



Fostering the urban dimension

**Analysis of the Operational Programmes
co-financed by the European Regional
Development Fund (2007-2013)**



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Working Document of the Directorate-General for Regional Policy

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EXECUTIVE SUMMARY

Cities and metropolitan areas are the engines of Europe's economic development. They are also the frontline in the battle against obstacles to growth and employment – especially social exclusion and environmental degradation.

Cohesion Policy plays and will continue to play an important role in the development of Europe's towns and cities. This role expands in the new 2007-2013 programming period as the urban dimension is now fully integrated into the ERDF Operational Programmes. Building on the experience and strengths of the URBAN Community Initiative, Member States and regions have been given the possibility to design, program and implement tailor-made, integrated development operations in all European cities.

Two generations of URBAN Community Initiative programmes have demonstrated this integrated approach in around 200 cities across Europe. Elements such as cross-sectoral coordination of actions, strong horizontal partnerships, increased local responsibilities and the concentration of funding on selected target areas constitute key success factors of the URBAN Community Initiative, and a common European "*Acquis Urbain*". The current programming period takes up this successful approach, and suggests spreading this methodological concept to cities and regions across Europe. The impact of programmed operations will strongly depend on a sufficient connection between local development policies and European targets. Regional and national urban policies signify important links in this context.

Based on the analysis of all 316 ERDF Operational Programmes of all three EU Cohesion Policy Objectives, this Working Document draws the first picture of how different aspects of urban development have been taken up in the 2007-2013 programming period. The analysis is limited to programmes co-financed by the European Regional Development Fund (ERDF), and does not touch upon other European funds. It subsequently also does not capture all sectoral interventions which might have impact on cities and on urban development.

Building upon the analysis of the programming documents, the main findings are the following:

- (1) *New period, new opportunities for cities.* In the current programming period, questions related to urban development are an important, reoccurring topic in the strategy and implementation of ERDF Operational Programmes. More than half of the ERDF programmes have an identifiable urban dimension, and address challenges in urban areas.
 - (a) This urban dimension is characterised by the wide scope of actions in cities, which clearly corresponds to the needs on the ground. Operations extend from the rehabilitation of disadvantaged areas to actions with a strong focus on innovation and competitiveness in urban growth poles. In doing so, urban actions within Operational Programmes make an essential contribution to the core objectives of EU Cohesion Policy and to the European Growth and Jobs Agenda. This great variety of actions also reflects the diversity of challenges which European cities are currently facing. It also indicates that cities play a

vital role in tackling future European challenges, such as the question of urban-rural linkages or energy efficiency and climate change.

- (b) The availability of funding to cities has been clearly expanded. For the first time in the history of Cohesion Policy all cities are potential beneficiaries of ERDF funding. This is reflected by the fact that around 3% of the ERDF budget (approx. € 10 bn.) has been programmed explicitly for urban development at Priority Axis level. When adding possible operations at sub-Priority Axis level, the total share of budget allocated to urban development can be expected to be significantly higher.
 - (c) While the number of Priority Axes dedicated to urban development is equally split between Convergence and RCE regions, the latter regions show a comparably high percentage of investment (8.9% of the ERDF budget for the RCE Objective against 3.2% for the Convergence Objective). On the other hand, in absolute terms, almost three times the money will be invested in Convergence regions (€ 7.24 bn.) in comparison to Competitiveness regions.
 - (d) With the "mainstreaming" of the URBAN Community Initiative, regions and Member States had the opportunity to apply the successful approach of URBAN in all cities and under possibly varying thematic orientations. URBAN signifies the Commission's ongoing efforts to better integrate different sectoral policies in cities, and to stimulate positive progress in governance-systems. In the case of urban actions this includes elements such as the involvement of cities and citizens in the design and implementation of operations, the sharing of responsibilities and a strong and strategic concentration of funding on the target areas. This could take place within or outside Article 8 of the ERDF Regulation, which also provides an enlarged set of eligible operations.
- (2) *A dual picture, strong sectoral focus.* A considerable number of regions and Member States have foreseen urban actions in their Operational Programmes, also committing an increased financial share to urban development operations. This positive result is contrasted by a fairly strong focus on sectoral operations and presents an asymmetric picture when it comes to integrated strategies for urban development:

The analysis revealed a certain difference between old and new Member States when it comes to the programmed activities in cities and to governance provisions. A generally less strong emphasis on integrated urban development seems to be linked to the fact that many EU-12 Member States have little experience in integrated urban development and/or were unable to benefit from the URBAN Community Initiative in the past.

- (a) This is particularly visible with "URBAN-type" operations, which follow the principles of the URBAN Community Initiative. While over 50% of all RCE regions foresee URBAN-type operations (all located in EU-15), only around 35% of the Convergence regions make reference to it. When looking at the Convergence regions from EU-12 alone, the percentage shrinks to just over 10%.

- (b) Urban development operations in EU-12 show a strong tendency towards sectoral investment, both financially and in their general approach. This not only concerns the infrastructural sector (i.e. transport, waste treatment), but also "mono-physical" rehabilitation measures in cities (i.e. town centre renewal, brownfield development), where integrated approaches would be required. The picture is reaffirmed by the fact that this Working Document only concerns ERDF programmes and left out Cohesion Fund projects which are very likely to introduce even stronger sectoral tendencies in this field.
- (c) The necessary capacity building and guidance, necessary for sufficient know-how and skills in integrated urban development, is foreseen in only a few cases, mostly in EU-15. This also concerns the possible use of Technical Assistance for these purposes.

In total, the Commission's expectations for a full exploitation of the regulatory possibilities and for strong and integrated "urban" strands in programmes have so far only been met partially.

- (3) *Local involvement – a major challenge.* Good vertical and horizontal coordination of actions and strong local involvement into programming constitute key elements of the "Acquis urbain". As the programmes from the URBAN Community Initiative proved, the activation of local actors is crucial for the success of urban development operations. This local involvement is essential to reach a high degree of acceptance and visibility on the ground and concerns not only integrated operations, but also sector-oriented activities in cities.

The programming documents for 2007-2013 generally show few signs of direct local involvement in the design and implementation of ERDF Operational Programmes. It remains to be seen if this can be improved throughout the implementation of the programmes. However, crucial aspects in this regard concern several important points:

- (a) The Regulations for 2007-2013 offer broad options for improved governance of urban development operations. So far, many of them have not been used or taken on-board in the programming documents. This includes aspects such as appropriate local involvement in the design and implementation of programmes or the active participation of citizens in the process. The analysis also revealed that most cities have a limited role to play in programme-related decision making processes and in governing budgets for investment on their territory.
- (b) The possibility to delegate responsibilities to local authorities has also been used only in very few cases. The sub-delegation of an entire programme took place only in one case. Nevertheless, it remains to be seen whether the possibility of allocating global grants to cities might not be used by some Managing Authorities at a later stage of programme implementation.
- (c) Indications on the financing of URBAN-type operations are available only in a limited number of cases. These OPs illustrate the clear and necessary need to concentrate funds and to reach a critical mass of investment (i.e. minimum threshold of €5 to 10 mio. per operation in French and Czech OPs). To

effectively manage integrated operations, it appears also to be important to "ring-fence" budgets and/or to have one common funding "pot" for many different (sectoral) activities. This principle was successfully applied with the budgets for the URBAN programmes. In view of the structures for the implementation of the OPs, the application of this (or a similar) model seems unlikely.

- (d) Another highly relevant aspect concerns the cooperation between cities and local actors. There is great potential in using urban actors and cities as partners in cooperation activities. Cities also clearly show a need and willingness for cooperation. This is the case in all three strands of the European Territorial Cooperation Objective. Especially considering the potential and the challenges of cross-border agglomerations as well as of broader "urban networks", cities should be involved more strongly and more effectively. The URBACT II programme can, seeing its financial limitations, only serve a selected number of European cities.
- (4) *Spaces to be filled, options to be used.* This Working Document provides a first complete assessment of the urban strands of all Operational Programmes for 2007-2013. It describes several positive developments, but also identifies a series of challenges which are to be dealt with throughout the implementation phase of the Operational Programmes.

Despite the possibility to make adjustments to existing programming documents within upcoming modifications in order to eliminate shortcomings, it might be sufficient in most cases to use the existing provisions and options in the Operational Programmes more intensively and extensively. Possibilities comprise – amongst others – three important aspects:

- (a) More than half of all Operational Programmes contain a reference to the JESSICA Initiative or mention it as an option. Using these optional provisions in the programming documents could strengthen the integrated approach of urban development operations. JESSICA can also help in creating coherent implementation frameworks for integrated operations, and in expanding the cities' financial possibilities.
- (b) The connection between mainstream OPs and networking programmes (URBACT II, INTERREG IVC) through the Regions for Economic Change Initiative offers the possibility to profit from capacity building and testing best practice. Mutual learning and the exchange of experience between cities will be equally vital for the successful application of the integrated approach in urban development.
- (c) European Territorial Cooperation Programmes show a high potential for addressing and improving governance-related challenges. The cooperation between urban actors on different spatial levels is already a vital conceptual element in connecting different actors and in creating a visible European value added. Around one third of the Cross-Border and Transnational Cooperation OPs address questions related to cross-border agglomerations, transnational urban systems and improved territorial governance. The exchange of knowledge between cities and regions is particularly positive if

used complementarily to operations which are implemented under Convergence and RCE Objective programmes.

This Working Document draws a first complete picture of how the main orientations arising from the common legal and thematic framework have been taken on-board in the Operational Programmes. It is possible that at the level of Operational Programmes we do not see all the efforts and investments planned in urban type interventions. It will, therefore, be an important at a later stage to follow-up this study and monitor the concrete implementation of urban actions on the ground. Only that can provide more in-depth knowledge, and draw a sharper picture of actual implementation on the ground.

It also appears to be vital that Member States encourage their Managing Authorities to address the issues raised in this Working Document, and to consider better exploiting already existing possibilities. This is of particular importance for URBAN-type operations and the concept of integrated urban development within interventions of EU Cohesion Policy.

1. INTRODUCTION

The territory of the European Union is characterized by a remarkable urban settlement structure, comprising cities of all sizes and types.¹ Today, over 70% of the European citizens live in urban areas.² Most jobs, businesses and higher education institutions are to be found there. Cities are key locations in achieving greater competitiveness and in creating more and better jobs. At the same time they not only concentrate opportunities but also challenges, such as social exclusion, rising unemployment and environmental degradation. The Green Paper on "Territorial Cohesion: Turning territorial diversity into strength" recognises this dual role and underlines the importance of cities for European territories.³

Cities play a vital role in the economic and social development of European regions. The success of development policies is therefore largely dependent on their recognition and implementation "on the ground". Within EU Cohesion Policy, cities have clearly moved up the political agenda over the last years. Urban development has become an increasingly important part of it.⁴ Starting with Urban Pilot-Projects between 1989 and 1993, and followed by two generations of the URBAN Community Initiative programmes between 1994 and 2006, urban actions have become vital elements in many of the mainstream Operational Programmes in the 2007-2013 period. This so-called "URBAN mainstreaming" constitutes one of the most important changes to Cohesion Policy in recent years. Operations in the spirit of URBAN complement the physical infrastructure investments in cities, which have also been co-financed under "mainstream" Cohesion Policy Objectives in previous funding periods.

On the way from a small-scaled pilot-action to an element of major EU funding streams, a common "European" methodology for sustainable urban development, characterized by a holistic approach and the integration of all relevant sectoral policies, has emerged. This approach represents a shared and highly successful framework for urban actions. Both the European Parliament and the Committee of the Regions recommend that the Member States should continue applying this methodology – in- and outside the framework of Structural Funds.⁵

¹ Green Paper on Territorial Cohesion: Turning territorial diversity into strength. Communication from the Commission to the Council, the Parliament, the Committee of the Regions and the European Economic and Social Committee of 6 October 2008 . COM(2008) 616 final.

² According to DG REGIO calculations based on the Urban Audit and the urban morphological zones of the European Environmental Agency (EEA), 71% of the EU population lives in urban agglomerations, cities or towns of more than 5 000 inhabitants. www.urbanaudit.org.

³ Green Paper on Territorial Cohesion: Turning territorial diversity into strength. See footnote 1.

⁴ Action 1 of the 'Urban Framework for Action' calls for explicit urban programming in Structural Fund support: "*Given the crucial role of towns and cities for regional development and EU regional disparities, it is important for the effectiveness of regional policy that Structural funding be more explicitly related to urban needs and potential in the regions. This would also increase legitimacy and local accountability by involving local decision-makers and widening partnerships.*" Sustainable Urban Development in the European Union: A Framework for Action. Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions. of 23 October 1998, COM (98) 605 final.

⁵ This position is also strongly supported by the European Economic and Social Committee and relevant stakeholders (e.g. Eurocities)

Equally important, the thematic focus of operations was extended over the years. Accordingly, and following the main orientations of the policy, operations are no longer exclusively concentrated on the renewal of distressed urban areas, but also on other, sometimes more general urban development interventions.

Both the different possibilities to implement urban actions under all three Objectives of EU Cohesion Policy and the common methodological framework for integrated urban development are enshrined in the Regulations⁶ for the 2007-2013 period and more precisely defined in the Community Strategic Guidelines⁷. These documents, as well as the Commission's Communication on "Cohesion Policy and Cities"⁸, have been an important guidance for the elaboration of National Strategic Reference Frameworks and Operational Programmes co-financed by the European Regional Development Fund (ERDF).

This European framework for integrated urban development is strongly supported by Member States. Since the mid-1990s, two main elements have emerged as priorities in the EU Member States' urban policies: firstly, how to achieve local economic growth, international and interregional economic competitiveness of cities and new employment opportunities for the cities' viability and, secondly, how to involve disadvantaged and distressed urban areas in this process. Ministers in charge of the urban development have repeatedly highlighted the importance of a common approach in urban matters. Following the resolutions of Lille (2000), Rotterdam (2004), and Bristol (2005), Ministers emphasized the role of integrated urban development and the cities' importance for economic and social cohesion with the adoption of the "Leipzig Charter on Sustainable European Cities" in May 2007. Most recently, further steps for the implementation of the Charter were adopted at the Ministerial Meeting of Marseille in November 2008.

