



Polverari, Laura and Quiogue, Nina and Gross, Frederike and Novotný, V (2005) Territorial cohesion and structural funds programmes: urban development and territorial cooperation. In: 18th IQ-Net Conference, 2005-05-23 - 2005-05-25. ,

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**TERRITORIAL COHESION AND
STRUCTURAL FUNDS PROGRAMMES:
URBAN DEVELOPMENT & TERRITORIAL
COOPERATION**

IQ-Net Thematic Paper No. 16(2)

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***Improving the Quality of
Structural Fund Programming through
Exchange of Experience***

Newcastle upon Tyne, 23-25 May 2005

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May 2005

PREFACE

The research for this paper was undertaken in preparation for the fourth meeting of Phase III of the Structural Funds exchange-of-experience network, IQ-Net, which took place in Newcastle upon Tyne, UK in May 2005. The paper has been written by Laura Polverari, Nina C. Quiogue, Frederike Gross and Dr. Vit Novotny.

This paper is the product of desk research and fieldwork visits among national and regional authorities in Member States (notably among partners in the IQ-Net Consortium) during spring 2005. The field research team comprised:

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The proof-reading and formatting of the final text was undertaken by Rhona Walker and Lynn Ogilvie respectively. This paper was revised following the Newcastle meeting in line with the comments of IQ-Net partners and the substance of discussions at the meeting.

The research team wishes to thank all those who participated in the research, in particular all interviewees from our partner organisations, Dr. Kai Böhme from the ESPON Coordination Unit, Carlos Gorostiza from Bilbao Ria 2000 and Fotoula Glendinning, Planner at Glasgow City Council (Development and Regeneration Services). EPRC also gratefully acknowledges the financial support provided by participating programmes, which is co-financed by technical assistance from the European Regional Development Fund.

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IQ-NET NEWCASTLE - 23-25 MAY 2005

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URBAN DEVELOPMENT & TERRITORIAL COOPERATION

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TERRITORIAL COHESION AND STRUCTURAL FUNDS PROGRAMMES:

URBAN DEVELOPMENT & TERRITORIAL COOPERATION

EXECUTIVE SUMMARY

This paper discusses the territorial dimension of European Cohesion policy focusing, in particular, on the role of the Structural Funds for the support of urban areas and territorial cooperation. Starting off with a review of the evolution of relevant spatial concepts - such as those of territorial cohesion and polycentric development - in academic and policy documents, the paper turns to the analysis of current programmes and to the discussion of future challenges in integrating these goals in future Structural Funds programmes.

Territorial cohesion, urban development and territorial cooperation: EU level priorities

European regional and cohesion policy is a territorially discriminating policy: it operates in selected areas only. Its main aims, however, have traditionally been to support economic and social development in lagging regions or regions affected by specific challenges. In other words, whilst being discriminating territorially, European regional policy - as defined in Article 2 of the EU Treaty (former Article B), and Article 2 and 158 of the EC Treaty - is essentially a policy for economic and social development.

Since at least the end of the 1990s, however, there have been trends towards a broader understanding of regional policy (at least at the European level and in some Member States), an understanding that integrates the traditional economic and social goals with specific spatial or territorial objectives. From a European perspective, this change of approach is marked by the approval in 1999 of the European Spatial Development Perspective (ESDP). Even though the actual extent of the innovation introduced by the ESDP as regards the Structural Funds programmes was limited, the thinking behind this document has left some legacy, leading to the concept of 'territorial cohesion'.

The Commission brought forward this new concept first in 2001 and then in 2004 in its Second¹ and Third² Reports on Economic and Social Cohesion. The Third Cohesion Report,

¹ Whilst the formulation of the Treaties refers to economic and social cohesion as being among the objectives of the Union - Article 2 EU Treaty, former Article B, and Articles 2 and 158 of EC Treaty. In reality, the Amsterdam Treaty introduced in Article 16 of the EC Treaty (ex Article 7D EC Treaty) the wording 'territorial cohesion', but with a circumscribed relevance, ie. only with reference to the services of economic general interest

² The Constitution text delivered by the European Convention in July 2003 and currently awaiting ratification has added 'territorial' cohesion to the objectives of the Union, by adding the word territorial in Article 3 (Objectives of the Union) and by naming the whole Section 3 on cohesion 'Economic, Social and Territorial Cohesion', hence giving constitutional and binding status to this policy aim.

in particular, includes territorial cohesion among the objectives of EU Cohesion policy³ and dedicates two pages to the topic of ‘Territorial imbalances in the distribution of towns and cities’⁴, emphasising the concept of urban systems as economic drivers and arguing for a more balanced distribution of such centres across the European territory. In policy terms, this implies shifting efforts from ‘reactive measures’, those tackling the improvement of the social, economic and environmental situation of cities, to more ‘proactive’ measures aiming at creating the conditions for the full exploitation of the cities’ true economic potential.

The fact that urban and, more generally, regional development are increasingly being linked to the networking and cooperation between cities (and between regions) has determined a new emphasis on this aspect of regional development. In its proposals for future Cohesion policy, the Commission dedicates a third Objective to territorial cooperation. The themes of urban development and territorial cooperation are also given prominence in the draft Community Strategic Guidelines for 2007-13 Cohesion policy support (May 2005) which also include a reference to the concept of polycentric development.

The role of urban areas in current Structural Funds programmes

The extent of inclusion of urban measures in the mainstreamed Objective 1 and 2 programmes varies considerably across and within countries. This variation can be attributed to two main factors. The first factor is the nature of the areas covered by the programmes. Where the programme area is predominantly rural, measures for the development of urban areas in the strict sense cannot be found. A second factor is the degree of integration between Structural Funds programmes and domestic (national or regional) policies for urban development (and, more generally, the broader regional strategies and the role attributed to urban areas in these).

Presenting partner programmes along a continuum, from highly urbanised areas (i.e. areas with high population density, high concentration of business activity, negligible primary sector, and good accessibility) to non-urbanised areas (i.e. sparsely populated areas with negligible business activity, high degree of primary production and very low accessibility), at one end of this spectrum can be found programmes such as Nordrhein Westfalen (NRW), Pais Vasco, North-East England and Western Scotland, all of which include large urban agglomerates and high population density. At the other end of the spectrum can be found the sparsely-populated Norra Norrland region, which has one of the lowest population densities of Europe, large parts of the territory characterised by mountainous areas with vast uninhabited forests, population settlements mainly concentrated along the coastline and an economy characterised by a high dependency on the public sector, high costs of travel and declining industrial activities. Others programmes which can be classified as ‘non-urban’ include those of Norra, Lombardia and Nordjylland. All other partner

³ European Commission (2004) *A New Partnership for Cohesion: Convergence, Competitiveness, Cooperation. Third Report on Economic and Social Cohesion*, Luxembourg, Office for Official Publications of the European Communities, p. 27.

⁴ European Commission (2004) *A new partnership for Cohesion: Convergence, Competitiveness, Cooperation. Third Report on Economic and Social Cohesion*, p. 28-29.

programmes can be found in between these two extremes, either closer to the 'urban' end of the spectrum, or nearer to the 'non-urban' end. Most programmes operate in diversified areas.

The IQ-Net partner programmes entail different policy responses to the urban development theme. These have been categorised as 'reactive', 'proactive', 'urban-rural' and 'non-urban'. Reactive approaches are found in programmes where special emphasis is placed on the problems and weaknesses of urban areas. These can be found in those programmes which include high urban conurbations (i.e. the Spanish programme of the País Vasco, the two UK Programmes of North-East England and Western Scotland, and to a more limited extent, in the two German programmes for NRW and Sachsen Anhalt). In such cases, the programme intervenes directly to support urban areas with particular socio-economic problems. The programmes which implement this approach tend to include large infrastructure projects of urban renewal and regeneration, characterised by: high volume of resources; participation of local partners, also from the private sector, in the financial package; and the predominance of physical investments (such as buildings, transport infrastructure, urbanisation works etc.). These measures are often complemented by other types of interventions, such as training initiatives, employment policies, entrepreneurial support and similar.

'A proactive approach', which is evident particularly in the Länsi-Suomi Objective 2 programme, is more indirect. Urban areas here are not targeted in the programme *per se*, but are by default supported as part of a wider economic development strategy which places emphasis on growth poles and on their specialisation. The investments funded in this case are of an economic nature (business infrastructure, aids to firms and start-ups, training and R&D) and flow naturally towards the main urban centres. In this case, the emphasis is placed on the strengths rather than the weaknesses of the urban centres, which are supported as places of potential.

The 'urban-rural approach' is followed by programmes which include interventions for urban areas of smaller scale (both the urban areas and the interventions). In such cases, the interventions implemented in the urban areas are diversified, ranging from small regeneration projects aimed at the re-launch of local businesses and trade; cultural infrastructure such as youth centres, museums, theatres etc.; social infrastructure like nurseries etc., all of which aim to improve the standard of living of citizens and the development of communities (e.g. by improving the attractiveness of the regions for tourism). The IQ-Net partner programmes that feature this approach are Toscana (Italy), Niederösterreich (Austria) and Norra (Sweden).

Last, the 'non-urban' partner programmes (Norra Norrland in Sweden, Lombardia in Italy, Nordjylland in Denmark) are mainly focussed on strengthening population settlements and improving standards of living.

It should be noted that the three approaches above (reactive, proactive and urban-rural partnership) are not mutually exclusive. Indeed, a number of programmes present a mixed approach. In some cases, the policies implemented for urban areas under the Structural Funds programmes are aligned with the broader domestic policies implemented in this

field, whilst in others Structural Funds and domestic policies for urban areas are non-aligned. The paper presents some examples from both categories and detailed case studies for reactive, proactive and urban-rural approaches, drawing from: (i) the programmes of Pais Vasco, Western Scotland, North East England, NRW and Sachsen-Anhalt; (ii) the SPD of Northern Ostrobothnia (Länsi-Suomi); and, (iii) the programmes of Toscana, Niederösterreich and Norra. It also discusses selected experiences with the Urban Community Initiative in the partners regions.

Territorial Cooperation in current Structural Funds programmes

The views on territorial cooperation expressed by the IQ-Net partners are rather ambivalent: on the one hand, cooperation is regarded as something positive in itself; on the other hand, cooperation projects are reported to entail significant difficulties and challenges.

The paper highlights some overarching benefits of territorial cooperation and some examples of good practice amongst the IQ-Net partner regions. The main benefits associated with territorial cooperation relate to the exchange of information, “know-how” transfer and increased networking. Amongst the IQ-Net partners, cooperation has facilitated the development of new contacts and the establishment of networks which have extended beyond the timescale of the projects. Cooperation projects have also contributed to reduce the negative effects of borders, making European integration more visible, to generate additional funding for regional development and to increase the regions’ role in managing and implementing the programmes. The fact that territorial cooperation favours exchanges in sectors of excellence and at the same time the transfer of knowledge between more advanced and less-advanced regions is also seen as a way to encourage a more balanced development across Europe.

However, territorial cooperation has also entailed a number of challenges for the regions involved. One of the main difficulties associated with territorial cooperation projects is the fact that the projects’ outcomes and results tend to be intangible and hardly visible. The Interreg programme is felt to be vague and complex as well as, in some cases, scarcely transparent. A further main criticism concerns the lack of proportionality in the administrative requirements of cooperation projects. The significant administrative efforts necessary to carry out such projects are resource-consuming and this is challenging especially for smaller organisations. The differences in the competencies attributed to the regional and sub-regional levels in various countries and the differing domestic administrative traditions have also contributed to make projects implementation rather complex and to delay project completion. Last, a number of partner programmes have experienced practical difficulties such as the physical distances of peripheral regions, the effectiveness of excluding private actors as project partners, communication difficulties between the participants in the cooperation project and internal difficulties related to domestic allocation of competence over the coordination of Interreg.

The urban dimension in the new Member States

The paper reviews also the approaches to urban development that are being implemented in the Structural Funds programmes of the new Member States. These appear to adopt a combination of both ‘proactive’ and ‘reactive’ methods of addressing urban development. The proactive measures include improving the business environment and support for businesses and information technologies. The reactive measures include tackling poverty and deprivation, thus ensuring balanced development of cities.

Overall, the ‘reactive’ approach to urban development is underplayed in the programming documents for the current period, not least due to the lack of financial resources available, but also for a general tendency to favour the goal of national growth over the reduction of intra-national inequalities.

Most new Member States display a combined approach to urban development. Depending on national circumstances non-specific, semi-specific and specific approaches are brought together with an aim to form a cohesive strategy. Non-specific approaches rely on programming documents territorially covering both urban and rural areas, whereas specific approaches recognise urban development as a goal in itself which is reflected in the structure and language of programming documents.

Future perspectives and partners’ views on urban development and territorial cooperation support in the 2007-13 programmes

In its Third Report on Economic and Social Cohesion, the Commission places strong emphasis on the themes of urban development and territorial cooperation. Both themes are also discussed in the draft Community Strategic Guidelines for 2007-13 Cohesion policy support. For urban areas, the draft Guidelines advocate the need to support the competitiveness of neighbouring cities and ‘Functional Urban Areas’, and the “balance between the economically strongest regions and the rest of the urban structure”.⁵ For territorial cooperation, the Guidelines stress the need for complementarity of cross-border and transnational cooperation with the three development priorities identified.

The views about future urban support vary across Member States and regions but some emerging trends can be identified among the IQ-Net partner organisations. Concerns have been raised over the opportunity to select *a priori* a list of urban areas. Some suggest that flexibility is needed as regards the areas that will be supported and on the choice to include urban support in the programmes. Some IQ-Net partners highlight that it would be inappropriate to adopt a rigid definition of ‘urban areas’ - for example based on population thresholds - as this would not allow taking into account the variety of situations in Member States and regions.

There are mixed views, amongst IQ-Net partners, as to whether urban areas will be assisted in future programmes. Some partners consider such inclusion to be likely, others do not envisage a strong role of the Funds in the urban development field. With reduced

⁵ European Commission (2005) *Ibidem*.

resources, moreover, it will be difficult to strike a balance between urban and rural interests. Equally, there are no clear views yet on the likely content of the support to urban areas. This is due to the uncertainties over fundamental issues such as the level of funding available and the types of eligible activities. Overall, however, some partners have expressed an interest about the possibility of funding urban transport measures in future programmes.

As regards the selection of projects eligible for support, it has been underlined that support should not be granted in consideration of the 'urban' localisation of the initiatives *per se*, but in consideration of the quality of the strategic project-design and of the nature of the projects. The need to correct the 'perverse effects' of Structural Funds rules is also emphasised, in particular with reference to the N+2 rule which has led to priority being given to the more 'mature projects' that are not necessarily the best in terms of the impacts achieved.⁶

A lack of clarity of the provisions contained in the draft regulations is also stressed, as a number of expressions are not specific enough and could raise interpretation difficulties (e.g. 'urban agglomerations', or 'participative, integrated strategies'). Some IQ-Net partner countries and regions stress the need to reduce the complexity of urban support measures and to take more explicitly into account the need for proportionality between resources allocated and bureaucratic demands. This is a general point, but which applies particularly to the urban measures, in consideration of the decentralisation of responsibilities to towns and cities.

