



EUROPEAN COMMISSION
Inter-Service Group on Urban Development

The urban dimension in European Union policies 2010

Introduction and Part 1

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FOREWORD



Cities and metropolitan areas are the engines of economic development. They are also at the frontline when it comes to tackling obstacles to growth and employment, such as social exclusion and environmental degradation.

The European Union contributes to the sustainable development of urban areas through a range of policies and initiatives which cover many areas of activity. In particular, the EU's Cohesion Policy, through the Structural Funds, plays a key role in underpinning the development and revitalisation of Europe's towns and cities. And with integrated urban development, an increasingly important priority for the programmes financed across the EU's regions by the Structural Funds, it will continue to do so.

However there is still a need to improve awareness and understanding of these European policies and programmes. Those responsible for managing and implementing urban policies in the regions have an increasing need for information. These are legitimate expectations and I believe it is important for the European Commission to respond. This is why, in 2007, the European Commission's Inter-service Group on "Urban Development" brought forward the first edition of this guide, designed to explain EU initiatives in the field of urban policies.

This updated version is targeted at those working on urban issues in local and regional authorities, elected representatives, and all other stakeholders with an interest in urban development. It identifies initiatives which, under various EU policies, have both direct and indirect implications for the sustainable development of urban areas.

Several other EU programmes, including the "7th Framework Programme for Research and Technological Development" and the "Competitiveness and Innovation" programme also finance measures promoting the sustainable development of our towns and cities. EU policies equally impact upon culture, youth, health, the environment, urban transport and energy efficiency, urban safety, state aids and services to citizens – to name just a few other policy areas. The guide sheds light on all the programmes and initiatives concerned.

I hope that this revised guide will be useful for all those who are contributing to the attractiveness and competitiveness of European cities and towns. I also hope that stakeholders in urban development – both public and private – will get better acquainted with existing provisions at EU level.

The good governance of urban areas requires quality information. I am convinced that this guide provides a key contribution.

Dirk Ahner

Director General, Directorate-General for Regional Policy

**Our thanks for the contributions and the realisation of this Guide
to all members of the Inter-service Group on Urban Development:**

DG Agriculture and Rural Development

DG Competition

DG Education and Culture

DG Employment, Social Affairs and Equal Opportunities

DG Energy and Transport

DG Enterprise and Industry

DG Environment

EuropeAid

DG Health and Consumer Protection

DG Information Society and Media

DG Internal Market and Services

DG Justice, Freedom and Security

DG Research

Secretariat General

*The drafting of this Guide was coordinated by
the Directorate-General for Regional Policy*

Introduction to the guide

This document has been drawn up on the initiative of the Inter-service Group on Urban Development, in which the following Directorates-General (DGs) are represented: Regional Policy; Employment, Social Affairs and Equal Opportunities; Research; Energy and Transport; Environment; Information Society and Media; Enterprise and Industry; Justice, Freedom and Security; Health and Consumer Protection; Education and Culture; Agriculture and Rural Development; Internal Market and Services; Competition; EuropeAid and the Secretariat-General.

The European Commission established the Inter-service Group on Urban Development in December 2005. It is chaired by the Regional Policy DG and pursues the following three objectives:

- To promote an integrated approach to sustainable urban development when programming and implementing the assistance of the Structural Funds;
- To identify the initiatives under the various EU policies aiming to support sustainable development of urban areas and to ensure the necessary cooperation between the Commission services in this respect;
- To ensure partnership between the Commission, the European Parliament, the Committee of the Regions, the associations of towns and urban areas and to establish regular dialogue allowing the exchange of views and the gathering of observations from these bodies on the consideration given to the urban dimension.

The present guide builds on the work presented in "Sustainable Urban Development in the European Union: A Framework for Action"¹ and reflects a key mission of the Inter-service Group. Its aim is to increase the visibility of the urban dimension of *all* EU policies for the period 2007-2013 by identifying the full range of initiatives under these policies with direct and indirect implications for the sustainable development of urban areas. These implications are multi-faceted, involving:

- the impact of EU policies in urban areas;
- the ways in which cities can benefit from EU policies;
- the ways in which cities can play a role in the implementation of EU policies.

The guide is intended to assist all stakeholders involved in urban development, providing information on the potential sources of finance, by theme. Additionally, the main exchange of experience schemes covering urban issues and supported directly by the European Commission are presented. It should be noted that other networks and associations of actors involved in urban development exist and with which the European Commission has long-established relationships.

¹ COM(98)605

The guide does not claim to be exhaustive so that, for each Member State, it will be necessary to refer to the national contact points for the various initiatives presented. The numerous links to Internet sites provide a useful starting point on the most important documents and information sources.

Layout of the Guide

Part 1 presents the framework for Cohesion Policy for the remainder of the 2007-2013 programming period, through its three financial instruments: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund.

The second part describes the urban dimension of the other EU policies for the same period, through the policies conducted by the Commission's Directorates-General for Employment, Social Affairs and Equal Opportunities; the Environment; Research; Energy and Transport; Information Society and Media; Education and Culture; Justice, Freedom and Security; Enterprise and Industry; Health and Consumer Protection; Agriculture and Rural Development; Competition; Internal Market and Services and EuropeAid.

The guide aims to set out the context of each policy area, its financial resources, exchange mechanisms and related information sources².

² The hyperlinks contained in this document can be viewed in the on-line version of the guide published at the following website of DG Regional Policy: http://ec.europa.eu/regional_policy/index_en.htm

Part 1

*The urban dimension and the
instruments of Cohesion Policy*

1. The background to Cohesion Policy

Cohesion Policy is the expression of the EU's solidarity with its less-developed regions. Tailored to their needs and potentials, programmes are co-financed by the Structural and Cohesion Funds, to support balanced growth and job creation. Through an integrated approach, these programmes strengthen the sustainable development of the regions and of the EU territory as a whole.

Eligibility for the funding of particular development projects within these programmes is defined by the Structural and Cohesion Fund [regulations](#) and depends on the classification of regions under the 3 objectives of **Convergence**, **Regional Competitiveness and Employment** or **Territorial Cooperation** (see map on page 12).

Since the mid-1990s, the URBAN Community Initiative programme has encouraged the promotion of the design and implementation of innovative, integrated development models based on local partnership to promote economic and social regeneration in urban areas in crisis. Building on these guiding principles, the EU is explicitly "mainstreaming" specific urban actions to address problems and opportunities in urban areas and is encouraging the Member States to do likewise. Such approaches have been integrated into the first two Cohesion Policy objectives mentioned above - *Convergence* and *Regional Competitiveness and Employment*. Furthermore, new instruments are being developed for cooperation and financial engineering, in order to provide cities with the resources to make a more active contribution to pursuing the objectives of growth and employment.

