles rather than action and supporting various knowledge dissemination activities (e.g. Urban Exchange Initiative, EUKN). Moreover, the direct impacts on national urban policies in Member States have, arguably, been relatively minor; in the Cohesion countries the influence of this intergovernmental cooperation on 'urban policy' has been in some ways even more limited. It may well be that in the future initiatives such as the Reference Framework for Sustainable European Cities will have a more direct impact on cities and their development of sustainable integrated urban development strategies.

The Community level

For at least the last 20 years, the EU has been involved in a number of initiatives with regard to urban areas and their development. However, because there was no Treaty basis for an EU urban policy; therefore at the Community level the urban matters have been tackled within the urban dimension of the Structural Funds. This urban dimension has developed in the post-1988 period, largely as a result of the growing recognition of the role that the cities play in Europe's economic growth and competitiveness.

If we consider the 'history' of EU urban initiatives, a number of developments are worth noting in the period 1989-2006; among others:

- The Urban Pilot Projects (1989-1999)
- The *RECITE* Programme
- The Community Initiative URBAN I and II (1994-2006)
- The URBACT Programme (2002-2012)

From 1989 to 1999, the Community Support Framework supported 59 *Urban Pilot Projects* (UPP) under Article 10 for innovative actions of the European Regional Development Fund (ERDF) regulations. These projects promoted urban innovation and experimentation in economic, social and environmental matters with the aim to develop an 'integrated approach' to urban regeneration. Also under Article 10, the *RECITE* Programme (Regions and Cities of Europe) was launched in 1989 to promote interregional projects and the exchange of experience through, and among, networks developed between cities and regions within Europe. In the *RECITE* programme, each network fostered the economic development of its members in such a way that the programme as a whole contributed to the consolidation of the economic, social and spatial cohesion within the Community.

In 1994, building on the positive and apparently encouraging results of the first phase of Urban Pilot Projects, a special structural action was launched to support urban issues, *URBAN*, the Community Initiative of the ERDF for sustainable development in 'problem' urban districts of the EU. Encouraged by the positive experiences of UPP I and II and URBAN I, in 2000 it was decided to continue this approach by introducing URBAN II for sustainable urban development, within the [general regulation](#) on the Structural Funds. Another noteworthy feature of the 2000-2006 period was the *URBACT* network (part of the URBAN II programme); this network supported, and continues to support, the exchange of information and experience on sustainable urban development across the EU.

The details of the instruments for cities implemented under the Cohesion Policy are described in the first part of the appendix to this Background Report entitled: 'Urban issues in EU programmes in the 1993-1999, 2000-2006 and 2007-2013 programming period'.

Mainstreaming of the urban dimension of Cohesion Policy (2007-2013)

Despite the success of the URBAN Initiative, the European Commission decided not to continue the Initiative but to mainstream the so called 'URBAN approach' into the regulatory framework for the Operational Programmes. This step should enable all European cities to benefit from the lesson learned from the URBAN Initiative and to apply the successful integrated approach.

However, according to the analyses of the European Commission⁴ and the opinion of numerous experts, in many EU Member States (mainly in the EU-12) in the course of the mainstreaming the approach that had been successfully implemented under URBAN Initiatives was lost or blurred. At the same time, it has to be underlined that the regulations enabled the Member States to prepare instruments or solutions that could support the integrated urban development - some Member States decided however not to take advantage of those opportunities. On the other hand, in Member States such as France, Germany or the Netherlands, the mainstreaming of the urban dimension is showing good results which is presented

⁴ See 'Fostering the urban dimension. Analysis of the Operational Programmes co-financed by the European Regional Development Fund (2007-2013)', European Commission, DG Regio, November 2008.

in more detail in the first part of the appendix to this Background Report entitled: 'Urban issues in EU programmes in the 1993-1999, 2000-2006 and 2007-2013 programming period'.

Nevertheless, in most cases activities under the Cohesion Policy intended for cities are implemented primarily in a sectoral manner which is a direct consequence of the system of Operational Programmes in individual Member States and an indirect reflection of solutions adopted under the CP. Normally, projects financed under the CP are selected by Managing Authorities at the central or regional level. The projects are selected without sufficient analysis that would take into account the integrated development of certain urban areas, and cities are forced to apply for funds in the same way as all beneficiaries and do not have a guarantee that they will receive funds for all planned projects (which would generate more added value, if they were implemented together, as they are complementary).

Moreover, Managing Authorities at the regional or national level cannot hope for any support in the implementation of integrated activities within the urban areas, nor are they encouraged to do so, which results in weak cooperation between regions and cities when it comes to executing the CP. Article 8 of Regulation 1080/2006 introduces only the possibility of supporting the development of participative, integrated and sustainable strategies in urban areas. The Regulation does not, however, include any incentives/obligations related to the creation of integrated urban development strategies that would be supported under CP. The definition of integrated urban development is unclear and there are no definite guidelines from the European Commission in this respect.

Additionally, the involvement of cities in the programming and implementing of the CP is insufficient. The possibility of delegating the responsibility for implementing ERDF to the local level was not taken into consideration either.

Despite the fact that the mainstreaming of urban dimension was not as successful as was foreseen, it has to be underlined that this was not the case in every EU country. Some countries – mainly those which have a track record in national urban policy – have implemented a specific urban component of the national Cohesion Policy respecting the integrated approach to urban development. This Background Report⁵ highlights three interesting examples of the implementation of the urban dimension of Cohesion Policy, namely the French, German and Dutch approach. In our opinion, it is advisable to learn from these examples when preparing the urban dimension for the next programming period.

Finally, one cannot forget one new element that is being implemented in the 2007-2013 programming period – the JESSICA initiative – a financial engineering instrument that enables the EU Member States to use some of their EU grant funding, to make repayable investments in urban projects supporting long-term sustainable urban renewal in the form of equity, loans or guarantees.

In addition to the urban dimension of the Cohesion Policy, during the last 20 years in order to strengthen cities and city regions, a range of other initiatives have been launched. In fact, a variety of studies have been carried out which concern urban areas; these range from *Urbanization and the function of cities in the EC* (1992) to the ESPON projects⁶, the Urban Audit, the *State of European Cities* Report (CEC, 2007c) and the *Urban Atlas*. All of these represent examples of applied research and studies on urban and territorial development and spatial development from a European perspective designed to support policy development. Especially ESPON has provided a wide range of detailed studies identifying and documenting the factors shaping contemporary Europe (and adjacent areas), analysing the spatial and territorial implications and drawing out general policy implications. This considerable body of constantly updated research and disseminated knowledge contains important information relevant to territorial Cohesion Policy and territorial potentials that impact, directly and indirectly, the competitiveness, sustainability and cohesion of Europe's towns and cities and wider regions. Indeed, a number of studies have focussed exclusively on cities and towns, considering their role in Europe's future development. The various ESPON studies on polycentric, balanced and sustainable development have drawn attention to the important role played by small and medium sized towns in Europe's development.

Furthermore, the Commission's activities in urban matters have also been developed through a series of 'strategic documents' including Communications and position papers. In 1997 and 1998, the Commission issued *Towards an Urban Agenda in the European Union* (CEC, 1997) and *Sustainable Urban Development in the European Union: A Framework for Action* (CEC, 1998) which acknowledged the importance of the urban dimension in Community policies, while in 2006 the Communication from the Commission *Cohesion policy and cities: the urban contribution to growth and jobs in the regions* (CEC, 2006) represented an affirmation of the key role of cities and underlining the importance of the European dimension in integrated urban development.

The growing significance of cities was also signalled in the *Third Report on Economic and Social Cohesion* (CEC, 2004) which noted the importance of EU 'urban policy' and that EU policies have important implications for the future development of cities. Thus, by around 2004-2005 a more explicit consideration of the role of cities (and regions) in relation to territorial

⁵ See: Appendix, Part 1. Urban issues in EU programmes in the 1993-1999, 2000-2006 and 2007-2013 programming period.

⁶ ESPON (initially known as European Spatial Planning Observation Network, now renamed European Observation Network, Territorial Development and Cohesion) is an applied research programme in the field of territorial development related to EU Structural Funds, started in 2002 and continuing in the current period. For more information see: www.espon.eu.

cohesion and addressing territorial disparities began to emerge in EU policy documents (cf. CEC 2004 and 2005). Cities were increasingly seen as 'engines of regional development' and attractiveness. By the time of the Fifth Report's publication in 2010 (CEC, 2010a), building on thinking in the Green Paper on Territorial Cohesion (CEC 2008), there was a move towards a place-based approach referring to a restricted range of 'special urban and spatial initiatives' and the development of a more generic approach bringing together the territorial, the social and the economic dimensions in an integrated manner focused on meaningful places of intervention (cf. Barca, 2009, 93). A key assumption underlying this approach is that only by focusing on the (diverse) strengths of places can more harmonious development be achieved. Indeed, the Barca Report (2009) went on to provide a much more solid foundation for such a strategy to operate as a general approach.

The Sixth Progress Report on Economic and Social Cohesion (2009) highlights several of these themes arguing that: 'The goal of territorial cohesion is to encourage the harmonious and sustainable development of all territories by building on their territorial characteristics and resources.' (*ibid*, p. 11). Cities clearly have an important role to play in this approach and will be central to achieving the goals of Europe 2020 (CEC, 2010a).