Last, urban support should not be equated with urban regeneration and, if urban regeneration projects will continue to be implemented under the Cohesion policy umbrella, efforts should be paid to ensure the quality and coherence of the projects with the socio-economic goals of the programmes.

The views of IQ-Net countries and regions are also diversified as regards territorial cooperation. Opinions on the mainstreaming of interregional cooperation are ambivalent. Some IQ-Net partners consider this favourably, others underline that the inclusion of interregional cooperation in the mainstreamed programmes should not be obligatory, for example in consideration of the administrative complexity of such projects.

In terms of funding allocations, some IQ-Net partners suggest that the resources for territorial cooperation should not be increased (mainly because of the high administrative burdens associated with cooperation projects which are disproportionate to the results delivered). Concern is also expressed as regards the identification of new and innovative projects, suggesting the need to place more emphasis on cross-border rather than on interregional cooperation. Member States should be entitled to decide on the financial allocations, reflecting their different priorities. The general focus on competitiveness is also viewed as problematic to implement. Current cooperation programmes, suggest some IQ-Net partners, have failed to integrate successfully direct and indirect forms of support to firms.

⁶ ACT Consultants (2005), *Ibidem*, p. 85.

Concerning the practical aspects of territorial cooperation projects, partner regions ask for: a clarification of the respective responsibilities of Member States and European Commission, a better definition of the role of the Managing Authorities, and the development of a solid legal basis for transnational financial management and control. A more strategic implementation is also being advocated. This should be achieved, for example, by linking cross-border and transnational cooperation projects to the mainstreamed programmes, so as to ensure more coherence and synergy between thematic projects. Moreover, current territorial cooperation experiences should be taken into account in the definition of the new rules, so as to maximise the knowledge gained and correct any area in need for improvement.

Issues for discussion

After having reviewed a wide range of issues about current and prospective European Cohesion policy support to urban development and territorial cooperation, the paper highlights a number of issues for discussion.

EU Cohesion policy is being increasingly aligned with the objectives of the so-called Lisbon agenda (competitiveness and growth). In this context, the role played by urban centres is gaining prominence. Urban centres and systems are viewed increasingly as engines for growth and drivers of competitiveness. This implies a policy shift from reactive to proactive approaches to the support of urban areas. What are the experiences/views of IQ-Net partners on: (i) The role of urban centres as economic drivers? (ii) The role of Structural Funds in development of urban centres and systems? (iii) The instruments that should be used to support urban centres as economic drivers? (iv) The need for support to be different for the regions in the Convergence and those in the Competitiveness and Employment Objectives?

The Commission and the Member States widely acknowledge the added value of territorial cooperation programmes. Yet, territorial cooperation initiatives have not delivered tangible outcomes, and it is difficult to assess their cost-effectiveness. What are the IQ-Net partners' experiences/views on: (i) The proposed strategic territorial cooperation framework? (ii) The proposed implementation framework (i.e. does this tackle the difficulties experienced during the current programming period?) (iii) The necessary steps to overcome past problems and make the outcome of cooperation initiatives more tangible in the future?

The programming and implementation of the current generation of Structural Funds programmes have highlighted that it is not easy to integrate different policy perspectives in drafting and implementing the programmes and the related projects. It has been difficult, in particular, to reconcile the perspective of economic and social development with those of the planning of physical infrastructure investments. How can better synergies between the two policy spheres be achieved? What communication and cooperation instruments should be put into place to make sure that the objectives of Cohesion policy are met? How is it possible to ensure that all the different types of intervention (namely those for urban development and territorial cooperation) operate in synergy for the achievement of the objectives of Cohesion policy (e.g. as regards project selection)?

Current policy proposals emphasise the role of local authorities in Structural Funds programming and implementation. This entails a number of challenges: local authorities are not necessarily equipped in terms of human resources to face the demanding bureaucratic requirements of the Funds; their staff are not always au fait with the ‘language’ of the Structural Funds; local design and delivery cannot leave out of consideration the need for regional and supra-regional coordination. What conditions should be put into place to make sure that the local authorities can successfully meet the challenges implied by a more devolved framework? How would the respective roles of national and regional governments change? How can the regions become effective facilitators?

IQ-NET NEWCASTLE - 23-25 MAY 2005

**TERRITORIAL COHESION AND STRUCTURAL FUNDS
PROGRAMMES:**

URBAN DEVELOPMENT & TERRITORIAL COOPERATION

1. INTRODUCTION

This paper discusses the territorial dimension of European Cohesion policy, focusing, in particular, on the role of the Structural Funds for the support of urban areas and territorial cooperation. It has been prepared through a mix of desk and field research, the latter undertaken by the IQ-Net research team in March-April 2005.

Starting off with a review of the evolution of relevant spatial concepts - such as those of territorial cohesion and polycentric development - in academic and policy documents (Section 2), the paper turns to the analysis of current programmes.

Section 3 presents the role of urban support in the current Structural Funds programmes. This is followed by a categorisation of partners' approaches to urban development and by a detailed illustration of the practical policy solutions that such approaches entail (Sections 4 to 6). This is complemented by a review of selected Urban II programmes (Section 7).

Section 8 discusses partners' territorial cooperation experiences, providing an assessment of the perceived benefits and challenges. A review of the urban development theme in the programmes of the new Member States is presented in Section 9.

Section 10 examines the latest debate on the role of urban and territorial cooperation in 2007-13, discussing the Commission's proposed guidelines and the views of IQ-Net partners. To conclude, Section 11 outlines some issues for discussion at the Newcastle IQ-Net meeting.

2. TERRITORIAL COHESION, URBAN DEVELOPMENT AND INTERREGIONAL COOPERATION: EU LEVEL PRIORITIES

2.1 From economic and social to territorial cohesion

European regional and cohesion policy is a territorially discriminating policy: it operates in selected areas only. Its main aims, however, have traditionally been to support economic and social development in lagging regions or regions affected by specific challenges, like the need to face the decline of specific industries, rural decline, peripherality, urban deprivation. In other words, whilst being discriminating territorially, European regional policy - as defined in Article 2 of the EU Treaty (former Article B), and Article 2 and 158 of the EC Treaty - is essentially a policy for economic and social development.

Since at least the end of the 1990s, however, there have been trends towards a broader understanding of regional policy (at least at the European level and in some Member States), an understanding that integrates the traditional economic and social goals with specific spatial or territorial objectives.

From a European perspective, this change of approach is marked by the approval in 1999 of the European Spatial Development Perspective (ESDP). This document, which was preceded by two other pan-European strategic documents, Europe 2000 and Europe 2000+, represents a first attempt to define a common framework for the coordination of all policies with spatial implications across and within Europe, including regional and Cohesion policy. Applying the ESDP to regional policy would have meant broadening the scope of the aims of such policy, to:

- The ‘creation of a balanced and polycentric urban system, and of a more proactive integration between urban areas and rural hinterlands [...] overcoming the outdated dualism between city and countryside’. This goal, in the ESDP, was unpacked in four Policy Aims: the creation of a polycentric and balanced spatial development; the development of dynamic, attractive and competitive cities and urbanised regions; the strengthening of indigenous development and the diversification of the productive vocation of rural areas; and the improvement of urban-rural partnership.
- The ‘realisation of integrated transport and communication networks to ensure equal access to infrastructure and knowledge from all over the European territory’, also to support the polycentric development of the EU territory. Also, this goal is subdivided into four aims, namely: the pursuit of an integrated approach to transportation and communication links; the development of conditions of accessibility able to deliver the polycentric development model outlined in the first goal; the efficient and sustainable use of the infrastructure; and the diffusion of innovation and knowledge.
- The ‘wise management of cultural and natural resources’, that is the ‘development and conservation of the natural and the cultural heritage’, for both the preservation of regional identities and the maintenance of the natural and cultural diversity of European regions and cities. This goal too entails a sub-set of policy aims: the exploitation of the natural and cultural heritage as a development asset; the

preservation and development of the natural heritage; the management of the water resource; and, the creative management of cultural landscapes and of the cultural heritage.

However, the actual extent of the innovation introduced by the ESDP, as regards the Structural Funds programmes launched after its approval (the current programmes), was limited. The ESDP had in fact been finally approved only with the status of a *non-binding* policy framework for EU and national policies. This meant that, as past EPRC and Nordregio research has shown⁷, the themes of the ESDP were taken into account in the current generation of Objective 1 and 2 programmes only insofar as they coincided with autonomous regional or national strategic preferences and objectives.

The thinking behind the ESDP, however, has left some legacy. In particular, it led to the concept of 'territorial cohesion'. The Commission brought forward this new concept first in 2001 and then in 2004 in its Second⁸ and Third⁹ Reports on Economic and Social Cohesion. Conceptually, territorial cohesion is linked to the issues of balance and harmonious development, as a counter to the concentration of human settlement and economic activities which has characterised the Union so far. The Third Cohesion Report, in particular, includes territorial cohesion among the objectives of EU Cohesion policy, referring to it mainly from a pan-European perspective¹⁰ (p. 27).

However, the concept as outlined in the Report, is rather vague¹¹, leading the Dutch Presidency in their preparatory document for the Rotterdam Council of Ministers (November 2004), to call for the adoption of "a political agenda for the next 2-3 years with the aim of

⁷ Polverari, L. et al (2002) *The Spatial and Urban Dimensions in 2000-06 Objective 1 Programmes. Overview on the Objective 1*, and Rooney et al (2002) *The Spatial and Urban Dimensions in the 2000-06 Objective 2 Programmes*, Unpublished reports to the European Commission, DG Regio.

⁸ Whilst the formulation of the Treaties refers to economic and social cohesion as being among the objectives of the Union - Article 2 EU Treaty, former Article B, and Articles 2 and 158 of EC Treaty. In reality, the Amsterdam Treaty introduced in Article 16 of the EC Treaty (ex Article 7D EC Treaty) the wording 'territorial cohesion', but with a circumscribed relevance, ie. only with reference to the services of economic general interest

⁹ The Constitution text delivered by the European Convention in July 2003 and currently awaiting ratification has added 'territorial' cohesion to the objectives of the Union, by adding the word territorial in Article 3 (Objectives of the Union) and by naming the whole Section 3 on cohesion 'Economic, Social and Territorial Cohesion', hence giving constitutional and binding status to this policy aim.

¹⁰ European Commission (2004) *A New Partnership for Cohesion: Convergence, Competitiveness, Cooperation. Third Report on Economic and Social Cohesion*, Luxembourg, Office for Official Publications of the European Communities, p. 27.

¹¹ Indeed after the publication of the Third Cohesion Report, the Commission (DG Regio) even produced an 'Interim Territorial Cohesion Report' to track the progress made towards the achievement of territorial cohesion, defining it as "the balanced distribution of human activities across the Union' which is to be intended as 'complementary to economic and social cohesion". In the report, the achievement of the territorial dimension of cohesion is related to three spheres: (i) overcoming the territorial imbalances of the Union, namely the imbalances between centre and periphery, those related to urban concentration in the so-called pentagon, the specific geographic handicaps of some regions (islands, mountainous areas and peripheral, sparsely populated regions); (ii) overcoming the imbalances in the distribution of competitiveness factors across the Union, particularly as regards Research and Innovation capacity (mostly concentrated in the northern half of Europe); and, (iii) achieving accessibility conditions throughout the Union, in terms of physical transportation (road, rail, airports), telecommunications and energy access.

creating a coherent approach to territorial development in EU policies”¹² and arguing for the need to “come to a general agreement on what it [Territorial Cohesion] will mean in terms of implementation”. The preparatory document concludes by advocating a:

more coherent approach to the development of the EU territory. [...] Territorial cohesion provides a more explicit foundation for a coherent approach to the European territory [...] in practical terms it could mean the following:

- focusing regional and national territorial development policies on better exploiting regional potential and territorial capital [...].
- better positioning of regions in Europe, both by strengthening their profile and by transnational and interregional cooperation [...].
- promoting coherence of EU policies with a territorial impact, both horizontally (across sectors) and vertically (between levels of administration) [...].¹³

A general agreement on an operational definition of the concept of territorial cohesion was not reached at Rotterdam, but Ministers concurred on the need to focus their work “until 2007 on territorial cohesion with the aim of supporting the Lisbon ambitions by better exploiting Europe’s diverse potentials”, placing also emphasis on structural and cohesion policy.¹⁴ It will be therefore in the forthcoming ministerial Council, under the Luxembourg Presidency, that more light will be shed on this ambitious and yet unclear - or rather ‘unidentified’ to use Faludi’s expression - goal.¹⁵

2.2 From territorial cohesion to territorial capital and potential: a new role for urban systems

The emphasis placed by the Dutch Presidency on territorial capital and potential is not surprising. This is in line with the recent evolution in regional policy thinking in a number of EU countries, of which The Netherlands is perhaps the most evident example (illustrated in Box 1) .

Academic research and policy documentation suggest that regional policies in the Member States are gradually moving from a redistributive to an endogenous growth approach, based on the mobilisation of local assets, in line with theories such as the ‘new economic geography’ and ‘new regionalism’ (see also Box 1).¹⁶ According to these theories,

¹² *Exploiting Europe’s territorial diversity for sustainable economic growth*. Discussion paper for the EU informal ministerial meeting on territorial cohesion (2004), Rotterdam, November 29, 2004, p. 2.

¹³ *Ibidem*, p. 12. Territorial cohesion is explained and defined in more detail at pages 10-12.

¹⁴ The conclusions identify three areas of further work for the Ministers, namely: the contribution of integrated spatial development approaches to enable regions and cities to exploit their potentials; the impact of EU policies on national and regional spatial policies and developments; and, key territorial challenges and issues for convergence, competitiveness and cooperation in the EU, considering the proposals of the EU Constitution and the Third Cohesion Report.

¹⁵ Faludi A (2005) Territorial cohesion: an unidentified political objective. Introduction to the special issue of *Town Planning Review*, Volume 76, Number 1, 2005, p. 1-13.

¹⁶ Bachtler J and Raines P (2002), *A New Paradigm of Regional Policy? Reviewing Recent Trends in Europe*, Paper for 23rd Meeting of the EoRPA Regional Policy Research Consortium, European Policies Research Centre, Ross Priory, 7-8 October. Bachtler J (2003) ‘The Implementation of EU Regional Policy: Experience from EU-15 Member States’, in V. Benč (Ed.) *Readiness of the Candidate*

embraced and promoted by the OECD,¹⁷ it is the stock of regional ‘capital’ and ‘potential’ which is crucial for the regions’ competitive advantage. These include factors such as:

geographical location, the size of the region, climate, natural resources, quality of life, economies of scale, including all the factors that can reduce ‘transaction costs’ (access to knowledge etc.) [...] local and regional traditions and customs, the quality of governance, mutual trust and informal rules that enable economic actors to work together under conditions of uncertainty. Lastly there are intangible factors, the ‘something in the air’ that results from a combination of institutions, rules, practices, producers, researchers and policy-makers and that makes a certain degree of creativity and innovation possible, a condition often referred to as ‘quality of the milieu’¹⁸.

