

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

**POLICY DEPARTMENT**  
STRUCTURAL AND COHESION POLICIES **B**



Agriculture and Rural Development



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**THE ROLE OF CITIES  
IN COHESION POLICY  
2014-2020**

STUDY







**DIRECTORATE GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

# **THE ROLE OF CITIES IN COHESION POLICY 2014-2020**

**STUDY**

This document was requested by the European Parliament's Committee on Regional Development.

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**POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**REGIONAL DEVELOPMENT**

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**Abstract**

Urban regions are an important factor in regional development. During the 2007-2013 programming period, the main input provided by cities and urban areas was at project level. For the 2014-2020 programming period, Cohesion policy enhances the role of urban areas. Nevertheless, in practice the role of cities still seems similar in scale. As the programming phase is almost completed, there is now limited scope for further influence on the design of the new programmes. The next opportunity to involve cities will be as part of partnerships during the programming period.



## CONTENTS

<b>LIST OF TABLES</b>	<b>5</b>
<b>LIST OF FIGURES</b>	<b>5</b>
<b>LIST OF BOXES</b>	<b>6</b>
<b>LIST OF ABBREVIATIONS</b>	<b>7</b>
<b>EXECUTIVE SUMMARY</b>	<b>11</b>
<b>1 INTRODUCTION</b>	<b>17</b>
<b>2 ROLE OF CITIES IN EUROPE</b>	<b>19</b>
2.1 Definition of cities	21
2.2 Cities as drivers of national and regional economies	23
2.3 Typologies and socio-economic situation	27
2.4 Key challenges	29
2.5 Large and small cities compared	32
2.6 City-rural relationships	32
2.7 Conclusions	34
<b>3 URBAN AGENDA IN EUROPEAN POLICY DEVELOPMENT</b>	<b>35</b>
3.1 The urban agenda in the European policy debate between 1990 and 2013	35
3.1.1 Funding instruments in Cohesion policy between 1989 and 2006	37
3.2 Urban mainstreaming in the 2007-2013 programming period	39
3.3 Enhancement of the role of cities and urban areas in the 2014-2020 Cohesion policy	46
3.3.1 Urban-related interventions 2014-2020	46
3.3.2 Urban aspects in the categories of intervention of the ESI Funds	52
3.4 The direct involvement of city and local development authorities in policy development	53
3.4.1 Impact of the new 2014-2020 programming period on cities	53
3.4.2 City networks	56
3.5 Conclusions	56
<b>4 CASE STUDIES ANALYSIS</b>	<b>59</b>
4.1 Methods and overview of case studies	59
4.1.1 Case study selection	59
4.1.2 Description of the seven case study cities	61
4.2 The urban context	62
4.2.1 Scale and significance of cities	62

4.2.2	The governance of cities	65
4.2.3	Nature and diversity of city problems within and between countries	69
4.2.4	National urban policies	70
4.3	The role of cities in the 2007-2013 Operational Programmes	73
4.3.1	National OPs	74
4.3.2	Regional OPs	75
4.3.3	Urban actions between 2007 and 2013	77
4.3.4	Financial instruments for cities	79
4.4	Role of cities in the new 2014-2020 programmes	81
4.4.1	Role of cities in Partnership Agreements	81
4.4.2	Cities and Operational Programme development	84
4.4.3	Dedicated urban priorities and programmes	86
4.4.4	Thematic involvement of cities	87
4.4.5	Financial implications of the new role of cities in Cohesion policy	88
4.4.6	Integrated Territorial Investments	90
4.4.7	Urban Development Network	92
4.4.8	Opportunities and risks of the involvement of cities	92
4.5	Conclusions and implications for the future	93
<b>5</b>	<b>RECOMMENDATIONS</b>	<b>97</b>
<b>6</b>	<b>REFERENCES</b>	<b>103</b>
6.1	Literature review	103
6.2	Case study references	107



## LIST OF TABLES

<b>Table 1:</b>	Recommended actions to support the role of cities in Cohesion policy .....	15
<b>Table 2:</b>	Stages of the 'urban dimension' in European policy development.....	36
<b>Table 3:</b>	URBAN I information table .....	38
<b>Table 4:</b>	URBAN II information table.....	39
<b>Table 5:</b>	URBACT I-II.....	41
<b>Table 6:</b>	Total allocation of urban-related thematic codes ERDF 2007-2013 .....	44
<b>Table 7:</b>	General conclusions from the ERDF case studies.....	44
<b>Table 8:</b>	Different levels of urban-related interventions 2014-2020 .....	46
<b>Table 9:</b>	Urban-related Thematic Objectives and investment priorities .....	48
<b>Table 10:</b>	Integrated Territorial Investments .....	50
<b>Table 11:</b>	Differences between ITI and CLLD .....	51
<b>Table 12:</b>	URBACT III .....	52
<b>Table 13:</b>	Case study selection .....	60
<b>Table 14:</b>	Case study comparison .....	62

## LIST OF FIGURES

<b>Figure 1:</b>	Total resident population in the Urban Audit core cities, 2011 .....	20
<b>Figure 2:</b>	How to define a commuting zone (example of Genova) .....	22
<b>Figure 3:</b>	Share of population per country per city size and commuting zone 2006 .....	23
<b>Figure 4:</b>	Urban sprawl index in OECD metropolitan areas, average by country, 2000-2006.....	30
<b>Figure 5:</b>	Sources of distinctiveness.....	31
<b>Figure 6:</b>	Urban-rural relationships within functional regions.....	33
<b>Figure 7:</b>	JESSICA scheme .....	42

<b>Figure 8:</b> Financial allocation directly related to urban topics as percentage of total Community budget .....	43
<b>Figure 9:</b> MS allocation of urban-related thematic codes ERDF 2007-2013 in Mio Euro .....	43
<b>Figure 10:</b> Possible ITI model .....	50

## LIST OF BOXES

<b>Box 1:</b> Classification of Alpha world cities: 2000, 2004 & 2008 .....	28
<b>Box 2:</b> ITI territorial definition .....	49
<b>Box 3:</b> Various uses of the terminology of 'smart cities' .....	55
<b>Box 4:</b> City network METREX .....	56
<b>Box 5:</b> Scale of cities in the case study countries .....	63
<b>Box 6:</b> Metropolitan government in each of the seven cases .....	65
<b>Box 7:</b> Representation of city interests .....	68
<b>Box 8:</b> National urban policies .....	71
<b>Box 9:</b> National Operational Programmes with an urban focus .....	74
<b>Box 10:</b> Role of cities in the design of regional OPs .....	75
<b>Box 11:</b> Cities as beneficiaries .....	78
<b>Box 12:</b> Case studies using JESSICA .....	80
<b>Box 14:</b> Integrated Territorial Investments .....	<b>90</b>

## LIST OF ABBREVIATIONS

<b>ANCI</b>	National Association of Italian Municipalities
<b>BIWAQ</b>	Bildung, Wirtschaft, Arbeit im Quartier
<b>BRIC</b>	Brazil, Russia, India and China,
<b>CBC</b>	Cross-Border Cooperation
<b>CEB</b>	Council of Europe Development Bank
<b>CEMR</b>	Council of European Municipalities and Regions
<b>CF</b>	Cohesion Fund
<b>CLLD</b>	Community-led local development
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CPR</b>	Common Provisions Regulation
<b>CSF</b>	Common Strategic Framework
<b>CSR</b>	Corporate Social Responsibility
<b>DG</b>	Directorate-General
<b>EAD</b>	Fund for Sustainable Urban Development of Sofia
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EC</b>	European Commission
<b>EIB</b>	European Investment Bank
<b>EMFF</b>	European Maritime Fisheries Fund
<b>EP</b>	European Parliament
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ESIF</b>	European Structural and Investment Funds
<b>ETC</b>	European Territorial Cooperation
<b>EU</b>	European Union
<b>EU12</b>	Member States that joined the EU in 2004 and in 2007
<b>EU15</b>	Member States before the 2004 enlargement
<b>EUKN</b>	European Urban Knowledge Network
<b>FAMP</b>	Federación Andaluza de Municipios y Provincias
<b>FDI</b>	Foreign Direct Investment
<b>FEMP</b>	Federación Española de Municipios y Provincias
<b>FLAG</b>	Local Authorities and Governments
<b>GDP</b>	Gross Domestic Product
<b>GVA</b>	Gross Value-Added
<b>ICT</b>	Information and Communications Technologies
<b>IPURD</b>	Integrated Plans for Urban Regeneration and Development

<b>ITI</b>	Integrated Territorial Investments
<b>JESSICA</b>	Joint European Support for Sustainable Investment in City Areas
<b>LAU</b>	Local Administrative Unit
<b>LEADER</b>	Liaison Entre Actions de Développement de l'Économie Rurale
<b>LEP</b>	Local enterprise partnership
<b>LUZ</b>	Larger urban zones
<b>MEGA</b>	Metropolitan Economic Growth Area
<b>METREX</b>	Network of European Metropolitan Regions and Areas
<b>MS</b>	Member State
<b>NAMRB</b>	National Association of Municipalities in the Republic of Bulgaria
<b>NATO</b>	North Atlantic Treaty Organisation
<b>NCSD</b>	National Concept for Spatial Development
<b>NOP</b>	National Operational Programme
<b>NRDS</b>	National Regional Development Strategy
<b>NRP</b>	National Reform Programme
<b>NSRF</b>	National Strategic Reference Framework
<b>NUTS</b>	Nomenclature des unités territoriales statistiques
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OP</b>	Operational Programme
<b>PA</b>	Partnership Agreement
<b>PAC</b>	Piano di azione coesione
<b>POTA</b>	Plan de Ordenación del Territorio de Andalucía
<b>R&amp;D</b>	Research and Development
<b>RCE</b>	Regional Competitiveness and Employment
<b>RDA</b>	Regional Development Agency
<b>RECSA</b>	La Red de Ciudades Sostenibles de Andalucía
<b>RFSC</b>	Reference Framework for European Sustainable Cities
<b>RIU</b>	Red de Iniciativas Urbanas
<b>ROP</b>	Regional Operational Programme
<b>RURBAN</b>	Partnership for sustainable urban-rural development
<b>SF</b>	Structural Funds
<b>SME</b>	Small and medium-sized enterprises
<b>TO</b>	Thematic Objective
<b>UDFs</b>	Urban Development Funds
<b>UPP</b>	Urban Pilot Projects
<b>VVSG</b>	Organisation of Flemish Cities and Municipalities

## **COUNTRY CODES**

<b>AT</b>	Austria
<b>BE</b>	Belgium
<b>BG</b>	Bulgaria
<b>CY</b>	Cyprus
<b>CZ</b>	Czech Republic
<b>DE</b>	Germany
<b>DK</b>	Denmark
<b>EE</b>	Estonia
<b>ES</b>	Spain
<b>FI</b>	Finland
<b>FR</b>	France
<b>GR</b>	Greece
<b>HU</b>	Hungary
<b>IE</b>	Ireland
<b>IT</b>	Italy
<b>LT</b>	Lithuania
<b>LU</b>	Luxembourg
<b>LV</b>	Latvia
<b>MT</b>	Malta
<b>NL</b>	The Netherlands
<b>PL</b>	Poland
<b>PT</b>	Portugal
<b>RO</b>	Romania
<b>SE</b>	Sweden
<b>SI</b>	Slovenia
<b>SK</b>	Slovakia
<b>UK</b>	United Kingdom
<b>EU12</b>	The Member States that joined the EU in 2004 and in 2007
<b>EU15</b>	EU Member States before the 2004 enlargement



## EXECUTIVE SUMMARY

### The role of cities in Europe

Seventy percent of the European population lives in cities and urban areas. Cities are economic and social hot-spots containing the wealthiest society as well as the poorest social areas. Europe has only a small number of very large metropolitan regions, such as London, Paris and the Rhine-Ruhr area. Most of the urban areas contain between 500,000 and 4 million people. A significant share of urban areas is below 500,000, with different status in different Member States, depending on a country's size, political system and position. The cities are heterogenic and face various different challenges. Cities have different issues, with some handling massive urban sprawl and growth, while others are actually shrinking. Cities and urban areas are hubs for creative industry as well as criminality. Environmental aspects such as energy resources are of primary importance to be solved in urban areas. The OECD has defined the key challenges of urban areas as smart growth, sustainability and resilience, inclusive growth and urban sprawl (OECD, 2013).

In order to enhance the role of cities and urban areas in future policy-making, it is necessary to **understand the characteristics of cities**. Several attempts have been made to define urban areas using different typologies. However, those typologies do not capture the reality of heterogeneity and the difficulty in comparability. There is also the challenge of defining actual borders of urban areas, as agglomerations of urban areas and their hinterlands are characterised by administrative borders lying between functional systems.

Within the urban literature and studies, the underlying message is that **national growth depends on fostering urban agglomerations** (Gardiner *et al.*, 2013). While cities are becoming increasingly important in European economic and social development, policies are still oriented towards sectors and administrative borders.

### Cities and urban issues in Cohesion policy

Cohesion policy is also oriented towards sectoral thematic areas and administrative borders. In recent years, various Member States as well as the **European Commission** started to acknowledge the importance of **focusing on urban areas** as a central element of national and regional development policy. Since 1990, the European Commission has been mainstreaming specific urban actions in order to support the urban development aspects of European policies. A number of key documents have been developed within the last 15 years – particularly the **Lille Action programme** (2000), the **Urban Acquis** (2004) and the **Bristol Accord** (2005), which preceded the Leipzig Charter on Sustainable Cities. In the scope of the **Leipzig Charter** and the **Territorial Agenda** of the European Union of 2007, the European ministers responsible for urban and spatial development set joint objectives for sustainable urban development. Previously, in 1996, the Network of European Metropolitan Regions and Areas was founded as a tool for the exchange of practitioners, politicians, officials and their advisors at metropolitan level. In 2002, the first urban programmes were launched under Cohesion policy. The **URBACT I** and **II** programmes, initiated by the **URBAN** Community Initiative, had the goal of facilitating a European Network for Exchange of Experience. This programme was based on the 2004-endorsed Urban Acquis.

In the 2007-2013 period, the **urban aspects were mainstreamed** in more of half of the Operational Programmes with a substantial amount of budget but differences between the EU12 and the EU15. The **experiences** that the EU15 had **gained from the URBAN Initiative** made an impact on the mainstreaming of the Operational Programmes in those Member States.

A new financial instrument was launched in the 2007-2013 period, the Joint European Support for Sustainable Investment in City Areas (**JESSICA**), which has been implemented in 13 of the EU15 and 10 of the EU12. Many of the lessons learned from JESSICA are visible in the new Cohesion policy regulations. In general the programming period 2007-2013 has been an important learning process for EU12 and the need of integrated urban development has been understood.

The 2014-2020 Cohesion policy instruments enhance the role of urban areas through acknowledging the importance of cities and towns in specific investment priorities. The European Commission proposes **five levels for targeting urban aspects**: (1) **European Level**, with the introduction of an Urban Development Network and innovative urban actions; (2) **Member State level – Strategic level**, enhancing the involvement of cities and urban areas in the Partnership Agreement, the introduction of Integrated Sustainable Urban Development and better involvement of the ESF; (3) **Member State level – ERDF programme level**, with urban-related investment priorities, ring-fencing funding of 5%; (4) **Member State level – Implementation level**, with the involvement of Integrated Territorial Investments as instruments for bottom-up urban actions and the involvement of community-led local development in urban areas; and (5) **Local level – Project level** where cities have the opportunity to cooperate across borders.

### **Examples of implementation of cities and urban areas**

The study provides a sample set of seven **case studies**: Germany (Berlin), Poland (Katowice), Spain (Sevilla), Bulgaria (Sofia), Belgium (Antwerp), Italy (Torino), and the UK (Leeds), covering both more-developed and less-developed regions of Europe. In all these case studies, Member States see cities as the main drivers of the economy in a qualitative sense, and there is a broad recognition that cities and urban areas need to be defined in terms of functional areas. The question of city size presents an important issue for prioritisation, however there are differences in perception between larger and smaller countries. Urban themes are not equally distributed in weight and importance in European cities and urban areas. They differ with size, economic situation of the Member State, and the climatic situation. This implies that different urban areas create different needs and challenges for policies.

There is a **great diversity in forms of local government** across Europe. Accordingly, when assessing the role of cities, the nature of regional and sub-regional government is an important factor to take into account. In most of the Member States (e.g. UK, Italy and Bulgaria), cities form committees in order to present their interests more effectively.

According to the interviewees, the URBAN programme was considered worthwhile for gaining experience for mainstreaming urban aspects in Cohesion policy instruments in the 2007-2013 period. However, the main input provided by cities and urban areas during this period was at project level rather than at programme-design level. This is especially true for national Operational Programmes; only Bulgaria had a specific urban priority in the national OP.

**Regional OPs** are by nature **more relevant for cities**, and representatives had more influence on those OPs. Regional OPs (e.g. Italy, Poland, UK, Belgium) often took the form



of a sub-regional strategy. Cities were typically major beneficiaries of projects across both national and regional OPs through a mix of competitive grant schemes and directly identified projects (e.g. Katowice, Flanders). In some regions, **JESSICA** was implemented, but this occurred after a **significant delay**, and in cases such as Bulgaria the projects are still in the project selection process.

In the new 2014-2020 programming period, which is still in the preparation phase in many Member States, cities and urban areas **had no role in the consultation phase** of the Partnership Agreement preparation and the OP preparation, and in many cases they felt they had **little** (e.g. Flanders, Leeds) **or no input** (e.g. Bulgaria). At the programme level, cities and urban areas did not appear to be actively participating in the programming.

The only **programmes that actively involved cities** were those where the **OPs covered urban regions** (e.g. Berlin, Brussels). However, the minority of the seven countries had dedicated urban programmes (e.g. Italy, Bulgaria, Belgium).

In terms of the urban targeting of the new programming period, many of the Member States seemed to be **content to allocate 5%** of funds to urban areas. However, it remains to be seen how the funds will be utilised in cities with regard to integration and governance. **ITIs**, on the other hand, **did not appear to be popular** among Member States. Nevertheless, Poland, Spain, Bulgaria and Flanders are planning to involve at least one ITI.

## Conclusions

In general, the **European urban agenda is handled differently** in different General Directorates of the **European Commission**. A unified and coordinated approach is missing, and this increases inefficiency in the use of both European and national resources.

The intention of the European Commission to enhance the role of cities in the new 2014-2020 programming period has not been fulfilled at Member State level. Some countries afforded some opportunity for cities to participate in the programming process, or they outlined new programmes, priorities or financial instruments to help cities participate in a more integrated delivery of projects; however, more could have been done to give the cities a stronger involvement, especially in programme development.

The programming period is almost completed, and there is **limited scope for further influence** on the design of the new programmes. The **opportunities** provided with the new Common Provision Regulation **have been missed** due to the fact that the legislative package was approved only after the programming period had already entered the final phase, and Member States did not follow the ambitious ideas of the European Commission.

The next steps in involving cities are as part of partnerships during the programme period. This can be done either via projects, through networks, or by involving cities as partners in future Cohesion-policy-related exchanges and decisions.

The implementation of regulations at national and regional levels still contains scope for formal influence by the Member States. However, if city representatives were not involved in writing the Partnership Agreements, then they are unlikely to be substantially considered during the programme-decision process. Consequently, with regard to Structural Funds interventions, cities will again be reduced to largely being **beneficiaries at a project level**.

At the programme level, cities are **either part of a larger region**, or one **regional programme covers the city administrative boundaries**. In both cases, there are drawbacks: in the former scenario, cities have only very limited status in association with other parts of the region, and therefore their concerns are less heard (e.g. Leeds); in the latter case, the city administrative border and the Operational Programme area do not take the agglomeration area into account (e.g. Berlin-Brandenburg).

The Operational Programmes in some Member States involve one priority axis that particularly targets urban areas by employing local strategies. Although the urban areas have been transferred from the project level to the priority axis level, they are not in a position to shape ERDF programmes, and even less so for ESF programmes. Such a new programme again mainly involves urban agendas at project level rather than partner level.

The integrated territorial investment (ITI) approach proposed by the European Commission has not been popular with Managing Authorities mainly situated at national or regional levels due to concerns over the heavy managerial load for what might be relatively small budgets and the risks associated with the devolution of power and responsibilities to cities or untried associations.

All in all, the urban character has not been properly acknowledged in Cohesion policy, which is still very much oriented along sectoral thematic priorities at national level.

The territorial aspect, which in most of the more-developed countries has been reduced to 5% in one priority axis, is based on local strategies from the previous period, and in some cases there has been a **reduction in this territorial focus over the last two programmes**. Some **smart city initiatives** are planned, but this is mostly **restricted to energy and mobility topics**, and there is an absence of a wider holistic approach to the future development of the city as a social as well as a physical and technological entity.

The role of cities in the **2014-2020** Cohesion policy period seems to be **similar in scale** to that of the previous **2007-2013** programming period. Although the European Commission sought a better positioning of the urban representatives by including various articles and paragraphs in the regulations, the Member States have largely retained the established procedures. However, a distinction can be made between the EU12 and the EU15. Whereas the latter merely kept the same procedure as in the past, the EU12 tried to meet the requirement in various ways.

### **Recommendations**

The scope to change this situation in the short term is limited at European level. However, certain aspects can be established for the future programming period, and others can improve the implementation of the current programming period. The proposed set of measures concentrates on short-term and medium-term activities. The measures relate to agglomeration and urban policy development for the future programming period, the better involvement of urban representatives, and better cross-sectoral interaction at European, national and regional levels.

**Table 1: Recommended actions to support the role of cities in Cohesion policy**

<b>European Commission</b>
Definition of an urban agenda at European level taking into account the European model of urban development
Development of instruments for implementation of the urban agenda
Acknowledgement of agglomeration issues as an indicator for project assessment
Definition of ex-ante conditionalities in terms of urban concepts and strategies
<b>European Commission – European Parliament</b>
Involvement of cities in policy development (EU and MS) with the EC actively identifying cities to participate
Reinforce cross-sectoral coordination of policies
Better and more systematic interaction between different European Commission DGs regarding the understanding of the role of cities and the definition of smart cities
Open up the smart-city approach beyond energy and ICT topics
<b>European agencies and European Commission</b>
Coordination of different urban-related initiatives, networks and programmes at European level
Development of cluster platform for urban topics joining different urban initiatives
<b>National Administrative level</b>
Nomination of urban policy representative participating in European urban policy development
Implementation of agglomeration policy in regional development policy
Definition of different types of regions with different needs for financial allocation and different thematic orientations
Enhancement of agglomeration interaction involving Structural Funds
Development of agglomeration strategies including not only the cities but also the hinterland
Empowerment of agglomeration management
Cross-sectoral coordination of city-relevant topics
<b>Regional level</b>
Cooperation networks across administrative borders
Positioning urban agendas on project and programme levels
Interaction between sectoral administrations for interdisciplinary exchange of urban agendas



# 1 INTRODUCTION

## Background

Cities are and have been a natural focus for EU Cohesion policy as major centres of population and activity, key nodal points in transport and other forms of infrastructure, and major drivers of the European economy. They attract special attention for Cohesion policy as places that tend either to present some of the greatest problems and challenges faced by Europe in the form of concentrations of deprivation and shortfalls in infrastructure, or to present substantial growth opportunities through their asset base and economies of scale and scope. In some cases, they meet both criteria at the same time, with grossly disadvantaged areas sitting alongside concentrations of knowledge production. However, such polarisation is not unusual among cities: Taylor (2013) argues that all cities are extraordinary, distinguished from smaller towns and other settlements by their inherent complexity and diversity (Jacobs, 1969), their growth potential, cultural vitality and societal resilience, even while also accommodating some of the poorest and most vulnerable communities. Cities are also argued to be the main centres of innovation (Glaeser, 2011; Hall, 1999).

The European Union is entering a new programming period for 2014-2020, and Member States are currently in the final phase of Operational Programme preparation. During the new programming period, more weight is to be placed on urban issues, and several new elements have been initiated to trigger a better integration of urban features within Cohesion policy instruments.

In this respect, the European Parliament launched this study in order to understand the role of cities and urban areas in the programming phase as well as during implementation.

## Objective of the Study

As set out in the Regulation of the European Parliament and the Council General Regulation COM(2013) 246 final, €330 million of the SF resources for the 'Investment for growth and jobs' are to be allocated to innovative actions at the initiative of the EC in the area of sustainable urban development. This indicates that urban areas will undertake a more active role in regional development and Cohesion policy programming between 2014 and 2020.

The subject of the study is the analysis of the increased role of cities in EU Cohesion policy. It should contribute an understanding of the potential benefit for cities in Cohesion policy implementation.

The main objective of the study is to provide an overview of the role of cities in Cohesion policy and a roadmap and advice for the successful implementation of Cohesion policy in urban areas. Based on the analysis and outcomes, the study proposes measures for monitoring the progress of the integration of cities.

The task of the study is concentrated on cities and urban areas on the one hand and on Cohesion policy instruments on the other hand. Cohesion policy instruments are not necessarily linked to cities but are situated on Member State level. Therefore, the connection between cities and Cohesion policy programmes has been fragmented in the past. Nevertheless, there are several best practice examples from previous programmes, particularly URBAN I and URBAN II.

Lastly, in order to derive effective conclusions, the study should understand the different types of cities and urban areas and the different status of cities in Member States. Furthermore, the study examines the role of cities as actors in the current programming phase.

### **Methodology**

The methodology of the project is based on three phases. The **preparation phase** included a thorough literature review and a parallel selection of case studies. The output of the first phase comprised:

- An overview of the character and role of cities;
- Selection of cities for case study research;
- Interview guidelines for the analysis phase.

The literature review commenced with recent studies and debates about the role of cities in regional economic development. In addition to academic urban literature, the review examined concrete actions for the future programming period and the screening of available Partnership Agreements.

The Partnership Agreements were a key source for generating an understanding of the emphasis that different Member States placed on urban development and cities in relation to Cohesion policy programming. The review of Member States' approaches provided an overview of the variety of city and urban-related issues in Europe.

To obtain more in-depth knowledge, city case studies were selected. The case studies chosen were intended to provide a balance between political systems, types of cities, objectives of Cohesion policy, differences in Member States' economic situations, and differences in national thematic orientations.

In the **analysis phase**, the selected Member States and cities were analysed with regard to their involvement in future Cohesion policy through desk research that reviewed the main programming documents and publicly-available EU-level information on the role of cities in Cohesion policy.

The case studies analysis was complemented by telephone interviews with key stakeholders at national, regional and city levels. Those interviews again covered the Member State in general and a specific Operational Programme in detail. Stakeholders were involved in the discussion and process of city selection for Cohesion policy instruments.

In the **synthesis phase**, the study provides conclusions based on the theoretical analysis and the survey of case studies. The conclusions and recommendations on the one hand propose instruments for the future monitoring of city involvement in Cohesion policy and on the other hand general recommendations for programming and the implementation phase. The study proposes roadmaps for different levels of actors for monitoring the city implementation process in Cohesion policy. Each step in the roadmap would be linked with indicators providing a possible assessment of the process. The recommendations relate to the roadmaps defined and how the different levels could be involved in their realisation.

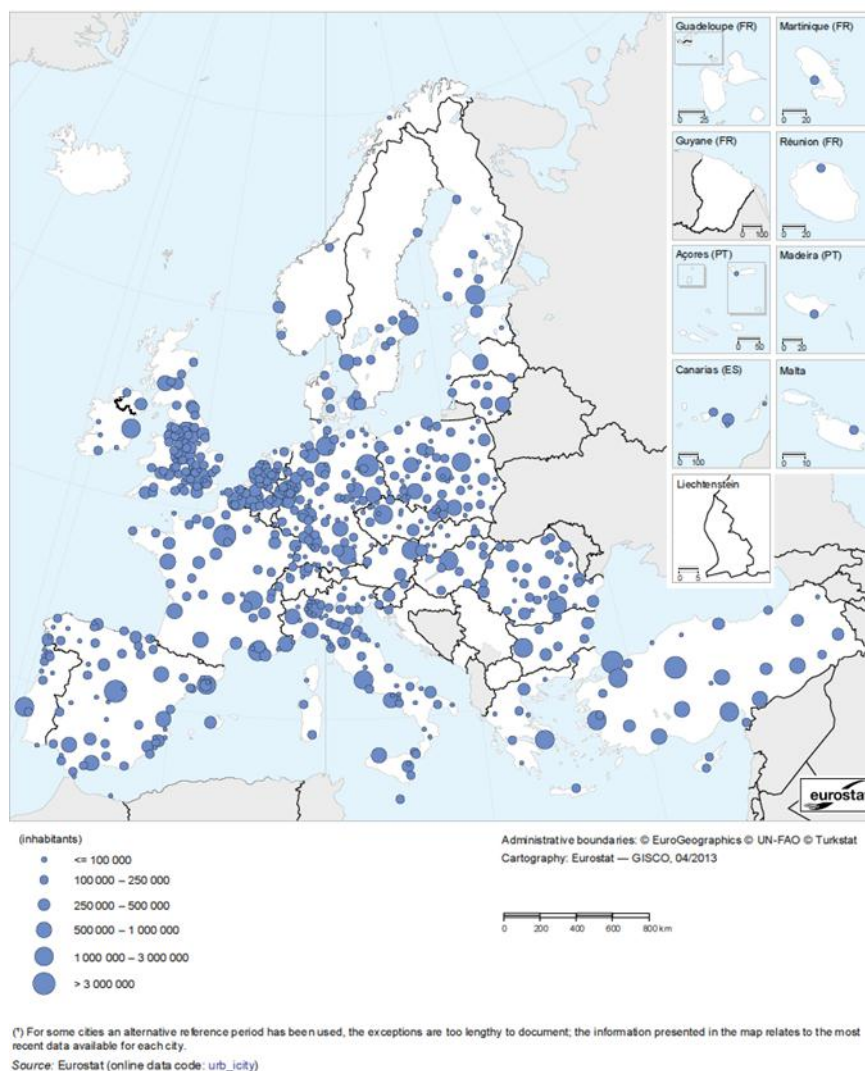
## 2 ROLE OF CITIES IN EUROPE

### KEY FINDINGS

- If an urban orientation for Cohesion policy is to be strategic, there needs to be a sense that an **important share of the national population is affected** and that a relatively small proportion of total settlements is involved. Proposing a role for cities in Cohesion policy that includes small cities is unlikely to lead to significant programme selectivity but is **more a statement about programme governance**.
- **Urban area systems boundaries are not well defined** but mostly include rural areas; comparisons with non-urban areas tend to mean comparison with highly rural areas. However, if only the central city is considered, the degree of concentration of economic activity is much higher, driven by agglomeration economies in the form of industrialisation economies, localisation economies and urbanisation economies.
- **Globally-connected cities benefit both from the economies of scale and scope** and access to knowledge arising from local agglomeration economies, but also from the added leverage of network externalities through their high level of connectedness. However, it is not just size that counts for growth, but size in conjunction with the structural position in global networks.
- **The diversity of cities creates difficulties in the design of typologies** of urban areas, and the search for a single typology is likely to be fruitless. The combination of national systemic differences with the differences in scale, function, physical form and economic and demographic trends means that cities need an individual approach rather than being treated according to a typology.

