



**UNION OF CAPITALS OF THE EUROPEAN UNION**

# **CONFERENCE OF MAYORS**

BUDAPEST

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## ***UNION OF CAPITALS OF THE EUROPEAN UNION***

### **Edited by**

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*In 2004, in the year of the enlargement of the European Union it was a special honour for Budapest, a new member city to hold the presidency of the Union of Capitals of the European Union. It is my pleasure to present you this booklet containing the presentations and contributions given at the UCUE Conference and General Assembly in October 2004 in Budapest. Both of the topics of the conference concerned issues fundamentally related to the life of our cities: the relation between capitals and their surrounding regions, and the financing of municipalities in respect of the relationship between capitals and the central governments. The General Assembly has adopted a Statement concerning the necessity of a stronger urban dimension of EU Cohesion Policy. This Statement was already delivered to the leaders in charge of the European Union. The Presidency of UCUE was taken over by Amsterdam for the year of 2005. I wish them lots of success.*

*Gábor Demszky  
Mayor of Budapest*

*Budapest, February 2005*

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## **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.**

*Adopted at the General Assembly of the Union of Capitals of the European Union (UCUE) in Budapest on 9 October 2004*



## **Déclaration de l'Union des Capitales de l'Union Européenne**

### **sur un renforcement de la dimension urbaine de la politique de cohésion de l'UE après 2006**

Avec la publication, le 14 juillet 2004, des projets de règlement relatifs à la politique de cohésion pour la période 2007-2013, l'Union Européenne a formellement engagé la procédure de modification du cadre législatif de cette politique pour l'après 2006.

Eu égard à ce processus, nous, Maires des villes membres de l'Union des Capitales de l'Union Européenne (UCUE), invitons le Conseil, le Parlement européen et la Commission européenne à promouvoir un renforcement de la dimension urbaine dans la future politique de cohésion et à tenir compte des propositions contenues dans la présente Déclaration.

#### **Les Maires des Villes - Capitales de l'Union Européenne**

##### **Se félicitent :**

- de la meilleure reconnaissance, dans le 3<sup>e</sup> Rapport sur la Cohésion de la Commission européenne, du rôle fondamental des villes dans le développement économique, mais aussi des défis auxquels elles sont particulièrement confrontées, en matière de protection de l'environnement, d'exclusion sociale ou de restructuration économique ;
- de l'appel résolu à un renforcement de la dimension urbaine dans la politique de cohésion, exprimé dans les débats actuels, et particulièrement lors du Forum sur la Cohésion qui s'est tenu en mai 2004 ;
- de la relation étroite entre la politique de cohésion et la réalisation des objectifs de Lisbonne et de Göteborg, qui a été soulignée aussi bien dans le Rapport sur la Cohésion que dans les projets de règlement proposés par la Commission européenne ;
- du rapport du Parlement européen sur la future politique de cohésion – rapport Hatzidakis, adopté le 22 avril 2004 – qui reconnaît que les villes doivent être considérées comme des acteurs essentiels de la cohésion économique et sociale ;
- de la proposition exprimée dans les projets de règlement, que chaque cadre national stratégique de référence contienne des informations sur les priorités nationales en matière de régénération urbaine, et que chaque programme opérationnel FEDER comprenne des informations sur le traitement des questions urbaines ;

## **Soulignent l'importance des principes suivants :**

### ***Les objectifs de Lisbonne ne pourront être atteints sans la contribution des villes.***

Moteurs du développement économique régional, les villes sont des acteurs clés pour faire de l'UE l'économie la plus compétitive et la plus dynamique du monde. Ce rôle est encore plus manifeste dans le cas des villes - capitales, qui ont un effet d'entraînement sur les économies nationales. Malheureusement, la contribution des villes à la réalisation des objectifs de Lisbonne n'apparaît pas suffisamment dans les propositions de la Commission concernant la future politique de cohésion. Dans les projets de règlement, la dimension urbaine se limite à la notion de régénération urbaine, elle-même insuffisamment explicitée. C'est pourquoi nous demandons, d'une part une formulation plus explicite de l'approche de la régénération urbaine, et d'autre part, outre cette approche basée sur les besoins, une reconnaissance, dans le cadre législatif, de l'effet d'entraînement des villes sur l'économie régionale et plus généralement sur l'économie de l'ensemble de l'Union.

### ***Les conditions d'intervention dans les zones urbaines doivent être assouplies.***

L'article 8 du projet de règlement relatif au FEDER recommande, à juste titre, une approche plus flexible pour les interventions dans les zones urbaines, qui peuvent « *combinaison de la réhabilitation de l'environnement physique, la reconversion des friches industrielles ainsi que la préservation et la mise en valeur du patrimoine historique et culturel avec des actions stimulant l'esprit d'entreprise, l'emploi local, le développement communautaire et la fourniture de services à la population, compte tenu de l'évolution des structures démographiques* ». Si nous nous réjouissons de cette disposition, nous sommes néanmoins persuadés qu'elle ne va pas assez loin et qu'une plus grande souplesse devrait être proposée, notamment en ce qui concerne la liste des mesures éligibles (articles 4 et 5 du projet de règlement). Nous sollicitons tout particulièrement l'introduction, dans la liste des mesures éligibles, de la réhabilitation des espaces publics ainsi que des travaux d'amélioration sur les bâtiments en vue d'économies d'énergie. Nous souhaitons également que les grands centres urbains ne soient pas exclus de l'accès aux services d'intérêt général, une des trois priorités de financement FEDER.

Par ailleurs, dans la mesure où 40% de la population urbaine des nouveaux États membres vit dans des grands ensembles sociaux dégradés, nous préconisons que la rénovation et la démolition de logements sociaux dans les zones urbaines en crise soient considérées comme des mesures éligibles.

Enfin, sur la base des expériences concluantes de l'Initiative Communautaire URBAN, nous estimons que le FEDER devrait être autorisé à financer des mesures de type FSE dans les zones urbaines, au-dessus du seuil de 10% fixé par le projet de règlement. En conséquence, nous demandons la suppression de ce seuil, afin de permettre aux villes de définir les mesures les plus adaptées pour faire face aux défis locaux.

### ***L'évaluation des disparités infrarégionales est fondamentale.***

Alors même que le Rapport sur la Cohésion reconnaît que le PIB n'est pas un indicateur parfait pour déterminer la répartition des financements, le projet de

règlement propose que la prospérité régionale – c'est-à-dire le PIB – constitue le principal indicateur de cette répartition. Comme le souligne le Rapport sur la Cohésion, le PIB a de nombreuses limites, et ne prend pas en compte notamment les flux d'actifs vers le centre, particulièrement significatifs dans les capitales et dans les grandes villes, où les migrants pendulaires contribuent au PIB régional, mais ne sont pas inclus dans les calculs par habitant. Les capitales et les grandes villes apparaissent donc souvent riches. En réalité, le PIB global élevé masque de profondes inégalités dans la répartition des richesses. Il a été démontré que les disparités au sein des régions sont souvent plus aiguës que les disparités entre les régions. Nous sollicitons donc que les critères régionaux d'allocation, pour la priorité de compétitivité et d'emploi, soient basés sur un ensemble d'indicateurs qui reflèteraient le potentiel et les besoins régionaux et qui seraient susceptibles de mesurer les disparités infrarégionales.

***Les zones urbaines risquent de ne pas recevoir une part équitable du financement.***

Conformément aux projets de règlement, les interventions dans les zones urbaines au titre de la compétitivité régionale et de l'emploi s'effectuent dans le cadre de programmes régionaux. Si nous sommes effectivement d'accord sur l'intégration de la dimension urbaine au sein même des programmes régionaux, nous craignons néanmoins qu'en pratique, cela conduise à ce qu'une ville qui serait confrontée à des problèmes aigus de cohésion ne puisse bénéficier d'aucun soutien financier du FEDER dès lors qu'il n'existerait pas de programme opérationnel dans la région dans laquelle elle se situe. Il s'agit d'un risque important pour les zones urbaines, d'autant que :

- certains États membres souhaitent réduire le budget de la politique de cohésion, ce qui augmente le risque, pour certaines régions, de ne pas être dotées de programmes opérationnels ;
- cela se combine avec l'utilisation du PIB comme principal indicateur, ce qui pénalise évidemment les régions urbaines, comme cela a été démontré ci-dessus.

Nous invitons par conséquent la Commission européenne et les États membres à affecter une partie du budget à des interventions urbaines et à profiter de la possibilité fournie par l'article 34 du projet de règlement (dispositions générales) de développer un programme *ad hoc* dédié aux interventions dans les zones urbaines de leur pays.

**Les Maires des Capitales de l'Union Européenne demandent au Conseil, au Parlement européen et à la Commission européenne de porter la plus grande attention à ces préconisations.**

Cette déclaration a été adoptée par les capitales de l'Union Européenne, lors de l'Assemblée Générale de l'Union des Capitales de l'Union Européenne à Budapest, le 9 octobre 2004.
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**The opening speech of the Conference  
Mr. 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!

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 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 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. 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 from the common resources according to its importance; we must have a comprehensive conception and a detailed action plan.

Honourable City-leaders!

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.

## Discours d'ouverture de la Conférence Mr. Gábor Demszky, Maire de Budapest

Mesdames et Messieurs,  
Chers Collègues,

C'est une grande joie pour moi de pouvoir ouvrir ici, à Budapest, la Conférence des Maires organisée à l'occasion de la 44<sup>e</sup> Assemblée Générale de l'Union des Capitales de l'Union Européenne. Merci d'avoir accepté notre invitation. C'est un honneur particulier pour Budapest d'exercer pendant cette année historique d'élargissement de l'Union européenne la présidence de notre organisation. Je vous avoue que le premier mai de cette année a été le jour le plus heureux de ma vie. Mais nous n'avons pas eu beaucoup de temps pour fêter et rêver. Heureusement. Le travail des « membres à part entière » a tout de suite commencé pour nous aussi.

Nous en sommes arrivés à un moment décisif. Les mois à venir décideront : l'Europe future sera-t-elle oui ou non l'Europe des villes ? En effet, le passé et le présent sont ceux de l'urbanisation, du développement continu des espaces urbains. Deux Hongrois sur trois, 6,4 millions de personnes vivent dans des villes. Budapest est sans aucun doute le moteur économique de la Hongrie. Et il en est de même pour les autres pays de l'Union européenne. 75% des citoyens de l'Union vivent dans des villes et celles-ci produisent la plus grande partie des biens dont bénéficient aussi leurs régions proches et larges.

La question est de savoir si l'Europe est prête à reconnaître ce fait jusque dans sa politique financière et faire le nécessaire pour empêcher l'aggravation des problèmes urbains (transports, protection de l'environnement, réhabilitations urbaines, ségrégation, etc.). Car l'Union ne pourra entrer, avec des chances de succès, en compétition avec les autres puissances économiques du monde qu'à condition qu'elle donne un nouvel élan à ses villes aussi. Il est tout aussi important, d'autre part, que chaque État membre de l'Union reconnaisse la nécessité d'utiliser une partie plus importante des aides communautaires pour remédier aux problèmes urbains.

Les propositions de la Commission européenne relatives à la réglementation des Fonds structurels pour la période de 2007 à 2013 sont connues depuis le mois de juillet dernier. Le débat d'experts est en cours et bientôt commencera le débat politique pour que cette affaire puisse être réglée d'ici la fin de l'année 2005. L'enjeu en est très grand : il s'agit de répartir près de 340 milliards d'euros !

Quel pourra être l'impact de la nouvelle réglementation sur les villes en général ? Et qu'advient-il des problèmes spécifiques des capitales des nouveaux pays membres et de celles des pays qui adhéreront à l'avenir ? Qu'il me soit permis de tenter de répondre ci-après à ces questions.

Mesdames et Messieurs,

Vous vous souviendrez qu'en 1999 c'est sous la pression du Parlement européen et au dernier moment que la réglementation relative aux zones urbaines a été inscrite sur la liste des Initiatives communautaires. Depuis cette date, le programme URBAN est devenu l'un des programmes d'aide les plus réussis de l'UE. Et ce malgré qu'il était de loin le programme le plus modeste. Il ne s'agissait, en effet, que d'un montant d'environ

730 millions d'euros pour sept ans et pour l'ensemble des 15 États membres. Dans chacune des 70 villes européennes sélectionnées, un quartier dégradé a été réhabilité avec des résultats spectaculaires grâce aux aides communautaires, au cofinancement national et à la contribution de capitaux privés.

Dans les débats sur la période à partir de 2007 des Fonds structurels, il ne faisait pas de doute pour personne qu'il fallait renforcer la dimension urbaine. La Commission a fini par ne pas proposer de programme urbain spécial mais de faire de la cause des villes une des priorités du mainstream. Cette volonté est bien marquée par la mention prioritaire de la dimension urbaine dans la réglementation générale et le Fonds européen de développement régional.

Toutefois, nous ne sommes pas contents. Car dans les réglementations concrètes, les priorités urbaines sont à peine présentes. Cela est vrai pour les régions tombant sous l'objectif de convergence, c'est-à-dire les régions les plus pauvres, et encore plus vrai pour celles qui relèvent de l'objectif de compétitivité. L'attention continue d'être concentrée sur les régions. La gestion des affaires des villes, le budget, la délégation de compétences au niveau urbain peuvent entrer aux programmes opérationnels que devront élaborer les États membres. De ce fait, l'avenir des villes dépend de la bonne volonté des autorités nationales/régionales.

Il est urgent de changer cela. Les villes doivent figurer de droit dans les programmes. Nous avons des propositions concrètes à ce sujet.

Selon le projet de règlement, le Conseil établit des « orientations stratégiques de la Communauté pour la cohésion » (articles 23-24). Nous devons obtenir que ces orientations comportent ceci : les problèmes les plus urgents des zones urbaines dégradées feront l'objet d'actions économiques, environnementales et sociales. C'est-à-dire qu'il faut que les orientations reprennent l'essentiel du programme URBAN.

Aux termes de l'article 25, chacun des États membres établira, en réponse aux orientations, son « cadre de référence stratégique national ». Nous devons obtenir que les pays accordent plus d'attention aux villes. Ils devront obligatoirement déterminer les priorités de régénération urbaine, eu égard tout spécialement aux zones urbaines les plus dégradées. Il faudra aussi que les collectivités locales urbaines soient obligatoirement associées à l'élaboration et à la réalisation des programmes qui les concernent.

Pour le choix des zones urbaines à aider, il faut rompre avec la méthode qui s'appuie exclusivement sur l'indice du PIB par habitant. Car cette pratique n'est pas conforme à la réalité, elle cache d'immenses abîmes sociaux et économiques existant au sein des villes.

La proposition la plus radicale veut que soit déterminée une part minimum du budget des Fonds structurels à consacrer aux interventions dans les villes. Que 20% des fonds structurels, par exemple, soient utilisés aux fins des programmes urbains.

Il est important d'examiner également la répartition des fonds entre les différentes catégories urbaines. La Commission tente de limiter la taille des villes éligibles : elle soutient les villes moyennes dans les pays membres et la mise en place de réseaux de distribution secondaires. Or l'exclusion des plus grands centres urbains est contraire aux

intérêts de l'Europe. Les chiffres le prouvent : les grandes villes exercent sur le développement une influence bien plus grande par rapport à leur taux de population.

Les problèmes urbains sont ceux de l'Europe tout entière. Les décisions à leur sujet doivent donc être prises au niveau européen et non pas au niveau régional. Il ne suffit pas de raccommoier nos villes, il faut aussi les faire bénéficier des opportunités. Et cela doit être inscrit dans un document stratégique définissant les spécificités des villes européennes ainsi que les moyens permettant d'éviter une évolution urbaine extensive, de type américain.

La Commission devrait, d'autre part, considérer la méthode ouverte de coordination susceptible de promouvoir l'harmonisation et l'amélioration des politiques nationales en matière de développement urbain.