Due to the different historical backgrounds and structures of urban policies at national and regional level, the implementation of corresponding programmes, projects and measures varies considerably. As the Structural Funds only complement national actions, the various national contexts for urban development are to be taken into account when analysing the operational programmes. From this perspective, the European regions can be classified in three groups:

1. Regions which have benefitted from an urban policy at national or regional level.
2. Regions in which cities have benefitted from the URBAN Community Initiative. These are regions which have acquired considerable experience over the years in working with area-based, participative and bottom-up oriented urban development.
3. Regions in which cities have not benefitted from an urban policy at national or European level and/or from the URBAN Community Initiative.

⁶ Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund; and Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund.

⁷ Community Strategic Guidelines on Cohesion, Council decision of 6 October 2006 (2006/702/EC).

⁸ Cohesion Policy and cities: the urban contribution to growth and jobs in the regions, Communication from the Commission to the Council and Parliament of 13 July 2006. COM(2006) 385 final..

1.1. Objectives of this Working Document

In this Working Document, the Directorate-General for Regional Policy will analyse the urban dimension of the current generation of ERDF Operational Programmes for 2007-2013. It is the main objective of the document to assess how the main orientations arising from the common legal and thematic framework have been taken on-board in the programmes.⁹ It will also provide with examples from different national contexts.

This Working Document is based on an analysis of all 316 Operational Programmes from the three Cohesion Policy Objectives ("Convergence", "Regional Competitiveness and Employment" and "European Territorial Cooperation"). It gives a first full picture of how Member States and regions have addressed urban issues in the programmes. It builds upon the DG REGIO Working Document "*The territorial and urban dimension in the NSRF and OPs 2007-2013*" which mainly targeted the National Strategic Reference Frameworks (NSRF) and only included a small sample of OPs.¹⁰

Considering the function of Operational Programmes as multi-annual planning documents, this Working Document only refers to planned activities and operations. It does not provide any information on the concrete implementation of actions. As a consequence, and for reasons of consistency, complementary documents going beyond the information contained in Operational Programmes (e.g. programme manuals, calls for proposals) have not been taken into account.

1.2. Terminology

Cities and urban areas

This text uses the concepts of "cities" and "urban areas" in a generic sense. Definitions differ from Member State to Member State and follow diverse approaches, from purely size-based to more functionally oriented definitions.

Integrated urban development

Complex challenges in urban areas require complex cross-sectoral, holistic solutions. Integrated urban development seeks to coordinate the different sectoral policies having an impact on cities and on city dwellers. It means the simultaneous and fair consideration of concerns and interests which are of relevance to urban development. Strong local involvement and public participation in the design and implementation of cross-sectoral projects and programmes is therefore essential. Citizens need to play an active role in shaping their immediate living environment.

⁹ Operations financed under the European Social Fund (ESF) or the Cohesion Fund (CF) are not taken into account in the analysis. They might nevertheless offer further possibilities to support urban development actions, e.g. operations for the social rehabilitation of urban areas, especially to increase the employability of disadvantaged groups and to foster social cohesion (ESF), or for major infrastructure projects (CF).

¹⁰ The Working document of the services of the Directorate General for Regional Policy "The territorial and urban dimension in the National Strategic Reference Frameworks and Operational Programmes 2007-2013: A first Assessment" of May 2007 was submitted to the Informal Ministerial Meeting in Leipzig. As the paper was presented before the complete adoption of all Operational Programmes, no full analysis of them could be provided.

Strongly promoted through the URBAN Community Initiative, the approach to "integrated urban development" became a guiding methodological principle across the European Union.

URBAN (Community Initiative)

"URBAN" stands for the URBAN Community Initiative. Programmes under this Community Initiative were implemented in two programming periods, 1994-1999 and 2000-2006. URBAN had a clear focus on the physical regeneration and social rehabilitation of deprived urban neighbourhoods. Equally important, the initiatives supported local economic development and environmental issues.

Following the guidelines for designing operations¹¹, the URBAN programmes also included projects and measures for improving mobility and public space, for local employment and for cultural initiatives. The citizens' participation and the involvement of local stakeholders (multi-level governance) were compulsory in the design and implementation of all actions. The common guidelines for URBAN defined a framework combining different sectoral activities. Evaluations¹² show that this holistic approach in urban development represented a clear success factor for these interventions. The almost 200 URBAN programmes were geographically concentrated, and targeted a clearly defined programme area. In doing so, a minimum funding intensity per capita was guaranteed (e.g. URBAN II: min. 500 EUR per inhabitant¹³). The budget for operations was "ring-fenced" through specific programming decisions, and could exclusively be used for URBAN. Within URBAN II, the average ERDF allocation per programme was around €10.2 mio ERDF (see annex, map 1). The overall budget for the two generations of URBAN Community Initiative was rather limited, reaching its peak in the 1994-1999 period with a total allocation of just 0.57 % of the total Structural Funds budget.

URBAN Mainstreaming

With the end of Community Initiatives in the current period, the content of the URBAN Community Initiative was included in the regulatory framework for the new generation of "mainstream" Operational Programmes. In this context, "mainstream" stands for the high financial and thematic importance of those programmes within EU Cohesion Policy. The approach of "mainstreaming" the URBAN Community Initiative was a central idea for the preparation and design of the new generation of ERDF Operational Programmes.¹⁴ It was incorporated by means of a regulatory provision in the ERDF Regulation (reg. EC 1080/2006). Article 8 of this Regulation defines the scope and strategies of intervention in distressed urban areas, and provides with an enlarged set of eligible operations. This non-mandatory provision recognises – for the first time – the

¹¹ Guidelines for the URBAN II Community Initiative. Communication from the Commission to the Member States of 28/04/2000. C(2000) 1100.

http://ec.europa.eu/regional_policy/sources/docoffic/official/guidelines/pdf/urban_en.pdf

¹² Ex-post evaluation of the URBAN Community Initiative (1994-1999):

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/urban/urban_expost_9499_sum_de.pdf

¹³ Article 27 of the Guidelines for the URBAN II Community Initiative.

¹⁴ Recital 9 of the ERDF Regulation (reg. EC 1080/2006) states: "Building on the experience and strengths of the URBAN Community initiative [...], sustainable urban development should be reinforced by fully integrating measures in that field into the operational programmes co-financed by the ERDF, paying particular attention to local development and employment initiatives and their potential for innovation."

development of disadvantaged urban neighbourhoods as an important task within ERDF Operational Programmes.

In this text, these operations are also referred to as "URBAN-type" actions (or operations).

The urban dimension of Operational Programmes

Apart from "URBAN-type" operations, the Regulations for the 2007-2013 period provide opportunities to co-finance a broad spectrum of actions in cities. As the entire EU territory, including all cities, is eligible in the current programming period, a clear distinction needs to be made between integrated "URBAN-type" actions and other operations in city areas, which do not necessarily follow the idea of integrated urban development and are predominantly sectoral (e.g. urban transport). Some actions might also refer to "urban" as a definition of space for the location of actions. The latter case is not taken into account in the analysis of the Operational Programmes. The different groups of actions covered in this Working Document are outlined in chapter 1.3.

Sustainable development

This text uses the definition of "sustainable development", which is given by the renewed EU Sustainable Development Strategy (EU SDS).¹⁵ The goals of the sustainable urban development are more precisely defined in the framework document on "Sustainable Urban Development in the European Union".¹⁶

1.3. Types of actions¹⁷ and issues addressed in the Working Document

The analysis of the Operational Programmes was made along the thematic and governance-related aspects, established in the Structural Funds Regulations and the Community Strategic Guidelines. In particular, Council Regulation (EC) No 1083/2006 of 11 July 2006 offers substantial guidance for the design and implementation of an "urban dimension", and defines a range of tools for actions. Among them, Article 37 (4) (a) requires Operational Programmes financed under the European Regional Development Fund to contain, where appropriate, information on the approach to sustainable urban development.

Nevertheless, there is no legal obligation for Member States to include an urban dimension in Operational Programmes or to involve cities in their design and implementation. The same applies to the optional regulatory provision for the mainstreaming of the URBAN Community Initiative. Therefore, URBAN is not self-evidently "mainstreamed" in OPs.

¹⁵ Renewed EU Sustainable Development Strategy (EU SDS). Adopted by the European Council on 15/16 June 2006. Doc. 10917/06.

¹⁶ Sustainable Urban Development in the European Union: A Framework for Action. COM (98) 605 final, 23.10.1998

¹⁷ In this document, the terms "actions" and "operations" are used in a generic sense.

Along the lines of the guiding documents, three different groups of actions can be identified. They constitute the "urban dimension" of Operational Programmes for 2007-2013.

1. *Actions to promote internal cohesion of deprived urban neighbourhoods ("URBAN-type actions")*: Actions of this group are to be understood as the direct legacy of programmes formerly implemented under the URBAN Community Initiative (see ch. 1.2 "Urban Mainstreaming"). However, actions which have been programmed outside Article 8, but respect the main principles of the "URBAN Acquis" are also included in this group. All actions of this group follow an integrated, area-based approach and have a clear focus on disadvantaged urban areas.
2. *Actions to promote sustainable urban development in relation to specific urban challenges*. Actions in this group do not always follow a holistic approach, or might even refer to only one specific sectoral challenge. These operations are implemented within the legal framework of Articles 4, 5 and 6 of the ERDF Regulation (EC 1080/2006). They are not necessarily concentrated on disadvantaged urban areas, and therefore often address the city-level. Sub-groups comprise:
 - a. Actions for increased competitiveness and the role of cities for innovation and job-creation;
 - b. Actions for the physical rehabilitation of urban areas, especially in relation with physical city centre renovation or brown-field development;
 - c. Actions targeted at the development and improvement of urban infrastructures (e.g. urban transport, waste water treatment, social and cultural infrastructure)
 - d. Actions implemented under the special conditions of Article 7(2) of the ERDF Regulation (EC 1080/2006) on housing in new Member States.
3. *Actions to promote a more balanced, polycentric development*. Actions include the development of networks of cities and the creation of links between the economically strong cities and other urban areas, including small and medium-sized cities. Operations in this group might also refer to questions of metropolitan governance or urban-rural linkages.

Operations which exclusively refer to "urban" as a definition of location, but do not have any relevance in the framework of sustainable urban development, or represent an "urban dimension" in the sense of the Regulations, are not being considered in this assessment.

The Regulations and the Community Strategic Guidelines also define a number of key principles for governance that need to be taken onboard in the design and implementation of urban actions:

1. *The involvement of cities and local authorities into the design and implementation of Structural Funds operations*, including the possibility of programme "sub-delegations" to cities and the selection of target areas.

2. *Strategic planning and the preparation and implementation of medium- to long-term development plans*, including the application of a multi-disciplinary and integrated approach, the development of planning and monitoring tools, the active participation of citizens in the implementation of operations, and methodological guidance for cities.
3. *The financing of operations in cities*, including the concentration of funds and reaching a critical mass of investment, as well as the possible use of the JESSICA initiative and Technical Assistance budgets.

These governance and implementation-related aspects of Convergence and RCE OPs are discussed in chapter 3.3.

2. METHODOLOGY

2.1. Work basis

The assessment is based on an analysis of all 316 Operational Programmes co-financed through the ERDF. It does not include operations which are implemented within the framework of the European Social Fund (ESF) or the Cohesion Fund (CF). The analysis was conducted by the Directorate-General for Regional Policy, and is based on the adopted final versions of all OPs. Both the texts of the programmes and their financial classification of expenditure were used in the analysis.

2.2. Number of assessed Operational Programmes

The selection of OPs to be analysed was based on two partly parallel processes.

On one hand, the classification of Structural Funds assistance¹⁸ allowed a first, rough selection. As there is no specific expenditure category (code) for urban development/renewal, three related codes were considered:

- 25 "Urban transport"
- 52 "Promotion of clean urban transport"
- 61 "Integrated projects for urban and rural regeneration"

In a second step, all OPs containing at least one of these three codes were analysed more in detail. As the content of programmes did not always correspond to the codification, or – in the case of code 61 – also referred to rural development, the number of programmes was narrowed down further.

¹⁸ Article 37(1)(d) of reg. EC 1080/2006 specifies, each operational programme shall contain "*an indicative breakdown by category of the programmed use of the contribution of the Funds to the operational programme*". A list of categories for the 2007-2013 period is contained in annex II to reg. (EC) 1828/2006.

On the other hand, and since not in all OPs urban actions have been attributed with the code 25, 52 or 61, the descriptions of all Priority Axes of all Operational Programmes were checked. This led to the identification of several "additional" programmes, even though they did not refer to any of the above mentioned codes. As for the other OPs, the content of these programmes was verified in a second step, and several programmes eliminated from the list.

The final number of analysed Operational Programmes containing an urban dimension was 178. For these programmes, a qualitative and quantitative assessment was made.

Table 1 illustrates this process:

| | | |
|--|-----|---|
| Total number of Operational Programmes | | 316 |
| Number of Operational Programmes containing codes 25, 52 or 61 | 196 | Number of Operational Programmes with an "Urban" or "Mixed" ¹⁹ Priority Axis |
| Number of Operational Programmes with an urban dimension (= Final number of analysed Operational Programmes) | | 178 |
| - Thereof Objective "Convergence" | | 76 |
| - Thereof Objective "Regional Competitiveness and Employment" | | 80 |
| - Thereof Objective "European Territorial Cooperation" | | 22 |

Table 1: Analysis process of Operational Programmes 2007-2013.