This chapter explains the role of cities in Europe and its development over recent decades, and it reviews the implementation of urban agendas in European Union policies, most of all in Cohesion policy. The literature review examines some of the evidence of why cities should be of particular relevance to EU Cohesion policy, chiefly in terms of their significance in national economic development, the scale of social problems, their environmental impact, and their importance as sites of future opportunities for high-impact policy intervention.

Europe has a dense network of cities, and most EU countries have the majority of their population living in urban areas. Overall, more than 70% of the European population lives in urban areas.

**Figure 1: Total resident population in the Urban Audit core cities, 2011**

**Source:** Eurostat, 2011.

Yet there are relatively few really large metropolitan regions in Europe apart from London, Paris and the Rhine-Ruhr agglomeration. These are unusual cases and have the advantage of being relatively wealthy and so do not experience some of the problems of mega-cities elsewhere in the world. Most of Europe consists of a polycentric urban system, though with markedly increased density in the North-Western areas. The **typical European city is a city of between 500,000 and 4 million inhabitants**, a city that is large enough to justify a good range of urban amenities and to have a genuine urban environment, but without the disadvantages of the new global mega-cities that are emerging particularly in Asia. These medium-to-large cities in Europe can pose considerable policy challenges, but they are not unmanageable and are therefore good sites for policy experimentation.

At a smaller scale, there is also a great number of cities of below 500,000 that generally lack a true metropolitan quality, and which are usually less significant in international terms. However, their importance at national level largely depends upon the size of the country and its political system.



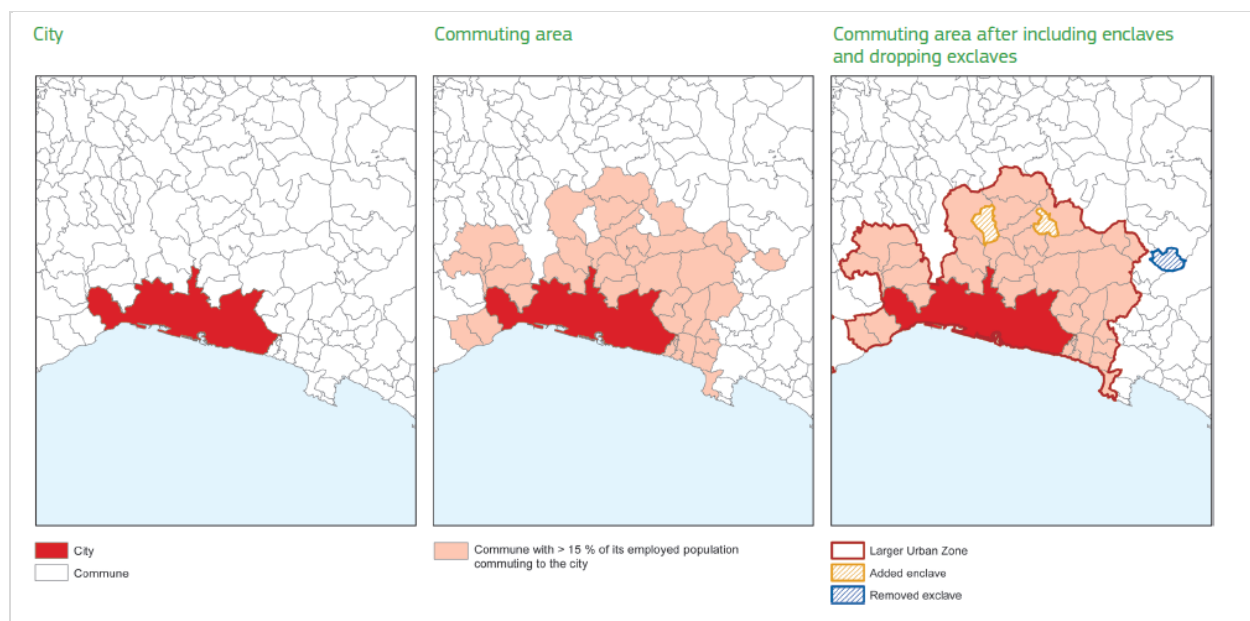
The European Commission and European Member States are increasingly understanding the need to focus on urban areas as a central element in national and regional economic development policy, whereas in Switzerland a specific agglomeration policy has been implemented since 2001 based on the acknowledgement of spatial variety and different typologies in urban areas (Federal Administration Switzerland, Office for Spatial Development, 2014).

## 2.1 Definition of cities

In discussing the developmental role of cities, we need to be clear about what constitutes a city. Considerable effort has been spent on defining and delimiting European cities in recent years through the Urban Audit (Eurostat, 2013a) and a more recent EU-OECD exercise (Dijkstra and Poelman, 2012), but defining cities for the purpose of Cohesion policy and its implementation is not easy.

At its simplest, a **city is an agglomeration of population around a central service hub**, normally based on retail, business services, cultural and leisure facilities, and governmental functions. In the past, this was easily determined, especially for walled cities, as cities were small and dispersed. However, over the last two centuries cities have grown, absorbed other settlements, merged with each other in some cases and spread their influence out into what was open countryside. Although European cities remain fairly compact compared with US or Australian cities (where cities may be 100km across), defining cities is hampered by the spread of commuting patterns and overlapping service territories.

Recent attempts to define European cities for the **Urban Audit** (Eurostat, 2013a) and OECD (Dijkstra and Poelman, 2012) differentiate between two main levels of analysis. There is the core city, which forms the central part of the city within its political boundaries. For some small cities, this may include the main built-up area plus a hinterland. For large metropolitan areas, there can be great variety in the extent to which the built-up area is covered by one or more political units. In some cases, there may be a metropolitan level of government as well as smaller local authority units. To address this issue, there is the Larger Urban Zone (LUZ) that groups together the municipalities within the contiguous built-up area and additional contiguous rural districts, which might include the edge of the built-up area plus commuting zones. This pattern of urban core plus satellite commuting towns is often an artefact of planning policy, as cities force new developments to locate beyond a green belt or *cordon sanitaire*. The balance between core city and LUZ varies considerably. Even within the same country, core cities may cover more or less of the metropolitan zone depending on historical evolution. Two cities may have similar LUZ populations but core cities that may be as little as 20% of the total population or over 50%. A related issue is whether adjoining city-regions are regarded as integrated or treated as separate city-regions. There are some examples from the **OECD definitions** of city-regions (Dijkstra and Poelman, 2012), where cities are treated as being separate, even though local strategic city-region planning processes treat them as the same city-region.

**Figure 2: How to define a commuting zone (example of Genova)**

Source: Dijkstra and Poelman, 2012.

Definitions are important here for when we make comparisons between cities, although even the current attempts at definitions are still bedevilled by the problems of having to use administrative boundaries, as well as choices on splitting up or combining adjoining cities. They are also crucial in considering the strategic role of cities in Cohesion policy, as they suggest which bodies might represent city interests, and the scale at which these interests operate. A policy that is focused on core cities might have different priorities and different outcomes from one focused on metropolitan regions or LUZs.

**The definition of the city is also crucial for understanding roles and challenges, as well as the relationships between cities and rural areas, issues which are discussed later.**

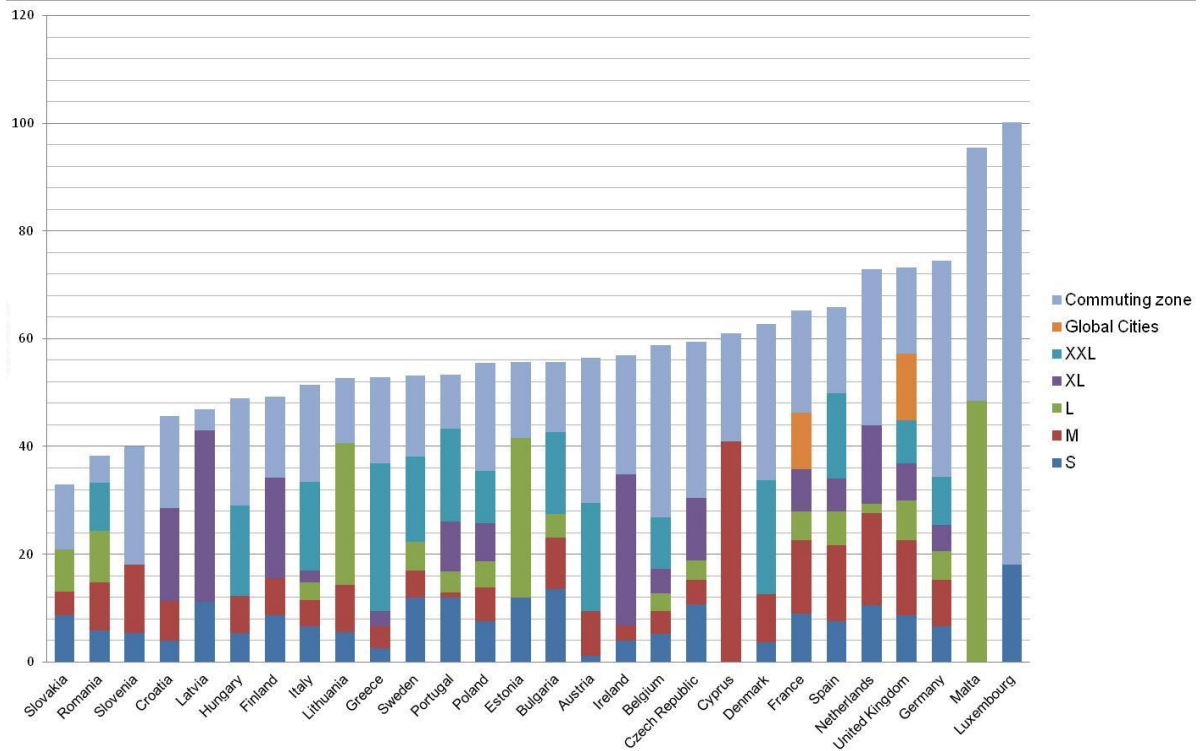
The inclusion of commuting zones within metropolitan areas in the form of the LUZ has a significant impact on total urban population, as shown in Figure 3. Although cities account for only 40% of the EU population, the commuting zones add in more than half as much again, taking the total up to 62%.

Concentrating on the larger countries, some have extremely high percentage shares of population in **LUZs**, with the UK, Germany and Netherlands all in the low 70s, and with Spain and France above the EU average of around 55 percent. Several countries have large primate cities: UK, France, Greece, Portugal and Ireland, and this is inevitable in some of the smaller countries which have the character of city-states (e.g. Malta, Luxembourg).

The **minimum scale of cities is a problematic issue**, as most countries have a different defining set of characteristics for cities. Sometimes specific municipal authorities are designated as cities rather than towns, but criteria vary or are not consistent within countries, so size tends to be an important externally-applied criterion. The OECD-EU definition uses 50,000 as a minimum scale (small cities are 50,000 to 100,000), and this is important for some smaller countries, whereas in large countries 50,000 is just a medium-sized town and of little significance, perhaps not even a separate municipality.

If an **urban orientation for Cohesion policy is to be strategic**, there needs to be a sense of both an important share of the national population affected and also a relatively small proportion of total settlements being counted. Accordingly, an urban approach in a small country will need to focus on quite small cities, but in a large country the same-sized cities would be so numerous as to make the policy non-selective.

**Figure 3: Share of population per country per city size and commuting zone 2006**



Source: Dijkstra and Poelman, 2012.

## 2.2 Cities as drivers of national and regional economies

Cities are usually assumed to be the **main engines of economic development**. Economic theory suggests advantages for large cities, which are partly supported by evidence. Generally, cities have stronger competition for land, resulting in higher land prices, and hence a need for higher levels of productivity. In addition, cities host major knowledge resources that are crucial for economic competitiveness in a knowledge economy, including universities and research centres, advanced business service firms, consultancies and think tanks, and government agencies. Cities have always been seen as the places where different forms of knowledge are brought together, leading to innovation and creativity (Hall, 1999), and as such they are drivers of change.

Many studies make positive claims for the dominance of urban areas in terms of population and the economy, noting that urban areas tend to punch above their weight. Typically, this involves statements about cities having a higher share of GDP or growth than they have of national population (OECD, 2013).

However, there are a couple of caveats that are usually left unsaid. First, there is the problem of size cut-off. Some analyses include relatively small towns as urban areas: American analyses of metropolitan areas include discrete towns of around 35,000 population, whereas the new OECD-EC definition includes cities of 50,000, with half of the EU cities being in the 50,000 to 100,000 range.

Therefore, the cities are quite a heterogeneous group and the cut-off point forms an arbitrary divide. Towns of 40,000 and 60,000 have more in common with each other than with cities of 1 million or more. **Proposing a role for cities in Cohesion policy, which includes small cities, is not likely to lead to significant programme selectivity but is more a statement about programme governance.**

A second problem is that the large metropolitan areas now encompass very substantial hinterlands, which themselves contain small and medium-sized cities as well as villages and semi-rural land. Thus, comparisons between cities and the rest of the territory are more like comparisons between very small isolated settlements and highly rural areas on the one hand, and everything else (classified as cities) on the other hand, as the cities often include the better-connected rural areas and small settlements. **To say that cities are more economically dynamic in this sense is like damning them with faint praise, as the differential is actually surprisingly low.** However, if only the central city is considered, the degree of concentration of economic activity is much higher.

### **Agglomeration economies**

The core advantage of cities in the economic literature is agglomeration economies, or what Polese (2005:1432) defines as 'the productivity gains derived from the geographical clustering of firms and people'. Considerable recent research has focused on the increasing importance of agglomeration economies (Storper, 2013), despite counter claims by Friedman (2005) that the world is flat – indeed, the alternative view is that the world is spiky (Feiock *et al.*, 2008), as major cities reap the benefits of agglomeration in attracting investment. Agglomeration economies come in several forms, not all exclusively related to cities, although cities tend to benefit from all of them.

**Industrialisation economies** derive from the proximity of industrial activities through supply chains and clusters, the development of shared labour markets, reduced costs of trade and other forms of traded and untraded interdependencies (Storper, 2013). Whilst not always focused on cities alone, most cities experience some form of cluster specialisation.

**Localisation economies** derive from agglomeration around a specific location or facility that might be some form of transport infrastructure such as a port or airport, knowledge resource or even government. Again, cities often experience these kinds of benefits due to their nodal position in transport networks and hard and soft infrastructure endowments.

Finally, **urbanisation economies** are more simply derived from the concentration of activity in a city, from the sheer volume of population and economic activity and the shared infrastructure this brings. This includes the 'Jacobian' benefits of diversity – the fact that cities tend to have at least some representation from all kinds of services and products, so urban firms can usually guarantee they can access all but the most specialised of needs locally (Jacobs, 1970). Urbanisation economies are assumed to be related to city size, so that diversity increases with size (Taylor, 2006), but larger cities have also been able to benefit from the centralisation of strategic functions at firm level within the business service sector (Turok, 2006).

It has sometimes been assumed that there **might be limits to agglomeration as congestion effects emerge to have a countervailing influence**. The competition for space in the city leads to increased costs of land, but also of labour, and hence other goods and services. Transport infrastructure struggles to deal with the volume of people and goods, and commuting becomes extended in terms of distance, time and cost. Quality of life deteriorates, even if cities have concentrations of cultural resources. However, such congestion effects do not appear to be more significant than agglomeration benefits in European cities at least, with even the largest cities such as London retaining a strong growth advantage despite well-publicised congestion costs. For those large cities in decline, it is not congestion costs that are usually the issue, but rather the problems of economic conversion.

Related to the effects of agglomeration are the reinforcing positional effects associated with the role of cities in global networks. Particular cities occupy nodal positions in the global economy as centres of international finance, trade and advanced services, and as such they gain advantage from their network externalities (Taylor, 2013). In a global economy that is increasingly dependent on the advantages of flows of knowledge (Castells, 1996; Sassen, 2001), the position of cities in global flows of knowledge and capital creates advantage, bringing a position of power and control over global financial and service markets (David *et al.*, 2013). Size and network externalities can be reinforcing, as highly networked global cities attract population and international firms, and larger cities are more likely to sustain a critical mass of networked service businesses; nevertheless, some medium-sized cities have been able to specialise in internationally traded services or finance and gain a strong position in global networks. The advantage of city-network externalities comes from the ability to expand markets beyond national borders, as well as the access to knowledge and information that comes as part of the global connections, and which brings advantage to those firms located within the city (Taylor, 2013). **Thus, large globally-connected cities benefit both from the economies of scale and scope and access to knowledge arising from local agglomeration economies, but also from the added leverage of network externalities through their high level of connectedness.**

The underlying policy message from the agglomeration literature is that national growth depends on the fostering of agglomeration (Gardiner *et al.*, 2011), and therefore that cities are increasingly likely to be the drivers of growth in a spiky world. Analysis by David *et al.* (2013) suggests that the advantages of metropolitan size have not always been consistent over time, but that since the 1980s metropolitan regions have tended to show strong economic performance. It is not just size that counts for growth, however, but size in conjunction with the structural position in global networks, e.g. the concentration of power and international service firms. Old industrial cities may continue to decline, but large cities with a diversified service base continue to outperform their countries.

### **Knowledge infrastructure and spillovers**

The strength of cities as centres of business service activity has displaced much of their former industrial employment base, as cities have seen a disproportionate loss of manufacturing but huge growth in services, based on agglomeration economies and particularly access to knowledge spillovers (Rubalcaba *et al.*, 2013).

High-status business service location is driven heavily by access to knowledge and access to clients, but also by access to highly skilled and experienced staff. All of these factors are essentially aspects of knowledge and information. Access to clients is important for business service firms, as much of the information exchange between firms involves face-to-face contact and the building of trust-relationships (Muller and Doloreux, 2009).

In many cases, the service firms visit the client's premises, so proximity to corporate headquarters is important, as is the co-presence with other service firms to facilitate joint-working. The critical mass of firms in cities attracts the service firms, which then attract other firms and establish the economies of agglomeration.

Knowledge then spills over within the urban centres, facilitated by social networks amongst service professionals and by the movement of labour. As people can change jobs within the same city without having to move home, it both encourages mobility among the firms and retains the knowledge within the city, thereby accelerating the flow of knowledge and retaining competitive advantage for that urban location.

In technological innovation, metropolitan areas also tend to have the advantages of a concentration of universities and research establishments and hence a concentration of R&D expenditure and patents. However, there is considerable differentiation between cities on this factor, and there are a small number of innovation-intensive cities such as Eindhoven, Malmö, Stuttgart and Grenoble (OECD, 2013). These are generally smaller cities, whereas the **very large cities are more specialised in services than in product innovation** – London, for example, has a relatively low level of business R&D expenditure relative to GDP, as GDP from finance and services is very high and product R&D has largely migrated out of London to surrounding cities such as Cambridge and Reading.

### **Creative class**

In recent years, the notion of the creative class has become prevalent in urban policy – the economic success of cities is directly linked with their attractiveness to individuals working in creative occupations and industries (Florida, 2002). Whilst this fits with earlier paradigms of urban regeneration, which often focus on making the city more attractive to the middle classes and tourists, the importance of attracting the creative class increasingly shapes urban policy. Cities invest in cultural quarters and promote traditional mixed-use urban environments to attract the creative professionals who, it is assumed, will generate growth.

Whereas the argument that particular characteristics of the urban environments attract the creative class may be overblown, it is nonetheless true that the creative class is concentrated in urban areas, attracted more perhaps by the traditional economic geography of creative industry jobs. Lorenzen and Anderson (2009) found that in Europe, in an analysis of 444 cities, there is a **reasonably close relationship between the size of the city and the size of population in the creative class**. That is, larger cities have proportionately more creative-class workers. However, the relationship is not constant for all sizes of cities, so the smallest cities see a rapid drop-off in the creative class, possibly because **small cities find it difficult to sustain the diversity of jobs and opportunities** needed by this group of individuals. There is also a slightly negative effect of very large size, so that the very largest cities seem to suffer from a congestion effect, although the precise causality of this under-representation of the creative class is not clear.

The **creative class is highly heterogeneous**, whether defined in terms of creative industries or creative occupations – creative industries employ varying levels of non-creative workers, and there are people in creative occupations in a wide range of industries. What is clear is that the most highly valued elements depend on a highly socialised production process in a 'high touch' environment where fuzzy knowledge is exchanged (Pratt, 2008).

This invariably means that 'key high value interactions will continue to embed cultural production in a small number of unique parts of cities' (Pratt, 2008) and hence that some cities benefit more from the economic effects of the creative or cultural industries.

It may not be that Florida's recipes for attracting the creative class work in Europe, but cities remain the places where creative workers add significant value to what are a set of growing knowledge-based industries. Europe will only continue to capitalise on that growth if cities continue to offer a suitable environment – such growth is unlikely to take place in smaller towns and cities.

## 2.3 Typologies and socio-economic situation

The nature of the challenges and prospects for cities is highly differentiated. The complexity and individual nature of cities means that typologies can be highly varied.

The FOCI project (Lennert *et al.*, 2013) produced a variety of typologies of cities based on different sets of indicators: on urban sprawl, social cohesion, sectoral economic structure, position in global networks and contactability. Each contains varying degrees of national and city characteristics.

The typology for urban spatial development based on land-use change illustrates the extent to which cities are growing unsustainably and indicates some challenges faced by Cohesion policy. There are three broad types:

- Type 1 – Slowly growing cities

This group consists of cities with low growth or even declining populations which have slow rates of change of land use. The group is further divided into two sub-groups: (a) which sees consolidation of the core city and low levels of change in the outer areas, and (b) which has more diffuse development in the outer areas of the LUZ. The former group is typified by declining cities in Eastern Europe and some old industrial cities elsewhere, whereas the latter group includes a number of capital cities, some of which such as London are tightly constrained by planning policy.

- Type 2 – Rapidly growing cities

Around half of all EU cities are in this group and have intermediate rates of growth. Typically, growth in the core city is focused on housing, whilst new industrial developments are concentrated in the LUZ.

- Type 3 – Very rapidly growing cities

A small group of cities have very high rates of land development, although slowing down in the 2000s.

Overall, the trend has been towards greater convergence, as planning policies pursue sustainability objectives. Another perspective on city typologies is the development of hierarchical typologies based on global city characteristics, usually a combination of high-level service functions, transport accessibility, and position in global networks of finance and business services (Beaverstock *et al.* 1999). A recent review of changes in this classification between 2000 and 2008 shows the rise of emerging cities at the expense of European cities, but gives a clear sense of the hierarchy of the cities in Europe.

The top alpha++ city in all lists is London, with Paris as alpha+ and Milan also entering this group in 2008. Madrid and Brussels sit in the alpha class, with Frankfurt and Amsterdam both dropping out of this group since 2004. Finally in the alpha- group there are 11 EU cities, almost all national capitals and growing in number, particularly in Central and Eastern Europe.

**Box 1: Classification of Alpha world cities: 2000, 2004 & 2008**

	2000	2004	2008
<b>ALPHA++</b>	<b>London New York</b>	<b>London New York</b>	<b>London New York</b>
<b>ALPHA+</b>	Hong Kong Paris Tokyo Singapore	Hong Kong Paris Tokyo Singapore	Hong Kong Paris Singapore Tokyo Sydney Milan Shanghai Beijing
<b>ALPHA</b>	Chicago Milan Los Angeles Toronto Madrid Amsterdam Sydney Frankfurt Brussels Sao Paulo San Francisco	Toronto Chicago Madrid Frankfurt Milan Amsterdam Brussels Sao Paulo Los Angeles Zurich Sydney	Madrid Moscow Seoul Toronto Brussels Buenos Aires Mumbai Kuala Lumpur Chicago
<b>ALPHA-</b>	Mexico City Zurich Taipei Mumbai Jakarta Buenos Aires Melbourne Miami Kuala Lumpur Stockholm Bangkok Prague Dublin Shanghai Barcelona Atlanta	Mexico City Kuala Lumpur Buenos Aires San Francisco Beijing Shanghai Seoul Taipei Melbourne Bangkok Jakarta Dublin Munich Warsaw Stockholm Mumbai Miami Budapest	Warsaw Sao Paulo Zurich Amsterdam Mexico City Jakarta Dublin Bangkok Taipei Istanbul Rome Lisbon Frankfurt Stockholm Prague Vienna Budapest Athens Caracas Los Angeles Auckland Santiago

**Source:** Taylor *et al.*, 2009.

Some of the cities on this list have ambitions to improve their status, just as some outside of the list may seek to acquire some evidence of world-city approximation. However, there is considerable competition, and many of the BRIC country cities for example are rising up the table.



## 2.4 Key challenges

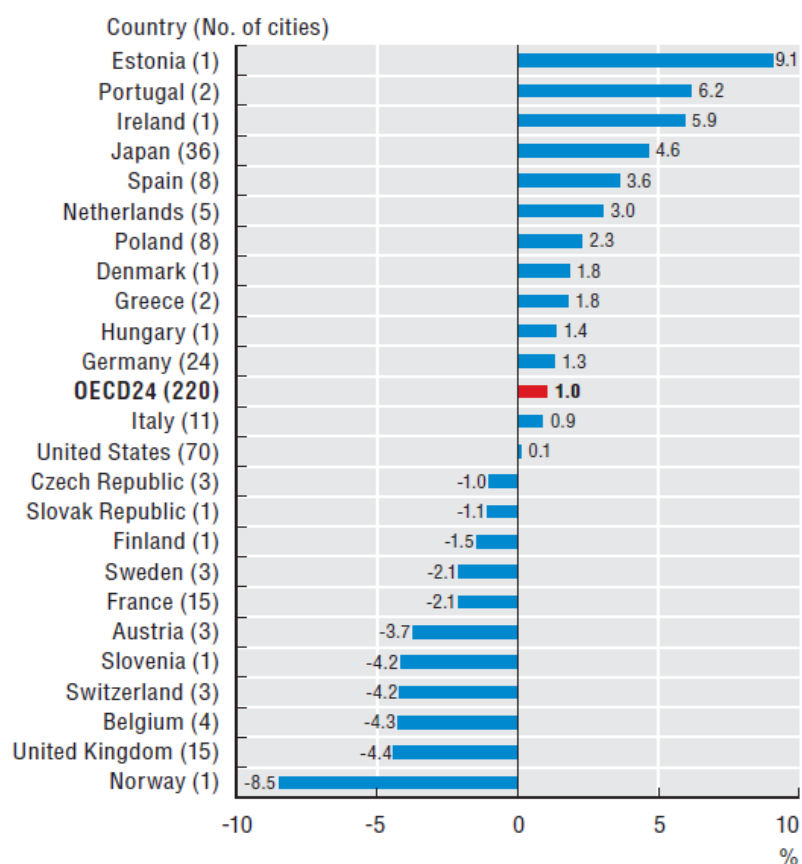
Cities lie at the heart of Europe's objectives for smart, sustainable and inclusive growth. They are central to the challenges faced, but also offer the greatest potential for change.


**Smart growth:** As already noted, the importance of agglomeration economies means that cities will continue to play an important role in the emergence and growth of knowledge-based industries. Cities generally have a more advantageous position than other areas in terms of the existing location of advanced business services and high-tech industries such as biotechnology, as well as knowledge infrastructure and venture finance. However, Europe needs to ensure that the cities make effective use of these advantages in growing new industries, as well as ensuring that those cities that are lagging behind or in the process of conversion from more traditional sectors also build a new knowledge base. However, smart growth is about more than just high technology; creative industries and other knowledge-based sectors are also largely city-oriented.

A particular development is the phenomenon that first emerged in Detroit (USA), which is called 'shrinking cities' (Martinez-Fernandez, 2012). This phenomenon is especially for medium-sized cities formerly dominated by industry, but which experienced significant population emigration to economically better-developed areas.

**Sustainability:** Cities have significant ecological footprints, yet their very concentration presents both a challenge to the development and implementation of new environmental technologies and an opportunity to make effective use of those technologies. High density in cities has been claimed to be more efficient in the use of energy than in suburbs and rural areas, because more people live in smaller apartments, make use of public transport or walk, and generally make shorter journeys (Glaeser, 2011). However, sprawling low-density cities may be the worst outcome, as long journeys and car dependence are combined with a wasteful use of land and large family homes that are energy intensive. Overall, CO<sub>2</sub> emissions per capita in cities vary considerably, with some well above national averages and others below (OECD, 2013), although this is affected by the location patterns of major CO<sub>2</sub>-producing industries such as energy generation and steel plants.

**Urban sprawl:** Although Europe has traditionally had relatively dense cities, in some countries sprawl has been growing in recent years, measured as a faster rate of growth of the built-up area than population (OECD, 2013). In the 2000-2006 period, this was particularly high in Estonia, Portugal and Ireland as the three highest in the OECD. Other countries such as the US may have much greater sprawl overall, but densities are no longer falling, whereas in a number of EU countries new developments are being built at densities that are lower than the urban average for those countries.

**Figure 4: Urban sprawl index in OECD metropolitan areas, average by country, 2000-2006**

StatLink  <http://dx.doi.org/10.1787/888932912829>

Source: OECD, 2013.

**Inclusive growth:** Social exclusion tends to be concentrated in cities (Madanipour, 2003). The processes and dynamics of change in large cities in particular in recent decades have tended to result in polarisation of society and in the production of areas of high levels of multiple deprivation. This has been particularly driven by the decline in urban manufacturing in the latter part of the twentieth century and the shift of new employment opportunities to knowledge-intensive activities. Whilst some rural areas have also seen considerable economic restructuring as well, it is in the cities where the greatest concentration of disadvantage remains, both qualitatively and quantitatively. Cities have thus been the focus of social policies for the last four or five decades, including much area-based policy targeted at disadvantaged areas of the city.

Meeting these challenges and turning them into opportunities depends on effective city governance.

Smart-city strategies offer technological solutions to link all of these challenges, making use of ICTs to support new urban growth activities, linking together data to enhance sustainability such as using smart-grid technology or optimising public transport, and meeting the needs and challenges of social exclusion through the better and more intelligent provision of public services (European Innovation Partnership on Smart Cities and Communities, 2013). Yet such smart-city strategies need to be underpinned by effective and inclusive governance, as well as by changes in social behaviour that enable the full use of the new technologies.