Mesdames et Messieurs,

Dans les nouveaux États membres, les villes supportent un double poids. Elles souffrent non seulement d'une approche communautaire non urbaine mais encore des retards infrastructurels fondamentaux dus aux décennies du socialisme et à la pénurie de ressources qui les a suivies. Il en est ainsi même pour les villes présentant un niveau égal à la moyenne communautaire pour leur revenu par habitant. Malgré cela, la répartition prévue des moyens financiers des Fonds structurels ne prend pas en compte les spécificités des nouveaux entrants.

Les transports urbains ainsi que les zones urbaines intérieures dégradées et les grands ensembles périphériques construits après la seconde guerre mondiale constituent les problèmes urbains principaux dans les nouveaux États membres. En dehors des centres-villes densément construits, quelque 40% de la population urbaine vit dans des préfabriqués aux périphéries des villes. Dans les villes de l'UE à 15, cette proportion n'est que de 3 à 7%. Ces quartiers sont très dégradés et, en l'absence d'une prompt intervention, ils peuvent se transformer en ghettos sociaux.

Les nouveaux États membres et leurs villes, à eux seuls, sont incapables de relever ce défi. Dans leurs versions actuelles, les règlements régissant les Fonds structurels n'offrent que des possibilités réduites aux actions urbaines intégrées. Les interventions au niveau des immeubles sont, quant à elles, totalement exclues. Dans ces conditions, l'état des zones urbaines intérieures et des grands ensembles continue de se dégrader. Les pays et les villes utiliseront, en effet, leurs propres fonds au cofinancement des actions soutenues par les Fonds structurels. Par conséquent, il leur restera encore moins d'argent qu'aujourd'hui aux fins de la reconstruction complexe des immeubles.

Des changements urgents s'imposent donc dans la réglementation des Fonds structurels. Au cas contraire, il pourrait arriver, en effet, qu'aucune eau usée ne sera déversée dans les rivières mais que les zones urbaines intérieures et les grands immeubles d'habitation s'écrouleront et que les couches sociales les plus pauvres vivront dans de véritables ghettos urbains.

La modification de la réglementation devrait essentiellement permettre aux États membres de choisir plus librement les moyens de gérer les problèmes des zones

urbaines dégradées. Contrairement aux dogmes communautaires actuels, les mesures de soutien devraient couvrir, dans une mesure bien déterminée, les rénovations des immeubles d'habitation. Une mauvaise gestion ou un oubli de ces problèmes pourraient en effet provoquer une sérieuse crise économique, environnementale et sociale. Il est nécessaire de modifier le règlement régissant le Fonds Européen de Développement Régional pour qu'il soit possible d'accorder des soutiens communautaires à la rénovation et à la démolition des immeubles d'habitation en propriété publique (et restant en propriété publique pour au moins dix ans) ainsi qu'à la construction de nouveaux immeubles dans les zones urbaines dégradées.

Cela ne veut point dire que les nouveaux États membres demandent plus d'argent. Ils ne demandent que plus de possibilités de dépenser l'argent aux fins qu'ils considèrent comme étant les plus importantes et les plus urgentes. Comme cela, les nouveaux États membres seraient réellement capables de profiter des opportunités financières qui leur sont offertes.

Les transports en commun urbains constituent également une question très importante. Les villes européennes s'étouffent, au sens strict du terme, dans le flux des autos et des camions. Vous connaissez les chiffres. Les transports individuels font 75% de l'ensemble du trafic routier. Et ce qui est encore plus inquiétant : d'ici 2030, on prévoit une augmentation de 40% de ce trafic. On en est arrivé à un point où, dans plus d'une ville européenne, la circulation des heures de pointe est plus lente qu'elle n'était à l'époque des voitures à cheval! Nous devons donc obtenir que les transports urbains puissent, eux aussi, participer à la caisse communautaire conformément à leur importance et qu'une conception, ventilée en programmes d'action concrets, soit élaborée et soumise.

Chers Amis, responsables des villes,

Chacune des capitales européennes joue un rôle particulier dans son pays. Il faudra, au cours des mois à venir, utiliser cet argument pour convaincre nos gouvernements respectifs : les aspects évoqués plus haut doivent être intégrés dans les positions qu'ils représenteront au cours du débat du projet des Fonds structurels. La balle est actuellement dans le camp des gouvernements. La Commission entend rassembler et évaluer maintenant les différentes opinions, elle ne décidera qu'après. Au sujet d'un certain nombre de questions, par exemple de la réglementation détaillée des différents Fonds, le Parlement européen a une compétence de codécision, il est donc important également de convaincre les parlementaires européens. Il faut prendre l'initiative de la constitution d'un groupe urbain (urban inter-group) au sein du PE.

En effet, l'UE – et avec elle le gouvernement hongrois et les autres gouvernements – devront soutenir clairement, de manière déterminée, la cause des villes. Nous manifestons sans équivoque la volonté des capitales européennes : elles veulent qu'il leur soit accordé plus d'attention de la part de l'Union et aussi de la part des gouvernements nationaux. Nous ne sommes pas en train de faire la queue pour recevoir plus d'argent mais nous voulons que la répartition des fonds se fasse mieux et d'une manière plus sensible aux problèmes. Pour que les villes d'Europe soient viables et transparentes et que notre continent reste compétitif.

J'ai pleine confiance en ce que l'Assemblée générale d'aujourd'hui de l'UCUE marquera une étape décisive dans la voie qui nous mène vers une Europe nouvelle, s'appuyant davantage sur ses villes.

C'est dans cet espoir que je déclare notre conférence d'aujourd'hui ouverte!

## Greetings of the Dutch EU-Presidency

**Mr. Job Cohen, Mayor of Amsterdam**

Commissioner, colleagues, ladies and gentlemen

In our programme I was announced as speaker to formulate “greetings” now, not as the Mayor of the Capital of The Netherlands, but as representative of the actual EU presidency. I am happy to do so; my speech as your colleague from Amsterdam will follow later.

In The Netherlands, over the past ten years a lot of attention has been focussed on cities. In fact, tested methods and best practices are the backbone of the Dutch urban policy: an individualised approach, combined with an intensive exchange of knowledge and experience. Indeed, the scale of the urban problems is such that it requires the combined efforts of many parties to deal with them.

Actually, in The Netherlands our national structural urban policy is supplemented with the additional input from the European Structural Funds, which most of you will have experienced yourselves.

This approach fits in well with our national urban policy, which is geared to an integrated approach to issues within cities, with a clear division of roles. For us, national government only facilitates the policies that have been developed by the cities themselves. The cities draw up their own development plans, in close cooperation with the local community, local businesses and social institutions.

In The Netherlands the government stimulates this individual approach by bundling national funding channels and by making settlements according to results. This direct method, from the bottom up, ensures that the cities are responsible for their own projects and can in fact carry them through. Over the past decade, the Dutch large cities and national government have become more or less steady partners, working together for strong, balanced cities. This approach avoids not only unnecessary bureaucracy, but also a one-sided approach to deprivation, without attention for new opportunities.

Still, Dutch cities remain vulnerable. Most negative aspects of our society surface here: aspects such as poverty, housing problems, recession and urban crime.

Since these problems and opportunities are identical all over Europe, over a decade ago the EU decided to tackle this situation in its Structural Policies. In February this year the Third Cohesion Report was published, in which the EU indicates the outlines for the future structural funds period from 2007-2013: an European active regional and urban policy is foreseen in all 25 member states of the Union.

Until now, the Dutch government has taken the view, that the means of the future structural funds should primarily be aimed at the poorest member-states. By the way, all decentralised Dutch authorities agree with this, but they say that even so, they should be able to participate.

Anyhow, at the same time the Dutch government states that an active regional and urban policy primarily is not about money, but about the way of working and of working together.

Therefore, the Dutch Government thinks it is important to keep urban policy on the European agenda. It is important for all cities, both in the Netherlands and in the other 24 EU countries.

Input for the Dutch presidency is:

- to reach agreement on the fact that the role of cities in European policy is brought more widely to the attention of all the member states through the development of a common long-term framework for urban policy;
- the further development of a number of important topics, such as the role of cities in the knowledge economy and in fighting social exclusion;
- to emphasise the role of cities, on the basis of good examples, and bring opportunities to support cities up for discussion;
- to take another step in the matter of cooperation between cities, the member states and the European Commission, and make strategic agreements in this area for the coming years.

One strategic issue the Dutch government wishes to agree upon is the set-up of a European Knowledge Network, which will facilitate the cities and the member states as much as possible with knowledge, examples, best practices and strategic research.

During the Dutch EU Presidency and thereafter the Dutch will make an effort to keep cities high on the European agenda.

I am happy to conclude, that the Dutch Government has often said to be convinced that cities, and certainly Capital Cities, empower Europe!

Thank you for your attention.

## Opening speech of the Commissioner for Regional Policy **Commissioner Mr. Péter Balázs**

Ladies and Gentlemen,

It is a great pleasure for me to be here with you today and participate in such an important forum dealing with one of the main concerns of our economic and social life – namely the role of the cities.

This topic has been of particular interest for me and during my time in the European Commission, I put the problems of cities high on my political agenda. I also had the occasion to discuss various issues with some of you personally or with your colleagues from your representation offices in Brussels. I'm particularly glad that this meeting takes place in my capital city, in Budapest. Welcome.

### **I. Role of the cities in the social-economic context**

At the beginning of the XXI. Century the European Union is facing a dual challenge. On the one hand, internally it has to deal with major socio-economic disparities between its regions and on the other hand, externally the Union has to cope with growing competition from the USA and Japan, and from the emerging countries of Southeast Asia.

To face this dual challenge by maintaining our European model, the EU needs a sufficiently resourced cohesion policy, which would enable the reduction of regional disparities. This is indispensable to realise a strong, competitive economic area on world scale. Cohesion policy is a crucial element in achieving the targets EU leaders decided upon at their respective summits in Lisbon and Göteborg.

Approximately half of the population in Europe lives in cities, therefore the urban dimension is of crucial importance for all those objectives the European Union is aiming to in the coming years: a strong Europe with competitive economy by maintaining social cohesion.

Cities are the motors of growth, innovation, technology and dynamism, therefore they are the centres of economic renewal.

The same applies for social renewal. Urban areas are testing point of social inclusion, since the marginalized and ethnic minorities are concentrated there. In fact, towns and cities are centres of both poverty and opportunity, often in close proximity.

It is in urban areas that environmental pressure is greatest. We all well know this problem which we can observe in the every day traffic jams. At the same time cities are also the

highest potential for “greening”, if we can opt for environmental friendly public transport instead of using polluting transports. Cities are therefore also centres of environmental renewal.

Economy, social policy and environment – the key to becoming more competitive in a socially and environmentally sustainable way lies therefore in Europe’s cities.

## **II. How can the European Union reply to the concerns of cities?**

The European Union is translating the strategic role of towns and cities into policy in various ways.

In the area of environmental policy the EU is planning to adopt next summer a thematic strategy for the urban environment. Its aim is to support cities as they plan and implement strategies for meeting EU environmental targets. The cities are best placed to do this and the Commission is providing a framework for information and exchange of experience.

The 6<sup>th</sup> framework programme for research on urban issues allows to develop two key themes, on “the city of tomorrow” and on “cultural heritage”. Again, Europe is giving cities the tools they need to help themselves.

Under the employment strategy the EU also puts emphasis on social inclusion in urban areas.

Last but not least, let me elaborate on the Structural Funds, including the URBAN Community Initiative. The way these promote economic, social and environmental regeneration in urban areas is of crucial importance. Let me assess the lessons learned from these initiatives in the past years and reflect on the way these lessons have been translated in the Commission’s propositions for the policy after 2006.

### **1. THE URBAN COMMUNITY INITIATIVE**

The European Union mobilises 1.6 billion euros for the URBAN Community Initiative (200-2006 FEDER contribution: 730 million euros). This amount helps to solve problems in 70 urban neighbourhoods in crisis across the 15 “old” Member States.

There is an unusual feature characterising the majority of these programmes: day-to-day management is delegated to municipalities. Results of a preliminary evaluation of these projects tends to confirm that on the whole, cities are managing their programmes well, their strategies are sound and remain relevant.

Moreover, cities often seem to be particularly good at facilitating a wider local partnership and encouraging participation.

Municipalities also made prove of flexibility and adaptability, like in the case of 3 projects in Germany. In these cases management was delegated to cities only after the programmes had already started. The reason for this transfer was that the programmes did not receive sufficient attention from the region.

We could also mention many cases, where the role of cities has grown as the programmes have gone on.

Even through URBAN has a reduced administrative burden relative to the mainstream Structural Funds, many of the processes were still found to be too complex.

We can say that the overall preliminary assessment is rather positive but there is still a need for further strengthening of the administrative capacity of municipalities for managing urban regeneration funds. We need to help them manage urban regeneration actions in a responsible yet streamlined way.

## **2. URBAN ACTIONS AND MAINSTREAM PROGRAMMES**

Secondly, we have to analyse the similarities and differences between urban actions and the mainstream programmes. Preliminary results from the midterm evaluation of the mainstream programme suggests that many of the same issues emerge when regional and national authorities manage programmes: strategies are usually good, but sometimes administrative capacity needs to be built and processes streamlined.

An interesting early finding – although this requires further analysis – is that in some cases regional and national authorities encounter difficulties in managing social inclusion measures because they do not manage to get enough participation from local and voluntary groups. An area in which municipalities often excel.

The European Commission in collaboration with the Committee for Development and Conversion of the Regions is conducting a more specific analysis on “urban regeneration” case-studies. Preliminary results suggest that the involvement of local actors, particularly local authorities, in the management of urban regeneration programmes is a key determinant of the success of such programmes. This involvement should be at all steps of the lifetime of the programme.

Evidence is also emerging that for local residents, the appropriate level of involvement is the project. Local authorities on the other hand should be involved at the programme level, including conception and the elaboration of a strategy. There are of course, various ways of arranging local involvement. The institutional context of the Member State must be taken into account.

## **3. URBACT**

On the third place, let me speak about URBACT which is the European network for exchange of experience in urban regeneration. This extraordinary tool allows to spread good practices all over the Union.

Over 120 European cities are participating in 16 different networks so far. These networks are covering a wide range of themes, starting from economy to crime to social inclusion to environment. Each network has partners from across the EU.

At this stage it would be too early for an evaluation of this network, but it is generally agreed to be one of the most exciting developments in EU urban policy over recent years. Besides conferences, the development of a kind of best practices “toolbox” would be a great asset for this initiative.

If you have further interest in URBACT, don't hesitate to visit its excellent website, where you can track the programmes of networks and opportunities for participation: [www.urbact.org](http://www.urbact.org)

#### **4. LEARNING THE LESSONS: EU URBAN ACTIONS AFTER 2006**

Following a long process of consultation and reflection, which started in 2001, involving most of the regional actors in the framework of 2 Cohesion Forums, many smaller consultations and 300 written contributions from interested parties, on the 14<sup>th</sup> of July, the Commission adopted proposals for new regulations governing Cohesion Policy in the coming financial period. These proposals include of course the lessons learned from the previous urban actions.

The Commission's propositions now pass for discussion first to the European Council and then to the European Parliament. If the regulations are adopted by the end of 2005, there will be enough time to prepare the new programmes for the start date of January the 1<sup>st</sup> 2007.

The overall proposals of the Commission for Regional Policy provide for a more strategic dimension, by taking more into account the priorities of the Union concerning competitiveness, employment and sustainable development, as adopted at the Councils of Lisbon and Göteborg. To this end, an annual strategic dialogue between Member States and EU institutions will assess how well Cohesion Policy is meeting these aims.

It also provides for further concentration of resources on lagging regions. More than two third of total (78%) regional resources will go to the least developed regions. The half of the funds will be spent in the new Member States (48.3%). At the same time the Commission also guarantees a continued presence of structural funds across the EU.

The Commission puts a special emphasis on reinforcement of co-operation measures, such as INTERREG or the earlier mentioned URBACT. Cross-border cooperation, networking and exchange of experience and best practice are one of the key sources of European added value.