2.3. Financial information on the assessed Operational Programmes

The assessment included the basic question whether Operational Programmes comprised a specific Priority Axis on urban issues or not. As indications on the financing of OPs are only available at Priority Axis level, financial figures on the foreseen spending for urban actions can exclusively be given for the programmes having specific "urban" Priority Axes.

¹⁹ (Thematically) "Mixed" Priority Axes contain several different thematic focuses. Operations dedicated to urban development therefore constitute only one of many thematic aspects, and are programmed under the level of the Priority Axis. Expressions frequently used in OPs for this level are "measure", "area of intervention" or "field of actions".

3. THE URBAN DIMENSION OF ERDF OPERATIONAL PROGRAMMES 2007-2013

The urban dimension of ERDF Operational Programmes for the 2007-2013 period is analysed by Objective (Convergence, Regional Competitiveness and Employment, European Territorial Cooperation). Programmes from the first two Objectives have been analysed by types of actions, as outlined in chapter 1.3. As the differences between EU-15 and EU-12 in governance and implementation questions are greater than the ones between the two Objectives, a comparative analysis has been included in a separate chapter (3.3). For the third Objective on European Territorial Cooperation, the analysis follows the main three strands as outlined in Article 6 of the ERDF Regulation (1080/2006).

Table 2 gives an overview of how the "urban dimension" is represented in the Operational Programmes from the three Objectives.

| Objective | Total number of OPs | OPs with a specific Priority Axis on urban development | % of total number | OPs with "mixed" Priority Axes which include urban actions | % of total number | OPs with an urban dimension | % of total number |
|---|---------------------|--|-------------------|--|-------------------|-----------------------------|-------------------|
| | | 1 | | 2 | | 3 = 1+2 | |
| "Convergence" | ²⁰ 119 | 31 | 26.0% | 45 | 37.8% | 76 | 63.9% |
| "Regional Competitiveness & Employment" | 115 | 48 | 41.7% | 32 | 27.8% | 80 | 69.6% |
| "European Territorial Cooperation" | 70 | 1 | 1.4% | 21 | 30.4% | 22 | 31.9% |
| Multi-Objective Programmes | 12 | - | - | - | - | - | - |
| Total | 316 | 80 | 25.3% | 98 | 31.0% | 178 | 56.3% |

Table 2: The urban dimension on programme level (overview)

More detailed information concerning the different Objectives is provided in the following chapters.

Map 2 (annex) gives a geographical overview of eligible areas (Convergence/RCE regions) with major European cities.

²⁰ This includes the CZ Multi-Objective Integrated OP.

3.1. The urban dimension of Operational Programmes implemented under the "Convergence" Objective

The Convergence Objective covers 119 Operational Programmes in 20 EU Member States. The total ERDF budget allocated for these programmes amounts €229.49 billion (equalling 85.5 % of the total ERDF budget)²¹. As table 3 illustrates, the majority of programmes and funds are located in EU-12 regions. The main beneficiary of funds under this Objective is Poland with an ERDF amount of €39.486 billion.

Approximately one quarter of the OPs (31) include a specific urban Priority Axis.²² Another 45 programmes have an identifiable urban dimension, either through operations on sub-Priority level or through sectoral operations (urban transport e.g.). The total number of OPs with an urban dimension is 76.

| "Convergence" Objective | EU-15 | EU-12 | EU-27 |
|--|-------|-------|-------|
| Total number of Operational Programmes | 51 | 68 | 119 |
| (1) OPs with a specific priority axis on urban development | 13 | 18 | 31 |
| (2) OPs with "mixed" Priority Axes which include urban actions | 20 | 25 | 45 |
| (3) OPs with an urban dimension (=1+2) | 33 | 43 | 76 |

Table 3: The urban dimension of Convergence Operational Programmes 2007-2013

The financial allocation to the urban Priority Axes varies from only €4.8 million (OP Melilla, ES) to € 1.118 billion (Romanian Regional Development OP). The total allocation for the urban dimension at Priority Axis level is €7.24 billion, equalling 3.2 % of the ERDF budget for Convergence regions.

| Amounts in billion € | EU-15 | EU-12 | EU-27 |
|--|-------|--------|--------|
| (1) Total ERDF budget for the "Convergence" Objective | 84.48 | 145.01 | 229.49 |
| (2) Financial allocation to specific Priority Axes on urban development | 3.27 | 3.97 | 7.24 |
| (3) Percentage of used ERDF budget for urban development at Priority Axis level (=2/1) | 3.9% | 2.7% | 3.2% |

Table 4: The financing of the urban dimension of Convergence Operational Programmes 2007-2013

²¹ The amounts refer to Convergence and Phasing Out regions. They do not include the Cohesion Fund.

²² The regional Operational Programme of South Transdanubia (HU) includes two urban Priority Axes.

Questions of urban development and town rehabilitation have generally been taken up well by Convergence regions, and form important thematic elements in many of the Convergence OPs. Already at the stage of financial allocations, the analysis reveals a visible difference between EU-12 and EU-15 Member States: Despite introducing a clearly higher number of specific urban Priority Axes, the amount allocated by regions in EU-12 to these axes is only slightly higher than in EU-15 regions. In relative terms, EU-15 Member States (3.9%) have programmed a higher budget for urban development than EU-12 (2.7%). Table 4 illustrates this.

3.1.1. Preconditions for and patterns of programming in Convergence regions

The development of "Convergence" regions is a clear priority for the use of European Funds.²³ The way how challenges are tackled, and by which instruments, varies from region to region. This especially concerns the urban dimension of OPs. When analysing the programmes, the most visible common patterns of programming could be identified between cities from EU-15 on one hand, and from EU-12 on the other: They result from European history, but also the countries' very heterogeneous experience and tradition in urban planning and development. In addition, cities in EU12 did not benefit from the URBAN Community Initiative and have no or limited experience of targeting urban development in an integrated manner. Therefore the concept of integrated urban development – and its application – was new to many of the EU-12 Member States.

The question whether Member States and regions were able to sufficiently apply the concept of integrated urban development is also closely connected to the existence or non-existence of national urban policies: Clearly defined strategic visions for long-term urban development are key for the success and continuity of operations. However, whether programmes are based on such strategic visions or not is closely related to whether national urban policies have been developed or not.

The analysis showed that there is a clear gap between EU-12 and EU-15 concerning urban development policies. While all EU-15 Member States with Convergence OPs have national strategies for urban development or national urban policies, only very few EU-12 Member States show comparable strategies or policy approaches. Nevertheless, it can be assumed that – as the cases of Hungary and the Czech Republic illustrate – the introduction of an urban dimension in Structural Funds OPs may lead to the creation of more profound integrated urban development policies. The URBANA Initiative for Spanish regions illustrates on the other hand, how the experience from URBAN can be used and mainstreamed on a broad basis.

The patterns of programmed investment for cities follow the main lines defined in Article 4 of the ERDF Regulation. The effects of chronic underinvestment in existing infrastructure during the whole post-war period, especially in EU-12, calls for urgent and broad-scale investments in all types of infrastructure (transport, housing, health care, education, culture). This is clearly reflected in the OPs. At the same time it is evident that the integrated approach, as foreseen under Article 8, is less prominently applied.

²³ Article 3 of C.R. 1083/2006.

With the exception of Malta, cities in EU-12 Convergence regions are additionally confronted with problems inherited from the communist regime, such as technologically-outdated economic activities with low productivity and poor adaptive capacities, mono-industrial dependency, poor quality and improperly managed large housing estates. Other problems inherited from the transition period are related to large-scale privatisations and unreformed public administration.

Despite many differences in programming patterns, the analysis identified one major trend which is reflected in almost all Convergence OPs with an urban dimension: the need and the objective to tackle the negative consequences of demographic change. With only a few exceptions most cities in Convergence regions are losing population and show signs of ageing. This does not only result in a specific demand for downsizing urban infrastructures, but also in a need to adapt existing services and facilities.

The overall-picture shows that the urban dimension of Convergence OPs is generally strongly related to physical, often sectoral investment in urban infrastructures. The physical rehabilitation of city centres and brownfield development, as well as urban transport constitute main features. These operations do not necessarily follow the principles of integrated development. On the other hand, URBAN-type actions, as a follow-up of the URBAN Community Initiative and promoting a holistic approach in urban development, are foreseen in far fewer programmes and play a clearly less important role in the OPs. With the positive exception of Spain, no national or trans-regional initiatives for implementing URBAN-type operations are taken.

3.1.2. Actions to promote internal cohesion of deprived urban neighbourhoods ("URBAN-type actions")

URBAN-type actions, constituting a (mainstreamed) continuation of the URBAN Community Initiative, are usually to be implemented under Article 8 of the ERDF Regulation. As the analysis of the programmes shows, only 5 Convergence OPs made use of this regulatory provision. However, 42 "additional" OPs include "URBAN-type actions", while not referring to the Article 8 in the OP text. In total, 47 programmes foresee "URBAN-type" actions, with and without reference to Article 8. This represents around 40% of all Convergence OPs.

In most cases, URBAN-type actions are implemented within specific urban Priority Axes. They are mostly programmed on regional level. Nevertheless, some Member States chose to introduce a stronger national approach (e.g. URBANA-Initiative in all Spanish Regional OPs and the Urban Priority Axis in the national Rumanian Regional Development OP).

All Spanish Regional Operational Programmes comprise a strategy to promote sustainable local and urban development. For cities with more than 50.000 inhabitants, a new URBAN-type initiative called "URBANA" is launched at national level with a total ERDF financial allocation of €344.60 million. It covers deprived areas of large and medium-sized cities and projects well selected along defined criteria. The objectives of this initiative are to promote competitiveness, to foster internal cohesion through the physical rehabilitation of decaying areas, to improve the connection between cities and to integrate disadvantaged groups.

Similar URBAN-type operations are also programmed within "mixed" Priority Axes for urban and rural development. The application of an integrated approach can thereby be seen as a cross-cutting principle for both policies.

All **Czech Regional OPs** include urban development either through a specific urban Priority Axis or through a mixed Axis that also includes regional and/or rural development. Urban development in regional centres²⁴ is compulsorily carried out on the basis of an integrated urban development plan which may address two types of zones in cities; deprived zones and zones with high growth potential.

The Convergence OPs also provide with several good examples of how important methodological issues can be addressed, such as the elaboration of integrated urban development strategies or the concentration on selected distressed urban areas.

The **Hungarian Regional Operational Programmes** require cities to elaborate integrated urban development strategies to substantiate urban development operations in the programming period. The programming documents foresee the support of two types of projects:

- 1) Function-enhancing urban rehabilitation projects aim at a balanced development of towns, at strengthening their regional economic roles, at enhancing their county-level functions, tourism and culture potential and as knowledge centres.
- 2) Social urban regeneration projects aim to improve the circumstances and chances of life of inhabitants, to prevent the deepening of segregation and to reduce the concentration of the low-status population. Special target areas of social urban regeneration include blocks of high-rise buildings constructed with industrialised technology, urban residential areas of traditional construction and industrial colonies, and areas populated by Roma.

Despite a potential need for doing so, only a very few programmes from EU-12 foresee specific support through Technical Assistance to cities for the development of integrated urban development plans. The same goes for the option to finance capacity building measures on local or regional level.

3.1.3. Actions to promote sustainable urban development in relation to specific urban challenges

Investment in all types of urban infrastructure (transport, housing, health care, education, culture) as well as in different sectors of the urban economy constitutes a clear priority in all Convergence OPs. Such operations do not necessarily follow the principles of integrated urban development. In particular the Convergence regions in EU-12 show a strong focus on infrastructure upgrading, potentially resulting from chronic underinvestment during the post-war period. Questions related to competitiveness and innovation – notably the role of cities in these processes – are clearly less strong represented.

²⁴ Cities with more than 50 000 inhabitants and Mladá Boleslav.

3.1.3.1. Actions for increased competitiveness and the role of cities for innovation and job-creation

As mentioned above, this kind of actions does not feature heavily in programmes under the Convergence Objective. The link between urban development and increased competitiveness has only been identified and included in a few cases.

The **regional OP for Malopolska (PL)** under its specific Priority Axis for the development of the Krakow Metropolitan Area includes the strengthening of the research potential of the metropolitan area through support for cooperation of research centres, including the Malopolska innovation centre and a system for investments grants.

3.1.3.2. Actions for the physical rehabilitation of urban areas

Given the specific characteristics of cities in Convergence regions, one of the most common types of urban actions in Convergence programmes relates to the physical rehabilitation of urban areas, especially in relation with physical city-centre renovation and brownfield development.

Operations for the physical rehabilitation in cities put emphasis on various specific challenges, comprising

- the revitalisation of inner cities through infrastructure upgrading (e.g. OP Saxony-Anhalt, DE);
- the rehabilitation of brownfield sites, especially in regions characterised by industrial decline in traditional sectors such as steel and mining (examples are found in most Convergence regions but particularly highlighted by Czech and Polish regional OPs, e.g. North-West and Morava-Silesia, CZ, and Slaskie, PL).
- the preservation of historical, artistic, natural and cultural heritage including the promotion of "cultural districts" (e.g. OP Calabria, IT)
- the re-development of waterfronts and former ports (e.g. Pomorskie, PL, and Campania, IT) or of land previously used for railway infrastructure (e.g. OP Lüneburg, DE)
- the re-development of post-military and post-agricultural (former state farms) sites (e.g. several Polish regional Operational Programmes)
- the development and extension of public green space (e.g. OP Attica, GR);

Besides the Priority Axis 3 on "Sustainable regional and urban development", to which 15% of the total ERDF is allocated, the regional **OP for Thuringia (DE)** puts an additional focus on the redevelopment of brownfields within the Priority Axis 4 on "Protection and improvement of the environment". This comprises measures for the revitalisation of brownfields within settlement areas but also for the revitalisation of former military sites and for safety measures for the surface of former mining areas. Within settlement structures the operations have to be part of an area-based, integrated and comprehensive concept. Operations to redevelop former military areas are supposed to attract private and public investment for the civil use of the site, but could also lead to the "re-naturation" of the area. All measures to revitalise brownfields aim to reduce the constantly high land use for settlement and transport and stand in line with the National Sustainability Strategy.

