

### ***A STRONGER EU-INTERVENTION IN LARGE URBAN AREAS***

The Cities for Cohesion grouping is made up of a number of cities, large urban areas and regions. The group is informal and co-operates on issues linked to the urban agenda through its Brussels offices.

Cities for Cohesion aims to ensure a greater recognition of the crucial role played by large urban areas in promoting the economic and social cohesion of the EU. This can only be achieved through a genuine urban dimension in future EU regional policy and the integration of urban issues in all European policy areas.

This document has been agreed by the following signatories:

***Amsterdam, Association of London Government, Berlin, Brussels Capital Region, Copenhagen, Diputació de Barcelona, Mayor of London, Helsinki, Ile de France Region, Malmö, Merseyside, Prague, Region Frankfurt Rhein-Main, Stockholm, Tallinn, Turku and Vienna.***

The signatories represent over 42,5 million people<sup>1</sup>.

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<sup>1</sup> **Population million inhabitants:** Amsterdam: 0.750; Barcelona County Council: 4.7; Berlin: 3.5; Brussels Capital Region: 1; Copenhagen: 1.8; Frankfurt region: 5.2; London: 7.2 Malmö: 0.265; Merseyside: 1.4; Prague: 1.2; Helsinki: 1.0; Île de France Region: 11; Stockholm: 1.8; Tallinn: 0.383; Turku: 0.172; Vienna: 1.7

## ***A STRONGER EU-INTERVENTION IN LARGE URBAN AREAS***

### **INTRODUCTION**

In June 2002 the Cities for Cohesion outlined 10 key principles that should underline the future EU cohesion policy. The present paper sets out a more detailed response to the debate launched by the Commission and focuses on the urban dimension of the future EU cohesion policy.

EU enlargement will represent a historic opportunity for consolidating growth, stability, peace and democracy in Europe and beyond. At the same time, it will represent an 'unprecedented challenge for the economic competitiveness and internal cohesion of the Union' as economic and social disparities within the Union will widen<sup>2</sup>.

The challenge comes at a time when the EU has set itself the ambitious goal of becoming the most competitive knowledge-based economy in the world by 2010, capable of sustainable economic growth, more and better jobs and greater social cohesion, as set by the *Lisbon strategy*. Indeed these goals will not be achieved without the full participation of larger urban areas.

Cohesion policy is the clearest commitment of the EU to improving the lives of its citizens. While we believe that priority should be given to lagging regions, it is fair to say that the real test for the Union in meeting both its cohesion and Lisbon objectives will be in large urban areas, where the majority of the EU's population lives. That is why full recognition of the needs and opportunities of large urban areas in the future EU cohesion policy is of fundamental importance. The need for such recognition is also supported by the fact that Structural Funds interventions in large urban areas have demonstrated a high intrinsic added value.

On the basis of these considerations, this paper gives an overview of the main opportunities and challenges which large urban areas face, and of how EU cohesion policy post 2006 should address them.

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<sup>2</sup> Commission of the European Communities, Second Progress Report on Economic and Social Cohesion, COM (2003)4

## OPPORTUNITIES

Large urban areas play a crucial role in contributing to the Lisbon agenda. They are crucial to achieving the following main objectives set in the conclusions of the 2003 Spring Council:

- More and better jobs
- Innovation and entrepreneurship
- Strengthening the internal market and competitiveness
- Environmental sustainability and protection

### **More and better jobs**

As recognised by the Commission's communication "Acting locally for employment"<sup>3</sup> local and regional authorities have a considerable impact on local employment and are increasingly acting as partners in implementing active measures in employment and social cohesion.