Clearer division of responsibilities is also one of the aims the Commission proposes to realise during the next financial period. It means simplified management system and fewer rules. Freedom for the national level to determine zones and themes of action. More delegation of day-to-day running to regional and local level – including municipalities –, but coupled with action to build the administrative capacity of these bodies.

Last but not least, the Commission insists on the increased recognition of territorial specificities. Within this, the focus on urban areas is strengthened in several ways:

- Urban regeneration is recognised as one of the objectives of Cohesion Policy, cities are for the first time explicitly recognised as partners in the preparation and running of programmes.
- At the discretion of the Member State, urban regeneration may be organised as a component of regional programmes, or in national programmes dedicated to urban issues, or both.

- Whatever the case, the Member State, when presenting the national strategic framework, must show how it has addressed the urban question.
- Similarly, operational programmes should include a list of cities participating and how they intend to organise sub-delegation to urban authorities.

### **III. Conclusions**

The urban dimension will play a determinant role in the overall objectives of the Cohesion Policy. Cities are the motors for regional competitiveness and thus they play a special role in reaching those ambitious goals in the area of competitiveness, sustainable growth, employment, that the Union as whole is aiming to achieve.

The future Cohesion Policy, along the lines of our propositions should therefore take into account the urban dimension.

At the same time, our proposals give a lot of freedom to Member States, regions and cities in managing the Structural Funds. The success of the next round of urban regeneration therefore requires close partnership with towns and cities. Europe is committed to this: cities are not simply the passive targets of our actions, but active partners.

Ladies and Gentleman, I thank you for your attention.

**The First Round-Table of Mayors**

**REGIONS  
AND  
CAPITAL CITIES**

## Contribution of Amsterdam

**Mr. Job Cohen, Mayor**

Ladies and gentlemen,

The Netherlands has three tiers of government: the National government, which is located in The Hague, 12 provinces and 483 municipalities. In our country we do not know regions as such, but municipalities do cooperate with each other and we call that regional cooperation. Amsterdam as capital city cooperates with its neighbouring municipalities. For your knowledge: Amsterdam has 735.000 inhabitants and the region has twice as much.

Let me brief describe:

1. The fields of regional cooperation
2. The most important institution involved
3. The most important joint regional subjects
4. The regional financial arrangements
5. Any other comment, concerning the scope and efficiency of cooperation

### **1. Fields of regional cooperation**

Regional cooperation in the area around Amsterdam exists in various fields.

#### **Traffic and transport**

Cooperation in the field of traffic and transport is currently the main form of regional cooperation, in view of its compulsory nature and the volume of funding.

Regional authorities are required by law to cooperate in the field of traffic and transport. Central government subsidises:

- construction of infrastructure (roads, public transport links)
- operation of local and regional public transport services.

#### **Economy**

Amsterdam cooperates with other municipalities and the province of North Holland in the management and development of the seaport area along the North Sea Canal.

In addition, Amsterdam, the municipality of Haarlemmermeer and the province of North Holland are trying to arrive at a joint position in the national debate on the future of

Amsterdam Airport Schiphol. The airport is partly owned by the municipality of Amsterdam, but is located within the municipality of Haarlemmermeer.

Finally, there is a limited exchange of information within the region on the planning of industrial sites.

### **Miscellaneous areas of cooperation**

Police forces in the Netherlands are organised on a regional basis. The mayor of Amsterdam is head of the police force in the Amsterdam-Amstelland area. He is required to do this in cooperation with the mayors of the smaller municipalities in the area. There is also regional cooperation in the fields of fire-fighting and combating disasters.

Several large green areas in the region that are used for recreational purposes are managed and funded jointly by several municipalities.

## **2. Short description of the most important institution involved in regional cooperation**

The regional authority ROA (Regionaal Orgaan Amsterdam) was set up in the early 1990s. It is a collaboration between 16 municipalities in the Amsterdam region. More than 1.5 million people live in the ROA area, of whom 735,000 in the municipality of Amsterdam. The ROA is governed by a Council consisting of delegates from the municipal councils of the participating municipalities. Although Amsterdam accounts for more than half the population, it has only 21 of the 56 seats on the Council. This artificial minority position was accepted when the regional authority was set up, in order to obtain the cooperation of the other, smaller municipalities.

The Executive Committee of the ROA has seven members and is chaired by the mayor of Amsterdam.

Originally the regional authority was intended as the forerunner of a directly elected regional governing body, the "city province of Amsterdam". National legislation was being drafted which would establish the city province and split Amsterdam into a number of smaller municipalities. However, in a local referendum held in 1995 the plan was rejected by a large majority of the population of Amsterdam and shelved. Consequently the ROA has no further growth perspective. At present almost its only tasks are in the fields of traffic and transport (see above under 1).

### **3. Most important joint regional subjects**

#### ROA (Regional Authority of Amsterdam)

The most important subjects for the regional authority are:

- two large-scale infrastructure projects:
  - a. the North-South metro link from the north of the region, via Amsterdam, to Amsterdam Airport Schiphol
  - b. combating the increasing traffic congestion around Amsterdam and a large surrounding area.

### **4. Regional financial arrangements**

#### ROA

The participating municipalities each contribute 2 euro per inhabitant to the ROA every year, to cover the cost of administration and personnel. Thus Amsterdam pays 1.4 million euros a year. Each year the regional authority distributes large sums by way of subsidies from central government for traffic and transport, and several other tasks.

### **5. Any other comment, concerning the scope and efficiency of cooperation**

In the Amsterdam region the parties concerned have opted for a pragmatic and efficient solution in the form of a regional programme of works. The advantage of this flexible and project-based approach is that concrete tasks and challenges in the region can be tackled without being burdened with discussions about changes in administrative structures and competence. A disadvantage is that, here too, the success of each project depends on consensus between all participating municipalities. This demands a great deal of the leadership and management of the two largest administrative entities in the region, the province of North Holland and the municipality of Amsterdam.

A classic danger of cooperation between municipalities is that this becomes the domain of the administrators among themselves. That is why communication with and accountability to the representative bodies of the province and the municipalities is so important, so that public control of regional cooperation is guaranteed.

## Contribution of Athens

**Ms. Dr. Kalliopi (Kelly) A. Bourdara, Deputy Mayor**

Ladies and Gentlemen,

Urbanization has long seemed to be synonymous to growth. The agglomeration of vast numbers of people into urban areas has put a strain into local economies. The urban landscape has forever changed in its attempt to absorb the upsurge of inhabitants, time and again at the expense of the natural environment. Cities, in their attempt to survive such changes have sacrificed their social and cultural character in exchange for a global identity that would –hopefully– be more marketable around the world, thus attracting foreign capital.

As history has revealed, such attempts have in most cases been the drawbacks rather than the solutions to the problems of urbanization.

We have to make an effort to combat the economic, environmental and cultural degradation of Metropolitan areas' core cities. The organisation of the Olympic Games was a good experience for Athens to realise that there is a pressing need to improve urban management and urban-regional planning policy, so as to transform Metropolitan areas into polycentric, decentralized strong economic entities with access to global markets.

Urban-regional policy will facilitate the creation of a holistic developmental strategy, reflecting the needs of the Metropolitan area as a whole through a network of cooperation between the core-city and the periphery, by addressing issues of balance and coherence within the Metropolitan region.

Particular attention should be placed on creating new development zones outside the core area, through strong networks of communication and technology integration that will allow the decentralization of services and facilitate job diffusion, thus affecting the physical concentration of people, patterns of land use, social structures and interactions and the nature and scale of economic production.

When embarking upon urban-regional transformation projects one needs to keep in mind the economic, institutional, social, spatial, environmental, cultural and technological impact of such ventures and find ways to incorporate such considerations into an Urban Management Scheme, based on a shared agenda that would promote the sustainable development of the whole region.

An Urban Management Scheme should concentrate around four main axes, ensuring the region's:

1. **Liability**, dealing with issues of environmental degradation, natural disasters, crime and violence, cultural heritage, as well as providing amenities for all residents regardless of their economic or social status, thus ensuring a decent quality of life and equitable opportunity for all residents;
2. **Competitiveness**, encouraging projects that would a) ensure the workers mobility and accessibility of urban-peripheral employment, b) support infrastructure reform and investments, c) establish generally favourable trade regimes and pro-competitive environments for industry, d) combat dysfunctional regulation or weak public administration and e) define proactive strategies to enhance the region's access to the global marketplace;
3. **Good governance and management** so as to a) ensure the equitable representation of all groups in the Metropolitan region, b) guarantee the accountability, integrity and transparency of local government actions, c) create public-private partnerships;
4. **Bankability**, by promoting the adoption of clear and internally consistent systems of local-regional revenues and expenditures with a) transparent and predictable intergovernmental transfers, b) prudent conditions for municipal borrowing and c) generally accepted financial accounting, asset management and procurement practices.

Establishing an Urban Management Scheme is imperative, because urban development, when well managed, can facilitate economic development since local conditions determine a region's comparative advantage and hence its ability to attract and retain investment.

As such, Metropolitan areas, by building on their existing potential economic advantages, can create favourable environments for business success and job creation, a process generally known as Local Economic Development.

As with sustainable urban development, the success of Local Economic Development depends upon strategic planning. Five stages have to be taken into account when developing a Local Economic Development strategy:

The first stage deals with the conceptualisation of the strategic plan, which can result from public – private – NGO collaboration on the local and interregional level. By identifying all the stakeholders that have an interest in the regional economy, the strategic players can gain the skills and resources needed for the creation of a holistic economic development plan, which will reflect the region's economy.

The second stage involves the assessment of the region's economy, identifying the strategic direction of the area's economy based on quantitative and qualitative knowledge of the sources, structures and trends in a) production, b) employment and c) skills available in the area.

Such knowledge could be attained through the use of several analytical tools available for economic assessment such as: a) SWOT analysis, b) Regional Economics, c) Benchmarking etc.

The third stage involves the actual creation of the Local Economic Development Strategy whereby economic development is balanced with environmental and social priorities, thus producing an integrated economic approach.

As such, this stage deals with a) the creation of a vision, b) the development of goals, c) the development of specific objectives, d) the development of programmes and projects in order to achieve the objectives and e) the documentation of the strategy.

The fourth stage involves the production of an implementation plan, which will lie out inputs such as consolidated budgetary and human resource as well as any institutional and procedural implications of implementing the Local Economic Development strategy.

Concluding, the fifth stage deals with reviewing and evaluating the strategy's: a) inputs and outputs, b) outcomes and impact and c) the implementation processes themselves (including levels of participation).

It should be noted that annual reviews and evaluations are intended to take place annually so as to monitor the implementation and review the progress and effect of the economic strategy.

### **Epilogue:**

As cities and local authorities increasingly seek knowledge and financial support to improve their economic performance and translate national policy directions in a practical and sustainable development plan, the need of collaboration between urban areas and their surrounding region is imperative. By creating a strong network between the core and the periphery, Metropolitan areas can become strong economic entities, while presenting their cultural and environmental idiosyncrasies.

## Contribution of Dublin

### Mr. Michael Conaghan, Lord Mayor

#### **The Dublin Region – Challenges for an Urban Region**

Major economic change since the late 1990s have seen the Dublin region emerge as the powerhouse of the Irish economy and Ireland's chief gateway to the global economy. The transformation of the Dublin region into a cutting edge economic leader has involved major social change and generated enormous demands on physical and social infrastructure.

The key challenges facing the Dublin region in this context of continued growth relate especially to coherent spatial planning, focused inward investment, efficient transportation and suitable public service provision, housing supply and the achievement of social inclusion. The proper development of the Dublin region is a pre-requisite to the development of Ireland as a whole and the achievement of balanced regional development. On the other hand, failure to address the above challenges is a threat to the regions and as a consequence to Ireland's international competitiveness. The Dublin region's expanding infrastructural requirements is now placing serious constraints on the economic development within the region, especially as regards the mobility of goods, services and the labour force, key determinants of economic efficiency.

City economies increasingly drive the global economy and the Dublin region has the potential to be Ireland's major player. In this context the infrastructural efficiency and social integration of cities are key elements in competitiveness, and both are issues with which Dublin is currently struggling.

#### **Tackling Social Inclusion and Urban Deprivation**

Over the years a range of area-based and other initiatives have been created in the Dublin Region, which target social exclusion and urban deprivation. However, there remains a significant number of areas of the region which continue to experience concentrations of deprivation, high levels of poverty, long-term unemployment, early school leaving, low educational attainment, a mis-match of skills to potential employment opportunities, drug addiction and crime. The concentrations of these problems and concentration of target groups, such as migrants/asylum seekers and the unemployed, places considerable pressure on public services in these areas. Some of these problems can not be addressed in isolation but require a broader approach and exposure to international practices and solutions.

The problem of urban deprivation and decline contributes to these problems and undermines economic development and regional competitiveness. Quality of life is a key consideration and many urban neighbourhoods suffer low quality of life levels despite the overall level of economic activity in the region. There is a need for better linkages between

economic growth and social development. Tackling such areas of deprivation can be better achieved by focused initiatives within a supporting framework for the wider urban region.

### The Future of EU Regional Policy

#### The Contribution of EU Regional Policy

EU Regional Policy and Structural Funds have already made significant contributions to the development of the Dublin region and improved its economic competitiveness significantly. This has been mirrored across the EU where Regional Policy has contributed greatly to the reduction of regional disparities and to economic development and social inclusion, as well as the regeneration of the most deprived areas across Europe.

The accession of the 10 new Member States will bring about major increases in regional disparities and provide a major challenge to the Union's cohesion policies. There is therefore a need for reform of this Policy to ensure that it can meet the challenges ahead.

It is clear that one of these challenges will be the existence of regional disparities within Ireland and within regions in Ireland post 2006. There will be a considerable investment requirement in order to address the problems of poor basic infrastructure and infrastructural and service deficits arising from the recent period of economic growth, especially in Dublin. Without such investment it may prove very difficult to maintain a sustainable growth path in future years.

As in the rest of the EU, most of the population of Ireland now live in urban areas. While many disparities exist between and within regions, it is in urban areas that these inequalities are the most acute and where cohesion policies can have the maximum impact. However, a very small proportion of the current Structural Funds is dedicated to city regions and urban area. The reform of EU Regional Policy must therefore provide satisfactorily for these urban areas.

#### **An EU Regional Policy that provides for Urban Areas**

It is fair that EU Regional Policy should concentrate efforts on those regions most in need of economic, social and territorial cohesion. However, the future development of urban areas is a fundamental aspect for cohesion across Europe. This point is recognised by the European Commission in its Second Cohesion Report, when it stated that "the urban question is at the heart of economic, social and territorial change. Cities play a strategic role for cohesion and sustainable development".

However, Structural Fund interventions in urban areas are largely insufficient, as declared by former EU Commissioner Barnier on several occasions. A stronger commitment by EU Regional Policy to supporting urban areas is necessary in order for the EU to achieve its stated goals: to become a competitive, knowledge-based economy with more and better jobs, social justice, gender equality and sustainable development. European added value can be maximised when its Regional Policy focuses on the problems and opportunities of urban areas, both of which have a European dimension.

The current URBAN initiative has many positive elements: partnership, an integrated approach, a single fund and flexibility. However, it also has a very limited budget, limited

scope and supports too few project areas. This initiative needs to be given significantly more resources and its programmes extended to allow for wider application. The area-based nature of the URBAN initiative has also worked but the future of such initiatives must also provide for the development of specific economic sectors within our urban areas, so that urban areas have the opportunity to specialise in fields such as the knowledge economy.

The EU Commission in its 3<sup>rd</sup> Cohesion Report also identifies the role cities throughout the Union play as centres of economic development, although they are also faced by problems linked to environmental pressure, social exclusion and economic restructuring. Building on the strengths of the URBAN initiative, the Commission intends to reinforce the place of urban issues by fully integrating actions in this field into the programmes.