The promotion of sustainable development also constitutes an important element of Cohesion Policy with a view to optimising Europe's economic potential. Member States and their regions have the possibility, through drawing on the experience of the URBAN Community Initiative and the European *urban acquis*, to design, programme and implement appropriate, integrated development interventions in all European towns and cities. The recent publication "*Promoting sustainable urban development in Europe – achievements and opportunities*"³ gives an account of the progress made to date. In proposing a reflection on the fundamental principles of integrated urban development, with examples from across the European Union and options for the future, the brochure serves both as source of guidelines for those cities less experienced in this domain and at the same time, as a source of inspiration for those wishing to take the approach further.

The European Parliament and other European institutions are also supportive of the integration of sustainable urban development in the current programming period.

1.1. Key components of Cohesion Policy

Cohesion Policy has been allocated a total budget of EUR 347 billion (2006 prices). The regulations adopted in June 2006 provide Cohesion Policy with three financial instruments (ERDF, ESF and the Cohesion Fund) and define the following three objectives:

- the Convergence objective relates to those regions whose GDP has been below 75% of the 3-year EU average and accounts for 81.5% of Cohesion Policy funds,

³ http://ec.europa.eu/regional_policy/sources/docgener/presenta/urban2009/urban2009_en.pdf

- the Regional Competitiveness and Employment objective covers all the other regions and disposes of almost 16% of the funds,
- the European Territorial Cooperation objective (cross-border, transnational and interregional cooperation), with 2.5% of the funds.

The key principles of Cohesion Policy – additionality, multi-annual programming, partnership and shared management – apply to all three funds concerned. The principle of shared management means that, under with the principle of subsidiarity, the management of funding falls within the responsibility of the Member States, who, in turn, designate the Managing Authority responsible for programming, implementation and monitoring the measures of each Operational Programme (OP). In addition, eligibility rules for expenditure are established at national level, subject to the exceptions provided for in the specific regulations for each fund.⁴

The regulatory framework places an emphasis on:

- Concentration of the funds on those regions whose development is lagging behind;
- Simplification: reduction in the number of funds; mono-fund, single-objective regional and national programmes; abolition of zoning (all regions are eligible *a priori*);
- Integration of the Community Initiative programmes URBAN and EQUAL⁵ within the Convergence and Regional Competitiveness and Employment objectives. The themes and guiding principles covered by these programmes are henceforth taken into account as major objectives in the use of the funds;
- The strategic approach: the objective is to ensure coherence between the strategies and priorities adopted at all programming levels. The "Community Strategic Guidelines on Cohesion"⁶ (CSG), constitute an indicative framework to be complied with by Member States when drawing up their National Strategic Reference Frameworks (NSRFs) and their national and regional Operational Programmes (OPs).
- Complementarity between Cohesion Policy funds: The [Regulation laying down general provisions](#) on the ERDF, the ESF and the Cohesion Fund⁷ sets out the principle of the adoption of a single fund for Operational Programmes whereby an operation under a programme may normally receive financing from only one fund. Nevertheless, provision is made for a flexibility rule: as part of an operation, the ERDF or the ESF may finance, up to a 10% limit (or 15% in the context of an integrated urban development

⁴ Article 56 of the Regulation laying down general provisions.

⁵ The former Community initiative programme LEADER has been integrated into the new rural development instrument, the European Agricultural Fund for Rural Development (EAFRD).

⁶ Council Decision of 6 October 2006 on Community Strategic Guidelines on Cohesion, OJ L 291/11 of 21.10.2006 available on the Internet site:

http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/index_en.htm

⁷ Article 34(1) of Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the ERDF, the ESF and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, OJ L 210/25 of 31.7.2006.

strategy⁸), actions eligible under the other fund, provided that they are necessary for the satisfactory implementation of the operation.⁹

1.2. The urban dimension in the Community Strategic Guidelines

The CSG specify that Cohesion Policy has three priorities:

- improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving the environment;
- encouraging innovation, entrepreneurship and the growth of the knowledge economy by promoting research and innovation capacities, including new information and communication technologies; and
- creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

Cohesion Policy funded programmes must achieve a balance between the objectives of growth and employment and territorial cohesion, while cities symbolise the two-fold challenge currently facing the European Union: to improve competitiveness and at the same time to meet social and environmental needs.

The CSG therefore specify that: "Programmes with a focus on urban areas can take different forms":

- There are actions to promote cities as motors of regional development. Such actions aim to improve competitiveness: promote entrepreneurship, innovation and the development of services and boost the attractiveness of cities.
- Other actions aim to promote internal cohesion within urban areas by improving the situation of deprived neighbourhoods, notably by rehabilitating the physical environment, redeveloping brownfield sites and preserving and developing their historical and cultural heritage.
- Other actions aim to promote a more balanced, polycentric development of the European Union by developing urban networks at national and Community level. To achieve this objective, it is a matter of putting in place networks linking cities in both physical (infrastructure, information technologies, etc.) and human (promotion of cooperation, etc.) terms. Specific attention should also be paid to the urban-rural interface.

In addition, a quality urban environment contributes to “making Europe a more attractive place in which to invest and work”. The preparation of a medium to long-term sustainable urban development plan is desirable to ensure the coherence of investments and of their

⁸ Article 8 of Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the ERDF, OJ L 210/1 of 31.7.2006, see note 15 below.

⁹ Article 34(2) of the Regulation laying down general provisions; also see Article 39 of the same Regulation on the flexibility rule for the use of the ERDF and the Cohesion Fund.

environmental quality. This type of initiative facilitates the commitment and participation of the private sector. Area-based actions – for example, to promote social inclusion (actions seeking to improve the quality of life, including the environment and housing) or the level of services to citizens – must be combined with other actions to promote the development of new activities while creating jobs.