Despite all of the activities outlined above, it is important to bear in mind that the quantity of resources the EU is able to deploy to support them is relatively small as compared to the resources available to Member States. This inevitably means that the quantitative impacts of such actions are somewhat limited. However, the real added value of these initiatives arguably lies in the more qualitative impacts through the support of innovative approaches on methodology, integration and sustainability (see CEC, 2009) that can then be disseminated across Europe through various mechanisms (e.g. URBACT, EUKN).

3. Questions and recommendations for urban areas in the future

In recent years cooperation among EU Member States has become more intensive. The policy-makers seem to have recognised the importance of urban areas in the development processes. Therefore, in order to support European cities and towns they have attempted to tackle the challenges that urban areas are currently facing.

Recently, at the intergovernmental level this led to the preparation of the **Toledo Declaration**⁷ which was signed in June 2010 by the Urban Development Ministers. In this document the Ministers acknowledged the work on urban issues carried out by successive EU Presidencies and stated that it would be appropriate to move towards the future preparation of a joint working programme or 'European Urban Agenda'. They underlined also the importance of cities and towns when achieving the goals of the Europe 2020, by making Europe's economies smarter, more competitive, sustainable and socially inclusive. Therefore, they stressed that it must be a political priority to empower European cities to tackle future challenges and to unlock their potential, as well as to continue and to strengthen the public support for sustainable urban policies across the EU, in particular through the Cohesion Policy.

In order to do so, the Ministers agreed on and expressed their will to collaborate with the European Commission in the elaboration of a strengthened framework for the urban dimension in Cohesion Policy in the next programming period.

The following principles shall become the common basis of the new framework of the urban dimension in Cohesion Policy: the involvement of local authorities and cities in the design and implementation of Operational Programmes, a stronger emphasis on the integrated approach and sustainable urban development, a stronger focus on territorial and social cohesion, along with a simplified delivery system.

As a result of this declaration, after the publication of the *5th Cohesion Report*⁸ the Directors General for urban development agreed on the *Common Position* to this document which was sent to the European Commission in February 2010.

The 5th Cohesion Report confirmed the role of urban areas as engines of growth and hubs for creativity and innovation. In that respect, the Report called for an ambitious urban agenda where financial resources are identified more clearly and the urban authorities play a stronger role. It stated that the urban action, the related resources and the cities concerned should be clearly identified in the programming documents.

In their Statement to the 5th Cohesion Report, the Directors General for urban matters gladly welcomed the approach of the European Commission as described above. They expressed also:

- the need to apply a governance system that includes all appropriate levels of government, paying particular attention to the local level,
- the support for the proposal of strengthening the local development in the Cohesion Policy,

⁷ On 22 June 2010, in Toledo (Spain), in response to the invitation made by the Spanish Presidency of the Council of the EU the within the framework of the Informal Ministerial Meeting the Urban Development Ministers signed the *Toledo Declaration* which can be downloaded here: http://www.mrr.gov.pl/rozwoj_regionalny/Polityka_regionalna/rozwoj_miast/rozwoj_miast_w_UJ/Documents/Toledo_deklar_ENG.pdf

⁸ *Fifth report on economic, social and territorial cohesion: the future of Cohesion Policy* (COM(2010) 642/3).

- the necessity of improving the articulation between ERDF and ESF, the Directors General suggested furthermore to reinforce the flexibility between these two funds when implementing integrated urban projects,
- the support for continuing an instrument for city/town networking – such as URBACT – in the future programming period.

In order to enhance the discussion on the urban dimension of the Cohesion Policy, Poland as a coming Presidency in the Council of European Union decided to set up a working group on the urban dimension of the Cohesion Policy that should come up with concrete proposals of solutions for development of urban areas within Cohesion Policy in the next programming period. This chapter is an outcome of the working group meetings and should be seen as a next step in the discussion on the future shape of the urban dimension of the Cohesion Policy. However, it does not reflect opinions of all members of the working group, nor of the EU Member States. It does not provide ready solutions, but rather formulates several issues which require further discussion. On the other hand, it provides arguments for the implementation of options which seem to be relevant for the future development of European urban areas.

3.1. An EU ‘urban policy’?

To what extent should the EU level be involved in formulation of an urban policy? Or should decisions in this area be entirely left to Member States (or regions - where appropriate)? Involvement of the EU seems to be justified on two levels - conceptual and practical. The EU is built on the principle of subsidiarity, which refers not only to the relationship between the Community and Member States, but to smaller groups, including the city level. Subsidiarity assumes the support received by smaller groups from larger organizations, and if such a support may involve the European level it pre-assumes a policy which would guide related activities. On a more practical level, if it is expected that part of the EU budget is spent on programmes supporting actions dealing with urban issues, thus it is necessary to develop a policy and accompanying management system which would organise this process. This does not necessarily mean that we need a so called ‘EU urban policy’ and it certainly does not mean that the European level should dominate the development of urban policy in Europe. Following the principle of subsidiarity, there is a need for very general decisions on directions of the policy and on the methodology, to be made at a supra-national scale, while most of detailed decisions should be left to the national (and regional) as well as city government level.

Recommendation: cities play an important role with regard to the Europe 2020 objectives. Therefore, even if detailed decisions on urban policy should be made on national (and regional) level, there is a need of a clearly marked position for the cities in the Cohesion Policy. This requires a clear involvement of the EU level in urban policy making.

3.2. Urban policy – who is the target?

The European urban realm is extremely diversified. It includes the whole spectrum of objects starting from small, local urban centres to big cities and their agglomerations (metropolitan areas). Modern theories pay special attention to the largest metropolises and their role in the globalized economy. While big metropolises are ‘growth engines’ they are also concentrations of social, environmental and infrastructural problems. Urban policy must not ignore these issues and support the development potential of European metropolises, but at the same time it also needs to recognise the importance of small and medium-sized towns. Furthermore, each Member State has its specific urban structure and associated features. In some countries the big city issue calls for the most urgent intervention, while in others the development of small towns is the most important issue.

Recommendation: The decision which areas should benefit from urban policy programmes should largely be left to the discretion of the sub-European level (i.e. to Member States in consultation with regions and cities as appropriate).

3.3. Re-territorialisation of urban policies

The concept of *re-territorialisation* and *re-scaling* has important practical consequences for urban policies. Administrative boundaries have limited relevance when dealing with several important issues that the cities must face. This observation calls for recognition of the different scales at which the interventions (and available funding) should be undertaken.

One issue is the focus on sub-city (neighbourhood) level which has a long tradition of Area Based Initiatives (ABI) undertaken both in several national programmes and in EU initiatives, such as URBAN. The focus on the most problematic (distressed) neighbourhoods should be sustained.

At the same time, the city administrative limits are not appropriate for several interventions which address the larger scale of agglomeration of metropolitan areas. This suggests that the funding within the urban policy schemes should not be available

for the cities themselves, but rather for the Functional Urban Areas (FUA). This is a principle which probably could be easily accepted as a general principle guiding policy, but its implementation raises important practical difficulties. FUA-level institutions (entities which might become beneficiaries of the available funding) exist in only a European agglomerations. It is relatively easy to indicate who might implement the metro-scale project in the Metropolitan Region of Hannover or Stuttgart or in case of French *communautés d'agglomération*. But in many other cases (such as agglomerations around many Italian, Polish, Czech or Hungarian cities), where there are no formal legal framework for the metropolitan cooperation, the issue is much more complicated. And even in cases when metropolitan institutions have been established, their territorial limits are sometimes questioned and the degree of coordination among contiguous administrations forming a FUA is not always sufficient.

While the rule of focusing on FUAs should be universal, the details may be decided differently in individual European countries. It should be left to the national level to decide on the territorial limits of FUA (although referring to the results of EU funded ESPON research might be very helpful in this exercise) and how to arrange formal contracting of projects for such areas. One option might be an *ad hoc* agreement of involved municipal governments which on a voluntary basis agree to delegate responsibility for contracting and project implementation to the 'leader of the consortium'. But there are also other options available, which might be developed on a national level.

Apart from FUAs, another problematic issue related to the territorial scope of interventions is the issue of 'divided cities' (or even 'divided agglomerations' or divided metropolitan areas) where functional boundaries cross national boundaries. The existence of such cases calls for funding schemes which would be distributed separately from funding available for individual Member States. If there is a decision that urban issues should be mostly mainstreamed within regional funding programmes, then in some cases agglomerations crossing regional boundaries might create problems for integrated interventions. The cross-border forms of collaboration, which have become more frequent recently, have been strongly encouraged by the EU in the past. Including them in the design of new urban policy instruments would seem to be a natural and sensible step forward.

Recommendation: The Cohesion Policy should stress the importance of various territorial scales in the urban policy (neighbourhood, agglomeration). There should be a requirement of considering the whole area of FUAs in the interventions using the EU funding for cities. However, the detailed decisions on definitions and delimitation of FUAs as well as organizational arrangements for the interventions undertaken in the lack of agglomeration level formal institutions, should be left to the national (and/or regional) level.

3.4. Inclusion of the city level in programming and managing programmes

Urban policy calls for wider and deeper inclusion of cities themselves, both at the policy formulation and policy implementation (management) stages. As already mentioned earlier, the idea of subsidiarity, which is among the main foundations of the Maastricht Treaty should be revitalized. In its original formulation it was by no means limited to the relationship between EU and the Member States (as it is typically understood nowadays) but first of all it referred to local level autonomy, and support which the local level should receive from the larger organizations (upper tiers).