### **Meeting the Lisbon agenda – The contribution of Urban Areas.**

The Lisbon European Council in 2000 adopted the objective of turning the European Union into “the most competitive and dynamic knowledge based economy in the world” within ten years. This strategy intends that a stronger economy will drive job creation as well as social and environmental policies that ensure sustainable development and social inclusion. The strategy has been detailed and developed by subsequent European Councils and has as its key element the knowledge-based society. The future EU Regional Policy must contribute to meeting the objectives set out under the Lisbon agenda. To do this it must have an urban dimension at its core, to help urban areas with problems it is experiencing, to achieve sustainable development and regeneration and to help better achieve the Lisbon objectives.

Adopting a position which is broadly positive to the needs of urban areas would reflect the increasingly urbanised nature of the Irish population, would reflect the development needs and aspirations of these areas and would not undermine continued support for a strong EU policy which supports rural areas. The two policy positions must be seen as complementary, given the ever-closer inter-linkages between urban and rural areas.

Advocating an urban dimension would also support the evolution of polycentric development throughout the European Union and Ireland, which is a fundamental principle of the Irish National Spatial Strategy (NSS) and the European Spatial Development Perspective (ESDP).

Also the development of an urban dimension can further assist in fostering enhanced social and regional partnerships in urban areas as well as in the transfer of positive administrative and implementing practices. This aspect has been a positive, if under emphasised, aspect of EU Regional Policy to date and continued involvement with the Policy will ensure exposure to best practice and good governance principles in future.

## Contribution of Copenhagen

### **Ms. Bente Frost, Deputy Mayor**

Dear Gábor Demszky, dear colleagues, Ladies and Gentlemen,

It is a great pleasure for me to be in the beautiful City of Budapest – a City I have always enjoyed to visit – and a City that has developed positively through out the years like most of our European Capitals.

I would also like to take this opportunity to greet you all from the Lord Mayor of Copenhagen Mr. Jens Kramer Mikkelsen – Due to negotiations on the City Budget he could unfortunately not be present at this General Assembly to day.

However only a week ago he took the decision – officially October 25<sup>th</sup> 2004 – to end his political career as Lord Mayor – after a long active life in Danish local politics.

Mr. Mikkelsen has stayed in office as Lord Mayor for 16 years – a European record I believe he only shares with Mr. Gábor Demszky.

It has been 16 years that has benefited Copenhagen and I know that Mr. Mikkelsen holds a strong place in the hearts and minds of the Copenhageners.

Anyway I will now turn to the theme of this round table “Regions and Capital Cities”

Regions and Capital Cities are undoubtedly essential in the future European integration process and vital in achieving the objectives of the Lisbon declaration – and securing Europe’s competitiveness.

This is due to the fact that Regions and Capital Cities as engines of innovation and competitiveness play’s a central role in building an economically strong and socially balanced Europe.

In the Øresund Region – which unites the southern part of Sweden and the City of Malmø together with the eastern part of Denmark and Copenhagen this development has pushed forward a need for further Regional integration.

In Copenhagen we seek to strengthen the Regional cooperation not only within the Øresund Region but also through the Baltic Metropolises Organisation in order to ensure growth, innovation and sustainable solutions to the many urban challenges that go beyond the City borders.

By during this we hope to secure Copenhagen as Regional growth centre – and to provide new jobs – and at the same time to face the intense international competition.

And Regional development is with no doubt not only on the political agenda of the Copenhagen City Council but also at the very top of the agenda in Danish politics – in fact we are experiencing some very exciting and historical times right now.

This is due to the fact that Denmark is facing the largest public transformation in the years to come, due to the implementation of a municipality reform that has been decided in the Danish parliament.

The decision taken by the Danish parliament basically intends to remove the county level and thereby strengthening both the municipality level – and the state bodies through the creation of five new Regional authorities.

In order to cope with the new and larger portfolio, the municipalities are to be larger. Today we have about 270 municipalities, and in the future this will be reduced to about half the amount. The new municipalities must have more than 30.000 inhabitants.

This will of course have a great impact on all public functions, and consequently on specific areas such as future traffic and physical planning – but also on the coordination of Regional planning and so on. Unfortunately this development will probably not be to the benefit of Copenhagen.

This is due to the fact that a future Regional planning authority only has few very specific obligations such as hospitals. The remaining areas such as tourism, attracting business life, students and investments etc. are not coordinated on the Regional level.

This is left to the local municipalities to administrate and they are also to decide whether they should cooperate on this matter or simply free ride – and hope for other municipalities to pay financial attention to this area.

And especially in these areas Regional competences and cooperation on a wider scale is vital. Big is beautiful so to say – because bigger entities are better to obtain the necessary international attention beyond City and National borders.

This is essential because new technology, the irreversibly trend of economical and cultural globalisation and the mobility of capital and goods are developments that are no longer restricted to the control of national borders but goes far beyond.

And it is also widely recognised that Capital Cities and Regions already play a major role in the implementation, financing and enforcement of policies and legislation which have been developed and decided at European level.

Capital Cities and Regions undoubtedly have an important and positive contribution to make towards the future of the European Union. Therefore I fully support the statement of the Union of Capitals of the European Union on a stronger urban dimension of EU cohesion policy beyond 2006.

And I welcome the attention given to Cities suffering from acute cohesion problems especially seen from the perspective that only 10 % of the regional funds in the EU go to the major Cities in Europe.

Thank you for your attention

## Contribution of Lisbon

**Ms. Maria Teresa Craveiro, Director of Strategic Planning Department**

### **1 - Lisbon, centre of a highly diverse metropolitan region**

The city of Lisbon, a European capital, is the polarising urban centre of the Lisbon Metropolitan Area (Área Metropolitana de Lisboa) - that is relatively small in terms of territorial size, corresponding to only 3.3% of Portugal's mainland territory, but nonetheless concentrates ¼ of the Portuguese population.

The Lisbon Metropolitan Area represents the hub of the most important urban system in the western part of the Iberian peninsula. Lisbon has the third largest population in the Iberian Peninsula, encompassing 19 municipalities that form a territorial mosaic with a unique geography and a rare diversity of landscapes of exceptional heritage value, with deep ramifications in terms of the historical memories of human occupation.

In terms of natural heritage, the Lisbon Metropolitan Area has excellent conditions, including two major estuaries, five protected areas and 150 km of Atlantic coastline. The Tagus river estuary has been classified as a Nature Reserve since 1976 and now assumes the statute of Humid Zone of International Importance, integrated within the Natura 2000 network.

The Lisbon Metropolitan Area is a region that accumulates a series of unique advantages at the national and European level, since it presents an interesting Atlantic-Mediterranean duality; Atlantic to the North, Mediterranean to the South.

The two highest land massifs in the Lisbon Metropolitan Area are the Sintra and Arrábida mountains, two Protected Areas of tremendous landscape and ecological value. The Serra de Sintra, with strong Atlantic characteristics is located West of Lisbon, while the southern-facing Serra da Arrábida, represents the Mediterranean, with a shrubby vegetation that exudes the aromas of Mediterranean plant species.

The Lisbon Metropolitan Area coastal area also has a highly varied coastline, ranging between long stretches of high cliffs and expanses of beaches and sand-dunes, interrupted by coves, small ports, marinas and maritime promenades.

Lisbon is located at the heart of this metropolitan area and is the metropolitan capital city of Portugal. It has attracted different peoples over time and thus become a multicultural city whose geo-strategic locations reflects the role of the Portuguese in the world's first period of globalisation – the Era of the Discoveries – recently renewed by means of Portugal's adhesion to the European Union.

## **2 - Lisbon, metropolitan capital city**

Lisbon has always assumed its pivotal position between the North and South of Europe, a crossroads between Atlantic and Mediterranean influences. Over the course of history, Lisbon has served as an Atlantic port for Europe and also a key point of passage to the Mediterranean and North of Africa, serving as a platform for exchanges and contacts between persons, ideas and products.

With its strong and very special natural light, appropriate to an Atlantic-Mediterranean region, suave topography, easy occupation and gentle and yet imposing hills, the city of Lisbon has always offered highly advantageous natural conditions over the different periods of the city's urban evolution and growth. The "high" city aristocratic, dotted with churches, convents, manor houses is complemented by the "low" ("baixa") riverfront area with bustling commerce and popular neighbourhoods, that serve the city's obligatory function as a seaport.

## **3 - Lisbon, a strategic vision for sustainable urban development**

One of the main and most stimulating challenges now facing urban planners is the implementation of a model of sustainable urban development - which has been progressively adopted over time in Lisbon.

The city of Lisbon, due to its geo-strategic position aims to position itself as the Atlantic Capital of Europe while also being a European Mediterranean Port in the context of an enlarged Europe.

The current Strategic Vision for the city of Lisbon is based on 4 vectors of Urban Development:

1. City of Neighbourhoods
2. City of Entrepreneurs
3. City of Cultures
4. City of Modernity and Innovation

Each of these vectors has specific objectives in terms of urban and social intervention, that aim to transform Lisbon into a vibrant, active and creative city, that invests in the improvement of the conditions of quality of urban life for residents and visitors, based on the underlying objective of territorial cohesion.

This Vision is based on the principles and values contained in the "New Charter of Athens", approved in December 2003 by the European Council of Urban Planners with the support of The Municipality of Lisbon, in particular:

- Urban renewal of historic centres;
- Valorisation of the urban environment and public spaces;
- Differentiated intervention;
- Integration and mixture of functions;

Selective occupation of unoccupied urban areas and re-conversion of industrial zones;

- Modernisation of urban infrastructures and equipment facilities;
- Promotion of the urban economy and the entrepreneurial spirit;
- Democratisation and cosmopolitanism.

Given their importance, I would like to draw attention to two priority areas of strategic intervention:

1. Re-qualification of Centres of Historical Interest and
2. The Riverfront zone.

The Council's current executive aims to combat the expansion of the dual city (Centre-Periphery), placing priority on recovery of degraded buildings in the city centre and Centres of Historical Interest, by means of physical renewal and occupation of vacant dwellings and recycling of abandoned and obsolete industrial zones in the Riverfront zone.

In this manner, the executive aims to counter the trend towards depopulation of the historic centre and promote healthier living conditions and higher quality of housing in these areas.

### 3.1 - Requalification of Centres of Historical Interest

The choice of priority actions on a street-by-street basis was considered to be a strategic and pedagogical option, constituting one of the first steps towards a global dynamic of urban renewal for the city of Lisbon as a whole.

Other major construction ventures are underway such as in the zone of Mouraria, Intendente, the Baixa Pombalina and Rua da Misericórdia-Alecrim (in preparation), encompassing 6 large-scale construction jobs and a total investment of around 30 million euros.

Special attention should be paid to the Baixa Pombalina zone, that aims to achieve revitalisation by means of the recently submitted application for listing as World Heritage by UNESCO.

### 3.2- Re-qualification of the City's Riverfront

The riverfront of the city of Lisbon contains former port areas that have been subject to re-qualification operations in order to introduce a panoply of housing, hotel and nautical leisure functions and the creation of new technology production sectors.

#### Pedrouços (Doca pesca)

Despite having failed in its bid to host the America's Cup 2007, in detriment to the bid from the city of Valencia (Spain), urban re-conversion of this area is considered to be a priority, given that it continues to be disconnected from the city and constitutes a transition belt between the urban community and the river.

#### Alcântara Rio

Alcântara, in the city of Lisbon, currently constitutes an urban network spanning 43 hectares with serious problems including degraded industrial buildings, unhealthy living conditions, abandonment and environmental menaces that require urgent resolution.

A Restructuring Plan for this zone is currently in progress.

## Cais do Sodré

### Surrounding environment of the multimodal transport hub

Plans also exist for re-qualification of this central riverfront square in the city of Lisbon. The objective is to transform the area into a shopping and sports zone, in articulation with a multi-modal transport hub, thus contributing towards better access to the city centre and to this zone.

### European Maritime Safety Agency

This project aims to recover and enhance a Historic Zone of Lisbon spanning around 30.000m<sup>2</sup> and encompasses the creation of the “European Neighbourhood of Lisbon”, in a surrounding area of around 18.000 m<sup>2</sup> – with recovery of existing buildings and of gardens for public use. In the medium-term around 400 public officials will be installed in the area thus generating further induced employment.

## Ribeira das Naus

Resumption of the heritage value of this ancient Quay is planned, with the symbolic installation of maritime shipping vessels (e.i.: Sagres), in collaboration with the Ministry of Defence, in order to reinforce awareness of the city’s geo-strategic location.

## Terreiro do Paço

Integrated within the application for listing of the Baixa Pombalina as a World Heritage site, the objective is to transport this elegant square – the largest in Lisbon – into a multi-functional space, with the progressive departure of Ministerial departments and use of the arcades for the introduction of hotels and cultural spaces, while maintaining its symbolic value in terms of administrative power, through the selection of certain representative functions of the State.

## Eastern Riverfront Zone

This zone is covered by a concerted urban plan, in articulation with various entities. The plan incorporates various projects that aim to guarantee links between housing areas and the river - redevelopment plan of the architect, Renzo Piano - and the urban project for the Matinha area that intends to recover a site formerly used for gas deposits.

The Strategic Plan for the municipality of Lisbon has thereby attempted to resolve the difficult question constituted by the need to define development objectives for the city, medium-term intervention priorities and respective annual and multi-annual programmes. At the same time, day-to-day management of the city must never be overlooked including the respective implications in terms of the mobilisation of human and financial resources.

An important decision-making support instrument has been established in order to establish guidelines for the arrangement and development of the city together with municipal intervention. This instrument has also been used in order to establish a «contract» of shared responsibilities between the bodies, agents and organisations that operate in the city.

Finally, we would like to re-affirm that the city of Lisbon in giving her name to the European Union’s Economic and Social Development Strategy, approved in 2000 by the European Council, is aware of her role as a European capital city. We are confident that current urban policies of economic restructuring and strengthened social cohesion will help

strengthen and balance the paradigm of European poly-centrism, based on balanced networks or urban systems and attain sustainable development of European metropolitan regions and cities.

The cities represented in this Union, already play a vital role for recognition of the importance of the creation of new targeted European policies aimed at revitalising and strengthening the identities of the cities of the European Union, in the light of growing globalisation.

At the same time, it is increasingly necessary to apply supra-national programmes and policies, from a perspective of subsidiarity and strengthened initiatives developed by cities in our new enlarged Europe which aims to maintain cohesion during her new phase of construction.

Lisbon, 8th October 2004

## Contribution of London

### **Ms. Jenette Arnold, Assembly Member**

First of all, I would like to present apologies on behalf of Ken Livingstone, the Mayor of London, who could not personally participate in this meeting and asked me to represent him and transmit his greetings to colleagues gathered for the UCUE General Assembly.

London is a dynamic economy. It is a city of cities and a powerful driver of the UK economy. London is perceived as one of the wealthiest regions in the EU because of its high overall GDP, but the distribution of wealth is profoundly unequal. Over 40% of its children live in poverty and around a quarter of the most deprived areas in England are in London. In addition, London has the second highest regional unemployment and long-term unemployment in the country.

It is because of this acute social and economic polarisation that London currently receives around £100 million a year from the EU Structural Funds. These funds have played an important role in helping unemployed people back to work, supporting the small business sector and contributing to the regeneration of some of our most deprived neighbourhoods.

They have had a catalytic effect and clearly demonstrated their added-value in boosting economic and social development in London. This is why, Ken Livingstone, the Mayor of London, has taken an active part in the review of the EU regional policy beyond 2006, launched by the European Commission two and half years ago.

In order to facilitate London's involvement in this debate, a working group, composed of the main London stakeholders – the development agency, the local government and the voluntary sector – was set up by the Mayor. The group has set London's views on the future policy in several papers submitted to the European Commission and to central government.

London has argued for an ambitious EU regional policy post-2006 embracing all 25 EU Member States. A policy aimed at achieving the goals of the Lisbon Agenda through a reinforced focus on interventions in urban areas.

The Mayor of London also joined forces with his colleagues across Europe. To this end, he initiated a joint declaration on future regional policy which got the support of some 90 Mayors and leaders of cities, accounting for over 60 million EU citizens.

This declaration - which put forward the key principles for a stronger urban dimension of the Structural Funds post-2006 - was widely promoted to the EU Institutions and to national governments through a major conference co-hosted by the Mayor and the European Commission in July 2002 in London.

