



## **Statement of the Capital Cities of the European Union**

### **on a stronger urban dimension of EU cohesion policy beyond 2006**

With the publication of the proposed Structural Funds Regulations on 14 July 2004, the EU has formally begun its decision-making process on the legislative framework of the EU cohesion policy beyond 2006.

In view of this process, we, the Mayors of the member cities of the Union of Capitals of the European Union (UCUE) call on the Council, the European Parliament and European Commission to support a stronger urban dimension of the future policy and to give full consideration to the principles put forward in this Statement.

#### **The Mayors of Capital Cities of the European Union**

##### **welcome:**

- The increased emphasis in the European Commission Third Cohesion Report on cities as centres of economic development that also face challenges of environmental pressure, social exclusion and economic restructuring.
- The firm call during the ongoing debate on the future policy, and in particular at the Cohesion Forum held in May 2004, for a stronger urban dimension to cohesion policy.
- The clear link put forward in both the Cohesion Report and the proposed Regulations between cohesion policy and the achievement of the Lisbon and Gothenburg agendas.
- The European Parliament's Report on the future cohesion policy - Hatzidakis' Report adopted on 22 April 2004 - which recognises that cities must be viewed as essential elements in economic and social cohesion.
- The request in the proposed Regulations that each national strategic reference framework contains information on national priorities for urban regeneration, as well as that each ERDF operational programme includes information on the approach to urban issues.

##### **emphasise the following principles:**

###### ***Cities are the key to achieving the Lisbon goals***

Acting the engine of regional economic development, cities are the key to making the EU the most competitive and dynamic economy in the world. This

principle is even truer for Capital Cities, which are often the main driver of the national economy as a whole. Unfortunately, the instrumental role of cities in the achievement of the Lisbon goals is not sufficiently reflected in the Commission's proposals for the future cohesion policy. In the proposed Regulations the urban dimension is limited to the concept of urban regeneration, and even this is not phrased with sufficient strength. We ask therefore, on the one hand, for a more precise formulation of the urban regeneration approach, and, on the other hand, that beside this needs-based approach, the opportunities offered by cities for the economic development of surrounding areas and of the whole EU be recognised and reflected in the new legislative framework.

### ***More flexibility for interventions in urban areas***

Article 8 of the proposed ERDF Regulation rightly proposes a more flexible approach for interventions in urban areas, which “*may combine the rehabilitation of the physical environment, brownfield redevelopment, and the preservation and development of the historical and cultural heritage with measures to promote entrepreneurship, local employment and community development, as well as the provision of services to the population taking account of changing demographic structures*”. While we welcome this, we believe that it does not go far enough and that greater flexibility should be offered, especially in the list of eligible measures (Articles 4 and 5), which determines in practice which actions may get EU support. In particular, we ask for a specific mention of the regeneration of public areas and of energy-saving improvements of buildings to be included in the list of possible interventions in cities. We also call for major urban centres not to be excluded from one of the three priorities for ERDF funding – i.e. access to services of general interest. In light of the fact that 40% of the urban population in the new Member States live in large deteriorating housing estates, we also ask for the improvement and demolition of public housing in deteriorating areas of cities to be considered as an eligible measure.

In addition, building on the positive experience of the URBAN Community Initiative, we believe that the ERDF should be allowed to fund ESF-type measures in urban areas above the limit of 10% set in the proposed Regulation. We therefore call for this limit to be removed in order to allow cities to define the best measures necessary to tackle the local challenges.

### ***The importance of measuring intra-regional disparities***

While the Cohesion Report correctly recognises that GDP is not a perfect measure for the distribution of funding, the proposed Regulations put forward regional prosperity – i.e. GDP – as the main indicator. As the Cohesion Report points out, GDP has a number of weaknesses such as the commuter effect, which is particularly significant in Capitals and large cities, where commuters contribute to regional GDP, but are not included in per capita calculations. It is for this reason that Capitals and large cities are often perceived as wealthy. But the reality is that high overall GDP masks the profound unequal distribution of wealth between richest and poorest. It has been demonstrated that disparities within regions are often more acute than disparities between regions. We therefore urge that the regional allocation criteria for the competitiveness and employment priority be based on a mix of indicators that reflect regional needs and opportunities and are able to measure intra-regional disparities.

***The risk of urban areas not getting a fair share of the funding***

According to the proposed Regulations, regional competitiveness interventions in urban areas take place in the context of regional programmes. While we fully support the mainstreaming of the urban dimension in the future cohesion policy, in practice it implies that a city suffering from acute cohesion problems may not receive any ERDF support in case an operational programme is not adopted for the whole region. We consider this a serious risk for urban areas in light of:

- the proposal from some Member States to reduce the proposed cohesion policy budget and the consequent risk that several regions will no longer benefit from operational programmes
- coupled with the use of GDP as the main indicator, which clearly penalise urban regions as indicated above.

We therefore call the European Commission and Member States to ring-fence part of the budget for urban interventions and to make use of the possibility offered by Article 34 of the proposed general Regulation to develop an ad hoc programme dedicated to interventions in urban areas in their country.

**The Mayors of Capital Cities of the European Union ask the Council, the European Parliament and the European Commission to give full consideration to these principles.**

<i>Adopted at the General Assembly of the Union of Capitals of the European Union (UCUE) in Budapest on 9 October 2004</i>
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