**Large urban areas provide an essential link between knowledge and the labour market.** For its growth, the knowledge society depends on the production of new knowledge, its transmission through education and training, its dissemination through ICTs and its use through new industrial processes or services, as recognised in a recent Commission Communication<sup>4</sup>. Large urban areas have a central part in these processes. They play a key role in delivering the skills necessary for the development of the knowledge-based economy and the information society: basic skills, training, languages and digital literacy. **They also provide the necessary environment for strengthening the labour market by promoting the use of ICTs and new modes of learning, including lifelong learning, and setting the conditions for new activities in high-tech industries and services.**

### **Entrepreneurship and innovation**

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<sup>3</sup> Commission Communication "Acting locally for employment - A local dimension for the European employment strategy", COM (2000) 196 final, 07.04.2000

<sup>4</sup> Communication from the Commission 'The role of the universities in the Europe of knowledge', 05.02.2003, COM(2003) 58 final

In its communication 'Innovation policy: updating the Union's approach in the context of the Lisbon strategy'<sup>5</sup> the Commission states that **we should build on urban areas' capacity in the provision of knowledge, skills, a highly qualified workforce and geographical links to turn them into sources of innovation for Europe as a whole.** Urban areas are the location of the majority of universities and research institutes, which create the link between scientific knowledge and the market by transferring research results to commercial applications, especially to SMEs. These co-operation structures, especially regional clusters of excellence, play a key role in promoting regional and local development and strengthening European cohesion.

Entrepreneurship is a particularly important element to promote innovation, especially in the context of an economy increasingly based on service-orientated markets. **Large urban areas provide the necessary physical infrastructure, qualified and skilled workforce and proximity to customers to boost entrepreneurship.**

### **Strengthening the Internal Market and Competitiveness**

As recognised by the Commission's Green Paper on entrepreneurship<sup>6</sup>, European competitiveness will depend on the productivity of enterprises. **Large urban areas provide the ideal conditions for the flourishing of productivity and entrepreneurship: a well developed physical infrastructure, a high potential of human capital, short ways between markets and customers, concentration of available financial capital.**

**Large urban areas also play a particularly important role in the freedom of movement and establishment, which is one of the central principles of the single market.** A skilled and adaptable labour force and greater mobility between jobs or between Member States are essential to the achievement of the Lisbon objectives, and as a result, to the increasing competitiveness of the EU as a whole, as set out in the European Action Plan for Skills and Mobility<sup>7</sup>.

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<sup>5</sup> Communication from the European Commission 'Innovation policy: updating the Union's approach in the context of the Lisbon strategy', COM (2003) 112 final

<sup>6</sup> Commission of the European Communities "Green Paper on entrepreneurship in Europe", Document based on COM (2002) 27 final, 21.01.2003

<sup>7</sup> Commission of the European Communities "Action plan on skills and mobility", COM(2002)72 final, 13.02.2002

Large urban areas also offer a wide range of support services and expertise that enterprises can use to improve their management skills and innovative potential that leads finally to more competitiveness.

It should be added that the competitiveness of the EU strongly depends upon the Services of General Interest that urban areas provide to their citizens and businesses.

### **Environmental sustainability and protection**

In striving for greater economic development, the goals of environmental sustainability can no longer be neglected. **Large urban areas are crucial to achieving some of the main EU environmental objectives such as reducing waste, noise levels, greenhouse gas emissions and congestion, as well as improving air quality.** In addition, large urban areas can greatly contribute to the delivery of the Lisbon strategy's sustainability goals through actions in the fields of: urban transport and management, construction and design, the promotion of green industries and energy saving buildings. These themes will be given priority in DG Environment's forthcoming thematic strategy on the urban environment<sup>8</sup>.

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<sup>8</sup> [http://www.europa.eu.int/comm/environment/urban/thematic\\_strategy.htm](http://www.europa.eu.int/comm/environment/urban/thematic_strategy.htm)

## CHALLENGES

Large urban areas across the EU share common challenges such as:

- Unemployment and social exclusion
- Migration
- Urban renewal
- Urban security
- Environmental degradation and congestion
- The delivery of Services of General Interest.

### Unemployment and Social exclusion

In recent years, large urban areas have experienced **considerable changes to their employment structures**. As labour market statistics for a number of large urban areas show, this has resulted in a **less accessible labour market, with higher rates of unemployment**. In large urban areas, the highest levels of unemployment appear to be spatially concentrated and with enormous variations among different social groups, with young people and ethnic minorities being particularly affected.

