

The Urban Dimension in the EU Cohesion Policy

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Ladies and gentlemen,

Thank you for having been invited to explain you how the European Commission wants to deal with the urban dimension in our new Cohesion Policy in the next programming period 2014-2020. I face a difficult problem addressing myself to such a distinguished audience which comes both from within as well as from outside Europe. Many of the Europeans among you know already a lot about our urban policy or have even been involved in urban projects supported by our structural funds. But the non-Europeans among you probably will be less acquainted with this subject. Therefore I think it is helpful to very briefly outline our Cohesion Policy before I come to the urban dimension. The Europeans among you will please forgive this short recapitulation.

To start with: The goal of our cohesion policy is to strengthen the economic, social and territorial cohesion of the EU. All other EU policies and all national and regional policies have to contribute to the territorial cohesion as well. Thus "cohesion" and "cohesion policy" are not exclusive tasks of the EU, but are responsibilities of several political levels. At European level we find the EU Cohesion Policy and in its centre we find the European social policy with the European Social Fund ESF and the European regional policy with its two "structural" funds, the European Fund for Regional Development (EFRD) and the Cohesion Fund. In that way regional policy is not identical with but a part of cohesion policy.

This architecture is the result of a historic development which added layer to layer, policy to policy, and fund to fund. Already our founding fathers worded the vision for today's Cohesion policy in the treaty of Rome 1957:

"The Community shall aim at reducing the disparities between the levels of development of the various regions".

Just to fly over the history of regional policy I mention that in the early days the Regional Fund operated purely national, projects were predetermined exclusively by Member States which had to apply for European support at project level – thus the European influence was little. New Member States like Greece, Portugal and Spain brought increased regional disparities. In the 1980s EU funding became key means of bringing their wealth up to EU average.

Regional policy now was designed to offset the burden of the single market for the less-favoured regions of the EU and to make their economies more efficient. In 1988 four key principles were introduced and I mention them because they are still characterising our Regional Policy:

- Concentration – focusing on poorest regions
- Partnership – involvement of regional and local partners
- Multi-annual programming, not annually anymore
- Additionality – EU expenditure must not substitute national subsidies

In the early nineties standardised rules for regional policy spending were set up, and the principle of shared management of supported projects was introduced, - valid still today - , meaning that not everything has to be done by officials in Brussels, but together with administrations in Member States. Probably more important even was that "priority objectives" for regional policy actions were introduced, and the share for regional policy in the EU budget was increased from a mere 16 % in 1988 to 31 % in 1993. A reform in 1994 intensified the European influence on the regional policy by setting up a clear system of close cooperation between Member States and the Commission for implementing a multiannual regional policy funding program. This system of cooperation which I just described harmonizes all Member States' and the region's interests AND realizes European priorities in same time.

In the program period 2000 - 2006 regional policy was mainly focused on the preparation for enlargement, which brought 20 % of increase in EU population, but only 5 % increase in GDP. The funds were augmented and new pre-accession instruments introduced.

Yes, many regions developed well thanks to EU support. Allow therefore just a snapshot of cohesion policy's main achievements in the last seven years programming period:

- Regional disparities were reduced: The index of disparity between most and least developed regions fell by a sixth thanks to sustained growth in the less developed regions,
- An estimated 1, 4 million jobs were created, around 1 million of which in enterprises, mainly in SME;
- Transport links were modernized: Cohesion policy funded 4700 km of motorways, 1200 km of high speed rail and 7300 km normal rail.
- Development of small and medium sized enterprises (SME) was supported: 230 000 SME received mainly grants but also loans;
- And, last but not least and although research & innovation were not the main priority of our regional policy until 2007, investment in R&D was intensified: nearly 38 000 R&D projects obtained support with the creation of over 13 000 long term research jobs.

So far some – as I think impressive - Cohesion policy achievements – but why then is a European Cohesion policy still necessary? Let me remind you that the EU generates 43 % of its economic output in just 14 % of its territory.

Regional economic and social disparities in Europe are still substantial and they have significantly deepened with recent enlargements. Enlargement took place some 8 years ago, but we still have to cope with its effects: Luxembourg, the wealthiest Member State in terms of per-capita income, is now seven times richer than the poorest one, Romania.

Thus despite the good results of our Cohesion policy 2000 2006 it has to be continued – but how does the current one look like? Our cohesion policy continues to promote the economic, social and territorial cohesion of the Union by reducing development disparities between regions and Member States, and by striving for a spatially balanced economic development.

Doing this our cohesion policy implements also the goals of overarching EU strategies like the EU 2020 with its focus on competitiveness and employment by smart, inclusive and sustainable growth. The majority of our financial support has to be earmarked to achieve these overarching EU 2020 goals. With the current Cohesion Policy we follow three concrete objectives:

- First: "Convergence" – acceleration of the least developed regions' catching-up process; it concerns 84 regions, whose per capita GDP is less than 75 % of the EU average. Convergence regions are concentrated in the central and east European – new – Member States and the Mediterranean area. Convergence is our dominant goal: 82 % of the Cohesion Policy budget is foreseen for that. Focus of investments is on improving infrastructures, modernizing the economy and employment.
- Second objective: Improving "Competitiveness and employment" in other, in the advanced regions. A total of 168 regions are eligible. 16 % of the total allocation is used for this objective. Here in these advanced regions investments in innovation are in the foreground.
- Third objective: "Territorial cooperation" - strengthening of cooperation between European regions. 9 billion EUR or 2, 5 % of the total is available in the program period for this goal.