Cities are able to address these challenges through a wide variety of approaches, and a general attribute of city strategies is a focus on differentiation through the application of a set of policies intended to make a city distinctive from others (Turok, 2009). The assumption seems to be that, in a highly competitive world, it is better to be distinctive and to build areas of unique competence. Some cities have therefore identified themselves with particular activities as branded cities (Donald *et al.*, 2009) – science cities (Charles, forthcoming), knowledge cities (Yigitcanlar *et al.*, 2008), cities of culture (Garcia, 2005) or of sport (Smith 2005), healthy cities (Ashton *et al.*, 1998), smart cities (Caragliu *et al.*, 2011) and emerald (eco) cities (Fitzgerald, 2010). Alternatively, cities seek to attract events such as sporting events, or to invest in major cutting-edge architecture and cultural sites, cultural festivals, or even seek to emphasise their heritage.

Turok identifies some of these strategies using a simple four-category framework according to whether differentiation is based on tangible or intangible assets, or whether it is based on assets that have evolved over time, or which are amenable to change through policy intervention.

**Figure 5: Sources of distinctiveness**

	<i>Intangible</i>
Skills, knowledge and occupations	Image and identity
<i>Evolutionary change</i>	<i>Amenable to alteration</i>
Firms and industries	Built environment and amenities
	<i>tangible</i>

Source: Turok, 2009.

Some cities have a reputation for particular firms and industries, as their industrial structure has evolved over time through the emergence of particular clusters. As industries mature, some of these attributes decline over time and can become negative, but if the industrial base is a specialised growth cluster then the association with the city is positive. This is currently the focus of smart **specialisation policies in EU Cohesion policy**. A focus on particular occupations may also be difficult to change through policy intervention, although education and training may make a contribution, but this approach can be seen most clearly in the creative-class strategies that many cities are pursuing. Again, Cohesion policy in the form of the ESF may have a role to play in this form of differentiation.

Built-environment strategies often seek to differentiate cities through the creation of new high-amenity urban quarters or the development of flagship architectural projects. New cultural facilities are commonly a feature of such strategies, and in less-favoured regions they have often been supported by the ERDF (Bachtler *et al.*, 2013). Finally, there are the image campaigns which are policy-driven and intangible. This is where **city-branding** comes to the fore (Donald *et al.*, 2009), although the branding of cities is difficult, as their complexity and heterogeneity mean that any brand can only represent selective aspects of a city's nature (Turok, 2009), and indeed an anti-brand stance may be taken by some groups in the city. Again, Cohesion policy may make a contribution to these activities, such as in support for tourism campaigns and major events. European Capitals of Culture are good examples of this form of branding.

## 2.5 Large and small cities compared

City size is an important issue. The extraordinary nature of cities is partly due to the effects of agglomeration, variety, cosmopolitanism and strategic assets, which are mainly to be found in larger cities. For smaller cities, the strategic significance for development and hence for Cohesion policy is likely to be less, although there are some exceptions where cities have a major concentration of knowledge capital, such as Cambridge or Lund and other such small university cities with a population at or below 100,000. Small cities with significant economic problems are often powerless to change their fortunes, whilst affluent small cities have limited capacity to influence wider regional economic dynamics.

It has already been noted that **some economic sectors are unlikely to prosper greatly in small cities**, regardless of the strength of their knowledge base or the prestige of their university. Consequently, the **creative industries** need a **level of critical mass**, and many advanced business services and financial services are likely to remain concentrated in high-status global cities.

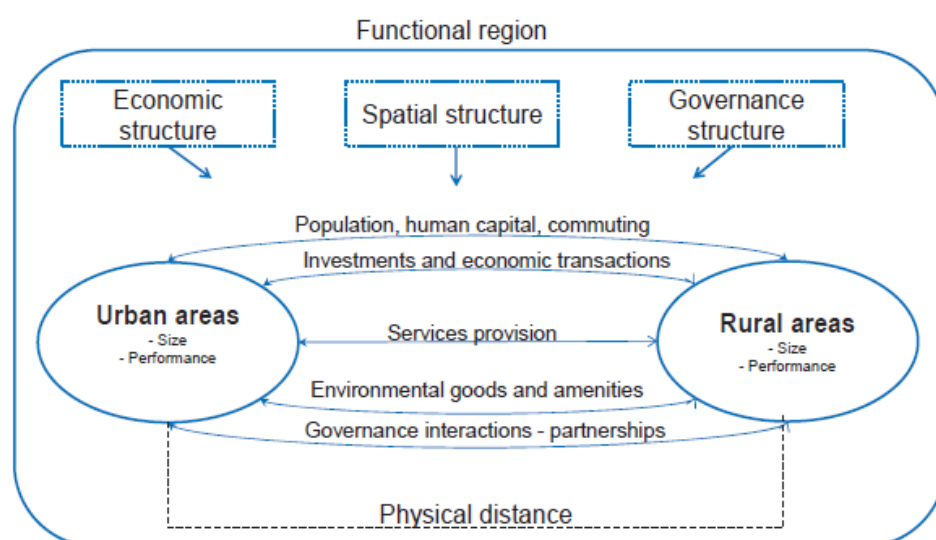
Large and small cities also differ in other respects. All kinds of urban infrastructure and public and private services have particular levels of scale economies, depending on the level of demand and cost of provision. Some activities are in frequent demand and are relatively cheap to provide and so are available in even the smallest settlements, close to the market. Others are rarely required, so markets are small and costs may be high, and therefore they tend to be located only in places of maximum accessibility for the greatest share of the population, hence in large cities. Large cities therefore have the greatest diversity of services and may even have choice among specialist facilities. Small towns may have a small theatre with perhaps an amateur company and occasional visiting performances, and larger towns may have two or three theatres with a mix of local and visiting productions; but only the largest cities such as London will have a theatre district with many different theatres, some with the same production running for months or even years on end. Similar examples of specialisation, diversity and choice can be observed across all kinds of services, even in core public services such as health and education. Larger cities therefore offer greater choice, which helps them to attract talented people and to create greater opportunities for firms. As a result, the policies that can be implemented and the ambitions of large and small cities differ.

## 2.6 City-rural relationships

Whilst in the past the urban and rural areas were regarded as distinct and opposing territories, the distinction between the two has increasingly softened in recent years, and the interdependency between them has strengthened (OECD, 2013b). The **truly rural area and its lifestyle have shrunk, as cities have expanded their hinterland** into areas that were previously regarded as rural, and the population of these areas increasingly commute into the city for work as well as to regularly access retail, cultural and other services. Even beyond these areas though, rural dwellers are increasingly tied into urban economies as the rural economy shifts away from agriculture towards tourism for urban markets and forms of distance-working, with small call-centres and the self-employed providing services to urban markets via ICTs. Many **rural areas now have higher proportions of manufacturing workers than the cities**, and a distinct rural way of life based on agriculture is restricted to a very limited population and a small minority even in the most peripheral of regions.

Rural areas, other than those that were purely subsistence-based, were always dependent on cities for their market for agricultural produce, but, with the shifts in the knowledge economy, that interdependence has become much deeper, also facilitated by greater access to both physical and virtual communications. The nature of these interactions and deepening of relationships may be seen as increasingly of a partnership nature, where flows are two-way and a variety of governance systems have evolved to manage the relationships (see Figure 6).

**Figure 6: Urban-rural relationships within functional regions**



Source: OECD, 2013b.

Proximity is important to the nature of urban-rural links and relationships, and rural areas close to cities tend to have stronger patterns of interaction, with a reduction of their rural character. Such areas may benefit to some degree from the development of the city through commuting and supply-chain linkages. Those rural areas that are more distant from cities and lack connectivity may experience weaker relationships. However, on a European scale, some rural areas are benefiting from improved connectivity due to the changing nature of tourism. The combination of growing rural tourism and improvements in local access with the growth of low-cost airlines has meant that many peripheral areas now have much-enhanced personal accessibility to major EU markets. Low-cost airlines enable two-way travel for business as well as tourism, unlike earlier package-holiday airlines, and hence areas such as the Greek islands and parts of rural Spain have much better connectivity than before. Yet, what drives these changes is the nature of demand in the urban areas rather than the needs of the rural areas.

The OECD (2013b) has identified governance partnerships between urban and rural areas as offering potential for enhanced growth in the rural areas, and in some countries the nature of regionalisation facilitates this kind of interrelationship. However, a **focus on city-regions is more likely to emphasise the immediate rural hinterland of the cities rather than a more distant rural periphery.**

## 2.7 Conclusions

Although widely discussed and systematically analysed, the **role of cities is still somewhat undefined**. There are several **different approaches** on how to capture the differences of cities using typologies (e.g. OECD, FOCI, LUZ). However, all those approaches are still too broad. **City typologies in general lack the acknowledgement of aspects** such as:

- The **different positions** of cities and urban areas in different Member States – in small Member States, smaller cities have an economically and socially higher ranking than in larger Member States.
- **Different typologies** do not acknowledge a standardised system boundary. Cities and their hinterlands do not orient along administrative borders, which, in practice, are most relevant for policy development in different Member States. Moreover, those Member States with a federal system orient along administrative borders at federal level.
- **Comparisons between agglomerations differ in their size** cut-off. Some include small towns, while others only consider larger urban areas. Furthermore, metropolitan areas encompass substantial hinterlands with some rural areas as well. Comparison between metropolitan cities and the rest of the territory is more like comparison between very small settlements and highly rural areas on the one hand and the rest of the national territory on the other hand.
- Research and innovation are not always related to city size, and smaller cities sometimes do have a higher level of innovation interaction and concentration. Larger cities tend to be more concentrated on the service sector.

### 3 URBAN AGENDA IN EUROPEAN POLICY DEVELOPMENT

#### KEY FINDINGS

- The importance of cities and urban areas in relation to Cohesion policy has been debated since 1990. The European Commission has triggered the discussion about this topic in various ways.
- After various agreements, urban aspects were incorporated into the territorial agenda for the first time in 2010. Based on this initiative, the new 2014-2020 programming period enhanced the role of cities and underlined it with Cohesion policy legislation.
- There are **five levels of involvement** of cities and urban factors in the new programming period: European level, Member State levels (strategic level, ERDF programme level, and implementation level), and local level (project level).
- There are numerous instruments and possibilities for Member States to involve cities, but the **involvement in the programming phase has not been satisfactory**. One important reason for the lack of involvement in some Member States is the fact that obligatory regulations were only officially ready for implementation when most of the Partnership Agreements had already been completed.
- The involvement of urban areas and cities in the new 2014-2020 programming period will again be mainly at the project level. With some new tools (ITI, CLLD) introduced by the European Commission, although only reluctantly implemented by MSs, there is scope during the next 7 years for urban agendas to be more unified and better positioned across the EU.
- The European Commission proposes to introduce an **urban network** or platform that will encompass and conduct the multiple initiatives currently in operation Europe-wide. This implies a great need for one urban agenda that works as an umbrella for all European urban-related initiatives.
- The innovative project approach of the European Union, allowing urban stakeholders to apply for funding for urban innovations, is one new possible means of strengthening the position of urban aspects, as well as allowing the European Commission to learn more about urban needs.

This section describes the development of urban agendas in European Cohesion policy during the last 25 years and its implications for the 2014-2020 programming period. The new urban-related instruments and approaches in the 2014-2020 programming period are reviewed, and the involvement of cities is critically appraised.

#### 3.1 The urban agenda in the European policy debate between 1990 and 2013

The need for increased support for urban development at European level has been widely discussed and recognised throughout the last two decades. The EU has supported the sustainable development of cities and urban areas in Europe as key centres of competitiveness, innovation and creativity since 1990. From 1998, the European Union acknowledged the necessity of urban agendas and during **1998 and 2000** started to implement **urban activities at project level**.

Between 1990 and 1998, urban aspects were mainly dealt with at project level. A major step towards a European policy was the **Lille Action Programme** adopted in 2000, which initiated the political discussion about integrated urban development and the need to actively implement urban policy agendas on a European level (see Table 2). After the agreement on a political agenda to strengthen urban development in Europe in the form of the **Urban Acquis 2004** (EU2004.NL, 2004), the **Bristol Accord 2005** was an important platform for defining sustainable city-planning and the different use of instruments appropriate for urban development. The **Leipzig Charter 2007** was based on a strongly defined foundation. In 2007, for the first time the urban agenda was included in an **official Cohesion policy paper** – the **Territorial Agenda 2007**, a political declaration to integrate urban aspects into territorial cohesion, followed by the **Toledo Declaration 2010** and the **Territorial Agenda of the European Union 2020**.

**Table 2: Stages of the 'urban dimension' in European policy development**

Date	Initiatives and actions taken	Aim and objectives
Nov 2000	Lille Action Programme	<ul style="list-style-type: none"> <li>• Proposal for a multi-annual programme of cooperation in urban affairs in the EU, adopted at the informal meeting of ministers dealing with urban affairs;</li> <li>• Initiation of the political discussion about integrated urban development;</li> <li>• Need to actively implement urban policy agendas at European level.</li> </ul>
Nov 2004	Urban Acquis <sup>1</sup>	<p>Agreement on a political agenda for strengthening urban development in Europe.</p> <p>Agreement on the following criteria:</p> <ol style="list-style-type: none"> <li>(1) definition of priorities;</li> <li>(2) mechanism for successful urban policy;</li> <li>(3) engagement of stakeholders;</li> <li>(4) emphasis on the right special balance;</li> <li>(5) encouraging Good Practice, Policy-Learning and Capacity.</li> </ol>
Dec 2005	Bristol Accord <sup>2</sup>	<p>Eight characteristics of a sustainable community with a focus on the importance of:</p> <ol style="list-style-type: none"> <li>(1) <b>Active, inclusive and safe</b> – fair, tolerant and cohesive with a strong local culture and other shared community activities;</li> <li>(2) <b>Well run</b> – with effective and inclusive participation, representation and leadership;</li> <li>(3) <b>Well connected</b> – with good transport services and communication linking people to jobs, schools, health and other services;</li> <li>(4) <b>Well served</b> – with public, private, community and voluntary services that are appropriate to people's needs and accessible to all;</li> <li>(5) <b>Environmentally sensitive</b> – providing places for people to live that are considerate towards the environment;</li> <li>(6) <b>Thriving</b> – with a flourishing, diverse and innovative local economy;</li> <li>(7) <b>Well designed and built</b> – featuring quality build and natural environment;</li> <li>(8) <b>Fair for everyone</b> – including those in other communities, now and in the future.</li> </ol>

<sup>1</sup> EU2004.NL (2004) Ministerial Meeting Urban Policy 'Cities Empower Europe' Conclusions Dutch Presidency 2004, Ministry of Interior and Kingdom Relations, The Netherlands, 13/01/2005. p. 2.

<sup>2</sup> Office of the Deputy Prime Minister UK (2005) Bristol Accord Conclusions of Ministerial Informal Meeting on Sustainable Communities in Europe. UK Presidency. Bristol, 6-7 December 2005.



Date	Initiatives and actions taken	Aim and objectives
May 2007	Leipzig Charter on Sustainable European Cities	<ul style="list-style-type: none"> <li>• Recommendation towards greater use of integrated urban development policy approaches;</li> <li>• Emphasis on the importance of systematic and structured exchange of experience and knowledge in the field of sustainable urban development.</li> </ul>
May 2007	Territorial Agenda of the EU 2007 <sup>3</sup>	<ul style="list-style-type: none"> <li>• Adopted at an informal meeting of ministers on urban development and territorial cohesion;</li> <li>• Emphasis on strengthening territorial cohesion and presents territorial priorities for the development of the EU, two of which directly concern urban regions and cities:               <ol style="list-style-type: none"> <li>(1) Strengthening polycentric development and innovation through networking of city-regions and cities;</li> <li>(2) New forms of partnership and territorial governance between rural and urban areas.</li> </ol> </li> </ul>
June 2010	Toledo Declaration	<ul style="list-style-type: none"> <li>• Addresses the current urban challenges and the implementation of the Europe 2020 strategy by achieving smarter, more sustainable and socially inclusive urban development;</li> <li>• Supports the further implementation of the European Reference Framework for Sustainable Cities (RFSC);</li> <li>• Highlights the need to consolidate a European urban agenda in the future.</li> </ul>
May 2011	Territorial Agenda of the European Union 2020 <sup>4</sup>	<p>Understands urban areas as particularly important regions to focus on and refers directly and indirectly to urban issues in the following territorial priorities:</p> <ol style="list-style-type: none"> <li>(1) promoting polycentric and balanced territorial development;</li> <li>(2) encouraging integrated development in cities, rural and specific regions;</li> <li>(5) improving territorial connectivity for individuals, communities and enterprises;</li> <li>(6) managing and connecting ecological, landscape and cultural values of regions.</li> </ol>

### 3.1.1 Funding instruments in Cohesion policy between 1989 and 2006

The urban dimension in EU policy was initiated with the setting-up of innovative approaches to urban regeneration, the **Urban Pilot Projects (UPPs)**. The UPPs consisted of two stages and started in 1989. The funding possibilities were provided with a specific **Article 10 of the ERDF Regulation**, which allowed Member States to spend **1% of the mainstream Structural Funds** activities on a series of innovative measures across the European territory (European Commission, Urban Pilot Projects, Article 10). During 1990 and 1993, 33 urban pilot projects were initiated. The **follow-up** of the first phase of UPPs involved €163.2 million between **1994 and 1996**, with 40% co-financing in Objective 1 regions and up to 50% co-financing in Objective 2 regions.

<sup>3</sup> Territorial Agenda of the European Union. Towards a more competitive and sustainable Europe of diverse regions. Agreed on the occasion of the Informal Ministerial Meeting on Urban Development and Territorial Cohesion. Leipzig 24/25 May 2007.

<sup>4</sup> 2011.hu (2011) Territorial Agenda of the European Union 2020. Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions. Agreed at the Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development on 19 May 2011. Gödöllő, Hungary.

During the early involvements of urban aspects, the European Commission published the following list of essentials for urban support and development:

- Integrated approaches to regeneration;
- Improved competitiveness in EU cities;
- Creating employment and combating social exclusion;
- Sustainable urban development;
- Organisation and partnership development;
- The integration of projects into wider regeneration programmes;
- Contributions to the urban policy debate (European Commission, Urban Pilot Projects, Annual Report 1996).

Based on the lessons learned from the UPPs, in **1994** the European Commission adopted the **URBAN I Community Initiative**, which followed the principle logic of any Operational Programme with a special focus on urban aspects (see Table 3).

**Table 3: URBAN I information table**

<b>URBAN I</b>	
<b>Short description</b>	URBAN I targeted neighbourhoods in extreme deprivation. It addressed the problems of isolation, poverty and exclusion of their inhabitants through interventions that improved the ensemble of their physical and social circumstances. Eighty-five programmes were launched in June 1994, and a further 33 programmes were launched in a 'second wave' in 1996.
<b>Timeframe</b>	1994-1999
<b>Budget</b>	Total EC contribution amounted to approximately ECU 891 million at 1996 prices. Contribution: 82% provided by the ERDF and 18% by the ESF.
<b>Target Areas</b>	Total of 118 urban areas: <ul style="list-style-type: none"> <li>• inner-city areas</li> <li>• historic city centres</li> <li>• peripheral areas – districts at the periphery of urban agglomerations, often difficult to access, on large social housing estates or abandoned industrial sites.</li> </ul>
<b>Funding</b>	Total eligible investment €1.8 billion. 57% of the programmes in Objective 1 areas 27% of the programmes in Objective 2 areas.

**Source:** European Commission (1999) Urban Community Initiative 1994-1999. [http://ec.europa.eu/regional\\_policy/archive/urban2/urban/initiative/src/frame1.htm](http://ec.europa.eu/regional_policy/archive/urban2/urban/initiative/src/frame1.htm).

The **URBAN II Community Initiative**, as a follow-up of URBAN I, built on the lessons learned by encouraging 'economic and social regeneration of cities and neighbourhoods' in crisis in order to promote sustainable urban development (European Commission, 2000). URBAN II specifically focused on the need for integrated strategies for urban areas.

**Table 4: URBAN II information table**

<b>URBAN II</b>	
<b>Short description</b>	URBAN II was intended to offer distinct added value and be complementary to mainstream programmes. This was to be achieved by investing in the formulation and implementation of especially innovative strategies for sustainable economic and social regeneration, promoting pioneering and visible change in a limited number of urban areas throughout Europe. The new URBAN II Initiative was proposed as a bridge between innovative approaches (e.g. LIFE) and the incorporation of Structural Funds activities (European Commission, 2000).
<b>Timeframe</b>	2000-2006
<b>Budget</b>	€700 million at 1999 prices.
<b>Target Population</b>	The population coverage of each urban area had to be at least 20,000, but this minimum could be reduced to 10,000 in duly justified cases.
<b>Target Areas</b>	Urban areas with at least three of the following criteria: <ul style="list-style-type: none"> <li>• a high level of long-term unemployment;</li> <li>• a low level of economic activity;</li> <li>• a high level of poverty and exclusion;</li> <li>• a specific need for conversion, due to local economic and social difficulties;</li> <li>• a high number of immigrants, ethnic and minority groups, or refugees;</li> <li>• a low level of education, significant skills deficiencies and high drop-out rates from schools;</li> <li>• a high level of criminality and delinquency;</li> <li>• precarious demographic trends;</li> <li>• a particularly run-down environment.</li> </ul>
<b>Funding</b>	ERDF up to 75% of the total cost in the Objective 1 regions and up to 50% elsewhere – minimum of €500/inhabitant. Furthermore, the measures supported by the ESF under Objective 3 should promote social cohesion even in those towns and cities not covered by Objectives 1 and 2.

**Source:** European Commission (2000) Communication from the Commission to the Member States of 28.4.00 laying down guidelines for a Community Initiative concerning economic and social regeneration of cities and of neighbourhoods in crisis in order to promote sustainable urban development URBAN II. Brussels, 28.4.00 C(2000) 1100 - EN.

### 3.2 Urban mainstreaming in the 2007-2013 programming period

Following a comprehensive discussion on the simplification of Cohesion policy funding during the preparation of the 2007-2013 programmes, the European Commission took several steps towards mainstreaming urban actions in Cohesion policy. In this respect, the 2007-2013 Cohesion policy period enhanced the **integration of Community Initiatives** into **mainstream programmes**. Consequently, the URBAN initiative was not taken up again. Instead, the principles that underpinned URBAN were mainstreamed within the individual programmes addressing the three main objectives of Cohesion policy (Convergence, Regional Competitiveness and Employment, and Territorial Cooperation) (EC No. 1083/2006). Article 8 of the **ERDF** 2007-2013 Regulation (EC No. 1080/2006) provided the legal basis for the implementation of integrated urban development of **URBAN-type** projects.

To characterise the urbanisation of the 2007-2013 programming period, two points should be highlighted (EU No 1080/2006).

- In **contrast** to the URBAN programmes in the previous programming periods, all **urban areas in the EU** became potential beneficiaries of EU Cohesion policy for the first time. This was a significant expansion of potential for integrated urban development projects funded by the ERDF.
- At the same time, **no legal obligation for the Member States** was foreseen to include an urban dimension in individual programmes or to concentrate funds on the urban dimension. The decision about the implementation of urban aspects lay at the Member State level. Consequently, the Operational Programmes for the ERDF varied considerably in this regard. Some had a Priority Axis on the urban dimension; others implemented participative, integrated and sustainable strategies in single operations or projects.

Under the **ESF**, actions with an urban dimension were undertaken during the 2007-2013 period, e.g. expanding and improving investment in human capital and training systems, strengthening institutional capacity, increasing the adaptability of workers, enterprises and entrepreneurs, and enhancing access to employment and sustainable inclusion in the labour market, as well as promoting partnerships (EU No. 1081/2006 Article 3). Again, no legal obligation for implementing urban aspects was foreseen in the ESF Regulations.

In order to ensure better implementation in mainstreaming urban projects beyond the URBAN-type activities within the Member States, the European Commission published **guidelines** that included **three main actions** regarding urban issues in Cohesion policy instruments (European Commission, 2008, *Fostering the urban dimension*, p. 10). The guidelines proposed three types of different territorial dimensions in which urban projects could be supported:

- Internal cohesion in deprived urban neighbourhoods (URBAN-type actions): *these actions follow an integrated, area-based approach, focus clearly on disadvantaged urban areas, and are generally programmed under Article 8;*
- City-level projects tackling sustainable urban development related to sectoral challenges: *they may aim to increase competitiveness, innovation and job creation, to rehabilitate city centres and brownfield areas, or to develop urban infrastructures;*
- City networks towards polycentric development: *development of networks of cities, inter-municipal cooperation, and questions of metropolitan governance and urban-rural linkages* (European Commission, 2008, *Fostering the urban dimension*, p. 10).

In addition to mainstreaming urban agendas, the 2007-2013 programming period continued the **URBACT** programme co-financed by ERDF as a means for urban representatives to **exchange experience and know-how**.

**Table 5: URBACT I-II**

URBACT	
<b>Short description</b>	URBACT is a European exchange and learning programme promoting sustainable urban development and sharing good practice. URBACT enables cities to work together to find and share innovative, sustainable and integrated solutions to major urban challenges and focuses on an integrated and participative approach to urban renewal in deprived neighbourhoods.
<b>Timeframe</b>	URBACT I 2003-2006 URBACT II 2007-2013
<b>Budget</b>	Jointly financed by the European Union (European Regional Development Fund) and the Member States.
<b>Target Areas</b>	URBACT is 500 cities, 29 countries and 7,000 active participants.
<b>Funding</b>	Financed by ERDF URBACT I: €0.6 million URBACT II: €60 million
<b>Results</b>	From 2003 to 2006, 28 URBACT programmes focusing on six key topics: Citizen participation, Economic development and employment, Immigrant populations, Integrated urban renewal, Urban security, Young people. 274 partners (cities, states, regional authorities, universities, private organisations, charities), 29 countries.

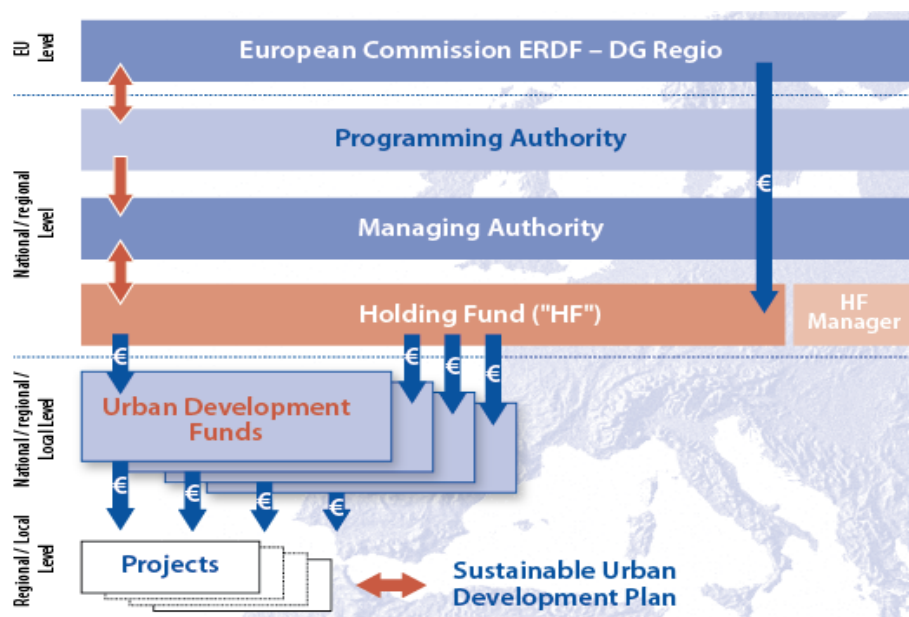
**Source:** <http://urbact.eu/en/about-urbact/urbact-2014-2020/#overview>.

### Financial instruments

The 2007-2013 programming period also introduced a new **financial instrument** specifically targeted towards urban areas and related projects. **JESSICA** (Joint European Support for Sustainable Investment in City Areas) (see Figure 7) was jointly developed with the European Investment Bank and aims to enhance the use of repayable financial support and the use of leverage effects. The EIB offered support in the development and management of the instrument. JESSICA has been essential for the learning effect and enhanced the capabilities of public authorities in learning how to use financial instruments. Difficulties arise with the sometimes **contradictory national and regional laws** as well as the lack of previous experience in managing such instruments. However, the learning effect has been focused more on aspects of the financial instruments, rather than on urban-related issues (European Investment Bank, JESSICA evaluation reports 2014). Recent evaluations of JESSICA implementation<sup>5</sup> (which has been implemented in 13 of the EU15 and 10 of the EU12) revealed that certain obstacles must be considered when implementing instruments of this kind in future:

- In many cases, the **involvement of private investors has been less successful** than hoped for, partly because the public organisations administering those instruments were not sufficiently experienced in entrepreneurial thinking.
- Private investors have different, more **market-driven objectives** (e.g. shopping centre), rather than becoming involved in likely deficit projects of urban infrastructure.
- Another drawback was the fact that integrated urban development, a key aspect of JESSICA, was perceived differently in each Member State, since there was no unified definition (European Investment Bank, 2009).

<sup>5</sup> EIB Evaluation Studies available at: <http://www.eib.org/products/jessica/studies/evaluation.htm>.

**Figure 7: JESSICA scheme**

Source: European Investment Bank 2014.