1.3. Communication on Cohesion Policy and cities

The [Communication from the Commission on Cohesion Policy and cities](#)¹⁰ proposed the strengthening of the urban dimension, to concentrate the resources of the funds in order to avoid them being spread too thinly and to make Community assistance more visible. It offered 50 concrete recommendations to cities and the actors involved in urban development so that they may contribute to growth and employment with the support of the Structural Funds and the other Community financial instruments. The proposals covered a very broad range of fields:

- To strengthen the attractiveness of cities in terms of transport, services, environment and culture;
- To promote balanced development between cities and to strengthen their relations with rural and peri-urban areas;
- To strengthen the role of cities as growth centres, to promote entrepreneurship, innovation and the knowledge economy and to support small and medium-sized enterprises (SMEs);
- To improve employability and to reduce the disparities between districts, on the one hand, and social groups, on the other;
- To combat delinquency and the feeling of insecurity;
- To improve governance of urban interventions through the commitment of all parties concerned and effective planning;
- To promote exchange of experience networks;
- To develop financial engineering mechanisms to achieve the maximum leverage effect with the Structural Funds.

This communication contributed to making the Member States more aware of the importance of improving the attractiveness of cities as part of the dynamics of growth.

It is based in particular on data from the ‘Urban Audit’¹¹ statistical programme. This provides a wide knowledge base, developed since 2001 by the Regional Policy DG with the support of Eurostat, which currently covers over 350 European cities.

¹⁰ Communication from the Commission to the Council and Parliament "Cohesion policy and cities: the urban contribution to growth and jobs in the regions", COM Brussels, COM(2006) 385 final of 13.7.2006.

¹¹ Launched in June 1998 as a pilot project, the Urban audit is a statistical information-gathering exercise that takes place every three years at the initiative of the European Commission. Eurostat, the statistical office of the European Communities, coordinated the work of the national statistical institutes of the 27

1.4. Mainstreaming the urban dimension in the National Strategic Reference Frameworks and Operational Programmes

In accordance with the [Council Regulation laying down general provisions](#),¹² each Member State presents an NSRF which ensures the coherence of the interventions of the Funds with the CSG and identifies the link between Community priorities on the one hand and the national reform programme¹³ on the other. Each NSRF is a reference instrument for preparing the programming of the Funds.

The NSRF identifies thematic and territorial priorities on the basis of an analysis of development disparities, weaknesses and potentials. Where appropriate, these priorities include actions relating to sustainable urban development.

Actions by the Funds in the Member States take the form of OPs which contain a justification of the priorities chosen, information on the priority themes or "axes" (including the urban axis) and their specific targets together with an indicative financial breakdown. The OPs financed by the ERDF may include information on the approach to sustainable urban development, the list of cities chosen for addressing urban issues and the procedures for delegation of operations to urban authorities.

Based on the analysis of all 316 ERDF Operational Programmes of all three EU Cohesion Policy Objectives, a Working Document¹⁴ has been drafted in order to give a first picture of how different aspects of urban development have been taken up in the 2007-2013 programming period. The availability of funding to cities has been clearly expanded. For the first time in the history of Cohesion Policy all cities are potential beneficiaries of ERDF funding. This is reflected by the fact that around 3% of the ERDF budget (approx. €10 billion.) has been programmed explicitly for urban development at Priority Axis level. However, it is also noted by this working document that the mainstreaming of Community initiatives in 2007-2013 has led to a stronger sectoral focus (especially in "Convergence regions") and that community involvement seems weaker than it was in the context of the URBAN Community initiative.

1.5. Partnership with cities

The relevant partners (local, regional and urban authorities, economic and social partners, etc.) must be consulted and participate in the "preparation, implementation, monitoring and evaluation of the operational programmes in accordance with national rules and practices", as provided for in Article 11 of the Regulation laying down general provisions (partnership principle).

Member States. The Urban Audit covers 362 cities, of which 321 are in the 27 EU Member States and 42 are outside the European Union (Norway, Switzerland, Croatia, Turkey). These cities represent more than 25% of Europe's population, or 120 million inhabitants. From 2009 onwards, the Urban Audit will take place each year.

¹² Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999, OJ L 210/25 of 31.7.2006.

¹³ Adopted under the renewed Lisbon strategy.

¹⁴ *Fostering the urban dimension: analysis of the operational programmes co-financed by the European Regional Development Fund (2007-2013)*, Working Document of the Directorate General for Regional Policy, Brussels, 25 November 2008.

http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/urban_dimension_en.pdf

In addition, each Member State or their designated Managing Authorities may decide to entrust the management and implementation of part of an OP to urban local authorities or regional development bodies. In this sense cities constitute such bodies, as they are not only places where citizens live and work but they are also actors. In all Member States, urban local authorities or municipalities have a growing number of responsibilities.

2. The European Regional Development Fund

2.1. Objectives and policy background

For the period 2007-2013, the [ERDF](#)¹⁵ “aims to reinforce economic and social cohesion by redressing the main regional imbalances through support for the development and structural adjustment of regional economies, including the conversion of declining industrial regions and regions lagging behind, and support for cross-border, transnational and interregional cooperation”.¹⁶

2.2. Types of actions and the urban dimension

The ERDF focuses its assistance on thematic priorities. The type and range of actions to be financed within each priority reflect the differing nature of the Convergence, Regional Competitiveness and Employment and European Territorial Cooperation objectives. The Commission recommended to Member States that they include a territorial or urban priority in their regional OPs, where relevant.

Under the *Convergence* objective (Article 4 of the ERDF Regulation), the Fund focuses its assistance on supporting sustainable integrated regional and local economic development and employment, where urban areas are equally eligible for benefitting from this type of investment. The mix of the measures to be implemented depends on the specific characteristics of each Member State. The Regulation defines the following priorities for assistance:

- research and technological development, innovation and entrepreneurship, including fostering of entrepreneurship;
- information society, including improvement of secure access to on-line public services;
- local development initiatives and aid for structures providing local services to create new jobs;
- environment, including rehabilitation of the physical environment, especially contaminated and brownfield sites and land;
- tourism, including aid to improve the supply of tourism services through new higher added-value services;
- investments in culture, including protection, promotion and preservation of the cultural heritage;
- transport, including integrated strategies for clean transport;

¹⁵ Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the ERDF, OJ L 210/1 of 31.7.2006.

¹⁶ Article 2 of the ERDF Regulation.

- energy, including the improvement of energy efficiency and the development of renewable energies;
- education, including vocational training
- health and social infrastructure.

