

The New EU-Cohesion Policy for Sustainable Urban Development

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Ladies and gentlemen,

It is a particular pleasure for me to speak at this distinguished conference – first, because I have done so in the last two years already and I always found the contributions and discussions very enriching. Secondly, it is a particular pleasure for me to come to Ghent – not only, because it is so close to Brussels, where I live, but because I know Ghent since nearly 40 years. When I first saw it in 1976, coming from the neighbour city Bruges, where I then have studied, Ghent was a rather dark, grey, dull city, a bit neglected and visibly suffering from the impacts of economic and social changes taking place in the seventies. Since then I could follow the continuous upswing, the huge efforts which the city administration and naturally its citizens have made to achieve this remarkable revival.

I didn't want to forget this compliment although today in my speech it is not about Ghent, but about the new Cohesion Policy for sustainable urban development in general.

What do we in the EU mean by Integrated Sustainable Urban Development?

Cities are the engines of the European economy providing jobs and services and serve as catalysts for creativity and innovation throughout the EU. Almost 70 % of the EU population lives in an urban area, and these areas generate more than two thirds of the EU's GDP. However, they are also the places where persistent problems such as unemployment, segregation and poverty, as well as severe environmental pressures, are concentrated. Policies pursued in relation to urban areas therefore have a wider significance for the EU as a whole.

It is increasingly clear that the various challenges facing urban areas – economic, environmental, climate, social and demographic – are interwoven and success in urban development can only be achieved through an integrated approach. Hence, measures concerning physical urban renewal should be combined with measures promoting education, economic development, social inclusion and environmental protection.

The development of strong partnerships involving local citizens, civil society, the local economy and the various levels of government is an indispensable element. Combining capacities and local knowledge is essential to identify shared solutions and to achieve well accepted and sustainable results.

Such an approach is especially important at this time, given the seriousness of the challenges European cities currently face. They range from specific demographic changes to the consequences of economic stagnation in terms of job creation and providing services, to the impact of climate change. Identifying effective responses to these challenges will be critical for achieving the smart, sustainable, inclusive society envisaged in the Europe 2020 Strategy.

What is the aim of our new urban policy?

As a basic principle, the European Regional Development Fund ERDF should support sustainable urban development through integrated strategies that tackle the economic, environmental, climate, social and demographic challenges of urban areas. The meaning of this principle is twofold: it signifies that resources should be concentrated in an integrated manner to target areas with specific urban challenges; and at the same time, that Regional Fund-supported urban development projects should be integrated into the wider objectives of the programmes.

EU Member States should also seek to use the European Social Fund (ESF) in synergy with the Regional Fund to support measures related to employment, education, social inclusion and institutional capacity designed and implemented under the integrated strategies. While in the last programming period 2007-2013 the integrated approach was only optional we now insist on a stronger focus on integrated urban development at programming level – namely in the Partnership Agreements and Operational Programmes which we conclude with the Member States for all the 276 EU regions. They set out the arrangements to ensure an integrated approach to the use of Structural Funds funds for the sustainable development of urban

areas within the wider context of territorial development. The link between urban and rural areas thus has to be taken into account too. The Commission also expects to see this urban development approach addressing the specific needs of areas most affected by poverty, or of target groups at highest risk of discrimination or exclusion.

We made several efforts to make the new Cohesion Policy more efficient and result oriented than before. Therefore we now oblige Member States to concentrate our funds on a limited number of thematic objectives.

A number of them have urban-specific investment priorities e.g. promoting low-carbon strategies for urban areas; improving the urban environment, including the regeneration of brownfield sites and the reduction of air pollution; promoting sustainable urban mobility, and the promotion of social inclusion through supporting the physical, economic and social regeneration of deprived urban areas. These investment priorities could be embedded in the integrated urban development strategy of an urban area, and complemented by support from the European Social Fund. On top of that and to make sure that the urban problems are adequately addressed by our funding we request that a minimum of 5% of the Regional Fund resources allocated to each Member State have to be invested in the implementation of integrated strategies for sustainable urban development. This 5% minimum for sustainable urban development should be and can be increased. Therefore we encourage Member States strongly to make more use of financial instruments. Until now 95% of Cohesion Policy support was given as grants, only 5% via financial instruments like loans, guarantees or equity. Their scope now is extended and covers all thematic objectives and investment priorities and all kinds of beneficiaries, projects and activities.