With July's publication of the proposed Structural Funds Regulations, the EU has formally begun its decision-making process on the legislative framework of regional policy beyond 2006. The encouraging results of the lobbying campaign carried out by London and other cities are visible in the proposed legislation. Indeed the draft Regulations include some very positive references to interventions in urban areas and to urban regeneration. It is

however essential to continue to make the case for urban areas in the EU legislation-making process, which will continue in the course of the next year.

This is why London suggested that a joint statement on a stronger urban dimension of the future EU regional policy be endorsed by the EU capital cities at the UCUE General Assembly here in Budapest. London has worked with Budapest to draft the text, which the Mayor of London hopes will be adopted today.

This statement welcomes the European Commission's proposals for an ambitious regional policy, targeting regions of all EU-25 Member States and the clear link between this policy and the achievement of the Lisbon goal of "making the EU the most competitive and dynamic knowledge-based economy in the world, with full employment and social inclusion".

It also particularly welcomes the stronger urban dimension - compared to the Regulations governing the current programming period - and in particular the request that each national Strategic Reference Framework contains information on national priorities for urban regeneration.

At the same time, it puts forward a number of principles that we would like to see reflected in the final Regulations. In particular:

- A stronger recognition of the instrumental role of cities in the achievement of the Lisbon goals
- Increased flexibility for interventions in urban areas
- That alongside regional GDP and unemployment, other indicators, reflecting regional needs and opportunities and able to measure intra-regional disparities, be used for the allocation of funds
- That part of the budget be ring-fenced for urban interventions, in order to ensure that cities get a fair share of funding.

The statement, once adopted, should be widely promoted to the EU institutions and to our national governments. London will certainly bring it forward to the UK government and I will personally promote its principles at the Urban Summit that the European Commission organises on 18 and 19 October in The Netherlands, to discuss the urban dimension of the future regional policy.

I would like to conclude by calling on the other UCUE cities to play an active role in promoting the principles of this Statement as widely as possible, notably to their members of the European Parliament and to their respective national governments that will play the key role in the decision-making process over the next year.

## Contribution of Prague

**Mr. Miroslav Poche, President of the Committee of Foreign Relations**

Ladies and gentlemen, dear guests,

Please allow me to welcome you and to address you on behalf of the City of Prague, a city in the heart of Europe, on the occasion of this meeting of principal representatives of the capitals of the European Union. First of all I would like to thank the city of Budapest for a more than warm welcome, for the typical Hungarian hospitality and for the great organisation of our common meeting of the General Assembly.

I would also like to say at the very beginning that I am truly pleased to meet all of you in this beautiful city. Compared to the previous general assembly, we are now all full-fledged members of the enlarged 25-member Union, and therefore also full-fledged members of the UCUE. I would like to wish us all successful co-operation in a 'common Europe'.

And now let me say a few words on the topic of today's meeting, which is the relationship of the capital city with the region, and to illustrate this relationship using an example that I know first-hand. I mean the relationship of the capital city of Prague and the Central Bohemian Region which surrounds Prague on all sides.

To begin with, I must mention that the regional structure is a relatively new phenomenon to the Czech Republic. The regional arrangement was set up only in 2000 and the second regional elections will take place soon in November. This means that the first generation of full-fledged regional politicians will conclude their first term of office following the autumn election. In my opinion this first term of office was primarily about finding the role of the region within the public administration system of the Czech Republic and defining the regional entity in relation to the national as well as the local level as represented by the cities and municipalities. This included above all defining competences and allocating the requisite financial resources. These two processes have not always been – and are still not – in perfect balance, which is a significant challenge. As regards the regional structure, I would like to briefly add that Prague is not only the capital of the Czech Republic but also has regional status as part of the aforementioned public administration reform.

The already described state of the new regional arrangement has influenced the relationships between the representatives of the City of Prague and the new Central Bohemian Region. However, both parties understood quite quickly that co-operation is not only necessary but also to the benefit of both parties. All transport routes leading into Prague pass through the Central Bohemian Region; over 250,000 people commute into Prague for work or school every day; and many Prague citizens leave town on Fridays in search of rest and relaxation in the neighbouring region.

Despite this interconnection, there are significant differences between Prague and Central Bohemia: Prague's average GDP ranges between 119% and 124% of the average GDP in the EU, whereas the Central Bohemian Region is below 75% of the average GDP in the EU. Generally, it holds true that a successful region contains at least one successful city, but

this is not the case in the Czech Republic. I prefer to say, however, that 'the exception proves the rule'. The Central Bohemian Region, whose economy had been based primarily on heavy industry, underwent significant transformation after 1989, resulting in a significant economic downturn. Average unemployment in the region ranges around 17% and the average GDP is about 49.5% of the average GDP in the EU, which is the lowest figure in the entire Czech Republic. Meanwhile, the economic powerhouse of Prague, which is situated in the centre of Central Bohemia, provides a sufficient amount of work opportunities, has unemployment of under 4%, and generally creates enough opportunities for entrepreneurship, so it can be said that the situation in a region undergoing complex and rather painful transformation could be significantly worse.

From this viewpoint, it is apparent that the links between the city and the region are quite obvious. I would like to comment on these links in the context of the EU's cohesion policy, which unfortunately is not so favourable for Prague. Prague and Central Bohemia represent two independent self-governing units as well as two separate cohesion regions on the NUTS II level. Because to their different economic performance, Central Bohemia falls within Objective 1 whereas Prague can only draw support as part of Objectives 2 and 3. Unfortunately, this division does not allow for the funding of projects that would encourage mutual relationships, even though these are very desirable and would quite beneficial to both parties. This includes, for example, projects focused on building and improving the transport infrastructure in order to encourage and facilitate workforce mobility.

It needs to be said that this obstacle is based solely on statistics and on the need to monitor EU assistance, including the subsequent effects in individual regions.

The relationship between cities and regions is obviously of great benefit to both parties, and it should be developed further. Therefore I think it is rather unfortunate that EU policy does not fully support these relationships. The future arrangement of the Union's cohesion policy should reflect the aforementioned discrepancies or obstacles to a greater degree and try to solve relevant regional and/or local problems with the highest possible efficiency in order to find a targeted as well as comprehensive solution of the problems at hand.

In conclusion, I would like to say that I am pleased that the selected aspects of the issues that I have discussed, namely the role of cities and urban areas in cohesion policy for the period from 2007 to 2013, are very well incorporated in the draft joint declaration of UCEU, which I would hereby like to promote on behalf of the City of Prague.

Thank you for your attention!

## Contribution of Riga

**Mr. Aivars Huntis Kreituss, Deputy Chairman of the City Council**

Honourable Colleagues,

I am happy to represent the City of Riga at this significant event for the leaders of EU capitals. First of all I would like to congratulate all the capital cities, which as well as Riga have become full-fledged capitals of EU member countries from the 1st of May! One of our objectives has been reached and a new stage of development has started. However we can't stop – we have to further our close cooperation in order to emphasize the role of the capital cities on European scale.

Today in my short speech I would like to dwell upon the problems of the capitals of Eastern Europe countries. It cannot be denied that first we have to speak about our historical heritage. Administrations of capital cities were over-centralized in post-communism countries irrespective of whether they had federal or unitary governments. These capitals were functionally the largest cities in their countries. Today post-communism countries are put into paradoxical situation. As they are strongly centralized it is difficult to adjust their administrative systems to regional policy. On the other hand capital cities of those countries may play a special role in Europe. It is expected, that the capital cities functioning as intersection points in large-scale cooperation, will become more significant.

Riga, the capital of Latvia, has already taken its special place in the urban network of Europe. Riga is the administrative and political centre of the country and to a great extent it functions as a centre of larger scale already. Representative offices of different international organizations have found their place in Riga. European and world scale activities take place here. Businessmen of Western Europe very often choose Riga as a place from where to move further into the market of Russia.

However Riga, as all the other capital cities of post-communism countries, has to face and solve problems concerning its development. Competition intensifies along with the fast economic growth. In order to survive in the market of European Union, businessmen from the new member countries have to face tremendous challenges. This problem is very topical for Riga because nearly 40% of the population of Latvia is being employed in Riga. Besides, Riga as all other capitals of the new member countries has to make every effort in the creation of a qualitative living space. The acute problem of dwelling has to be solved, modern infrastructure and environmentally friendly transport system has to be created. A good result in solving the problems mentioned above can be reached only in the case of effective administration of the city. Therefore administrations of cities have to keep acquiring knowledge and be informed about the possibilities offered by EU funding. Many problems can be successfully tackled if the city itself or together with its businessmen get engaged in different EU projects.

In conclusion I would like to point out that the above drawbacks, if well –considered, may turn into new potentialities. Capitals have to cooperate more active, they have to learn

experience from each other and participate in the regional policy of EU and play an increasingly important role in the European urban network.

Dear colleagues! I have no doubt that our cooperation will get still closer in the future and we will be able to solve many problems of the capital cities with our joint efforts. Riga fully concurs with the “Appeal of the European Capitals to the European Parliament“ and we are ready to active cooperation in solving the problems of EU capitals.

## Contribution of Rome

### **Ms. Mariella Gramaglia, Deputy Mayor**

#### *ROME: CAPITAL CITY OF THE ITALIAN REPUBLIC AND GLOBAL METROPOLIS*

Almost everybody in Italy agrees that the role of capital cities in the European Union should remain very important after the enlargement to 25 countries, if not must become stronger.

Besides, as local authorities representatives, we know that in the modern societies the role of capital cities can become richer and more important because of the easier cultural and economic relationships which can get over the boundaries of national states.

In few days, at the end of October, in the same conference room (Sala degli Oriazi e Curiazi) where the Treaty establishing the former European Community was signed in 1957, in the Capitol, representatives from the 25 member states will undersign the European Constitution. Regardless the wider dimension of the Union, we are sure that with such Constitution the principle of subsidiarity will remain one of the corner stone of European policies and that municipalities will continue to be the first institution to which citizens address themselves.

In fact, as politicians working at local level, we know very well that people need care as close as possible to where they live, to feel a sense of belonging to a community, and not to suffer anxious loneliness in the global society, where we meet new and old social problems due to poverty and recent immigration.

Nevertheless, it is true that each single country has not yet identified what are the best institutional arrangements in order to implement subsidiarity. Right now the Italian Republic is modifying the part of its Constitution concerning the distribution of powers among central state, regions, provinces and municipalities. Someone call this "federalism", some others do not. Some others are anxious about the risks for the unity of the country and ask for a deeper democratic discussion that can identify better solutions.

About Rome, the capital of the country, many options are still open. In fact from the point of view of the powers of Mayor and City Council, Rome has the same status of any other small city. We have asked Parliament and Government to recognise that Rome should have a special status needed to face the complexity of the city. For example, Rome hosts a "foreign" country (the Vatican), all Government's offices, 10 universities with more than 200.000 students, a relevant number of information and communication technology industries, two international airports, most of the national television channels and movie productions, has 3,5 millions inhabitants and commuters, and a yearly tourism traffic mounting up to 17 millions people from worldwide.

Even if the entire world recognise the symbolic and cultural relevance of the city of Rome, we are still forced to underline it when we deal with the national government. Therefore it can be easily understood the importance for Rome of the Union of the capital cities of the European Union and of the support that could come to us from the other European capital cities.

Contribution of Vienna  
**Mr. Rudolf Schicker, Deputy Mayor**

Ladies and gentlemen, dear Mayors!

First of all, let me express that it is my great honour to participate at this meeting, and I unfortunately have to apologize that Mr. Häupl was not able to come to Budapest on this occasion, but Mayor Demszky, you know that the relations between you and Mr. Häupl are very close, and please take my intervention as his, as well. After having a look at our timetable, I would suggest not to have my written intervention, you will find it on the table at the entrance. I will try to make a sort of conclusion of what I heard in the interventions of the other cities now.

In my opinion, there are many close opinions what the cooperation between cities and their regions should be, and we should try to change on the proposals by the Commission for the next period of the Structural Funds, especially the questions of social inclusion, and the subject of social cohesion. I think it is as well important as to reach cohesion in the enlarged Union. And I think the question how the cooperation and administrative manners between cities and their regions is not so important on the discussion on European measures. But as we have different situations in each of our countries, and different situations in each of our regions, we have to try to see that it does not matter, if a city has much power or less power, but we have to work for our citizens, the ones living in our cities and we have to try to convince the Commission and our own countries, to have a closer look on the social inclusion of our citizens in total, and not only as you have mentioned, to look at the overall GDP. But we have also to look at the labour market and on the figures of unemployment. And we have to see that people, and the economy of course no longer respect boundaries. They do not respect European boundaries; they do not respect worldwide boundaries. Why should they respect the boundaries between cities and the surrounding communities? Therefore, we have to try to integrate the cities and the surroundings in our policy. And usually the cities have to be in front of this integration process. Smaller towns and villages around metropolitan cities usually intend to reduce their cultural and social work and rely on the centre, on the central city, and try to establish their industrial zones around the city's boundaries and increase their tax income this way. That is what we learned to know. But we also learned to know in a city, very close to the Iron Curtain for many years, and very close to the new member countries by now, that it is necessary to start very early the process of integrating the region across the national boundaries.

Unfortunately, Bratislava is not with us on this round table, but the distance between Bratislava and Vienna is some 60 kilometres, so we are sort of twin-cities. We have it much easier than it in the region, where you still have to see in between. But in our heads we very often have this boundary and we very often cannot see that very often the infrastructure cannot cope with the speed, economy has taken in our region. So, we started to establish with the help of the INTERREG programs a very close cooperation with the regions, with the surrounding so called Länder in Austria, with the commitats on the Hungarian side, and the city of Bratislava, of course. We tried to – and it will be

finished in the next two months, I hope, and adopted by all the different political levels – develop a Development Plan for the region of Vienna and Bratislava. We identified which infrastructural projects we would need to make a real twin-city situation. And not only the infrastructure, but also the cooperation of universities, the cooperation of different cultural activities and especially the cooperation on the labour market. We have to see that within at least seven years the boundary in the labour market will disappear. And we hope that it will disappear earlier.

So, we have to establish a sort of unique labour market region between the Western-Hungarian comitat and the metropolitan region of Bratislava and the Eastern parts of Austria, which includes three regions (Vienna, Lower-Austria, Burgenland). We learned to know during the past ten years that the value-aid of the Structural Funds is very important, especially for peripheral regions, and we had one Objective 1 region in Austria, very close to the city of Vienna, the Burgenland, the bounding province to Hungary. They made a great fortune out of these Objective 1 subsidies, but it is very crucial to have a city very close to an Objective 1 area, where the funding is very high and the industrial sites tend to move. So, we established a close cooperation between the economic development boards of our three counties, and that helped. Looking forward to the next period of Structural Funds on European level, I think we have to work very hard to make it clear for all the decision-makers on the European Parliament, on the European Council and on the Commission side that you need the cities to organise prosperity, to organise better education, to scope with the Lisbon Strategy. If we do not do that, if we are not enforced to do that in our cities then the whole region will stand back. So, I would strongly ask the nowadays' commissioner, and I would like to ask you to pass that on to predecessors in the next Commission's period, that 2% or 10% would be too less for subsidising the cities. So we would rather propose, and my Mayor will do that on the summit in Leiden at the end of October, that we would ask for 20% out of the Objective 2 funding for the cities, and we would ask for high subsidiarity in deciding on which objectives we put this money in our cities.

Thank you very much!

**Contribution of Vilnius**  
**Mr. Gediminas Parvirzis, Deputy Mayor**

Dear Mayor Demszky,

First of all let me sincerely thank you and all the organizers of the event for a possibility to participate in this meeting. Vilnius City is very proud to become a full member of the Union of Capitals.

We made acquaintance with the draft of Statement and think that is topical today, so in the future. We support the main points of the Statement.

Let me shortly present you plans of the city of Vilnius. We are aiming to meet criteria of euro city. We hope it will create better possibilities for competition. So we have created Dipolis from two biggest cities in Lithuania – Vilnius and Kaunas. In this region about 1.6 million residents live. This is almost half of our country's population.