Under the ***Regional Competitiveness and Employment*** objective (Article 5 of the ERDF Regulation), the Fund focuses its assistance on the following three priorities:

- innovation and the knowledge economy, including stimulating innovation and entrepreneurship by supporting business networks and clusters, improving regional research and technological development and innovation capacities and stimulating innovation and entrepreneurship in all sectors of the regional and local economy,
- environment, and in particular by stimulating investment for the rehabilitation of the physical environment, including contaminated, abandoned and brownfield sites and land, stimulating energy efficiency and renewable energy production and the development of efficient energy management systems, promoting clean and sustainable public transport particularly in urban areas, protection and enhancement of the cultural heritage in support of socio-economic development and the promotion of natural and cultural assets as potential for the development of sustainable tourism,
- access to transport and telecommunication services of general economic interest, including the establishment of public Internet access points.

Of particular note, ***Article 8*** of the ERDF Regulation allows the regions covered by the Convergence and Regional Competitiveness and Employment objectives to support integrated urban development projects based on participative strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas. This possibility allows the intervention method tried out under the URBAN Community Initiative to be extended to all the actions financed by the Structural Funds. Where the national authorities provide support for integrated urban development strategies within an OP, the scope of eligibility is extended beyond the priorities set out in Articles 4 and 5 of the ERDF Regulation¹⁷.

These strategies promote urban development through activities such as: strengthening economic growth, the rehabilitation of the physical environment, brownfield redevelopment, the preservation and development of natural and cultural heritage, the promotion of entrepreneurship, local employment and community development, and the provision of services to the population taking account of changing demographic structures.

¹⁷ By virtue of the flexibility rule between the ERDF and ESF financing may be raised to 15%

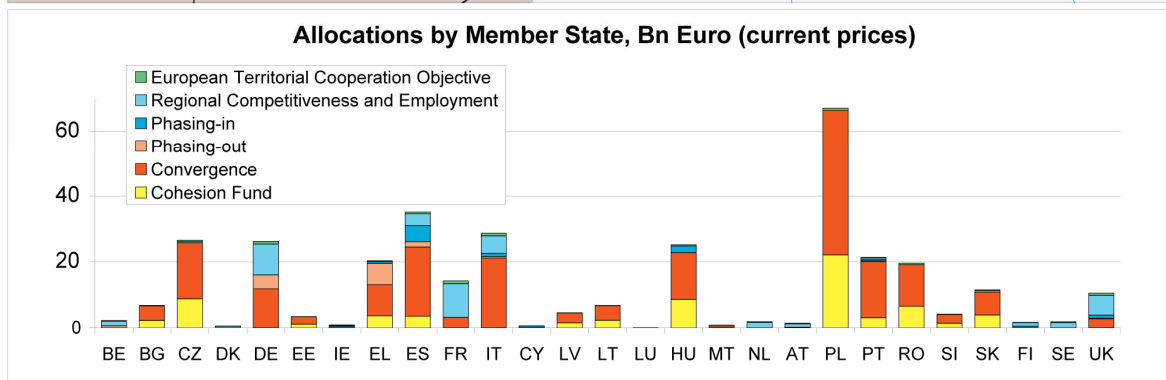
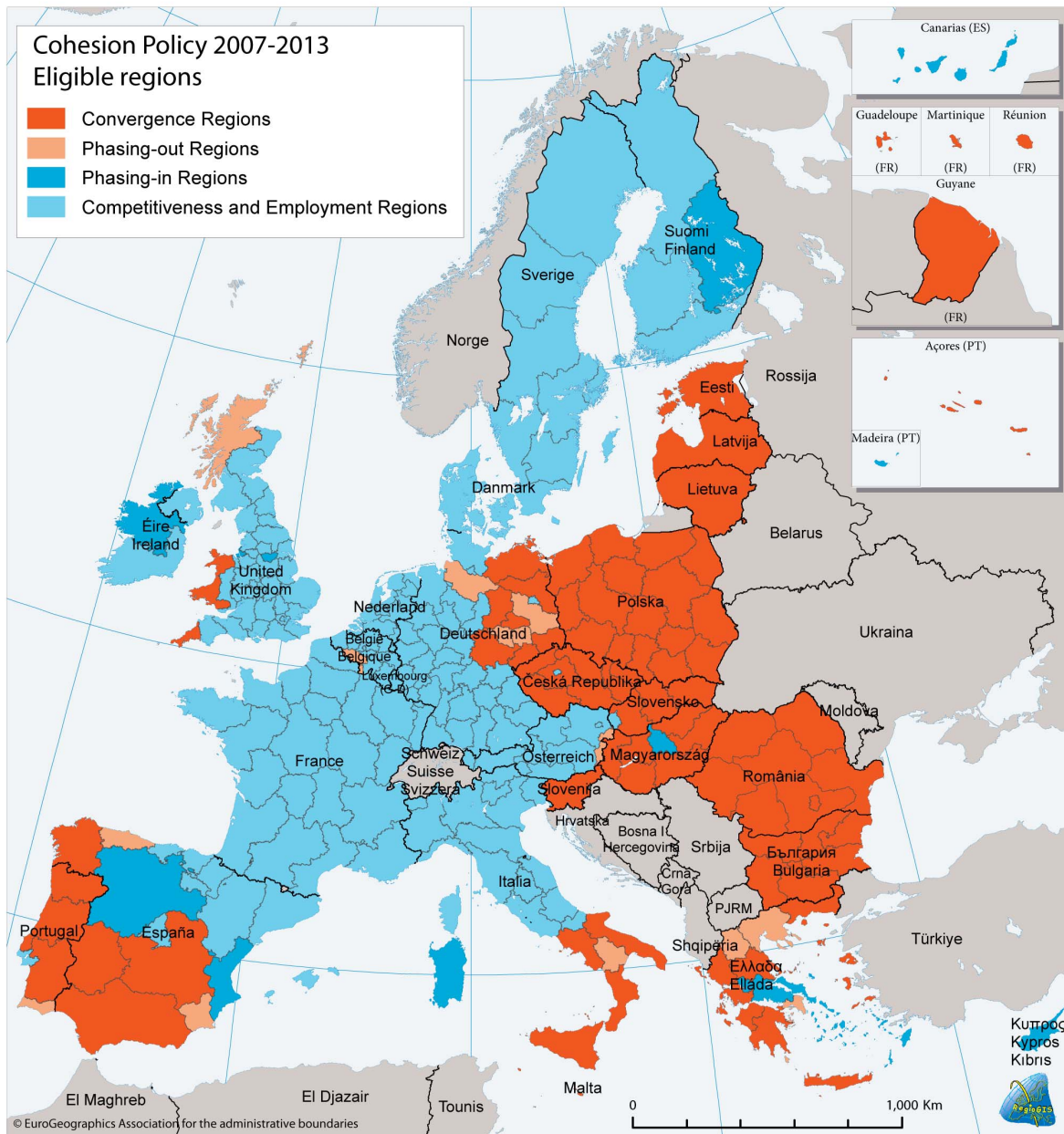


Figure 1. Cohesion Policy in the regions, 2007 to 2013 programming period

The *European Territorial Cooperation* objective (ETC) (Article 6 of the ERDF Regulation) provides for closer cooperation between the territories of the European Union, helping to speed up economic development and the achievement of higher growth. It replaces the INTERREG Community Initiative programmes which, in the 2000-2006 period, co-financed a large number of urban cooperation projects.