Placing emphasis on the ‘territorial capital’ of the region implies: shifting policy from equity alone to equity and efficiency at the same time (i.e. from redistribution to competitiveness); favouring supply-side instruments and bottom-up local economic development initiatives; achieving a stronger spatial but also thematic and sectoral targeting of resources; reducing the use of aids to businesses in favour of interventions in the ‘context for business’; and a multi-annual/longer-term strategies.¹⁹ In territorial terms, this implies placing more emphasis on areas of potential rather than areas of need. This approach is particularly suited to the severe economic cycle of recent years, characterised by the difficulty, also for the most prosperous regions and countries, to maintain sustainable growth rates and, subsequently, by increasing pressure on public spending (and the related concentration).

This approach also implies a new policy focus on urban areas which are now viewed not just as areas in need, but as areas of potential. This vision is clearly embraced by the Commission in its **Third Cohesion Report**. This dedicates two pages to the topic of ‘Territorial imbalances in the distribution of towns and cities’²⁰, emphasising the concept of urban systems as economic drivers (since they concentrate human capital, knowledge and infrastructure within close proximity) and arguing for a more balanced distribution of such centres across the European territory. The discussion paper for the Rotterdam ministerial meeting follows a similar path, highlighting the “challenges related to growth areas and urban systems” which are linked to the need to spread growth opportunities - traditionally polarised in the main cities and core areas of the EU - across the Union.²¹ In

Countries for EU Regional Policy, Slovak Foreign Policy Association Conference Almanac, 3-5 November 2003, Bratislava.

¹⁷ See for example Pezzini M (2003) Meeting Summary, Meeting of the EU Sub-Committee on Spatial and Urban Development, Brussels, 18 February 2003 or OECD (2001) *Territorial Outlook 2001*, Paris, 2001.

¹⁸ Zonneveld and Waterhout in Faludi A (ed.), *Town Planning Review*, Special Issue, Vol. 76, Number 1, 2005, *Visions on territorial cohesion*, p. 19.

¹⁹ Bachtler J and Raines P (2002) and Bachtler J (2003) *Ibidem*.

²⁰ European Commission (2004) *A new partnership for Cohesion: Convergence, Competitiveness, Cooperation. Third Report on Economic and Social Cohesion*, p. 28-29.

²¹ Indeed the document also underlines that “recent trends show less polarised development and the growth of some urban areas at the margin or outside the pentagon”, *Exploiting Europe’s territorial diversity for sustainable economic growth*. Discussion paper for the EU informal ministerial meeting on territorial cohesion (2004), Rotterdam, November 29, 2004, p. 4.

policy terms, this new conception of the role of cities implies shifting efforts from ‘reactive measures’, those tackling the improvement of the social, economic and environmental situation of cities, to more ‘proactive’ measures aiming at creating the conditions for the full exploitation of the cities’ true economic potential. This policy approach could not be more distant from the views implied in the 1998 policy document ‘Sustainable Urban Development in the European Union: A Framework for Action’.²²

²² This document was markedly reactive and promoted four goals: (i) strengthening economic prosperity and employment in towns and cities (which in fact account for 80% of the population of the Union); (ii) promoting equal opportunities, social integration and the rehabilitation of run-down areas; (iii) improving the urban environment (management of transport, waste, energy etc.); (iv) contributing to good urban governance and increased participation of local actors and citizens. Even so, as past EPRC/Nordregio research showed, these goals are only to a limited extent reflected in the strategies of current Structural Funds programmes (see Polverari L. *et al* (2002) *Op. Cit.* and Rooney M. *et al* (2002) *Op. Cit.*)

Box 1: Development nodes in the ‘new regional policy paradigm’ and theories of economic development

Perhaps the most striking example of the implementation of the ‘new’ regional policy paradigm in the domestic regional policies of the Member States is found in the Dutch 2004 regional policy White Paper.²³ This sets out an economic agenda for six Dutch regions, focussing particularly on large, ‘ambitious’ projects aimed at the ‘The recovery of the growth capacity of the Dutch economy and strengthening the business locations climate’.²⁴



Source: Peaks in the Delta, p. 10.

The strategy of the White Paper incorporates two radical innovations: first, the refocusing of ‘regional economic policy away from the traditional problem regions in the north and towards economic priorities in all Dutch regions; and, second, a move towards a far more selective policy approach, with clear choices being made as to where, in the regions, national policy efforts should be directed’.²⁵

²³ Ministerie van Economische Zaken (2004) *Peaks in the Delta. Regional Economic Perspectives*, The Hague, September 2004.

²⁴ *Ibidem*, p.11.

²⁵ Yuill D (2004) *Regional Policy in the Shadow of Reform. A Comparative Overview of Recent Policy Development in the Member States and Norway*, EoRPA Paper 04/1, October 2004, p. 21-22.

From a theoretical perspective, there have been, over time a range of models or theories which stemmed from the assumption that the geographical structure of a region can affect its economic and social situation and that this can be modified so as to improve the region's economic and social performance. An example is the theory of growth poles.²⁶ *Growth pole strategies* emerged in the 1960s and aimed to rectify the 'spatial deficiencies' of regions 'through the activation of a system of planned poles, conforming to a specific spatial configuration in terms of size, hierarchical level, frequency and location'.²⁷ The main assumption underlying this strategy was that concentrating on selected areas (the poles), a set of 'propulsive industries' would activate a process of growth in the poles that would spread and spill over to the neighbouring hinterland. This strategy was used in order to overcome different development needs. In the developed nations, it was implemented as a means to overcome the backwardness of 'depressed areas' within countries (i.e. low employment rates, income, human capital, infrastructure and service provision etc.). Clearly, the growth poles were generally located in, or in proximity to, urban areas.

A similar theory is '*Urban growth theory*', developed in the late 1960s. This places 'urban systems' or 'city regions' as the centres of wealth creation and accumulation. The theory argues that these systems allow for an effective exchange of knowledge between economic actors and firms, reducing search costs and increasing opportunities.²⁸ More recent theories, conceptually linked to the above, are cluster theories, network theories, and *endogenous growth theories*. The latter, in particular, seem to be often reflected in the regional strategies of current Structural Funds programmes²⁹. They place strong emphasis on innovation potential, human capital and knowledge as the basis for differentials in regional performance. Consequently, these are the factors that the strategies support. Urban centres are in this context crucial to development, in that it is here that human capital and knowledge are often concentrated.

A by-product of this new conception of the role of cities as engines for growth - alongside with the need for a more uniform distribution of such engines across the European territory - is the concept of polycentric development. This was mentioned in the ESDP and is being examined in the research carried out under the framework of the ESPON programme³⁰. This

²⁶ Parr J B (1999) *Growth Poles Strategies in Regional Economic Planning: A Retrospective View. Part 2. Implementation and Outcome*, Urban Studies, Vol. 36, No. 8, 1247-1268, 1999. p. 1247.

²⁷ Parr J B (1999) *Ibidem*.

²⁸ Cambridge Econometrics, ECORYS-NEI, *A study on the Factors of Regional Competitiveness*. Draft final report to the European Commission Directorate-General Regional Policy.

²⁹ Polverari L and Bachtler J (2005) *The contribution of European Structural Funds to territorial cohesion*, Town Planning Review, Special Issue, Vol. 76, Number 1, 2005, p. 29-42 and Polverari L and Bachtler J (2004) La dimensión territorial de la cohesión económica y social: política regional y planificación territorial en Europa in Joan Romero González and Farinós Dasí Joaquín (Eds.) 'Ordenación del territorio y desarrollo territorial. El gobierno del territorio en Europa: tradiciones, contextos, culturas y nuevas visiones', Ediciones Trea, S. L., Gijón, Spain.

³⁰ ESPON - European Spatial Planning Observatory Network - is an initiative set up under the Interreg III CI to develop a European scientific community in the field of European territorial development and improve the knowledge in this sphere. See www.espon.lu for more information. Of particular interest to this specific study are projects 1.1.1 'Polycentrism', 1.1.3 'Enlargement And Polycentrism', 2.2.1 'The Territorial Effects Of Structural Funds Programmes' and 2.2.3 'Territorial Effects of Structural Funds Programmes in Urban Areas', whose reports are all available from the programme's website.

concept interprets the role of cities in relational terms, transcending the role of individual cities (e.g. their functional specialisation and/or their catchment/influence sphere) and advocating the possibility of creating synergies and networking between them, to strengthen the overall competitiveness standing of 'polycentric regions'.

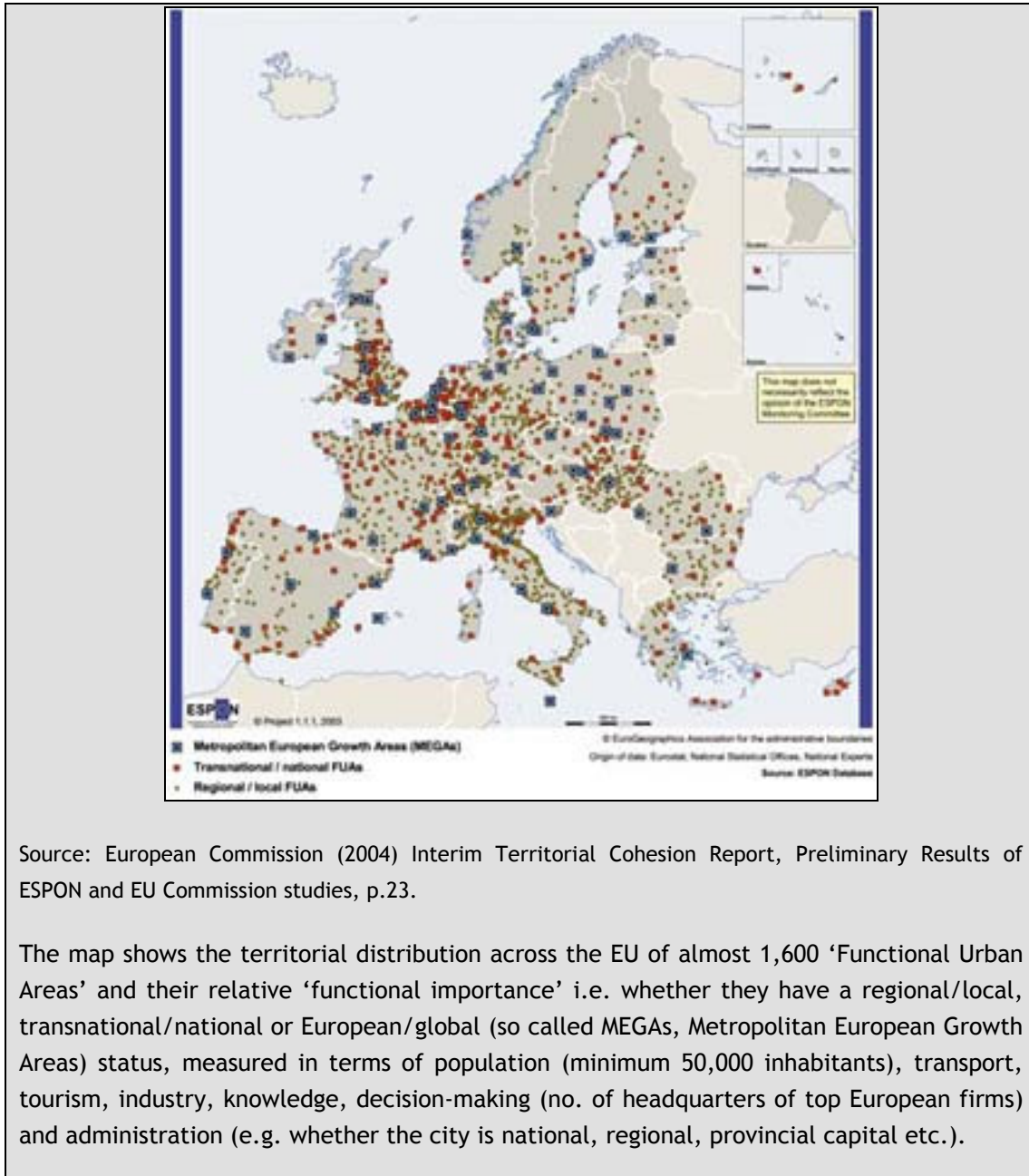
The Interim Report on Territorial Cohesion, for example, notes that:

The current European urban system is seen as monocentric, in the sense that there is only one major urbanised area with sufficient mass and economic potential to be integrated in the global economy. At the European level, the main issue is therefore to stimulate the development of regions beyond the Pentagon with the aim of making them global integration zones. A more polycentric structure, with several strong urban regions of European and global significance, can contribute to the competitiveness of Europe as well as to cohesion between different territories.³¹

This 'monocentrism' or concentration of the main urban areas and activities in the core area of Europe is well illustrated by the map below, also taken from the Interim Report on Territorial Cohesion (Figure 1).

³¹ European Commission (2004), *Interim Territorial Cohesion Report, Preliminary Results of ESPON and EU Commission Studies*, p.23.

Figure 1: Map on 'Typology of Functional Urban Areas', ESPON Project 1.1.1



Source: European Commission (2004) Interim Territorial Cohesion Report, Preliminary Results of ESPON and EU Commission studies, p.23.

The map shows the territorial distribution across the EU of almost 1,600 'Functional Urban Areas' and their relative 'functional importance' i.e. whether they have a regional/local, transnational/national or European/global (so called MEGAs, Metropolitan European Growth Areas) status, measured in terms of population (minimum 50,000 inhabitants), transport, tourism, industry, knowledge, decision-making (no. of headquarters of top European firms) and administration (e.g. whether the city is national, regional, provincial capital etc.).

Polycentric development, like territorial cohesion, has been interpreted in various ways. Overall, it aims to describe an ideal development path based on an interacting network of specialised urban centres (or Functional Urban Areas, FUAs) distributed evenly across the European, national and regional territories. The concept of polycentric spatial development has been described often as a 'bridging concept' between two not always congruent policy aims encompassed in the ESDP: 'economic growth' and 'balanced development'³².

³² Nordregio et al (2003) *Territorial Effects of the Structural Funds, Second Interim Report of the ESPON Project 2.2.1*, p. 11.

The concept applies to three levels (see also Figure 2)³³:

- European/transnational - where the goal is the stimulation of 'global integration zones', beyond the pentagon, able to compete in the global economy;
- national/cross-border/interregional - which implies shifting from a dominant city to a system of cities, by improving the economic performance and service provision through networks of neighbouring cities;
- regional/local - at this level, the main goal of polycentric development is to shift from one or two main regional centres to a number of small and medium centres that can provide services, e.g. through strategic alliances between towns and/or common projects.