### Typology of urban action

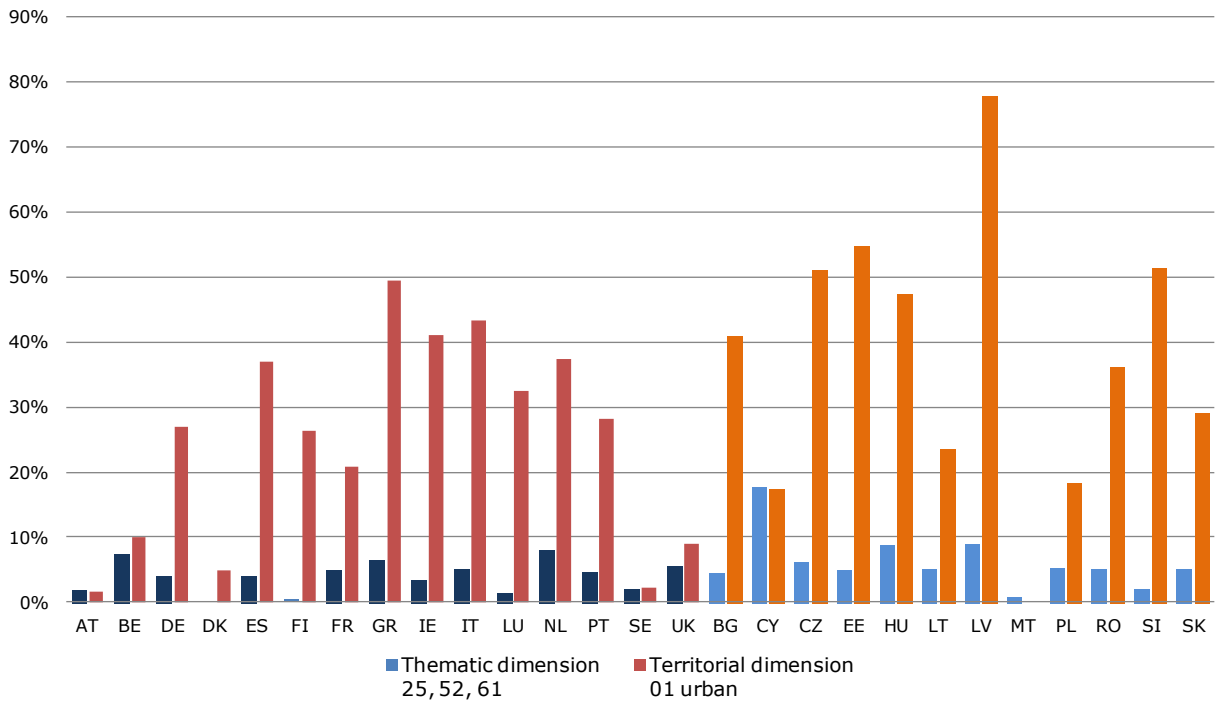
Summing up the implementation of the 2007-2013 programming period in the Member States, ERDF funded the following typology of urban action:

1. **Single sector, physical/infrastructure actions** – focused on physical infrastructure (e.g. redeveloping the public space in particular streets or neighbourhoods, renewing city water-treatment works etc.);
2. **Mixed actions** – beyond infrastructure investment (e.g. development of business support services / incubators with both infrastructure (buildings) and service provision elements);
3. **Neighbourhood-based, multi-sectoral actions involving partnership** ('URBAN-type' actions) – focused on the regeneration of disadvantaged/run-down neighbourhoods, involving a combination of physical, economic and social elements. Such actions involved a specific geographical focus and concentration of resources, as well as a coordinated cross-sectoral approach and partnership-working (Ecorys, 2010, The urban dimension of the ERDF).

### Financial allocation

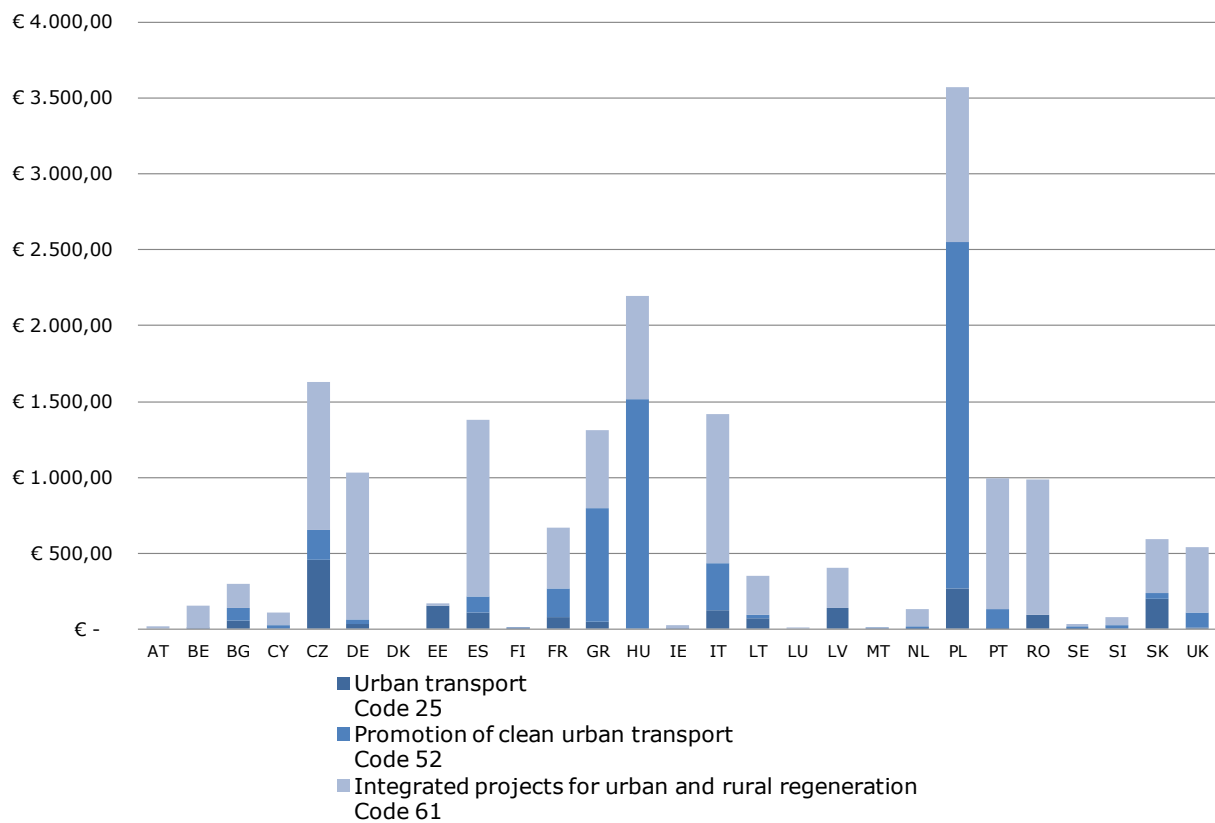
ERDF and ESF Operational Programmes in the 2007-2013 programming period allocated urban-related budgets according to Commission Regulation No. 1828/2006, Annex II. The coding revealed different urban-related financial allocations. For Operational Programme budgets, only **three codes in the thematic dimension** directly referred to urban aspects: 25: Urban transport; 52: Promotion of clean urban transport; 61: Integrated projects for urban and rural regeneration. Most of the other codes were relevant for urban project implementation but directly related to research and ICT, infrastructure and labour markets. Around €18 billion (**5% of the total ERDF budget**) were allocated to the three directly related thematic codes. Figure 8 shows that the allocation of urban-related topics was slightly higher in the EU12 (total 6%) than in the EU15 (total 5%). The allocation of urban-related topics in cross-border programmes was around 1%. Again, these expenses relate only to codes 25, 52 and 61. If one compares the allocations according to the **territorial codes 01 urban** (No. 1828/2006, Annex II), the urban-related expenses are much higher, at **33% of the Structural Funds budget**. Again, a higher share of urban allocation can be observed in the EU12 with 34% than in the EU15 with 33%.

**Figure 8: Financial allocation directly related to urban topics as percentage of total Community budget**



Source: ERDF evaluation network 2013.

**Figure 9: MS allocation of urban-related thematic codes ERDF 2007-2013 in Mio Euro**



Source: ERDF evaluation network 2013.

When comparing Member States and the respective division between the different codes, the following is noteworthy (see Table 6):

- In absolute budget terms, Poland spent the most on urban-related aspects;
- 57% of the urban-related budget was spent on code 61: integrated projects for urban and rural regeneration. However, the percentage allocated to urban areas is not clear from the data;
- 32% of the **urban-related** projects concerned clean urban transport;
- Only 10% of the **urban-related** projects concerned general transport subjects;
- The EU12, with 34% of the **urban-related** budget, allocated more to clean transport than the EU15, which allocated 31% of the **urban-related** budget to clean transport.

**Table 6: Total allocation of urban-related thematic codes ERDF 2007-2013**

	Urban transport Code 25	Promotion of clean urban transport Code 52	Integrated projects for urban and rural regeneration Code 61	Total urban-related budget
EU12	€802,299,240	€2,627,901,912	€4,268,218,596	€7,698,419,748
EU15	€1,052,702,415	€3,240,635,868	€6,112,490,195	€10,405,828,478
EU12	10%	34%	55%	100%
EU15	10%	31%	59%	100%

Source: ERDF evaluation network 2013.

### Project implementation with urban relevance

Another case study report published by the European Commission in 2013<sup>6</sup> revealed that **more than half of the ERDF programmes had a visible urban dimension** and had identified actions within the scope of urban challenges. However, the main focus was on sectoral measures. The case studies distinguished between projects related to smart growth, sustainable growth, inclusive growth, general integrated approach, housing, financial engineering, participation and cooperation networks. Table 7 summarises the general conclusions of the study.

**Table 7: General conclusions from the ERDF case studies**

Thematic orientation	General objectives	Conclusions
Smart growth	Business incubators, cultural investments, science parks	From the 8 case studies provided, all 4 EU12 case studies concentrated on substantial infrastructure development of buildings. Projects started mostly from scratch. The EU15 concentrated on existing structures. The EU12 ERDF budget was larger, representing a substantial part of investments, while the EU15 budget in the case studies only provided a minor part. For the latter, the success of projects very much depended on the integration of ERDF funding strategies in the general strategies of cities. On the other hand, for the EU12 projects starting from scratch, there were risks of lack of focus on demand and lack of smart specialisation.

<sup>6</sup> Ramsden P. *et al.* (2013) Urban Development in the EU: 50 projects supported by the European Regional Development Fund during the 2007-2013 period. European Commission. Final Report March 2013.



Thematic orientation	General objectives	Conclusions
		In some cases, the size of the project led to it becoming politicised and consequently led it in a different direction than originally planned. However, smart growth mainly concentrates on technology innovation and economy but does not address social and environmental issues.
Sustainable growth	Energy efficiency	The case studies concentrated mainly on energy efficiency, but the involvement of economy and the labour market was lacking.
Inclusive growth	Social inclusion	The case studies showed that the ERDF cannot be employed as the sole instrument to tackle inclusive growth. Projects lack a proper foundation if the defined integrated approach is not adequate. Hence, other Funds need to be included as appropriate (mainly national and ESF).
General integrated approach	Policy management, sustainable urban development	The culture of networking and cooperation in the form of city networks is more distinctive in the EU15. Governance culture is more assimilated in the EU15 and the experience from URBAN and URBACT clearly makes a difference.
Financial engineering	Urban funds	Most of the funds had a long-lasting preparation phase and started comparatively late. Some projects seemed to be realistic initially, but after establishing a fund they turned out to be not realisable. However, this outcome proved that different types of funds need different financial engineering structures. There is a tendency to invest such funds in single projects with near-to-market viability and leave other elements such as transport to the public realm.

**Source:** European Commission, 2013, Urban Development in the EU: 50 projects supported by the ERDF.

The study defined differences between the EU12 and the EU15, in that the **EU15 clearly gained advantage from the use of the previous urban programmes of UPP and URBAN**. Therefore, the EU15 had a better basis for efficient project implementation, whereas the EU12 were only beginning to deal with Structural Funds urban projects. Consequently, the implementation of the integrated approach covering social, economic and ecological aspects was better in the EU15 than in the EU12. The study argued that **horizontal partnership and communication is better developed in the EU15**, accommodating complex urban problems, and better adjusted to the EU-funding criteria (Ramsden *et al.*, 2013, p. 60). Further reasons could comprise a more efficient quality assessment of projects and a better understanding of potential results in project development. In general, the culture of networking and cooperation in the form of city networks is more distinctive in the EU15.

Another explanation for the differences between the EU12 and the EU15 could be the fact that in the former the share of **infrastructure projects due to generally higher EU budgets** is greater, and infrastructure projects as such are more complex with increased risk of obvious failure. Examples of bad practice have included infrastructure projects intended to initiate innovation or economic growth, but which lacked an adequate needs assessment, and which were essentially creating supply without the necessary demand (Ramsden *et al.*, 2013, p. 15). Nevertheless, the study stated that the ERDF played a fundamental role in improving urban project planning and preparation, especially in the EU12.

### Cross-border and international cooperation

ETC programmes other than URBACT have no specific urban focus. Notwithstanding this, several city networks developed from former INTERREG projects. Although most of the urban network activities are focused on URBACT, there is still thematically-oriented urban-related cooperation in other ETC programmes. The main benefit of the project is often knowledge-exchange and learning. However, a distinction must be made between cross-border projects with a common approach and common objectives of the partner cities, where cross-border aspects are jointly tackled in the project (e.g. Vienna, Bratislava – transport connection), and on the other hand with international projects with a clear learning and knowledge-exchange approach rather than seeking to form common solutions. A case study report revealed that the results of URBACT and INTERREG projects are not taken up by the mainstream ERDF programmes. In some cases, new innovative solutions developed in ETC programmes are left there without any further use. **A better link between mainstream programmes and ETC should help to improve efficiency in implementing ETC project results** (Ramsden *et al.*, 2013, p. 58).

## 3.3 Enhancement of the role of cities and urban areas in the 2014-2020 Cohesion policy

The 2014-2020 programming period further enhances the role of urban areas in Cohesion policy and acknowledges the importance of cities and towns for the future development of Europe. Between 2014 and 2020, the formal competence on issues of urban policy increases insofar as **urban issues comprise a compulsory element** in OPs according to Article 8 (Sustainable Urban Development) of the ERDF Regulation (EU No. 1301/2013). Article 12 of the ESF Regulation proposes a complementary contribution to sustainable urban development strategies (EU No. 1304/2013).

### 3.3.1 Urban-related interventions 2014-2020

The new regulations include several different aspects and provide tools and potential for implementation at different levels (see Table 8).

**Table 8: Different levels of urban-related interventions 2014-2020**

Level of intervention	Interventions according to the EC regulations – 2014-2020
European level	Urban Development Network
	Innovative urban actions
Member State level – strategic level	Enhance the involvement of cities and urban areas in the Partnership Agreement
	Integrated Sustainable Urban Development
	ESF should provide a complementary contribution
Member State level – programme level	Urban-related investment priorities
	Ring-fencing funding
Member State level – implementation level	Involvement of integrated territorial investments
	Involvement of CLLD
Local level – project level	Territorial cooperation

Source: EU No. 1301/2013, EU No. 1303/2013, EU No. 1304/2013 (own adaptation).

## European level

1. Strengthening networking with the establishment of the **Urban Development Network** (EU No. 1301/2013, Article 9). Under Article 9 of the ERDF Regulation, the Commission intends to establish an Urban Development Network comprising urban authorities involved in ESI Funds. The network, which is not a funding instrument but provides a platform, should enhance capacity-building and exchange between cities, pioneering new techniques and developing integrated investments (EU No. 1301/2013). The Urban Development Network should be more of a vehicle of European urban development and actions related to Cohesion policy, and it should closely adapt to the existing structures.
2. **Innovative urban actions** (EU No. 1301/2013, Article 8). Innovative actions should support and enhance innovative and experimental demonstration projects and studies of particularly interest for the whole EU area. The actions should be related to sustainable urban development and can target all 11 Thematic Objectives. The application and bidder system is directly linked to the European Commission with a total budget of €330 million for seven years. The applicants should be cities or groups of urban areas with a minimum of 50,000 inhabitants. Projects should not exceed €5 million for a maximum of three years and will be co-financed up to 80%. Calls will be published on the European Commission website. It is yet to be seen whether this new approach creates value-added. Nevertheless, it opens up further potential for cities to participate at the European level.

## Member State level – strategic level

3. **Enhance the involvement of cities and urban areas in the Partnership Agreement** (EU No. 1303/2013, Article 15). In addition to the principles and tools at the level of the Operational Programmes, the new Cohesion policy legislation instructs Member States to involve city representatives in the Partnership Agreement process. However, the involvement has no specification and can range from a rather informative character to personal involvement of city representatives in the Partnership Agreement process.
4. Enhancing the approach of **Integrated Sustainable Urban Development** with integrated investment strategies in order to better concentrate resources in an integrated manner (EU No. 1301/2013, Article 7). Integrated urban development, as outlined in Article 7 of the ERDF Regulation, is associated with a basic principle regarding ERDF targeting, which includes the elaboration of integrated strategies *'that tackle the economic, environmental, climate, social and demographic challenges of urban areas'*. This includes on the one hand resource concentration in urban areas with specific challenges and on the other hand support for urban projects in all Operational Programmes. In other words, it introduces a general mindset that should be followed in the new programming period.
5. **ESF** should provide a **complementary contribution** to such integrated urban strategies (EU No. 1304/2013, Article 12). The ESF has no specific investment priority targeted at urban areas; however, it is seen as complementary to ERDF activities. Specific references to urban areas are made in support of community-led local development strategies in urban and rural areas. In reality, the ESF programming lacks urban integration, since no obligations are provided.

**Member State level – programme level**

6. **Directly linked investment priorities in the ESI Funds** (EU No. 1301/2013, Article 5). With regard to specific Cohesion policy instruments, only the ERDF involves **Thematic Objectives** targeting urban areas. While all 11 Thematic Objectives of the general regulation are relevant for urban areas, a direct relation is defined for particular **investment priorities** in the ERDF Regulation, as shown in Table 9. The lack of adjustment between the different ESI Funds allows the generally very progressive approach related to urban aspects of the General Regulation to be reduced to ERDF investment priorities. Only urban areas are directly targeted.

**Table 9: Urban-related Thematic Objectives and investment priorities**

Thematic Objective		Investment Priorities
4	Supporting the shift towards a low-carbon economy in all sectors.	Investment priority (e): Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multi-modal urban mobility and mitigation-relevant adaptation measures.
6	Preserving and protecting the environment and promoting resource efficiency.	Investment priority (e): Taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures.
8	Promoting sustainable and quality employment and supporting labour mobility.	Investment priority (b): Supporting employment-friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and enhancement of accessibility to, and development of, specific natural and cultural resources.
9	Promoting social inclusion, combating poverty and any discrimination.	Investment priority (b): Providing support for physical, economic and social regeneration of deprived communities in urban and rural areas.

Source: EU No. 1301/2013, Article 5.

7. **Ring-fencing funding** for integrated urban development of a minimum of 5% of the ERDF resources (EU No. 1301/2013, Article 7). At least 5% of ERDF resources at national level shall be allocated to integrated actions for sustainable urban development on top of other urban-related measures (DG REGIO, April 2014). In order to fulfil these requirements, each Member State should establish principles for the selection of urban areas where integrated actions for sustainable urban development are to be implemented. These principles are to be presented in the Partnership Agreements. Furthermore, the territorial dimension in OPs has to be defined in the form of statements regarding territorial development and integrated approaches for urban areas.

The original proposal of the European Commission included obligatory use of ITIs for the 5% ring-fencing (Factsheet, Integrated Sustainable Urban Development, 2012). However, during the Trilogues the Council of the EU changed this requirement. The now approved regulations include several options on how to involve the 5% ERDF resources using either ITIs, specific Operational Programmes or even only specific Priority Axes (Article 7(2) of the ERDF Regulation) (Factsheet, Integrated Sustainable Urban Development, 2014). With the 5% resource allocation, the urban representatives should be encouraged to assume **responsibility** for integrated urban projects in the frame of the ERDF. Potentially, Member States are able to use the 5% allocation to create mixed Priority Axes with the condition that cities prepare integrated urban concepts in order to be able to apply for funding.

Those mixed Priority Axes allow 'bypassing' of ITIs and still create an integrated approach for urban areas.

### Member State level – implementation level

8. **Involvement of Integrated Territorial Investments (ITIs)** as a tool for bottom-up management of urban-related issues (EU No. 1303/2013, Article 36). Since sustainable urban development requires an integrated approach involving investments from either ESF, ERDF or CF under more than one Priority Axis of one or more OPs, actions may be undertaken through Integrated Territorial Investments (see Table 10 and Figure 10), as laid out in Article 36 of Regulation No. 1303/2013 (European Commission 2014, Draft guidelines).

These ITIs provide the opportunity to involve the regional level and to use a combination of different funds (ERDF, ESF, CF, EAFRD and EMFF) for the financing of actions. In this way, OPs can be implemented in a cross-cutting fashion supporting the thematic approach and facilitating the appropriate mix of investments in the integrated urban strategies. Moreover, different types of cities and urban areas can be covered, defined by the Member States, which leads to financing different local scales, ranging from neighbourhood or district level to functional areas. The key of defining any territory is the functional unit it should form. But in principle, the territorial definition is flexible but should be duly justified (see Box 2)

### Box 2: ITI territorial definition

It is not compulsory for an ITI to cover the whole territory of an administrative level. An ITI can be implemented at any (sub-national) level for which an integrated territorial development strategy has been set up. It may cover a region, a functional area, an urban or a rural municipality, a neighbourhood or any other sub-national territory. An ITI can also be used in the context of European Territorial Cooperation (ETC) programmes. ITIs are not exclusively linked to urban areas.

**Source:** European Commission, Draft Guidance Fiche for Desk Officers, Integrated Territorial Investment (ITI) Version 3 – 28/01/2014.

A major condition of the development of ITIs is the **Integrated Territorial Strategy**, which should be based on the development needs of the territory, provide links between planned operations and intended change, and follow the same intervention logic as the Operational Programme (Zsolt Szokolai, DG Regio, 2014).

The **Partnership Agreements** (PAs) serve as a basis for the justification of ITIs, since PAs should describe territorial challenges and key issues for the territorial strategy. The concrete territory will then be defined by the MS or regional authorities and be described in the supporting Operational Programmes.

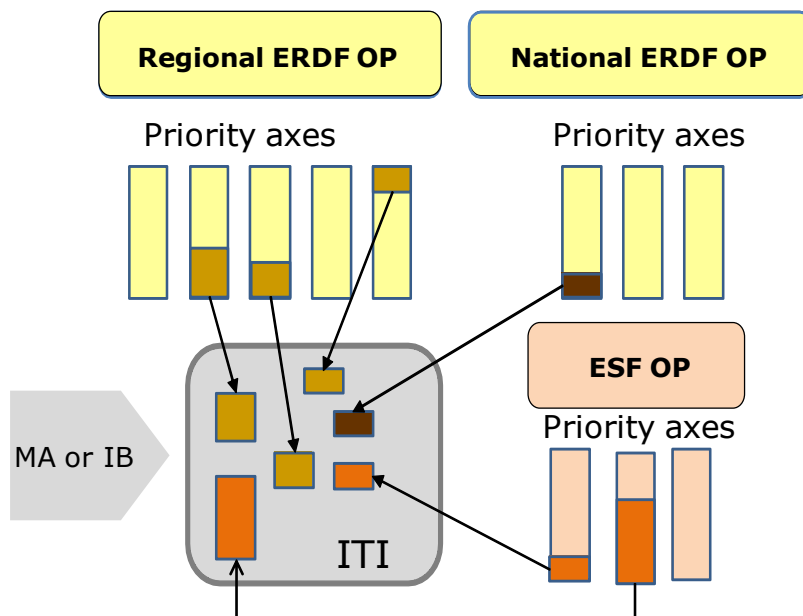
However, the actual advantage of using ITIs instead of defining simple mixed Priority Axes in the regional Operational Programmes has not been understood throughout the programming process. Accordingly, the majority of the **MS and regions have been reluctant** to introduce the ITI tool. The widespread perception is that ITIs increase the complexity of Structural Funds management with additional structures to be implemented.

**Table 10: Integrated Territorial Investments**

<b>ITI</b>	
<b>Short description</b>	<p>Integrated Territorial Investments (ITIs) allow EU Member States to combine investments from several Priority Axes of one or more Operational Programmes for the purposes of multi-dimensional and cross-sectoral intervention.</p> <p>ITI is a tool to implement territorial strategies in an integrated way and to draw on funding from several Priority Axes of one or more Operational Programmes to ensure the implementation of an integrated strategy for a specific territory. As such, the existence of an ITI will both provide flexibility for Member States regarding the design of Operational Programmes and enable the efficient implementation of integrated actions through simplified financing.</p> <p>The key elements of an ITI are:</p> <ul style="list-style-type: none"> <li>• designated territory and an integrated territorial development strategy;</li> <li>• package of actions to be implemented; and</li> <li>• governance arrangements to manage the ITI</li> </ul> <p>(Factsheet, European Commission 2014).</p>
<b>Timeframe</b>	2014-2020
<b>Budget</b>	Flexible
<b>Target Areas</b>	Specific urban neighbourhoods with multiple deprivation at the urban, metropolitan, urban-rural, sub-regional, or inter-regional levels E.g. (Agglomeration of Vienna – Austria, Ruhr area – Germany).
<b>Funding</b>	ERDF, ESF, EAFRD, EMFF, national and regional funding. An ITI can deliver support not only in the form of grants but also through financial instruments.
<b>Results</b>	Integrated urban actions

**Source:** DG REGIO 2014 – Integrated Territorial Investment Factsheet 2014, Draft Guidance Fiche for Desk Officers Integrated Territorial Investment (ITI) Version 3 – 28/01/2014.

**Figure 10: Possible ITI model**



**Source:** European Commission 2014 Draft Guidance Fiche for Desk Officers Integrated Territorial Investment (ITI) Version 3 – 28/01/2014 (own adaptation).

9. **Involvement of CLLD** (EU No. 1303/2013, Article 32). Even more bottom-up than ITIs are CLLDs, where local partners are encouraged to develop local development strategies employing different ESI Funds. Consistency between ESI Funds will be ensured through coordinated capacity-building, selection, approval and funding of community-led local development strategies and local action groups. Contrary to ITIs, CLLDs allow a very bottom-up approach and are also applicable in urban areas (see Table 11 for the key differences between ITI and CLLD). URBACT has for example published a paper openly discussing the possibility of CLLD being implemented as a clearly bottom-up tool in smaller-scale urban areas, while ITI could be used for larger-scale metropolitan areas (Soto *et al.*, 2012).

**Table 11: Differences between ITI and CLLD**

Requirements	ITI	CLLD
<b>Precondition</b>	Urban development strategies or territorial strategies.	Bottom-up integrated area strategy.
<b>Driving direction</b>	Flexible, but public sector-led.	Community-led (public, private, civil society).
<b>Selection criteria</b>	Target areas or principles by which strategies will be selected should be defined in the Partnership Agreement.	MS define selection criteria and target areas, selection of CLLD strategies through competitive procedure led by MA.
<b>Size</b>	Any size, but focus on coherent functional geography.	Sub-regional, 10,000-150,000 inhabitants.
<b>Funding</b>	Single fund (ERDF, ESF, CF) or several funds (ERDF, ESF and/or CF complemented with EAFRD and/or EMFF).	Single fund or several funds (ERDF, ESF, EAFRD, EMFF).
<b>Implementation</b>	By Implementing Bodies or MA.	Strategy and implementation by local action groups.
<b>Obligation</b>	Optional.	Optional except for EAFRD.

Source: Barbara Crome, DG REGIO, 2014.

### Territorial cooperation

10. **URBACT**. In the scope of **European Territorial Cooperation**, the URBACT programme III is based on the success and experience from the past and will most probably use a structure similar to URBACT I and II (see Table 12). Stronger linkages with new instruments and thematic networks for the exchange of experience are targeted. In this sense, the programme is keen to support cities in implementing the newly proposed tools of Cohesion policy legislation, particularly ITIs and CLLD (URBACT OP Draft 7.4.2014, p. 7). **The URBACT programme should work complementarily with the Urban Development Network.**

**Table 12: URBACT III**

<b>URBACT III</b>	
<b>Objectives</b>	To <b>improve the capacity</b> of cities to manage sustainable urban policies and practices in an integrated and participative way; To <b>improve the design of sustainable strategies</b> and action plans in cities; To <b>improve the implementation of integrated and sustainable urban strategies</b> and action plans in cities; To ensure that practitioners and decision-makers at all levels have increased <b>access to knowledge</b> and share know-how on all aspects of sustainable urban development in order to improve urban development policies.
<b>Thematic Objectives</b>	URBACT III will be programmed under 'enhancing institutional capacity and efficient public administration' (TO11), but with a focus on issues related to the five following Thematic Objectives on which the greatest part (70%) of the resources of the programme for exchange and learning will be concentrated: (TO1) strengthening research, technological development and innovation; (TO4) supporting the shift towards a low-carbon economy in all sectors; (TO6) protecting the environment and promoting resource efficiency; (TO8) promoting employment and supporting labour mobility; (TO9) promoting social inclusion and combating poverty. This concentration will be achieved through targeting the calls for proposals for URBACT III networks. The remaining 30% of the budget for exchange and learning will be available for issues related to the remaining five Thematic Objectives in response to demand from the cities: (TO2) enhancing access to and use and quality of ICT; (TO3) enhancing the competitiveness of SMEs; (TO5) promoting climate-change adaptation, risk prevention and management; (TO7) promoting sustainable transport and removing bottlenecks in key network infrastructures; (TO10) investing in education, skills and lifelong learning by developing education and training infrastructure (URBACT OP Draft 7.4.2014, p. 10).
<b>Timeframe</b>	URBACT III 2014 -2020
<b>Budget</b>	Co-financed by ERDF in two Priority Axes 1 Promoting Integrated Sustainable Urban Development – €69,843,880; 2. Technical Assistance – €4,458,120.
<b>Target Areas</b>	28 EU Member States as well as Norway and Switzerland as partner states.

**Source:** URBACT 2014, Overview of URBACT III, <http://urbact.eu>.

### 3.3.2 Urban aspects in the categories of intervention of the ESI Funds

Cohesion policy in many countries has been important for rural areas and smaller urban areas. Especially in the wealthier, north-west of Europe, urban aspects have played a relatively small role in Cohesion policy (e.g. Austria, Denmark and Sweden). On the other hand, many other countries with a relatively higher Cohesion policy budget have allocated a substantial amount of Structural Funds to urban territories (e.g. Latvia, Estonia, Czech Republic, Greece and Spain). The actual urban allocation of mainstream programmes can only be estimated, since the codes for the thematic dimension (EC No. 1828/2006) do not provide an exact overview.

The Cohesion policy codes in 2007-2013 distinguished between directly related urban actions and urban territory codes. When looking at the EU12, a substantial part of the Cohesion policy financial allocation was put into urban territories, and therefore the new push towards urban-oriented Cohesion Funds presumably does not necessarily lead to a different approach in budget allocation. The new approach might simply mean the



improvement of the urban action labelling. But when it comes to categorising interventions, almost the same coding is used as in the new 2014-2020 programming period. Only two codes directly refer to urban aspects (EC No. 215/2014 Annex I):

- 043 Clean urban transport infrastructure and promotion (including equipment and rolling stock)
- 097 Community-led local development initiatives in urban and rural areas.

The second category 097 is again mixed with rural interventions, and a direct budget allocation to urban aspects is almost impossible. In contrast to the previous programming period, the territorial categorisation differs between:

- 01 Large urban areas (densely populated > 50,000 population)
- 02 Small urban areas (intermediate density > 5,000 population)

Although indicated differently, Cohesion policy still lacks a comprehensible focus on urban areas in terms of financial allocation. This is particularly surprising, since urban areas are clearly the focus of economic, social and environmental development. Cohesion policy does not provide the correlating division of the Cohesion policy budget. Member States refused any concentration on urban territories other than the obligatory 5% ring-fencing. As a consequence, it seems that in the new programming period Operational Programme management will again randomly spend funds across all territories. **With the absence of a territorial focus, the continuation of the previous programming period is unavoidable.**

### 3.4 The direct involvement of city and local development authorities in policy development

#### 3.4.1 Impact of the new 2014-2020 programming period on cities

The actual involvement of city representatives in the Cohesion policy debate is limited to the extent that the Member States are only actors in the funding distribution (Olbrycht *et al.*, 2013). However, the European Commission has for 20 years made efforts to involve cities and urban areas in European policies. Notwithstanding these efforts, the involvement is still limited. Despite various networks and organisations representing urban agendas, there are still constraints preventing the urban agenda from gaining an equal position at policy level.