For 2007-2013, Territorial Cooperation benefits from a larger budget: 2.52% of the ERDF resources allocated to Cohesion Policy, i.e. EUR 8.7 billion. Its objective is to support the devising of development strategies shared between territories at national, regional and local levels, as well as the creation of networks, including ones in relation to urban issues. In particular it aims to forge links between the projects supported within Operational Programmes.

ETC comprises three parts: cross-border, trans-national and inter-regional cooperation

Cross-border cooperation

Cross-border cooperation supports the development of economic, social and environmental activities through joint strategies for sustainable territorial development. Cross-border urban areas are eligible. Its thematic priorities are as follows:

- a) encouraging entrepreneurship, in particular the development of small and medium-sized enterprises, tourism, culture and cross-border trade;
- b) encouraging and improving the joint protection and management of natural and cultural resources, as well as the prevention of environmental and technological risks;
- c) supporting links between urban and rural areas;
- d) reducing isolation through improved access to transport, information and communication networks and services, and cross-border water, waste management and energy provision;
- e) developing collaboration, capacity and joint use of infrastructures, in particular in sectors such as health, culture, tourism and education.

The Commission has adopted lists of eligible areas for cross-border cooperation. Each cross-border cooperation area is covered by an Operational Programme. Beneficiaries are selected by responding to calls for proposals launched by the respective Managing Authority.

Cross-border cooperation has been allocated 73.9% of the resources earmarked for the European Territorial Cooperation objective, i.e. EUR 6.5 billion.

Trans-national cooperation

Transnational cooperation supports the establishment and development of cooperation through the financing of networks and of actions conducive to integrated territorial development.

Thematic priorities cover innovation, environment, accessibility and sustainable urban development, including strengthening polycentric development. Actions assisted may include in particular strategies to tackle common urban-rural issues, the creation and improvement of urban networks and urban-rural links and the preservation and promotion of cultural heritage.

Transnational cooperation supports concrete projects implemented with an impact in a clearly delimited area. It differs from interregional cooperation which covers actions for networking and exchange of experience without geographical limitation.

The Commission has adopted a list of the thirteen areas eligible for transnational cooperation. Each area is covered by an Operational Programme. As under the Cross-border cooperation scheme, beneficiaries are selected by responding to calls for proposals launched by the respective Managing Authority.

Transnational cooperation has been allocated almost 21% of the resources earmarked for the European Territorial Cooperation objective, i.e. EUR 1.8 billion.

Region and city networks as part of inter-regional cooperation

Networking and the promotion of exchanges of experience at Community level represent a significant resource, offering European added value. Such mechanisms allow mutual learning cycles to be introduced and lessons to be drawn from the actions taken, especially in the urban sector.

For 2007-2013, the inter-regional cooperation component provides for four programmes: the URBACT II urban network support programme, the INTERREG IVC inter-regional cooperation programme, ESPON (European Spatial Planning Observatory Network) and INTERACT.

Specifically on urban issues, DG Regional Policy has been developing an exchange of experience framework since 2002, through the URBACT programme. This programme, financed by the URBAN initiative, was set up to enable those cities having benefited from Urban Pilot Projects (1989-1999), the URBAN I (1994-2000) and URBAN II (2000-2006) programmes, to exchange their experience and good practice with the support of experts. In 2004, URBACT was opened to all cities from the new Member States. With the URBACT II programme, the EU has expanded its support for exchange between European cities in the programming period 2007-2013.

URBACT II builds on the experience gained under the original URBACT programme of 2002-2006. With the assistance of experts, it continues to support exchange of experience on sustainable urban development, i.e. the identification, transfer and dissemination of good practice, including of the type referred to in Article 8, for integrated urban development (above).

The scope of eligibility for the URBACT II programme has been extended in comparison with the previous period in terms of the themes, which cover both the objectives of social cohesion and growth and employment; and in terms of the eligible cities: the beneficiaries are the cities of the EU-27, regions, Member States, universities and research centres.

URBACT enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal changes. It helps cities to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learnt with all professionals involved in urban policy throughout Europe. This bottom-up approach is the programme's key characteristic and its added value.

URBACT works with all parties who have a stake in the city: urban policy professionals, elected policy makers and representatives of non-profit associations working at various

levels (local, regional or national), but also researchers, academics, NGOs, etc. To date, after the first call for proposals in the 2007-2013 programming period, URBACT has already created 28 projects (thematic networks and working groups). It comprises 185 cities from all over Europe, has 5,000 active participants, and covers 29 countries. Each project gathers 6 to 12 cities or other partners from around Europe.¹⁸

URBACT uses innovative methods to lead the programme's "community", enabling partners from different backgrounds and different places to work together efficiently. URBACT I first used these methods from 2002 to 2006, and they have been improved for URBACT II (2007-2013):

- All URBACT II projects have a Lead Partner (usually a city or a public organisation). Their role is to participate in the project, organise and coordinate the work.
- Each URBACT II project partner is committed to producing a concrete Local Action Plan that corresponds to problems identified at the beginning of the project. Each Local Action Plan is set up in close cooperation with the parties concerned in each partner city through a Local Support Group (made up of local parties and key stakeholders who are directly concerned).
- Each URBACT project is accompanied by a Lead Expert, chosen for his/her specialised knowledge and hands-on experience.
- URBACT has a results-based approach at all levels. In addition, Thematic Poles – led by "Pole Managers" – are working with several projects and producing transversal solutions.

Urban policies need to have a comprehensive approach that does not compartmentalize the issues. This is the integrated urban development approach which is central to URBACT. Even though the projects focus on a specific topic, they always look at topics from a variety of angles. For example, a project focussing on economic development will also look at social, cultural and environmental issues.