From that perspective we have to admit that the Cohesion Policy has not been decentralized so far. The real inclusion in policy formulation and management has so far only gone down to regional level, but not to the local one. The regions preparing their policy statements did consult local governments, but the procedures for these consultations were often vague and the voice of cities was not always listened to or taken into account sufficiently. Applying the subsidiarity principle in a thorough going manner implies that the development of urban policy requires inviting cities to be part of the debate and allowing them a real impact on the final shape of the policy adopted. National associations of cities as well as European level institutions (such as CERM or Eurocities) should also be involved in this process as they will bring a pan-European perspective to debates. It should also be discussed whether cities are to have a greater role to play in the management of relevant funds. This issue will be discussed further in this paper.

Recommendation: It should be required that cities and their representations (such as national association of city governments) should be included from the early stage of policy making.

3.5. Specific thematic issues of urban actions

So far, urban interventions have concentrated on regenerating deprived neighbourhoods, urban infrastructure (with a special focus on housing and transport), economic competitiveness and urban management issues. But there are also other issues which increasingly attract the attention of EU public opinion, such as demography and climate change. These issues are becoming increasingly important and it should be noted that some of previous inter-ministerial statements have already

highlighted them. The topics mentioned above are not exclusively urban, but due to congestion and specific features of some urban areas (such as aging of cities' central districts) these issues have their specific 'urban dimension'. How should these be incorporated in the traditional urban policies? Do any of these thematic issues require separate priority axes or separate programmes? How can we ensure that a range of apparently diverse issues form an integrated sustainable urban development programme?

It is also important to bear in mind that while it may be the case that cities across Europe have much in common, they are also different - and these differences reflect their particular national and local histories of development. For instance the deconcentration of population (and what is often referred to as 'urban sprawl') has proceeded at different times and rates across Europe. Similarly, the demographic structure of cities across Europe has changed in different ways and does not necessarily reflect a uniform pattern. Furthermore, many a number of Member States in East-Central Europe are dealing with the legacy of mass-housing estates from previous political systems. All of this means that their needs to be flexible in the identification of the relevant issues to allow each Member State to identify and address the issues that are most relevant to its system of cities whilst respecting the overall principles of Cohesion Policy. Moreover, such an approach does respect the overall thrust of the 2008 Green Paper (CEC, 2008) and its emphasis on 'Turning territorial diversity into strength'.

On the other hand, there has been a political agreement at the highest European level on the common priorities for Europe for the coming decade which has been expressed in the *Europe 2020* strategy. The agreed objectives on employment, innovation, education, social inclusion and climate/energy should be reached by 2020. The Ministers responsible for urban development in the *Toledo Declaration* reaffirmed the validity of these commitments and highlighted in particular the integrated approach in urban policies as one of the main tools in order to advance in the direction set out in the *Europe 2020*. Moreover, the Ministers underlined the role cities can play in that regard. Therefore, in the new programming period the urban dimension of Cohesion Policy should respect these priorities.

Recommendation: It is necessary to define a clear vision of how the future urban priority of Cohesion Policy should deliver responses to the thematic objectives and investment priorities of the *Europe 2020* Strategy. In this context, the objectives of the Leipzig Charter need to be also considered.

3.6. Flexibility in management of funds

Following the principle of subsidiarity, it is necessary to give more freedom to cities to decide on how to deal with their intrinsic problems. They need more discretion in decisions on the ways to implement particular projects and - what is even more important - more flexibility in managing the funds.

Greater flexibility may be achieved in many different ways. Two ideas in that respect will be elaborated and discussed here: the idea of the wider usage of 'global grants' for cities and - on the other hand - the idea of combining resources from various funding streams (such as ERDF, ESF) to finance comprehensive programmes consisting of various types of projects.

The global grant instrument has already been provided for in both the 2000-2006 programming period through Regulation 1260/1990 and the present period through Regulation 1083/2006. The Article 37(6)⁹ of Regulation 1083/2006 states that the Operational Programmes may contain a list of cities where the responsibility for urban action is sub-delegated possibly by means of a global grant. However, this regulation was not sufficient to encourage the Member States or regions to make use of it and to sub-delegate the responsibility to the local level. What is more, there were significant ambiguities related to the definition of global grant and the procedures connected with implementation of this instrument were not clearly defined. As a result only few cities have made use this possibility.

It is advisable that the global grant instrument is used more frequently in the future since it is beneficial for the development of cities and hence regions. **The benefits of introducing the global grant instrument could be:**

- application of integrated urban development approach,
- implementation of the strategic vision of the city,
- inclusion of the city authorities in the process of programming and management of structural funds (which would be beyond doubt a demonstration of the principle of subsidiarity) and hence shifting the decision-making level closer to the citizens,
- complementarity of interventions carried out within the urban area.

⁹ Article 37(6) of the general Regulation 1083/2006: "At the initiative of the Member State, the operational programmes financed by the ERDF may also contain for the Convergence and Regional competitiveness and employment objectives: a) 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."

Generally the concept of the global grant should be understood as:

The transfer for a specific, but broadly defined goal (not a specific, concrete project). The grantee has a discretion to decide ways of using the transfer, but only within the broad goal defined by the grantor and under the predefined conditions.

The global grant may be applied to broader programmes developed at a city level, where the benefitting city enjoys the flexibility to re-allocate funds among individual projects depending on changing circumstances. It may also be applied to the single-sector interventions, such as to transport systems. In such a case, the 'global grant' might apply, for example, to the transfer of funds for development of the transport network, but the detailed decisions on the selection of individual projects are left to the city itself.

Within the framework of the Cohesion Policy, one can expand on the definition of global grant in the following terms:

Global grant should be understood as tasking the cities with the administration of a given allocation amount for Operational Programmes financed under Structural Funds. The basis for the transfer of funds would be constituted by an agreement (entered into on the basis of relevant provisions in an Operational Programme) where mutual rights and obligations of cities and Managing Authorities would be defined, as along with the thematic scope of intervention. **In practice, they would resemble a sort of sub-programmes implemented by cities, yet they would be coordinated by Managing Authorities.**

Coordination and participation of Managing Authorities at the central and regional level is indispensable to assure or strengthen the functional links of a city with its region and the whole country.

As for the **programming of the global grant**, one can conceive of two possibilities: either the establishment of a priority for global grants for cities under the operational programme (national or regional one) or the creation of a separate multi-fund programme (if possible) devoted solely to grants for cities in one Member State. The latter solution would be undoubtedly more effective from the point of view of complementarity of support, but it could isolate, to a certain extent, the support for cities from the support in the region (if granted under a regional programme). Irrespective of the adopted variant, global grants would not be separate programmes – support under them and the other forms of project assistance would be coordinated by Managing Authorities in order to assure complementary support for regions. A city would be able to apply for assistance in the areas not covered by a grant according to standard rules.

In order to obtain a global grant, the city would have to meet specific boundary conditions, which can be defined as a sort of '**ex ante conditionality**'. One of the main conditions would be the preparation of an *integrated urban development plan* based on an *integrated urban development strategy*. The *integrated urban development plan* would involve projects financed both from the global grant, from the structural funds according to standard rules and from national, regional and local funds. Apart from these conditions, it would be necessary for a city to ensure an appropriate institutional system to manage the grant (management and control system) that would be subject to accreditation by Managing Authorities and to guarantee that the funds necessary to co-finance the grant are at their disposal.

In the future it will be important to discuss the objectives and principles of the integrated urban development plans. France - which has experience in the preparation and implementation of such plans - is proposing the following objectives and principles:

- favour economic activity and employment, functional diversity and social mixing while opening up the urban areas concerned;
- implement appropriate plan governance, making it possible to have an integrated view of the strategic and intervention dimensions providing benefits to deprived areas;
- have a long-term time frame for implementing the plan;
- support structural project uniting residents, professionals, associations and public services on a local scale;
- concentrate funding on a limited number of projects;
- ensure coherence with European, national and local policies.

The concept of global grant can be effectively used for relatively big transfers, while it makes no sense to apply it to very small projects (programmes). But the borderline between 'small' and 'large' might be drawn in different ways in different places depending on a country, region or a specific sector. For example, the 5 million euro minimal threshold for a global grant might be too low in some regions, but very high in others. Therefore, the EU-level guidelines should allow flexibility of the decision in this regard.

The idea of wider usage of the 'global grant' requires proper balance between flexibility, accountability and the need for good systems of management and evaluation of programmes. In many cases, this will need to be accompanied by support for

capacity building in local administration at local level in terms of management and implementation. This would ensure that the global grants are used in a strategic and integrated manner (see also the next section).

More detailed information about the global grant instrument can be found in the annex to this document.

Another way to increase flexibility in funds management is related to **combination of resources from various funding streams (such as ERDF, ESF) to finance comprehensive programmes consisting of various types of projects**. Until now, too often have comprehensive programmes had to be fragmented, reflecting the fact that management logic (applying, contracting, reporting procedures) was driven by the different logics of various funding sources, making it difficult to achieve integrated implementation of the programme and making flexible adjustments to the changing environment impossible.

Recommendation: The further discussion on mechanisms allowing to combine resources from different funding streams is required. The global grant mechanism should be defined more precisely, simplified and applied. Moreover, it seems reasonable that in the next programming period the EU not only introduces the possibility of using the global grant instrument, but also promotes the idea of the global grant and provides guidelines explaining the possibilities, benefits and conditions connected with this instrument.

The EU can promote the idea of the global grant, perhaps encouraging (or even obliging) by designating a minimal proportion of funds that could be distributed through this mechanism. But many detailed regulations cannot be decided at the EU level in a uniform way - it is important to recognise that they have to be adjusted to local conditions, which may be done better on a national or regional level. Especially the choice of cities for global grant system should be made on the national level.