The **different European Commission DGs** are tackling urban agendas differently. Although there is a significant increase in urban issues, they are still not adjusted to each other. While DG REGIO has a very horizontal policy approach, most of the other DGs are comparable with sectoral ministries of Member States. One example is the urban mobility initiative of DG Mobility and Transport, which is not included, or even referred to, in Cohesion policy.

However, the key decision-makers in the European Union are the Member States. Despite the intensive **effort of the European Commission to strengthen the regional level**, Member States remain the key decision-level in European policy development. Many of the EC proposals are stalled at the outset with arguments that **subsidiarity precludes action at the EU level**. The example of a Europe-wide inter-city mobility concept pushed by DG Mobility and Transport was stopped by the MS, saying that local transport development is in the competence of the cities and not the European Commission (Olbrycht *et al.*, 2013).

The development of the Cohesion policy legislative proposal provided a good starting point for a better involvement of cities in Cohesion policy. But the EU Cohesion policy 2014-2020 legislative proposal of October 2011 and its urban approach were perceived as **diluted by the** Trilogues. Member States rejected the progressive approach of the European Commission to strongly involve cities in Cohesion policy (Eurocities, 2013).

Those actions proposed in the legislation 'surviving' the Trilogues have been mainly 'ignored' by Member States in the 2014-2020 programming phase, partly because the **Cohesion policy legislation** was **developed in parallel** with the actual Partnership Agreement process between 2011 and 2013. The code of conduct and the regulations seem promising for city involvement, but at the time this regulation entered into force the MS had nearly finished their Partnership Agreements (Eurocities, 2013). The process of the **Partnership Agreement** was very complex in most Member States. The vast number of different participants involved in the process reduced the power of the city representatives.

In some Member States, the **programming phase** allowed some involvement of city representatives. This occurred mainly where cities already play a major role or form a separate administrative unit of equal strength to other regional units (e.g. Vienna, Berlin, Brussels). The obligatory thematic concentration along the **Thematic Objectives** is still very sectorally oriented and does not require territorial differentiation other than more-developed, less-developed and transition regions. Accordingly, in many cases thematic concentration left few resources for territorial aspects. In most of the more-developed regions, OPs have been divided into those sectoral Thematic Objectives required for thematic concentration and an additional Priority Axis for mixed measures for different territorial use (e.g. Austria, Germany). Other possibilities comprised urban aspects being included as the main beneficiary of the Priority Axes. In some less-developed regions, urban aspects even received substantially more budget, and sometimes either separate Priority Axes or even separate Operational Programmes.

With the launch of **Integrated Territorial Investments** as a bottom-up approach for urban regions (Soto *et al.*, 2012, ITI), the European Commission introduced a tool to empower cities in their involvement in Structural Funds. Originally, the ITIs provided the possibility to implement themes other than the mainstream topics of the ERDF and the ESF. However, the limitation is that ITIs must cover investment priorities of the participating Operational Programmes. The city representatives put a lot of hope into ITIs, but the actual **implementation in only a few of the Member States** (e.g. PL, FI, NL) led to a degree of disillusionment (Eurocities, 2013). The reasons for rejecting the ITI tool have been manifold; however, the most important ones comprised the fear of introducing even more complexity in the system and the expectation that the local administration would be unable to manage the funds (Eurocities, 2013).

The involvement of urban agendas in European as well as in national policies is and has always been a difficult task, because the whole discussion is about **division of power** and financial allocation. It is no surprise that the Lille action programme and the Urban Acquis were signed during the British and the Dutch presidencies. While the former Member State is dominated by one of the most important urban areas globally, the latter Member State is dominated by urban settlement almost throughout the whole country. Nevertheless, it has always been difficult to find a balance between those in fear of losing power and those seeking to gain power. Cohesion policy instruments have always been seen as funding pools randomly distributed with no territorial focus other than large-scale territorial objectives (Council of European Municipalities and Regions, 2004). Consequently, in this context, cities have been considered as competitors to smaller rural areas.

In the discussion on the involvement of cities, the **definition of regions** is of importance. The debate about whom to target always swings between actual administrative borders and functional systems. The current situation in European Member States, as the negotiation partners in the Cohesion policy instruments, is that **administrative borders still dominate the division of budgets** as well as funding. The functional system of urban cities receives no attention in this respect. In other words, in this system municipalities of different types and sizes have the same position in the battle for budgets, regardless of their functions beyond the administrative borders.

Nevertheless, what remains for the next seven years of the new 2014-2020 programming period is that cities now have a fundamental legislative ally at European level. The fact that **cities are the driving forces in European growth** is no longer in question (Piskorz *et al.*, 2013). It is now up to the key stakeholders at European and city levels to take the opportunity to define the urban agenda for implementation in future policy development. The current fragmented landscape of urban-related activities and networks has to be united with **unifying terminologies** (see Box 3) and an understanding of sustainable urban development at all levels (European, Member State and local).

Experiences gained from projects where cities have been empowered were mostly sustainable and successful. Synergies will have to be created with the help of the European Parliament inter-service group on urban development and the platform provided by the European Commission.

### **Box 3: Various uses of the terminology of 'smart cities'**

The term 'smart cities' was first used in the late 1980s and originally referred to ICT-related issues in an urban context. However, more recently the term has become widely used and is not always consistent in character (Anthopoulos and Vakali, 2012). In relation to ICT in current usage, the smart-city approach covers a range of different e-services (Anthopoulos and Vakali, 2012, p. 185). Another study from the European Parliament defined six smart-city characteristics:<sup>7</sup> smart governance, smart economy, smart mobility, smart environment, smart people, and smart living. Those interpretations represent only two ways of defining the term, yet they illustrate the manifold use. At European level, the term is now adapted within the energy-efficient agenda driven by the European Commission DG Energy, which clearly defines smart cities in relation to energy efficiency.

Based on Europe 2020, the European Innovation Partnership on Smart Cities and Communities<sup>8</sup> has been launched, targeting cities, industry and citizens to apply innovation, better planning, a more participatory approach, higher energy efficiency, better transport solutions, intelligent use of Information and Communication Technologies (ICT), etc. There are numerous initiatives, networks and platforms. Cohesion policy instruments can act as financial vehicles for the objectives of the smart-city initiatives. Due to the fact that energy efficiency and CO<sub>2</sub> reduction play a key role in the new programming period, there is a significant correlation with the targets of DG Energy.

DG Energy is currently promoting the enhancement of the smart-city roadmap.<sup>9</sup> Another correlation exists between the smart-city focus in HORIZON 2020 and the ERDF investment priority regarding research related to energy efficiency and CO<sub>2</sub> emissions.

Notwithstanding the correlation, thematically there is no clear path visible for using one united terminology and effectively adjusting different policies related to the topic. Each Member State is required to manage the different opportunities.

<sup>7</sup> European Parliament (2014) Mapping Smart Cities in the EU, Directorate General for Internal Policies Policy Department A: Economic and Scientific Policy. Mapping Smart Cities in the EU. IP/A/ITRE/ST/2013-02 January 2014, p. 26.

<sup>8</sup> [http://ec.europa.eu/eip/smartcities/index\\_en.htm](http://ec.europa.eu/eip/smartcities/index_en.htm).

<sup>9</sup> <http://www.smartcities.at/europe/transnational-cooperations/the-smart-cities-member-states-initiative/>.

### 3.4.2 City networks

UPP as well as URBAN had the advantage that urban agendas have been involved at project level, bypassing political differences between administrative borders. Representatives of cities used the programmes in order to learn from each other and to strengthen their position at European level. Several different networks such as METREX (see Box 4), Eurocities, Smart cities, RURBAN (Partnership for sustainable urban-rural development), and EUKN (Urban Europe Knowledge Network) have been established parallel to Cohesion policy and are partly based on Cohesion policy financing.

#### Box 4: City network METREX

In 1996, the Network of European Metropolitan Regions and Areas (METREX) was founded as a tool for the exchange of practitioners, politicians, officials and their advisers at metropolitan level. The involvement of European cities is not bound to their involvement in Cohesion policy programmes, but the network is a partner not only of the research community, governmental organisations and other networks, but also of European institutions. METREX and Eurocities, for example, have a role as stakeholders discussing urban aspects at European level.

In addition to the city networks created by cities themselves, the European Commission also established urban-related platforms, such as the Reference Framework for European Sustainable Cities (RFSC), available since January 2013. As a follow-up of the 'Leipzig Charter on Sustainable European Cities' in 2007, the RFSC was established in order to translate the common sustainability goals and the recommendations in the Leipzig Charter into practice. It supports cities through the improvement of disadvantaged neighbourhoods or districts and helps processes of evaluation.

However, this is only a brief reference to the many different initiatives and networks at city level that differ in their thematic orientation, network members, relation to the European Commission and/or European Parliament. Because of the sheer number of different events taking place throughout Europe, **city representatives have reached the stage where city network meetings of any kind are seen as a burden** (representative of city of Vienna, 2013).

## 3.5 Conclusions

Despite the perception of cities as not involved in the programming debate, in the 2007-2013 programming period a **substantial amount of Structural Funds was spent in urban areas**. The actual measures in ERDF varied between sectoral projects: infrastructure investments in mobility, energy, water and sewerage supply and integrated projects towards smart, sustainable and inclusive growth. A financial distinction between the two groups is not possible on the basis of the thematic coding, as the EC regulation does not provide the necessary financial allocation according to urban-related projects. The only distinction made relates to territorial coding: in terms of the allocated financial resources, around 30% of the ERDF budget was allocated to urban territories.

Several different reports have analysed the implementation of urban-related projects supported by Structural Funds between 2007 and 2013. The case studies analysed in the reports showed that the programming period involved an **important learning process for the EU12** and that the need for integrated urban development has been understood. However, there were differences between the EU12 and the EU15 in terms of quantity and quality of implementation. Since less-developed regions manage a substantially higher

budget, projects related to urban aspects are equipped with higher amounts and mostly target infrastructure investments. This led in some circumstances to major delays and sometimes to failure. Urban areas in more-developed and more-experienced MS in terms of Structural Funds management are mainly follow-ups of existing development and used 'soft' measures for implementation.

The new Cohesion policy instruments intend to involve cities to a higher extent than in the previous 2007-2013 programming period. There are **five levels in the new 2014-2020 programming period** targeting urban aspects:

European level:	Urban Development Network, Innovative urban actions.
Member State level – Strategic level:	Enhance the involvement of cities and urban areas in the Partnership Agreement, Integrated Sustainable Urban Development, better involvement of ESF.
Member State level – ERDF programme level:	Urban-related investment priorities, Ring-fencing funding.
Member State level – Implementation level:	Involvement of ITI, Involvement of CLLD;
Local level – Project level:	Territorial cooperation.

While urban aspects proposed at Member State level are a continuation of the previous programming period, the substantially new level of intervention is the European level where urban stakeholders are invited to actively and personally participate in future. Currently, cities are participating in various networks and platforms which are not connected and mostly do not have any direct link to the European Commission or any official representative at European Union level. The numerous events and interactions led to an excess of activities, and city representatives have already become weary of the amount of activities undertaken. The effectiveness of those manifold networks is questionable, and they could perhaps be better used for future urban discussions at European level.

The new European level in Cohesion policy implementation has the potential to increase the degree of innovative Europe-wide knowledge exchange and furthermore could provide the opportunity to better coordinate the different urban-related networks in Europe. With successful implementation at the European level, **international exchange could be more efficient** for urban stakeholders first by improving the coordination of different events and thematic interactions and second by securing better learning and standardising urban aspects in Cohesion policy instruments.

However, when it comes to the Member State level, at the strategic level the current situation – although involving much more complexity – does not differ that much from the previous programming period. The involvement of cities has been different in different Member States but is not substantially improved compared to 2007-2013. At the programme level, all the Thematic Objectives are more-or-less relevant for cities as well as rural areas, although it must be mentioned that investment priorities particularly specify cities and are shaped for the purpose of targeting interventions in urban areas. However, this is only in relation to the ERDF Operational Programmes. Nevertheless, in this context 5% of the ERDF resources must be linked to urban activities.

The implementation of urban agendas can be carried out either with the new ITIs, or by means of specific Operational Programmes or through specific Priority Axes. The latter two approaches are the more likely, since Member States tend to be reluctant to implement ITIs. The CLLD approach, which is descended from the former LEADER of the Rural

Development Policy 2007–2013, is also relevant in this programming period for urban areas using ERDF and ESF.

The new programming period has legally-binding urban-related aspects especially regarding the involvement of cities in the programming phase. However, the **legislative package was approved only after the programming period had already entered** its final phase. Before this approval, the MS tended to follow the same principles as in the previous programming period. Given the already complex and time-consuming participation process, any further involvement was avoided in order to keep to the programming timeframe.

The consequence is that although the new regulation acknowledges urban areas to a higher degree than previous regulations, there is still a **contradiction between the intended results and the actual practices**. While the policy enhances urban-area positioning, the actual programme areas are still oriented along national structures considering regional administrative borders. Actual involvement of city and urban representatives in general is weak, since Cohesion funds negotiation and decision-making are mainly in the hands of Member States and regional authorities. Hence, only cities with a substantial size have the opportunity to become involved because of their administrative role as a separate region.

The urban aspects related to **Thematic Objectives** are increasing the scale of allocations to measures related to urban aspects. Notwithstanding this, most of the measures will be implemented in a similar way to the previous programming period, where **integrated urban strategies** served as basis for small-scale projects, and larger, sectoral projects were open to all possible beneficiaries.

Some previous studies stated that the results of URBACT and INTERREG projects are not taken up by the mainstream ERDF programmes. In some cases, new innovative solutions developed in ETC programmes are simply left there without any further use. **A better link between mainstream programmes and ETC should help to improve efficiency in implementing ETC project results.**

There is a **substantial lack of comparable data** in order to coherently analyse the urban aspect in Cohesion policy implementation. There are several studies covering case studies, but that is all. The reason lies in the lack of codified interventions in the Cohesion policy implementing regulations. This has not improved in the new programming period. Evaluation plans are still in preparation and could complement the lack of regulative structures in this context. However, this would only partly solve the problem, because it is not clear whether it is possible to include urban aspects in evaluation plans, and moreover those plans are not adjusted to each other, making Europe-wide comparability impossible.

Finally, the **European urban agendas** are handled differently in different DGs of the European Commission. There is no unified and coordinated path, and this increases inefficiency in the use of both European and national resources. The urban agenda should be better coordinated, and horizontal coordination is required. A first step towards a horizontal policy approach could be European Commission Communication COM(2014)490 'the urban dimension of EU policies – key features of an EU urban agenda', which is currently under discussion. Currently the EU urban agenda is in a very early stage and there is room for considering the issues listed in this study.

## 4 CASE STUDIES ANALYSIS

### KEY FINDINGS

- In all Member States, the **cities are seen as the main drivers** of the economy.
- Urban themes are **not equally distributed** in weight and importance in European cities and urban areas. They differ with size, the economic situation of the Member State, and the climate.
- The **URBAN** programme was considered useful for gaining experience in mainstreaming urban themes in the 2007-2013 Cohesion policy instruments.
- The main input provided by cities and urban areas in the 2007-2013 programming period was at **project level**.
- Regional OPs are by nature more relevant for cities, and representatives had more influence on those OPs. Regional OPs (e.g. Italy, Poland, UK, Belgium) often took the form of a sub-regional strategy.
- Cities were beneficiaries of projects across both national and regional OPs through a **mix of competitive grant schemes**.
- In some regions, **JESSICA** has been implemented. However, this involved a significant delay, and in some cases (e.g. Bulgaria) the projects are still undergoing the selection process.
- For the new 2014-2020 programming period, which is still in the preparation phase in many Member States, cities and urban areas had a role in the consultation phase of the Partnership Agreement preparation and the OP preparation, but in **some cases they felt they had little** (e.g. Flanders, Leeds) **or no input** (e.g. Bulgaria).
- Cities were most actively involved in those programmes where the OPs cover **urban regions** (e.g. Berlin, Brussels).
- Many of the Member States seem **content to allocate 5%** of funds to urban areas, and some already had a higher urban allocation in the 2007-2013 programming period. Some countries saw reduced allocations to cities, although still over the 5% threshold.
- A modest **increase in the focus on cities creates new opportunities** for better integration, growth and leverage. The only associated risks relate to the use of more devolved structures such as ITIs, and most countries have responded to this by limiting the degree of devolution and the use of new kinds of instruments.

This section underlines Section 3, with specific details of seven case studies of Member States and their involvement of cities in the new programming period.

### 4.1 Methods and overview of case studies

#### 4.1.1 Case study selection

The study draws upon a sample of Member States and Operational Programmes in order to gain an insight into the current implementation and involvement of cities in the new 2014-2020 programming period.

The nature of each of the case studies was to be both a national and a city case study, i.e. each case was intended to provide a national context and the specific experience of a city within that country. This is of course only a very small sample of cities across the EU, so the case studies were selected in order to deliver some representative coverage of the breadth of cities and countries across the EU. Furthermore, in each case the national context enabled the inclusion of a wider set of city experiences than just the selected city. Accordingly, each case, whilst based on documents and interviews with representatives relating to a single city, was able to draw on a wider set of experiences from that country, specifically including the question of the involvement of cities of different sizes. Although the cities selected for the case studies tended to be larger cities likely to be involved in Cohesion policy, the national context enabled consideration of whether small cities were also involved. Each case study therefore focused on one city but drew upon information on others where necessary to illustrate the wider experience of cities in Cohesion policy.

As the selection of the seven case studies aimed to encompass national and city contexts that provided a good cross-section of the whole of the EU, they had to be balanced in geographical terms, in the size of cities, in their Cohesion policy status and in the administrative systems of the Member State (between federal and unitary states). The core framework for selection was therefore based on the old divide between Convergence and RCE categories of regions on the one hand, and between three main categories of administrative systems on the other (centralised, devolved and federal). This two-way categorisation gives six categories, and so with just seven case studies there was one case per category, plus one left over.

Most of the categories had many choices available, except the category of federal and convergence which was limited to Eastern Germany, and therefore selected itself. To gain geographical balance, to have two Eastern European/new member countries and cities implies that all three Convergence case studies would be drawn from the Transition regions of the former Eastern Europe. Thus, to include a Mediterranean Convergence case as well would require four Convergence cases, and the additional seventh case would also need to be a Convergence case. If an Eastern German case were included, the federal RCE example should be drawn from Belgium, which would provide a smaller country of the north-west.

We specifically excluded the two largest EU cities of London and Paris, as these are also regions and capital cities and only have lessons for each other. The next largest group of cities are around the 3-4 million scale, and we needed to include one or two examples of this size band. The selection was also to include smaller cities of around 1 million.

**Table 13: Case study selection**

	<b>Federal</b>	<b>Devolved</b>	<b>Unitary</b>
Convergence	Germany (Berlin)	Poland (Katowice) Spain (Sevilla)	Bulgaria (Sofia)
RCE	Belgium (Antwerpen)	Italy (Torino)	UK (Leeds)

This selection provided a geographical mix of Northern, Southern, Western and Eastern European cases. Two capital cities were selected. The size varied from the largest cities of around 3-4 million in the cases of Berlin and the Katowice conurbation to cities of around 1 million in the cases of Antwerpen and Sevilla.



#### 4.1.2 Description of the seven case study cities

**Antwerpen** (Belgium) is the largest city-region in the region of Flanders, second nationally only to Brussels, and is the largest municipality in the country. As one of the major ports of Europe, the city is responsible for 17% of Belgian GDP and is the centre for a number of important clusters. The central city municipality comprises around half of the city-region and is the centre of a province, but the metropolitan area covers an intermediate area which approximates to the *arrondissement*, an intermediate level of administration; and so there is no equivalent to a metropolitan-wide government. Although economically successful, the region has seen considerable urban flight in previous decades and the decay of the city centre, although recent years have seen its revival as a more sustainable city. The region is currently classified as 'more developed'.

**Berlin** (Germany) is the capital and largest city in Germany, and is one of three city-states. Approximately twice the size of the next largest city, it is nonetheless less dominant than other national capitals as a result of its twentieth-century history and the previous division of Germany (and indeed of the city). As a *Land*, the city has a high level of autonomy in the German federal system, but the larger metropolitan area includes around 1 million extra population of the surrounding Brandenburg *Land*, so whilst there is a metropolitan government it is not comprehensive. Since becoming capital of the united Germany, Berlin has seen considerable growth and is now a more-developed region, having been an RCE region in 2007-13, although the surrounding Brandenburg remains a transitional area.

**Katowice** (Poland) is an old industrial centre, and whilst not one of the largest Polish municipalities it forms the centre of an extended industrial agglomeration defined variously as between 2 million and 3 million in population, and equivalent in scale to the capital Warsaw. The Silesian agglomeration comprises 14 municipalities but has no level of metropolitan government. The wider *voivoidship* or province of Silesia covers a much larger territory and is the main authority over the city-region. The agglomeration is an area of massive industrial decline with a falling population and extensive physical and environmental problems, and hence like most of Poland is classed as a less-developed region

**Leeds** (UK) is one of a group of second-tier cities after London known as the core cities, and at 758,000 population is one of the largest city local authorities in the country. The city lies at the heart of the former West Yorkshire metropolitan county, but is now centre of a city-region Local Economic Partnership that extends into the surrounding areas of North Yorkshire and South Yorkshire. The city-region as a whole has a population of more than 2 million. Although there is a public-private partnership covering the city-region for the purposes of economic development, and other cross-authority partnerships, there is no metropolitan-wide government. Leeds has a dynamic business and financial sector and has increased its economic status in recent decades, although the wider city-region also contains areas of considerable economic decline, and Leeds itself has areas of considerable social deprivation. As a result, whilst the city and the majority of the city-region have more-developed-region status, some parts of the city-region have had Objective 2 status in the past, and one small area was formerly Objective 1 and now has transitional status.

**Sevilla** (Spain) is the capital of the region of Andalusia and fourth-largest municipality in Spain with 703,000 inhabitants. The metropolitan area is around twice the population of the core municipality, and has no government, although it is completely contained within the Province of Sevilla, which also covers a large rural hinterland. Sevilla has one of the largest old towns in Europe, but has seen considerable expansion in recent years through urban sprawl.

Prior to the financial crisis, the city was attracting significant levels of investment in tourism as well as in knowledge-based industries, but it has been particularly badly affected by the crisis and unemployment has reached around 35%. The region is currently a Transition region having previously been Convergence and Objective 1.

**Sofia** (Bulgaria) is the national capital of Bulgaria and the largest city at 1.3 million inhabitants, around four times greater than the next largest, and it dominates the national economy with around 40% of GDP and 40% of foreign direct investment. Sofia is governed by a regional authority covering the city, 3 other towns and 34 villages. The city has benefited from considerable economic growth in recent years, and its GDP per inhabitant in PPS is above the EU average; however, for Cohesion policy purposes it is included in a larger region and is designated as less developed, having previously been a Convergence region. The city faces challenges relating to infrastructure, but also increasing disparities compared with other areas of the country, leading to internal migration.

**Torino** (Italy) is one of the six largest Italian cities and is the regional capital of Piedmont. The core-city municipality has just under 1 million population but is surrounded by a ring of small municipalities, and the city-region is variously defined as having 1.2 to 2.1 million inhabitants. At present, there is no metropolitan authority, but a new law has provided scope for selected cities, including Torino, to take on the powers of a province for the metropolitan area. Torino is a historically important city and has become a major industrial and commercial centre for Italy. Population is currently growing as a result of migration, although the economy has been struggling since the financial crisis. The city has a number of inner areas with considerable social problems, but it remains one of the wealthier regions of Italy and is classed as a more-developed region.

**Table 14: Case study comparison**

	Antwerpen	Berlin	Katowice	Leeds	Sevilla	Sofia	Torino
<b>Population of core city</b>	502,000	3.4m	317,000	758,000	700,000	1.2m	870,000
<b>Population of city-region</b>	1.01m	4.5m	2m	2.3m	1.5m	1.3m	2m
<b>Existence of Metro authority</b>	No	Yes	No	No	No	Yes	No

**Source:** Compiled from various national sources by the authors.

## 4.2 The urban context

### 4.2.1 Scale and significance of cities

In each of the case study countries, cities accounted for a large share of the national population and productive output, although this is not unusual in Europe given that in almost all EU Member States the cities account for well over half of the national population.

However, the policy **significance of cities goes beyond the scale of their contribution** to the economy. In all countries, the cities are seen as the main drivers of the economy in a qualitative sense, as centres for dynamic industries as well as established clusters, and usually as the main tourism hubs, but yet they have important needs in terms of infrastructure and problems of social exclusion.

In most cases, capital city-regions have a particularly strong role to play in the national economy, and in a majority of EU countries the national capital occupies a dominant position and is much larger than the second city, both in large countries such as the UK or France, and in smaller countries such as Bulgaria, Finland or the Czech Republic. The case studies include an example of a dominant capital, Sofia, as well as a less dominant case, Berlin, but also have examples of second-tier cities from countries both with and without dominant capitals. These second-tier cities are particularly important in Europe, as there are very large numbers housing a large share of the European population, yet they are often limited in powers as well as economic dynamism compared with the capitals. Consequently, a high proportion of the disadvantaged populations of Europe are also contained within these second-tier cities, which are either experiencing some form of crisis (Katowice, Sevilla) or have significant internal disparities (Leeds, Torino, Antwerpen).

### Box 5: Scale of cities in the case study countries

The **UK** has the largest city of these seven countries, and indeed of Europe, in the form of London, which is also the most globally connected world city (Taylor *et al.*, 2009), albeit overtaken in size by many cities in rapidly-developing countries. London has very specific advantages and problems arising from its sheer size and global connectivity, and it dominates the UK. Even the main built-up area constitutes a NUTS 1 region and is well over 10% of the UK's population, receiving around 5% of its Structural Funds. Below London, there are two groups of city-regions: an upper tier comprising Birmingham, Manchester and Leeds, each with over 2 million in the city-region and with an important national economic role; and a lower tier of slightly smaller cities with a greater regional orientation. In Scotland, Edinburgh is a special case as national capital, despite being the second city in size but with a strong administrative and financial services role. Across all of these second-tier cities there is a lower level of international presence than in similar-sized cities elsewhere in Europe as a result of the dominance of London. Below these dozen or so city-regions, there is then a long list of middle-sized cities and agglomerations that essentially comprise the bulk of the UK population, split between more dynamic and less dynamic areas.

**Germany** is densely populated and has 78 cities with more than 100,000 inhabitants, such as Berlin, Hamburg, Munich and Cologne, but also a lot of smaller cities within the 16 – in comparison to other Member States, rather large – regions (*Länder*). Out of 4500 German municipalities, 30% are cities and 70% rural communities. A few *Länder*, mostly in Eastern Germany but also Bavaria, have large, sparsely populated areas with very few agglomerations, whereas the largest agglomerations are located in the Ruhr area in North Rhine-Westphalia.

Overall, in contrast to most European countries, the urban system of Germany exhibits a strong polycentric structure without a dominant centre. The capital city Berlin has a strong dominance in political terms but is not outstanding in functional terms.

**Poland** has a moderately high level of urbanisation with over 60% of the population living in metropolitan areas, a marked increase over the last 50 years, but still less urbanised than many countries of Western and Northern Europe. Poland has a relatively balanced polycentric urban structure without a strong primate city, but with a number of large cities distributed fairly evenly across the national territory. Warsaw, as the capital, constitutes the largest city authority but not necessarily the largest conurbation, and has only around 6% of the total population (Korcelli, 2005).

Its metropolitan population of around 2.4 million is by some definitions smaller than the Silesian metropolitan region, which is over 3 million. Several of the other regional centres such as Kraków, Łódź, and Wrocław perform a national role alongside Warsaw.

**Italy** has a relatively high level of urbanisation, although the majority of the urban population live in small-to-medium-sized cities. Only two cities have a core municipal population of over 1 million, Rome and Milan, and only six have a functional urban region of over 1 million (including Torino, Firenze, Napoli and Palermo). Altogether, there are 149 municipalities with over 50,000 population, only 16 of which are over 200,000 and two-thirds of which are lower than 100,000 population. Thus, the pattern is one of polycentricity, without a very large dominant centre, and with a network of medium-sized cities across most of the country.

In **Bulgaria**, Sofia is a classical monocentric and solitary metropolis. The capital city is the main driver of economic growth in Bulgaria, generating 40% of GDP, and it has attracted 40% of the overall FDI stock in the country (2011). The South-western Bulgarian NUTS 3 region covering Sofia has an average GDP per inhabitant (in PPS terms) of 105% of the EU27 average (2010), markedly higher than the rest of the country and a considerable increase from 47% of the EU27 average in 2000. Altogether, there are seven cities with a population over 100,000 inhabitants: Sofia with 1.2 million, then Plovdiv and Varna with around one-third of a million, and four others between 100,000 and 200,000.

**Spain's** urban system is characterised by spatially dispersed cities and a general concentration of large conurbations in geographically peripheral (often coastal) locations, with the notable exception of Madrid. There is a growing concentration of population in towns and cities; 78% of the total population was resident in urban areas in 2012. Although Madrid constitutes the largest metropolitan region, with almost 6 million inhabitants (16.8% of the national urban population) in the agglomeration, Barcelona is only slightly smaller at 4.5 million. Valencia and Sevilla also have populations of more than one million, and a range of other regional centres have over 500,000.

**Belgium** is one of the most urbanised countries in Europe with two large metropolitan regions of over 1 million people and a further three with over 400,000. They are spread across the three regions of Belgium: the Brussels city-region, Antwerpen and Ghent in Flanders, and Liège and Charleroi in Wallonia. The three regions have quite distinct urban characters. Brussels is a metropolis with a distinct international orientation as the main site of the European institutions plus other international agencies such as NATO and multinational firms.

Flanders has seen significant growth, which has underpinned the revitalisation and population growth in the cities, although problems remain. Wallonia, by contrast, has experienced much stronger de-industrialisation with the disruption of the close linkage between heavy industry and workers' housing in the urban areas.

There are usually two difficult issues in the definition of cities for policy purposes, namely the **identification of boundaries** (and what should be included in the city) and the minimum size cut-off. There is broad recognition that cities need to be defined in terms of functional area to connect up local labour markets and ensure that peri-urban areas are included in policies for cities, although practical methods for identifying these functional urban areas vary, with implications for the governance of cities (see Section 4.2.2).