URBACT II is jointly financed by the European Regional Development Fund and the Member States. The total budget for the programme amounts to approximately EUR 68 million (of which EUR 53 million are co-financed by the European Regional Development Fund). URBACT finances projects up to 80%¹⁹. It does not finance the implementation of the Local Action Plans: This is the responsibility of the project partners; where possible, the implementation of the Local Action Plans is supported by mainstream operational programmes (European Regional Development Fund or European Social Fund). Technical and methodological support to the programme is provided by the URBACT Secretariat, located in France (Paris).²⁰

The **INTERREG IVC** programme aims to support cooperation between regional and local authorities throughout Europe in order to facilitate the exchange of experience and best practice. The programme focuses on the themes of innovation and the knowledge

¹⁸ www.urbact.eu

¹⁹ Thematic Networks are URBACT projects with 8 to 12 partners. They work together for a period of 3 years. Each network has a budget ranging from EUR 300,000 to 710,000. Working Groups are URBACT projects with 6 to 8 partners. They work together for a period of 2 years. Each group has a budget ranging from EUR 150,000 to 300,000.

²⁰ www.urbact.eu/about-urbact/who-are-we.html

economy, and the environment and risk prevention (within the meaning of Article 5 of the ERDF Regulation).

The **ESPON 2013** (European Spatial Planning Observatory Network) study programme supports policy development and is working to establish a European scientific community in the field of territorial development – building a scientific platform. Its main aim is to increase the general body of knowledge about territorial structures, trends and policy impacts across the European Union.

The **INTERACT II** programme provides expertise for the management of all territorial cooperation programmes to promote more effective implementation of the programmes.

The entire EU territory is eligible for these four programmes.

Inter-regional cooperation has been allocated a little over 5% of the ERDF funds earmarked for the European Territorial Cooperation objective, i.e. EUR 445 million.

Regions for economic change

The URBACT II and INTERREG IVC programmes are integrated within the "[*Regions for economic change*](#)",²¹ initiative, which aims to strengthen networking and exchange of experience in order that they contribute more fully to the implementation of the Operational Programmes.

This initiative introduces the following new features:

- The Member States, cities and regions participating in these URBACT and INTERREG networks are encouraged to transfer the results of their work to programmes financed by the ERDF.
- Fast-Track Networks where, in addition to transferring good practices into OPs and the communication and dissemination of results, the Commission actively supports the work of the network
- The Commission undertakes to strengthen the information component by organising annual conferences, creating an Internet site and offering incentives in the form of awards for particularly innovative projects - "RegioStars". As from 2010 the Commission has also introduced a special "CityStar"-award in two categories, those of sustainable urban development and the integration of migrants or marginalised groups.

In the period 2007-2010 the European Commission selected a total of 10 URBACT II networks as so-called "Fast-Track" networks, under the Regions for Economic Change initiative. These receive special thematic support from the relevant Commission departments (DG Regional Policy as well as other DGs).

²¹ Communication from the Commission, "The regions for economic change", COM (2006) 675 final.

2.3. Funding possibilities

The ERDF provides financial support for:²²

- productive investment which contributes to creating and safeguarding sustainable jobs, mainly through direct aid to investment primarily in small and medium-sized enterprises (SMEs);
- investment in infrastructure;
- measures which support regional and local development - support for and services to enterprises, in particular SMEs, creation and development of financing instruments such as venture capital, loan and guarantee funds, local development funds, interest subsidies, networking, cooperation and exchange of experience between regions, towns and relevant social, economic and environmental actors.
- technical assistance - substantial resources are available to support urban development actions, such as networking, cooperation and exchange of experience, also for information measures targeting beneficiaries and the general public.²³

The EU contribution under the ERDF ranges between 75% and 85% of the eligible expenditure for the Convergence regions and amounts to a maximum of 50% for the Regional Competitiveness and Employment regions.²⁴ In accordance with the principle of additionality, the EU contribution is supplemented by a national contribution. The rules and conditions applicable to the financing of such actions are inevitably rather complex, involving management frameworks laid down partly in EU regulations and partly in national legislation and administrative provisions. An overview of these procedures is available in a recently published brochure.²⁵

Financial engineering

The Managing Authorities of the Structural Fund programmes can finance a wide range of public-private partnerships (PPPs) and ensure simpler and more flexible management of the funds earmarked for urban development. As part of an Operational Programme, the Funds may finance expenditure in respect of an operation to support financial engineering instruments for enterprises, primarily SMEs, such as venture capital funds, guarantee funds and loan funds. These operations can be organised through holding funds, set up to invest in several venture capital funds, guarantee funds, loan funds and sustainable urban development funds. The sustainable urban development funds invest in PPPs and other projects included in an integrated programme for sustainable urban development.

To facilitate the implementation of these financial engineering instruments, the Commission, in cooperation with the European Investment Bank (EIB) and the Council of

²² Article 3 of the ERDF Regulation.

²³ Article 45 of the Regulation laying down general provisions.

²⁴ Annex III to the Regulation laying down general provisions.

²⁵ Rules and conditions applicable to actions co-financed from the Structural Funds and Cohesion Fund - An overview of the eligibility rules in the programming period 2007-2013, European Commission, 2009

Europe Development Bank, launched the JEREMIE²⁶, JESSICA²⁷ and JASPERS²⁸ initiatives:

- The **JASPERS** initiative supports the preparation of major projects in the regions covered by the Convergence objective and is available for urban projects.
- **JEREMIE** is designed to facilitate access to finance for business start-ups, for the development of SMEs and micro-enterprises.
- **JESSICA** provides specific support for the development of financial engineering instruments in the field of sustainable urban development. This allows the Managing Authorities of the ERDF, and in certain cases the ESF, to invest in urban development funds, in the context of integrated urban development plans. This initiative aims to achieve a leverage effect with the financial resources and allows the Managing Authorities to benefit from the expertise of financial institutions. The "recovered" funds must be reinvested in urban development funds or reallocated to the Managing Authority to support further urban projects.

Eligible expenditure on housing

Up until May 2009 when a modification²⁹ of the ERDF Regulation was adopted, expenditure on housing was eligible only in those Member States that joined the EU on or after 1 May 2004, on the conditions defined in Article 7 of the ERDF Regulation.³⁰ Expenditures carried out as part of an integrated urban development operation or priority axis are eligible. Expenditure is limited to multi-family housing or buildings owned by public authorities or non-profit operators (for use by low-income households or people with special needs). The regions selected to benefit from these measures must satisfy certain criteria relating to the social and physical characteristics of the housing. The budget allocated to the housing expenditure amounts to a maximum of 3% of the ERDF allocation to the relevant OPs or 2% of the total ERDF allocation.