Creation of region will help to increase economic potential and enhance competitive advantages not only of the two cities but of the whole country as well.

Lithuania being a member of the EU and having a „Euro city“ metropolis will offer broader opportunities for international business and investments. Ninety kilometers distance between cities is not an obstacle for links between the two cities.

Strategic plan of the development of Dipolis was adopted in 2003. Development priorities and plan activities summarizing experience of world cities, regions, prevailing tendencies and applicable future strategies, principles are foreseen there.

We picked out 3 priorities into the plan:

1. Transportation system and infrastructure development.
2. Economic development.
3. Tourism business and infrastructure development.

First priority

The most important activities:

- Construction of European gauge railway from Poland to Kaunas and it's further development to Vilnius and to Rail Baltica network;
- Reconstruction of international IXB road corridor reaching max speed of 130 km/h;
- Modernization of Vilnius and Kaunas airports;
- Development of the logistic centers in Kaunas and Vilnius;
- Modernization of railway stations, public transport;
- Solution of car parking problems;

### Second priority

- Creation of Vilnius and Kaunas regional development council;
- International marketing of Dipolis development possibilities (exhibitions, property markets, conferences etc.);
- Development of knowledge economy sector.

### Third priority

Dipolis project was successfully presented in the international property market in Cannes in France this spring.

Vilnius and Kaunas Dipolis region was also recognized as one of the „European regions of the future“ by fDi, the specialized magazine of Financial Times.

We agree with proposition of the Statement that there are larger differences of economic development between capital cities and regions of capital cities. Dipolis project involved 16 rural municipalities. That means that we are also interested in the development of their economy and infrastructure. Labor force, taxes on land and real estate there are lower and cheaper, social and transportation infrastructure is similar, distance to capital is not big, so investors have already begun to search for places for their business in neighboring municipalities. This is also a way to solve unemployment problems in small towns and villages.

Thank you for your attention.

Summary of the Moderator  
**Mr. Iván Tosics, Senior Adviser to the Mayor of Budapest**

Summary of the First Round-Table:

*REGIONS AND CAPITAL CITIES*

According to present practice and also the draft regulation for the next planning period of EU Structural Policy, cities will get EU support through regional Operative Programmes. Thus it is a key issue, how cities go on with their surrounding areas, what type of region they are in.

This was a good overview of urban development problems of 11 capital cities of the EU, with special regard on regional links. We have heard some good and also some bad examples of relations between the city and the agglomeration.

Many of the cities announced their support for the draft statement, formulated jointly by Budapest and London, and incorporating remarks from other cities. This statement will be discussed in the General Assembly today afternoon, but from these presentations it is clear for me that it incorporates the most important requests from the side of cities.

The ringfencing of urban money, the inclusion of housing issues as eligible areas, the requested changes for indicators determining allocation – these are all tough, difficult issues, strong fight is needed to get them accepted.

Commissioner Balázs reinforced that it is the Member States who have now the major task to influence the draft of the Structural Funds. We hope he will transmit to the upcoming regional commissioner the request to consider these issues and we also hope that he will continue to support the case of cities, as keys for sustainable development.

We hope that the Dutch presidency will carry on the fight for the cities. This is very important for us, as Mr. Cohen emphasized, this country is in the forefront to acknowledge the importance of cities, national urban programmes. Dutch, German, French examples on national urban programmes are important for us.

We ourselves have to argue for our national governments, both for national urban development programmes and the fight for a stronger. More concrete involvement of the urban dimension into the future Structural Funds regulation.

**The Second Round-Table of Mayors**

**CAPITAL CITIES  
AND  
CENTRAL GOVERNMENTS,  
THE BUDGET  
OF  
LOCAL AUTHORITIES**

## Contribution of Berlin

### Ms. Karin Schubert, Mayor

Mayor Demszky, Distinguished Colleagues,

This conference marks two firsts. Following the accession of the “ten,” we are meeting for the first time as the “twenty-five.” And, for the first time, our meeting is taking place in the capital of one of the countries that acceded to the European Union on 1 May 2004. We have been working towards this goal for a long time, and we are very much looking forward to the cooperative work we will be doing with you in the future.

The timing of this conference in October 2004 could hardly be better: a new European Parliament has just been elected, and a new Commission will take office in November. There is much that is yet to be decided and structured. That also applies to the question of the strategic role to be played by major cities in policymaking of the next few years.

We should concentrate on two messages. First of all, the EU should rely on the cities to a much greater degree than it has in the past. And second, the national governments must make it possible for their capital cities to actually perform the role they have traditionally been assigned: as intellectual and cultural centres with appeal both at home and abroad; as a kind of integration machine, especially for immigrants; and as a driving force for their national economies.

Anyone expecting major cities to play this role must help to facilitate this – also by providing funding. Each country will be guided in this respect by its own historical experiences and traditions.

How are we doing right now in terms of positioning Berlin as a capital city in Germany? Berlin is in a difficult financial situation that has a lot to do with its past as a divided city. During the Cold War, each of the former halves was regarded as the showpiece of its respective system, which meant that each was highly subsidized. Reunification brought that to an end, however, although Berlin’s economy was not yet anywhere close to being able to support itself on its own.

Fifteen years after the fall of the Berlin Wall and despite drastic cuts in spending, the city’s own tax revenues still cover only the salaries of city employees (around 35 percent of the budget). We finance one-fifth of the budget with new debt. And we – perhaps in contrast to most other European capital cities – are very dependent on the solidarity of the other German states and the federation: one-fourth of Berlin’s budget comes from Germany’s complex state revenue equalization scheme.

However, we too – like other European capital cities – want to become a driving force for economic development in our country.

We are thus using a combination of strategies. First, we aim to achieve a more dynamic economy in the medium term by means of comprehensive economic structural change, which we expect to also result in higher tax revenues. The strategy guiding the city’s economic policy is based on making our strongest industries even stronger. These are biotechnology and medical technology, the media and IT sector, transportation technology, and the “creative industries,” such as film, photography, music, fashion, design, and

advertising. The close links to science and research play a major role here, as do the city's cultural offerings and its popularity with tourists as one of Europe's three most frequently visited cities.

Second, we have instituted a course of strict budget consolidation. While our annual budget is roughly €20 billion, our total debt now stands at more than €55 billion!

Third, we are working to have Berlin acknowledged in Germany's constitution as our country's capital. We want the federation and the other German states to commit to helping their capital city finance responsibilities that are either national or associated with Berlin's role as capital. These include issues of security, capital city-related infrastructure, and culture, as well as tasks associated with representing the country as a whole.

Instead of solving this problem with individual agreements, we aim to establish a claim to adequate support for the capital city as such in Germany's constitution. A commission made up of members of the Bundestag and the Bundesrat is discussing this as part of negotiations on modernizing our country's federal structure, and it looks as though the outcome of the discussions will be positive for Berlin.

And fourth, we have a lawsuit pending against the German federal government. Because of the dire financial straits in which Berlin finds itself, we have filed suit with the Federal Constitutional Court seeking federal assistance with consolidation. A favorable judgment would help us to reduce our massive burden of debt and to lower the interest payments that continue to limit our room for maneuver.

Much about the situation in Berlin is specific to Germany. However, this example also demonstrates very clearly that the potential for development of a large city like Berlin is heavily dependent on its financial resources.

We need strong metropolises able to perform their national and international role. At the same time, we need national and European policies that take the urban dimension into account in all areas of policymaking – and right now that means strengthening this dimension.

With regard to Europe, that means that policies addressing the cities should be a constant feature in the entire *acquis communautaire*. Areas showing a high concentration of problems like unemployment, social exclusion, decaying buildings, a high crime rate, and inadequate education must be taken into greater account when funding decisions are made. We must expand on our diverse city networks in order to learn even more from one another and to step up our lobbying activity. Our goal is the consistent integration of the cities' concerns into European policymaking. This should help us to make large cities into places with high quality of life, where people of very different origins are successfully integrated, and which function as intellectual centres and as dynamic and innovative driving forces of the economy.

I have submitted the draft of a resolution on this subject to you, because I believe that this conference will be heard and that we should take advantage of this opportunity. Let us join together in calling on our regional, national, and European representatives in parliament, our governments, and the newly formed EU Commission to pay particular attention to the fate and the role of the cities and to take political action in this regard.

Thank you!

## Contribution of Helsinki

### Ms. Eva-Riitta Siitonen, Mayor

Honourable Chairman, Mayor Demszky, Dear Colleagues and Friends,

Firstly, I would like to give you some background information. In Finland, local authorities are responsible for providing basic services for citizens, most importantly, those related to social welfare and health, education and culture and maintenance of the (technical) infrastructure. Local authorities finance their expenditure mostly out of the income tax revenue they collect. The sources of tax revenues include the local income tax, the real estate tax and a share of the corporation tax. The local income tax rate is set by the local authorities themselves. This year, the average rate of tax is 18.5 %, eighteen point five percent of income. There is a considerable variation between different local authorities in the share of the local income tax in total tax revenue. In 2003, the share ranged between sixty-two and ninety-seven percent (62–97 %).

Let us then take a look at Helsinki. The population of Helsinki accounts for about one fifth of the total population of Finland. The education and income levels among the inhabitants are higher than the average of the population. Even though the population is ageing rapidly, the age structure in Helsinki is still comparatively favourable. As a counterweight to all the positive aspects, it is also a fact that social problems tend to concentrate in the capital city. In Helsinki, the unemployment rate remains staggeringly high – being around nine percent at the moment – and the number of the long-term unemployed as well as their relative proportion is growing. Our housing situation is difficult, and rents and the general cost of living are considerably higher than in other parts of Finland. Helsinki's status as the capital city also causes additional expenses in providing services related to social and health care, education and culture.

The City of Helsinki is largely independent of the state for its operating income. The local income tax accounts for seventy-five percent of the total tax revenue, and the rest comes from the real estate tax and the corporation tax. However, the problem here is that the balancing of tax revenues has placed Helsinki in a situation where it is heavily subsidizing smaller towns and municipalities. An amount that corresponds to the yield of more than three percentage units of the local tax rate is transferred by the central government to benefit other local authorities. What this means is that out of the local tax rate of seventeen point five percent, 17.5 %, Helsinki is actually getting only fourteen percent, 14 %.

How should things be, then?

Naturally, it is important that all the citizens have an equal access to same services, regardless of their municipality of residence. However, this should not be achieved at the expense of the capital city. All European cities must be given the opportunity to develop their competitiveness and to create new jobs, thus contributing to the national income and economic development of the whole country. The city's motivation to upgrade its competitive performance and to maintain favourable conditions for businesses to operate should be encouraged, without forgetting that at least part of the generated profit should

return to the city itself. For that is the way, and the only way, for a city to maintain its motivation, or even to maintain the conditions for competitiveness and economic development in general.

In many countries, the competitiveness of the capital city is crucial to the economic well-being of the whole nation, and that is why promoting it should be made one of the governments' top priorities. In order to remain competitive, the capital city should be able to and expected to take advantage of the critical mass of resources and expertise clustered in the city: the universities and other institutions of higher education, the research institutes, the cultural life, the media and so on. This is ever more important in a globalizing economy, where the competition between different countries and cities is getting stronger and stronger. Especially for the smaller countries, it would be more advantageous to centralize their resources rather than have them dispersed in many directions.

At the European level, the cities are of great importance and key players in achieving the Lisbon goals. Only by letting the capital cities develop and flourish, the government could ensure the capacity of the cities to contribute to the Lisbon strategy for their part. I believe that you share my opinion that the capital cities should get support for their projects from the state, especially for large projects related to infrastructure and research and development. The relationship between the state and its capital is significant, not only from the national or European point of view, but also on the global level with wide-reaching consequences. Therefore, it does make a difference how the capital cities are being treated.

Mr Chairman, Ladies and Gentlemen, thank you for your attention. If you have any questions I would be more than glad to answer them.

## Contribution of Ljubljana

**Mr. Miloš Pavlica, Deputy Mayor**

Presented by Ms. Zdenka Šimonovič, Head of International Relations Office

### CAPITAL CITIES AND CENTRAL GOVERNMENTS

In Slovenia the relations between the state authorities and the capital city are governed by the Capital City of the Republic of Slovenia Act which was adopted in February this year. The Act follows the model, used in countries with developed democracy and local self-government, where the principle of subsidiary is applied.

The Act comprises the following areas:

- representing the capital city in matters of intergovernmental and international cooperation
- representing the capital city in protocol and promotional matters
- organising and holding events and celebrations of national importance and
- regulating the conditions for the functioning of state bodies, organisations and representative offices.

The Act does not define new tasks. It merely regulates the “already known contents”. We might say that in a certain sense it represents a precedent in Slovenian practice. The willingness of the State to agree to a partnership with the capital city, that is with a local community means an important step towards decentralisation. We may hope that in fulfilling the Act in practice the approach of all those involved in the implementation will be unified and will enable us to reach good results.

It is in the interest of both, the City and the State, to ensure coordinated programming of development of the capital city’s territory in all development programmes: not only in the national sectoral programmes, relevant spatial document and in the regional programme, but also in municipal spatial and other development plans, along with the coordinated performance of tasks within the competence of state and municipal bodies. To this end an Agreement is being prepared which should further define several issues.

The Agreement which will have the legal effect of a letter of intent will specify the tasks of the City on one hand and of the State on the other. It will set how the programmes and assignments, provided by the Act, will be carried out in the coming years, the financial consequences, a timetable, determine the involved bodies in the City and the State, mutual property and other rights and obligations.

In the everyday relations between the capital Ljubljana and Slovene state practical problems arise in various sectors such as:

- transport (regional passenger and goods transport, re-construction of the Ljubljana bus and railway station, management of public areas in state ownership – e.g. green areas, waterways, reserved parking spaces, traffic limitations due to protocol events ...)

- healthcare (special health issues of homeless and other marginal groups, immigrants and refugees, public health network city hospital ...)
- culture (status of cultural public institutions, cultural heritage protection ...)
- real estates issues (setting up of a land and housing units register, ownership rights, premises for various representative offices ...)
- urban planning (stadium, academies, university library, dormitories)
- environmental protection ( air pollution monitoring, noise pollution and issuing of permits; under the new legislation a great deal of environmental monitoring has been transferred to the city's competence)
- civil protection and risk management (additional fire protection)
- housing (premises for pupils and students, marginal and at-risk groups, elderly people ...)
- inspections (which are the competences of the City and the State regarding the performance of control or monitoring; regulations, adopted by the State without any prior analysis of the control implementation is quite a sensitive issue).

Problems exist also in other areas; as for instance when the State transmits tasks to the capital city (and other local authorities) without transmitting (or assuring) the funds. That has happened for instance when the State introduced the 9-year obligatory elementary education. The City had to provide additional school-rooms (as it is responsible to grant the elementary school infrastructure), but received no additional funds. That has had a strong impact on the city's budget.

Expectations that the position of the capital city might improve rapidly are perhaps overly optimistic, since the adoption of the Capital City Act required a whole decade and several unsuccessful attempts. Nevertheless, we want to remain optimistic that we will reach the goal, pursued by the Act, namely to establish a true partnership between the capital city and the State.

## *Contribution de Luxembourg*

**M. Laurent Mosar, maire adjoint de la Ville de Luxembourg**

Monsieur le Président,

Permettez-moi avant toute chose de vous remercier de votre chaleureux accueil et de votre généreuse hospitalité dans cette belle ville de Budapest.

Monsieur le Président, Mesdames, Messieurs les maires, Chers collègues,

Tout d'abord je tiens à expliquer en quelques mots la situation particulière du Grand-Duché de Luxembourg et de sa capitale. Le Luxembourg comprend un seul niveau de collectivités locales, les communes, au nombre de 118. Par la loi, douze communes dont celle de Luxembourg ont la dénomination de ville. A part un paragraphe dans la Constitution qui dit que la ville de Luxembourg est la capitale du pays, notre ville est traitée comme toutes les autres communes – il n'y a pas de règles spécifiques inhérentes au statut de capitale. Or Luxembourg n'est pas seulement la capitale où résident 18% de la population, elle est également l'une des trois capitales européennes et elle est le centre économique du pays où sont concentrés la majorité des emplois. Malgré tout cela, la Ville de Luxembourg n'a pas de statut particulier, donc pas non plus au niveau du financement.