Size is also an issue in several countries. Although lists of cities are often very extended, with cities as small as 50,000 inhabitants being identified, for policy purposes several of the countries place their emphasis on the large metropolitan cities and even differentiate between the largest and more medium-sized cities.

The **question of city size** presents an important issue for prioritisation, as the largest cities often comprise a fairly large proportion of the population. In small countries, the capital city can be as much as half of the total population, and even in a large country such as the UK the 10 greatest city-regions probably account for about one-third of the population. If cities as small as 50,000 are included in the definition of cities for policy purposes, then this ends up being less a policy for cities and more a policy that covers the majority of the territory with the exception of the rural areas. A policy for cities implies prioritisation and hence some idea of a minimum-size cut-off.

#### 4.2.2 The governance of cities

The obvious body to represent the interests of a city is the **municipal authority**, but the great diversity in forms of local government across Europe leads to considerable variety in how such authorities map onto metropolitan areas. Typically, the core of a city is represented by a single municipality, although not always in the case of the largest cities. The extent to which there is a wider metropolitan authority that can represent the full interests of the city across central and suburban areas also varies. Beyond this, the city may lie at the centre of a city-regional or provincial area in which some rural interests are also incorporated and which may be greater or smaller than the functional urban area. Smaller cities may only exist in terms of municipalities, whilst the largest cities may best be seen as regions: Greater London is a NUTS 1 region, but this is still less than the functional urban area, which incorporates parts of the two encircling regions.

Therefore, in assessing the role of cities engaging in shaping Cohesion policies across EU countries, the nature of the structure of regional and sub-regional governments in the respective countries is an important factor.

#### Box 6: Metropolitan government in each of the seven cases

**UK** local authorities tend to be quite large, with urban authorities typically being in excess of 200,000 population and up to 1 million. Central cities are usually, but not always, the largest authorities in their city-regions and may be surrounded by a ring of other urban authorities, but may also include significant areas of countryside. There is no standard form of metropolitan regional government, although some partnerships of local authorities have combined to deliver particular services such as urban transport planning. Economic development is delivered by local authorities, regional development bodies in the three devolved nations and local enterprise partnerships (LEPs) in England, which involve several local authorities in partnership with private sector organisations, and which tend to be organised at a city-region level for the metropolitan areas. London is a special case and has a metropolitan government at NUTS 1 level as well as 32 London boroughs plus the City of London (which has a very small population). The other metropolitan areas in England such as Leeds tend to have a relatively large local authority for the central city, but surrounded by public authorities comprising the wider metropolitan region. These authorities then collaborate in economic development terms through the local enterprise partnerships.

In some cases, of which Leeds is one, a new form of combined authority is currently being established in which the local authorities agree to merge selected functions, such as transport and economic development, where this is more effective at the city-region scale. Smaller cities tend to be covered by a single local authority, although in some cases the authority may cover more than one small urban area.

**Belgium** is divided into three regions, one of which is the Brussels metropolitan region. In Flanders, the region is divided into five provinces and 308 municipalities. The main cities have a core municipal government covering a high proportion of the total metropolitan area. But whilst cities have spread into neighbouring municipalities there is no coordination of government at this scale. Provinces are significantly larger than the metropolitan areas and may include more than one city.

**Italy** also has regions, provinces and municipalities, all of which are autonomous under the Constitution. The cities consist of a central municipality which may be quite large, 2.8 million in the case of Rome, but the surrounding municipalities within the wider metropolitan region are small in size and large in number. The largest cities have been allowed to take on the status of metropolitan cities, which allows them to assume the powers of a province over the metropolitan region, although this is not yet fully implemented. The new metropolitan city authorities will be able to coordinate strategic actions such as transport and infrastructure, cultural management or physical planning, subject to the agreement of the constituent municipalities.

**Poland** also has three levels of sub-national government: *the voivoidship or region, the powiat or county and the gmina or municipality*. For the 65 largest cities, the *powiat* is a city-county. The *powiats* are quite large but still do not encompass the whole metropolitan area; new voluntary metropolitan associations are to be permitted from 2014, although without a formal tier of government. For example, the Metropolitan Association of Upper Silesia (GZM) is a voluntary inter-borough association, in the most urbanised part of Silesia *voivoidship*. The main goal of the GZM is the preparation and implementation of a common development strategy for member cities. The to-be-established association will involve local stakeholders (e.g. Local Energy Policy Commission – comprising representatives of 14 cities, Euro Centrum Science and Technology Park) in project activities and promote awareness among public authorities. The GZM should support the cities in establishing local strategic documents for example in the field of energy efficiency. However the GZM has a certain influence on local policies, especially in the member cities. The mayors of the cities are among the direct stakeholders of the project, and they will be provided with direct information on the project's progress, thus allowing them to make decisions on applying know-how to city policies.

**Bulgaria's** main city-regions are: Sofia, Varna, Plovdiv, Burgas, Ruse, Stara Zagora and Pleven. The city-regions are defined according to the Law on Spatial Planning but do not have any specific provisions. According to the law, the following management system exists at municipal level: (i) municipal mayor, (ii) mayors of the main towns/villages within the respective municipality, and (iii) representatives of the municipal mayor in the smaller settlements in the respective municipality (e.g. villages below 100 inhabitants). For the three largest cities with a population over 300,000 inhabitants (Sofia, Plovdiv and Varna), the law defines the urban boundaries. The urban boundaries are defined as borders of a territory regulated by a general or a detailed development plan that distinguishes the urban area of the settlement from its land.

Sofia Municipality comprises 38 settlements, consisting of four towns (Sofia city, Novi Iskar, Bankya and Buhovo) and 34 villages. As it is a municipality, the same political structure as described above applies to Sofia, with a municipal mayor for Sofia Municipality.

In Bulgaria the municipality is the only level of autonomous government other than the national level. There is no specific provision or regulation for metropolitan regions and larger urban areas.

**Spain** has three levels of sub-national government, namely regions, provinces and municipalities. The 17 autonomous regions (NUTS 2 level), established through the 1978 constitution, have substantial control over territorial governance and development issues, including urban spatial and regional development planning. Approaches to urban planning are highly individual to regions, and a strict hierarchical legislative framework applies to urban development; central government cannot legislate in this field at the regional level. At the local level, the main units are municipalities and provinces, but there is a confusing array of sizes of municipality and forms of grouped municipality. The major cities have large municipalities at their heart but with the possibility of grouping with other surrounding municipalities either voluntarily or, as designated by the autonomous regions, to form metropolitan areas.

In **Germany**, for more than 10 years, metropolitan regions have had a particular importance in national policy aimed at the strategic development of growth. Although they have no legal competence at the regional and local levels, it is intended that *Länder* as well as cities and communities take up and further develop the concept. The implementation of the concept is therefore dependent on its integration in plans, programmes and measures at regional and local levels. The settlement system in Germany is decentralised with a strong administrative power for the local authorities (*Kommunen*), which makes cooperation processes difficult. In fact, cities – although they have a stronger functional meaning – have the same legal status as rural communities. The close polycentric structure of cities and their commuting areas increases the workload and administrative burden in cooperation processes. Exceptions are the city-states of Berlin, Hamburg and Bremen, which simultaneously have the legal competences of a *Land* and a *Kommune*.

The governance of these urban areas is an important issue if cities are expected to engage in programme development, as core-city authorities may have different priorities to the outer parts of metropolitan regions, and the interests of metropolitan-wide authorities will depend in part on the nature of their internal governance arrangements. So a metropolitan authority that is directly elected with a strong mayor might be expected to take a holistic and strategic view of the city's needs, whereas a metropolitan body which is an alliance of local authorities may face internal tensions between city and suburban interests. Different **administrative structures for large and small cities will also affect their ability to engage with Cohesion policy**, especially if large cities are strongly represented by core-city interests, whilst small cities are represented by diffuse local authorities covering several towns and cities. Consultation processes will need to be designed to take account of the governance structures and the objectives of the policy.

In some cases, the interests of cities in terms of urban policy or economic development strategy at national level have been represented by **associations or alliances**, which have sought to raise the profile of the cities with national government or represent their members' interests on national committees (see Box 7). In some countries, such bodies have been important in the consultation process on Cohesion policy.

### Box 7: Representation of city interests

In **Bulgaria**, city interests are represented by the National Association of Municipalities in the Republic of Bulgaria (NAMRB). This Association was originally established in December 1996 by one-third of all Bulgarian municipalities, but since 1999, all 264 municipalities have become members. The Association is a non-profit legal entity established under the Law on Local Self-Government and Local Administration, and it follows the provisions of the Law for Non-Profit Legal Entities. NAMRB's activity, which is financed by membership fees and donor-funded projects, is focused on three main areas:

- Representation of the municipalities to central government, research, analysis, evaluation and development of proposals for changing and improving local government policy, as well as lobbying;
- Support for municipalities in executing their powers, studying municipal opinions and developing consensus positions and strategies, providing a wide range of consulting services and training programmes, issuing thematic and advisory guides, providing its own training centre for municipalities;
- Participation in Bulgarian and international fora.

In **Belgium**, the Flemish cities are represented by a variety of bodies that seek to articulate the interests of the cities and local government, lobby the Flemish Government, and collect information to assist municipal government. These include the Knowledge Centre for Flemish Cities (*Kenniscentrum Vlaamse Steden*) and the Organisation of Flemish Cities and Municipalities (VVSG).

**Germany** also has multiple municipal associations representing cities' interests in the upper tiers of government, including the Association of German Cities and Towns (*Deutscher Städtetag*), the German Cities and Communities Association (*Deutscher Städte- und Gemeindebund*), the German Association for Housing, Urban and Spatial Planning (*Deutscher Verband für Wohnungswesen, Städtebau und Raumordnung*), Network Future Cities (*Netzwerk Zukunftsstädte*), the Smart City Federal Association (*Smart City Bundesverband*), and the Association of Local Companies (*Verband kommunaler Unternehmen*).

**Spain** has three tiers of municipal representative bodies:

- First, the Federation of Spanish Municipalities and Provinces (*Federación Española de Municipios y Provincias*, FEMP) is the Spanish local government association responsible for representing the interests and opinions of cities and urban areas in Cohesion policy programming consultations (amongst other responsibilities). The Territorial Council is the main forum through which regional provinces and municipalities can communicate feedback and is primarily made up of representatives of the Federations of Local Entities – associations of local and provincial governments within individual Autonomous Communities.
- Second, in Andalucía, the Federation of Local Entities is known as the Andalucía Federation of Municipalities and Provinces (*Federación Andaluza de Municipios y Provincias*, FAMP). Both FAMP and FEMP membership are open to municipal councils, provincial councils, and other sub-regional governmental authorities.



- The third platform is the Network of Urban Initiatives (*Red de Iniciativas Urbanas, RIU*), established through the 2007-2013 NSRF as a sectoral network facilitating the urban dimension in Structural Funds management and programming. It supports knowledge transfer and the dissemination of experience in urban-oriented Structural Funds projects, and reports to OP Monitoring Committees.

In the **UK**, the main representational body for cities is the Core City Group, which is an association of the eight largest English cities after London. The Group has three interrelated aims: 'to represent the eight Core Cities on their shared priorities, to develop research and policy ideas on areas of core interest to the cities, and to work with government and other stakeholders as a delivery partner to implement those policy ideas and ensure better outcomes'. The Core City Group has consistently lobbied central government to recognise the importance of the cities in the national economy as drivers of economic development in their regions.

In **Italy**, the National Association of Italian Municipalities (ANCI) is the main national representative body for local authorities and has been in existence since 1901 to represent and safeguard the interests of the municipalities. It participates in debate at the national level relevant to local authorities, provides research and consultancy services on local government and cities, and facilitates the diffusion of information across its membership. ANCI representatives represent local government in all consultations on the Structural Funds.

Finally, in **Poland** the Association of Polish Cities (*Związku Miast Polskich*) acts as a lobby group for municipalities, defending their interests and exchanging experience, with a particular focus on economic development issues and promoting prosperity. The Association's representatives participate in the work of the Joint Committee of the Central Government and Local Governments and a variety of other national committees and consultation fora.

#### 4.2.3 Nature and diversity of city problems within and between countries

Whilst there are common themes in the nature of the problems faced by urban areas, notably in building economic competitiveness, infrastructure investment such as transport, and social exclusion and sustainability, there are considerable differences within and between countries in terms of the relative importance of each. The management of urban sprawl and particularly the provision of infrastructure where urban sprawl has been poorly regulated is an important challenge in countries such as Spain and Poland, but is not a major factor in the UK. Italian cities have major challenges of social exclusion and security, whereas in Germany the social challenges are associated more with economic transition.

**Different sizes of city also tend to create different needs and challenges for policy**, coupled with the variety of economic and social conditions across a national territory. Several of the case study countries had marked internal disparities between regions that affected the nature of challenges faced by the cities, just as the largest cities faced quite different pressures and problems to the smaller cities. Such differences pose difficulties in designing national or even regional urban strategies.

In Poland, for example, the OECD (2011) has identified six different groups of cities with quite diverse opportunities and prospects, from large dynamic cities with strong growth opportunities to medium-sized cities facing depopulation and the unique case of the Silesian agglomeration as the largest but struggling metropolitan region. Such diverse situations were typical across the countries in the study, perhaps no more so than in Italy with strong North-South differences in economic performance as well as differences between cities. Spain also has considerable internal disparities that have been reinforced during the current crisis, as cities in the south such as Sevilla have performed much worse than some of the northern cities such as Bilbao.

The challenges facing UK cities are highly varied. London is in a unique position as the largest city-region in Europe, accounting for one-fifth of the UK economy and with the strongest growth prospects and highest value-added, yet with areas of severe deprivation, problems of affordability, high youth unemployment and major infrastructure needs. The Jobs and Growth Plan for London focuses on improving skills, enhancing the competitiveness of SMEs, investing in science and innovation, and investing in low-carbon infrastructure. Whilst other major cities have similar priorities, their challenges tend to be different, as they are faced with lower levels of private sector jobs growth, weaker high value-added clusters and innovation potential, a continuing need for regeneration with areas of low housing demand, and weaker internationalisation. Small cities vary considerably from those mainly in the South that are rapidly growing, based on high technology clusters, but with infrastructure constraints, and others that have been in long-term decline and are in desperate need of new jobs. Across all cities, there are challenges of adaptation to the new demands of climate change and the implementation of smart technologies.

#### 4.2.4 National urban policies

Cohesion policy towards cities is superimposed on national urban policies that are at different stages of development. **What constitutes urban policy varies considerably**, and most countries have a combination of different forms of intervention depending on the nature of the urban problem, as well as different policies for different cities in some cases. Typical forms of policy include the following:

- Reforms of urban governance to give additional powers to urban authorities or to encourage city-region levels of integrated development;
- Strategic spatial planning;
- Urban competitiveness projects with an emphasis on economic development;
- Physical regeneration involving major construction projects;
- Urban transport and other infrastructure investments;
- Community development and the revitalisation of specific urban quarters;
- Housing market interventions;
- Other thematic initiatives such as cultural or tourism projects;
- Smart-city projects, applying ICTs to urban services.

The case study countries exhibited a broad range of these policies, with several adopting holistic approaches to the restructuring of urban space and urban governance as a first condition for effective urban policies.

### Box 8: National urban policies

The **UK** has a long experience of urban policies, including the designation of integrated development areas in the form of urban development corporations in the 1980s and 1990s. More recently, the focus has been on regional development agencies (RDA) and local authorities to develop local strategies with a shift to city-region approaches in the mid-2000s. Following the abolition of RDAs, the current policy emphasis is on new forms of city-region governance with local enterprise partnerships and new combined authorities to enable local authorities to collaborate at a strategic level, as well as City Deals or contracts between central government and cities. With this new approach, cities have been given new responsibility to stimulate and support economic growth in return for major investment from central government. Some national policy initiatives remain, such as enterprise zones, but in most cases city-regions are expected to develop bespoke approaches to meet their own specific needs, with central government's role being left mainly as a funder.

National planning policy in **Poland** has alternated between support for agglomeration and decentralisation since the 1960s, with implications for the nature of urban development and the challenges facing different cities. With the fall of communism, the 1990s started with an economic transformation focused on privatisation and neglecting urban planning, and it was only in 1998 that a new National Concept of Spatial Development (NCS) was introduced. This introduced policies of spatial concentration in the cities in the first instance, to attract private development and improve economic efficiency, to be later followed by spatial equalisation once the gap between Poland and Western Europe had narrowed. The NCS specified three main elements in urban development. First, there should be an enhancement of Warsaw as a national capital to improve its international position as a centre for investment and attract knowledge industries. This included the improvement of the image of the city centre, which was perceived as negative. A second set of large cities, known as europolles, should be strengthened to have a diversified industrial base, knowledge resources, a nodal transport position and a good quality of life. It was particularly recognised that the Silesian agglomeration fell short of these expectations with its continued dependence on heavy industry and its poor environment. Finally, a set of regional centres that had suffered from the closure of branch plants in the 1980s needed modernisation (Korcelli, 2005). Currently urban policy at a national level sits within this broad spatial policy framework, but it lacks coordination with strategies at the municipal level where the actual implementation of urban-related policies happens. Most urban revitalisation projects are developed locally and are focused on housing improvement or heritage conservation, but there is a weakness in developing integrated urban strategies as well as metropolitan strategies (OECD, 2011).

The **Spanish** national government influences urban systems in the regions through three main mechanisms:

- The Land Act (*Ley de Suelo*) originated in 1956 and has seen successive revisions. As a national legal directive, it was the original vehicle for the establishment of hierarchical urban and spatial planning and development. Recent iterations have emphasised environmental sustainability.
- The Spanish Strategy on Local Urban Sustainability (*Estrategia Española de Sostenibilidad Urbana y Local*, EESUL), introduced in 2009, sets out principles and guidelines applicable to urban development in Spain.

- The Strategic Infrastructures and Transport Plan (*Plan Estratégico de Infraestructuras y Transporte*, PEIT), approved in 2005, is Spain's national-level plan for the development of transport infrastructure. It will apply until 2020. Cities and urban areas are a recurring theme in the strategy, which aims to enhance territorial cohesion through the development of city networks.

In practice, Spain's 17 domestic Autonomous Communities (NUTS 2 regions), established through the 1978 constitution, have substantial control over territorial governance and development issues, including urban spatial and regional development planning. Approaches to urban and regional planning are highly individual to regions, and a strict hierarchical legislative framework applies to urban development; central government cannot legislate in this field at the regional level.

In **Bulgaria**, the main government effort to support urban agglomerations as centres of future economic growth has been through the Operational Programme 'Regional Development', which has grant schemes for municipalities to develop Integrated Plans for Urban Regeneration and Development (IPURDs). The IPURDs provide the basis for the future use of the Structural Funds (2014-2020) in the urban areas for which they have been developed. IPURDs represent a combination of time-and-space integrated projects, actions and investment intentions that will be applied in 67 urban agglomerations. The purpose of the IPURDs is to integrate policies and gather different stakeholders for their joint implementation, which will contribute to the realisation of the vision and strategy for urban development and will combine specific development priorities as defined in the municipal development plans, the general area development plans and other strategic documents at national and European levels.

Also, the Plans have to take into account the development of three types of areas of influence in their boundaries:

- Zones of social nature – urban territories with predominantly residential character, with concentration of social and economic problems and deteriorated technical infrastructure, buildings and urban environment;
- Zones with potential for economic development – urban territories mainly designed for manufacturing and other business activities, having functional characteristics and a level of technical infrastructure that do not meet investment demand for the development of existing and the attraction of new economic activities;
- Zones of public functions with high public importance – central urban areas, central pedestrian zones, and other areas with existing or potential concentrations of highly important functions of public character, zones with concentration of buildings serving administrative or public functions, as well as buildings that represent immovable cultural heritage.

Urban policy seems to have been absent in **Italy** before 1990 and only fragmented in the period since then (Allulli and Tortorella, 2013). As with other European countries, Italy's urban policies have been driven by the need to stimulate urban competitiveness, address social exclusion and improve urban security, the latter being a particular feature in the 2000s. Area-based strategies were devised from the 1990s in the form of Complex Urban Programmes (PUC), initially focused on housing and neighbourhood improvement, but with a later shift to wider upgrading of urban quarters. Various programmes were launched in the 1990s and the early 2000s, although all have now been replaced by schemes funded by the Structural Funds co-financed by the regions and municipalities.

These complex urban programmes were based on the model of the EU URBAN Community Initiative and have had a major effect on the nature of urban policy in Italy, with a shift away from capital projects to integrated approaches focused on relatively small areas that integrate physical, environmental and social measures and engage the wider community in the decision-making process (Governa, 2010).

A National Plan for Cities was launched in 2012 aimed at revitalising run-down urban areas. The plan will be implemented through a series of urban development contracts involving public and private partners focused on particular schemes of public works. The plan for each city is the collection of several such contracts and projects. The scale of national funding is quite small though, at only €224 million over 6 years.

**Belgian** urban policy is essentially devolved to the regional level, as this is not a major area of competence of the national government, although it has previously provided grant aid to cities to support social development, and more recently sustainable development and carbon-footprint reduction. Urban policy in Flanders is supported by a Cities Fund that provides grants to the largest cities to support urban liveability, social inclusion and better governance. This expenditure is made in accordance with city contracts signed between the regional government and each city, which reflect the vision of the city and the proposed projects, much of which focuses on urban regeneration.

In **Germany**, urban policy is essentially a responsibility of regional governments, which have developed their own approaches. The *Länder* have developed a wide range of innovative urban policies and initiatives over the past decades, often within comprehensive spatial planning frameworks, within which the Structural Funds have been used as simply an additional source of funding rather than as a force for new thinking. Urban policy is mature and innovative in most parts of Germany.

### 4.3 The role of cities in the 2007-2013 Operational Programmes

Prior to the **2007-2013 Operational Programmes** of the Structural Funds, there was **already an expectation** that urban issues should be prioritised to some degree. Cities had been identified by the European Commission as key engines of economic development and were seen as central in addressing questions of social exclusion and sustainability. The experiences of the URBAN Community Initiative had demonstrated the benefits of integrated urban programming and were deemed to be worthy of mainstreaming in the new 2007-2013 programmes. Urban actions were encouraged, as was local engagement in the programming process, although the evidence in programming documents was mixed (European Commission, 2008).

In the seven case study countries, the involvement of the cities in the design of the 2007-2013 programmes was found to be limited. There **were no specifically urban programmes at the national level that required a direct input from cities**, and national OPs tended to be developed at national level without significant consultation with local actors. By contrast, regional OPs were developed by regional-level bodies with input from a variety of partners, including the cities, and hence the picture was much more varied at the regional scale.

Formally, OPs were designed through a process of consultation with a wide variety of organisations across different tiers of government and across sectors (see METIS/EPRC, 2013).

### 4.3.1 National OPs

For the five countries in the study with national Operational Programmes in 2007-2013 (the UK and Belgium did not have national OPs), city interests did not figure strongly in those programmes, although some thematic interests that were highlighted were highly relevant to the cities. Only Bulgaria had a specific urban priority in a national OP, whilst in all the other cases urban problems and issues were largely absent or downplayed in the national and multi-regional programmes.

#### Box 9: National Operational Programmes with an urban focus

In **Bulgaria**, with seven national OPs only, urban issues and projects were embedded in most of the programmes but without a particularly clear integrated urban strategy. The OP for Regional Development contained a Priority Axis 1 for Sustainable and Integrated Urban Development, covering social infrastructure, housing, organisation of economic activities, improvement of the physical environment and risk prevention, and systems for sustainable urban transport. Other urban projects were funded from other OPs, such as the Sofia Metro extension in the OP Transport, Sofia Tech Park in the OP Competitiveness, and improvements in municipal administration under the OP Administrative Capacity.

**Germany** had only one national OP for Transport in 2007-2013, and it had no specific focus on urban transport issues. All other programmes were regionally based.

**Poland** had four national OPs for ERDF and one for ESF. Of these programmes, only one had a specific urban dimension, the programme for the Development of Eastern Poland, which allocated almost 20% of its resources to regional growth centres, based on five regional capitals.

Three of the national programmes (Infrastructure and Environment, Human Capital, and Innovative Economy) had no specific priorities for urban issues, although each had relevance for urban development, funding activities or infrastructure that was typically concentrated in urban areas. The final national OP was for Technical Assistance.

In **Spain**, there were few multi-regional programmes, and most of the Cohesion funding was devolved to the regional level. At national level, there were programmes for Technical Assistance and the Cohesion Fund, three ESF programmes, plus two multi-regional ERDF programmes for the Knowledge-based Economy and R&D and Innovation. However, around €10 million on average was reserved from each of the ERDF ROPs for a national programme called URBANA, which allocated a total of €344.66 million with co-funding from municipalities to urban development projects across 46 cities with over 50,000 inhabitants. The programme and project-selection process was managed nationally by the Ministry of the Economy.

This centralised approach, which was explicitly modelled on the previous URBAN Community Initiative, was used for selecting all projects (ECORYS, 2010; Carpenter, 2013). However, the cities seemed to have little input into the overall design of the scheme.

The national multi-regional OPs in **Italy** had no significant orientation towards urban issues. There were three national ERDF programmes and three multi-regional ERDF programmes. Two of the national OPs were focused on communications and education. The Networks and Mobility OP was primarily concerned with inter-regional linkages rather than city nodes, although cities are prime beneficiaries of better inter-regional communication links. The Learning Environments OP focused purely on schools, with an almost implicit weighting towards the rural schools in isolated areas where the school has a stronger role in the community. The third national OP was on Governance and Technical Assistance. The three multi-regional programmes for Renewable Energy, R&D and Security similarly had no strong urban orientation.

As these programmes had **no particular urban orientation**, the cities were not identified as important stakeholders and hence were not involved in the design of these programmes, which were typically prepared by national ministries. The partial **exception was Bulgaria**, where urban issues were addressed at a national level. During this programming period, the power to participate in the process and subsequently in the monitoring of the respective Operational Programmes (as part of their Monitoring Committees) was granted to the National Association of Municipalities in the Republic of Bulgaria (NAMRB).

#### 4.3.2 Regional OPs

**City interests tended to be better represented in the regional OPs**, even if the involvement of city authorities in the programming process was on the same level as that of other social partners within the region. The importance of cities within their regions as centres of activity and economic opportunity, as well as often being the location of concentrations of problems, invariably led to their interests being considered to be of great importance. Regional OPs often had some form of sub-regional strategy or local development priorities in which the urban areas were a particular focus. The effect of the Lisbon Agenda with its emphasis on knowledge-based development, as well as a desire to emphasise larger projects, tended to favour urban areas in several of the countries.

The programming process for the regional OPs involved a great many partners and stakeholders in most cases. The cities were key players in this process, but generally without an officially stronger role than other partners, even though their influence was perhaps greater due to the likely focus of the programme in urban areas.

#### **Box 10: Role of cities in the design of regional OPs**

*Six of the countries had regional OPs – Bulgaria only had national OPs and hence is not examined in this section.*

In the **UK**, the English regional OPs were designed by the regional development agencies (RDAs) with input from a wide variety of partners including the local authorities and those representing cities. Although the programmes were distinctly regional in orientation and developed by regional agencies, most of the RDAs had sub-regional strategies with a city-region focus. Whilst the main emphasis was on enterprise and innovation objectives, some of the ROPs included community development priorities that incorporated an urban focus, and so the cities were involved in the shaping of those elements.

London was an exception in that it was a region in its own right, so the OP was designed by the London Development Agency.

In **Flanders**, the cities were not directly involved in the design of the ROP, although the ROP did contain a priority on urban development that was allocated 25% of the budget. Antwerpen City Council had developed an investment strategy as an input to the design of the ROP, but this was reportedly not used in the final programme.

Cities were not directly involved in the design of ROPs in **Poland**, although again urban development was one of the priorities. In only one region, Silesia, part of the ROP funding was delivered through Sub-regional Development Programmes developed in partnership with the municipalities. The ROPs in Poland in 2007 were the first large-scale, coordinated, multi-annual programmes at the regional scale. The Silesian ROP was organised around 10 Priority Axes. Some of the Priority Axes were more urban-oriented, particularly Priority 6, on sustainable urban development, which was focused on the enhancement of the competitiveness of the urban areas through improvements in the physical fabric of the city and public space, the rehabilitation of derelict areas, and the regeneration of old industrial areas, but also on transport, social and cultural infrastructure.

Urban development received significant attention in the ERDF-funded **Andalucía** regional Operational Programme (ROP). Priority 5 in particular – ‘Local and Urban Sustainable Development’ – had the following specific objectives:

- To substantially improve the quality of the urban environment in Andalucía;
- To consolidate a system of sustainable cities;
- To encourage the development of metropolitan public transport systems;
- To achieve an increasingly participatory society;
- To encourage local development initiatives to enable the consolidation of local production systems.

At the outset of the funding period, Priority 5 accounted for approximately 10.1% of the total ROP budget. Funding was split into two tranches: one part for smaller towns and one part for the larger cities.

The urban agenda was an important element in **Italy** in 2007-2013, building on the prior experiences of 2000-2006 when each of the regional OPs was required to have an urban priority as the fifth priority, although the details varied between regions.

In 2007-2013, the ROPs did not all have a full priority for urban issues, but had to address urban questions at some point as required under the National Strategic Reference Framework (NSRF), which specifically identified urban issues as an important part of the territorial disparities and potential. The NSRF identified three main conurbations (Milan, Rome and Naples), four potential metropolitan systems (Torino, Venetia, Bologna and Firenze), nine other metropolitan areas, plus a range of other smaller urban areas. Greater emphasis would be placed on the larger cities due to their importance as economic engines. Three specific objectives were identified: supporting urban functions to improve competitiveness; raising the quality of life through environmental improvements and reduced congestion; and fostering the connections between cities and regional systems through transport and information networks. In the development of the regional OPs in 2007-2013, the regional governments were required to involve the cities in the negotiation of the design of their programmes.

At the implementation stage, each region designed its own regulations and its own mix of calls for tender and negotiated selection of projects. Each of the regions had some form of integrated development plan for cities, after the cities had put forward a plan for evaluation by the region. Regions would also evaluate the administrative and organisational capacity of the city to deliver the plan as either an intermediary body or just as a beneficiary. These processes took up to several years to negotiate and hence introduced considerable delays into the programmes, although with differences between regions.



In the 2007-2013 period, 12 out of 17 **German** regional ERDF OPs defined a Priority Axis for urban issues, although in the OPs for the city-states of Bremen, Hamburg and Berlin this axis was reserved exclusively for urban development actions. In the remaining five regional OPs without urban Priority Axes, sectoral actions such as brownfield revitalisation, the extension of technical, social and educational infrastructure, heritage and environmental protection focus on urban topics.