In order to respond to the new requirements of the economic crisis, Regulation N° (EC) 1080/2006 has been amended by Regulation (EC) N°397/2009. Thus the expenditure relating to the improvement of energy efficiency became eligible in all the Member States - and not just in the new Member States as was the case so far - and to the use of renewable energy in existing houses. The financial envelope devoted to this type of intervention may reach a total of 4% of the ERDF allocation for each Member State. For the implementation of these new provisions, Member States have to define the categories of eligible housing in their national eligibility rules and in a way which supports social cohesion. The provisions of the Implementing Regulation of the Commission defining the

²⁶ Article 45(1)(c) of the Regulation laying down general provisions.

²⁷ Article 78(6)(a) of the Regulation laying down general provisions.

²⁸ Articles 36 and 45(1)(a) of the Regulation laying down general provisions.

²⁹ Regulation (EC) No 397/2009 of 6 May 2009 amending Regulation (EC) No 1080/2006 on the European Regional Development Fund as regards the eligibility of energy efficiency and renewable energy investments in housing

³⁰ Also see Article 47 of Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the ERDF, the ESF and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the ERDF.

areas and types of intervention do not apply to those interventions intended for the improvement of energy efficiency or for the use of renewable energy in existing houses.

2.4. Further information

Gateway to Cohesion Policy and the work of the European Regional Development Fund, INFOREGIO:

http://ec.europa.eu/regional_policy/index_en.htm

Cohesion Policy and urban issues:

http://ec.europa.eu/regional_policy/themes/urban/index_en.htm

Fostering the urban dimension: Analysis of the Operational Programmes co-financed by the European Regional Development Fund (2007-2013):

http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/urban_dimension_en.pdf

Brochure - *Promoting Sustainable Urban Development in Europe - Achievements and Opportunities*

http://ec.europa.eu/regional_policy/sources/docgener/presenta/urban2009/urban2009_en.pdf

Rules and conditions applicable to Structural Funds co-financing:

http://ec.europa.eu/regional_policy/sources/docgener/presenta/eligibility/eligibility_2009_en.pdf

The URBACT II programme:

<http://urbact.eu/>

Regions for Economic Change

http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/index_fr.cfm

RegioStars 2010 (Presentation for the first time of two categories of "CityStar"):

http://ec.europa.eu/regional_policy/cooperation/interregional/ecochange/regiostars_fr.cfm?nmenu=4#2010

ESPON 2013:

http://www.espon.eu/mmp/online/website/functions/home/homepage/index_EN.html

INTERACT II programme:

<http://www.interact-eu.net>

Urban Audit statistical programme and Urban Atlas information system:

<http://www.urbanaudit.org/>

http://www.gmes-gseland.info/com/promo/GSE-Land_In

Other references derived from the Urban Audit; *Perception survey on the quality of life in European Cities* and the *State of European Cities Report*:

http://ec.europa.eu/regional_policy/themes/urban/audit/index_en.htm

"Success stories" database on projects supported by the Structural Funds and the Cohesion Fund:

http://ec.europa.eu/regional_policy/projects/stories/index_en.cfm

JEREMIE - Joint European Resources for Micro to Medium Enterprises

http://ec.europa.eu/regional_policy/funds/2007/jjj/jeremie_en.htm

JESSICA - Joint European Support for Sustainable Investment in City Areas

http://ec.europa.eu/regional_policy/funds/2007/jjj/jessica_en.htm

JASPERS - Joint Assistance in Supporting Projects in European Regions

http://ec.europa.eu/regional_policy/funds/2007/jjj/jaspers_en.htm

3. The European Social Fund

3.1. Objectives and policy background

The European Union is today faced with the need to adapt to the demands of globalisation and new trading patterns. The only way to tackle this is to focus efforts on improving the quality of the workforce. The role and scope of the [ESF](#)³¹ for 2007-2013 has been more clearly defined: there is an explicit link to both the employment and social inclusion priorities of the Lisbon agenda. This is the first time that there has been such a clear recognition that promoting social inclusion and combating exclusion from the labour market will make a major contribution to meeting the Union's targets for jobs and growth.

For the 2007-2013 programming period, the ESF focuses, across the Union, on addressing the challenges of modernisation, restructuring and competitiveness. In the convergence regions, ESF activities focus essentially on expanding and improving investment in human capital. The ESF builds on the experience of the past, particularly the lessons from EQUAL. These principles are mainstreamed into the new programmes. Partnership has been reinforced, with much greater opportunities for the social partners and NGOs to carry out activities. In this perspective the new ESF Regulation highlights the need to take particular account of the regions and localities facing the most serious problems, such as deprived urban areas and areas particularly adversely affected when businesses relocate.

3.2. Types of actions and the urban dimension

The ESF focuses its assistance on thematic priorities relating to the specific needs of the target groups. The type and range of actions to be financed within each priority reflect the differing nature of the Convergence and Regional Competitiveness and Employment objectives.

Throughout the Union, under both the Convergence (the least developed regions) and the Regional Competitiveness and Employment objectives,³² the ESF provides support to:

- Increase the adaptability of workers, enterprises and entrepreneurs with a view to improving the anticipation and positive management of economic change particularly by promoting lifelong learning and increased investment in human resources;
- Enhance access to employment by the modernisation and strengthening of labour market institutions, the implementation of active and preventive measures ensuring the early identification of needs with individual action plans and personalised support, reduce gender-based segregation and provide specific action to increase the participation of migrants in employment;

³¹ Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999, OJ L 210/12 of 31.7.2006.

³² Article 3(1) of the ESF Regulation.

- Reinforce social inclusion of disadvantaged people with a view to their sustainable integration in employment and combat all forms of discrimination in the labour market;
- Enhance human capital by promoting the design and introduction of reforms in education and training systems in order to develop employability, networking activities between higher education institutions, research and technological centres and enterprises, and promote partnerships and pacts and involve the social partners.

Further, under the Convergence objective, the Fund concentrates on two additional priorities:³³

- Expand and improve investment in human capital by the implementation of reforms in education and training systems with a view to raising people's responsiveness to the needs of a knowledge-based society and lifelong learning, the development of human potential in research and innovation,
- Strengthen institutional capacity and efficiency of public administrations and public services at national, regional and local level, capacity building in the delivery of policies and programmes in relevant fields.

The Operational Programmes must be consistent with the principles of good governance and partnership, gender equality and equal opportunities.