3.7. Selecting priority areas for intervention

The first question is who should make the decision on selection of target areas? It is reasonable to expect that the Commission would set out general guidelines for the selection process, to be interpreted and implemented by Member States (or sometimes regions). Nevertheless, the Commission should ensure the consistency of the criteria used in this process.

Regardless of who is to be responsible for the decision, the issue of selection has at least two layers:

- Which cities (or FUAs) should get funding?
- How to select neighbourhoods (or specific areas) within individual urban areas?

One approach is that the decision be made on the basis of measurable criteria (such as poverty indicators, depreciation of housing infrastructure etc.) and selection of areas in which the demand for intervention is the most urgent. If this approach is applied for Area-Based Initiatives type of intervention, one of the problems which we face is an issue of weak availability of neighbourhood level statistical data. In some countries, especially those with a longer tradition of national urban policy programmes, relevant data is systematically collected and relatively well available. But in some others, there is almost no access to data for sub-municipal level areas. This weakness especially concerns the New Member States, although it may cause problems in some other countries as well. There are two possible methods to provide an incentive for an improvement in this respect (and perhaps both of them should be applied in parallel). One is to support relevant data collection through technical assistance funding in some of Operating Programmes. Another is to make availability of key data a condition for accessibility of funds. Perhaps the two approaches should be combined (assistance in developing data system and requirement for their availability) to avoid situation in which cities in countries which are less advanced in this respect would be excluded from benefiting from the urban Cohesion Policy instruments.

Competition for funds has been used as a method of allocation in some of the national urban policy programmes in Europe. The British *City Challenge* programme was perhaps one of the first and the best known examples of such an approach. Competition is often mentioned as a method which may support effectiveness in using the funds and increase the quality of programmes. According to this logic, cities (FUAs or neighbourhoods) should compete with each other while preparing comprehensive programmes which may be (co-)financed from various Operating Programmes and priority axes. This would allow for the selection of proposals which give the highest probability of effective intervention. But there are number of issues to be addressed, which make this logic far from being unquestioned. One question is how to avoid a situation when the most deprived areas have no chance to access funds due to their limited capacity of generating programmes? Perhaps those who are the most in need may also require special assistance in preparing the programme. This may be a problem on a city level (when various neighbourhood compete with each other), and also on a national level where more disadvantaged cities compete with those who have more resources, experience and administrative capacity to generate action plans. Finally, if in some programmes cities from different countries compete with each other it may mean that cities from underdeveloped regions would have less chance to attract the funding, though the procedure would act contrary to the assumption of the EU Cohesion Policy. Therefore a decision is required on whether or not:

- An element of competition in the selection of projects is required;
- If the answer to the previous question is positive, on which level (EU, national, regional) is competition most appropriate

- What system of ring-fencing if any would be required to protect the chances of those who may be the most disadvantaged and who are in the most need of support? A possible system may include preferences for those with the highest level of need indicators (such as “hardship index”). It would mean combining an element of competition with selection by objective, measurable criteria.

It is also possible that for the Programmes which are implemented within one country that the decision on introduction of competitive mechanisms is left to the national level.

Recommendation: the method of area selection, and especially of using competitive procedures, is highly sensitive. It requires further consultations before the decision can be made.

EU should support data collection on the social and economic situation on a neighbourhood level. At the same time availability of key data for neighbourhood level should be a condition for accessibility of funds.

3.8. Promotion of an integrated approach to urban development

Too often urban problems issues are addressed in isolation from their wider context and inter-relation with other issues. It is widely acknowledged that urban policy has to promote integrated multi-sector and multi-dimensional interventions. There are many examples of good experiences we may draw upon. First of all, the URBAN initiative which brought onto the European agenda the integrated urban planning and implementation of integrated, complex programmes. One may also refer to earlier experiences of some of the national urban policy programmes implemented in the Member States.

The question arises regarding which tools could be used to promote such a desired approach? One method is to promote the idea of integrated planning or even to require the preparation of such a strategy as a pre-condition for funding application. This would require guidelines for local governments on the content and methodology for preparation of the strategy. This idea requires two accompanying comments. First, the guidelines should not be too detailed nor should they impose the concrete method in an inflexible way. Presenting a model, but leaving sufficient space for discretionary decisions on a local level seems to be much more promising. Second, the territorial level on which such a model methodology should be prepared. Perhaps there should be two (or three?) layers of such a document. The most general criteria should be formulated on EU level, but this should leave ample opportunity for customizing them on a national or regional level to meet local conditions. Another danger is that strategic planning is often treated as only a formal requirement, which has no impact on the actual management style. There have been hundreds of such strategies which have never been implemented. One cannot avoid such a danger totally, but methodological frameworks that are excessively rigid would perhaps increase the probability of such a negative development.

Another method of promoting the integrated approach is through the global grants system, as discussed in the section 3.6. Preparing application for a global grant requires development the means to address a complex problem consisting of several inter-related interventions.

Recommendation: there is a need to revitalize the positive URBAN experience in the promotion of integrated and inclusive approach to urban development. The EU-funded initiatives may play an important role in this respect.

3.9. Selecting concrete instruments for urban policy

In the 2007-2013 it has been decided that urban issues should be mainstreamed within other (mainly regional) Operating Programmes. But some evidence suggests that mainstreaming means in practice marginalizing. Therefore the following questions arise:

- Do we need a separate urban programme (or programmes within the Cohesion Policy)?
- Or is it sufficient to ask for urban priority axes to be compulsory in some Operational Programmes and to determine minimal allocation for those axes?
- Or perhaps a mixture of both approaches should be considered – including both an OP for the cities and priority axes in some others?

Whether or not we adopt a separate OP or clearly defined allocation for urban priority axes, it seems to be clear that there is a need for a distinct ‘urban stream’ within Cohesion Policy, albeit it one that should be closely integrated with the overarching objectives of the Policy?

Another item for discussion is the appropriate level at which such programmes should be managed. One option is an urban programme managed on the EU level (as it was in the case of the URBAN initiative). Another is that the programme be managed on a national or on a regional level (the latter might be appropriate in federal countries). Both options have their advantages and disadvantages. The EU level programme might be difficult to manage in a way which does not disfavour the

most disadvantaged cities from the cohesion regions. However, an exclusively national or even regional management of programmes would make more difficult to address the problems of agglomerations where the relevant territory goes beyond regional or state boundaries. Perhaps the mixture of both solutions might be the most appropriate solution?

Recommendation: as for many years there have been special OP addressed at development of rural areas, the separate OP for urban policies should be considered as well. It does not prevent from inclusion of urban priority axes within another OP's (once again analogy with the approach to rural development is relevant).

3.10. A networking instrument for cities and towns

Regardless of the exact form of the future urban dimension of Cohesion Policy (the decision to continue the mainstreaming of urban dimension of Cohesion Policy or to use other options) in the future programming period, cities and towns should have the possibility of using an instrument that will facilitate their networking and capacity building.

Since 2002, the European cities have benefitted from the possibility of networking within the URBACT Programme. Over the years, the URBACT Programme has developed a life and legitimacy of its own – it started as a platform of cities involved in the URBAN Initiative and evolved to a more general EU-level networking and exchange programme in the area of sustainable urban development. Therefore it should be further developed after introducing several changes and improvements.

The following proposals might be taken into consideration when preparing the URBACT III or a new networking instrument for cities and towns:

URBACT III should remain primarily a city networking programme which should be even more focused on the deliveries and achievements, building on the successes of the current programme: production of Local Action Plans, participative approach with local stakeholders in URBACT Local Support Groups, partnership with Managing Authorities of Operational Programmes should be further developed and improved. The proposed improvements could include: better quality of Local Action Plans which should not constitute the final outcome of an URBACT Project but one of the milestones of each project, the implementation of which starts during the final phase of the URBACT project. Also the financing of the LAPs should be facilitated by the possibility of reserving an URBACT line in the future Operational Programmes.

With regard to the urban dimension of the Cohesion Policy in the next programming period, the following networking options could be taken into consideration:

- Networking of European cities selected in an urban development platform (if this solution were to be implemented in the next programming period).
- Networking of European cities implementing integrated urban plans/projects being realised within the urban dimension of the future regional or national Operational Programmes (if there is a mandatory urban part of future Operational Programmes) – a similar approach to that of URBACT I.
- Networking of European cities wishing to participate in an URBACT project without the above -described restrictions (a similar approach to the one being applied currently).

All the above described solutions could be realised at the same time – one option shall not exclude the other. Also a mixed approach to networking among cities could be adopted that not only includes those that benefit from the urban dimension of future Operational Programmes, but also all other interested cities. It has to be underlined that the future networking programme should not only be restricted to cities participating in the urban development platform. One of the major added values of the current URBACT programme was the fact that all European cities could benefit from it.

Furthermore URBACT III should reinforce the cooperation with national and regional authorities in order to disseminate knowledge of sustainable integrated urban development. Cities already participating in URBACT are in a position to disseminate both knowledge and the URBACT method to their national audience and to influence regional and local policies. The lessons learned from exchanges at the European level should then be disseminated on the regional and national level to a much wider range of cities than is currently possible. In this regard, cooperation with national and regional authorities, as well as with national networks of cities and other organizations, is of great importance. Additionally, the Managing Authorities of Operational Programmes should be supported as far as their capacity building on integrated urban development is concerned.

Recommendation: the URBACT Programme has proven to be an effective tool for supporting networking of EU cities and should therefore be further developed in the next programming period. However the programme needs some changes and improvements.