Taken into account the urgent need for infrastructure upgrading, "softer" actions related to the social rehabilitation of urban areas such as initiatives to increase the employability of disadvantaged groups are not among the main fields of action of programmes under the Convergence Objective. Nevertheless, this might be done through ESF Operational Programmes. The French Regional Convergence programmes for the outermost regions represent positive exceptions.

One of the aims of the territorially-based integrated urban development set out in the regional **OP for Martinique (FR)** is to sustain social inclusion and an economic development based on solidarity and equality. In terms of activities this covers start-up aid and credits to micro-enterprises. It also focuses on equal opportunities and comprises the creation of specific services targeting the needs of socially excluded inhabitants.

3.1.3.3. Actions targeted at the development and improvement of urban infrastructures

A high number of the Convergence regions include a specific (sectoral) focus on urban infrastructures in their ERDF OPs. Actions will be implemented through both, sectoral and regional OPs. In most cases, operations have no or very few links to other sectoral operations which would be required for integrated development.

The most important sectoral policies which are addressed in relation to cities and urban development comprise:

- the development, upgrading and promotion of urban transport systems (e.g. Greek Transport OP as well as several Regional OPs);
- the upgrading of infrastructure for health and education (e.g. Czech Regional OPs, Bulgarian Regional OP);
- the redevelopment, modernization and adjustment of educational infrastructure due to population decline (e.g. OP Brandenburg, DE);
- the improvement of the natural environment and actions related to climate change (e.g. Bulgarian Regional OP, OP Puglia, IT, and OP Saxony, DE); and
- the improvement the processing of urban solid waste (e.g. Portuguese Territorial Enhancement OP).

The **Bulgarian Transport OP** covers a Priority Axis on inter-modal facilities for passenger and freight transport with the objective to make travelling conditions easier and facilitating modal transfers of passengers and freights to more environment friendly transport modes by improving the network of combined transport terminals, notably in the capital region of Sofia. The main projects of this Priority Axis is the extension of the Sofia Metro and the development (construction or upgrading) of several inter-modal transfer points inside Sofia's public transport system, such as the Central Railway Station and the Sofia Terminal Airport Station.

3.1.3.4. Actions implemented under the special conditions of Article 7(2) of the ERDF Regulation (Reg. 1080/2006) on housing in new Member States

The analysis showed that the rehabilitation of housing estates under Article 7(2) has been taken up by most EU-12 Member States. Nevertheless, less than half of the programmes will make use of the provision, and eligible Member States are far from exhausting the maximum limits allowed by the Regulation. Out of the 68 Convergence OPs in EU-12, a total number of 28 programmes refer to support for housing.

Operations are pre-dominantly targeted at the rehabilitation of panel housing estates and multifamily houses built in the 1970s and 1980s.

In terms of programming, two different ways of how to deal with housing can be distinguished: While most eligible Member States deal with the issue through national or pluri-regional programmes (e.g. Slovak Regional OP, the Czech multi-objective Integrated OP), Poland and Hungary have decided to co-finance housing in their regional OPs. Slovenia has chosen not to support housing through the ERDF.

In reference Article 7(2) of the ERDF Regulation (Reg. 1080/2006), housing-related operations take different forms and can be categorised as follows:

- Urban renewal projects which include social housing and the rehabilitation of multifamily houses as important elements and are part of integrated urban development plans;
- Operations to improve the physical environment for housing, in particular in the form of support for revitalisation of panel housing estates; and
- Operations to increase the energy efficiency within social housing.

The regional **Operational Programme North Hungary** envisages the following activities to be supported: reconstruction of housing estates (insulation, removal of asbestos), increasing energy efficiency in the action areas; pulling down of dwellings. For integrated, area based rehabilitation of deteriorated urban areas and housing estates, selection criteria are given. The action areas to be supported must have minimum 300 inhabitants in the case of deteriorated urban areas, and 1500 inhabitants in the case of housing estates threatened to be deteriorated. To be eligible for support, action areas must meet at least three criteria (minimum two social and one physical aspect).

3.1.4. Actions to promote a more balanced, polycentric development

The question of polycentric development is an issue left relatively untouched by Convergence regions. In many cases, the relevant strategies which have been defined in the National Strategic Reference Frameworks are not mentioned or visibly taken on board.

The few notable exceptions related to polycentric development address the questions of

- the development of a polycentric urban system through integrated development plans (OP Campania, IT);
- the stabilization or creation of growth poles, or enhancing central functions of small and medium sized towns in peripheral rural areas of the region (OP Brandenburg, DE, or OP North Hungary); and
- the links between cities and their rural hinterlands (e.g. OP "Developing the living environment", EE).

The **Latvian OP "Infrastructure and Services"** includes a Priority Axis on Polycentric Development. The aim is to ensure growth of development centres of national and regional importance by supporting the implementation of projects falling under integrated urban development strategies. A total of 17 cities across Latvia will be targeted through this activity.

3.2. The urban dimension of Operational Programmes implemented under the "Regional Competitiveness and Employment (RCE)" Objective

The "Regional Competitiveness and Employment" Objective covers 115 Operational Programmes in 19 EU Member States. The amount of € 31.04 billion represents just 11.6% of the total allocation²⁵. As table 5 illustrates, the vast majority of programmes and funds are located in EU-15 regions. Exceptions are the three programmes for the Czech, Slovak and Hungarian capital regions, and the Cypriot Sustainable Development and Competitiveness OP. These four programmes are located in EU-12. The main beneficiary of funds under this Objective is France with an ERDF amount of € 5.76 billion.

Over 40% of the OPs (48) include a specific urban Priority Axis. "Additional" 32 programmes have an identifiable urban dimension, either through operations at sub-Priority level or through sectoral operations (e.g. urban transport). The total number of OPs with an urban dimension is 80.

In total, 52 of these 80 programmes – around two third of them – are located in four Member States (Germany, Spain, France, Italy), representing almost half of the total number of OPs.

| "RCE" Objective | EU-15 | EU-12 | EU-27 |
|--|-------|-------|-------|
| Total number of Operational Programmes | 111 | 4 | 115 |
| (1) OPs with a specific Priority Axis on urban development | 46 | 2 | 48 |
| (2) OPs with "mixed" Priority Axes which include urban actions | 30 | 2 | 32 |
| (3) OPs with an urban dimension | 76 | 4 | 80 |

Table 5: The urban dimension of RCE Operational Programmes 2007-2013.

In general terms, questions related to urban development – especially in the context of economic challenges – have been taken well up by RCE regions. There is a visible urban dimension in around two thirds of the Operational Programmes. However, the thematic and financial importance of this strand varies considerably in the relevant OPs.

The financial allocation to the urban Priority Axes varies from € 1.1 million (OP La Rioja, ES) to € 381 million (OP North Rhine-Westphalia, DE). The total allocation for the urban dimension at Priority Axis level is € 2.765 billion, equalling around 8.9% of the ERDF budget for RCE regions. In relative terms, this allocation is three times higher than the allocation within the Convergence OPs. As the four RCE programmes in EU-12 Member States are mainly focussed on the countries' capitals, a proportionally higher share of budget is programmed for integrated urban development (10.4%) than in EU-15 (8.8%). Table 6 illustrates this.

²⁵ The amounts refer to RCE and Phasing In regions.

| Amounts in billion € | EU-15 | EU-12 | EU-27 |
|--|-------|-------|-------|
| (1) Total ERDF budget for the "RCE" Objective | 28.54 | 2.50 | 31.04 |
| (2) Financial allocation to specific Priority Axes on urban development | 2.50 | 0.26 | 2.76 |
| (3) Percentage of used ERDF budget for urban development at Priority Axis level (=2/1) | 8.8% | 10.4% | 8.9% |

Table 6: The financing of the urban dimension of RCE Operational Programmes 2007-2013

3.2.1. Preconditions for and patterns of programming in RCE regions

Many cities located in Regional Competitiveness and Employment regions face a complex mix of challenges. On one hand, they need to maintain and improve their attractiveness and competitiveness. On the other, they are facing (partly serious) environmental and social problems. Finally, the issue of urban sprawl, together with changing mobility patterns and increased car use, represents a major challenge.

These challenges are strongly connected to the various urban contexts and to differing economic and cultural backgrounds. However, main topics mentioned in the RCE OPs concern questions related to the decay of inner-city areas, to brownfield re-development, to the improvement of mobility services, and to the preservation of the cultural heritage.

The experience in dealing with these problems is comparably longer and deeper than in most Convergence regions. Over 200 cities in EU-15 could benefit from two generations of URBAN Community Initiative programmes, and were able to generate knowledge and expertise in the fields of urban development. In addition, most of the cities and regions in RCE can relate to urban policies at national, regional or metropolitan level.²⁶ Facing problems of deprivation and the concentration of problems in certain urban neighbourhoods, some Member States have also included a reference to Article 8 of the ERDF Regulation on the level of the National Strategic Reference Frameworks (e.g. Germany, France and the Netherlands). The overall picture shows a link between the current programming exercise and the experience in implementing the URBAN Community Initiative in the past and/or strong urban policies.

The patterns of programmed investment in urban areas follows the main lines defined in Article 5 of the ERDF Regulation. As for Convergence regions, this specific RCE Article is complemented by Article 8 on sustainable urban development.

The scope of possible operations is strongly related to the European Growth and Jobs agenda. Due to a clear prioritisation of and emphasis on "Lisbon relevant" expenditure, the Regulation is slightly more restrictive than for Convergence regions. This concerns

²⁶ For EU-12: Berg, L. van den, E. Braun and J. van der Meer (2004), National Urban Policies in the European Union, Euricur, Rotterdam. For EU-15: Ministry of the Interior and Kingdom Affairs (2004): Cities in the New EU Countries, KPMG/Universiteit Utrecht, Amstelveen.

both, the scope of possible actions and the availability of funding to finance key aspects for integrated urban development. One key question in the process of programming was the "earmarking" of "Lisbon" relevant expenditure, and a target of 75%. Due to a partly narrow interpretation of the earmarking categories, it was decided in the negotiation process of many OPs to exclude certain operations (like the refurbishment of public space, the rehabilitation of cultural and social infrastructures or physical regeneration of buildings) from the list of possible operations and from ERDF funding.

Another influential factor in the programming process was the comparably low ERDF co-financing rate (of max. 50% ERDF). The question of providing sufficient (national) co-financing was particularly problematic for financially poor or smaller cities, despite often having a higher need for support than richer cities.

Just as in Convergence regions, the effects of demographic changes strongly influenced the programming of most RCE OPs. However, in contrast to most Convergence regions, where the loss of population is dominant trend in most Central-European cities and towns, RCE regions show a parallelism of shrinking and growing cities. Especially in the North and South of Europe, most cities have experienced urban growth in the last years. While many cities in Central-European Convergence regions have to provide answers to shrinking city-centres and growing suburban areas, the vast majority of cities in RCE regions is facing specifically growth-related challenges, or problems related to ageing. The high pressure on land-use and urban sprawl, questions related to migration and integration processes, the increasing risk of spatial segregation and the decreasing share of active population represent common challenges in most of the cities in RCE regions.²⁷

3.2.2. Actions to promote internal cohesion of deprived urban neighbourhoods ("URBAN-type actions")

URBAN-type actions constitute the (mainstreamed) continuation of the URBAN Community Initiative, and are usually implemented under Article 8 of the ERDF Regulation. 40 of the RCE programmes explicitly refer this.

Another 20 programmes include operations for integrated urban development without explicitly referring to Article 8. These programmes can clearly be seen as acting in the spirit of it, but do not have the same enlarged funding possibilities. This is of particular importance for the possibilities of cross-financing, where the rate can be raised up to 15% to co-finance ESF-type measures under Article 8.

In total, 60 programmes of 115 RCE Operational Programmes foresee "URBAN-type" actions. This represents over 50% of all RCE OPs.

Many of these programmes also make a direct link to the experience made with URBAN Community Initiative programmes. In fact, a majority of the relevant OPs from EU-15 makes references to lessons learnt in the field of urban development in the 2000-2006 programming period and/or to the "integrated approach".

²⁷ European Commission (2007). State of European Cities Report. Adding value to the European Urban Audit. Brussels. http://ec.europa.eu/regional_policy/themes/urban/audit/index_en.htm

In Germany, most of the RCE OPs refer to integrated urban development and Article 8 of Regulation 1080/2006. Operations in the **OP for North Rhine-Westphalia** build directly on the previous experience with URBAN programmes. The OP stresses the area-based integrated, cross-sectoral and participative approach to the development of deprived urban areas, based on integrated urban development concepts. Evaluations have shown that previous interventions succeeded particularly through bundling measures in specific areas in order to create a leverage effect for public and private investment and thus establish the preconditions for economic activity and quality of life of the local population. Therefore previous URBAN areas are allowed to apply for further funding in order to continue their integrated urban development concepts with an adapted strategy for action which is embedded in a development strategy for the whole urban area.

The OP for North Rhine-Westphalia (DE) allocates 29.70% of the budget to the Priority Axis on "Sustainable urban and regional development", which covers measures for integrated development of deprived urban areas and for removing development obstacles in zones with an industrial character which have undergone structural changes in the economy.

The type of urban areas and thematic orientations of the integrated operations vary between Member States. Some more frequently quoted themes are "improving the attractiveness of urban centres", "stopping the decline of the inner-city", specifically those "with historic character", "the rehabilitation of areas with large panel housing estates" and "urban brownfield regeneration".

