

**The opening of the UCUE Conference, 09.10.2004.**  
**by Gábor Demszky, Mayor of Budapest**

**Ladies and Gentlemen, dear Colleagues,**

It is a great pleasure for me to open the Mayor's Conference of the Capitals of the European Union here in Budapest, on the occasion of the 44<sup>th</sup> General Assembly of our Organization. Thank you for having accepted our invitation. It has been an extraordinary honour for Budapest to be the president of the Union of Capitals of the EU during this historical year of the enlargement. I have to confess that the first of May was really the happiest day of my life. But we didn't have much time to celebrate and to dream. Fortunately. The every day work of ordinary members has immediately started.

We have arrived to an important moment. In the following months the question will be decided, whether **Europe will be the Europe of cities in the future**, or not. The most important process in the past and in the present is urbanisation, the continuous development of urban areas. Two thirds of the Hungarians, 6.4 million people live in cities. Budapest is, without doubt, the economic engine of Hungary. Concerning large cities this is also true for the European Union. **75% of the Union's inhabitants live in cities**, and the decisive portion of goods is produced there. This production is beneficial for the direct and wider regions of cities.

Now the question is whether **Europe is willing to recognise this fact in its financial policy**, and thus do everything to stop the worsening of the problems of cities (transportation, protection of the environment, urban rehabilitation, segregation etc.). **This is crucial, as the Union is only able to cope with the other economic powers of the world, if it gives the cities a new momentum.** Equally important is that the **member states of the Union should also see**, that they will have to allocate more from the resources of the Community, to redress the problems of the cities.

The **proposals of the European Commission**, regarding the regulation of the Structural Funds between 2007 and 2013, were published in July. The professional discussion is going on and shortly the political debate will follow, so by the end of 2005 the question can be decided. The **stake is rather huge**: nearly **340 billion euro** should be distributed!

How can the new regulation affect the **cities in general**? And how can it handle **special problems** of the capital cities of **newly joined** countries, or those, who will join in the future? Please, allow me to look for an answer to these questions now.

**Ladies and Gentlemen!**

*Urban areas in general*

It is memorable, that in 1999 the regulation of urban areas was included in the Community Initiatives in the last moment, because of the pressure of the European Parliament. Since then, **it has become clear that URBAN is one of the most successful supporting programs of the EU.** Nevertheless, it was far the smallest program. It covered 730 million euros, for seven years and 15 member states altogether. One deteriorated

area was selected in 70 European cities, and spectacular achievements were reached, with the support of EU, national co-financing and private capital.

During the discussion about the new Structural Fund period, starting in 2007, there was no doubt about the **need to strengthen the urban dimension**. The Commission finally came to the conclusion, that instead of creating a separate urban program, it will make the issues of cities **one of the priorities** of the mainstream programs. This intention is clearly shown in that the urban dimension is mentioned in the general regulation and in the European Regional Development Fund.

However, we are still not satisfied. The urban priorities are barely present in the concrete regulation. This is especially true in the regions belonging to the convergence objectives – the poorest areas – and even more in those belonging to the objectives of competitiveness. **The regions are henceforward in the centre of attention**. The treatment of the urban issues, the budget, the delegation of decision-making to the level of the cities, can all be incorporated in the **operational programs**. And these programs have to be developed by the **member states**. **So the future of the cities depends on the goodwill of the national/regional authorities**.

This must be changed urgently. **The cities must appear in the programs by their own right**. We have concrete suggestions in this matter.

According to the planned regulation, the Council will prepare the “**Common Strategic Cohesion Directives**” (article 23-24). We must reach, that these directives contain, that the most urgent problems of the **deteriorated urban areas** will be treated by economic, environmental and social actions. So, that the directives contain the essence of URBAN.

According to article 25 the member states, based on the directives, prepare the “**National Strategic Reference Framework**”. We must reach that the **countries pay more attention to cities**. The countries should be obliged to determine the priorities for **urban regeneration**, paying special attention to the most deteriorated urban areas. At the same time, they should be obliged to **co-operate with the municipalities of the cities** in the development and implementation of the programs.

During the selection of those urban areas, which will be supported later, the **GDP per capita index should no longer be used exclusively**. This does not show the reality, as it **covers the great social and economic gaps** inside the city.

According to the most radical proposal, a **minimal degree** for the urban intervention in the budget of the Structural Funds should be determined. For example, 20% must be spent on urban programs.