This Background Report does not raise all issues relevant for the further discussion on the future urban dimension of the Cohesion Policy. The following issues should be further elaborated and discussed in the framework of the intergovernmental cooperation in the field of urban development and regional policy:

- Non-grant financial instruments for urban development;
- Creation of special 'tool which deals with experimental urban approaches in some cities, especially in those suffering from multiple deprivation';
- Urban development platform;
- The conditionality mechanism.

APPENDIX

1. Urban issues in EU programmes in the 1993-1999, 2000-2006 and 2007-2013 programming period

Over the last two decades the urban areas have gained recognition as the engines of economic growth for Europe. Therefore already during drafting the Maastricht Treaty there were attempts to give the European Commission formal competence in the field of urban Policy. However, this proposal was rejected by the EU Member States which relied on the principle of subsidiarity. For this reason, the European urban policy began to be formed within the existing EU regional policy. As a consequence, to tackle the urban issues, the European Commission made use of Article 10 of the ERDF Regulation which made provision for the 'support for studies or pilot schemes concerning regional development at Community level' and in 1989 introduced the first regional policy programme for urban areas – the Urban Pilot Programme.

Urban Pilot Programme (1989-1999)

The Urban Pilot Programme aimed at supporting innovation in urban regeneration and planning within the framework of the broader Community policy for promoting economic and social cohesion. In the first phase (until 1993) of the Urban Pilot Programme, 33 Urban Pilot Projects in 11 Member States were implemented.

The success of the Programme led on the one hand to the adoption of the second round of Urban Pilot Projects and on the other hand to the adoption of the URBAN Community Initiative.

The second round of Urban Pilot Projects addressed a wide range of urban problems such as traffic congestion, waste management or derelict buildings and economic decline. Projects were implemented using integrated approach to development – the implemented strategies combined hard infrastructure projects and projects supporting social and economic development. Within the second phase of the Programme (1997-1999), 26 Urban Pilot Projects in 14 Member States were launched.

The URBAN Community Initiative (1994-2006)

As mentioned above, positive effects of the Urban Pilot Programme impelled the EC to create the URBAN Community Initiative. The Initiative is considered to be one of the most successful Community tools to promote the integrated urban development in European cities and its results could be seen also after the completion of the programme.

The aim of the Initiative was to draw and implement innovative strategies for regeneration of the disadvantaged urban districts – innovative socio-economic development models were to be supported and disseminated.

Each selected city taking part in the URBAN Initiative was implementing its own revitalisation programme. This programme had to follow the integrated approach that took into account different aspects of city life such as: modernisation of municipal infrastructure, improvement of the housing stock through revitalisation measures, combating unemployment and creating locally-based jobs, inclusion of disadvantaged groups of citizens into the education system, assistance for small and medium-sized enterprises, support for culture, sports and recreation in cities etc. Within URBAN I around € 953 million of EU funding was allocated to 118 URBAN programmes implemented in the European cities.

The success of the first round of URBAN Community Initiative I led to the continuation of the Programme in the following programming period (2000-2006) – URBAN Community Initiative II was launched. In this period, around € 750 million of EU funding was allocated to 70 URBAN programmes. For one URBAN II programme an average of € 10.7 million was spent within a fixed period of time.

The aim of both rounds of URBAN Programmes was to contribute to positive improvements in a neighbourhood in crisis and to develop a legacy of longer term change. What is more, both rounds of the Community Initiative were characterised by inter-sectoral coordination of activities; concentration of funds in selected intervention areas; strong horizontal coordination of urban regeneration measures and by involvement of the local community and local stakeholders. All these features were at the same time the success factors of the URBAN Initiative whereby the Ex post evaluation of URBAN II Community Initiative underlines that the URBAN Projects were most successful when they responded to local needs and enjoyed active support of local partners such as the private and voluntary sector and local residents and not only the local authority (enhanced local responsibility) (see: *Ex post evaluation of Cohesion Policy Programmes 2000-2006. Executive summary.* July 2010. ECOTEC).¹⁰

The success of the URBAN Programme was confirmed by the *Ex post evaluation of URBAN II Community Initiative* which states that the URBAN II made a positive contribution to tackling the challenges of neighbourhoods in crisis¹¹

The Urban Development Network - Programme URBACT (2002-2013)

¹⁰ see: Ex post evaluation of Cohesion Policy Programmes 2000-2006. Executive summary. July 2010. ECOTEC.

¹¹ see: Ex post evaluation of Cohesion Policy Programmes 2000-2006. Executive summary. July 2010. ECOTEC, pg. 4.

URBACT I

The URBACT Programme was created as part of the URBAN Initiative (2000-2006). It was designed to promote the exchange of good practices among cities involved in the URBAN I and II Initiative or the Urban Pilot Projects. In 2004 the URBACT Programme was additionally opened to the cities from the new Member States.

The objectives of the Programme were: to provide an exchange and learning tool for actors involved in developing urban policies; to learn from the exchange between URBACT partners; to disseminate good practices and knowledge about urban development; to support policy-makers, and practitioners in defining action plans¹².

The main instrument of the URBACT I was the so called 'thematic network' – a project bringing together cities in order to exchange experience in particular thematic area and to draw conclusions. Allocations were also made to studies, trainings projects and working groups. From 2003 to 2006, 28 projects worked together, focusing on six key topics: citizen participation, economic development and employment, immigrant populations, integrated urban renewal, urban security and young people. The total budget of the Programme amounted to € 28.42 million including € 18.03 ERDF funding.

URBACT II

Over the years, the URBACT Programme has developed a life and legitimacy of its own – it started as a platform of cities involved in the URBAN Initiative and evolved to a more general EU-level networking and exchange programme in the area of sustainable urban development. As a result, in the 2007-2013 programming period the URBACT Programme was set up as a separate Operational Programme under the European Territorial Co-operation objective, which was opened to all EU cities and towns.

The lessons learned from the URBACT I Programme led to the introduction of new elements. The two most important improvements were the obligation of establishing a Local Support Group and the preparation of a Local Action Plan in each city taking part in the URBACT project. The Local Support Group gathers a range of local stakeholders and city partners with the aim to participate in the URBACT project and to support development of the Local Action Plan. The Local Action Plan should identify concrete actions to be undertaken as a result of the city's participation in an URBACT project. This solution encourages stakeholders to be more action-oriented (LAPs) and to involve local community into the process (LSGs).

Generally, the URBACT II has evolved significantly. Pursuant to the Mid Term Evaluation, it has stronger and more defined implementation structures, clearer project guidance and better use of instruments to encourage stakeholders to use their learning in practice. On the other hand there are some problems occurring when implementing the projects that need to be tackled and solved in the future - possibly within the URBACT III Programme. According to the questionnaires' findings¹³ following problems occurred during the implementation of the URBACT projects: insufficient amount of funds involved in the scheme; administrative burden of excessively complicated procedures; problems with dissemination of positive results of the projects; lack of sufficient flexibility in programme management not allowing to adjust actions to changing environment; absence of a sufficient link between URBACT and operational programmes.

Therefore, it becomes evident that several issues should be improved and changed. First of all, the links with other EU programmes (regional or national Operational Programmes) should be improved – it is important that the projects prepared within URBACT networks/working groups could be financed from structural funds. Moreover, the rules of financial management should be changed or simplified. Furthermore, the opportunity of cities' networking within one country seems to be an option that should be considered under the next URBACT Programme. Last but not least, the rules of projects management should be improved.

Mainstreaming of urban dimension of Cohesion Policy (2007-2013)

Despite the success of the URBAN Initiative the European Commission decided not to continue the Initiative, but to mainstream the so-called 'URBAN approach' into the regulatory framework for the Operational Programmes. This step should enable all European cities to benefit from the lessons learned from the URBAN Initiative and to apply the successful integrated approach.

However, according to the analyses of the European Commission¹⁴ and the opinion of numerous experts, in many EU Member States (mainly the EU-12) in the course of the mainstreaming the approach that had been successfully implemented under URBAN Initiatives was lost or blurred. At the same time, in some Member States the mainstreaming of urban dimension is showing good results which is discussed in further detail below.

¹² see: Promoting Sustainable Urban Development in Europe. Achievements and Opportunities. European Commission, DG Regio, 2009, pg.12.

¹³ The questionnaire was filled by the members of the Working Group on the urban dimension of Cohesion Policy which worked in the first half of 2011 and was led by Poland. The Working Group consisted of representatives from various EU Member States being also members of the Urban Development Group.

¹⁴ See 'Fostering the urban dimension. Analysis of the Operational Programmes co-financed by the European Regional Development Fund (2007-2013)', European Commission, DG Regio, November 2008.

Nevertheless in most cases activities under the Cohesion Policy oriented at cities are implemented primarily in a sectoral manner, which is a direct consequence of the system of Operational Programmes in individual Member States and an indirect reflection of solutions adopted under the CP. Normally projects financed under the CP are selected by Managing Authorities at the central or regional level. The projects are selected without sufficient analysis that would take into account the integrated development of certain urban areas, and the cities are forced to apply for funds in the same way as all beneficiaries and do not have a guarantee that they will receive funds for all planned projects (what would generate more added value, if they were implemented together, as they are complementary).

Additionally, current legal regulations do not have provisions which would encourage a city to create **integrated urban development strategies**. Moreover, the definition of an integrated urban development is unclear and there are no definite guidelines from the European Commission in this respect. Moreover, Managing Authorities at the regional or national level cannot hope for any support in the implementation of integrated activities within the urban areas, nor are they encouraged to do so, which results in a weak cooperation between regions and cities when it comes to executing the Cohesion Policy. Article 8 of Regulation 1080/2006 introduces only the possibility of supporting the development of participative, integrated and sustainable strategies in urban areas. The Regulation does not, however, include any incentives/obligations related to the creation of integrated urban development strategies that would be supported under CP.