The **OP Skåne-Blekinge (SE)** foresees integrated operations without reference to Article 8 of Regulation 1080/2006. Within Priority Axis 3 ("Development of urban areas") different operations to support local development initiatives are included. The OP will finance activities to combat social exclusion in disadvantaged urban areas in the Malmö functional area. Various labour-market related activities are complemented by a focus on improving the quality of basic public services in the targeted areas. These areas are deprived neighbourhoods that are covered by the national policy for urban development and which have entered into partnership agreements on area-based urban development with the national government.

The analysis of OPs revealed that a high number of the EU-15 regions which have already benefitted from URBAN Community Initiative programmes will continue their work in this direction. The financially most important examples are to be found in Germany, France, the Netherlands, Spain and Ireland. From the only four RCE programmes outside EU-15, two OPs refer to Article 8 (OP for Central Hungary, HU, and OP for Bratislava, SK).

In more general terms, it can be considered that the integrated approach for urban development has been disseminated to a larger number of cities than under the URBAN II Community Initiative. Nevertheless, the quality of the implemented programmes and the impact of the actions remain to be seen. In particular, information on the applied governance-models (see ch. 3.3) will be necessary to come to final conclusions on the effectiveness of the "URBAN mainstreaming".

3.2.3. Actions to promote sustainable urban development in relation to specific urban challenges

Investment in different sectors of the urban economy constitutes an important element of most RCE programmes. Regions across Europe try to make use of the cities' potentials for generating innovation and for increasing competitiveness. In accordance with the main Objectives of EU Cohesion Policy, large-scale infrastructure investment (transport, housing, health care, education) is no priority in RCE regions. The scope of operations in RCE cities is therefore clearly narrower. Nevertheless, and as the analysis of OPs shows, cities seem to have a need for investment in several sectors, most prominently on physical renewal and on urban transport.

3.2.3.1. *Actions for increased competitiveness and the role of cities for innovation and job-creation*

In line with Article 5 of the ERDF Regulation, around one third of the 115 OPs connect urban development with themes such as innovation and knowledge economy, environment and risk prevention and access to transport and telecommunication services of general economic interest.

In several cases, a "Lisbon-oriented" approach is taken to deprived areas. This "Lisbon in deprived areas"-model puts main emphasis on entrepreneurship, innovation, support for SMEs and SME-related services (e.g. OP Ile de France, FR, OP Brussels Capital Region, BE, OP Lowlands, UK, OP Bremen, DE, OP West Sweden, SE).

The **South West of England OP (UK)** defines a Priority Axis 3 called "Urban Enterprise" that aims to find new approaches to addressing the problems in the region's most deprived neighbourhoods through enterprise creation. Focus of operations is on access to business support – small scale infrastructure, promoting and encouraging the creation of new enterprises/social enterprises within under-represented groups, access to finance, access to targeted business support services in the community, enterprise opportunities from environmental improvements.

3.2.3.2. *Actions for the physical rehabilitation of urban areas*

The physical rehabilitation of urban areas and a special focus on town planning are important, frequently addressed topics in RCE programmes with an "urban dimension". In fact, one on two RCE OPs²⁸ foresees to finance the rehabilitation of contaminated land or brownfield sites. Many European cities identify the reconversion of brownfields as an opportunity to redraw, reshape and modernize the urban landscapes. This is closely linked to the concept of the "Compact City". This connection between this concept and ERDF operations is – more or less explicit – reflected in a good number of OPs.

Accordingly, the physical rehabilitation operations mainly refer to

- the re-development of brownfield sites, including former industrial, military, railway or harbour areas (e.g. OP Haute Normandie, FR);

²⁸ The rehabilitation of industrial sites and contaminated land are explicitly mentioned within 51 RCE OPs.

- the physical revitalisation of city centres aimed at reducing the deprivation of inner city districts (e.g. OP Brussels Capital Region BE); and
- the preservation of cultural heritage in cities, including the development of adequate facilities and services for tourism (e.g. Cypriot Sustainable Development and Competitiveness OP 2007-2013).

The **OP for the Lorraine region (FR)** contains a Priority Axis on "Supporting the urban policy". One measure aims at supporting the treatment of brownfields which need to be redeveloped for technical reasons or due to their poor soil quality. The approach taken is to support land use control mechanisms and urban recycling strategies. The revitalisation of the urban waste lands is part of an urban or peri-urban upgrading strategy aimed at avoiding urban sprawl and improving the images of the concerned cities. This upgrading process has to comply with the objectives of the projects for land use, economy and environment. Brownfield rehabilitation also allows limiting urban sprawl.

3.2.3.3. *Actions targeted at the development and improvement of urban infrastructures*

As outlined earlier, cities in RCE regions seem to have a need for investment in several sectors, most prominently on physical rehabilitation and on urban transport. Although being of comparably low financial importance in relation to Convergence regions, the infrastructure-related aspect of promoting clean and sustainable public transport has been taken up in the majority of RCE programmes: 60 of 115 OPs foresee actions in this field.

The programmed operations include the upgrading and development of public transport infrastructures, in particular

- operations to improve of the quality of access that people and business have to the urban mobility system (in particular made up of services),
- actions to increase the accessibility and attractiveness of public transport, as well as
- traffic management and transport planning.

In many cases, the development of well-functioning urban transport systems is understood as being essential to create and promote an attractive living and working environment (e.g. OP South, NL).

The **Operational Programme for Prague (CZ)** focuses on the development of tram networks, on increasing the attractiveness of existing tram networks as opposed to road traffic, on the improvement of transfer links in the public transportation system and on the expansion and increased attractiveness of Park & Ride systems, supplemented by the option of Bike and Ride. In addition, the programme will support projects related to information systems for passengers and increased safety of public transport as well as barrier-free access. As a complementary measure, the construction of bike lanes is also foreseen.

3.2.4. Actions to promote a more balanced, polycentric development

As for the Convergence OPs, questions related to polycentric development do not form a major element in the RCE programmes. Despite being identified as a main challenges in most regions, issues of balanced spatial development, urban sprawl and urban-rural linkages are addressed in only a very few cases.

Interesting approaches identified in the RCE Operational Programmes include

- Operations to support networks between large centres and regional centres but also with adjacent small centres and rural areas (e.g. OP Southern Finland); and
- Operations related to urban sprawl and the cooperation between cities and their hinterland (e.g. OP Styria, AT).

In order to reach a "critical mass" to attract investment, the **Irish OP for the Border, Midland and Western Regions** aims at strengthening the region's urban structure through a "key settlement approach" (gateways and hubs). The most important elements are the small and medium sized cities to accommodate population growth (being the key asset) and thus drive regional growth. These are linked to sectoral activities on national level (e.g. the completion of inter-urban motorway network and the improvement of the regional and rural public transport services).

3.3. Governing and implementing the urban dimension of Operational Programmes under the "Convergence" and "Regional Competitiveness and Employment" Objectives

The implementation of operations in urban areas and applied governance models are strongly determined by national and regional structures. For the design and delivery of integrated urban development actions within regional or national Operational Programmes two aspects seem vital in this respect: The experience of Managing Authorities in programming and sharing integrated operations within "their" OPs, and the existence or non-existence of urban policies at national or regional level.

At European level, a third important element appears. It is the application of the integrated approach in urban development, arising from the URBAN Community Initiative. This helps explaining several asymmetrical developments concerning urban actions in the current programming period: While cities in EU-15 could profit from two generations of URBAN and the common development of an "URBAN Acquis", cities in the EU-12 could never benefit from this Community instrument or learn from the "URBAN" experience. The "Support for Cities" initiative²⁹, co-financed under the URBACT programme in 2006, revealed an enormous demand from those cities to gain expertise in these fields. Paradoxically, many of the regions that currently have high budgets available for urban development measures might not have sufficient knowledge and/or capacity to design, implement and govern "integrated urban development operations".

The urban dimension of the current generation of OPs is characterised by many open governance challenges and a certain lack of local involvement. The analysis of Operational Programmes revealed that many well-practiced governance instruments from the URBAN Community Initiative remain widely unused in 2007-2013. This concerns not only the sufficient involvement of citizens in the implementation of operations and the adequate involvement of local authorities in decision making procedures, but also the possibility of sub-delegating powers to local authorities. Also, the need for capacity building has been recognised only in a few cases.

3.3.1. The direct involvement of cities and local authorities

The involvement of local authorities in the design and delivery of programmes was a vital success criterion for the URBAN Community Initiative. The sub-delegation of responsibilities for the implementation and an adequate level of competence for programming and design at local level were crucial elements in many of the URBAN programmes.³⁰ In addition, it was an essential methodological aspect to actively involve citizens in the programmes and projects.

For the 2007-2013 period, the involvement of cities in the development and implementation of Operational Programmes is defined in Art. 11 of General Regulation (1083/2006). It points out that the Objectives of the Funds are to be pursued in close

²⁹ Délégation Interministérielle à la Ville (2007). Support for Cities: Operational Report on the experts' missions in the framework of the Support for Cities Initiative. Paris.

³⁰ Ex-post evaluation of the URBAN Community Initiative (1994-1999): http://ec.europa.eu/regional_policy/sources/docgener/evaluation/urban/urban_expost_9499_sum_de.pdf

partnership with, among others, "local and urban authorities". More particular, "the partnership shall cover the preparation, implementation, monitoring and evaluation of Operational Programmes."

The picture of the involvement of cities in the process is generally very diverse. Nevertheless, the number of good practice examples is limited. The majority of Operational Programmes shows little signs of strong and/or direct local involvement. This concerns the design and implementation of the programmes as well as selection mechanisms and administrative aspects.

It needs to be stressed that city-regions which have the legal status of a regional and local authority at the same time represent an exception in this respect (e.g. Vienna, AT; Hamburg, DE). The existing, specific governance structures automatically lead to "local" involvement.

In the following, several aspects which are considered to be vital in achieving good multi-level governance and sufficient local involvement are analysed more in depth:

3.3.1.1. The involvement of cities in the design of Operational Programmes

Whereas in a large selection of the Operational Programmes there are references to the process followed in their preparation, the extent of local authorities' participation in the design of the Operational Programmes and the extent to which their positions have been taken into account is not clearly illustrated.

The evidence available does not lead one to believe that cities have been closely involved in the conception of OPs, in general terms, as foreseen by Art. 32 of Regulation 1083/2006, save for a limited selection of cases.

In **Campania (IT)**, cities have been involved in three different respects in the design of the ERDF Regional OP. The proposal of their national association to constitute city consultation mechanisms for the implementation has been adopted. At the strategic level, discussion with the cities has helped shaping the sub-delegation and global grants principles, and criteria. Finally, a contribution of the Naples City Council relative to work-life balance in urban areas was welcomed and retained.

3.3.1.2. The possibility to delegate the responsibility for implementation to cities ("sub-delegation")

With the remarkable exception of the Dutch OP West, no Operational Programme has been sub-delegated to a local authority. This possibility of delegating responsibility for managing an entire OP to urban authorities is optionally foreseen in Article 37(6) of Regulation 1083/2006, and was well-used under the URBAN II Community Initiative. This option can be seen as an important element to set up coherent systems for URBAN-type operations on national or regional level, subsequently delegating the legal and administrative power to the (local) level of implementation.

The organisational setup of the urban dimension in **Dutch OP West** was inspired by the practice from the Urban Areas Objective 2 programme and the URBAN Community Initiative (for the 2000-2006 period in Amsterdam and Rotterdam) whereby each city operates its own sub-programme and is responsible for both management and control tasks.

Each city will have its own programme office that will perform tasks of monitoring, reporting, control, evaluation, payments, communications and publicity etc. There will be specific steering groups for each one of the four cities Amsterdam, Rotterdam, The Hague and Utrecht.

The option to sub-delegate the implementation of only parts of a programme through "global grants" is foreseen in 12 cases. Despite offering more possibilities for setting up adequate financial and administrative structures for integrated development programmes, this option also means that the function of the Managing Authority remains at regional or national level.

3.3.1.3. Representation of cities in Monitoring Committees

The direct involvement of cities in relevant programme Monitoring Committees seems limited. As was stated for the involvement of cities in the design of programmes, the local authorities' involvement is sometimes also not clearly illustrated. Nevertheless, the analysis of the OPs leads to the assumption that the cities will generally not be closely involved in decision making processes.

In cases where local authorities are explicitly mentioned as partners in the Monitoring Committees, the voting power is mainly given to regional or national associations of local bodies or city organisations.

3.3.1.4. The selection of targeted areas/cities

The ways in which target areas for operations will be chosen are, if mentioned in the Operational Programme, very diverse. The selection of areas can concern both, certain cities in which integrated operations will be implemented and/or certain areas within cities which will be supported by the relevant Operational Programme.

For the selection of cities or target areas four different models appear in the programming documents. Cities or target areas are identified in OPs

- By indicating the names of the cities or neighbourhoods within cities to be targeted and including a list of cities as foreseen in point (a) of Article 37(6) of the General Regulation. This model was fairly frequently applied, especially in EU-12 regions (e.g. in Czech or Baltic States OPs).
- By indicating the number of geographical areas or integrated urban development plans to be supported (e.g. OP Brandenburg, DE). This model was used in many EU-15 Member States.
- By indicating eligible cities on the basis of objective criteria. These criteria were mainly population thresholds (e.g. Spanish OPs), types of cities (e.g. growth poles in Romania), or development indicators (e.g. "deprivation indicators" in the

case of the UK Lowlands and Uplands Scotland OP, indicators for "sensitive urban zones" in all French Regional OPs).

- By combining several of the methods mentioned above.

In a few cases, a second, competitive step is foreseen, introducing a (further) selection of operations based on the quality of proposals. Several OPs (e.g. in France, Belgium and Germany) indicate that competitions between cities will be organised by call for proposals.

The **OP Bruxelles-Capitale/Brussels Hoofdstedelijk Gewest (BE)** foresees calls for proposals including a territorial and thematic partnership requirement. This partnership with the regional and local actors, both from the public and private sectors, takes into account the subject matter and the territory where the project is to be developed. This requirement includes the participation of the actors or authorities involved in the sustainability of the project beyond the programming period.