Once again, the European Commission's views echo positions of some Member States, notably France where a study was carried in 2003 for DATAR to analyse the 'radiation potential' (*rayonnement*) of European cities with more than 200,000 inhabitants. The study was born following the decision by the French Inter-ministerial Committee for Territorial Management (CIADT) to establish

a national strategy to reinforce the metropolitan supply of France in Europe [...] to strengthen the world-role of the capital, to take to the first European ranks the urban systems of Lyon, Lille and Marseille, and to sustain the other main regional metropolises, in a network with their peripheral towns to attain the radiation of the German or Italian regional capitals.³⁴

The elaboration of such a strategy called for a comparison of French cities with their European counterparts. DATAR commissioned this study at the University of Montpellier, based on the up-dating of a 1989 study by Roger Brunet³⁵. The study led to crucial conclusions on the current and potential role of French cities that are informing the current debate on future Structural Funds support in the country, as will be seen in Section 10.³⁶ A similar study was recently launched in Sweden by NUTEK, the national Business Development Agency, to develop an 'analytical background for an up-coming NUTEK

³³ European Commission (2004), Interim Territorial Cohesion Report, Preliminary Results of ESPON and EU Commission Studies, p. 9.

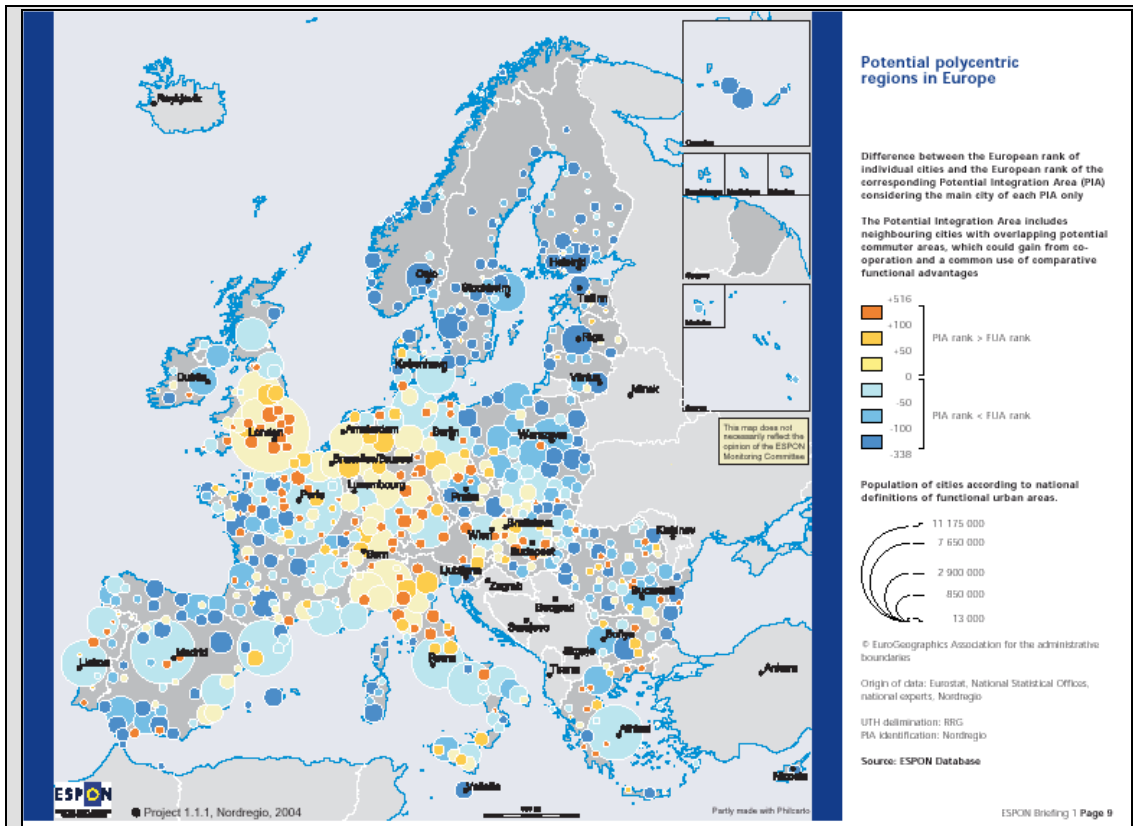
³⁴ DATAR (2003) *Les villes européennes: éléments de comparaison*, Céline Rozenblat, Patricia Cicille, Paris: La Documentation Française (DATAR), 2003, p. 59, Paris 24 March 2003, p. 1 (own translation).

³⁵ Such radiation potential was assessed against a bundle of functions which were analysed according to their frequency and their dispersal within the 180 selected agglomerations. Based on a range of 15 indicators, seven categories of cities were identified which allowed a ranking to be established, based on the assumption that more than the effective economic power of the cities it is the specific combination of functions which accounts for the respective potential of 'radiation'.

³⁶ In addition to this, DATAR commissioned a study on the contribution of Objective 1 and 2 programmes to the development of the priority areas of the '*politique de la ville*' which will also be discussed in Chapter 10.

initiative concerning regional growth in the four major urban regions in Sweden - Stockholm, Göteborg, Malmö and Norrköping/Linköping'.³⁷

Figure 2: Map on 'Potential polycentric regions in Europe', ESPON Project 1.1.1



Source: ESPON Briefing 1, page 9 (Project 1.1.1, Nordregio 2004).

Based on the analysis of the identified FUAs across Europe and on the measurement of their relative positioning according to demographic mass, competitiveness factors, connectivity and knowledge base, the map demonstrates:

'The potential synergies from cooperation between neighbouring cities measured as the difference between the ranking of the individual city and the ranking of the joint polycentric area.

[...] the analysis reveals opportunities and contrasts for improving the comparative position of urban areas across Europe [...not least] to play an important role in enabling areas and cities to activate their potentials and territorial capital successfully'.³⁸

2.3 Territorial cooperation - a new way of overcoming regional problems

As emerges clearly from the discussion above, urban and, more generally, regional development are increasingly being linked to the networking and cooperation between cities and between regions. The proposals by the Commission for future Structural and

³⁷ <http://www.nordregio.se/>. The study, which has been commissioned from Nordregio and the Norwegian Institute for Urban and Regional Research, will take place between May and December 2005.

³⁸ ESPON Briefing 1, page 8.

Cohesion Policy place strong emphasis on this aspect of regional development by dedicating a third objective of the Structural Funds to territorial cooperation, particularly cross-border and transnational cooperation, and by foreseeing the integration of interregional cooperation within the mainstreamed programmes of the Convergence and Competitiveness objectives. Territorial cooperation to date has been supported by the Structural Funds mainly through the Interreg Community Initiative (CI). Introduced in 1990, the CI Interreg supports projects of regional cooperation at different scales and in different fields to enhance overall territorial cohesion (see Table 1 below).

Table 1: Scope and numbers of Interreg I, II and III programmes

NB: Arrows indicate initiatives continued into a subsequent programming period

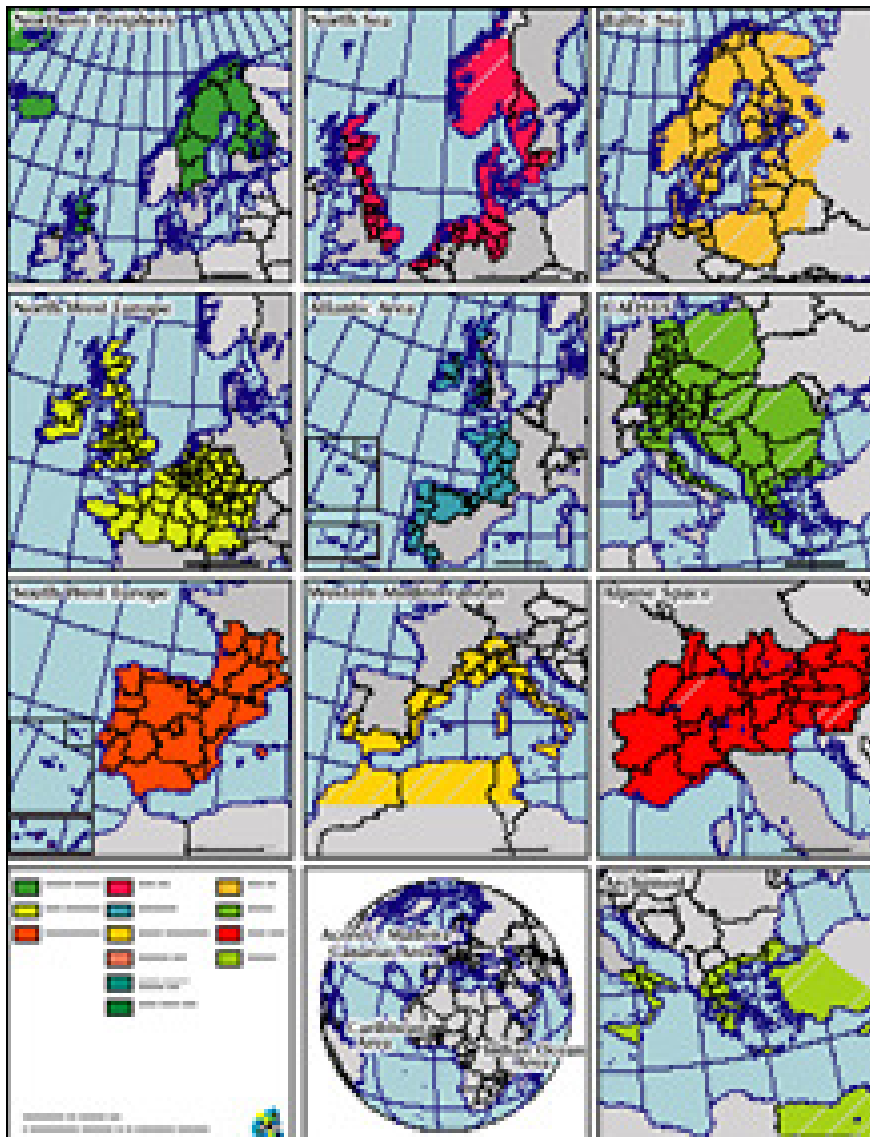
Theme	INTERREG I 1990-93	INTERREG II 1994-99	INTERREG III 2000-06
Total	31 programmes	79 programmes	72 programmes
Cross-border cooperation	INTERREG I	INTERREG IIA	INTERREG IIIA
	31 programmes (4 maritime) →	59 programmes (16 maritime), of which: 31 internal border programmes 28 external border programmes ³⁹ →	53 programmes (14 maritime), of which: 24 internal border programmes 9 external border programmes (12 of which are with new Member States, therefore internal by 2004)
Completion of energy networks	n/a	INTERREG IIB	n/a
		Continuation of the Regen Community Initiative 3 programmes Operated as collections of projects rather than 'programmes' in the rounder sense	
Transnational cooperation	n/a	INTERREG IIC & Article 10 Pilot Actions	INTERREG IIIB
		13 INTERREG IIC programmes focused on regional and spatial planning – context of ESDP 7 transnational co-operation programmes → 2 flood mitigation programmes 4 drought prevention programmes 4 Article 20 Pilot Actions	13 INTERREG IIIB programmes (Most relate to previous transnational co-operation and Article 20 pilot actions. Two new programmes target outermost regions.)
Inter-regional cooperation	n/a	n/a →	INTERREG IIIC
			Pan-European programme 4 programmes to divide the EU administratively into four sectors.

Source: Taylor, Olejniczak, Bachtler (2005) *A Study of the Mid Term Evaluations of INTERREG programmes for the programming period 2000 until 2006*, p. 20.

³⁹ Counting programmes including internal *and* external borders as external.

Following phases of expansion and diversification, the programme is currently in its third round, with Interreg III being implemented across the EU 25 while similar programmes cover the external borders (Phare and Tacis CBC). The initiative comprises three strands, each of them referring to a different geographical as well as thematic scope: *Cross-border cooperation* (strand A) is the longest operating of the three strands and supports development strategies in adjacent regions whereas *transnational cooperation* (strand B, see map below) covers larger groupings of European regions setting up more strategic and conceptual initiatives. Finally, *interregional cooperation* (strand C) was launched in 2000 to focus on the generation of policy learning through the exchange of information and experience within networks of non contiguous regions.

Figure 3: Interreg IIIB Cooperation Areas



Source: http://europa.eu.int/comm/regional_policy/interreg3/images/pdf/int3b_uk_a4p.pdf

The introduction of the Interreg CI signifies the development of an international dimension to Structural Funds programming. Although EU-funded territorial cooperation can be seen as relatively small in financial terms, and the programmes and projects associated with it

are complicated to manage and administer, the importance of their overriding aim to break down cultural and physical barriers is reflected in the increasing priority given to these programmes by the Commission. This follows not only from the growing ERDF funding allocated to Interreg since 1990⁴⁰ but also from the proposed continuation of Interreg into the 2007-13 programming period, as set out in the Third Cohesion Report which, as previously noted, includes a territorial cooperation strand, with an expanded financial package, as one of three pillars of the proposed future Cohesion policy.⁴¹

Among various other issues, the topic of urban development is currently given priority in all three Interreg strands (A: Promotion of urban development; B: Development strategies at transnational level including cooperation between towns or urban and rural areas; C: Exchange on interregional cooperation in the field of urban development)⁴². Although the theme is not explicitly mentioned in the new draft Regulations concerning territorial cooperation, urban issues are likely to remain important as the Urban Community Initiative will not be prolonged after 2006.

To achieve an increased thematic focus and to avoid delimitation problems between the strands, urban development is now only being alluded to within the scope of the new interregional cooperation programmes (former strand C) where a framework programme for the exchange of experiences on urban issues (based on URBACT) is cited as an example. The essentially local nature of cross-border cooperation (former strand A) and the respective cooperation areas (e.g. entrepreneurship and SMEs, universities, environmental issues, transport access, water, waste management and energy management systems, health, culture and education) suggest that these projects are especially suitable to be implemented in an urban context. The same is true for transnational cooperation where projects are likely to build on previous experience of urban development.

⁴⁰ In the 2000-2006 programming period, INTERREG remains the largest Community Initiative, but now receives significantly more resources: It has an ERDF allocation of €4 875 billion (1999 prices), source: Taylor, Olejniczak, Bachtler (2005) *A Study of the Mid Term Evaluations of INTERREG programmes for the programming period 2000 until 2006*.

⁴¹ CEC (2004) *A new Partnership for Cohesion: Convergence, Competitiveness, Cooperation*, (The 'Third Cohesion Report'), Commission of the European Communities, Luxembourg.

⁴² In IQ-Net partner regions, two examples that can be identified are 'Bizz 2 Bizz Cities' (Medium-Sized Cities attract high value business-to-business services) led by the economic council of the province of Limburg (INTERREG IIIB) and 'InterMETREX' (Spatial planning in metropolitan areas) led by Glasgow and the Clyde Valley Structure Plan Joint Committee (INTERREG IIIC).

3. ROLE OF URBAN AREAS IN STRUCTURAL FUNDS PROGRAMMES

3.1 Categorisation of IQ-Net partners' programmes

Leaving aside the debate on urban development interventions in the framework of future Structural Funds programmes - which will be discussed in more detail in Section 10 - and the conceptual elaborations behind the likely increased role that the development of urban areas will play in the future programming period, looking at the current generation of programmes, it is clear that the extent of inclusion of urban measures in the mainstreamed Objective 1 and 2 programmes varies considerably across and within countries.