Additionally, the involvement of cities in the programming and implementing of the Cohesion Policy is insufficient. The possibility of delegating the responsibility for implementing ERDF to the local level was not taken into consideration either.

Despite the fact that the mainstreaming of the urban dimension was not as successful as was foreseen, it has to be underlined that this was not the case in every EU country. Some countries – mainly those which have a track record in national urban policy - have implemented a specific urban component of the national Cohesion Policy respecting the integrated approach to urban development. This report is pointing out only two interesting examples of the implementation of the urban dimension of Cohesion Policy, namely the French and German approach. In our opinion it is advisable to learn from these examples when preparing the urban dimension of the next programming period.

Mainstreaming of urban dimension – the French example¹⁵

Basing on the lessons learned from the previous national urban programmes and from the URBAN Initiative, France has been successfully implementing the urban dimension of Cohesion Policy in the current programming period. One has decided to concentrate the urban interventions on the integrated urban regeneration of the deprived neighbourhoods.

The French regions were encouraged to reserve money for urban operations and to prepare a dedicated measure within the regional Operational Programmes, supporting integrated urban development. Eventually 15 out of 22 regions have foreseen a dedicated measure for urban interventions and have reserved 500 Million Euro for these activities, which represents 7% of the whole ERDF allocation.

A decision has been made to select a limited number of urban areas for intervention. In these areas, selected in the course of a call for projects launched by the regional Managing Authority, Integrated Urban Projects (IUP) are being implemented. (It has to be underlined that the eligible areas that could take part in the selection process had been previously selected for other national urban programmes).

For the proper implementation of structural funds in deprived urban areas, the Managing Authorities have been advised to design specific strategies. These strategies should enable the implementation of Integrated Urban Projects and on the other hand complement the national urban policies. Basing on these strategies the Managing Authority could then open a call for integrated projects to develop the most underprivileged urban areas. As a result, 65 Integrated Urban Projects are currently being implemented in France. It has to be stressed that the regions could use the possibility of financing the preparation of IUPs from the Technical Assistance funds.

The Integrated Urban Projects are characterised by:

- innovative character;
- combination of ERDF and ESF funds;
- high level of ERDF and ESF funding granted to the projects;
- wide partnership gathered.

Furthermore the IUPs should include actions both at the local level and at the agglomeration level. The selected cities or agglomerations implementing these projects are some kind of 'lead partners' coordinating and animating the different stakeholders involved in the actions implemented within one project and the IUPs on the other hand are some kind of mini programmes with series of actions developed and implemented for example by different associations. The cities received financial packages of €5-8 million from ERDF, whereas the minimum allocation for one IUP amounted to €5 million.

It has to be underlined that only 6 out of 65 cities implementing IUPs decided to use the possibility of global grants. The

¹⁵ This part is based on the publication: Mission Europe Urbain: Urban dimension of the Cohesion Policy 2007-2013 in France, 2011

reason for that was the lack of experience in managing European Funds. In fact, during the 2000-2006 period only 9 French cities participated in the Urban initiatives.

Additionally, to support the implementation of the Integrated Urban Projects on the interregional level (gathering more regions) it was decided that networks gathering the IUPs would be created. The aim of these networks is: to facilitate the implementation of urban integrated projects by organising exchange of best practices, learning from existing local projects and disseminating practical knowledge such as management of EU projects etc. This external support for cities seems to be important since the preparation and organisation of an Integrated Urban Project requires knowledge and experience in integrated urban development. Therefore the cities should be supported at least with guidelines on how to properly implement the urban dimension of the Cohesion Policy.

Mainstreaming of urban dimension – the German example

Germany has a longstanding tradition with national urban policy. Since 2007, the multi-level governance initiative National Urban Development Policy includes the national urban development grant schemes. Due to the federal system and the polycentric settlement structure, *Länder* and cities play a major role in urban matters. National urban policy focuses much on topics like regeneration of large housing estates; strengthening local economies; upgrading the physical environment; conversion of industrial brownfields; preservation of the historical and cultural heritage or promoting social infrastructure.

Based on previous experiences (including the URBAN programmes) the urban dimension was successfully implemented in the current funding period. Sustainable urban development was established as a horizontal objective in the German National Strategic Reference Framework. According to the optional nature of Art. 8 ERDF, this horizontal objective was not a compulsory one. In Germany the *Länder* are responsible for managing the Operational Programmes. All *Länder* made use of this option and have included integrated urban development in their ERDF Operational Programmes, this priority appearing within the systems of objectives in both the priority axes and the fields of action. However, in just four of the ERDF Operational Programmes of the non-city-states urban development has been devoted its own priority axis. Two of the three city-states have introduced a separate priority for sustainable urban development. As a conclusion the Leipzig Charter has been incorporated without exception in all of the ERDF Operational Programmes of the *Länder* in the form of the fields of action 'sustainable urban development' and 'brownfield regeneration'.

If we agree on a narrow definition of the term 'urban dimension', i.e. taking only projects according Art. 8 ERDF regulation and the Urban Acquis into account, between 2.5% and 23% of the ERDF budgets of the *Länder* Operational Programmes have been spent on this aspect between 2007 and 2013. This is in total about €1.09 billion and on the average across all *Länder* about 7.5 % of the financial means provided by ERDF. About 150 German cities benefit from this considerable sum.

Looking at the supported measures in the Operational Programmes, the topics general business assistance and support of local economy are especially prevalent, followed by upgrading of streets and public places, revitalisation of brownfield sites and social themes.

Concerning ESF, the spatial dimension is not that high, although BIWAQ ('Social City – Education, Economy, Working in the Neighbourhood') is a well known and successful programme from the federal level, combining ESF funds with the national programme *Social City*. The main objective of this programme is to reduce long-term unemployment and strengthen the local economy in deprived neighbourhoods.

There are networks on the regional level as well as on the national level for the exchange of experiences on integrated urban development (best practices exchange) and on management of European integrated urban projects.

Concerning the possibilities for using innovative financial instruments (JESSICA) and for cross financing of ERDF and ESF the performance is still quite weak.

As a conclusion, the added value of structural funds can be described as follows:

- The integrated and participative approach helps to bring together space, actors and funds. This is also promoted by the fact that not only results, but also the process itself is in focus.
- The funds help to achieve continuity concerning integrated urban development, a topic which is of high importance in Germany.
- The funds themselves lead to further sustainable investments.
- The urban dimension promotes growth and innovation and helps to bring Europe 2020 into action.
- The European funds, and in this respect URBACT has to be mentioned, also promote an exchange of best practices between towns and local communities.
- Furthermore, the European perspective influences also the national one, not only concerning financial means, but also with respect to content and processes.

Mainstreaming of urban dimension – the Dutch example.

When it became apparent in 2005 that new structural funds would become available for the Netherlands, a new managing structure for West Netherlands¹⁶ was needed. This finally resulted into the appointment of the city of Rotterdam as Managing Authority for the regional Programme of 'Kansen voor West' in 2007.

A choice was made, by the Member State, to select four regions. The 'Randstad' area was selected as the West Netherlands programme area. The choice for a Randstad area was a logical one, given the various forms of cooperation that already existed between the authorities. Hence, the eight main administrative bodies of the Randstad - the G-4 cities (Amsterdam, Rotterdam, The Hague and Utrecht) and the four provinces became the parties to form Kansen voor West¹⁷. The reason for this was, among others, the good performance of Rotterdam during previous European programmes¹⁸. Because of the key position of the G-4 in the Randstad and the importance on national level given to urban development, it was decided that the G-4 would have a formal positioning in the programme as Intermediate Bodies. This solution fitted both, the previous - relatively independent - role of the 2000-06 city programmes, as well as giving emphasis to decentralised decision making as is widely practised in the country (subsidiarity). A valid choice given the compactness of the city, the budgets they manage and the role cities play in economic and social development.

The formal agreement for cooperation between the eight partners became a 'Covenant' (Memorandum of Understanding). It was signed by the Queen's provincial Commissioners and city Mayors.

The formal institution of Intermediate Bodies remains compliant with the provisions of Regulation (EC) 1083/2006¹⁹. Fortunately, this construction fits very well the position of the G-4 cities in Kansen voor West. All four cities have their explicit input in the programme through the particular urban focus including priorities, the global grant (in total roughly €100 million for the G-4 cities, being 33% of the overall ERDF budget) and the responsibility of the city's executives.

The role and responsibility as 'Programme Authority' was delegated to the executives of each city however, under overall responsibility of the Managing Authority. This makes the cities responsible for their own part of the programme. It creates local ownership and it is an example of decentralised decision making, whereas the formal embedding of the intermediate body is ensured through the Commitment & Implementation Agreement.

The Intermediate Bodies (G-4 cities) have each their own programme office for handling the city budget.

The medium-sized cities in Kansen voor West also play a crucial role in realising the objectives of the OP and were involved in the design from the start and are involved in the implementation of the programme (amongst others, as member of the Monitoring Committee). However, they do not manage separate city programmes but deliver in close cooperation with their region important (large-scale) projects to meet the shared objectives of the programme.