Not all applied models followed competitive or objective criteria. While many regions go for objective, indicator-based models, other regions determined the targeted cities or urban areas without further explanation.

3.3.2. Strategic planning and implementation tools

Strategic planning and programming is essential for achieving sustainability and good multi-level governance. Within the complex concept of integrated urban development, only the preparation of medium- to long term plans can guarantee the necessary coordination of different sectoral policies and thus high – and positive – impact.

The analysis of the Operational Programmes targeted two main aspects which can be used as indicators for strategic planning and the possibly positive impact of operations: the application of the integrated approach in urban development, and the provision of tools for the effective implementation of actions. Tools include the participation of citizens in the planning, monitoring and delivery of actions, and the provisions of guidance for the design of operations.

3.3.2.1. The application of the integrated approach and Integrated Urban Development Plans

Traditionally, urban development is carried out in a more or less mono-sectoral approach, mainly referring to physical planning and construction. The shift to a more holistic manner of looking at urban matters requires a profound change in mentality and working methods, as well as administrative structures at all levels. The degree to which this methodological shift could take place over the last decades differs from Member State to Member States. A main question in this respect is whether Member States have developed national policy frameworks for urban development and whether this policy stresses the need for an integrated approach to be taken – or not.

This development is clearly reflected in the Operational Programmes. And the analysis of OPs revealed a clear difference between EU-15 and EU-12.

In most EU-15 Member States national policies on urban development have been well-established for a long time. In addition they have benefitted from URBAN. According to each legal framework, the policies are established at the national, regional or metropolitan level. Most of the OPs in EU-15 where integrated urban actions are foreseen, reflect this experience, and promote holistic approaches. Many of the programmes also refer to the creation of Integrated Urban Development Plans as the basis for integrated operations.

In the case of EU12, national urban development policies and integrated approaches to urban development are partly still in the development phase. Nevertheless, the work done in Member States (e.g. Czech Republic and Hungary) with the introduction of an integrated urban development concept provides a much needed framework for the shift towards an integrated way of approaching the issue of urban development. As in EU-15, most OPs also refer to the creation of Integrated Urban Development Plans as the basis for integrated operations. They have the potential to initiate and foster this important methodological change towards more integrated thinking and acting.

The Czech Government has issued a resolution (No 883 of 13 August 2007) on Guidelines for preparation, approval and evaluation of integrated urban development plans to be funded through Structural Funds programmes, including **all Czech ERDF programmes**. The resolution defines the concept of integrated urban development plans (IUDPs), clarifies their structure and contents, sets out the procedure of approval of IUDPs and provides guidance on their implementation.

3.3.2.2. *Planning tools*

As for the application of the integrated approach, a clear distinction needs to be made between EU-12 and EU-15. Planning traditions and approaches towards the design of operations in cities vary considerably.

Within EU-15, most Member States have a long-standing tradition of urban development and planning. Integrated urban development strategies at neighbourhood level are often linked to urban planning on city level as well as to regional and national planning mechanisms.

In most of the new Member States the transition to a market-oriented system has meant that the very concept of planning has been questioned and most of these Member States have preferred more liberal market-driven policies. In addition, this may have been accentuated by limited human and financial resources for the development of well-functioning urban planning systems. However, initiatives are being taken to improve the situation – also within the framework of Operational Programmes. Many OPs in the 2000-2006 supported the development of master plans and several Regional Operational Programmes for the 2007-2013 period also include support for the development of planning documents to which the integrated urban development plans will be linked (e.g. Slovakia).

3.3.2.3. *Monitoring and output indicators*

Output indicators are important tools in the monitoring and evaluation of operations. In relation to urban development, OPs tend to include two categories of output indicators:

The first category is of general character and asks for the number of integrated urban development operations supported within the programme.

The second category is more detailed and relates to specific types of actions covered within the supported operations. Examples of such indicators comprise: the number of projects promoting sustainable development and increased attractiveness of cities and neighbourhoods, the number of projects supporting an improved business climate/entrepreneurship/new technology/innovation and/or the number of projects creating equal opportunities for minorities and youth. Some programmes also include indicators on the number of projects targeting social activation and participation.

The overall picture suggests only few signs of a close monitoring and impact measuring of urban actions within the framework of Operational Programmes.

3.3.2.4. *The participation of citizens in the planning and delivery of actions*

The involvement of citizens in planning and delivery processes is crucial for the implementation of integrated urban development operations and constitutes one main element of this common "methodology".

The Operational Programmes for 2007-2013 generally do not consider this element to be important in the design and delivery of actions – or do not mention it in the programming documents.

Nevertheless, several OPs in EU-15 highlight the importance of participative approaches in urban development (e.g. several German and French OPs) or directly refer to their positive experience with the URBAN Community Initiative (e.g. Spain). In many of the EU-12 Member States, due to "*the tradition of centralism, paternalism and low community engagement, methodological experience on citizen participation in local urban development is limited*"³¹. This is clearly reflected in the programmes which do not touch upon this issue to any considerable extent.

3.3.2.5. *Methodological guidance and training for local authorities*

Article 8 of the ERDF Regulation specifically mentions the application of "participative, integrated and sustainable strategies" for urban development, but leaves it up to Member States and regions to make use of it and fill it with content. Thus, no guidelines for the URBAN-type interventions and/or for an integrated implementation of projects and operations currently exist at Community level (as e.g. existent for the URBAN Community Initiative³²).

³¹ Note on the urban dimension of the National Strategic Reference Framework and the Operational Programmes, Ministry of Development, Public Works and Housing, Bucharest, Romania, 2007.

³² Guidelines for the URBAN II Community Initiative (Communication from the Commission to the Member States, of 28/04/2000).
http://ec.europa.eu/regional_policy/sources/docoffic/official/guidelines/pdf/urban_en.pdf

The vast majority of Operational Programmes does not contain concrete information on whether guidelines for the implementation of integrated urban actions will be issued or trainings for local authorities organised. It needs to be underlined that this guidance would be of special importance for regions, which never benefited from the URBAN Community Initiative. This is especially the case for EU-12. Nevertheless, some Member States/regions might decide offering this specific support in the implementation phase of the OPs.

3.3.3. Financing integrated operations in cities

As outlined in chapter 2.3, precise financial indications are available only for the cases where urban development operations have been programmed at Priority Axis level. Information on the expenditure for different types of operations co-financed by ERDF programmes can only be provided with future studies on the implementation of the OPs.

Nevertheless, the analysis revealed some interesting facts on financial arrangements and steering of budgets. This allows drawing some initial conclusions concerning the financial implementation of the OPs and their urban dimensions. They concern the important aspect of concentration and reaching "critical masses", the relative financial importance within the programmes as such, as well as the possible use of Technical Assistance and JESSICA.

The overall picture is signified by a certain lack of local involvement and sharing of (financial and administrative) powers between different levels. Despite potentially increased budgets for urban development (see chapters 3.1 and 3.2), the administration and steering of those funds remains – relatively untouched by the increased importance of local actors and urban development – almost exclusively at regional or national level. This concerns both the design and the implementation of operations. Also for the financing itself, it appears that even a "conscious" planning of urban strands in OPs does not guarantee corresponding budgets.

3.3.3.1. Reaching a critical mass and concentrating funds

To achieve positive results in urban development processes and to guarantee the visibility of actions on the ground, it is essential to reach a certain critical mass of investment. This is of particular importance for URBAN-type operations, which require a high degree of concentration and coordination in the targeted areas. Examples from the URBAN I Initiative show, that relatively modest investment of around €10 mio. ERDF was able to trigger big amounts of additional private investment in the programme areas. In Rostock (DE), for example, a study estimated that for every euro invested in renovation in the URBAN area, further 3.9 euro were generated in and around the area.³³ As the ex-post evaluation of URBAN shows, this "leverage effect" was clearly linked to the strong geographical concentration of the programmes and their positive impact on the "image" of the target areas.³⁴

³³ Third report on Economic and Social Cohesion: A new partnership for cohesion (2004). http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion3/cohesion3_en.htm

³⁴ Ex-post evaluation of the URBAN Community Initiative (1994-1999): http://ec.europa.eu/regional_policy/sources/docgener/evaluation/urban/urban_expost_9499_sum_de.pdf

Recognising the importance of concentration, many Operational Programmes (from Convergence and RCE regions) defined minimum thresholds in the programming documents. These lower limits basically follow the ERDF allocations per URBAN II Community Initiative programme in the 2000-2006 period. Within URBAN II, the average ERDF allocation per programme was around €10.2 mio ERDF (see annex, map 1). The average total budget per programme (including national co-financing) was €22.2 mio.

The minimum allocations are either defined regionally (e.g. most French Regional Operational Programmes with a lower limit of €5 mio. per designated area) or nationally (e.g. the Czech Regional Operational Programmes include a requirement that Integrated Urban Development Plans must have a minimum financial allocation of €10 mio.).

Nevertheless, the big majority of OPs neither defines minimum thresholds, nor guarantees the concentration of funds for URBAN-type operations through other means (e.g. per capita intensity³⁵).

Especially for the management of integrated URBAN-type operations, it appears to be important to "ring-fence" budgets and to have one common funding "pot" for the "integrated financing" of many different (sectoral) activities. This principle has been successfully applied with the budgets for the URBAN programmes. In view of the administrative structures for the implementation of the OPs, the application of this (or a similar) model seems unlikely. This might result in very complex application and financing structures for integrated operations.

3.3.3.2. Financial importance of urban development in Operational Programmes

The total ERDF budget allocated at Priority Axis level for urban development (totalling roughly 10 billion €) represents around 3 percent of the total ERDF investment destined for European regions. This is roughly distributed in a 7 to 3 ratio between Convergence and RCE regions.

Restricting the analysis of the incidence of the "urban" axis to those OPs where they are present, a further difference can be observed: the volume of investment in RCE regions is concentrated in a majority of cases between 10 and 25 percent of the total Programme budgets, whereas Convergence regions tend to have lower rates of between 5 and 15 percent.

In detail, we can see that the minimum allocation in percentage for an RCE region is 3.2 percent (Navarra, ES), while the lowest value for a Convergence region is that of Mazowieckie, PL, allocating close to 5 percent. On the other end, the highest allocations are represented by the Bulgarian Regional Development Operational Programme (over 50 percent) under the Convergence Objective and the Vienna Programme under the RCE Objective (almost 60 percent). These are nonetheless, as hinted at above, exceptional rates of investment.

³⁵ Guidelines for URBAN II foresaw a minimum funding intensity of €500 EUR per inhabitant. See Article 27 of the Guidelines for the URBAN II Community Initiative.

On average, nevertheless, the shares are similar: almost 18 percent in RCE regions, and almost 17 percent for the Convergence Objective. This latter, apparently contradicting figure in relative terms is explained by the high value of the investments, in absolute terms, in those programmes that have allocated large shares of resources to their urban axis.

Graph 1 (annex) illustrates the ERDF allocation for "urban" Priority Axes in relation to the total OP budgets.

3.3.3.3. The use of Technical Assistance to support urban actions

The successful application of integrated approaches in urban development requires knowledge know-how and expertise. Considering the need for guidance and training in many European regions (see ch. 3.3.1.4), but also recognising the managerial efforts of cities when implementing urban operations, the use of Technical Assistance for these purposes can be identified as being useful and necessary.

However, the opportunity to use Technical Assistance or network activities for capacity building in this field is not taken onboard on a bigger scale. The analysis showed that only a very few regions and Member States considered these points in the design of Technical Assistance interventions (i.e. in France, Spain, Bulgaria).

The **French National Technical Assistance OP (Europ'act)** foresees the financial support of cities for the preparation and monitoring of their actions which are implemented within integrated urban development plans. A similar system applies in Spain. In addition, several French OPs foresee the active transfer of knowledge between experienced and less experienced cities, including small towns

3.3.3.4. The use of the JESSICA initiative

The JESSICA initiative (Joint European Support for Sustainable Investment in City Areas) has been introduced as a new element in the 2007-2013 period. It is targeted at creating financial engineering mechanisms to support investment in sustainable urban development in the context of cohesion policy. In a context where public authorities are progressively confronted with growing investment needs while public resources become more and more scarce, JESSICA is designed to increase the use of financial engineering instruments to support investment in sustainable urban development.

Provisions foresee that Managing Authorities will be allowed to use some of their Structural Fund allocations – principally those supported by the ERDF– to invest in Urban Development Funds (UDFs) to accelerate investment in urban areas.

Approximately half of all 234 OPs from the Convergence and RCE Objectives (110) include provisions which will allow the later application of JESSICA. Most programmes contain a standard clause that expresses the possibility of application, but do not provide any concrete information on possible operations. Special "JESSICA evaluations" will play an important role for the implementation of concrete operations, and are likely to influence the Member States' and regions' decisions on the use of the instrument. These evaluations will be made freely available and are also intended to help Member States or regions to set up implementation structures for JESSICA.

3.4. The urban dimension of Operational Programmes implemented under the "European Territorial Cooperation" Objective

The European Territorial Cooperation Objective covers 70 Operational Programmes. The €7.8 billion available for this Objective is split as follows: €5.3 billion for cross-border, €1.8 billion for transnational, €0.4 billion for inter-regional co-operation and networking programmes and 0.2 billion for PEACE Programme. As table 7 illustrates, the majority of programmes and funds is being used for cross-border cooperation, followed by transnational and interregional cooperation.

One of the 70 OPs includes a specific urban Priority Axis (URBACT II). In total, 22 programmes have an identifiable urban dimension. Nevertheless, urban development has no specific focus within the programmes.

| "European Territorial Cooperation" Objective | Cross-Border Cooperation | Trans-National Cooperation | Interregional Cooperation and Networking Programmes | PEACE Programme | Total |
|--|--------------------------|----------------------------|---|-----------------|-------|
| Total number of Operational Programmes | 52 | 13 | 4 | 1 | 70 |
| (1) OPs with a specific Priority Axis on urban development | 0 | 0 | 1 | - | 1 |
| (2) OPs with "mixed" Priority Axes which include urban actions | 13 | 8 | 0 | - | 21 |
| (3) OPs with an urban dimension | 13 | 8 | 1 | - | 22 |

Table 7: The urban dimension of ETC Operational Programmes 2007-2013.