- London's overall unemployment rate is around 9.5%, but in some boroughs such as Hackney it can go up to 16%. Most ethnic groups have unemployment rates well over twice as high as the white population. Minority ethnic groups comprise 28% of London's working age population, but 45% of those who are unemployed.
- Malmö's average unemployment rate is 6% - however this percentage is significantly higher for immigrants (8%).
- In Amsterdam 8% of the population is registered as unemployed, compared to 4% at national level.
- The eastern part of Turku has a significantly higher unemployment rate than the city average (18% compared to 13.4%).
- Vienna has an unemployment rate of around 9%. The overall unemployment rate in Austria is just 6.9%.

One of the striking features of many large urban areas is the existence of significant

- In Berlin 12.8% of all households are considered as poor, among these immigrants' households suffer significantly more from poverty (39.2%) than German ones (9.4%).
- 10% of the Ile-de-France population live under the poverty line
- In Malmö 37% of the working population earn less than 60% of the national average corresponding to 12,600€ per year.
- In Copenhagen 8.5% of the population are recipients of financial support compared to 5.3% at national level.

**inequalities in distribution of wealth within their territory.** GDP figures for large EU cities paint a fairly positive picture – whilst at closer inspection, the predominant pattern is one of deep polarisation. Income distribution is profoundly unequal between different geographical entities within the cities and poverty rates are particularly high for some minority ethnic populations.

## Migration

Urban areas tend to attract a **higher proportion of immigrant populations** in comparison to the national average. Immigrant populations represent a **considerable human capital resource** to address the skills gaps often experienced in large urban areas. They also **enrich the cultural diversity of cities and have**

- In Copenhagen in 2002, the percentage of foreign nationals was 11.4% compared to the national average of 5%.
- In Amsterdam 48% of the population can be defined as immigrant, in the Netherlands as a whole the figure is 17%. 24% of Amsterdam's population is considered as ethnic minority, in the Netherlands as a whole it is 8%.
- In Malmö around 28% of the population are immigrants; almost 50% of the population under 18 years of age have at least one parent from another European or other country and are therefore 1st or 2nd generation immigrants.
- In Vienna in 2001 the percentage of foreign nationals was 16.2% compared to the national average of 9.4%.

**strong and successful traditions of entrepreneurship.** However, immigrants often face **linguistic and cultural barriers to integration**, in particular related to employment and non-recognition of qualifications. Restrictions to their ability to take up work means that many highly qualified refugees and asylum seekers are unable to help fill job vacancies and remain vulnerable to poverty and social exclusion.

## Urban Renewal

In large urban areas there is generally an **inadequate housing supply** relative to demand as well as disproportionate housing costs relative to incomes. Investments in the quality of housing and surrounding environments are often inadequate. The **lack**

- In Copenhagen the percentage of housing less than 60m<sup>2</sup> is 34.2% compared to the national average of 13.9%.
- In the Helsinki Region the average floor area in residences is 70 m<sup>2</sup>. This is 6m<sup>2</sup> less than the Finnish average.

**of green areas and open spaces** is evident in many large urban areas according to the Urban Audit and in particular in the high-density inner city areas. The vast **polarisation between the**

**rich and the poor areas** with regard to quality of housing and the surrounding environment can have an impact on levels of crime.

Degraded physical environments are a widely acknowledged element of urban deprivation. Physical dereliction can be viewed as an important element of area-based deprivation. Results of research have demonstrated that poor physical environments are overwhelmingly concentrated in large urban areas.

### Urban security

Urban security is also a big issue in most large urban areas and is widely seen as an important indicator of deprivation<sup>9</sup>. **The experience and perception of crime seriously undermines the quality of life for many residents and businesses.**

The level and nature of crime in any area has a direct impact on the sustainability of commercial activity as well as on the cohesion and stability of the local community. Drug problems must be tackled since they generate a large part of the crime committed in large urban areas. For the cities involved in the first phase of the Urban Audit, the crime rate was significantly higher than at national level.