This variation can be attributed to two main factors. The first factor is the nature of the areas covered by the programmes. Where the programme area is predominantly rural, measures for the development of urban areas in the strict sense cannot be found. A second factor is the degree of integration between Structural Funds programmes and domestic (national or regional) policies for urban development (and, more generally, the broader regional strategies and the role attributed to urban areas in these).

Looking at the eligible areas of the IQ-Net partner programmes (regional programmes) and considering variables such as population (size of eligible population, population density and population growth), economic activity in the region (e.g. sectoral orientation) and accessibility (transport infrastructure, the degree of connectivity of eligible areas to sub-regional, regional, national, and international centres), it is possible to make a rough categorisation of the IQ-Net partners' programme areas into urban and non-urban (see Table 2).

Presenting partner programmes along a continuum, from highly urbanised areas (i.e. areas with high population density, high concentration of business activity, negligible primary sector, and good accessibility) to non-urbanised areas (i.e. sparsely populated areas with negligible business activity, high degree of primary production and very low accessibility), some programmes clearly stand out as highly urbanised, while others have a marked rural nature or are even characterised by sparse population.⁴³ At one end of this spectrum can be found programmes such as **Nordrhein Westfalen (NRW)**, **Pais Vasco**, **North-East England** and **Western Scotland**, all of which include large urban agglomerates and high population density. NRW is perhaps the most striking example of what could be defined as a highly urbanised programme area with an eligible population of over 7 million - in a *Land* whose total population is c.19 million - set within one of the largest metropolitan regions in the EU, the Ruhr area.

At the other end of the spectrum can be found the sparsely-populated **Norra Norrland** region, which has one of the lowest population densities of Europe, large parts of the territory characterised by mountainous areas with vast uninhabited forests, population

⁴³ It has to be clarified that this is not an attempt at a thorough classification of the areas concerned. This is simply to give an overall picture of the likely inclusion of urban themes in the programmes, based on the geography and economic configuration of each partner programme area.

settlements mainly concentrated along the coastline and an economy characterised by a high dependency on the public sector, high costs of travel and declining industrial activities. Others programmes which can be classified as 'non-urban' include those of **Norra, Lombardia and Nordjylland**.

All other partner programmes can be found in between these two extremes, either closer to the 'urban' end of the spectrum, or nearer to the 'non-urban' end. Most programmes operate in diversified areas. By way of example, the area of the **Toscana SPD**, with an eligible population of c. 1.8 million, just over half of the total population of the region, includes:

- rural areas, where the development engine is still agriculture, i.e. the municipalities in the provinces of Grosseto, Lucca, Pistoia, most of the municipalities of Massa Carrara, Siena and Pisa, and two municipalities in the province of Livorno;
- urban areas, mainly in the province of Florence, where the service sector prevails;
- coastal areas, i.e. the coastal municipalities in the provinces of Livorno, Pisa, Massa Carrara and Grosseto, for which tourism is the main development motor, often together with agriculture (in the South of Toscana), industry (in the Livorno and Massa Carrara provinces) and tertiary activities; and
- areas 'with a strong presence of SMEs' (some municipalities in the provinces of Livorno, Massa, Pisa and two municipalities in the province of Siena).⁴⁴

⁴⁴ Tuscan SPD, page 66.

Table 2: Rough categorisation of IQ-Net partner programmes

←		→	
Highly urbanised		Rural/sparsely populated	
Objective 2 Nordrhein-Westfalen High population density. Good freight transport network with existing multi-modal sites and a high share of German freight transport. Environmental problems related to congestion. Eligible population: 7.1 million	Objective 2 Toscana Rural, urban, coastal and SME dominated areas. Diversified territorial development models. Good overall accessibility, but areas of improvement. Eligible population: 1.8 million	Objective 1 Sachsen Anhalt Low population density; dense infrastructure (esp. rail) due to centrality; 2 cities with more than 250,000, but no potential for “growth motors”; relatively high importance of agricultural sector. Eligible population: 2.6 million	Objective 2 Nordjylland Decrease in population of 1.5% from ‘85-99. Primary sector employment above national average. Service sector employment, income per capita, employment growth and education below national average. Ports connecting to Sweden and Norway. International airport. Eligible population: 537,718
Objective 2 Pais Vasco High population density. Great economic activity concentration in main cities like Bilbao. Negligible agriculture. 2 major ports and 3 airports. Eligible population: 2.1 million	Objective 2 Steiermark Strong specialisation in high tech industries and above average GVA growth rates in the secondary sector. Improvement of transport infrastructure to main Austrian cities but insufficient regarding EU nodes. Eligible population: 660,773	Objective 2 Länsi-Suomi Agriculture important (37% of Finnish employment in this sector). Several urban centres (e.g. Oulu) but also rural areas. Good infrastructure. Education and research and development facilities. Eligible population: 864,000	Objective 2 Lombardia Alpine and pre-alpine areas, coastal areas of lakes, lowlands in the provinces of Mantova and Pavia, few industrial municipalities (Sempione Axe). 44% of the municipalities have less than 1,000 inhabitants (28% between 1,000 and 2,000). Relatively low accessibility.
Objective 2 North East England Concentration of economic activity and population in large cities, e.g. Newcastle. Negligible agricultural employment. 2 airports with national and international destinations. Relatively good rail network for commuting (but improvements needed). Eligible population: 2.3 million	Objective 1 West Wales and the Valleys Includes Swansea, 2nd largest city in Wales. Extensive rural areas. 40% of population lives in urban settlements of over 5,000. Manufacturing is significant employer, also tourism, public sector, education and health. Eligible population: 1.8 million	Objective 2 East Wales Extensive rural area in the middle of the region. Urban area in the south. Rural areas dependent on the flagging agricultural industry and suffering from poor transport and infrastructure. Link to M4 motorway. Eligible population: 602,900	Objective 2 Norra Decreasing population, low density and concentration of settlements and economy in four centres on the coast. Negligible agriculture. Industry dominant but declining. Services and knowledge-based companies increasing. Express trains to Stockholm. High costs of travel. Relatively peripheral.
Objective 2 Western Scotland Centred on Glasgow, high population density. Growth of services sector. Traditional industrial and agricultural sector declining in importance. Several airports and ferry connections to international destinations. Eligible population: 2.3 million	Objective 2 Antwerp Heavily industrialised. Industry and commercial services are important. Large companies are part of the economy, but most are located outside the area concerned by the programme. Eligible population: 63,000	Objective 2 Nieder-Österreich Second most populated region in Austria. Significant industrial tradition but also strong primary sector in the Wald- and Weinviertel. Weaker regions such as the Wald- and Weinviertel insufficiently connected to the major transport routes. Eligible population: 495,869	Objective 1 Norra Norrland Low pop. density. Population and economy in coastal areas. Relatively good accessibility in terms of airports. Ferry connections to Umeå and Finland. High costs of travel. Peripheral characteristics. Dominant industrial sector albeit declining, agriculture negligible, tourism & services sectors rising. Eligible population: 518 000

Source: Own elaboration, based on IQ-Net partners’ programming documents.

The nature of the regions in which the programmes operate obviously plays a major role in this classification. However, due to the selection criteria adopted to determine territorial eligibility for the Structural Funds, in the case of Objective 2 programmes, some programme areas are considered as non-urban even though they are set within highly urbanised regions. This is particularly the case of **Lombardia**. While the region itself is the most populous and one of the most prosperous in Italy - with over 9 million inhabitants and the international hub of Milan (one of the five connecting points of the above-mentioned pentagon) - the programme area itself is characterised by relatively low population density, poor local accessibility, and rural or mountainous geographical and economic features. This is because the programme operates within small, scattered fractions of the regional territory, involving less than 7 percent of the total regional population and areas that are mostly at the edges of the region's territory and economic processes (with the exception of the so called Sempione Axe).

Clearly, for Objective 2 programmes, the merger in the 2000-06 programming period of the former Objectives 2 and 5b and the area designation criteria enunciated in Article 4 of Regulation 1260/1999 (synthesised below, Table 3) have played a role in determining the diversified nature of the areas eligible for support.

Table 3: Eligibility criteria for Objective 2 assistance (2000-06)

Areas undergoing socio-economic change (NUTS III)	Declining rural areas (NUTS III)
<ul style="list-style-type: none"> - average rate of unemployment above Community average (last three years); - % share of industrial employment in total employment equal to or greater than Community average (any reference year 1985 onwards); - observable fall in industrial employment (same reference year as above). 	<ul style="list-style-type: none"> - population density of less than 100 people per sq/km or % share of agricultural employment in total employment equal to or higher than twice Community average (any reference year 1985 onward); - average unemployment rate over last three years above Community average, or decline in population since 1985.
Urban areas in difficulty	Areas dependent on fisheries
<ul style="list-style-type: none"> - rate of long-term unemployment higher than Community average; - high level of poverty, including poor housing conditions; - particularly damaged environment; - high crime and delinquency rate; - population's low level of education. 	<ul style="list-style-type: none"> - coastal areas in which the number of jobs in the fishery sector as a percentage of total employment is significant and which are facing structural socio-economic problems relating to the restructuring of the fisheries sector, resulting in the reduction of the number of jobs in that sector.

Source: Council Regulation (EC) No. 1260/1999 of 21 June 1999, OJ L161/1, 26.6.1999

To provide an idea of the 'urban' nature of the programmes included in the IQ-Net network, it is also useful to consider the geographical distribution of the cities covered by the above-mentioned DATAR study. As can be seen in the map below, which highlights the cities covered by the research, the study did not cover any city from the Danish, Finnish

and Swedish partner programmes, all of which do not comprise urban centres with 200,000 inhabitants or more.⁴⁵

Figure 4: Conurbations covered by the study for DATAR by Rozenblat and Cicille (2003)



Source: Rozenblat C and Cicille P (2003) *Les Villes Européennes - Analyse Comparative*, La documentation Française, Paris, p. 15.

Taking a closer look at these cities it can be seen that the ones included in the regions of the IQ-Net Consortium are also generally covered by Structural Funds support (albeit not always as part of the mainstreamed programmes for the Objective 1 or 2), in particular:

- Swansea, Magdeburg and Halle (category 7) are located in the Objective 1 programming area;
- Newcastle-upon-Tyne, Middlesburgh, Cardiff, Brescia, Bergamo, Florence, Vitoria-Gasteiz and Essen are either fully or partly eligible for the Objective 2 programme or located in phasing out areas;

⁴⁵ The main cities of these programmes are respectively Aalborg (Nordjylland), with 161,661 inhabitants, Oulu (West of Finland), with 123,274 inhabitants and for Sweden Luleå and Umeå (in Norra Norrland, which account respectively for 72,237 and 70,955), and Gävle and Västerås (in Norra, with 92,081 and 129,187 inhabitants). Sources: Urban Audit 2004 and County Administrative Boards Websites (for Sweden).

- a small number comprising Glasgow, San Sebastián, Carrara, Dessau and Antwerp are covered by both, the Objective 1/2 programme and the Urban II Community Initiative;
- Milan and Graz are eligible under the Urban II Community Initiative.

The interventions supported by the Structural Funds in these programmes will be illustrated in more detail in Section 4.

3.2 Approaches to urban development: reactive, proactive and urban-rural partnership

Looking at the strategic approaches adopted in relation to the support of urban areas in Structural Funds programmes (particularly those of the IQ-Net partner regions), the following conceptualisation emerges (see Table 4).

Table 4: Strategic approaches in partner programmes towards urban areas

Approach	Rationale	Partner Programmes
Reactive Approach	Focus on problems and weaknesses of urban areas	<ul style="list-style-type: none"> • País Vasco (Spain, Obj.2) • North-East England (UK, Obj.2) • Western Scotland (UK, Obj.2) • Nordrhein-Westfalen (Germany Obj.2) • Sachsen-Anhalt (Germany, Obj.1)
Proactive Approach	Focus on urban areas as areas of potential	<ul style="list-style-type: none"> • West of Finland (Finland, Obj.2)
Urban-Rural Partnership	Creation of more balanced interrelations between main cities and neighbouring towns/villages	<ul style="list-style-type: none"> • Toscana (Italy, Obj.2) • Niederösterreich (Austria, Obj.2) • Norra (Sweden, Obj.2)
No Urban Support	No direct or indirect interventions for towns and cities.	<ul style="list-style-type: none"> • Norra Norrland (Sweden, Obj.1) • Lombardia (Italy, Obj.2) • Nordjylland (Denmark, Obj.2) • Steiermark (Austria, Obj.2)

Source: Own elaboration.

First, in some IQ-Net partners' programmes, special emphasis is placed on the problems and weaknesses of urban areas. This approach will be referred to as 'reactive' in the text that follows and can be found in those programmes which include high urban conurbations (i.e. the Spanish programme of the **País Vasco**, the two UK Programmes of **North-East England** and **Western Scotland**, and to a more limited extent, in the two German programmes for **NRW** and **Sachsen Anhalt**). The programmes which implement this approach tend to include large infrastructure projects of urban renewal and regeneration, characterised by: high volume of resources; participation of local partners, also from the private sector, in the financial package; and the predominance of physical investments (such as buildings, transport infrastructure, urbanisation works etc.). These measures are often complemented

by other types of intervention, such as training initiatives, employment policies, entrepreneurial support and similar. In such cases, the programme intervenes directly to support urban areas with particular socio-economic problems.

A second approach, which is evident particularly in the **Länsi-Suomi** Objective 2 programme, is more indirect. Urban areas here are not targeted in the programme *per se*, but are by default supported as part of a wider economic development strategy which places emphasis on growth poles and on their specialisation. The investments funded in this case are of an economic nature (business infrastructure, aids to firms and start-ups, training and R&D) and flow naturally towards the main urban centres. In this case, the emphasis is placed on the strengths rather than the weaknesses of the urban centres, which are supported as places of potential. This approach can be termed: 'proactive'.

A third approach is that followed by programmes which include interventions for urban areas of smaller scale (both the urban areas and the interventions). This approach can be referred to, borrowing an expression from the ESDP, as urban-rural partnership. In such cases, the interventions implemented in the urban areas are diversified, ranging from small regeneration projects aimed at the re-launch of local businesses and trade; cultural infrastructure such as youth centres, museums, theatres etc.; social infrastructure like nurseries etc., all of which aim to improve the standard of living of citizens and the development of communities (e.g. by improving the attractiveness of the regions for tourism). The partner programmes that feature this approach are **Toscana** (Italy), **Niederösterreich** (Austria) and **Norra** (Sweden).