### Les recettes locales

Les recettes de la Ville proviennent pour un tiers de l'impôt commercial communal et de l'impôt foncier, un tiers provient de transferts financiers de l'Etat basés sur le nombre des habitants et un tiers de la rémunération de prestations de services et de fournitures, dans cette dernière catégorie de recettes l'énergie joue un rôle prépondérant – Luxembourg est une des rares villes qui gèrent la fourniture d'énergie en régie propre.

L'impôt commercial communal a pour assiette le bénéfice d'exploitation des entreprises, des commerçants et des artisans, il est donc le reflet de l'activité économique. Perçu par l'Etat pour le compte des communes, son produit ne leur est pas reversé intégralement mais fait l'objet d'une péréquation qui repose sur le principe que le bénéfice d'une entreprise n'est pas seulement réalisé par des salariés habitant la ville, mais également par des salariés résidant dans d'autres communes. Bien que ne bénéficiant pas de la fiscalité de l'entreprise, ces autres communes doivent quand même se doter des infrastructures pour l'accueil des salariés, écoles, crèches, transports publics etc. C'est pour cette raison qu'une partie du produit de l'impôt commercial est redistribuée via le fonds de participation. Pour la Ville de Luxembourg, on peut dire que environ 50% de l'impôt communal est rétrocédé par péréquation aux autres communes.

En ce qui concerne les relations financières entre le gouvernement central et les collectivités locales, l'autonomie locale a été renforcée depuis la réforme des dotations de l'Etat en 1987 avec la mise en place d'une dotation générale de fonctionnement non affectée. Cependant l'influence de l'Etat sur certaines décisions budgétaires reste importante, au niveau des contrôles budgétaires et surtout en matière de recours au crédit ou de comptabilité communale.

L'impôt commercial communal au Luxembourg étant basé sur le bénéfice d'exploitation des entreprises, les recettes de la Ville de Luxembourg sont étroitement liées à l'activité économique et notamment du secteur financier. Comme la plupart des banques sont établies en ville, nos recettes fiscales propres sont tributaires des cycles économiques; cette dépendance engendre aussi un certain nombre de risques. L'activité économique soutenue au courant des dernières années a engendré des revenus satisfaisants et, grâce à une gestion financière stricte, la Ville a pu rembourser au début de cette année son dernier emprunt; mais cette situation enviable risque de se dégrader rapidement en cas de retournement économique.

Les communes au Luxembourg en général et la capitale en particulier demandent au gouvernement de réduire la dépendance du financement des missions locales de la rentabilité des entreprises et à augmenter ainsi la prévisibilité des recettes publiques. Cela pourrait se faire par le biais d'une participation globale aux recettes de l'Etat.

### Les dépenses

Comme je l'ai déjà dit, le Luxembourg, petit pays, ne connaît que deux niveaux d'organisation publique, le gouvernement central et les communes. La répartition de l'action publique entre les deux niveaux s'oriente aux principes de la subsidiarité et de l'efficacité, tout en garantissant une implication maximale de la population.

Ainsi, les compétences en matière d'enseignement secondaire et universitaire, en matière de sécurité ou des allocations de chômage reviennent au gouvernement central, les missions comme l'enseignement primaire, la salubrité publique, l'animation culturelle sont essentiellement du domaine communal.

En 2000, au Luxembourg, le poids de la dépense publique au sein du PIB a été de 41,2%, ce qui était en dessous de la moyenne des quinze pays de l'Union Européenne de l'époque (45,9%); les dépenses locales n'ont représenté que 5,7% du PIB, taux nettement inférieur à la moyenne européenne.

La délimitation entre les compétences locales et nationales est adaptée pragmatiquement selon les évolutions de la société dans un débat public. Aujourd'hui certaines missions – très onéreuses – sont considérées comme facultatives par le législateur: les transports publics ou la politique sociale pour ne citer que ces exemples. Certaines missions facultatives comme la culture, les crèches ou encore l'enseignement musical sont considérés comme étant d'intérêt général et peuvent bénéficier d'aides financières de l'Etat.

Quelles sont les missions obligatoires et les missions facultatives des villes?

Dans ce contexte se pose la question du taux de couverture des services offerts par les communes.

La libéralisation qui nous est imposée par Bruxelles nous met de plus dans une situation de concurrence vis-à-vis du secteur privé.

A l'avenir nous devons donc adapter nos structures locales si nous voulons rester concurrentiels et assurer ainsi la pérennité de nos recettes propres.

## Contribution of Madrid

**Ms. Ana Román, Councillor**

Presented Mr. Pedro Calvo-Sotelo, General Director of International Relations

Dear Mayors and representatives of the capital cities of the European Union; ladies and gentlemen:

Last November, Budapest took over the presidency of the Union of Capital Cities of the European Union from Madrid. The Mayor of Madrid, Alberto Ruiz-Gallardón, gave his Hungarian counterpart, Mr. Gábor Demszky, the key that symbolises the Presidency of this important institution, which since that time has incorporated the capitals of the ten countries that became members of the European Union on the 1<sup>st</sup> of May. On behalf of the Mayor of Madrid I would now like to congratulate Budapest for the brilliant organisation of this new Assembly, which underlines the emerging prominence of Central Europe. This Conference brings us together now in order to focus on the topic of the relationship between capitals and central government in terms of the budget of the capitals. I am certain that, in this respect, Madrid's experience will be of great interest to the participants of this Assembly, and therefore, on behalf of the Mayor of Madrid, I will now share this experience with you all.

Spain is currently celebrating the 25<sup>th</sup> anniversary of the setting-up of its first democratic City Halls. Over this quarter of a century, the role performed by these institutions has evolved considerably. While local governments initially had to deal with the provision of basic public services, the explosion of new technologies and continuous progress experienced in the last decade, have meant greater demands and the need for higher quality in local policies. It is quite true that the incorporation of Spain as a full-member of the European Union and the access to large international exchange networks, have obliged Madrid to face up to new needs. This globalisation and internationalisation of the economy has already been experienced by other large European capitals, and I am convinced that those capitals that recently entered the European Union, such as Budapest, will also be faced with the same situation. These new needs relate to the complex political, economic and social changes of our times, which have transformed the environment in which local governments have traditionally operated. For instance, nowadays we face up the need to integrate the immigrant population or the economic promotion of the city.

The territorial and administrative structure of my country is characterised by the fact that it presents one of the highest levels of decentralisation in the world. This decentralisation has evolved over the last few years primarily in favour of the regions ["Comunidades Autónomas" – Autonomous Regions], which now account for 33% of the national budget. Nevertheless, this considerable percentage contrasts markedly with the figure of 13% allocated to Local Administrations. Madrid City resources are as follows: 39%, transfer from the Central Government; 39%, direct Taxes; 7,6%, Indirect Taxes; other taxes and local revenues, 14%.

The strong political leadership currently exerted by the Mayor of Madrid, Alberto Ruiz-Gallardón, along with the adoption of certain legislative measures in favour of large cities, have contributed to the recent introduction of this topic –the system of financing– in Spain’s political agenda. Actions for correcting this imbalance have been indicated, with the clearly stated aim of providing local governments with the resources they need in order to face the challenges I have mentioned above.

Recently, the Mayor of Madrid has stated that he is confident and hopes that the current Spanish Government will pass a Special Law for Madrid and Barcelona. However, this Law should be accompanied by a specific system of financing that guarantees the necessary resources to meet the expectations currently demanded.

This financing must be defined via an analysis of the particular characteristics of these types of cities, characteristics which I feel are to a large extent shared by the cities represented here. Therefore, it is clear that in these cities singular problems arise as a result of their high population density and the great demand for services, to such an extent that, in Spain, Madrid is the city that has experienced the greatest population increase in recent years, with a figure of around 7.5%. Moreover, special costs occur due to the presence of institutions from various Administrative levels, on the basis of a greater or lesser degree of decentralisation. Exemption from municipal taxes enjoyed by embassies, ministries and other public organs are, in turn, good examples of the costs incurred by status as a capital. These costs are augmented by costs relating to centrality. Thus, in the case of Madrid, we notice that nearly two million citizens who do not reside within our municipal area travel through the capital on a daily basis, with the resulting consumption of public services. It is evident that in a Europe without borders, charging for these services would be anachronistic and increasing the taxes of residents would be unjust.

As the Mayor of Madrid has pointed out, the solution to this additional need for financing may lie in an increase to the city’s participation in certain State taxes, such as VAT or Personal Income Tax, of which we currently receive 2%. This method is especially fair, bearing in mind that large cities, and Madrid in particular, boost the growth of the national economy to a great extent, and while these taxes are linked to this growth, we get little reward. It is incomprehensible that a city which generates 11% of Spain’s Gross Domestic Product (a source of wealth which in recent years has increased at a much greater rate than the European average) fails to receive, in exchange, the necessary resources to further increase this prosperity, prosperity which is partly redistributed throughout the entire country by the city of Madrid acting in solidarity.

All in all, I feel that this approach may be of interest to other European Capitals, and therefore we may shed some light on the methods that will provide local governments with more resources. Of course we back the statement of the UCUE and the need of a stronger urban dimension of the future policy of the European institutions. I also hope to hear your ideas and contributions during the debate, of which Madrid will take particular note.

Many thanks.

## *Contribution de Paris*

**Mr. Daniel J. Gaitelli, Head of Cabinet of International Relations**

Je souhaite avant tout remercier le Maire de Budapest de nous accueillir aujourd'hui et d'avoir assuré, avec efficacité, la présidence de l'UCUE pendant ce semestre, ainsi que l'organisation de cette réunion.

Le Maire de Paris, M. Bertrand Delanoë, m'a chargé de vous transmettre ses plus vifs regrets de ne pouvoir être présent parmi vous aujourd'hui. Il a malheureusement, tout comme M. Pierre Schapira, son Adjoint chargé des Relations Internationales et de la Francophonie, été retenu à Paris.

Je voudrais également remercier tout particulièrement Londres et Budapest pour le travail préparatoire effectué sur le texte relatif à l'avenir de la politique de cohésion.

Avant de parler de la situation financière parisienne, qui est vraisemblablement assez proche de celle que vous connaissez ailleurs en Europe, il convient de rappeler quelques éléments de contexte plus généraux, nécessaires à la compréhension des relations financières entre l'État et les collectivités locales en France :

- l'organisation décentralisée de l'État français confère une autonomie aux collectivités locales, qui demeurent néanmoins sous le contrôle étroit de l'État
- Paris est dotée d'un statut particulier et constitue à la fois une commune et département. Elle exerce donc les compétences dévolues à chacune de ces collectivités (urbanisme, équipement des établissements scolaires primaires et des collèges, action sociale, environnement, culture,...) et dispose des ressources financières correspondantes
- Les principales ressources financières des collectivités locales françaises sont au nombre de trois :
  - la fiscalité locale (seuls les taux sont fixés par les collectivités locales, les assiettes étant déterminées par le législateur )
  - les transferts financiers de l'État
  - et enfin, les redevances, qui constituent la contrepartie à des services rendus aux habitants.

Destinées à soutenir les finances locales, à garantir la solidarité nationale (à travers des mécanismes de péréquation), mais aussi à compenser les transferts croissants de compétences et de charges liés au développement de la décentralisation en France, les relations financières entre l'État et les collectivités locales se caractérisent par leur importance, leur complexité mais aussi leur instabilité.

Ayant peu de temps, c'est sur ces 3 caractéristiques que je vais concentrer mon intervention, d'autant qu'elles constituent les raisons principales de la vivacité des débats en France sur ce sujet.

**1. L'importance** des transferts financiers de l'État : ces transferts, qui se sont élevés à environ 60 milliards d'euros en 2003 (soit le 2<sup>e</sup> poste de dépenses de l'État), constituent, après la fiscalité locale, la seconde ressource des collectivités locales, puisqu'ils représentent, en moyenne, 30 % de leurs ressources.

A Paris, en 2003, les recettes de fonctionnement qui résultent du produit de la fiscalité locale se sont élevés à environ 2 milliards d'euros, soit 50 % du total des recettes de fonctionnement de la Ville, tandis que les dotations de l'État représentent 30 % de son budget de fonctionnement.

**2. Autre caractéristique : la complexité.** Poursuivant de multiples objectifs, les flux financiers de l'État vers les collectivités, ainsi que les mécanismes liés à ces transferts, sont divers et complexes : subventions, dotations, compensations fiscales, fonds de péréquation, relations croisées de trésorerie...

Par ailleurs, la complexité des critères d'éligibilité et d'attribution de certaines dotations rend parfois le système peu lisible.

Enfin, la gestion financière des collectivités locales par l'État (l'État gère l'assiette et recouvre les impôts locaux, assure la tenue des comptes, et apporte des avances aux collectivités) va dans le même sens.

**3. Troisième caractéristique enfin : l'instabilité** de ces relations financières, qui est source d'incertitudes pour la gestion budgétaire des collectivités locales. Cette instabilité s'explique par les fréquentes modifications législatives et réglementaires, concernant la fiscalité locale mais aussi les dotations versées par l'État.

En matière fiscale par exemple, la récente réforme de la taxe professionnelle (un des 4 impôts locaux) a beaucoup affecté le budget parisien : elle a entraîné une diminution importante de l'impôt, certes compensé par une dotation de l'État, mais qui change la nature de la ressource et ne garantit pas son évolution à l'avenir.

L'instabilité concerne aussi les dotations de l'État, puisque le mode calcul et d'indexation des dotations qui constituent des compensations liées aux transferts de compétences, ne garantit pas l'adéquation entre les ressources et les charges.

Petite illustration des conséquences de cette instabilité : le Maire de Paris a écrit récemment au Premier Ministre, pour alerter son attention sur les conséquences, pour le budget parisien, de certaines disposition du projet de loi de finances 2005.

**Conclusion** : les débats sont très vifs en France sur le sujet des finances locales, compte tenu notamment des récentes lois de décentralisation, qui conduisent à confier de nouvelles compétences aux collectivités françaises, et donc des charges nouvelles.

Le nouvel article de la Constitution française, qui prévoit que « les recettes fiscales et autres ressources propres des collectivités territoriales représentent une part déterminante de leurs ressources », n'a pas encore rassuré complètement les élus locaux.

C'est bien l'autonomie des collectivités locales qui est en jeu, et toute nouvelle réflexion devrait mieux prendre en compte le cadre européen.

Contribution of Sofia  
**Stefan Sofianski, Mayor**

Thank you Mr. Chairman.

Mr Demszky, Dear Colleagues,

First, let me thank you for the possibility to be with you and to discuss this very important problem of the local self-government.

I am the only, as I see on this occasion, who is the Mayor of the capital of a candidate country. But 2007 is coming very soon, and I hope that then we can share again more and more positive experiences. But as a Mayor of the capital of a candidate country let me give a very simple example. If you ask a politician, what is the European Union he will immediately tell you: the European Union is common currency, harmonised legislation, common banking system and so on. But if you ask a common European on the street, what the European Union is, he will give you immediately the answer: this is equal standard of living. This is what is interesting people, the way they are living. And European Union if you see it as a system, the final goal is for all of us, in our countries, in the countries of Europe, to live at the same standard. And if you ask the same person, „who is dealing with your standard of living?“, he will tell you immediately, „the Mayor“.

The Mayor is responsible for the streets, for the kindergartens, for the school, for the public transport, for the city-lightening and so on. Here, I am giving this example just to support that I think the clear message for the European Commission is that in the structure, which is dealing with European matters, the importance of the local authorities has to be recognised. The very, very important problem which we have, that if we are not working well, if we do not have power resources, if we are not maintaining our cities, if we are not developing the structure, there is no European Union. The different standards of living will remain. Here we need I think a very, very good basis in the field of the financing and the connection. I will not say partnership, because sometimes partnership does not happen with the central government. I think we have to look for clear – it is hard to say – regulations, but in any case, principles in the financing of the local authority. First, we need stability as my colleague from Ljubljana said: „cabinets are coming and cabinets are going“. This gives the local authority – if they are not supported with financing – a very uncertain and unpredictable budgeting.