In the new programming period 2014-2020 we strongly recognise the cities' role as innovators by the introduction of a new instrument – Urban Innovative Actions.

The Commission will manage this initiative by organising an EU-wide call for proposals. We will look for the most interesting, innovative and forward-looking ideas for addressing urban challenges. These could be pilot projects, demonstration projects or new urban experiments which would be of interest across Europe. Where we find a new policy-solution, we'd like this to be tested in other cities and ultimately, if suitable, scaled up to the regional or national level. We have reserved 330 million euros over the 2014-2020 period to fund these actions.

This does not seem so much – but please do not forget that this amount is just what is reserved for innovative urban actions. Apart from and additionally to that we support with our regular, "normal" cohesion policy investments in projects which are located in urban areas. For these regular cohesion policy projects in urban areas, since 2007 around 92 billion or close to 40% of the total from our regional funds has been allocated to projects in cities. But it is not only "more money" which we want to see to be invested for urban development, we also want to facilitate to do this in an integrated way. Probably it is of special interest for urban planners that our new approach to sustainable urban development is more functional than before because it will allow interventions at the right scale: Interventions now can cover different types of cities and urban areas, as they are defined by Member States, not by us.

This allows the financing of integrated actions ranging from neighbourhood or district level to functional areas such as city-regions or metropolitan areas – including neighbouring rural areas.

In the current new Cohesion Policy period we provide several improved tools to deliver integrated actions:

The Integrated Territorial Investment (ITI) is a new delivery mode to bundle funding for multi-dimensional and cross-sectoral interventions. An ITI can be an ideal instrument to support integrated actions in urban areas as it offers the possibility to combine funding linked to different thematic objectives, including the combination of funding from different EU Cohesion Funds. To say it clearly: The intervention area can be defined by the Member States - it can be an administrative or functional area. We offer full flexibility ranging from the classical "City" to metropolitan agglomerations.

We also encourage Member States to employ Community-Led Local Development (CLLD). It is a new tool to promote the implementation of bottom-up, local development strategies. They should be prepared and implemented by local action groups involving representatives of all sectors of local interest.

It is an extension of the well-known LEADER approach for rural areas into urban areas. It should promote community ownership and multi-level governance. CLLD allows for needs-based capacity building

activities, networking and stimulating innovation already at neighbourhood level in order to empower communities to fully exploit their potential.

I think you see that integrated sustainable urban development indeed has become an integral and more important part of our new Cohesion Policy 2014-2020. But this will also have practical effects on the governance concerning the preparation and implementation of programmes:

We have understood that the implementation of sustainable urban development strategies require a degree of delegation to the urban authority level. This may vary according to the institutional arrangements of each Member State but urban authorities shall be responsible for at least the selection of operations. Each Member State is required to set out in its Partnership Agreement with the EU Commission the principles for the selection of the urban areas where integrated actions for sustainable urban development are to be implemented and an indicative allocation for those actions.

Urban authorities receiving our funding will have to prepare integrated urban development strategies that are able to tackle the multiple challenges facing their cities. They will now have a broader scope of responsibility concerning the actual implementation of that strategy. When designing these integrated strategies, urban authorities are encouraged to use the Reference Framework for Sustainable Cities (RFSC) which is a practical web-based tool designed to assist cities in this regard.