In line with and arising from the regulatory provisions, the transnational programmes have a comparably strong focus on sustainable urban development (over two thirds of the OPs). Around one quarter of all Cross-Border OPs have a more or less visible urban dimension. From the networking programmes, one programme (URBACT II) is specifically and exclusively targeted at the exchange of experience on urban development.

3.4.1. Preconditions for and patterns of programming

The increased cooperation between cities, regions and Member States is a defined objective of the European Union. Cohesion Policy contributes to this goal with a specific Objective on "European Territorial Cooperation", distinguishing between different spatial levels. Cities play a significant role in all of them.

By enhancing an effective mobility of workers and with citizens and businesses, learning and profiting from different languages and cultures, cross-border agglomerations strongly contribute to the objectives of the Lisbon agenda. This is also the case for transnational and interregional networks of cities. Equally, common approaches in managing environmental challenges support the Gothenburg objectives. Maybe most importantly, cooperation across borders helps in creating a common European citizenship and identity.

The most visible proof is the existence of cross border agglomerations.³⁶ Metropolitan areas like Silesia-Moravia (PL/CZ), Wien-Bratislava (AT/SK/HU), Lille-Kortrijk-Tournai (BE/FR), the Euregio MAHL (BE/DE/NL), the Øresund (DK/SE) or the Milano agglomeration (IT/CH) play a vital role in the economic development, but – nevertheless – suffer from the dividing effects of borders (see annex, map 3).

Borders are places of major "externalities" due to cumulative gaps in the inherent interoperability between national systems. This concerns language and culture, just as the political, legal and administrative frameworks, and the asymmetry of competencies, to name but a few.

Member States and their regions are responsible for legal and funding frameworks of territorial development and sectoral policies. This implies that any action in favour of urban cooperation requires coordination of these frameworks on the borders. In these horizontal and vertical coordination processes the aspect of good multi-level governance is vital³⁷. Examples from all over the Union illustrate that once cooperation obstacles are overcome, cross border investments and transnational coordination result in win-win situations.

In the past, the different strands of the former INTERREG Community Initiative have been used to fund various projects involving cities. They concerned "proximity cooperation" in cross border urban areas as well as urban networks on transnational or interregional level.

For the 2007-2013 period, the legal basis for European Territorial Cooperation is established by Article 6 of the ERDF Regulation (1080/2006). An urban dimension is visible in all three sections of the regulatory provisions:

- Article 6.1 on "cross-border cooperation" defines a set of possible themes, including several city-relevant ones (i.e. transport, water, waste, energy, infrastructures, labour markets, administrative cooperation), and asks for strategies for sustainable territorial development. Thereby, urban development can be seen as implicitly targeted.

³⁶ The ESPON study 1.4.3 on "Urban functions" has provided with a typology of trans-border Functional Urban Areas, and drawn a list and a map of the 28 biggest ones, see p.141 sq http://www.espon.eu/mmp/online/website/content/projects/261/420/file_2420/fr-1.4.3_April2007-final.pdf, The study on "Good practice of governance in cross border agglomerations in Europe" identifies 36 cross border agglomerations and urban networks (see map p.9 of the study): <http://www.espaces-transfrontaliers.org/indexsite.php>. The 1st Action programme of the Territorial Agenda includes an action 1.2a concerning "cross-border polycentric metropolitan regions", supported by an ESPON project of the priority 2: "Metroborder".

³⁷ http://www.espaces-transfrontaliers.org/en/MANIFEST_EN.pdf

- Article 6.2 on "transnational cooperation" identifies sustainable urban development as one of the four priorities: "*Sustainable urban development: strengthening polycentric development at transnational, national and regional level, with a clear transnational impact. Actions may include: the creation and improvement of urban networks and urban-rural links; strategies to tackle common urban-rural issues; preservation and promotion of the cultural heritage, and the strategic integration of development zones on a transnational basis.*"
- Article 6.3.b) refers to "*exchanges of experience concerning the identification, transfer and dissemination of best practice including on sustainable urban development (...)*", and thereby sets the ground for a specific exchange programme for cities (URBACT II).

In addition, Regulation (EC) No 1082/2006 of 5 July 2006, has created a new tool for cooperation, the European Grouping of Territorial Cooperation (EGTC), which might also be relevant in urban contexts.

3.4.2. Cross-border Cooperation Programmes

13 of the 53 Cross-Border Cooperation Programmes refer to aspects of urban development within their Priority Axes on territorial issues. However, in general terms, urban actions and the cooperation between cities in this framework do not constitute a major element of the Cross-border programmes.

Within the 13 programmes presenting an urban dimension, operations mainly refer to general objectives in terms of better territorial management (i.e. the OP BE/FR identifies the objective to "develop a shared urban and rural territorial management"), joint planning approaches (i.e. the ES/PT OP speaks of cooperation and joint management in spatial planning and accessibility, and includes urban planning) or bottom-up approaches (i.e. OP CZ/PL emphasizes the "Support of local communities cooperation" and foresees the creation of a "micro project fund" to support development of cooperation among communities on both sides of the border).

The population living in cross-border areas amounts to 181.7 million (37.5 % of the total EU population). Depending on the characteristics of the border (more urban or rural), but also depending on the extent to which territorial aspects have been taken on board in the programming, different approaches can be identified.

A few programmes decided to make the urban dimension explicit in the diagnosis and overall strategy, and use sectoral Priority Axes to contribute to the strategy (e.g. the AT/SK OP refers to the development of a common Central European metropolitan Region "CENTROPE"). A different approach is the reference to promote balanced polycentric development (e.g. DE/FR/CH OP refers to the area's polycentric structure of the Upper Rhine area and the necessary networking between cities in the framework of this metropolitan area).

Despite several good approaches, the majority of programmes does not consider urban questions in any form, neither in the analysis nor in the strategy and its implementation.

Sustainable governance and integrated development of cross-border agglomerations require continuous monitoring of the common territory. The cross-border context evokes a high degree of complexity (i.e. lack of interoperability of data, Regulations, planning systems). Within its Priority Axis 4 ("Enhancing common management of the territory by sustainable, coordinated and integrated development of *cadre de vie*"), the **Cross-border Cooperation OP for Belgium-France** identifies the development of "a shared urban and rural territorial management" as an objective. Amongst actions which could be financed are "cross-border tools for planning and management of territory", "observation and prospective territorial studies". The aim is to develop "common cross border visions for spatial development (urban-urban; rural-rural; urban-rural)".

3.4.3. Trans-national Cooperation Programmes

8 of the 11 Trans-national Cooperation Programmes have an urban dimension. In contrast to cross-border programmes, the importance of urban development in transnational programmes is comparably high and reflects the regulatory emphasis on sustainable urban development (Article 6(2) of reg. 1080/2006).

Operations in the context of urban development are mostly linked to strategies to increase the competitiveness of the cooperation area by using and fostering the cities' potentials. Nevertheless, operations foreseen in the Operational Programmes show different thematic approaches:

- Operations for the integrated urban development and rehabilitation (i.e. the Southeast Europe OP includes "*city development strategies, joint action plans for functional regions for better coordination between municipal, rural and regional authorities, urban renewal and revitalisation, rehabilitation of urban brownfields, housing restructuring and improvement of residential areas and intelligent traffic information systems for agglomerations as possible actions in Priority Axis on the "Development of transnational synergies for sustainable growth areas"*).
- Operations to support the development of urban systems and polycentricism in the cooperation area, including operations to link different types of territories (i.e. the Central Europe OP foresees a Priority Axis on "*Enhancing the Competitiveness and Attractiveness of Cities and Regions*". The OP will foster "*polycentric settlement structures*" and "*address the effects of demographic and social change on urban and regional development*").
- Operations to rehabilitate the cultural heritage of transnational interest and improving the identity (i.e. Southwest Europe OP)
- Operations to create and implement common strategies for urban areas (i.e. Baltic Sea OP).

In its strategy, the **Baltic Sea Operational Programme** is based on the assumption that cities in the region have a potential to form a new global integration zone (GIZ) in Europe³⁸. Due to low population density in parts of the region and the great distances between the cities, the OP wants to encourage their networking - for both material (i.e. trade, foreign direct investments) and immaterial (i.e. transfer of knowledge, decision-making networks) flows. Priority Axis 4 "Promoting attractive and competitive cities and regions" concentrates on making the BSR cities and regions more competitive at the European scale (i.e. entrepreneurship and SME policies, employment strategies, marketing, enhancement of environmental quality, synergy between activities of public and private actors). The Priority thus promotes:

- the preparation of pan-Baltic investment strategies, co-ordinated action programmes, policies and subsequent investments; as well as
- co-operation developing practical solutions at the level of the Baltic Sea region to improve economic relations among and between metropolises, small and medium-sized cities and rural areas, built on specific assets and conditions of the cooperation area.

3.4.4. Interregional Cooperation and Networking Programmes

Programmes implemented under the third strand of European Territorial Cooperation are targeted at reinforcing the effectiveness of regional policy by promoting: (a) interregional cooperation, (b) through exchanges of experience on sustainable urban development and (c) through actions analysing development trends in the Union.

From the four Operational Programmes (INTERREG IVC, URBACT II, ESPON, INTERACT II), the URBACT II programme is a specifically "urban" exchange programme. It follows the objective of promoting exchanges of experience concerning the identification, transfer and dissemination of best practice including sustainable urban development. In a thematically oriented approach, the programme focuses on two priorities: on the role of cities as motors for growth and jobs, and on strategies to make cities more cohesive and attractive. With a total budget of €67.8 million (representing less than 1% of the ETC budget), around 60 networks and working groups, involving some 1.000 local, regional and national partners, will be financed. Within the networks, cities are being asked to act as lead partners and to take very active roles in the process. This direct involvement of cities, apart from "traditional" regional or national paths, is highly appreciated amongst urban authorities.³⁹

Apart from the URBACT II programme, two other programmes contain elements which could be considered as being important in the field of urban development: the INTERREG IVC for interregional cooperation addresses themes related to the Lisbon and Gothenburg agendas. By involving cities and local authorities as possible beneficiaries, the programme is open to these partners. Therefore city-relevant themes

³⁸ See ESDP p.21 http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/som_en.htm

³⁹ ECOTEC (2006). Mid-term Evaluation of the URBACT programme. Brussels.

could also be implemented under this part of the third strand. The ESPON programme is targeted at analysing spatial trends in Europe, including data collection as well as the observation and analysis of development trends. The programme shows both, links to existing city-relevant activities (i.e. cooperation with the Commission's Urban Audit) and studies on urban issues in Europe (i.e. on European cities' functionality and potentials for European competitiveness and cooperation").

An important novelty in the fields of European Territorial Cooperation Objective is the "Regions for Economic Change" initiative⁴⁰. It is targeted at promoting best practice in Europe and links the two networking programmes INTERREG IVC and URBACT II with concrete implementation activities, carried out in the Convergence and RCE programmes. Most of the OPs contain a clause which foresees this link.

With its approach, the URBACT II programme will contribute to the **"Regions for Economic Change" initiative**. It is targeted at the identification and dissemination of good practices in the areas of economic modernisation, growth and job creation, as well as the inclusion of innovative policies into European mainstream programmes.

One testing ground for creating the necessary links are the so-called "Fast Track Networks": Cities participating in the Fast Track Networks are asked to team up with "their" regional or national Managing Authorities, and work jointly on "Local Action Plans". After a phase of exchange and discussion, these plans are then to be implemented under the relevant regional/national OPs or through other funding sources. The Fast Track Networks are selected by the European Commission and refer to one of seven priority themes⁴¹:

- Managing migration and facilitating social integration;
- Integrating marginalised youth;
- Building healthy communities;
- Designing integrated policies on urban transport;
- Developing sustainable and energy-efficient housing;
- Achieving sustainable urban development;
- Re-using brownfield and waste disposal sites.

The Regions for Economic Change Initiative can be seen as a possible facilitator for implementing concrete actions in urban areas. As also illustrated by the governance provisions of Convergence and RCE OPs (ch. 3.3), capacity building and multi-level governance are main challenges for cities. Good links between networks and implementation programmes, as foreseen under Regions for Economic Change, can positively stimulate and facilitate both processes.

⁴⁰ Regions for Economic Change. Communication from the Commission of 8 November 2006, COM(2006) 675 final. http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/index_en.cfm?nmenu=1

⁴¹ The priority themes for the initiative are outlined in the Commission Staff Working Paper accompanying the Regions for Economic Change. Communication from the Commission of 8 November 2006, {SEC(2006) 1432}. URBACT II refers to seven themes, which are relevant for cities and urban development, while the INTERREG IVC programme will target another 23 themes of rather regional or national importance. http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/doc/staffworkingdocument_en.pdf

3.4.5. Governance aspects related to cities and urban development

Cooperation between different levels of governance, and especially between and within urban authorities, is essential. Cooperation programmes can be a facilitator for achieving good multi-level governance models. With their budgets, ETC OPs cannot substitute funding for urban development from the mainstream OPs (Convergence and RCE Objectives), or from national/regional funds. Nevertheless, they have an important role to play in coordinating strategies and funds in favour of cross-border agglomerations and transnational urban networks. So far, the possible impact of the OPs in this field is not visible.