Finally, the 'non-urban' partner programmes (**Norra Norrland** in Sweden, **Lombardia** in Italy, **Nordjylland** in Denmark) are mainly focussed on strengthening population settlements and improving standards of living. This is often achieved through a diversification of economic opportunities and the provision of essential services to improve the quality of life of local communities. These programmes do not contain interventions for urban areas (direct or indirect) and are not discussed in the sections that follow. The Austrian programme for **Steiermark** has also been placed in this category. This is not to say that there are no urban issues in the *Land*. Indeed, a particular difficulty in this region is the out-migration that is currently taking place from the main cities (particularly Graz) to the suburbs. This is causing a range of problems such as reduced tax income for the cities and the increased difficulty to tackle growing congestion and pollution problems, reducing the quality of life of those living in the cities. These problems, however, are not reflected in the Objective 2 SPD. Urban problems in the *Land's* capital, however, are dealt with by the City of Graz Urban II Programme (discussed in Section 7). The SPD, moreover, includes one measure (3.5, Support of regional development concepts, regional management, regional consultancy and regional initiatives) which funds regional concepts and cluster development, but this lacks a spatial perspective.

It should be noted that the three approaches above (reactive, proactive and urban-rural partnership) are not mutually exclusive. Indeed, a number of programmes present a mixed approach; for example, in **NRW** and **Sachsen Anhalt** physical regeneration interventions go hand-in-hand with social and cultural investments in urban areas.

Sections 4, 5 and 6 of this paper will review the strategic approaches adopted in the IQ-Net partners' programmes following the above categorisation. The sections also provide examples of projects funded by the programmes which illustrate the above discussed approaches.

3.3 Domestic Urban Policies and alignment with the Structural Funds

To fully understand the above categorisation, of the approaches adopted for urban development in the mainstreamed Structural Funds programmes, it is also important to consider the domestic policies implemented in this field. This paper is not the appropriate place for a comprehensive review of domestic policies for urban development. Nonetheless, five examples of national or regional urban policies are discussed, to provide a general idea of the wide spectrum of domestic approaches, drawing from Germany, Finland, France, England and Spain (regional-level policies are discussed in this case). Each one of these countries presents a distinctive set of policy choices for urban development and highly specific interrelations with the Structural Funds programmes: as will be seen, domestic urban policies and European Cohesion policy are not always aligned.

3.3.1 Aligned policies

In **Germany**, policies for urban development are mainly regeneration policies, related to infrastructure investments and implemented through a range of instruments of both federal and *Land* level. The main instruments at the federal level include the *Stadtteile mit besonderem Entwicklungsbedarf - die soziale Stadt* ("Parts of towns with particular development needs - the social town") which is managed by the Federal Ministry for Transport, Construction and Housing; the *Stadtumbau Ost* (town reconstruction in the east) and its twin initiative for the west, *Stadtumbau West*.

The programme *Stadtteile mit besonderem Entwicklungsbedarf - die soziale Stadt* was set up by *Bund* (Federal level) and *Länder* in 1999 to reduce social polarisation in urban areas, and is meant to take an integrated approach i.e. linking physical regeneration with funding from other funding programmes. In 1999-2004, the Federal Government provided million €408 for this programme, which accounts for around one third of total public funds -with the rest provided by *Land* and local authorities i.e. a total of over €1.2 billion. The funding financed 363 measures in 252 communities in this period. In future, Federal funding should be around €70 million per year.

The *Stadtumbau Ost* programme finances urban regeneration in the eastern *Länder* and has a federal budget of €2.7 million for the period 2002-2009. These federal funds are linked to other funds from *Länder* and local authorities. The *Stadtumbau Ost* programme provides funding for the renovation and upgrading of urban infrastructure and for the modernisation of housing, including rented accommodation. A similar programme has more recently been set up for urban areas in the western *Länder*, called *Stadtumbau West*, which *inter alia* provides funding for two towns in NRW (Essen and Gelsekirchen), with funding €40 million from the federal budget in 2004.

There are also other federal programmes in Germany for urban development (eg for the renovation of buildings that are perceived to have a certain historical value). Some are channelled through, and co-financed by the *Länder* and/or local authorities, and these *Land* and local authorities may also have additional policies for towns and cities.

The initiatives implemented under these domestic programmes are included in the Structural Funds programmes even though they lack an explicit focus on urban development *per se*. In both partner programmes, EU co-financing for the urban interventions is channelled into the federal, *Land* or local authorities budget lines such as those for the *soziale Stadt* and/or *Stadtumbau Ost* or *West* programmes. These domestic programmes are generally focused on particular parts of towns (*Stadtteile*) rather than on entire towns or cities (although *de facto* entire towns may be covered if all parts of the town meet the relevant - domestic - criteria).

A further important initiative in Germany are the *Internationale Bauausstellungen* (IBA) or International Building Exhibitions, whereby an area is designated for a period of ten years (often crossing local authority boundaries), and a range of policies are introduced for physical regeneration, housing, local economic development, social policy etc.⁴⁶ There is now an Internationale Bauausstellung (IBA) in Sachsen-Anhalt, on the theme of urban regeneration, which started in 2003 and is ongoing until 2010.

In Finland urban and regional policies are closely intertwined. Regional policy aims at creating the ‘*preconditions for economic growth, industrial and business development and a higher employment rate*’ and one of the secondary objectives linked to this overarching aim is to ‘*promote balanced development among the regions*’ (Regional Development Act 602/2002). In a subsequent government decision this aim was specified further in three goals: (i) to reinforce regional competitiveness; (ii) to safeguard the service structure throughout the country; and (iii) to achieve a balanced regional structure.⁴⁷ It is with respect to the latter policy goal that urban development comes into play. Emphasis is placed on the development of regional centres and urban policy (in particular, through the Regional Centre Development Programme); the intensification of cooperation within the Helsinki metropolitan area in order to enhance its overall competitiveness; and innovation and competitiveness, measures to improve the international competitiveness of nine urban centres (the Helsinki, Tampere, Turku, Oulu, Jyväskylä, Kuopio, Lahti, Lappeenranta-Imatra and Vaasa areas).⁴⁸ It is clear that the main regional policy goal of promoting balanced development across the country is very closely linked to the polycentric development concept discussed in Section 2.2. Four national special programmes support this goal: the Regional Centre Development Programme, the Centre of Expertise

⁴⁶ In 1989-99, NRW had an IBA for the Emscher Park area i.e. the northern strip of the Ruhr area which has relatively serious socio-economic problems by NRW standards ie the area was selected on socio-economic grounds. It aimed to redevelop old industrial areas; to develop town centres; socio-economic development, and industrial culture and tourism. A further overarching aim is to raise the profile and improve the public image of the area.

⁴⁷ Government Decision of January 2004. In Finland following the renewal of Parliament in Spring 2003 a new government coalition came into force.

⁴⁸ Together with a fourth aspect, the promotion of rural and island policies (which had also been a traditional element of economic development policy in Finland).

Programme, the Rural Programme and the Islands Programme. The first two programmes are particularly significant to the development of urban areas.

The aim of the *Regional Centre Development Programme* is to develop a balanced network of regional centres covering all of Finland.⁴⁹ The term 'regional centre' is defined as:

'a natural area of labour markets, service groupings and municipal collaboration that is larger than any single municipality. Regional centres have an economic impact that extends beyond any particular sub-region and nearby municipalities in terms of both service production and availability.'

The focus is on strengthening the competitiveness of regional centres of different sizes and types all over the country. The intention is that regional centres should serve to organise and intensify cooperation and operational partnerships between the municipalities and the public and private sectors in any given region. In so doing, they aim to enhance regional dynamism by intensifying joint business and service policies, promoting their coherence and encouraging networking. The programme began in November 2000: 34 regional centres are supported plus one further area on a pilot basis. For 2003, funding amounted to €8.3 million from central government, with the same amount being provided at the regional level.

The *Centre of Expertise Programme*, on the other hand, is directed mainly at the regional competitiveness objective, although it also contributes to the polycentric development goal. It has the overarching aim of encouraging the development of regional networks among key research providers and users in different sectors. Regions are responsible for different centres of expertise, chosen by competitive tender. Currently there are 22 centres in respect of 45 fields of knowledge. For 2004, basic central government funding was some €8.9 million, with the same amount being provided regionally. Under both this programme and the Regional Centre Development Programme, support is differentiated in favour of the nine urban centres which have been identified as internationally competitive (as noted, the Helsinki, Tampere, Turku, Oulu, Jyväskylä, Kuopio, Lahti, Lappeenranta-Imatra and Vaasa areas).

These objectives and national strategies are reflected in the **Länsi-Suomi Objective 2 programme**, insofar as the assisted areas are also eligible for the two domestic programmes discussed above.⁵⁰ Section 5.1 will discuss in more detail the application and co-funding of this policy in the region of Northern Ostrobothnia where the Objective 2 programme intervenes to support a range of interventions under the Oulu Growth Agreement 2006 and to the Oulu region Centre for Expertise programme, which in turn implies a significant concentration of expenditure in the main city of Oulu.

⁴⁹ Though not Helsinki, which is covered by separate initiatives.

⁵⁰ It should be noted that the programme for Länsi-Suomi applies in seven of Finland's 19 regions - Satakunta, Central Finland, Pirkanmaa, South Ostrobothnia, Ostrobothnia, Central Ostrobothnia and North Ostrobothnia. The programme itself is the sum of the seven regional programmes as they apply within its area of operation.

3.3.2 Non-aligned policies

In other countries, the Structural Funds programmes are not aligned with domestic urban policies. This is either due to the non-coincidence of the areas supported or to the different goals attributed to these two policy dimensions.

In France, for example, urban development has been a recurrent theme in regional development. First, with the designation of *métropoles d'équilibre* as a counterweight to Paris, then with the development of new towns and later with policies targeting medium-sized towns. Over time, perceptions of the relationship between Paris and the provinces and other French cities has changed: Paris is increasingly viewed as competing with other European cities, rather than with other French cities; at the same time, the notion that the capital receives more than its share of resources has been challenged with the demonstration that the *Île de France* generates a far larger proportion of the GDP than the regional population's share of national household income. These factors, coupled with significant changes in the nature of regional disparities in the country in the post-war years, and with growing concerns at social exclusion in major urban centres, have underpinned the reorientation of policy that has taken place since the late 1990s.

Alongside an overarching '*aménagement du territoire*' approach, which implies strategic spatial planning of the interventions for socio-economic and regional development, urban policy in France is implemented through the *contrats de ville* (town contracts).⁵¹ These operate in selected neighbourhoods in difficulty (*quartiers en difficulté*) providing for physical investments or social initiatives, and on urban conurbations (so-called *agglomerations*), in this case intervening in the form of broader plans to tackle multiple objectives such as unemployment, housing, transport etc.

In the 2000-06 period, the *contrat de ville* were supposed to become a unique urban policy instrument and to be integrated in the Structural Funds programmes. This intention was however far from being implemented in concrete terms. As noted in a recent thematic evaluation⁵²:

The actions relevant to the *politique de la ville* and to urban renewal are not, in general, a main objective of the SPDs. Generally, the main theme of the Objective 2 programmes is the promotion, as directly as possible, of the economic activities [...]. The place of the *politique de la ville* in the SPDs has to be understood in this context.

The evaluation highlights that, despite the undoubted added value of EU funding, the strategic coordination between the *politique de la ville* and the programmes was often

⁵¹ <http://www.ville.gouv.fr/infos/ville/index.html> .

⁵² ACT Consultants (2005), *Contribution des programmes Objectif 1 et Objectif 2 au développement des territoires prioritaires de la politique de la ville*, Final report, volume 1, January 2005, p. 17. Own translation, original text: 'Les actions relevant de la politique de la ville et du renouvellement urbain ne sont pas, en général, un objectif majeur des DOCUP. Sauf exception, la thématique majeure des programmes Objectif 2 est la promotion, la plus directe possible, des activités économiques (aides directes aux entreprises, grandes infrastructures à vocation économique comme les ports de commerce, zones d'activités, immobilier d'entreprise etc....). La place de la politique de la ville dans les DOCUP doit donc être appréciée dans ce contexte'.

weak and the implementation of Structural Funds rules problematic, reducing the overall quality of the projects implemented. The automatic de-commitment rule, in particular, was considered adverse to selectivity and project quality, especially given the 'progressive' and participative nature of the projects implemented through this particular domestic policy sphere.⁵³

In **England**, urban policy has been a mainstay of public policy since the early 1980s and is currently gaining in importance. The 2004 North East England Regional Spatial Strategy Consultation Draft, for example, reflects the evolving attitude on the role of urban centres. It points out that the tendency to focus on the identification of industrial sites for investment has neglected the role of city centres as bases for the service sector (i.e. through the redevelopment of office space) which is now perceived as a major driver of the regional economy. There is also an increasing awareness of the importance of commuting patterns in understanding how the regional economy works. This new focus ties in with two recent strategies: the 'City-regions' and the 'Northern Way' (see Box 2).

The role of the urban cores of cities in these strategies is considered vital. The aim is to invest in cores to draw people in, rather than allocate funds to poorer plots of land in the periphery to develop industrial sites.

Box 2: Core City Initiative and the Northern Way

The 'Core City Initiative' aims to focus on urban economic policy to strengthen the spatial dimension of the productivity/competitiveness agenda. The initiative includes a group of cities which represent England's largest City-regions, bringing together city councils, Regional Development Agencies (RDAs), regional Government Offices and representatives of national government. These actors have jointly developed an action plan to benchmark urban competitiveness, strengthen productivity and support urban renaissance. This is seen as the essential foundation for progressive improvements in the performance of all regions. The plan's agenda has been used to inform a subset of PSA Regional Growth targets for the RDAs. However, the implementation of the plan in each city is coordinated by the respective local authorities.

The 'Northern Way' is an initiative of three northern RDAs - including the agency (ONE) for North East England - which are implementing a major, inter-regional planning project to explore the feasibility of formulating and implementing an inter-regional development strategy linking key urban centres in northern England. The overall aim is to promote more sustainable, long-term national economic growth and to reduce the gap between the North and the South of the country. Along with the Core Cities programme, it can be seen as part of the increasing focus on urban economic policy. The project is currently coming to the end of its first, evidence-gathering phase and there is as yet no detail on how specific initiatives will be funded. The experience gained in the first phase, moreover, has shown the difficulties implied by such an approach, namely the inclusion of a variety of bodies (RDAs, cities, local authorities, business groups etc.) across and between the regions concerned.

⁵³ ACT Consultants (2005), *Ibidem*, p. 81-82.

The views underlying these strategic documents, however, are not reflected in the 2000-06 Objective 2 SPD which pre-dates these strategies. The current North East England SPD does not have a specific urban dimension. Urban areas are the focus of some priorities and measures by default (measures involving universities, technology transfer, RTD etc. tend to apply to urban areas), but this is not part of an urban development strategy.

Box 3: The Basque IZARTU Programme for urban regeneration and revitalisation

IZARTU: Integrated Programmes for Socio-Economic Revitalisation and Regeneration of Disadvantaged Urban Areas in the País Vasco

IZARTU was launched 2000 to provide special assistance to urban areas in need of revitalisation and regeneration. Activities supported include the recovery and improvement of degraded areas, positive discrimination measures for the socially excluded, actions to improve accessibility, and environmental and ICT measures.