In the three Operational Programmes for North, South and East parts of the country, cities and provinces, like in the programme for the West, worked together in the programming and the implementation. The role of Managing Authority for the OPs was in all three cases assigned to the provincial level. For the urban dimension, an urban priority in the OP was obligatory, dedicated to cities that were part of national urban policy. The cities were represented in Steering Groups, advising in project selection, but did not manage separate city programmes. Individual cities could apply for funds on project basis out of the special urban priority (only the selected cities) and other regional priorities (like innovation), contributing this way to the achievement of the goals of the OPs.

2. Urban policies in EU Member States

The urban initiatives and policy documents on the EU level are clearly rooted in the earlier European and parallel experiences of the national urban policies. The direction of inter-relations goes in both directions. On the one hand national programmes have helped create a basis for EU level documents, but at the same time EU interventions have often influenced the way national and local governments in the Member States have thought about the methods deployed to deal

¹⁶ West Netherlands is the geographical designation of the area comprised of four provinces, being: Noord-Holland, Zuid-Holland, Utrecht and Flevoland.

¹⁷ Noteworthy is that although the name 'Randstad' suggests one single city, no democratic or administrative body for the Randstad exists. It is rather to be understood as a pragmatic cooperation; to address the common social-economic issues for the area and to articulate a common planning.

¹⁸ It should be noted that the Randstad as a whole was eligible for Structural Funds for the first time. Until then the province of Flevoland was a facing out region and the G-4 cities had managed in total 6 Urban programmes and where all part of the 2000-2006 Objective-2 cities programme. With the Kansen voor West programme the focus is predominately urban, so a city as a managing authority seemed most obvious.

¹⁹ (art. 2.6) 'intermediate body': any public or private body or service which acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority vis-à-vis beneficiaries implementing operations;

(art. 37.6) At the initiative of the Member State, the operational programmes financed by the ERDF may also contain for the Convergence and Regional competitiveness and employment objectives: (a) 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;

(art. 42.1) The Member State or the managing authority may entrust the management and implementation of a part of an operational programme to one or more intermediate bodies, designated by the Member State or the managing authority, including local authorities, regional development bodies or non-governmental organisations, in accordance with the provisions of an agreement concluded between the Member State or the managing authority and that body. Such delegation shall be without prejudice to the financial responsibility of the managing authority and of the Member States.

with the urban issues. The impact of URBAN initiatives on the methodology of addressing urban problems in many countries is perhaps the best example of the latter phenomenon

In several European countries urban policies have, for many years, been accompanied by special funding programmes offering State budget support for locally managed initiatives. Within this context, several British programmes may be enumerated, starting from *City Challenge* initiated in early 1990s, through later programmes such as the *Single Regeneration Budget* set up by a Conservative government in 1994 or *New Deal for Communities* initiated by the Labour government after 1997. In Denmark, a similar role was played by the *Kvarterløft* programme initiated in 1997. In France the *Grand Projects de Ville* – GPV and the *Contract de Ville* should be mentioned, in Germany *Soziale Stadt*, in Sweden *Metropolitan Development Initiative*, several Dutch programmes could be given as examples too. But these funding schemes are not necessarily synonymous with having an explicit urban policy document. For example, Denmark on the one hand claims not to have an explicit urban policy but on the other, it identifies different actions or programmes addressed to cities. Such an explicit document exists in a few European countries only. In most countries there is no explicit urban policy; urban issues are addressed rather within regional policy. Additionally, the regions (e.g. the *Länder* in Germany and Austria) have the authority to design their own urban policy. Urban policy at national level is mainly realised through urban contracts or urban development grants that are signed with the local authorities and are focused on different issues.

At the same time, there are several countries where there has been no clear urban policy nor any national level financing schemes addressed at solving the urban issues. (New Member States and countries of southern Europe more often belong to this group, while a tradition of national policies is more typical in northern Europe, although there are exceptions to this general rule). In countries with no developed urban policy the actions directed at cities have more often been inspired by EU initiatives (e.g. URBAN), associated documents and the EU funding schemes.

The main evolution of national urban policies may be characterised by their changing thematic focus and by the gradual shift from a single-sector to a multi-sector integrated approach. The first urban programmes concentrated their attention mainly on transportation systems, and the spatial expansion of the cities (or changes in the internal structure of the urban space – often characterised as urban sprawl). The first planned activities going in that direction can be traced of to Medieval cities, but the contemporary tradition refers back to the modernisation of Paris by A. Hausermann in the second half of the 19th century. After the Second World War, the typical focus of urban programmes changed to focus on the improvement of housing conditions and the planning of urban development through the use of land-use systems (e.g. zoning and rebuilding to accommodate new transport systems). In the 1970s this was supplemented by programmes concentrating attention on local economic development and promoting investment opportunities. More recently, policies focused on the social problems (e.g. social exclusion and spatial segregation) of selected urban neighbourhoods have become one of the most popular topics of interventions. And at least since late 1980s, an 'integrated approach' has become the key term, trying to incorporate actions related to different issues into one coherent policy. The URBAN initiative methodology has very much built upon this tradition, developed both in academic writing but also in some of Member States' policies on urban issues.

Another direction of the shift in urban policy concerns the methodological assumptions related to the implementation method. Starting from public interventions (planned and implemented by public entities) based on the assumption that public investments would initiate market mechanism leading to the improvement, the focus has gradually shifted to partnership approach. It includes both involvement of the private sector investments into the public programmes (the trend characteristic for example for early 1990s British programmes, such as *City Challenge*) and multilateral partnerships involving a wide range of societal actors.

3. Non-paper: Global grants for cities – a new instrument to strengthen urban dimension of Cohesion Policy and to improve project complementarity and synergy effects

This Non-paper was prepared by the Department for Coordination of Implementation of the EU Funds, Ministry of Regional Development, Poland

This document, constituting an integral part of the debate about support instruments in the next programming period of Cohesion Policy, has been devoted to the proposal of a potential new implementation instrument dedicated for cities – to global grants. This is an open document – the solutions put forward herein do not set the final form of this instrument or the position of the Polish Ministry of Regional Development; it is only an introduction to the further discussion.

The document concentrates on the concept of global grants – an instrument that has been provided for both the 2000-2006 programming period through Regulation 1260/1999 and the present period through Regulation 1083/2006, but it was not used in the case of Poland. This instrument – in the opinion of authors of this document – might have large potential for the assurance of effective and efficient territorial intervention oriented towards cities or functional areas. The document presents the assumptions of both the city grant mechanism perceived this way and the set of problem issues concerning particular aspects of this instrument that need to be decided upon at the stage of formulating a specific proposal of global grants. Creation of formal and legal conditions for practical implementation of this support formula might be an important supplementation of implementing mechanisms for the Cohesion Policy, making the cities an active partner for central and regional authorities.



I. Assumptions

According to the currently prevailing theoretical paradigm confirmed in practice by the results of conducted studies and evaluation, cities, in particular metropolitan areas and large agglomerations, constitute dominant growth centres in regions by stimulating their development. The current solutions related to the implementation of Cohesion Policy operational programmes do not always assure sufficient support for comprehensive, integrated development policy of cities and their functional areas, that enables to maximise complementarity of projects implemented on urban areas and to achieve synergy effects connected with them. Projects are selected by Managing Authorities located at central or regional level. The role of cities comes down at times solely to being a beneficiary.

In the light of the foregoing, it is necessary to create mechanisms that integrate cities in mainstream programming and implementation of Cohesion Policy by means of integrated instruments. Global grants for cities could serve as an example of such a mechanism.

Assumptions:

1. Increasing role of cities and functional areas in development processes confirmed by results of scientific research (evidence-based policy)
2. Necessity to increase the effectiveness of intervention under Cohesion Policy (effectiveness)
3. Necessity to assure territorial approach in directing the interventions (place-based policy)



Potential solution

Inclusion of large cities (functional areas) in the process of programming and implementing Cohesion Policy by means of the global grants formula

II. Experience from the 2007-2013 programming period in the scope of integrated support instruments for cities in Poland

In the 2007-2013 programming period, some Managing Authorities at the regional level have created integrated support instruments for cities other than global grants. These instruments have a form of priority axes dedicated for cities or city types or programmes oriented towards defined functional areas or specific implementing mechanisms.

It should be also pointed out that the above-mentioned instruments make it possible to define the intervention scope in a broader manner than default one. It is a rule that support for urban areas is limited mainly to revitalisation measures and undertakings in the field of public transport. The below described mechanisms, on the other hand, make it possible to go beyond that scheme.

It appears that the weakness of identified instruments consists in absence of links between ERDF financing and ESF financing (with the exception of cross-financing).

III. Legal framework

The concept of a global grant is based on the assumption that it is necessary to include cities in the process of programming and managing Cohesion Policy instruments in order to increase the effectiveness and efficiency of conducted interventions. Generally, global grants would consist in tasking the cities with the administration of a given allocation amount for operational programmes financed by ERDF and ESF. The basis for the transfer of funds would be constituted by an agreement (entered into on the basis of relevant provisions in an operational programme) in which mutual rights and obligations of cities and managing authorities would be defined, as well as thematic scope of intervention. In practice, they would resemble a sort of sub-programmes implemented by cities, yet they would be coordinated by Managing Authorities. Coordination and participation of Managing Authorities at the central and regional level is indispensable to assure or strengthen the functional links of a city with its region and the whole country in order to enable or facilitate diffusion processes under the conditions of polarised development.