The general picture shows that cities play, apart from the URBACT II programme and few other exceptions, no important role in the design, delivery or management of ETC programmes. The analysed programmes exhibited two reoccurring elements which are crucial in achieving improved multi-level governance and which seem relevant in the field of sustainable urban development:

- Activities to move from a sectoral approach to a holistic and integrated approach (i.e. the FR/IT OP proposes "Integrated Territorial Plans" ITP as multi-thematic plans gathering several projects, but with one common objective of economic and social development for a specific territory); and
- European Groupings of Territorial Cooperation (EGTCs) as opportunities for the re-organisation of cooperation between cities, especially in cross-border agglomerations (i.e. the AT/SK OP identifies – as one of the few programmes – EGTCs as examples of joint organisations). EGTCs, which can involve public authorities at all levels, appear to be an appropriate legal tool for urban cooperation projects. They may support both, "sectoral" projects providing cross border services of general interest (such as public transport, hospital, and economic development agencies) and the governance of a common territory or network. Nevertheless, this approach is not (yet) reflected in the OPs.

Other aspects of good urban governance, such as the use of Technical Assistance for promoting sustainable urban development, or the sub-delegation of actions to local/urban authorities are not represented in the OPs.

ANNEX

I. Abbreviations

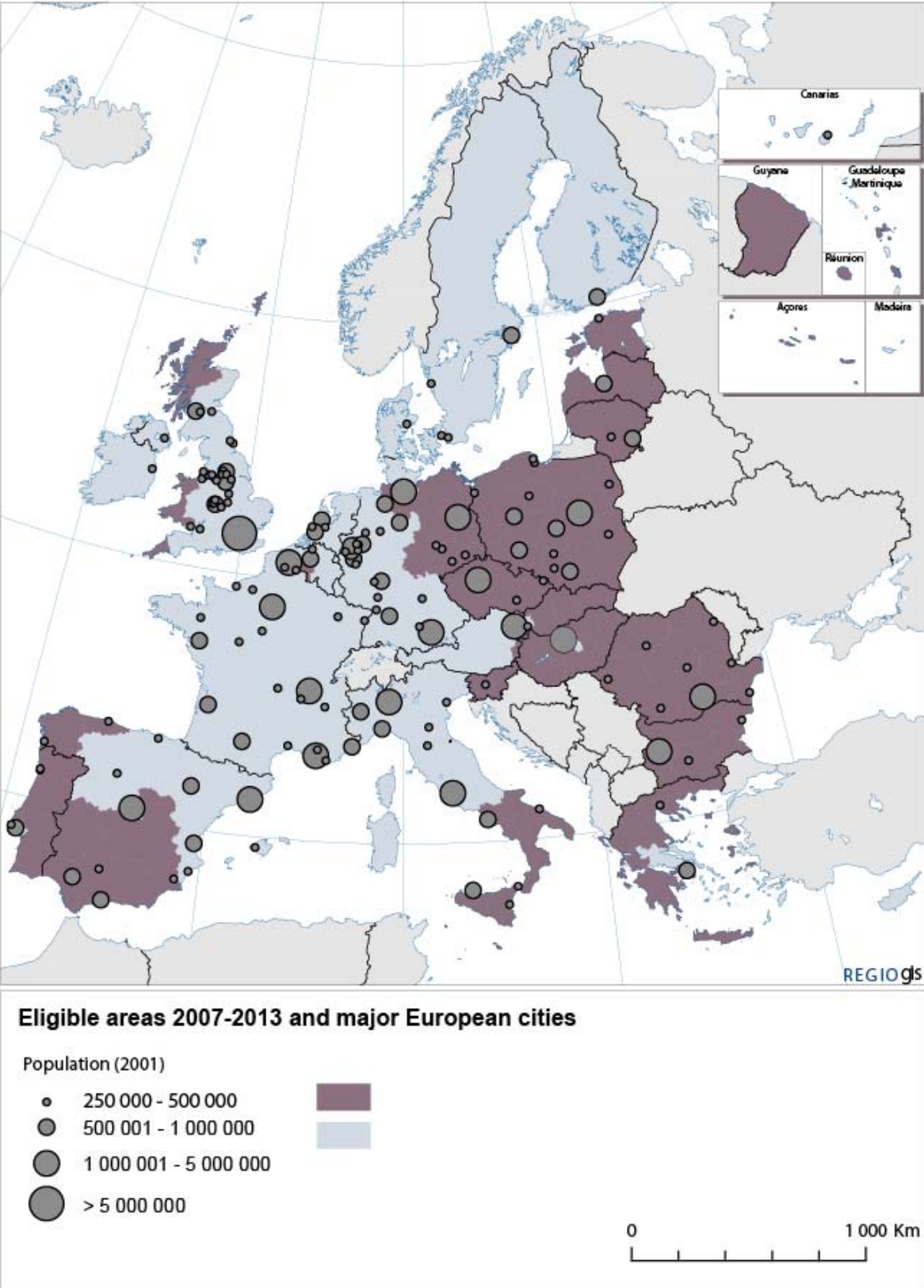
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|----------|--|
| CF | Cohesion Fund |
| DG REGIO | Directorate-General for Regional Policy of the European Commission |
| EEA | European Environmental Agency |
| EGTC | European Grouping of Territorial Cooperation |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| ESPON | European Spatial Planning Observation Network, EU Programme |
| ETC | European Territorial Cooperation, Cohesion Policy Objective |
| EU | European Union |
| EU-12 | 12 EU Member States that joined the European Union in 2004 and later |
| EU-15 | 15 EU Member States that joined the European Union before 2004 |
| EU-27 | All 27 Member States of the European Union |
| JESSICA | Joint European Support for Sustainable Investment in City Areas – financial engineering instrument |
| OP | Operational Programme |
| RCE | Regional Competitiveness and Employment, Cohesion Policy Objective |
| Reg. | Regulation |
| URBACT | Exchange programme for cities, EU Programme |
| URBAN | URBAN Community Initiative (implemented in the funding periods 1994-1999 and 2000-2006) |

II. Maps

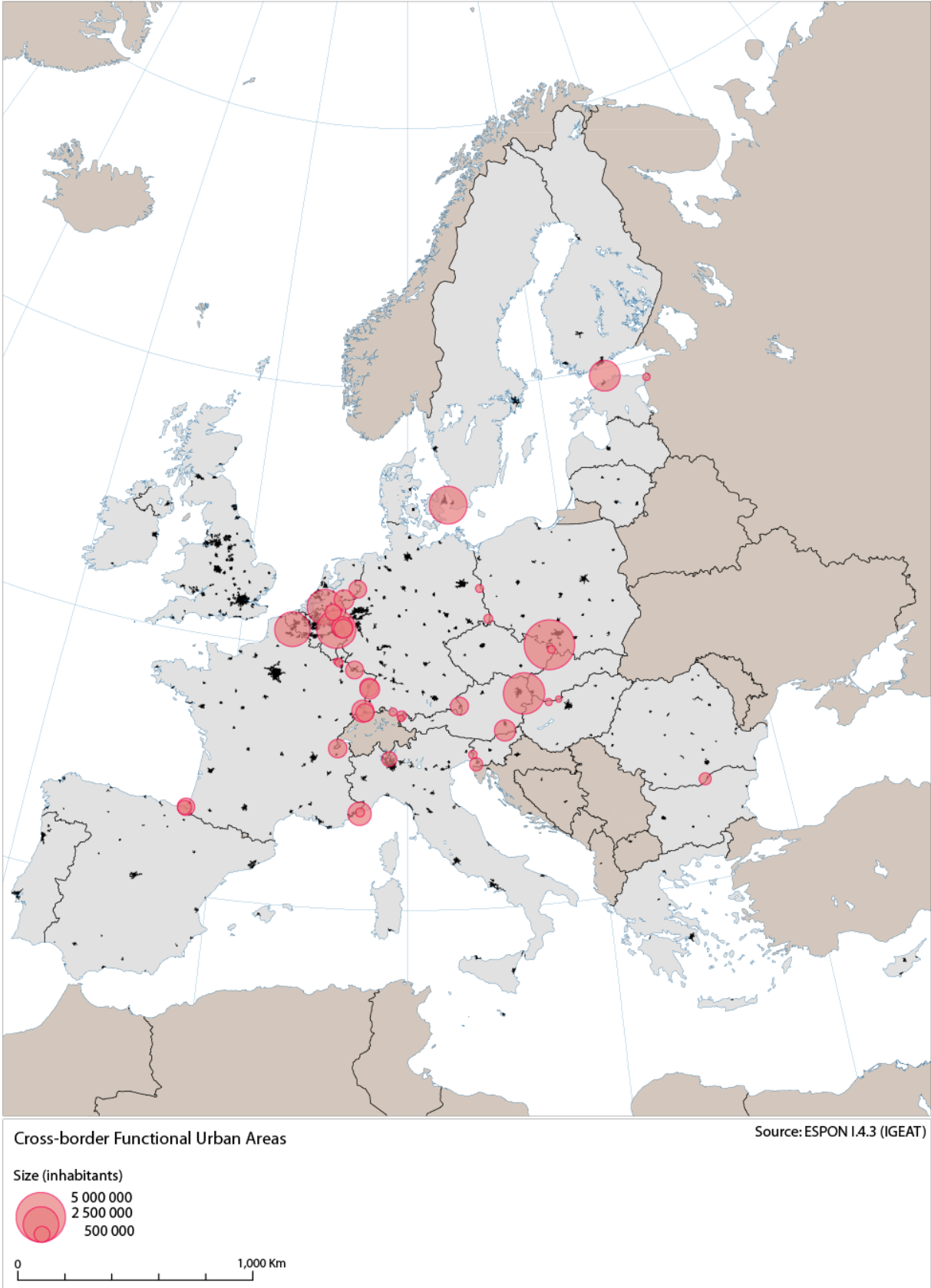
Map 1: Allocation of ERDF budget for URBAN II Programmes 2000-2006



Map 2: Eligible areas 2007-2013 and major European cities



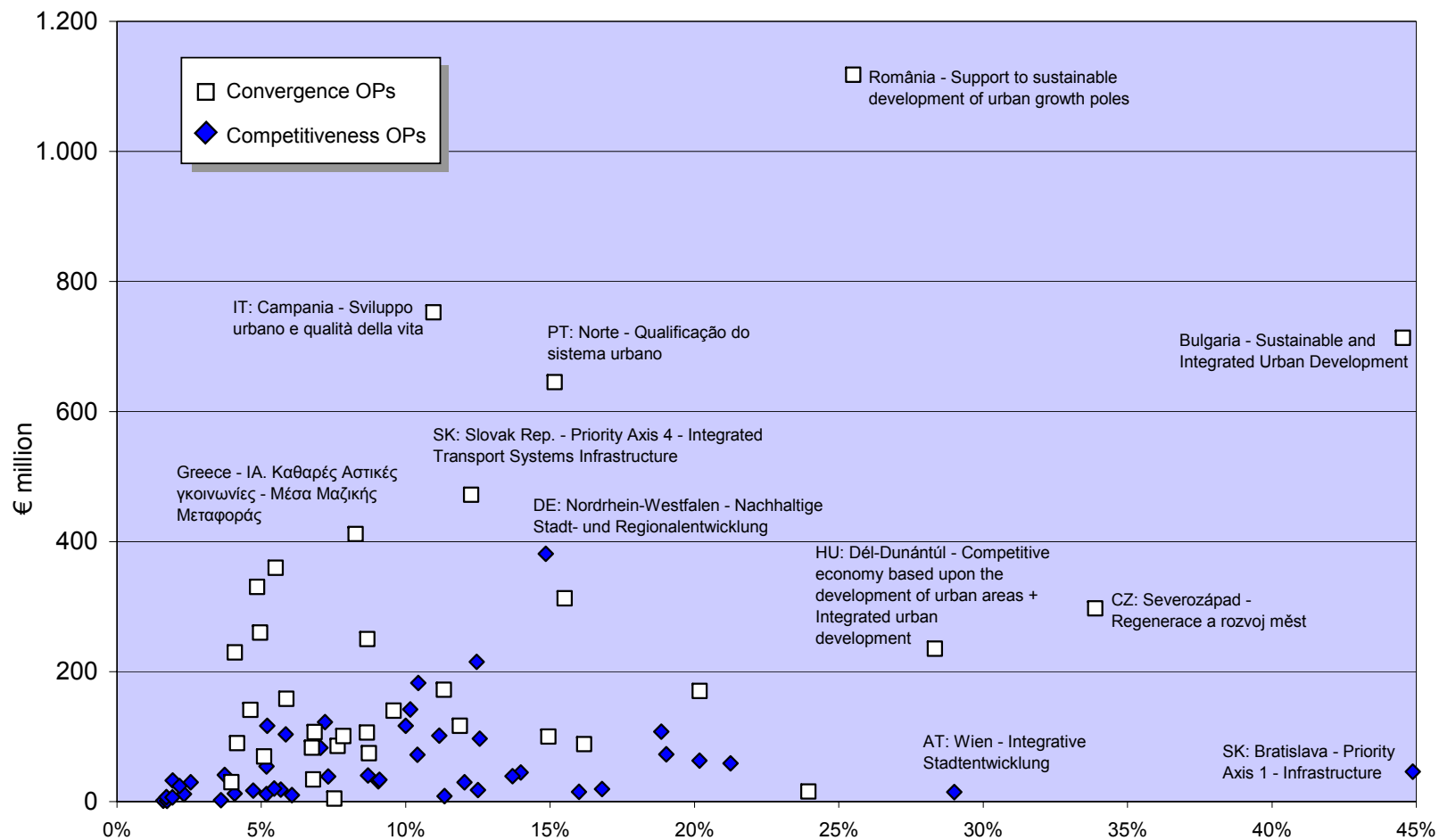
Map 3: Cross-border functional urban areas



http://www.espon.eu/mmp/online/website/content/projects/261/420/file_2420/fr-1.4.3_April2007-final.pdf

III. Graphs

Graph 1: ERDF allocation for "urban" Priority Axes as percentage of total OP budgets 2007-2013.



Consult this website for further information:

http://ec.europa.eu/regional_policy/index_en.htm

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