Finally, we came to the conclusion that the communication between cities, knowledge sharing, exchange of best practice and mutual support and advice should be strengthened and encouraged. Therefore we set up an 'urban development network' for urban authorities which receive Cohesion Policy funding. This network will act as a forum for capacity building and exchange between the cities pioneering new techniques and developing integrated investments. The Network is not a funding instrument but a way for cities to share feedback on the use of these new approaches. It will be a 'university of urban development' through which those actively involved in the implementation of integrated territorial investments and Urban Innovative Actions, together with the Commission and academics, will be able to exchange knowledge and ideas.

We think that this will be a mechanism for driving forward the delivery of sustainable urban development. It will give cities a voice in policy-making at the European level.

For cities located in different regions that cooperate and obtain support from European Territorial Cooperation (ETC) programs, the exchange and learning programme for cities will continue to exist. It will provide them with networking opportunities in order to share and develop good practices in urban development. In particular, cooperation between urban authorities will continue under a financially strengthened URBACT III programme.

Ladies and gentlemen, I have given you a brief overview about the core elements of the urban element of our new Cohesion Policy. The question now is: have we been successful with offering new ways of tackling with urban development problems? How did the Member States react to this offer? How was the take up of the new instruments which I just have described?

We have made a survey of the 311 Operational Programmes which were adopted or submitted for adoption at the end of February 2015.

Each Operational Programme lays down for each region how the respective Member State wants to invest EU Cohesion Policy funding in the years till 2020.

Concerning the Integrated Territorial Investments which will facilitate addressing the complexity of urban challenges at various levels – neighbourhood, urban, metropolitan - the picture is quite good: 20 of 28 Member States foresee 13,6 bn Euro – which is 4% of the available Cohesion Policy budget. Several Member States will use ITI highly above the average - namely Slovakia, which will use 17% of its Cohesion Policy funding for that, Latvia will spend 12%, Lithuania 10% and Belgium 8% for it. As far as we can see the Member States will concentrate urban Integrated Territorial Investments in projects of the low-carbon economy, as well as for employment and social inclusion.

On the whole the take up of ITI for urban development was satisfying. The result for Community Led Development is not yet so encouraging. Although not unknown to Member States implementing the LEADER instrument in previous programming periods, CLLD is a completely new instrument in Cohesion Policy.

Inexperience with the bottom up approach and an alleged lack of capacity at local level coupled with a strong result orientation of our Cohesion Policy has resulted in the reluctance of a number of Member States to experiment with this instrument. 17 of 28 MS intend to support the implementation of local development strategies. The 2 bn Euro foreseen for that represent only 2% of the Cohesion Policy budget. The spending will strongly focus on urban projects which promote social inclusion, combat poverty and discrimination and give support to the socio-economic regeneration of deprived communities in urban areas.

And to which degree was the obligation implemented by Member States, to at least reserve 5% of their Regional Fund budget for sustainable urban development? The reply is: The obligation was by far overachieved. Currently 16 bn Euro or nearly 9% of the Regional Development Fund are earmarked for that – and we are happy about that. Half of our 28 MS show much higher figures than the average, e.g. Romania which will spend 27%, Bulgaria 20%, Belgium 15%. Also Poland is a good example - it will spend 3 bn Euro to support the integrated sustainable development of the functional urban areas of the 16 regional capitals. Each ITI will bring the cooperation of dozens of municipalities using Cohesion Policy funding.

Thus Poland translates very well our model arrangement originally envisioned, namely that a functional urban area would create a coordination body to develop an integrated sustainable urban development strategy and set up an ITI for its implementation through a range of interlinked actions, bundling even different funding sources.

Ladies and gentlemen, the EU Commission has set up an ambitious urban agenda for Cohesion Policy until 2020. Cities should be full partners in the drive for European recovery. We should all – and this includes the Member States – help cities to exploit their potential to innovate, to foster dynamic, competitive business, and to lead the transition to a low-carbon economy. We want cities to have ownership of their own sustainable development strategy and we are ready to support it with substantial funds and in a multitude of ways.

Thank you for your attention!