Resources for urban actions are very high in Berlin (€160 million) and North Rhine-Westphalia (€150 million) and very low in Rhineland-Palatinate (€7.8 million). In relative terms, the highest percentage of funds spent for urban development was found in Bremen (30%) and the lowest in Mecklenburg-Hither Pomerania (less than 2.5%). Overall, the Western *Länder* provided a 10% higher amount of funds for urban actions than did the Eastern *Länder*. Further ERDF and ESF funding possibilities increased the amount of funding, for example through the ESF programme BIWAQ (education, economy, labour in the neighbourhood).

The Structural Funds in Germany are traditionally invested in weaker, rural regions. For example the more prosperous part of **Brandenburg around Berlin** does not benefit a lot from SF. This is justified on the basis of its economic power and the dynamism of the hinterland of Berlin. Cross-border activities are not yet directly foreseen in the OP.

Another example is the fact that Munich is excluded from the SF in the 2014-2020 programming period. In fact, Munich is the richest region in the whole country. During the previous 2007-2013 period, the urban dimension in Cohesion policy gained importance compared to the support for rural development. The main reason for this change in mindset was the manifestation of problems in cities. Problems such as entrepreneurial pollution, socio-economic disparities and negative labour market trends needed integrated solutions. There is little involvement of city administrations in the preparation and implementation of OPs, although differences between the *Länder* can be observed.

The development of cities is not considered to be a specific task of the *Länder*, which see their role as the development of the whole state, so funding is often allocated to weaker, rural areas. Specific city-agendas are seen as less relevant for OP implementation.

In addition, the *Länder* authorities of territorial states consider the allocation of funds to be their own responsibility and rarely involve city administrations in the development of strategies. Exceptions are of course the city-states of Berlin, Bremen and Hamburg.

#### 4.3.3 Urban actions between 2007 and 2013

The urban dimension of OPs in 2007-2013 was defined as covering:

- Actions to promote internal cohesion of deprived urban neighbourhoods
- Actions to promote sustainable urban development
  - Competitiveness and innovation
  - Physical rehabilitation
  - Urban infrastructure
  - Housing in new Member States
- Actions to promote a more balanced polycentric development.

These actions covered a very wide range of possible projects. Whereas most countries defined urban actions around the need to address the problems of deprived neighbourhoods and physical rehabilitation, there was undoubtedly a focus on competitiveness and innovation expenditure in urban areas, even if not earmarked as an urban initiative. Much of this expenditure was contained within innovation priorities, and indeed in many countries there was a concentration of such innovation funding in the city-regions, as the likely beneficiaries tended to be concentrated in the main urban areas. Particular forms of tourism and cluster initiatives also tended to be urban-based, as did

cultural projects. But much of this was in the form of individual projects within programmes that were available across the whole of a region or country, rather than being part of an urban strategy within the Structural Funds. Individual projects might however be part of urban strategies at the level of the city, in which the Structural Funds were simply used as a source of funding for selected projects.

Cities were typically major beneficiaries of projects across both national and regional OPs through a mix of competitive grant schemes and commissioned or directly-identified projects. Municipal authorities tended to be important beneficiaries in many countries, although other urban-based bodies were also active in projects.

### **Box 11: Cities as beneficiaries**

In **Bulgaria**, in the first years after accession, most of the grant schemes were launched in the form of competitive procedures open to all urban municipalities (cities were not eligible beneficiaries, as they are not a tier of government). There were minimum and maximum limits on the size of the project budgets (e.g. grants from €250,000 up to €1.5 million). The selection criteria were based on the quality of the project proposal. Subsequently, the Managing Authorities changed their policy and identified direct beneficiaries for specific grant schemes (e.g. integrated urban transport projects) and set limits to the project budgets for the different levels of municipalities – higher grants for the larger municipalities and smaller for the remaining ones.

Most of the ERDF support for urban development in **Katowice** came from the ROP for Silesia, although some projects were also funded under NOPs for Infrastructure and Environment and for the Innovative Economy. The city was able to include an International Congress Centre in the city centre in the ROP as a flagship project, one of several key physical development projects aimed at changing the image of the city centre. Another was the National Symphony Orchestra Hall, which was NOP-funded.

This was all part of a coherent strategy to enhance the cultural and educational infrastructure of the city, and to change the perception and nature of a city that had suffered from poor urban planning and the ravages of de-industrialisation (ECORYS, 2010). Overall, Polish cities found it easier to deliver projects on road-building and large cultural facilities, and so these tended to be the main urban priorities.

In the case of **Berlin**, the city was covered with one single Operational Programme. The OP 2007-2013 contained 4 axes: (1) SME and start-ups, (2) Innovation, (3) Integrated City Development, and (4) Environment. While Priorities 1, 2 and 4 are more sectoral, Priority 3 Integrated City Development covers urban-oriented projects. With €175 million, PA3 supports investment in urban redevelopment in deprived urban areas, networks between urban actors at district level, library facilities in deprived areas and e-education. PA3 foresees cross-financing with the ESF. One major initiative supported by the OP was the introduction of Neighbourhood Councils in deprived districts, where locals are invited to become activity involved in solving their neighbourhood problems.

Although there was some consideration of the Berlin-Brandenburg greater region, projects were mostly inward-looking and did not cross the administrative borders of Berlin.

Urban renewal projects in **Flanders** were developed in smaller cities as well as in the two large cities in the region. In Genk, there was some renewal in the city centre with new commercial and housing provision, as well as the refurbishment of the city library and the creation of a new mobility plan. Mechelen focused its development on the renewal of the shopping centre and new cultural facilities; while Kortrijk saw the refurbishment of old factories to create a new destination focused on innovation.

Ghent focused on a particular area with an integrated approach to mobility, services for the disadvantaged, green space and a more liveable environment. Lastly, Antwerpen started the development of a major new project, Blue Gate Antwerp, which is a major remediation of a brownfield site to provide a modern eco-friendly park with a waterside logistics zone, an area for high-tech and R&D investment and some reclaimed green space. Altogether, Antwerpen received a budget of around €24 million from the current programme for urban development projects.

Overall, it was estimated that around half of the total ERDF resources in **Piemonte** would be invested in urban areas, largely driven by their potential for innovation and high value-added activities. However, the urban regeneration priority had specific aims to develop cultural heritage and improve the environment as well as supporting the redevelopment of degraded urban areas. These aims were delivered through integrated urban development plans, based on previous experience under URBAN II, such as in the Mirafiori district of Torino.

The **UK** ROPs tended not to have a strong urban priority unless focused on community development, but a large proportion of projects for innovation and enterprise were focused on urban areas.

**Spain** developed some integrated urban projects, for example for Alcalá de Guadaíra, an urban municipality in the province of Sevilla. Formerly a satellite town of the city, the expansion of the Sevilla conurbation means that it is now a suburb. Alcalá de Guadaíra has a post-industrial character and had a population greater than 50,000 in 2007, making it eligible for the URBAN Initiative support. It has been subject to an extensive urban regeneration project, covering some 52 hectares of land across three separate districts within the urban area.

In support of this project, €10 million of ERDF funding were allocated through the URBAN Initiative. The aims of the project are varied, addressing both 'hard' and 'soft' (i.e. social) aspects of urban regeneration as part of an integrated development approach.

Three broad priorities have been established: infrastructure and environment; economic development; and the promotion of social cohesion. The project represents a holistic and multidisciplinary approach to regenerating an urban area that is economically dependent on tourism and cultural promotion, based in part upon its historic character.

#### 4.3.4 Financial instruments for cities

Most of the case study countries had **experience of JESSICA** funds in the previous programming period, although not in all urban areas. The Joint European Support for Sustainable Investment in City Areas (JESSICA) is a financial instrument, developed by DG REGIO in partnership with the European Investment Bank and the Council of Europe Development Bank, which supports the formation of Urban Development Funds.

These funds can make investments in sustainable urban development projects through equity loans or guarantees, giving Managing Authorities greater flexibility in their use of European funds to support urban projects, especially in partnership with the private sector.

A key feature is the ability to recycle funds over time, and beyond the timeframe of an individual programme, giving a longer-term impact.

### Box 12: Case studies using JESSICA

The JESSICA funds in **Bulgaria** are meant to support urban projects initiated by municipalities, private investors and public-private partnerships in the seven largest cities of the country – Sofia, Plovdiv, Varna, Burgas, Pleven, Ruse and Stara Zagora. The resources are managed by two separate Urban Development Funds:

- Fund for Sustainable Urban Development of Sofia EAD ([www.jessicasofia.com](http://www.jessicasofia.com)).
- Regional Urban Development Fund AD – for projects in the territory of the six largest cities outside of Sofia – Plovdiv, Varna, Burgas, Stara Zagora, Ruse and Pleven (<http://jessicafund.bg>).

Presently, the Fund for Sustainable Urban Development of Sofia has total resources of €25.15 million, half of which are provided by the OP Regional Development/JESSICA, while the other half comes from the Fund for Local Authorities and Governments (FLAG). The Regional Urban Development Fund has been allocated a total of €18.9 million under JESSICA, complemented by an additional €37.7 million committed by the *Societe Generale Expressbank AD*, the majority shareholder in the Fund. Thus, the total amount available for financing urban projects reaches almost €56.6 million, and each approved project is co-financed by the Fund and the bank. The lending from both entities shall be available mainly by way of project finance, but also as working capital and bridge-finance facilities. The final maturity of the loans should not go beyond June 2035. At present, both funds are in the process of selecting project proposals from different entities in the respective cities.

Within the ROP for **Silesia**, a JESSICA Holding Fund has been set up, representing a partnership between the European Commission, the European Investment Bank and the Council of Europe Development Bank (the CEB). This has been providing funding through equity loans and guarantees for urban projects implemented under Priority 6 Measure 6.2.3 for projects aimed at revitalising derelict or degraded land or buildings in cities in the region, through Urban Development Funds (UDFs).

A UDF was selected by the EIB in late 2011, and an agreement between the EIB and the Bank of Environmental Protection was signed.

The Fund has been allocated €60 million. By October 2010, 10 buildings had been allocated funding for projects such as hotels, a medical centre, and the conversion of a cinema into a cultural centre.

Urban development in **Andalucía** is supported through the JESSICA (Joint European Support for Sustainable Investment in City Areas) Holding Fund Andalucía, established in 2009. Although the fund is managed by the EIB, its operation is established within the context of the Andalucía ROP. The JESSICA Holding Fund Andalucía is implemented through two Urban Development Funds. Both were established in 2011 and are valued at €40.3 million (UDF BBVA) and €40 million (UDF Ahorro Corporación) respectively. The division of JESSICA funds in Andalucía aims for geographic diversification and distinguishes between the size of urban areas, as follows:

- Large cities (more than 50,000 inhabitants) have been allocated approximately 60% of the funds, with investment to individual large cities capped at €15 million.
- Smaller urban areas (less than 50,000 inhabitants) have been allocated the remaining 40% of the funds, with investment to individual smaller urban areas capped at €5 million.

As per the General Regulations governing the Structural Funds in the 2007-2013 period, projects submitted for JESSICA funding must be included in an Integrated Plan for Sustainable Urban Development. Projects must also fit within the ERDF Andalucía ROP for 2007-2013, and they must contribute to urban development through the renewal of urban infrastructure, restoration of cultural heritage, the redevelopment of brownfield sites, local development initiatives (such as sports facilities, where they support regeneration), public transport, or through promoting sustainable tourism (Clavería, 2011). However, the JESSICA instrument in Andalucía was subject to substantial implementation delays, and delivery did not effectively begin until late 2012.

In the **UK**, JESSICA funds have been established in several regions: in London, the North West, the East Midlands, Wales and Scotland. However, they have been slow to get off the ground due to the complexity of establishing novel funds. No fund had been established in the case study city of Leeds.

## 4.4 Role of cities in the new 2014-2020 programmes

### 4.4.1 Role of cities in Partnership Agreements

At the time of writing, the Partnership Agreements had not yet been approved, and in some cases the drafts were only just being prepared for submission to the European Commission. Of the seven cases, all had submitted their PAs (in April 2014), but only Poland and Germany had already submitted their Operational Programmes.

There was a mix of experiences regarding the role of cities in the development of the Partnership Agreements, depending on the approach. In Bulgaria, Italy, Spain and Poland, the Partnership Agreements were developed in a top-down manner, in which case there was scope for national ministries to consult with and involve cities in relevant elements of the PAs. This was performed to a very limited extent in Bulgaria through an association, and to some extent in Spain and Italy also. Where **PAs were assembled from draft Operational Programmes from a devolved level, the role of cities was more important at this devolved level**, where they usually played some role in setting priorities, as in the UK (at least in England) and at a partial level in Germany. In Belgium, the PA was developed by the regional authorities; however, in Flanders the cities sought to influence the process but felt they had achieved little input.

The progress of the negotiation of the Partnership Agreement has been slow in the **UK**, with difficulties in combining the **'national' approaches of the devolved territories of Scotland**, Wales and Northern Ireland, and the devolved approach of England. The UK PA will be an overarching document that spans England and the Devolved Administrations of Scotland, Wales and Northern Ireland, with each having its own respective chapters (as will Gibraltar). Initial plans from the English local enterprise partnerships (LEPs) were collated in March 2014 with the inputs from the devolved administrations to prepare the first draft of the Partnership Agreement to be submitted to the Commission. The role of the cities in the Partnership Agreement thus depends upon the dynamics of the individual LEPs, although it is clear that the major provincial cities such as Birmingham or Manchester have taken a leading role in their city-region LEPs. In the more rural LEPs, the balance has shifted, with small cities playing a less dominant role.

So, whereas some of the larger cities have been able to shape their own strategies and priorities and ensure that they are accommodated in the national Partnership Agreement, similar powers have been used by rural LEP areas, and the interests of small cities may be subordinated to wider rural interests. Even in some of the larger urban city-regions, the **central city may not have had a strong influence on the final strategy**. Different processes have taken place, for example in Scotland, where the devolved government has been the driving force.

As of April 2014, the draft Partnership Agreement for **Spain** had been made available for public consultation, with a revised draft to be submitted to the European Commission by 22 April 2014. The consultation draft PA places continued emphasis on the role of cities in contributing to the Europe 2020 objectives in Spain. The PA makes particular reference to cities and/or urban development under:

Thematic Objective 4: Support the shift to a low-carbon economy in all sectors.

- Actions for sustainable urban mobility.

Thematic Objective 5: Promote climate-change adaptation, risk prevention and management.

- Urban areas – including the improvement of construction standards.

Thematic Objective 6: Protecting the environment and promoting resource efficiency.

- Water – including efficient urban water services and sanitation.
- Natural and cultural heritage – including improvement of the urban environment through the regeneration of old industrial areas.

Thematic Objective 7: Promoting sustainable transport and removing bottlenecks in key network infrastructure.

- Completing the main structural axes – including the continued development of the inter-city rail network.

In **Spain, urban municipalities were involved in the consultation process** for the Partnership Agreement. The Ministry of Finance and Public Administration sought to directly involve local authorities through information-dissemination events throughout the run-up to the start of the new funding period. For example, a programming meeting for local authorities was held in Madrid in May 2013, which included presentations on Cohesion policy provisions for local area development. In addition to promoting engagement with local-level actors, such events also serve to build administrative capacity in local-level organisations involved in Structural Funds delivery. As referred to above, individual towns and cities have been able to comment directly on the consultation version of the Partnership Agreement.

As in the previous programming period, **cities in Bulgaria did not participate** in the programming for the 2014-2020 period, and there are no plans for their participation in the management of the new Operational Programmes. Within their municipalities, cities are represented by the National Association of Municipalities in the Republic of Bulgaria. Each of the municipalities has one vote in the General Assembly of NAMRB, regardless of its size.

Some of the mayors/representatives of the municipal councils may participate in the different thematic groups or can submit comments, but there is no formal mechanism for a decision-making process that takes their opinion into consideration. Instead, this is conducted through NAMRB and the Regional Development Councils of the six planning regions.

The **Polish Partnership Agreement** has an area of strategic intervention with five themes, two of which are related to cities. First, there is an emphasis on cooperation in the functional urban area of *voivodship* cities, and this is to be addressed mainly through Integrated Territorial Interventions (ITIs) as a new form of financial instrument.

The **ITIs will be implemented in functional urban areas** based on the *voivodship* capitals as part of the regional Operational Programmes. Five percent of the allocation is dedicated to ITIs in regional Operational Programmes to support municipal areas, through dedicated measures in the ROPs. The main target is urban transport, and therefore cities will support urban transport through various forms of investment.

In **Belgium, a series of general information and consultation sessions** was organised by the Flemish Government in December 2010, November 2011 and September 2012 to discuss the European Commission's proposals for Cohesion policy 2014-2020 and the progress of the Flemish Government in developing its Operational Programmes. Antwerpen was invited to present its position on the Commission proposals at the consultation session in November 2011, based on the position paper drawn up with Ghent (College van Burgemeester en Schepenen, 2011). This prompted the subsequent statement with all 13 Flemish cities (VVSG, 2012). In these position papers, the cities strongly supported the focus on integrated territorial development and sustainable urban development across both ERDF and ESF. They proposed a more active role for the cities of Antwerpen and Ghent in the preparation of the Partnership Agreement and the Operational Programme, and they expressed concern that cities should be seen not just as implementers of policy but be involved in shaping policies. Comparison is made with the Lisbon strategy, which excluded the local authorities.

They particularly argued for greater prioritisation of urban policies within Cohesion policy and suggested that, rather than the 5% suggested by the Commission for urban development, the **Flemish programme should set aside something like the 25%** that was allocated in the 2007-2013 ROP (College van Burgemeester en Schepenen, 2011; VVSG, 2012). The cities also welcomed the idea of financial instruments to support integrated actions, such as ITIs, as well as the introduction of simplified administrative procedures for monitoring and the adoption of the same rules for the different funds. It was reported that the city of Antwerpen was not directly consulted on the final draft of the Partnership Agreement, or of the ESF Operational Programme. *Kenniscentrum Vlaamse Steden* was consulted as a key stakeholder, but the impact on the final draft was very limited. At the city level, the overall impression was that they had not been able to make a significant input into the process.

In **Italy**, cities were also consulted in the development of Operational Programmes that formed the basis of the PA, although **it was not clear how much influence the cities** had, as the national Operational Programme for cities seemed to have been developed in a top-down manner.

Finally, in **Germany**, the **PA was developed on the basis of the draft OPs**, as there is no national competence in Structural Funds policy. Hence, the only way that cities could influence the PA is through their involvement in the development of OPs at *Land* level. This form of engagement was highly variable and depends on the general urban density of the different *Länder*.

#### **4.4.2 Cities and Operational Programme development**

For the new programming period, the European Commission insists on the inclusion of participatory processes during the ERDF and ESF programming phase. However, the **case studies revealed that cities do not yet appear to be actively participating** in all countries in the 2014-2020 programming period.

**In most countries, programming for ROPs is the responsibility of regional authorities that have their own perspectives on the importance of particular urban issues in their regions.** Cities are usually invited to participate through consultation, and sometimes in the design of programmes, but as such may be in competition with other stakeholders to shape the programme to reflect their interests. Clearly, where a city is also a regional body, as in the case of Berlin, then the ROP will reflect a city perspective. But in a region with extensive rural areas and networks of small towns, the interests of a single city receive less emphasis.

**In Germany, city administrations were able to take part in a consultation process.** According to the national expert, these online consultations were taken seriously in different ways. For example, in North Rhine-Westphalia the process was time-wise intensive and costly. By contrast, in conservative *Länder* there was often no more than one opportunity to answer five online questions. Nevertheless, also in this programming period, municipal associations have a stronger influence than individual cities. A signal example of a long-lasting discussion is illustrated by the case of Munich, where a cabinet decision systematically excludes the city from EU subsidies, explained by its prosperous situation as the richest region of Germany. On the one hand, this seems to be a logical explanation, and less-developed parts of Bavaria profit from this decision. On the other hand, as a result, Munich is not involved in the process of exchange and strategy development, which would be an important asset for the whole region, since the state capital is very strong in areas such as Research and Development and Innovation.

**Berlin has a special status, because its programme covers the city administrative borders.** Therefore, the city administration authored the new 2014-2020 Operational Programme. However, one key aspect in Berlin would be the cooperation between Berlin and its hinterland of Brandenburg when designing the new Operational Programme. Notwithstanding the fact that there has been cooperation during the Operational Programme development, the OP does not get beyond general cooperation intentions. Consequently, it is to be expected that the actual programme implementation will not differ much from the past. On the other hand, Brandenburg, as a much wider territory than the area around Berlin, lost substantially in terms of its Structural Funds budget compared to 2007-2013 with the shift from a 'less developed' to a 'transition' region. Therefore, it is now keen to concentrate the remaining budget on deprived areas far away from the urban influence of Berlin. It is anticipated that actual programme implementation will be very inward-looking, with no substantial acknowledgement of the Berlin-Brandenburg metropolitan area.



In **Andalucía**, the regional government has **facilitated the involvement of cities** in the programming process through setting up an online 'governance platform'. The platform does not provide public access, and access is by prior registration only. The Andalusian Federation of Municipalities and Provinces (FAMP) has a central role in representing the interests of regional towns and cities via this platform. The regional government has also organised information workshops for potential ESIF 2014-2020 beneficiaries, including local authorities.

The involvement of Spanish cities in Cohesion policy will also be facilitated by their **participation in thematically-oriented networks**. With regard to the delivery of urban interventions, the Network of Urban Initiatives (RIU) will be retained in the 2014-2020 period and will act as the main coordinating platform for the urban actions specified by the Autonomous Communities in ROPs. There are also a number of thematic networks, such as the Spanish Network of Cities for Climate (*La Red Española de Ciudades por el Clima*, under the umbrella of FEMP) and the Spanish Network for Smart Cities (*La Red Española de Ciudades Inteligentes*, which has FEMP representation at Board level), which will facilitate knowledge-exchange and capacity-building in cities. Networks such as these may also have regional-level sub-groups. For example, the Sustainable Cities Network of Andalucía (*La Red de Ciudades Sostenibles de Andalucía*, RECSA) has 372 municipalities as members (of a total of 772 in the Autonomous Community), plus all eight provincial councils.

In **Flanders**, the **cities were not directly involved** in the development and drafting of the regional Operational Programme. There was, however, an indirect consultation involving the 13 so-called central cities that perform a central role in their sub-regions via the Knowledge Centre for Flemish Cities (*Kenniscentrum Vlaamse Steden*). These consultations were led by the Flemish government department for urban policy (*Team Stedenbeleid*), and this department took the lead in drafting the 'urban priority' of the ERDF Operational Programme. The cities thus had an influence in shaping this particular priority, but they had a much smaller influence on the three other priorities (innovation, entrepreneurship, and transition to low-carbon economy), as there was no mechanism for the cities to gain a direct role in drafting the programme. *Team Stedenbeleid* did try to raise urban dimensions with the working groups developing these sections of the programme, but it seems to have had limited influence.

**England was a case of more extreme decentralisation**, even though there is to be a single programme where there were previously nine regions, and cities play a much more important role. The English strategy is built up from the individual strategies of the local enterprise partnerships (LEPs), often at city-regional scale, so that almost all of the funds will be devolved to these LEPs. The element retained by government for central programmes particularly focused on ESF in the 2007-2013 programme has been 'dramatically reduced' from around 50% to under 5%, so that maximum funds would go to local areas.

These examples contrast with more centralised approaches in Poland and Bulgaria and, to some extent, in Italy. The **Bulgarian** authorities have continued with only national Operational Programmes as outlined in more detail in the next section, and with minimal input from the cities. **Italy** adopted a national Operational Programme for cities alongside its regional programmes, again described in the next section.

In **Poland**, with eight national OPs, **urban issues were only indirectly addressed**, whilst an OP for Rural Development is funded by the EAFRD. However, the NOP on Intelligent Development may be expected to favour the cities. The regional Operational Programmes will receive a greater share of total funds than in 2007-2013 at around 60%, up from 37.3%, and for the Silesian ROP, preparations began in 2011 and a database was prepared to identify the most important needs of cities and potential major projects. In addition, a Regional Territorial Forum was established, which is an advisory body for the development of the new programme with membership that includes representatives from the cities. Five percent of the total funds are to be reserved from the ROPs to support new ITI-based urban programmes.

#### **4.4.3 Dedicated urban priorities and programmes**

Only three of the seven countries examined have plans for dedicated urban programmes or at least urban strategies within regional development programmes.

Of the seven case study countries, **only Italy has decided to have a national Operational Programme focused on urban initiatives**. Italy chose to create a dedicated national Operational Programme for Metropolitan Cities in order to reinforce the support for the 14 large metropolitan cities, and to ease the burden of negotiation between cities and regions through regional Operational Programmes. The NOP Metro allocates around €30-40 million to each city in the more-developed regions in the North and around €100 million to each of the cities in less-developed regions in the South. The programme is particularly focused on supporting smart-city initiatives and social innovation. However, even though the programme already accounts for 5% of total ERDF funds in Italy, the large cities can still apply to the ROPs for funding for other measures, as indeed can the smaller cities that are excluded from the NOP Metro.

**Bulgaria** has taken a slightly different approach and aims to **support sustainable urban development through integrated actions** over the 2014-2020 period based on Integrated Plans for Urban Regeneration and Development. This will be conducted through a new OP Regions in Growth (successor of OP Regional Development). The proposed approach is to support 67 urban municipalities (and their main towns) from different hierarchical levels (based on the National Concept for Spatial Development) distributed throughout the territory of the country in order to mitigate the negative impact of migration. Those cities provide basic administrative and public services and form the largest part of GDP at municipal and regional levels. In terms of Cohesion policy relevance, the funds will follow the large concentrations of inhabitants, and, by supporting viable urban agglomerations, there is expected to be a multiplier effect for the neighbouring settlements.

According to the moderate polycentric model that has been selected for Bulgaria's development (National Concept for Spatial Development), the urban centres in Bulgaria have been classified in five hierarchical levels:

- Level 1: the capital city of Sofia, centre of European significance for the national territory;
- Level 2: large cities, centres of national significance for the territory of the regions;
- Level 3: medium-sized cities of regional significance for the territory of the districts;
- Level 4: small towns of micro-regional significance for the territory of a group of municipalities;
- Level 5: very small towns and villages acting as centres of municipalities.

Support in the new programming period will be targeted at medium-sized and large cities of the 1st (Sofia), 2nd and 3rd hierarchical levels – a total of 39 cities – and they will receive funds to support their urban development. The identified growth centres have functional and resource potential to stimulate the development of the surrounding agglomerations. The selected cities form the main network of urban centres in Bulgaria and play an important role in providing public services. They concentrate universities, research and innovation centres, and cultural institutions, and they host the core of the social and health infrastructure.

In order to achieve moderate polycentricism, another 28 cities from the 4th hierarchical level have been included in the framework for support, as they are important for the development of the peripheral, mountainous and border areas. Those cities are centres providing jobs and basic services of importance to more than one municipality and are essential for ensuring good communication and transport links throughout the territory of the country. The stimulation of medium-sized and smaller cities aims to reduce the effects of the current monocentric model, the imbalances in the development of the areas, and the increasing depopulation.

The **Bulgarian** approach seems to focus more on **achieving a territorial balance** across the country rather than focusing on the development of cities as growth centres. The main share of financial resources for the implementation of integrated urban development actions will be focused on the support of large-and-medium sized cities from the 1st to 3rd levels, with a stronger focus on those from the 1st and 2nd levels, which have greater potential to generate growth and employment and which will differentiate the support and provide territorial concentration of resources.

Finally, the **Flemish** ERDF programme as a **regional holistic approach** includes an urban Priority Axis (for smart and integrated urban development) for the 13 Flemish 'central' cities, but it does not include any provision for Integrated Territorial Investments (ITIs) for urban areas. After other commitments to SMEs, low-carbon economy and innovation, around 20% will be left for urban development, which represents a reduced share on the previous programme.

#### 4.4.4 Thematic involvement of cities

**Cities are anticipated to contribute across all three of the main objectives** of Cohesion policy – competitiveness, social cohesion and sustainability – although dedicated urban priorities tend to be focused more strongly on the latter two. Although competitiveness tends to be seen as a separate thematic priority in most programmes with an emphasis on innovation and entrepreneurship, the bulk of the funds for these priorities in most countries tends to be focused on beneficiaries in the main city-regions.

Indeed, the emphasis placed on these priorities in recent years has, in some regions and countries, **exacerbated intra-regional disparities** by supporting urban projects rather than rural areas. As major research facilities such as universities and corporate R&D centres are based in the main city-regions, an emphasis on innovation plays to the strengths of the cities, and the cities in the study plan to participate very actively in this objective.

**Social cohesion is at the heart of many of the more-focused urban priorities**, typically with an emphasis on the regeneration of deprived communities or areas suffering from decline and dereliction. Learning from the URBAN Community Initiative and many years of national urban policies, integrated programmes are proposed in several countries which seek to bring physical regeneration together with social and community development, combining hard and soft measures to regenerate the whole community. This approach includes continued support for the enhancement of social and community services in deprived areas, and even where this takes place outside of dedicated urban priorities the urban areas are important beneficiaries.

Finally, **sustainability is also strongly connected with urban programmes**, especially in the new smart-city initiatives such as in the Italian national Operational Programme for Metropolitan Cities, where smart-city strategies are intended to make better use of energy and transport resources to reduce carbon emissions and deliver more efficient networks in the cities where congestion and energy use are high.

#### **4.4.5 Financial implications of the new role of cities in Cohesion policy**

As laid out in Article 7(4) of the new ERDF Regulations, at least 5% of ERDF resources allocated at national level under Investment for Growth and Jobs shall be allocated to integrated actions for sustainable urban development. This can be interpreted in a narrow sense, in that countries should identify integrated programmes for sustainable urban development in the form of a discrete national Operational Programme as in Italy, or specific priorities or ITIs as in Poland, or it may be seen in a broader sense in that cities are able to develop integrated programmes using the Structural Funds.

Many of the countries seem to **be content to allocate 5%** of funds to specific integrated urban programmes or priorities, as the level of funding is no more significant than they would have allocated in previous programmes, and in one or two cases, notably Germany, this may mean a reduction in funding for dedicated urban initiatives. In some countries, though, the emphasis of the funds will be on competitiveness, but at least part of the programme will be delivered at a city-region scale. Accordingly, in England, the level of emphasis on urban development has been left to the individual city-regions and rural areas to decide, with the expectation that they will stress competitiveness priorities. In practice, many of these sub-regional programmes are effectively integrated city-region programmes, with the London programme accounting for almost 5% of the total UK funds.

Countries typically did not see a 5% target as unduly challenging, depending on how it was defined in detail, especially given that the natural effect of concentration of funding opportunities in cities almost guarantees that cities receive well over half of all the funds. More relevant issues are how the funds are utilised in cities, in terms of integration and governance, and the nature of the stakeholders involved in that process.