The principles applied in the 2000-2006 period under the EQUAL initiative (partnership, empowerment), the approaches tested under it (innovation, trans-national cooperation, and mainstreaming of successful practices) and the experiences gathered on specific policy fields are reflected in the programming documents for 2007-2013.

Member States can concentrate on actions that are more appropriate for their specific challenges, such as training programmes, education, employability programmes with focus on vulnerable social groups (youth, women, migrants, ethnic minorities etc).

Actions with an urban dimension

- Strengthening the role of cities as growth centres to achieve the objectives of the Lisbon strategy,
- Improving employability and governance at the level of urban measures by promoting the role which the municipalities can play,
- Actions aiming to reduce the disparities between towns and neighbourhoods and between the various social groups (youth, women, migrants, ethnic minorities), especially through the promotion of entrepreneurship and the introduction of training programmes;

³³ Article 3 (2) of the ESF Regulation.

- Actions aimed at improving capacity building to support the design of efficient and well targeted housing allowances within the social protection system, particularly in countries where the development of social housing policies is at early stages, with a view to contributing to better inclusion (convergence objective only);
- Actions supporting job creation, such as training, in the construction sector for rehabilitation of the social housing stock in urban areas with high concentration of high-rise buildings increasingly seen as stigmatic of poverty and social exclusion.

Where Member States support actions in favour of trans-national and/or inter-regional actions as a specific priority axis within an Operational Programme, the contribution of the ESF may be increased by 10%. Pursuant to Article 8 of the ERDF regulation this percentage, in regions which fall under the Regional Competitiveness and Employment objective ation, amounts to 15%.

3.3. Funding possibilities

ESF resources are granted to national, regional and local authorities and other stakeholders (cities, regions, training centres, NGOs, local, national or trans-national partnerships, etc.) from the 27 Member States of the EU. The European Commission is not directly involved in the selection or funding of ESF projects. Potential beneficiaries are therefore required to respond to calls for proposals launched by the Managing Authorities of their respective Member State. The Managing Authorities are public organisations.

The ESF budget is EUR 75 billion for 2007-2013. The contribution rate may be modulated in accordance with the criteria set out in Article 52 of the Regulation laying down general provisions. The co-financing rate varies between 50% and 85%.

ESF and the European Economic Recovery Plan

The shocks to the world's financial system are inevitably impacting the 'real economy' of jobs, business and trade as the 'credit crunch' restricts the flow of finance to companies and households. Less business investment and lower household spending results in falling economic activity – indeed, EU economic growth is expected to decline in 2009. These impacts are exemplified in rising unemployment and much lower job creation than in the record years of 2007-2008 when 6 million new jobs were created.

In response, the ESF is launching a series of measures aimed at:

- Providing upfront liquidity
- front-loading of investments
- flexible funding to boost new projects
- lightening administrative burdens
- helping small projects

In so doing, the ESF is making more funds available to provide more support to employment. These extra funds were made available at the time they were needed most, in 2009, in order to build a momentum for recovery and to support future growth. The ESF is also more flexible by allowing the more hard-pressed Member States to delay co-financing until later – thus helping kick-start more employment initiatives in the short term. Last but not least, by reducing administrative burdens on beneficiaries, the ESF is ensuring that more and better projects are launched across Europe to create and maintain jobs.

3.4. Further information

Websites

Home page of DG Employment, Social Affairs and Equal Opportunities:

<http://ec.europa.eu/social/home.jsp?langId=en>

More on the ESF - European Social Fund:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=325>

The current ESF Regulation:

[http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/fse/ce_1081\(2006\)_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007/fse/ce_1081(2006)_en.pdf)

Contacts with national Managing Authorities (ESF website):

http://ec.europa.eu/employment_social/esf2000/index_en.html

ESF library and project information by country:

http://ec.europa.eu/employment_social/esf/library/library_en.htm

Publications

Brochure for the general public on the European Social Fund – 50 years investing in people:

http://ec.europa.eu/employment_social/esf/docs/50th_anniversary_book_en.pdf

4. The Cohesion Fund

4.1. Objectives and policy background

The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90% of the EU average. It serves to reduce their economic and social shortfall, as well as to stabilise their economies. It supports actions in the framework of the Convergence objective and is now subject to the same rules of programming, management and monitoring as the ESF and the ERDF.

4.2. Thematic priorities relating to urban issues

During previous programming periods, the Cohesion Fund supported infrastructure projects in transport and the environment in urban areas. For 2007-2013, clean urban transport is an investment priority. More generally, the Fund focusses on investments in two principal domains:

- Infrastructures contributing to the trans-European transport networks (including access to these networks) and especially the priority projects of common interest identified in the Community guidelines for the development of the TEN transport network.³⁴ These investments play a key role in the attractiveness of an urban area by promoting its accessibility and inter-urban mobility.
- Environmental projects fitting within the priorities of EU environmental protection policy (especially in the management and treatment of waste and waste water produced by urban areas), as well as fields relating to sustainable development, such as energy efficiency, renewable energies and transport, including clean urban transport and public transport, traffic management, intermodal transport systems and their interoperability.

4.3. Funding possibilities

Instead of being subject, as in the past, to individual approval of each project by the Commission, the Cohesion Fund contributes to multi-annual investment programmes managed on a decentralised basis.

Based on the GNI figures mentioned above, the Cohesion Fund concerns for the 2007-2013, Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. Spain is eligible to a phase-out fund only as its GNI per inhabitant is less than the average of the EU-15. This list will be re-examined in 2010 on the basis of new EU GNI data.

³⁴ Decision No 1692/96/EC of 9.9.1996, last amended by Decision No 884/2004/EC of the European Parliament and of the Council of 29.4.2004, OJ L 167/1 of 30.4.2004.

The budget for 2007-2013 amounts to some EUR 70 billion. There is no specific allocation for urban projects. The EU contribution at Operational Programme level under the Cohesion Fund amounts to a maximum of 85% of the eligible expenditure.

4.4. Further information

Gateway to Cohesion Policy and the work of the Cohesion Fund, INFOREGIO:

http://ec.europa.eu/regional_policy/funds/cf/index_en.htm

Cohesion Policy and urban issues:

http://ec.europa.eu/regional_policy/themes/urban/index_en.htm

Rules and conditions applicable to Structural Funds co-financing:

http://ec.europa.eu/regional_policy/sources/docgener/presenta/eligibility/eligibility_2009_en.pdf

"Success stories" database on projects supported by the Structural Funds and the Cohesion Fund:

http://ec.europa.eu/regional_policy/projects/stories/index_en.cfm