1. What for? – What benefits would the introduction of global grants for cities bring?

Introduction of global grants would allow for integrated approach in the cities' development to be applied through their inclusion in the process of programming and management of structural funds and through the implementation of strategic development vision. Financing streams of ERDF and ESF, potentially other funds as well, integrated under a grant, derived from national and regional programmes would increase complementarity and hence the efficiency of interventions carried out by cities. Furthermore, inclusion of the role of cities in development processes would be beyond doubt a demonstration of the principle of subsidiarity, and according to the applicable theoretical paradigm forming the basis for the functioning of the European Union, it would contribute to an increase in the efficiency of conducted interventions by partially shifting the decision-making level closer to the citizens.

Practical benefits connected with the introduction of global grants would undoubtedly depend on legal regulations defining the method of their functioning. Basically, **global grants should be a simpler and more efficient implementation mechanism for projects important for cities.** Simplification of procedures should primarily result from shifting the emphasis of Cohesion Policy onto the results.

2. For whom? - Which cities would be able to use global grants?

With regard to relatively new nature of this instrument, it would seem justified to introduce it in the first instance as pilot instrument for a limited number of cities. **The criteria could be for instance: city size, its status and location.** Under Polish conditions, it would be worth considering limiting global grants in the initial period solely to the largest cities (e.g. above 500,000 inhabitants) or to voivodeship cities. The other cities would use support according to general principles of national and regional programmes. Furthermore, **it should be also considered whether an intervention under global grants should cover only cities or their functional areas as well.** It appears that – taking into consideration territorial approach – support could be oriented at urban functional areas, provided that its scope justified such a decision. (In Polish legal practice, it could be implemented through the creation, for the needs of global grant implementation, of inter-gmina associations of the voivodeship city and gminas that are functionally linked to it. Grants could be used by city associations if there were significant functional links between them, and they decided to form a common development vision).

3. On what conditions? - What would be the conditions allowing for the award of grant?

In order for the instrument to be effective, it is necessary for the cities to meet specific boundary conditions, which can be defined as a sort of “ex ante conditionality”. The involvement in the structural funds programming and management entails an increase in direct responsibility for the implementation of adopted objectives of Cohesion Policy. **Beyond doubt, one of such conditions should be the definition by the city of specific problems that will be resolved by means of global grant. (A prerequisite would be also constituted by addressing the issues related to spatial development).** Apart from system conditions, it would be necessary for a city to assure an appropriate institutional system to manage a grant (management and control system) that would be subject to accreditation by Managing Authorities and to guarantee that the funds necessary to co-finance a grant are at their disposal.

4. Matters concerning programming in practice. A single programme entirely devoted to global grants or a single priority for global grants in each operational programme? Demarcation line between assistance under global grants and the traditional project support system?

Under an operational programme (national or regional one), a priority could be established that would be intended for global grants for cities (or associations thereof, functional areas) with specific population or status (e.g. capitals of regions). Cities classified as eligible for support under the above-mentioned priority would take part in consultations during programming (in order to provide a possibility of financing tailored to their needs) and subsequently, when boundary conditions have been met, they would be granted support.

An alternative solution would be to create a multi-fund (if possible), separate programme devoted solely to grants for cities. Such a solution would be undoubtedly more effective from the point of view of complementarity of support, but it could isolate to a certain extent the support for cities from the support in the region (granted under a regional programme).

Irrespective of the adopted variant, the concept of global grants assumes their added value for the development of regions and the development of the country. Global grants would not be separate programmes – support under them and the other forms of project assistance would be coordinated by managing authorities in order to assure complementary support for regions. A city would be able to apply for assistance in the areas not covered by a grant according to standard rules.

IV. Thematic scope of interventions under global grants

In order to assure maximal efficiency and effectiveness of interventions carried out under the global grant formula, it should be possible under them to provide financing by at least two EU funds – the European Regional Development Fund and the European Social Fund.

5. What for? - Which intervention areas could be covered by a global grant?

The consequence of such a solution would be financing of the intervention scope provided for under both funds, provided that it is necessary to address specific urban problems pre-defined and included in the programme/ priority axis. Such a support could cover projects supporting entrepreneurship and employment, material and social revitalisation, etc. Taking into account the pilot nature of the instrument, it should be assumed that support would not cover large infrastructural investments, and it would focus on small projects, yet important from the point of view of cities' development. Award of a global grant to a city would assure co-financing of a comprehensive set of projects enabling to solve its specific development problems.

As a rule, global grants should cover projects within the scope of programme's intervention that are first of all important for the cities. **Projects of regional and national importance, implemented within the cities should be accordingly financed directly under regional and national programmes, and a city would apply for their implementation according to normal principles.** The scope of a global grant would be always negotiated with Managing Authorities. Such an approach would in practice result in dividing the scope of grant support from the traditional one, e.g. projects such as construction of subway (or other integrated city transport systems) would be financed under relevant operational programmes.

6. City vs. region? - What should be the relations between the city implementing a grant and the region?

Enhancing the role of cities through the global grant formula is aimed at increasing the efficiency of intervention. City authorities and regional authorities operate at different levels of competences – city authorities are responsible for the development of the city whereas regional authorities for the development of the entire region. Taking into account the leading role of cities in region's development, regional authorities have to take into consideration their importance in the programming and implementation of Cohesion Policy by allowing them to develop dynamically. Therefore, global grants should not be perceived as an attempt to limit the competences of regional authorities, but as an instrument including an additional active participant in the development processes. What is more, a global grant would be a combination of interventions of urban importance from various programmes – not only regional one, but also the national programmes co-financed under ERDF and ESF.

V. Grant award procedure

7. What would the grant application procedure look like?

The global grant award decision, depending on the option preferred at the stage of programming the perspective after 2013, would be in the competence of the Managing authority both in the case of the development of one multifund global grants programme for cities and the operational programme priority axis.

The dominant form of global grant award would be the selection of cities from the indicative list of cities eligible for global grants under specific operational programme or certain priority axis fulfilling the boundary conditions.

The alternative solution could be the selection based on the determined selection criteria including access criteria related to i.a. the size of the cities or urban areas.

Should grant amounts be determined for particular cities in advance or should they be open?

Grant amounts could be open, i.e. they would be specified at the application stage depending on the scope of the planned investment. However, it would be difficult due to relatively limited resources and potentially wide range of needs submitted by the single cities.

Determining grant amounts for particular cities categories in advance (e.g. at the level of tens of millions of Euros) seems to be more practical solution. It would enable better planning of the support for both managing authorities and the cities under the prepared grants. If global grants were assumed to be introduced only for big cities the grant amount would be divided on the basis of the objective criteria and transferred to the cities after the fulfilment of eligibility conditions.

8. *Should grants be awarded once for the entire period or at particular stages?*

It seems to be advisable to award grants at two stages. The first payment would be made at the beginning of the programming period, while the second one would be due halfway through the period after the midterm evaluation procedure and the implementation audit connected thereto. Cities considered in the review conducted by Managing Authorities to implement the first grant edition effectively could participate in the second edition. Cities that would not achieve the objectives at that time would be replaced by other cities (e.g. those that did not meet criteria connected with the preparation of the development strategy at the first stage of grant payments).

VI. Grant management

9. *What form of grant management could be applied by the city?*

The grant could be managed directly by the City Office or by the fund established by the city with a possible support of EIB, EIF or any other financial institution. **Funds awarded to the city as a global grant would be transferred to the beneficiaries in various forms.** Due to the nature of issues covered by the grant, the form of the transfer would be selected by the grant Managing Authority.

Due to the real inclusion of the cities to the operational programmes management system it would be necessary to transfer part of the direct responsibility for global grants management to them, including direct financial liability by Managing Authorities and the European Commission for irregularities.

The urban fund would be responsible for the selection of projects in accordance with criteria determined in the grant agreement. Such criteria, as a rule, would be subject to the approval of the programme managing authority. Projects could be implemented directly by the recipient of a grant. Grant competitions would be directed most of all for entrepreneurs and non-governmental organisations.

VII. Grant accounting

10. *How should the grant be accounted with the European Commission?*

Funds awarded for the cities under the operational programme as global grants would be subject to the European Commission certification concerning the accounted part.

Funds awarded for the city in certain grant edition could be transferred to the urban fund after the grant approval as a single payment or – what is more relevant – in several payments dependent on the financial or material and financial progress.

11. *What would the reporting and control issues look like in the process of grant accounting?*

The urban fund would be obliged to submit interim reports on both financial and material progress in global grant implementation to the Managing Authority. Moreover, the fund would be obliged to present all supported projects and information on the level of achievement of the objectives on solving certain cities' development problems before the final grant accounting. Analysis of documentation and accounting records as well as control at the stage of the project completion would be the basis for managing authority to issue a positive opinion and to account the grant. The grant would be accounted in stages – managing authorities, during the midterm review, would decide on qualifying the city to the second grant edition for the remaining years of the programming period on the basis of the stated results of the grant implementation.

Global grant payments recovered due to the irregularities stated by the fund could be reused by the fund in agreement with the managing authority after the completion of the programme implementation.

12. *What are the cities' demands? Participation in the programme development and review halfway through the programming period.*

In order to consider cities' development needs and institutional abilities at the stage of designing certain operational programmes, the scope and suggested forms of support would be subject to consultations with representatives of the cities' authorities.

The global grants review would be conducted halfway through the programming period. It would result in verification of implementation, possible change in the support logistics and exclusion of some of the cities that did not fulfil their obligations, as well as inclusion of new cities that meet the criteria determined before.

13. *What Community regulations are necessary for the introduction of global grants for the cities?*

It seems necessary to introduce certain provisions to the general regulation for Cohesion Policy in order to ensure the best grant implementation system. However, such provisions, specifying general grant framework, should be flexible for the Member States due to different system conditions in the scope of urban policy.

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