**Box 13: Share of ERDF devoted to urban actions**

In the case of **Germany**, an average of 7% of ERDF resources was allocated to urban actions during the 2007-2013 programming period. This varied between *Länder*, and, for example, in North Rhine-Westphalia, around 30% of ERDF was allocated to Priority Axis 3: Sustainable Urban and Regional Development. As a result of the financial crisis, the *Länder* authorities will decrease the amount spent on urban areas and justify their decisions with the aid of the new regulations. Accordingly, in North Rhine-Westphalia only 20% of the ERDF OP budget will be spent on the Priority Axis City and Neighbourhood. A large share of the *Länder* merely stated that they would spend more than 5% of their budget on urban actions in the OPs. In fact, this will be less than during the previous period. Consequently, the threshold of 5% predefined by the EU for integrated actions for sustainable urban development will be achieved. However, for Germany these are very low funds for urban topics, considering the strong polycentric structure. Besides, a specific allocation of funds to urban topics will not be part of the OP documents, and therefore the actual amount engaged is variable and will be negotiated during the period. Economically-weak *Länder* will tend to spend less in cities in favour of supporting weak, rural areas rather than economically-strong regions. As already noted, Munich will be specifically excluded from receiving funds on account of being seen as a wealthy city in what is already a fairly wealthy region.

In **Spain**, by contrast, the development of urban areas will be supported through three major funding mechanisms:

- First, the delivery of the integrated sustainable urban development strategy in Spain in 2014-2020 will largely be a continuation of the URBAN Initiative's organisational approach in 2007-2013. The budget for sustainable urban development will be allocated through the multi-regional Sustainable Growth Operational Programme 2014-2020, and again it will be specifically reserved for municipalities of over 50,000 inhabitants. The draft consultation PA specifies that 'a volume equal to' the obligatory 5% allocation will be allocated through the multi-regional Sustainable Growth OP.
- Second, an additional 2.5% of the ERDF budget will be spent on urban projects via Thematic Objective 4 (low-carbon economy). As per the integrated sustainable urban development approach, funds will be allocated through the multi-regional Sustainable Growth OP.
- Third, the Autonomous Communities will be able to specify additional urban development actions at the ROP level.

**Bulgaria** has also allocated considerable funds for urban development and has stated that in the main cities at least 5% of funds will be used to address urban social exclusion, but other funding will also have an urban focus.

In **Italy**, the 5% requirement is fully covered by the NOP for Metropolitan Cities and so there is no difficulty in meeting the target. Cities are also expected to be able to draw down additional funds from within their regional OPs, so the true figure is considerably higher than 5%.

Similarly, in **Poland** the urban ITIs (see below) will absorb around 5% of the total funds. Not all cities or parts of cities will be covered by ITIs, and some additional funding will be available from other parts of the ROPs.

In **Flanders**, around 20% of the programme will be available for urban projects through the regional OPs and so the target is exceeded considerably, although the level of funding is likely to be reduced from the previous programme.

The **UK** has not identified a clear 5% in a dedicated urban programme or priority, although it was noted that the integrated programme for London within the England ROP will absorb around 5% of funds. Integrated urban actions will also be embedded in a number of the other English local sub-programmes as well as in the ROPs for Scotland, Wales and Northern Ireland, so in reality the total may be expected to considerably exceed the requirement.

Given that the target for urban actions has not been difficult for countries to reach, and in many cases is below previous levels of investment in urban initiatives, the financial implications are not significant. In most countries, and especially in the more-developed regions, cities have the capacity to absorb significantly greater levels of funding than these formal allocations, and indeed will do so by drawing down funds from other priorities. Most large cities have the capacity to manage larger projects than will be funded by the Structural Funds. The exceptions would appear to lie in some of the Central and Eastern European Countries, where large projects have traditionally been led by central government.

There is **therefore little risk associated with an increased focus on cities in the Structural Funds, as the reality is a continuation of existing levels of activity**. The major difference is in the use of new instruments such as Integrated Territorial Investments, as discussed in the next section.

#### **4.4.6 Integrated Territorial Investments**

ITIs are expected to provide a mechanism whereby integrated actions to support cities can be developed at a scale below that of a region, bringing together funds from different priorities, and empowering stakeholders at the city level with the ability to manage and integrate these funds in order to develop projects that are better targeted at the complex needs of the city. Although such ITIs are anticipated to be appropriate vehicles for organising integrated urban programmes, they appear not to be popular among the countries surveyed. Most of the countries are reluctant to use them, or at least they have no plans as yet. The reasons for deciding not to use ITIs tend to relate to a view that they carry a significant additional burden if the level of funding is not large, and to a concern about the capacity of urban stakeholders to effectively provide the necessary accountability. Poland, Spain and Bulgaria will however be using ITIs, although only Poland is considering a widespread use for urban areas.

#### **Box 13: Integrated Territorial Investments**

**Poland** seemed to have the clearest and strongest support for ITIs with a well-designed and documented proposal. The Polish ITIs will be implemented in functional urban areas based on the *voivodship* capitals as part of the regional Operational Programmes. Five percent of the allocation is dedicated to ITIs in regional Operational Programmes to support municipal areas through dedicated measures in the ROPs. The main target is urban transport; therefore, cities will support urban transport through various forms of investment. The ITIs are intended to be focused on urban areas, but at present there is no metropolitan scale of government between the individual city authorities and the *voivodships*.

It is therefore proposed that the ITIs will be focused on groups of municipalities constituting the functional urban areas around the principal city of each *voivodship*. These authorities have been asked to form new associations for the purpose of managing the ITI. Each ITI association will have an institutional form including a secretariat and an executive board headed by a president who is the president of the *voivodship* capital, or central city, of the urban area.

A variety of legal forms of association may be adopted. It is expected that the ITIs will comprise at least half of the *gminas* or municipalities identified as constituting the functional urban areas (FUA), but they must include the capital and cities in the core of the FUA. Local government units may decide not to join the ITI association, but they would then be excluded from this funding mechanism and would be limited in alternative funding from the regional OP.

Each of the urban areas eligible for an ITI must submit a strategy, agreed by all of the municipalities involved in the ITI, which sets out integrated actions aimed at the economic, environmental, climate and social challenges facing the urban area. The interventions should be prioritised on particular problems, however, and fit with existing strategic objectives in the city. Integration is identified as being at the territorial and thematic levels, but also linking across funds so that hard and soft actions should be linked in the projects funded. Packages of projects may be approved which differ in terms of thematic scope, but which are integrated and complementary. ITI associations have been told that unconnected projects in each *gmina* are not acceptable for the purposes of integration.

In **Spain**, the draft PA specifies that three ITIs are anticipated, and that their indicative financial allocations will be elaborated in their respective regional Operational Programmes. One will be established in Andalucía – in the province of Cádiz.<sup>10</sup>

As outlined in the PA, **Bulgaria** plans a gradual build-up of structures and institutional capacity as well as the establishment of mechanisms for the implementation of ITIs. The pilot project for the implementation of an ITI in Bulgaria is scheduled to take place in the North-western Region, comprising five districts, where some of the large towns in the country are situated (Vidin, Vratsa, Montana, Pleven and Lovech). However, this seems to be different from the idea of an ITI for an urban area. The management structure of the ITI is yet to be determined, together with the actors to be involved in its implementation, functioning procedures and budget.

The **UK** has no specific plans for ITIs and has concerns about devolving accountability to a body such as a LEP, which has relatively underdeveloped governance. This is, however, despite the UK having abolished RDAs, which had administered the previous programmes, and replacing them with LEPs.

In **Flanders**, one ITI has been approved for North Limburg to address the problems of the Ford closure, but the Flemish Government has concerns that with a small budget overall the use of ITIs would be inefficient and would reduce the impact of the programme as a whole. It is therefore not proposed to use ITIs to support urban actions.

<sup>10</sup> At the time of the case study elaboration, no detailed information was available.

For the OP **Berlin**, ITIs have not been considered as an option. According to the OP expert, this bottom-up approach involving actors in selected areas is too costly and time-consuming within the administrative system of the city-state and within the broad OP. In general, the steering of such programmes alongside the daily obligations of OP implementation is very extensive and can implicate unwanted power claims from the local level in the federal system. At the time of the study, the ERDF Operational Programmes of Baden-Württemberg and Schleswig-Holstein have proposed ITIs. But in these particular cases, the ITIs do not specifically target urban areas. However, most of the Germany OPs include integrated urban development by using Priority Axes with several different Thematic Objectives, predominantly TO6 and TO9.

**Italy** is not considering the use of ITIs to support urban areas. In the past, this form of tool was used in Italy to support territorial priorities, and each region developed its own form of integrated funding system. However, these proved to be complex to set up and to administer, and it was decided instead to have a single integrated programme for urban projects that encompasses the mix of Thematic Objectives.

#### 4.4.7 Urban Development Network

There seems to be little **enthusiasm for the Commission's idea of an Urban Development Network** among Member States, with national administrations having little awareness of the instruction to nominate cities, or else being unclear on how to do so. There is a concern among several countries – Poland, for example – about **how to decide which cities to nominate**, as not all can be included, and the **decision on which to leave out is very political**. One official questioned whether there was a need for yet another forum of cities in addition to Eurocities.

There are currently many fora and opportunities for city authorities to exchange experiences of different forms of interventions, whether in economic development, social development or new smart-city approaches. It is not clear to the Member States what added value will come from another forum, especially now that programmes have been designed and cities have identified strategies and key projects, and they are already building on the experiences of previous programmes.

#### 4.4.8 Opportunities and risks of the involvement of cities

A greater level of involvement of cities may create additional opportunities within the Structural Funds, although, as noted above, the degree of involvement has not increased significantly in the countries examined and hence the evidence for additional opportunities is limited. In some countries, there is no discernible positive change, and so in the case of Belgium and Germany no particular opportunities or risks were noted as programmes continue as before. Elsewhere, changes were generally small; some opportunities and risks could be identified, but they were not expressed strongly by interviewees.

The main opportunities arise from a more integrated approach at the city level to the use of the Structural Funds, especially where new instruments exist, such as the ITIs in Poland or the Metropolitan Cities NOP in Italy. These approaches enable cities to develop more comprehensive and integrated strategies using the funds, especially in cases such as Poland, where city strategy-building has been poor and fragmented in the past.



There has also been a greater awareness of the importance of cities as growth centres across some of the programmes, for example in Poland, Italy, Spain and Bulgaria, with the result that greater resources will be focused on the cities with greater potential impact at the national scale. In other countries such as Germany, UK, and Belgium, the cities were already central to strategies and therefore the scope for greater prioritisation was limited. By creating an understanding of a greater focus on large and integrated urban projects, there is potential for greater leverage from the private sector and hence greater impact.

There was little concern about potential risks, as changes were limited. The main concern was that if responsibility and accountability were devolved to the city level, this would increase the administrative burden overall and potentially place much of that additional burden on city partnerships with limited capacity, notably in the case of the local enterprise partnerships in the UK, or the new metropolitan authorities in Italy which have yet to be established. Consequently, countries have taken a conservative decision to offset that risk by stepping back from the use of ITIs.

Risks relating to the over-concentration of funds in cities, and any view that this might be less effective than a more even distribution, were not raised. The general view was that greater urban prioritisation was an opportunity rather than a risk.

## 4.5 Conclusions and implications for the future

**European cities and urban areas play a significant role in regional development, a fact that is unaffected by whether it forms a major consideration for public administrations and politicians.** However, for the 2014-2020 Cohesion policy programmes, the European Commission has pressed for a stronger role for cities in programming, as well as in the delivery of programmes; nevertheless, in many Member States the results have been limited. Some countries have given cities the opportunity to participate in the programming process or have outlined new programmes, priorities or financial instruments to help cities participate in more integrated delivery of projects; but more could have been done to give cities a stronger involvement, especially in programme development.

The programme-preparation phase is almost completed, and consequently **there is limited scope for further influence on the design of the new programmes.** The next steps in involving cities are as part of partnerships during programme implementation. This can be achieved either via projects, through networks, or by involving cities as partners in future Cohesion policy-related exchange and decision. The remaining factor that can be formally influenced by the Member States is the implementation of regulations at national and regional levels.

However, if city representatives have not been involved in the writing of the Partnership Agreements, they are unlikely to be substantially considered during the programme-decision process. Regarding Structural Funds interventions, cities are again reduced to largely being beneficiaries at a project level.

When analysing the case studies, it became obvious that, with regard to urban aspects in the new programming period, there are **considerable differences between types of Operational Programmes:**

- Regional Operational Programmes covering a **city within its administrative** boundaries but not necessarily acknowledging the wider agglomeration (e.g. Berlin);

- Regional Operational Programmes covering urban **areas across administrative boundaries** (e.g. Brussels capital region);
- Regional Operational Programmes covering regions in which a **central city is one partner of the region** (e.g. Leeds);
- **National** thematic programmes (e.g. Bulgaria, Italy).

A recurrent problem has been the issue of **defining metropolitan regions**, as opposed to existing city municipalities that often cover only the central part of the city. Several governments have proposed new forms of authority or associations of municipalities to deal with this problem, but these bring their own problems of being relatively new bodies in which the internal dynamics and priorities are yet to be fully resolved. Even where a city forms its own administrative region, there can be problems if the urban area extends across the administrative border, with the consequence of not being acknowledged in Operational Programme design (for example Berlin-Brandenburg). In some Member States, urban development including **urban-rural cooperation** has been proposed as a **specific objective** (e.g. Austria). However, this specific objective is not particularly appreciated in the European Commission, and it is not yet certain that this objective will be retained in the Operational Programmes.

In the **2007-2013 programming period**, urban aspects were mainly implemented at **project level**. This was achieved either **sectorally**, using the **mainstreaming ERDF OPs**, or through integrated **urban development approaches**. The Operational Programmes in some Member States involved one Priority Axis that targeted urban areas by employing local strategies. The integrated urban development approach can be considered as the main step forward in the previous programming period. Especially in Germany, many OPs covered districts developed with local integrated strategies, on which basis districts and deprived neighbourhoods have been supported. With this approach, a bottom-up process was triggered in a very top-down-designed OP. In many areas, necessary developments and investments were made possible with Structural Funds.

However, the 2014-2020 programming period and the enhancement of urban issues have transferred this theme from the project level to the **Priority Axis level**. Nevertheless, these issues are **still not in a position to shape ERDF programmes** and even less so ESF programmes, and new programmes again mainly involve urban agendas at the project level rather than partner level.

The partnership principles also involve city representatives, but not more than in the previous period. Financial allocations have often been highly political and even less influenced by cities.

The **ITI approach** proposed by the European Commission has **not been particularly popular** with Managing Authorities mainly situated at national or regional levels due to concerns over the heavy managerial load for what might be relatively small budgets, as well as the risks associated with the devolution of power and responsibilities to cities or untried associations. In general, the reluctance to implement the ITI is linked to a lack of understanding of the benefit of the instrument over simply cross-financing between ERDF and ESF in specific projects. Notwithstanding the reluctance towards ITIs, it seems that, due to the urban focus initiated in the regulations, the integrated urban development strategies are more widely accepted and actually proposed in many Operational Programmes axes dealing with urban development.

All in all, the urban character has not been properly acknowledged in most of the Operational Programmes, which are still very much oriented along sectoral thematic priorities at national level. The territorial aspect, which in most of the more-developed countries has been reduced to 5% in one Priority Axis, is based on local strategies already existing in the previous period, and in some cases there has been a reduction in this territorial focus over the last two programmes.

Some smart-city initiatives are planned, but they are mostly restricted to energy and mobility topics, and there is an absence of a wider holistic approach to the future development of the city as a social as well as a physical and technological entity.

The role of cities in the 2014-2020 Cohesion policy period seems to be **similar in scale** to that of the previous 2007-2013 programming period. Although the European Commission sought a better positioning of the urban representatives by including various articles and paragraphs in the regulations, the Member States have largely retained the established procedures.

However, one must **distinguish between the EU12 and the EU15**. Whereas the EU12 tried to meet the requirement in various ways (e.g. urban programmes, specific urban interventions), the EU15 merely stayed with the same procedure as in the past, and in some places this means that cities are no longer beneficiaries of ERDF since Structural Funds are oriented towards the less-developed regions of the Member State (e.g. Bavaria, where Munich is excluded from the ERDF programme).



## 5 RECOMMENDATIONS

Cohesion policy has already been targeting urban aspects for **three programming periods**. However, the new factor is that the urban aspects are now integrated into the main priorities of the ERDF and ESF programmes. The new programming period starting in 2014 provides new instruments and opportunities for cities to participate in the Structural Funds. However, although the European Commission intended that cities should become more involved in the programming phase, the case studies' analysis revealed **no significant difference** to the previous programming period. For the seven years ahead, most of the work regarding programme design and content has been finalised. Changes can only be made in the implementation and evaluation of the programmes. In terms of long-term planning and the lessons learned from involving European cities in the Structural Funds, influence can only be directed at additional instruments or applied in the 2021-2027 programming period.

The **following recommendations are** based on the conclusions in the sections above and are structured in three levels. They target the EU level as well as the national and regional levels. The recommendations are based on a roadmap structure covering short-, medium- and long-term perspectives for those three levels, including potential indicators for the future assessment of implementation (see Set of Measures Tables 1-4 below).

### European level

The influence and implications on EU level are limited, to the extent that the European Commission in terms of city involvement can only provide recommendations but does not have any regulative power other than the Structural Funds Common Provisions Regulation (CPR). Thus, there are no specific regulations regarding urban aspects.

More emphasis should be placed on involving urban-targeting funding instruments. In this respect, the previous urban-related Cohesion policy programmes URBAN and URBACT have been appreciated as tools for cities to enhance the international exchange of experience and learn lessons, as well as to form platforms for better positioning urban agendas.

In general terms, there are **two ways to involve cities** and urban areas. The first is to consult them during the **development of EU regulations** or during the **monitoring and evaluation** process; and the second is to involve them at project level.

In the new programming phase, URBACT will again play a role in the Cohesion policy instruments. However, the budget is even less than in the previous period. The new feature is that urban aspects are directly targeted in the ESF and ERDF, and a limited percentage of the budget must be allocated towards urban issues.

Notwithstanding the targeted instruments, the **majority of funding goes into Thematic Objectives**<sup>11</sup> of different kinds (Innovation, ICT, SMEs and energy efficiency). These Thematic Objectives have been shaped even more than in previous programming periods by the European Commission, the European Parliament and the Council. Due to the concentration of population in European cities, they benefit from the Structural Funds programmes to a greater extent. However, their involvement in designing the programmes was limited. Particularly in the more-developed regions, the participation of cities in programmes was sometimes even reduced in order to save the funding for the more peripheral areas of the region.

<sup>11</sup> See CS Regulation (EU) No. 1303/2013 Article 9.

This leads to even less influence on urban agendas in those Member States. Although the legislative procedure is finished, there are still some aspects to be initiated at European level. The following general recommendations are based on the sections above.

- The study revealed that **cities and urban areas are in no way homogeneous** or comparable with each other. The attempt for unified typologies did not lead to any satisfying method for comparability. It is recommended that the purpose of typologies should be fully understood before becoming involved in this action and consideration should be given to Member State sizes, the location (peripheral or central) of cities and urban areas, functional alliances, the size of the city and the type of hinterland. Different typologies tend to underestimate the intensity of digital connectivity of urban areas, which is a key element. In general, it is recommended that the specific target for typologies should be clearly defined, which would mitigate concerns about over-generalising and inappropriate comparisons.
- The **European Parliament as well as the European Commission should institutionalise the urban agenda**. The urban agenda should be adopted as an own policy in the Cohesion policy of the European Commission, involving urban experts and stakeholders. This would acknowledge the global trend of urbanisation. The European institutions should also encourage Member States to enhance urban aspects in their development policies.
- The definition of **integrated urban development could be better mainstreamed** by developing adequate urban concepts. This could be defined as an ex-ante conditionality for future urban programmes.
- The European Commission as well as the Member States must understand the need for **better agglomeration development** across administrative borders. Current Operational Programmes are clearly shaped along administrative borders without acknowledging actual functional areas.
- **Interdisciplinary coordination at European level** (between DGs) as well as in Member States' ministries and departments is a key step towards future success. Thus, urban issues should only be tackled with an integrated approach. Currently, the sectoral approach is overloading regional policy at European and national levels. Cross-sectoral solutions must be enforced at both levels.
- The **various urban networks** could be more **systematically coordinated** and effectively used at European level. The European Commission as well as the European Parliament could provide a platform for city concerns, which would help to better position cities at national level.
- The fact that the CPR foresees specific investment priorities for cities, alongside the allocation of 5% of the funding to cities, has reinforced the inflexibility of national and regional governance. As a result of this inflexibility, some Member States allocated even less to urban areas than in the previous programming period.
- The **Thematic Objectives** appreciate neither the type of city nor the characteristics of agglomerations across administrative borders. Instead of setting a minimum financial allocation for urban areas, consideration could be given to allowing more flexibility in territorial actions.
- The **Urban Development Network**, according to Article 9 of the ERDF Regulations, should be used as a vehicle for better coordination of city actors and topics. However, the European Parliament should monitor the progress of the initiative.

'Set of Measures 1' shows possible interventions at European level over short- and medium- term perspectives.

### Set of Measures 1: Urban policy development

European Commission			
Possible interventions	Necessary conditions for success	Time frame	Indicators
Definition of an urban agenda at European level taking into account the European model of urban development <sup>12</sup>	Political willingness Inter-sectoral coordination between different European Agendas (including relevant European initiatives, such as smart-city EIP)	Medium term	Approved and implemented urban agenda, <sup>13</sup> adoptable for Member States
Development of instruments for implementation of the urban agenda	Adopted urban agenda	Medium term	Applicable instruments adapted to the Structural Funds instruments
Acknowledgement of agglomeration issues as an indicator for project assessment	Acceptance of the necessity to support and enhance agglomeration cooperation in urban development	Medium term	Definition of result indicators regarding agglomeration-related projects
Definition of ex-ante conditionalities in terms of urban concepts and strategies	Combined with urban programmes	Medium term	Ex-ante conditionality implemented

'Set of Measures 2' shows possible interventions at European level specifically regarding cross-sectoral activities.

### Set of Measures 2: Cross-sectoral interaction

European Parliament – European Commission			
Possible interventions	Necessary conditions for success	Time frame	Indicators
Involvement of cities in policy development (EU and MS) with the EC actively identifying cities to participate	Involvement of city stakeholders and policy-makers	Short term	Stakeholder taskforce (involving city representatives) actively participating at European policy development level
Reinforce cross-sectoral coordination of policies	Initiating cross-sectoral dialogue at Member State level	Short term	Number of dialogues at European levels Number of actions resulting from those dialogues

<sup>12</sup> The European model of urban development is based on economic, social and territorial cohesion and sustainability (Cities of tomorrow 2011).

<sup>13</sup> A starting point could be the Communication of the European Commission COM(2014) 490 final.

European Parliament – European Commission			
Possible interventions	Necessary conditions for success	Time frame	Indicators
Better and more systematic interaction between different European Commission DGs regarding the understanding of the role of cities and the definition of smart cities, with the European Parliament conducting this process	Interaction between European Commission DGs	Medium term	United funding system in the 2020+funding period
Open up the smart-city approach beyond energy and ICT topics	Interaction between European Commission DGs	Medium term	Clear definition of the smart-city approach
Use of the Article 9 initiative 'Urban Development Network' as a platform for better positioning of urban actors and urban agendas	Urban Development Network monitoring by the European Parliament	Short term	Definition of set of indicators for successful implementation of the initiative Reported progress of the initiative
Coordination of different urban-related initiatives, networks and programmes at European level	Effective interaction between European initiatives	Medium term	Number of interactions with measurable results
Development of cluster platform for urban topics joining different urban initiatives (smart-city EIP,...)	Definition of one host organisation assuming the responsibility	Short term	Active platform involved in the European discussion regarding urban areas

### National level

Interventions for supporting urban aspects in Cohesion policy can be **most effectively implemented at Member State level**. In this respect, Europe again takes a most heterogeneous approach. The differences are in many cases **driven by political systems**. One of the striking aspects in urban development in Europe is the fact that while urban sprawl and **urban change do not respect any administrative borders**, policies and financial allocations still often relate to those administrative borders. This results in the loss of effectiveness of financial instruments and interventions. This is especially true in Member States with a strong **federal system** (e.g. Germany, Austria), where specifically metropolitan areas cover different federal states and different political influences. This even decreases the likelihood of effective decision-making and joint strategies.

In comparison, regions in Member States with a more **united political system** are to a lesser extent powered by administrative borders and political differences. However, even in these instances, difficulties arise with Operational Programmes oriented along NUTS 2 borders. This is the case in many different Member States where NUTS 2 funding does not fit with city-regions. For example, in the UK there are urban areas where part of the city-region receives a different level of support than other parts, and this makes coordination very difficult.



Structural Funds involve cities only by means of actors in the participation process. However, the programmes in the majority of Member States are oriented to regions and administrative borders. Respectively different types of regions become involved in the Structural Funds differently.

While some **regions equal cities** (e.g. Berlin, Vienna, Praha), others comprise **only one player among many** (e.g. Leeds). The character of the involvement of cities in the 2014-2020 programming period **shows a picture of the general lack of acknowledgement** of urban agendas on national terms.

In order to improve the urban agenda at national level, metropolitan areas should be **supported by joint strategies** across administrative borders. Inter-sectoral interaction should produce an enhanced understanding of the different needs of urban areas. Furthermore, the concentration of funding in specific types of regions would increase effective financial allocation. This would imply the differentiation of regions in a more detailed way than at present, distinguishing between the more-developed regions, transition regions, and less-developed regions defined in the CPR. **Criteria of differentiation** should also include other aspects such as population density and social disparity. 'Set of Measures 3' shows possible interventions at national level related to the recommendations described above.

### Set of Measures 3: Agglomeration development

National Administrative level				
Type of cities	Possible interventions	Necessary conditions for success	Time frame	Indicators
National level	Nomination of urban policy representative participating in European urban policy development	Political willingness at national as well as regional levels	Short term	Urban policy representative for each Member State
Urban areas	Implementation of agglomeration policy, regional development policy	Political willingness at national as well as regional levels	Medium term	Urban policies at national level
	Definition of different types of regions with different needs for financial allocation and different thematic orientation	Political willingness for differentiation in financial distribution between different regions	Medium term	Regional typology
Metropolitan areas and agglomeration	Enhancement of agglomeration interaction involving Structural Funds	Operational Programme conditions	Short term	Number of interventions in Operational Programmes towards metropolitan area strengthening
	Development of agglomeration strategies including not only the cities but also the hinterland	Commitment to a joint strategy Implementation provision	Medium term	Agglomeration strategy including measurable targets and indicators
	Empowerment of	Political willingness	Medium	Financial strength

National Administrative level				
Type of cities	Possible interventions	Necessary conditions for success	Time frame	Indicators
	agglomeration management	Adequate agglomeration manager (knowledge, engagement)	term	and structural strength of management
	Cross-sectoral coordination of city-relevant topics	Political willingness to cooperate between sectoral departments	Medium term	Integrated cross-sectoral cooperation activities

### Regional level

The regional level in many cases has significant **influence on Structural Funds implementation** and thus plays a key role in implementing urban agendas on regional level. Regional stakeholders have the opportunity to influence the national level and support urban policy development at national level. In some cases, regional stakeholders involved in the Structural Funds are enhancing regional city and agglomeration issues by using Structural Funds money. However, there are manifold interests hampering the process. It is the political difference between regions and municipalities that leads to success or failure of possible interventions. Nevertheless, various regions are enhancing **cooperation networks** between stakeholders across administrative borders. Regional stakeholders need to become involved in interdisciplinary activities that improve the implementation of urban agendas. 'Set of Measures 4' lists possible interventions at regional level related to the recommendations described above.

### Set of Measures 4: Cross-border and cross-sectoral interaction and regional interaction

Regional governance				
Type of cities	Possible interventions	Necessary conditions for success	Time frame	Indicators
Regional cities	Cooperation networks across administrative borders	Political willingness of different counties or federal states to cooperate	Medium term	Established cooperation across administrative borders related to urban issues
	Positioning urban agendas on project and programme levels	Political willingness of different counties or federal states Understanding of the need for regional differentiation between rural and urban areas	Medium term	Number of SF projects with relevance for urban areas Number of programme-related interactions associated with urban issues
	Interaction between sectoral administration for interdisciplinary exchange of urban agendas	Willingness and preparedness of cross-sectoral dialogue at administrative level – across regions as well as between regions and national administration	Medium term	Number of meetings held between different departments with measurable results related to agglomeration issues

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## Interviewees

<b>Poland (Katowice)</b>	
Member State Level	Daniel Balinski, Head of Department of Regional Policy and Instruments, Territorial Department of Structural Policy Coordination, Ministry of Infrastructure and Development
City/OP Level	Tomasz Kołton, Department of Regional Development, Slaskie
<b>Germany (Berlin)</b>	
Member State Level	Rolf Engels, URBACT National Dissemination Point for Germany and Austria, working group moderator (24.01.2014): Städtische Projekte im EFRE/ESF 2014-2020
City/OP Level	Dr Oliver Schwab, IfS Institut für Stadtforschung und Strukturpolitik GmbH (23.01.2014): Strategische und Operative Planung – EFRE Berlin 2014-2020 (Erarbeitung des OPs)
<b>Bulgaria (Sofia)</b>	
Member State Level	Mrs Maryana Nikolova, Head of Unit Administration and Finances & Team Leader of Project 'Improvement of the Municipal Capacity for Delivering Public Services', National Association of Municipalities in the Republic of Bulgaria
City/OP Level	Ms Rada Nikolaeva, Chief Expert, European Programmes and Projects Directorate, Sofia City Municipality
<b>Belgium (Antwerpen)</b>	
Member State Level	Ahmed Abdelhakim, Vlaamse Overheid – Flemish Government, Agentschap Ondernemen – Enterprise Flanders, Entiteit Europa Economie – Division Europe Economy
City/OP Level	Steven Sterkx, European Officer, City of Antwerp
<b>UK (Leeds)</b>	
Member State Level	Mr Kevin Richardson, Department of Business Innovation and Skills
City/OP Level	Mr Simon Brereton, Acting Head of Economic Policy and Sector Development, Leeds City Council

<b>Spain (Sevilla)</b>	
Member State Level	Emilia Martínez Urrutia, Programme Director, Directorate-General of Community Funds, Ministry of Finance and Public Administration, National Government of Spain
City/OP Level	Adolfina Martínez Guirado, Chief of Planning and Public Coordination, Directorate-General of European Funds, Regional Government of Andalucía
<b>Italy (Torino)</b>	
Member State Level	Sandra Gizdulich, Department for Cohesion Policies
City/OP Level	



DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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