- In Malmö last year the number of crimes was 52,028, which is particularly significant given the population (265 481).
- In Amsterdam 11.8% of the population was victim to aggression compared to 6.2% (in 2001) for the Netherlands as a whole.
- The level of criminality is higher in Ile-de-France (97,1 instead of 68,8 for the whole country for 1000 inhabitants)

### Environmental degradation and congestion

<sup>9</sup> See also Vice Mayor of Stockholm Catharina Tarras-Wahlberg's CoR opinion 'Crime and Safety in Cities', CdR 294/99fin

**Many large urban areas suffer from high levels of environmental degradation and pollution.** Noise and air pollution pose severe threats to citizens' health<sup>10</sup>. The main polluters are traffic on main network roads, air traffic, waste and energy production. To address the increasing problems with air pollution more needs to be

- If one sets a basic level of 65 dBA during daytime and 55 dBA at night time, which is the target value in various noise reduction plans, Berlin for example will have to reduce the noise level on 1330km of roadside by day and 1780km by night.
- In Stockholm 25,000 citizens are exposed to levels of noise at the front of their houses of more than 65 dBA and approximately 150,000 citizens are exposed to levels above 55 dBA.
- In Vienna 11% of the population or approximately 175.000 citizens are exposed to levels of noise of more than 70 dBA.
- The noise levels on 1900 out of the 5000 kms of roads in the Ile-de-France (excluding Paris) are higher than 70 db
- According to the Urban Audit the average number of days per year of summer smog in large urban areas is 18.5 and the number of days per year that NO2 concentrations were excessive averaged at 12.4.

done to improve energy efficiency and lower emissions.

**Development in cities has often taken place at the expense of green spaces and the conservation of wildlife.**

Reaching a balance between economic, social and environmental pressures on urban space is crucial to ensure that the biodiversity and quality of urban natural habitats are preserved.

**Congestion** is a real problem in many big cities, which **harms business efficiency and threatens to undermine cities' competitiveness in the world.**

Existing infrastructure in large urban areas is often not appropriate to cope with increasing traffic levels. In addition, the development of public transport links has in some cases been slower than the rise in demand, resulting in some areas still being disconnected from the transport network. In order to address the problem there is a need for a change in the general attitude towards public transportation, to improve public transport and increase the frequency and reliability of connections.

### **Services of General Interest**

Be it public transport, water supply and waste water treatment, waste removal, or even housing programmes, urban security, health and education programmes –

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<sup>10</sup> See also DG Environment's thematic strategy on health and the environment [http://www.europa.eu.int/comm/press\\_room/presspacks/health/pp\\_health\\_en.htm](http://www.europa.eu.int/comm/press_room/presspacks/health/pp_health_en.htm)

there are many aspects linked to a well functioning system of Services of General Interest<sup>11</sup> (SGI) which large urban areas more than others have to rely upon, yet have to be paid for by cities and city regions.

**Cities for Cohesion believes that SGIs should be acknowledged by the European Union as the foundation of the European Social Model and that large urban areas and city regions are given the legal and financial means to guarantee these Services.**

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<sup>11</sup> Particularly in the framework of the current consultation launched by the Commission with the publication of the Green Paper on Services of General Interest, COM (2003) 270 final, 21.05.03

## **RECOMMENDATIONS FOR FUTURE POLICY**

The future EU cohesion policy should address these opportunities and challenges in order to ensure that large urban areas can act as the drivers of European competitiveness and cohesion. The policy priorities, indicators and financial resources to be used to address the urban question are presented hereafter.

### **Policy priorities**

Cities for Cohesion supports the Commission's suggestion that Structural Funds interventions might be defined on the basis of a menu, which would allow increased flexibility at the regional level.

The policy priorities and measures that we believe should be included in this menu for interventions in large urban areas are:

- **Innovation and knowledge based economy**
  - Support for the creation and development of enterprises including SMEs
  - Reinforcing innovation potential
  - Support for research and knowledge transfer
  - Developing economic clusters
- **Employment and social inclusion**
  - Job creation initiatives
  - Professional training and development of skills
  - Actions targeting social inclusion of disadvantaged groups
  - Integration of migrants and asylum seekers
  - Equal opportunities
  - Education and culture
- **Environmental improvement**
  - Tackling environmental degradation and improving quality of life
  - Brownfield development
  - Developing the green economy
- **Urban renewal**
  - Economic, social and physical regeneration of neighbourhoods
  - Improving accessibility and public transport
  - Improving of open public spaces

- Improving Services of General Interest

## Indicators

**The indicator currently used by regional policy – regional GDP - has shown itself to be inadequate outside Objective 1, as it does not highlight sub-regional disparities, which need to be taken into account.**

These disparities not only demonstrate the socio-economic cohesion gaps within a region, but also act as barriers to regional – and therefore European – competitiveness, hampering the capacity of a region to develop to its full potential.