To identify eligible areas a number of criteria are used including unemployment, infrastructural deficits, urban congestion, concentration of non-EU immigrants and socially excluded groups etc. In addition, targeted municipalities must meet two of the following specific criteria: population decline between 1991-2001, low educational level relative to regional average, unemployment above the regional average, low level of installations and services in the housing sector (as measured by a 'comfort index'), and a level of GDP per capita below the regional average.

To be eligible for the programme, municipalities must present (either individually or collectively) an integrated development plan for the urban areas affected by economic, social and territorial decline. The plans should comprise an overall programme incorporating various actions to address the problems of a particular 'disadvantaged or deficient' urban area, including the following components: socio-economic analysis, strategy and planned actions, financial plan, description of monitoring and evaluation procedures and an *ex-ante* evaluation of expected results.

The IZARTU programme is structured into 4 priorities and 18 Measures. According to the annual implementation report for 2003, the greatest proportion of projects for that year were in the priority for 'basic local infrastructure' (e.g. transport, telecommunications and environmental), with almost three quarters of all projects, followed by 'productive environment' (e.g. support for SMEs) and 'human resources and social integration' (e.g. labour market policies, equal opportunities.) each with c 10 percent of the total number of projects in 2003. The final priority ('creation and development of basic local structures' e.g. civil education, basic services), accounted for 2 percent of projects.

Finally, in the País Vasco, a regional programme for urban development and regeneration is implemented solely via domestic resources. In Spain, the competence on territorial planning and urban policy is constitutionally attributed to the regional levels. In 2000, the País Vasco introduced a new urban policy instrument, the IZARTU programme.⁵⁴ This supports 'integrated programmes of urban revitalisation' which contribute to advancing 'territorial, social and economic cohesion' in the region. The programme was allocated

⁵⁴ Decree Law 236/2000, 28 November 2000.

€90.2 million over 2001-05 and is funding 51 urban plans across 48 municipalities. It has subsequently been extended to cover the 2004-08 period, with an increased budget of €109 million. The operational details of this initiative are illustrated in the box below.

It should be noted that, whilst the IZARTU programme is not co-financed by the Objective 2 SPD, it was partly inspired by the Urban CI which only applies to one Basque city (San Sebastian). At the same time, the Objective 2 Basque SPD includes interventions for urban areas in a specific priority for 'Local and urban development', as will be seen in Section 4.1⁵⁵.

⁵⁵ This is the case of all Objective 2 SPDs and of the Objective 1 national OP for local and economic development.

4. REACTIVE APPROACHES: URBAN REGENERATION

As already discussed, programmes which include large urban centres or conurbations tend to adopt a ‘reactive’ approach to urban development. The dominant concern of policy-makers in this sphere is to tackle the problems of urban areas, typically those outlined in the table below (Table 5).

Table 5: Typical Urban problems

Demographic	Urban sprawl: expansion of the urban area causing congestion, environmental problems and loss of green spaces
	Population change: decrease or increase in population and associated challenges (such as the redundancy of existing infrastructure and services, or on the contrary pressures for housing and services to the population).
	Ageing of resident population: reduction of workforce and demand for care and leisure facilities.
	Immigration (from other countries): increase in population, social inclusion problems and possible rise in unemployment.
	In-migration/out-migration: increase or decrease of population and associated pressures (e.g. out-migration can lead to difficulties in local finances, transport issues related to commuting and others).
Economic	Economic restructuring: derelict or redundant land and buildings, change in required skills.
Social	Concentration of deprivation: social problems associated with poverty, and with poor health, education and housing.
Environmental	Air pollution: concentration of greenhouse gases emissions with negative impact on the health of the urban population.
	Waste disposal: increasing household waste and associated disposal problems (often associated with a move from landfill to recycling/incineration)

Source: Adapted from ECOTEC et al (2004) *ESPON Action 2.2.3: Territorial Effects Of The Structural Funds In Urban Areas*, A Final Report to the ESPON Coordination Unit, p. 8-9.

As the problems faced by urban areas are composite and diversified, so too are the policy solutions adopted. Nonetheless, in the partner programmes, ‘reactive’ approaches to urban development tend to focus particularly on urban regeneration and on often sizable, physical investments in infrastructure (e.g. housing, reclaiming of derelict land and buildings, transport infrastructure etc.) frequently associated with social and/or environmental interventions.

Amongst the partner programmes, this ‘reactive’ approach is most evident in the Spanish SPD for the **Pais Vasco**, in the British programmes for **Western Scotland** and **North-East England** and, to a smaller extent, in the German SPDs of **NRW** and **Sachsen Anhalt**. The concrete policy solutions and instruments implemented are illustrated in detail in the case studies below.

4.1 Pais Vasco

The SPD⁵⁶ explicitly acknowledges ‘the existence of territorial and spatial problems which require specific interventions’. Two objectives underpinning the territorial model are identified: first, to integrate the Basque territory into the central European area in order to provide access to socio-economic innovation; and second, to promote the diffusion of economic and social dynamism across the Basque territory through the network of medium-sized cities.

The SPD also states that the main interventions for urban development focus on urban renewal and the regeneration of degraded urban spaces. Such interventions are funded by a dedicated priority in the programme - ‘local and urban development’⁵⁷ - which accounts for almost 10 percent of the total public spending of the programme.⁵⁸ The priority includes the following interventions:

- Restoration and equipping of urban areas (measure 5.1) - most of the resources under this measure support interventions carried out by Bilbao Ria 2000 in the ‘Abandoibarra’ quarter, aimed at transforming a degraded area around the river into a business district, with walkways and open green spaces (see case study Box 4). Additionally, the Basque Regional government projects provide financial incentives to help municipalities accelerate the projects which are planned in their Special Plans for Commercial Revitalisation, e.g. the extension and modernisation of commercial equipment/fittings. A number of municipalities have specific interventions such as fitting pavements with access for the handicapped (Amurrio), pedestrianisation of an urban area (Ataun), the conversion of degraded urban areas into open spaces for public leisure activities such as cycling (Azkoitia).

⁵⁶ P. 83.

⁵⁷ The others are business development, the environment, employment and equal opportunities, R&D and technological innovation, and transport and information society infrastructures)

⁵⁸ It could also be argued that the Basque Objective 2 SPD inherently embodies a territorial approach as the resources have been distributed across the different levels of government at the programming stage. There is an explicit territorial division of Structural Funds resources in which goes beyond the usual central-regional split and allocates a significant amount of funding to the three ‘provincial territories’: the Basque regional government (including provincial and local authorities) manages and implements 72 percent of the SPD, with the rest of the programme largely accounted for by central government interventions. The three provincial councils (*diputaciones*) which make up the Basque territory each manage a share of the SPD’s funding to implement Priorities and Measures within their competencies and territorial jurisdiction - the Provincial Council for Bizkaia (the IQ-Net partner) manages 13.3 percent (or €175.7m) of the total SPD allocation (Whereas the Provincial Councils for Gipuzcoa and Alava manage respectively 7 percent and 3.3 percent. A number of municipalities under the responsibility of each provincial council have also been allocated a share of the SPD’s resources: the three provincial councils and a select number of municipalities within these provinces manage 37 percent of the SPD under the responsibility of the Basque regional government.

- Improving urban transport systems (measure 5.2) - the measure funds a series of actions which aim to create an intermodal urban transport system, integrating various forms of transport (train, bus, metro and tram) (the only institution active in this measure is again Bilbao Ria 2000).
- Support infrastructures and equipment for social integration in urban areas (measure 5.3) - provides support for the socially excluded in order to facilitate access to the labour market (e.g. the creation of training centres for the mentally handicapped in the province of Alava).
- Tourist and cultural infrastructures (measure 5.5) - this measure seeks to promote the cultural and tourism sectors at the local level, including in both rural and urban areas (e.g. modernising museums, aid schemes for tourism promotion, rehabilitation of historical buildings, rural walkways etc.). The main co-funded project is the creation of the 'Alhohdiga' cultural centre, involving the rehabilitation of an old abandoned wine factory with unique architectural status in the heart of the city. The centre is expected to be a reference point for tourism in the Basque country.
- Conservation and restoration of artistic and cultural heritage (measure 5.6) - this measure supports the partial or total rehabilitation of buildings with important architectural, historical or culture significance (e.g. cathedrals, theatres) and, although not targeted explicitly at urban areas, includes various interventions which are implemented in these areas.
- Social infrastructures and equipment (measure 5.6) - which supports cultural infrastructure and equipment, particularly targeting the young and female groups (e.g. nurseries)
- Job training centres and local development agencies measure which funds regional, provincial and local government led interventions to improve and develop job training centres, but also supports the development of ICT centres in a number of local authorities.

Amongst the most significant projects implemented under Priority 5 of the Basque SPD are the projects carried out by Bilbao Ria, a non-profit making company created in 1992 to manage the urban regeneration of specific areas of Bilbao through the recovery of run-down and disused industrial land sites. This is illustrated in detail in the case study below.

Box 4: Project example - Bilbao Ria

Bilbao Ria 2000 has played a core role in the urban renaissance and rebranding of the city, and has transformed the centre of Bilbao over recent years. The management structure incorporates public sector organisations involved in urban regeneration at various territorial levels, with shares owned equally by the central government and Basque authorities (regional, provincial and local), all of which are represented on the board of directors.

In the current Basque Obj. 2 SPD, Bilbao Ria 2000 has been allocated a total of €34.5million. This represents 2.6 percent of the total €1.3 bn available under the Basque Programme and 27% of all resources within Priority 5 ('Local and Urban Development'). The company is active under two Measures: Measure 5.1 'restoration and equipping of urban areas' (which accounts for 75 percent of the organisation's ERDF receipts) and Measure 5.2 'improving urban transport systems'. In total, the Structural Funds provide 14 percent of the institution's budget.

Bilbao Ria 2000's main flagship project is centred on the area of 'Abandoibarra', which runs alongside the river Nervion, covering approximately 345,000 sq.m. between the Guggenheim Museum and the Euskalduna Music and Conference Hall. A number of interventions carried out by Bilbao Ria 2000 (the construction of roads, parks, gardens and general public infrastructures for leisure use) are transforming the area, which had previously been used for industrial activities (principally shipbuilding), into the cultural and business centre of the city.

The key elements of best practice of Bilbao Ria 2000 can be synthesised as follows:

- 1) *Management and institutional structure:* First, there is high-level representation in the governing council from all of the key policymakers with authority over urban development related activities in Bilbao, ensuring high decision-making capacity. Second, decision-making is driven by a consensual approach under the decision mode of unanimity. Moreover, the success of the organisation is the result of the commitment by all the public actors with a stake in the company to work together to transform the metropolitan area of Bilbao. The central government representatives include the Secretary of State of the Ministry for Development of the Spanish government (i.e. the second in command after the Minister for Development) as the vice-chair of the governing board, with further representation from the President of FEVE (the railways agency under the Ministry for Promotion), the Director General for Urban and Land Planning Policy (Ministry of Housing), Director General of Housing and Architecture (Ministry of Housing), the President of SEPES (land agency under the Ministry of Housing). From the Basque Regional government, the representatives include the Ministers for Housing and Social Affairs, and Transport and Public Works as well as the Deputy Minister for Budget and Economic Control. At the provincial level, the Chairman of the Bizkaia Council is a permanent member, amongst others. Finally, at the local level, there is representation from a Bilbao city councillor, whilst the mayor of Bilbao is the governing board chairman.

- 2) *Internal financing model*: the company was set up with an initial public capital injection of €300million. Subsequently it has been able to balance its budget without the need for further large scale public sector contributions. This has been achieved by selling plots of land in designated areas for commercial use. These have been given up freely by the public sector landowners incorporated within the organisation's management structure. Given the not-for-profit status of the company, all the money recovered is reinvested in other urban development projects, which in turn can generate further capital gains. The key point is that the public sector shareholders are undertaking an 'act of generosity' by reassigning valuable land in the centre of the city (and the municipal area of Barakaldo) to the company for the common good of Bilbao's urban regeneration.
- 3) *Strategic development*: the regeneration of the areas has been undertaken through a well-managed and holistic, strategic approach taking long-term environmental, social and economic goals into account, which are in line with the urban plans of various Basque authorities and other EU-related environmental policies. The successful strategic coordination achieved between different actors across different levels of government is especially positive in the context of the highly fragmented nature of Spanish intergovernmental relations.

The innovative activities of Bilbao Ria 2000 have been recognised through numerous awards, including: (i) the European Urban and Regional Planning Award, awarded in 2004 by the European Council of Town Planners (ECTP) for the regeneration project in the Abandoibarra and Ametzola districts and the Southern Rail Routing (known as OAVS);⁵⁹ (ii) The Venice Biennial Architecture Prize '*Cittá d'Acqua*' (Water City), awarded for the regeneration activities undertaken around the River, and the company's strong record in setting and meeting its objectives throughout the different stages of the work; and (iii) the Basque Prize for Tourism 2004, awarded by the Basque government for the collaborative effort between the different actors forming the company in the conversion of Bilbao and for the continued efforts to improve the city.

4.2 Western Scotland

The SPD of Western Scotland represents perhaps the most comprehensive and integrated inclusion of the urban theme across the partner programmes, in part due to the nature of the areas covered. The SPD, according to its managers, achieves a good balance between social inclusion and urban development as economic driver. The underlying strategic spatial development principle is the linkage of areas of opportunity and need, in line with the Government policy enforced by the Scottish Executive. The Scottish Executive has developed several categorisations of areas of need, including Social Inclusion Partnerships (mainly brownfield sites), Social Enterprise Zones (aimed at mobilising local actors and

⁵⁹ The prize was awarded by the jury for the fifth edition of the European Urban and Regional Planning Awards held in Prague in October 2004 under the 'Local Redevelopment Plans' category. The project was one of four winners from twenty six pre-selected projects out of a total of 186 candidates across 12 European countries. The jury highlighted the 'outstanding strategic approach of this very complex city transformation [and that] the way it was implemented is an example for many other European transformation projects'.

adapting budgets to tackle multiple deprivation) and Urban Regeneration Areas (involving a package of activity that complements or encompasses employment creation, business opportunities, training and related activities, and linkages to exclusion areas). All of these are included in the Objective 2 SPD which takes these categories into account when selecting projects.

During the preparation of the 2000-2006 Programme, the geographic and sectoral targeting of the 1994-96 and 1997-99 Programmes was reviewed and refined. It is acknowledged that over the years dereliction (mostly concentrated within the urban areas of Glasgow, North Lanarkshire and Renfrewshire) has had a significant effect on the economic regeneration of the region and continues to do so. It detracts from the quality of life of the residents and deters investment.

Public sector intervention is required to face this problem due to the failure of the market, for example:

- the willingness of investors to locate on reclaimed brownfield sites in urban areas has been limited;
- the time-lag associated with reclamation if locations are needed in a tight time scale and the prohibitive cost of decontamination on a speculative basis inhibit potential investors;
- many of the areas of dereliction are not classified as strategic locations for industrial purposes.