The **distribution** within the urban category is equally important. The Commission aims at limiting the size of the cities entitled for support: it urges the development of middle-sized cities and secondary distribution networks. **But the exclusion of greater urban centres conflicts with the interest of Europe**. The numbers prove that greater cities have a bigger influence on development, than the proportion of their population would explain.

The problems of the cities are the problems of Europe. For this reason they should be decided on a European, not a regional level. Besides the satisfaction of the needs, we must exploit the opportunities. This must be included in a **strategic document** that lays down the peculiarities of the European cities and the tools, by which the American expansionist way of city development can be avoided.

Furthermore, the Commission should consider the tool of the Open Method of Co-ordination. This way it could support the comparison and correction of the national urban development policies.

### **Ladies and Gentlemen!**

#### *The special problems of the cities of the new members*

The cities of the new member states **must bear a dual burden**. Besides the **absence of the urban-based thinking in the EU**, they are hit by **arrears in the basic infrastructure**, as a result of the **lack of resources** following the **decades of socialism**. This is true even for those cities, which according to the GDP per capita index, reach the average of the EU. However, these **specialities of the newcomers are not taken into account** in the financial resources of the Structural Funds.

In addition to the **transportation**, the **deteriorated inner areas** and the **housing estates** – built after the war – appear as the main problems of the new member states. **About 40% of the urban inhabitants** live in housing estates, outside the densely built-in city-centre. This ratio is **only 3-7%** in the cities of the EU15 states. **These buildings are in a very bad condition**, and if we do not intervene fast, they might turn into **social ghettos**.

The new member states and their cities are **not able to handle this challenge alone**. The present version of the regulations of the Structural Funds, only gives limited opportunities for integrated urban actions. And it **excludes** the interventions concerning **residential-buildings**. Under such conditions the decaying inner areas and the huge housing estates **will deteriorate further**, as the countries and the cities will spend their own resources on co-financing the actions of the Structural Funds. As a result, **even less money will remain** for the reconstruction of the housing estates.

**So there is an urgent need for changes** in the regulation of the Structural Funds. Otherwise it can well happen, that while we won't let unclear sewage into the rivers, at the same time the inner city regions and the huge housing estates will collapse, and the poorest strata of society will live in real urban ghettos.

The main point in changing the regulations would be, that **the member states would have more freedom to choose** the tools, treating the problems of deteriorated urban areas. **The rehabilitation of housing estates** – despite the dogmas of the EU – **should be included among** the supported measures to a certain extent. As the ignorance or mistreatment of these problems, may lead to a **serious economic, environmental and social crisis**. The regulation of the European Regional and Development Fund must be modified, so that the renovation, demolition and restoration of those buildings that are in public property (and probably will remain in public property for at least 10 more years) could receive support from the EU.

This does not mean that the new member states ask for more money. They are only asking for more opportunities, to spend the money on those areas, that they consider the most important or the most urgent. This way the new members could use the given financial resources well.

Another very important question is the public transportation. The European cities are drowning in the flow of cars and trucks. You know the numbers well. **Individual transportation makes up 75% of the total vehicular traffic.** And what is even more frightening, that according to the forecasts, the traffic **will grow by 40% by 2030.** Today, in some European cities we can travel slower in the rush hours, than at the time, when the only vehicle was horse-cart! **The urban transportation must be supported form the common resources according to its importance;** we must have a comprehensive conception and a detailed action plan.

### **Honourable City-leaders!**

#### *The role of the capitals*

Every capital in Europe plays a special role in the life of their country. In the following months, we must use this to **convince our cabinets**, to represent the above-mentioned points during the discussions about the draft of the Structural Funds. Now, the cabinets must take the next step. The Commission will collect and evaluate the opinions before making the decision. In some questions, for example the detailed regulation of some Funds, the Parliament has co-decision right, therefore it is also **important to convince the members of the Parliament.** We must initiate the formation of **an urban inter-group in the EP.**

The EU, the Hungarian and the other cabinets, must stand by the city. We can state clearly, that the capitals of Europe would like more attention from the European Union and from the governments. **We do not want more money, only more problem-oriented distribution, so that it would be easier to live in the cities of Europe, and so that the continent could remain competitive.**

I hope that **the General Assembly of the UCUE today will be a milestone on the way to a new Europe, based on cities.**

Hereby, I open today's symposium!