GDP in large urban areas can be considerably inflated by commuters, and disposable income is a much more helpful indicator, given the high costs of transport and housing in these urban areas.

**A more accurate measure of multiple deprivation is needed**, taking into account: unemployment, poverty levels, skills gaps, ethnic minorities (as a percentage of the population), immigrants and asylum seekers (as a percentage of the population), the number of inhabitants who do not have the national language as their mother tongue, crime, and environmental degradation. It is hoped that the Urban Audit II will develop some work towards the development of these indicators.

## Financial Resources

The total amount of Structural Funds interventions, corresponding to the decisions taken at the Copenhagen summit, will be 41 billion Euros in 2006, taking into account the EU15 plus the 10 accession countries. (The growth assumption for the period 2004-2006 will be 2.5% annually for the EU15 and 4% for the 10 acceding countries).

Commissioner Barnier considers **the level of 0.45% of EU GDP as the reference point of credibility for the resources to be allocated to cohesion policy for the period post 2006 (EU25)**<sup>12</sup>. It is very difficult to estimate the exact amount of money that this will represent, but many sources have mentioned 350 billion Euros for the whole period until 2013. In the table and diagrams below, we use this amount as the

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<sup>12</sup> Speech presenting the Second Interim Report, 3rd February 2003, Brussels; Leipzig Conference 5-6th May 2003

basis for an overview of the financial allocation for the different priorities for which Cities for Cohesion would like to see support in the future.

DG Regio officials have on a number of occasions stated that they would like to see about **70% of the total budget, post 2006, earmarked for Objective 1, Cohesion fund and phasing out**. We fully support this position as we believe that priority must be given to lagging European regions.

We also consider that the **challenges and opportunities of European large urban areas have to be met by a consistent financial tool, through a real urban dimension of the regional policy, mainly funded from the new “objectives 2 and 3”**. Today through the mainstream programs (Objective 1, 2 and 3) part of the funding is already spent in large urban areas; however, if **post 2006 a specific percentage was “earmarked” and destined specifically for large urban areas, the political message would be clear**. It would underline the ambition to further integrate urban issues in the European regional policy alongside other priorities.

The table and diagrams below show the current scenario and the post 2006 scenario based on the assumptions made above.

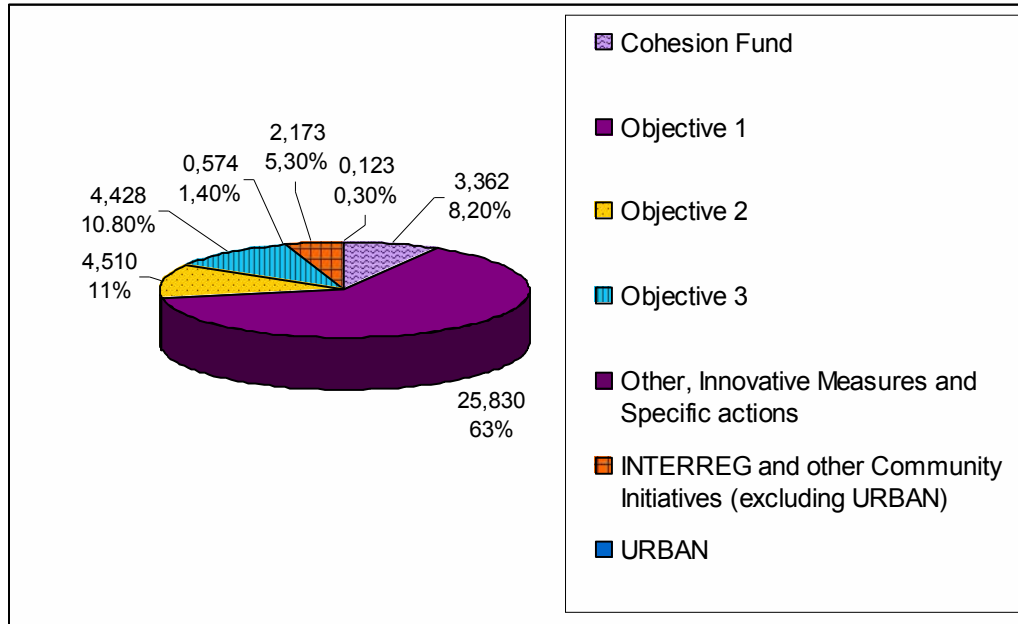
	<b>Total 41 billion Euro (EU-15+ Enlargement)</b>	<b>%</b>	<b>Total 50 billion Euro (0,45% of GDP - EU25)</b>	<b>%</b>
<b>Cohesion Fund</b>	3,362	8,20%	35	70,00%
<b>Objective 1</b>	25,830	63,00%		
<b>Objective 2</b>	4,510	11,00%	11	22,00%
<b>Objective 3</b>	4,428	10,80%		
<b>Other, Innovative Measures and Specific actions</b>	0,574	1,40%		
<b>INTERREG and other Community Initiatives (excl. URBAN)</b>	2,173	5,30%	3,75	7,50%
<b>URBAN</b>	0,123	0,30%	0,25	0,50%
<b>Total</b>	41	100%	50	100%