Ladies and gentlemen,

After this short outline of our Cohesion Policy let me come now to its urban dimension. My main message in this regard: We take it very seriously, it will continue to play an important role. Why? Because we know at least one aspect the future will have, even if we do not know much about what the future will bring:

The future will be urban, not only in Europe, but around the world. Globally, more people are moving into cities. Cities have become the main engines of economies in the developed and developing worlds alike. Just 100 cities account for about a third of the world's economy, and for almost all of its innovation. In Europe, around 70 % of our population already lives in urban areas, but this will be the global average by 2050. China, the west's biggest economic competitor, is expected to have 15 megacities with an average population of 25 million each by 2025. European cities will have to be ready to compete.

Our shared European values have an urban history. From the Greek polis, where democracy was born, to the Italian city-states and Northern Europe's trading network, to the cities of the Industrial Revolution, we owe who we are to the creativity of our cities.

They are the places we turn to for education, for trade and finance, and for world-class culture – it's the role they play, rather than size, which makes them so important. Cities, not only nations, have been the building blocks of Europe and cities will maintain this role.

Cities have to be at the heart of our plans to create a Europe that is prosperous, environmentally sustainable, and where no citizen is marginalised. They are social laboratories – cities are where we experiment with new ideas and where both positive and negative trends begin. With positive innovations, we want our cities to act as pathfinders that guide the rest of society towards a better way of doing things. With those trends that are damaging to society, it is in cities that we have to find and test solutions, preventing these problems from becoming widespread.

This is why, having weathered one financial crisis only to find ourselves in the middle of another, the European Commission is looking to cities to create growth and jobs.

Although we face a period of instability and difficult austerity measures, cohesion policy funds will give us the means to continue investing, not only in order to recover from the crisis, but also to achieve the goals of the Europe 2020 strategy, the successor of the well-known Lisbon strategy. Cohesion policy is the most important European instrument for helping us to deliver the Europe 2020 vision of a smart, sustainable, and inclusive Europe, and I will tell you how we can make best use of it in our urban areas.

The EU Commission understands the potential of cities, but we think that we are not fully exploiting the unique energy and diversity of our city network and, if we do not act, our cities risk storing up serious problems for the future. I'm thinking of issues such as social exclusion, linked to higher rates of migration and the widening gap between rich and poor. Also climate change, which cannot be managed without better urban efficiency. Another issue is our aging population, which threatens us with a situation in which we will no longer have enough active people to preserve the European welfare model that has been one of our greatest achievements. Other problems that we are more familiar with from our past – such as poverty, unemployment, and environmental degradation – also tend to be concentrated in cities.

Cities hold the key to answering their own problems. It is in cities that we can best work to reconcile environmental goals with economic ones. Improving the urban environment improves quality of life, and this helps to attract talent. Addressing social exclusion draws people into the workforce and gives a voice to those who often see problems from a different perspective and who have new ideas to contribute.

This is why the EU Commission has set up an ambitious urban agenda for Cohesion Policy after 2013. Cities should be full partners in the drive for European recovery. We should all – and this includes the Member States – help cities to exploit their potential to innovate, to foster dynamic, competitive business, and to lead the transition to a low-carbon economy. We want cities to have ownership of their own development strategy and be able to draw on investment from all sectors, from high tech to housing, in order to reach their goals.

To give urban development a new boost, we have introduced bold – perhaps even controversial – new instruments.

Firstly, we have proposed that in each Member State at least 5 % of the resources of the European Regional Development Fund should be allocated to sustainable urban development, delivered through what we call an 'integrated territorial investment' or ITI. With these investment plans, all or part of fund management is delegated to cities themselves. Of course, we anticipate that much more than 5 % of ERDF will be spent in cities overall. The 5 % proposal is simply designed to ensure that a minimum number of cities are given the opportunity to work in this way.

With an integrated territorial investment, money from different priorities or funds can be put together into one customised 'bundle', allowing cities to use a wide range of different projects to address their particular needs. Our aim is that coordinated policies on employment, social inclusion, research and innovation, business support, mobility, and energy efficiency, will promote balanced development. It's also an approach that should give us all better value for money.

These integrated investments can cover the centre of a city only, or they can include the wider urban agglomeration or 'commuting zone', or an entire city-region. The aim is that the instrument should be as flexible as possible.

This is an important point – compare, for example, Romania to the UK. Nearly 20 % of the urban population in Britain is at risk of poverty. In Romania, the figure is only 5 %, while the risk of poverty outside cities is more than five times this. In Denmark, a third of city-dwellers don't own a car; in Italy this is only about 15 %. So, rather than trying to impose a uniform approach on cities, we need to be as sensitive as possible to specific needs, while delivering on our key objectives.