We need a stable basis and in this way we can plan and we can work with the financing for a long term period, because an infrastructure – a subway for example – is a matter of years, it is not a matter of one mandate even. If we do not have the perspective for our financing and the stable background for our financing, we cannot borrow, we cannot finance anything.

And here is the first point. I think that it would be very logical if the base of our financing were general income tax and property tax. Why? It is very simple, because it is acceptable for population. I am working in the city, I am paying a general income tax to my

government to live better in this city. Property tax, I am paying the property tax. Why? Because the city is the one, who is taking care for my property. The street to be fixed, to have access to all of the infrastructure, water, power, and so on. We have to succeed in having these basis shared with the government – for those who are living in countries – and also succeed in having this fix and stable rate in the partnership (where I will say) with the government.

Second, independence in the local taxes as a mean to support and to develop the economy of the city.

Third, independence of course, and responsibility also when we are borrowing, when we are giving guarantees, when we are issuing Eurobonds, or emitting bonds. Because here I really have – but I am sure that a lot of my colleagues also have – problems with the central government.

And fourth, the property. The property is a very important instrument for developing our cities. And here I will give a radical solution, but I think that finally it has to be done like this. Every property, which is not needed for the direct function of the government has to be transferred to the municipality. Why? Because we are the owners actually. If again, this person is walking by a house, which is destroyed, or is in bad condition, he is not asking if this is an old ministry house, he thinks the Mayor is the one who has to take care for this house. And if we have the property, more independence in working with the property, then we can influence also our financing.

And finally I will mention another important topic. We are working on several projects with Euro funds. We have to break the monopoly of the central government to work with the European funds. This is very important, and I will give you the very simple reason. I have this case in Sofia. We won a project for a waste-water-station. About 20 million euros. We did all the process. We made the project, and the process of changing the initial project. Everything was done by the central government. Finally the operation of the station – the waste-water-station – belongs to the municipality. At the moment, the problem I am feeling is, that we are out of the process of investments. It was postponed for years and finally we received a bad product. Why? Because the person in the Ministry of Finance does not care, he is following the cash flow. He will not work tomorrow on the waste-water-station. We are working there. The second: the priorities. We know better than the Ministry of Finance or the Ministry of Regional Development, the order of the priorities in our cities, and in what position we are in. We put three our four projects on the agenda and someone else is choosing the next step. Because of this reason I think we have to win this really important fight, and gain direct access to the infrastructure funds.

And then I want to support the two priorities, which Mr. Gábor Demszky gives: the prefabricated housing and the transport. In our cities they are really huge problems. Here in Budapest I read 40%, in Sofia about 55% of the population is living in that type of building. Unfortunately, a heritage from another period, but I think we are all common with this.

Thank you dear Colleagues!

## Contribution of Stockholm

**Ms. Catharina Tarras-Wahlberg, Deputy Mayor**

Presented by Ms. Cecilia Fraenkel, senior international co-ordinator

### Picture “This is the City of Stockholm”

The City of Stockholm has approximately

760 000 inhabitants out of whom 607 446 have the right to vote.

Each four years we have elections to elect the 101 members of the City Council.

The City of Stockholm has about 46 000 employees that serve these 760 000 inhabitants.

We at the City Council have the taxation and decision-making powers and our major areas of responsibility are:

- Education
- Streets and other city infrastructure
- Care services for elderly and disabled
- Social welfare services.
- Cultural and sports activities.

### Picture “Municipal tax”

The city council decides both the size of the income tax and how to allocate it.

Today a citizen of Stockholm will pay approximately 30.35 Swedish crowns of each 100 Swedish crowns that he or she earns.

Of this 12.27 Swedish crowns go to the Stockholm County, which are responsible for:

- Health and medical care
- Public transports

The 18.08 is what we in the City council decides on how to use.

### Picture “The income of the city of Stockholm”

The budget is approximately 3,4 billion €.

As you can see the tax revenue is about 68 % of the City of Stockholm’s income.

State contributions is about 10%

“The cost of the city “

Of the budget in Stockholm approximately 61 % goes to our 18 District Councils.

Picture “18 District Councils”

The District Councils are in charge of major parts of the municipal activities. An important part is to increase the contact between politicians and citizens, in order to give citizens more influence over the municipal activities.

Picture “the responsibilities of the District Councils”

The District Councils are responsible for, for example, elderly care, pre-schooling, comprehensive school and social services.

A district council can prioritise its activities according to local needs and special requirements, however it must follow the City Councils overriding goals and guidelines.

How much each district council receives depends on its individual needs, statistics regarding the number of inhabitants, age and living conditions.

Picture” The political focus”

The political focus

The unemployment is 5%. One of the main objectives is to raise the level of employment and reduce dependency on social welfare. Several initiatives have been taken towards increasing the labour market participation. The growing population of elderly may impose a rising cost burden. Several initiatives have been taking to develop the elderly care.

The City’s goal is construction starts for 20 000 new housing units during the current term of office.

During 2003, the City Council adopt a new environmental programme for all of Stockholm’s operations. All our district councils have to work with Agenda 21 issues and all the committees and parent companies have to take their part of the responsibility.

20% of the citizens in Stockholm are not born Sweden. We have citizens from 189 countries around the world. Stockholm is not only a diversified city, it is also a segregated city. People with different ethnic and social background live in different parts of Stockholm and do not have equal opportunities. Integration is a very important issue.

The city bears a responsibility to work against discrimination as an employer, a service provider and a provider of funding. Discrimination on grounds of ethnic background, religion, physical or mental functional disability, sex or sexual orientation must not occur in the activities of the city.

Thank you!

## Contribution of Tallinn

**Mr. Edgar Savisaar, Mayor**

Presented by Mr. Heido Vitsur, adviser to the Mayor

Mr. Mayor, Gabor Demszky, Ladies and Gentlemen:

I am pleased the UCUE has accepted Tallinn's proposal to discuss, here at this forum, an important issue for all of us – budgetary relationships between the capital and the state.

Relationships between capitals and states have never been simple, especially the issue of financing. However, this question is becoming ever more topical for the following reasons.

First, the enlargement of the European Union and greater cooperation among member states considerably increase the significance of interregional cooperation. As a rule, capital city regions are the key regions in this cooperation, and this poses new challenges for them and requires reassessment of cooperation principles between them and the state.

It is clear that the capacity of capital city regions to meet the challenges depends to a great extent on how they are financed.

I see a clear threat here to all European capital city regions. This is so because in addition to the current economic hardships in Europe and the difficulties caused by restrictions laid down by the Stability and Growth Pact, there are other difficulties arising from tax competition among countries. These difficulties are increasingly threatening Europe and we are in danger of losing control of them.

We know that in today's Europe there are certain forces interested in launching unlimited tax competition and abandoning the social model which has governed us until now. Also, we know that many European governments try to save their countries from the devastating effects of tax competition, and thus, the position adopted by us, mayors of European capitals, has a direct impact on future developments.

It is ironic that I represent the capital of a country in which the government's economic policy is aimed to achieve the goal of becoming the leader of tax competition in Europe. Therefore, we in Tallinn have considerable practical experience in who is the first to suffer under international tax competition. There is no doubt that it is the revenue of municipalities, which in turn will harm their physical and social infrastructure. And if the infrastructure deteriorates, the whole social development of the capital city region, and with it, the whole population, will suffer.

Unfortunately, the experience of Tallinn, and not only Tallinn, shows that in such a situation it is large development projects that suffer the most; for example regeneration projects of whole regions. And this is something that the future competitiveness of capital city regions depends on.

I can give you an example. As in many European countries, Estonia uses a motor fuel excise tax to finance road construction and maintenance. However, while a quarter of the fuel consumed in Estonia is burnt by cars driving in the streets of Tallinn, the capital has

not yet received a single percentage of the excise tax collected in Estonia for its road construction.

What should be done to prevent such developments? First, we should take a firm position against any tax competition that would be put on the shoulders of municipalities.

Secondly, it is necessary to make known to the public and to clarify the nature of undesirable socio-economic processes that inevitably plague countries that either lead in tax competition or are forced to go along with it. These are increased social stratification, a more elitist education and health care system, less social and physical security for the population, and, ultimately, the obligation of municipalities to meet all these expenses in the future – and then with incurred interest and a smaller overall benefit due to the delay.

I believe there is a great risk that tax competition among countries may proliferate. This is so because the EU has no compulsory common tax policy and no common social standards. Accordingly, experience teaches us that tax competition unleashed in countries concentrating on present-day economic interests will spread unchecked to many other countries and impair the revenues and development opportunities of their municipalities. And all this happens in a situation, where borrowing is already limited by the Stability and Growth Pact.

We have to direct the attention of the European Parliament and other institutions to the fact that even if tax competition does not involve all EU member states, the process will have a clear negative impact on all other regions in the EU in the light of fundamental freedoms valid in the EU. I believe that we have the obligation to make a supreme effort to prevent the consequences of unleashed tax competition. These consequences include discriminating fundamental freedoms in the EU and making the resulting damages be borne by municipalities.

I would like to add that at the end of September this year the 4<sup>th</sup> International City Administration Conference “Capital City Administration: Opportunities and Challenges” was held in Tallinn. One of the issues discussed there was the relationship between the capital and the state. The representatives of Amsterdam, Berlin, Bratislava, Helsinki, Oslo, Riga, Stockholm, Tallinn and Vienna attending the conference adopted a declaration which, among other things, stated the following: “Our task is to point out what the experience of several new member states of the European Union has demonstrated – the increasing tax competition among the EU countries will have a serious impact on the revenues of municipalities located in regional development centres and capital city regions, resulting in a risk to the European development focused on decentralisation, and thus, the competitiveness of Europe in the world.”

I believe this thought provides a good foundation for the next presidency – Amsterdam – and will be discussed more thoroughly at the next UCUE annual conference. Tallinn wishes to actively participate in this process.

Thank you for your attention.

## Contribution of Warsaw

### **Ms. Mirosława Boryczka, Deputy Treasurer**

Honourable Mayors, dear participants,

I would like to express the apologies from the Mayor of Warsaw, Mr. Lech Kaczyński, who is not able to attend this meeting and I have a great honour to transmit his greetings to our host, Mayor Demszky, and to all the members of the General Assembly.

I have a great pleasure to be able to speak on behalf of Warsaw, here in Budapest, the city, which has given us such a warm welcome.

Janosik, whose name is a Polish diminutive of the Hungarian name Janos, was a brigand in the Tatra Mountains, who took, just like Robin Hood, by force from the rich to give to the poor. Still today, he is a Polish hero. As I have heard, we share this hero with our neighbours, the Slovacs, just as we share the Tatra Mountains with them.

Janosik is also the popular name for a Polish new fiscal compensation system, which does, as it is generally understood, the same: it takes from those, considered as rich, mainly the City of Warsaw, to nourish the budgets of the poorer municipalities. Warsaw pays this way about 40 million euro to the Ministry of Finance. And the contribution is increasing and will be doubled next year. Although the equalisation mechanism, which is an important part of the solidarity system, has existed for years, the burden has never been so heavy to Warsaw before.

Warsaw total budget, on the revenue side, is about 1.5 billion euro. It comes from two main sources of revenue: own incomes and transfers from the state's budget: global grants, specific grants and a share in the income taxes.

The largest part of the own revenues are the local taxes: real estate tax, vehicle registration tax, forest, agriculture tax, tax on dog and vehicles. For most of them, the city is free to fix the rates. Currently these taxes make about 20% of total revenue of our budget. Miscellaneous own revenues (e.g. from the city's property) give us another 20% of our budget.

Almost 60% of our revenue comes from the central government budget or is levied by the government. A very important part of our revenue is the share in the income taxes – the personal and corporate ones. It amounts to little under 40% of total revenue. The share in income taxes is a component of a transfer system from the state's budget because it is the government who has the exclusive role in setting the rates of taxes as well as in the decisions about reductions on taxes.

The other part of the transfer consists of global grants and specific grants. The global grants are supported by law, which means that they are certain and safe sources of revenue. But the only global grant received by Warsaw is addressed to the education expenses of the city. Its share in the total revenue is still decreasing and it makes now about 11% of total revenue. In fact, we have to pay half of the expenditure for education by

ourselves, from our own revenues. Specific grants, partly discretionary, make only 5% of our budget. And almost the same amount of money we have to spend according to this Janosik's charge, as our contribution to the revenue redistribution system. I have to mention that this charge makes one third of our budgetary deficit.

And in the last few years the next decentralisation process took place in Poland. The responsibilities have been moved from the state to the municipalities. But our funds have not increased enough, as usual, so it is more and more difficult to finance the growing expenditure. The flexibility of allocation of the revenue is decreasing. And when we think about the effective regional policy, the flexibility in this field is crucial.

It is obvious that also in the new member states, the Capital Cities are the main drivers of the development of their surrounding regions and even the whole country. But if the engine in a car does not function well, the whole car cannot move forward quickly. Therefore, the engine, the capital city, needs money for its investments. Warsaw itself invests almost 21% of its revenue. The capital is the entry point into the country. It has to attract investors, managers, researchers. It has to be attractive. Its attractiveness is to the benefit of the whole country. We should rather try to reinforce, also financially, the mechanisms of redistribution and multiplication of development effects, obtained in the capital cities, rather than financially slow down the main driver of development.

About 600,000 commuters come daily to Warsaw, a city of 1.7 million inhabitants, not only for tourism, but also to work there. Warsaw has the lowest unemployment rate in Poland, just one third of the countries average. People who work in Warsaw pay their taxes where they live and spend a good part of the money they earned outside Warsaw. There is an estimate stating that the municipalities in the Mazovia region, surrounding Warsaw, earn annually additional half a billion zlotys, a bit more than hundred million Euros for their budgets, thanks to spread- and redistribution effects, streaming from Warsaw.

Many foreign companies, who first open a representation or branch in Warsaw, later buy a built a production plant within the country. The same is true for services or commerce. They create jobs throughout the country, if they had a successful start in the Capital City.

These examples should make our Janosiks review their concepts and proceedings. Co-operating in UCUE, we should help our Janosiks to better understand the mechanisms of spreading development effects from the capital cities, which is possible when their potential is strengthened and used properly.

## Summary of the Moderator

**Mr. Iván Tosics, Senior Adviser to the Mayor of Budapest**

### Summary of the Second Round-Table:

#### *CAPITAL CITIES AND CENTRAL GOVERNMENTS, THE BUDGET OF LOCAL AUTHORITIES*

Financial aspects of urban development, central-local relationships will probably become the topic of one of the upcoming UCUE meetings. This is important for at least the following reasons, which were mentioned in the contributions of the 10 cities:

- The financing of Services of General Interest is a major issue: how to handle the liberalization efforts of the Commission. Even the content of services of general interest can be a matter of debate, e.g. is public housing part of this or not.
- How should the efforts for decentralization, going on in many countries, be tackled, how should the new tasks of local governments be financed. Both forms of decentralization are important here: between the central and the local level, and between the municipal and the district level. Also the relations between the city and the region should be discussed, if national decentralization leads to the strengthening of the regions and tax competition will become even sharper.
- It is difficult to argue by the EU for additional financing if in our own country the capitals are too much suppressed, large share of their revenues is redistributed to other parts of the country, sometimes as a result of ad-hoc decisions. While some redistribution from the usually most affluent part of the country to poorer parts will be unavoidable also in the future, it is an important task to maintain the interest of the capital in more efficient development. Thus the rules of financing should be clear, there should be a clear separation between revenues, which are redistributed and those, which should not.

For all these reasons the discussion on the financial aspects of urban development would be important, to help capital cities in their lobbying against their national government and also on the EU level. The aim could be the establishment of a contract between the central government and the largest cities, including links to EU funding opportunities, which seems to be possible according to the draft SF regulation.

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