*Note: Structural funds in 2006 at approximately 41 billion Euros (Copenhagen summit). Structural funds post 2006 approximately 50 billion Euro per year (average based on the assumption that the whole funding period will have a total budget of 350 billion Euros).*

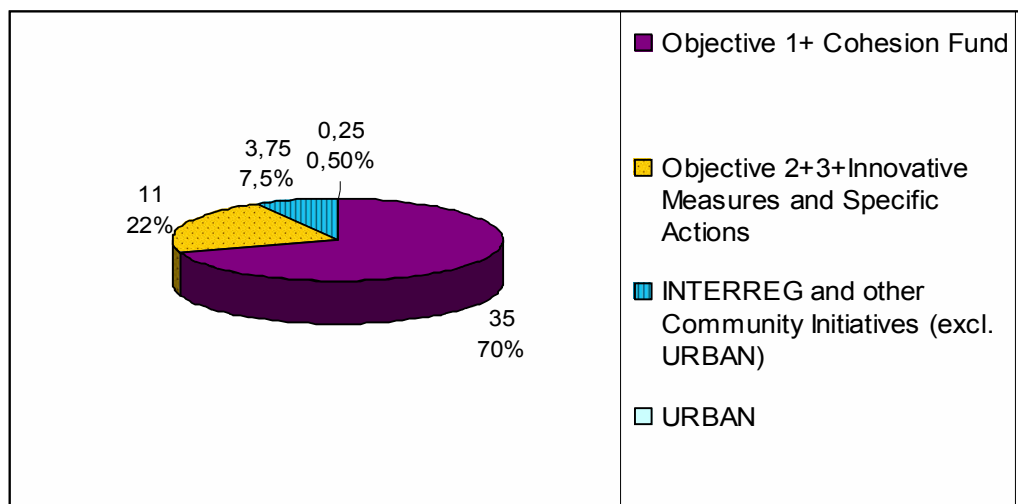
The following diagrams show an overall increase in Objective 1 and Cohesion fund money to the tune of 35 billion Euro annually (a total of 70% of the overall Structural

funds). They also show **22% in spending for a merged Objective 2 and 3, which should also include Innovative measures and specific actions.** In addition, the **Community Initiatives INTERREG and URBAN should be reinforced, with a clear increase in funding for URBAN.**

**Figure 1: Current scenario**



**Figure 2: Post-2006 scenario**



**Cities for Cohesion considers the main priority to be a strengthening of the urban focus through the future Objective 2 and 3 programmes. Moreover, we support an URBAN Community Initiative with increased funds so that bigger**

**programs can be developed in the future, in all EU25 Member States. Community Initiatives should provide opportunities for cross-border, transnational, inter-regional and – as a new element – exchanges of best practice between large urban areas via an URBACT-type approach.**

**To conclude, we would like to stress that in order to be able to meet the Lisbon goals and for the EU to be able to develop its full growth potential, large urban areas need to be given full support. Larger urban areas and city-regions have to become one of the key beneficiaries of the future EU cohesion policy.**