The ring-fencing for integrated territorial investments would guarantee that Member States give cities a bigger role in delivering cohesion policy. It would mean that, across Europe, cities would have more influence over how to achieve European goals.

Secondly, cities' role as innovators is recognised by the introduction of another new instrument – Urban Innovative Actions. The Commission will manage this initiative by organising an EU-wide call for proposals. We will look for the most interesting, innovative and forward-looking ideas for addressing urban challenges. These could be pilot projects, demonstration projects or new urban experiments which would be of interest across Europe.

Where we find a new policy-solution, we'd like this to be tested in other cities and ultimately, if suitable, scaled up to the regional or national level. We hope to be able to put aside about 330 million euros over the 2014-2020 period to fund these actions.

This does not seem so much – but please do not forget that this amount is just what is reserved for innovative urban actions. Apart from and additionally to that with our regular, "normal" cohesion policy we support investments in projects which are located in urban areas. For these regular cohesion policy projects in urban areas, since 2007 around 92 billion or close to 40 % of the total from our regional funds has been allocated to projects in cities. In order to continue and even guarantee this strong focus on investments into cities we have proposed for the next programming period a set of specific investment priorities for urban areas. These will mean that funding can be concentrated on developing low-carbon strategies for cities, on energy efficiency in public buildings and housing, on urban regeneration and the reduction of air pollution, on low-carbon urban transport, on 'improvement of urban environments, including regeneration of brownfield sites and reduction of air pollution', 'sustainable urban mobility'; and 'social inclusion through the physical and economic regeneration of deprived urban areas'.

These investment priorities show how important we consider urban areas to be for the attainment of the Europe 2020 objectives.

Finally, we propose the creation of an 'urban development platform'. It will be a 'university of urban development' through which those actively involved in the implementation of integrated territorial investments and Urban Innovative Actions, together with the Commission and academics, will be able to exchange knowledge and ideas. We think that this dynamic exchange will be a mechanism for driving forward the delivery of sustainable urban development. It will give cities a voice in policy-making at the European level, but will avoid any overlap with the roles of existing – and very valuable – networks and organisations.

The selection of member cities will take place in two stages. In their Partnership Contract with the European Commission, each Member State should put forward a list of up to 20 cities for participation in the platform. The list should only include those cities which will themselves manage integrated solutions for sustainable urban development. The Commission will then select participants in the platform from these lists.

We think it's important that the platform be both representative of the diversity of urban issues in Europe, whilst including major cities that have the critical mass needed to achieve our objectives.

These cities will be joined by those which are implementing Urban Innovative Actions. This will make sure that the results of these 'urban experiments' can be rapidly deployed in the development of more mainstream programmes.

Our introduction of a Common Strategic Framework will make sure that the investment of different funds is better coordinated. For the first time, five funds – from cohesion policy, rural development, and fisheries –

will support each other in delivering a single strategy, making it easier to design programmes that cut across a range of policy areas.

Our new Cohesion Policy also stresses the principle of partnership, which we think is vital for programmes to be effective and legitimate. We will introduce a binding Code of Conduct to provide guidance on how to establish productive partnerships and, throughout our proposals for the new Cohesion Policy, we have aimed to strengthen the involvement of partners in the design and management of programmes.

One way of doing this is by encouraging bottom-up, community-led local development. Funds can be used to support representatives from across a community to form a local action group, which can then create its own strategy on how to best develop its local area. By bringing together private sector stakeholders and local government with civil society, we think we can kick-start improvements in places where other types of policy-making have failed, particularly in deprived urban areas.

Ladies and gentlemen, I've outlined the main cornerstones of our proposals for the urban dimension of future cohesion policy. As you will all know, these initiatives have not come from nowhere. We have drawn on the 'Cities of Tomorrow' reflection process, during which experts made a range of proposals on how to build Europe's cities of the future. Their recommendations on integration and innovation are reflected throughout the proposals, and the outcome of the reflection process is captured in the 'Cities of Tomorrow' report.

We are also building on the success of URBACT, which will continue to support networking between cities in Member and Partner States. And we must learn all we can from the innovative urban programming that has taken place during the current and previous funding periods.

Additionally, a 'Reference Framework for Sustainable Cities' is currently in development. It will aim to promote a common understanding of sustainable and integrated urban development, and is a joint initiative involving Member States, stakeholders, cities, and the Commission. It will act as an operational toolkit for cities that will assist them in applying the integrated approach and with putting European objectives and principles for sustainable urban development into practice. Since a year it is freely available for all policy-makers to use.

Some of the reforms the Commission has proposed are still under discussion between the European Parliament, the Council and us, the EU Commission, but we are convinced that the proposed steps are the right ones. I would also like to encourage cities to start preparing their integrated strategies now, to mobilise stakeholders, and to find partner cities that already have experience of implementing successful integrated programmes. Your early involvement in programme design – alongside the Commission, national and regional authorities – will help to ensure that programmes are effective and, importantly, start on time.

The implementation of the Commission's proposals for 2014-2020 will be an important step towards harnessing the potential of European cities in our increasingly competitive and globalised world.

We are ready to work together to make every city a place where people will want to live and work, now and in the future.