All of this, combined with the scale of the problem in Western Scotland, suggested that a significant proportion of the region's derelict land could not be used for economic purposes within the Programme period. The outcome was to focus on areas of need and on areas of opportunity in terms of both geography and target groups, and to maximise the opportunities for linkages between the two.

The main focus of programme activity in this respect comes under Priority 2 which aims to 'develop the region as a competitive location'. There is more concentration and targeting of resources than in previous programmes, with the focus on a limited number of strategic sites and urban regeneration areas. These need to be consistent and integrated with the relevant strategic plans including: structure plans, Scottish Executive strategies, Scottish Enterprise and the strategies and community plans of the Local Enterprise Companies (the local branches of Scottish Enterprise, the business development agency for the Scottish Lowlands).

One example of the regeneration interventions funded under the SPD are the projects implemented as part of the 'River Strategy', along the River Clyde Corridor. These involve the regeneration of c. 300 hectares of riverfront land, absorbing funding from both the Objective 2 SPD (Priorities 2 and 3) and the Urban II CI.

Box 5: Project example - Glasgow Harbour Masterplan⁶⁰

Glasgow Harbour is a major redevelopment of the north side of the Clyde Waterfront, which aims to transform the landscape of the traditional, and mainly derelict, shipbuilding concentrations. The development covers 49 ha on the north side of the river. The project is a mixed-use development, including housing, offices/business space, retail, leisure and tourist/visitor attractions, which seeks to create a new areas to link the West End of Glasgow with the City Centre. This is seen as a way of linking areas of need and areas of opportunity.

Overall development costs are expected to exceed £500 million (€731 million) over a 10 to 20 year period, with a total public funding of £58 million (c. €85 million). Structural Funds support to the project is in the region of £10 million (c. €14.6 million).

The anticipated outcomes for all the Glasgow Harbour Projects are:

- 42 ha of serviced land enhanced
- 422 FTE construction Jobs
- 3,310 gross direct new jobs from the end developments
- 101,300 sq.m floor space made up of:
 - 8,000sq.m Class IV/offices (this is likely to substantially rise)
 - 66,000sq.m leisure/assembly
 - 19,000sq.m car showrooms
 - 8,300sq.m tourism, including two hotels
 - 18,000sq.m retail space

The wider benefits anticipated comprise: the setting-up of a public-private sector partnership model, including an on-site local labour action team to fit local people to the employment and training opportunities; the major contribution towards the regeneration of the river Clyde, thus meeting local and national priorities and promoting Glasgow's national and international competitiveness, including through raising the profile of the region; the development of a local labour programme to maximise construction job opportunities for local people, building on best practice and using an innovative model of partnership; promotion of environmental sustainability in construction processes and practices; and the public sector input to, and support of, the overall £500 million development.

Structural Funds support is broken down into three components, for specific parts of the project: (i) demolition, site preparation, utilities and services; (ii) hard and soft landscaping costs; and (iii) transport infrastructure costs. Three ERDF applications have been supported for infrastructure works targeted at the sections of the site to be developed for business/commercial activities. The housing, leisure and retail sections are not being supported by the Structural Funds.

Key activities which have been undertaken to date include:

- the demolition of formerly derelict 'granaries' over the period 2001-03;
- obtaining, in 2002, of planning consent for transport infrastructure work to connect Glasgow harbour to the West End and the city centre;

⁶⁰ Glasgow City Council (2004) *Clyde Waterfront Regeneration, Annual Report 2004* and <http://www.wsep.co.uk/>

- the start, in 2003, of the construction of 650 residential units (2,500 units planned at project completion);
- the start, in 2003, of the creation of new parks and river walkways that at project completion will involve c. 42% of the site area);
- the launch, in 2003, of a Local Labour Action Plan to train unemployed people in the construction field. Up to 2004, c 2000 people had registered for the scheme and c 200 had been placed on-site or on other developments in the area.

Further planned investments include:

- site preparation, demolitions, incorporation of service and utilities infrastructure, site clearance, upgrading of the adjacent river infrastructure to respond to flood risk and flow regimes;
- infill of Yorkhill Cofferdam with demolition materials taken from the former Granary buildings;
- high-quality landscaping and public realm work; continuation of the linear walkway along the waterfront; removal of the railway embankment;
- major transport infrastructure works to improve access into the site and account for the increased volume of traffic, including works to the Clydeside Expressway, on and off-site roads, and a pedestrian bridge to link elements of the site.

The overall Glasgow Harbour development is being undertaken by Glasgow Harbour Ltd - a joint venture (JV) between Clydeport plc and the Bank of Scotland. Glasgow City Council is acting as project sponsor in order to access public sector support for the project. The Council was able to support this project following EC approval of the N680/2001 Property Support Scheme in April 2002. In accordance with a special condition of grant applied to all three ERDF applications, an on-site local labour action team has been established to ensure that opportunities for employment and training are maximised for local residents.

4.3 North-East England

As previously mentioned, the most recent policy evolutions in North East England regarding the role of cities for economic and social development are reflected in the strategic approach of the SPD. The current North East England SPD does not have a specific urban dimension, even though urban areas are the focus of some priorities and measures by default (measures involving universities, technology transfer, RTD etc. tend to apply to urban areas). Parts of Newcastle, in particular, are covered under Priority 3 (Strategic employment opportunities) but this is not comprehensive or part of an urban development strategy. Indeed, measures that applied to urban areas have dropped off the agenda in the current programme. For instance, physical regeneration of the city-centre was shelved due to the feeling that the programme was doing what the local authorities should be

responsible for (e.g. laying pavements, painting lamp-posts etc.) and because these initiatives were not aimed at producing jobs.⁶¹

The most relevant activities of urban regeneration can be found under Priority 3, measure 1 (Strategic spatial developments) which funds high profile urban regeneration initiatives. To strengthen the impact of the investments implemented, these are generally large projects, not focusing exclusively on one site, but involving a grouping of sites in a defined geographical area. Such mutually supporting investments have been vital in raising the profile of Newcastle and are considered as 'iconic investments'.

An example of an 'iconic investment' is the Gateshead Quays project. Gateshead Quays is an urban area near the centre of Newcastle where groups of activities, including site preparation, access/infrastructure works, the development of tourist attractions and the construction of premises for business, combine to create a wider strategic impact on the urban area. This type of activity supports a coordinated approach to tackling urban problems, such as dereliction associated with former industrial activity.

⁶¹ Even though interview evidence suggests that this is felt to have been a mistake.

Box 6: Gateshead Quays

During the first phase of the programme, a series of projects under the heading 'Gateshead Quays' was funded under Priority 3. Strategic sites across the region were identified for investment based upon their potential to tackle economic decline and increase the number of jobs in a particular area. Support is focused on those areas with the ability to create the greatest number of direct jobs by the earliest date. Funding is available for all aspects of site development, including reclamation, infrastructure and construction work. Gateshead Quays needed site preparation, access and infrastructure works, and it also proved to be a tourism opportunity that was flexible enough to accommodate the construction of premises for business.

The aim was to create a major international resource, providing an economic and cultural stimulus to the whole of the North East through large, related projects such as:

- The £46 million Baltic Centre for Contemporary Art, opened in July 2002 as one of the largest spaces for temporary exhibitions in Europe (£3.7 million EU funding).
- The Sage Gateshead, the Region's music centre, opened in December 2004 (£7.2 million).
- The Gateshead Millennium Bridge, opened in 2002, linking developments on both sides of the river (£2.9 million).
- The Hilton International Hotel and the Baltic Quay mixed-use development.
- £2.5 million of infrastructure work.

The current plan is to integrate Newcastle University's museum collections, which are potentially important but up to now have been underdeveloped and fragmented, into a cultural centre. This fits the strategic approach outlined above and will hopefully balance the spatial focus of funds between the riverside 'quays' part of the city and the city centre. The aim is to surround this with infrastructure projects to help this spatial rebalancing.

In September 2004, the Strategic Programme Management Group (SPMG) agreed a list of Priority 3 projects which would be given the go-ahead to apply for funding. This occurred because resources in Priority 3 were becoming scarce, and a need was identified to decide which of the key projects in the North East would be supported with the rest of the funding. Each of the sub-regions were asked to submit a list of preferred projects and, from that list, SPMG drew up the shortlist. A group of experts, chaired by the European Secretariat, will manage the list and oversee any changes. All these projects are now able to submit applications for funding under Priority 3.

The Combined museum project is one of these short-listed. Its start date is anticipated to be 1 December 2006. Financial details are:

- Total project funding - £25 million
- ERDF - £2 million
- Single Programme match - £4.28 million

4.4 Nordrhein-Westfalen and Sachsen-Anhalt

In NRW and Sachsen-Anhalt, EU co-financing for urban areas is channelled through the main domestic schemes for urban development, such as the programme ‘*Soziale Stadt*’ and the *Stadtumbau West/Ost* (already discussed in Section 3.3).

In the NRW SPD, interventions for urban areas are found in a dedicated measure - measure 4.2 ‘Integrated development of urban areas’ - which accounts for 4.6 percent of the total public funds of the SPD. The approach is ‘reactive’, and emphasis is placed on the problems of urban areas: the measure supports particular parts of towns (*Stadtteile*) which are seen to have specific socio-economic problems, mainly: unemployment and the integration of immigrants.

In NRW, unemployment is a key issue at present as, in recent years, Germany as a whole has faced a significant rise in unemployment. This means that, while the traditional ‘black spots’ are still confronted with significant challenges (e.g. the town of Gelsenkirchen in the Ruhr area has an unemployment rate higher than 20 percent), towns and cities that a decade ago were successful, (e.g. Dortmund or Duisburg, are also seeing their unemployment rate rise. This makes it increasingly difficult to justify the concentration of policy on those areas that traditionally have been the main recipients of support (e.g. the Emscher Lippe area of the Ruhr).

Measure 4.2 supports different types of projects, including infrastructure, active labour market policies, and social and cultural interventions. The main goal is to create and safeguard jobs, fight poverty and involve businesses in the renewal of urban problem areas. The measure is composed of two sub-measures: one funded by the ERDF (supporting local, bottom-up initiatives to improve social, cultural and urban infrastructure, to integrate immigrants, to build local partnerships), the other funded by the ESF (training and employment). This integration between funds within a single measure - which is also an overall goal of the SPD - has proved a significant constraint to implementation due to two factors: the different requirements associated with the two funds; and the different cultures and working practices of the administrative units responsible, within the *Land*, for the two funds (despite the recent merger of the two formerly competent ministries).⁶²

The fact that the monies are channelled through pre-existing domestic programmes, moreover, is regarded as a constraint by the Managing Authority: strong efforts have to be made to ensure that projects co-funded by the SPD would be those with the highest contribution towards the economic and employment-related objectives of the programme. The Managing Authority was engaged in ongoing discussions with the Ministry for Urban Regeneration, responsible for the implementation of the measure, to agree the methods to be used to generate projects of ‘high quality’ which were also coherent with the strategy of the SPD.

⁶² Formerly, two separate *Land* Ministries were responsible for ERDF (Ministry of Economics) and ESF (Ministry of Labour). The two Ministries have recently been merged into the Ministry for the Economy and Labour.

Overall, the urban theme is not central to the SPD: the MA acknowledges that, whilst urban regeneration can play an important role in the economic development strategy of the *Land*, not all projects would necessarily deliver a strong contribution to economic growth and employment creation.⁶³

As in NRW, regeneration interventions in **Sachsen-Anhalt** are funded in the OP under a dedicated sub-measure - sub-measure 2.4.1 (which accounts for 4.5 percent of the OP's total public resources). In this measure too, the urban theme is far from being a crucial part of the development strategy, which includes: physical regeneration; urban reconstruction; physical reconstruction in historical town centres; urban regeneration in rural areas and in centres of historical interest; cultural infrastructure; regeneration of public infrastructure in large residential areas; and a range of cultural investments.

The Measure is managed by the *Land* Ministry for Construction and Transport and by the *Land* Ministry for Culture (with respect to the sub-actions on cultural investments). The granting of management responsibility for the regeneration actions to the *Land* Ministry for Construction and Transport is considered by the programme's MA to be a strong limitation on the overall contribution of this sub-measure to the programme's development goals. The Construction Ministry is felt to have a narrow view of what is meant by urban development and to focus mainly on physical regeneration. The Managing Authority argues that a broader conception of urban development, which is not reflected in the OP, would have been more beneficial.

A final remark should be made about the fact that, in both NRW and Sachsen Anhalt, the programme strategies also include growth poles and clustering measures. However, the approach is not 'spatial', in the sense that policy does not target explicitly polycentrism (as in Finland, as will be seen in Section 5.1). The emphasis in these two programmes lies on the economic rather than the territorial aspects of specialisation, i.e. the foci are key business sectors and technologies with the highest prospects of growth.

⁶³ This point ties in with the current debate in Germany on the role of large-scale infrastructure investment plans in economic development strategies. Following reunification, the development of the eastern *Länder* (but also of the structurally weaker areas of the western *Länder*, like the Ruhr area) was supported through large physical investments, e.g. for urban regeneration, housing, transport infrastructure. This approach is increasingly subject to criticism as, on the one hand, it has not been able to tackle the structural deficiencies of the target areas (e.g. in the fields of education, R&D, entrepreneurial dynamism etc.) and, on the other, the rise of public spending has increased public debt, led to inflationary tendencies and hence caused a tightening of monetary policy with negative consequences on the overall German economy.

5. URBAN AREAS AS ENGINES FOR GROWTH

5.1 Northern Ostrobothnia (West of Finland)

The Finnish example of the Ostrobothnia region has already been mentioned in Section 3.3, where the discussion was on how the co-financing of the region's strand of the domestic Centre for Expertise Programme and Centre Development Programme implies a concentration of funding in the main regional centre of Oulu (the biggest city in Northern Finland).

The Objective 2 programme area covers all or part of seven regions (i.e. groupings of municipalities⁶⁴) in western and central Finland - the regions of Satakunta, Central Finland, Pirkanmaa, South Ostrobothnia, Ostrobothnia, Central Ostrobothnia and North Ostrobothnia. Each region is charged with developing and implementing its own strategic regional programme which draws together a variety of funding possibilities within the region (both domestic and EU). These regional programmes in turn feed into the Objective 2 programme which was developed on the basis of regional inputs and reflects regional needs and priorities. Funding within the Objective 2 programme is allocated in a relatively complex way reflecting territorial elements - first to each of the seven regions within the programme area and then to sub-regional organisations within each region (i.e. the funding bodies, in most cases five or six). In practice, each region included in the Länsi-Suomi Objective 2 programme area has its own individual strategies, but these are closely linked to the national programmes.

In the region of *Northern Ostrobothnia*, for example, the resources of the Objective 2 programme intervene to support a range of interventions related to the Oulu Growth Agreement 2006 and to the Oulu region Centre for Expertise programme. Together these programmes aim to create 60,000 new jobs and c 150 new firms by 2006.⁶⁵

The Oulu growth agreement 2006, which is implemented under the coordination of the town's city council, involves all the main public and private actors in the region, who are also part of the Oulu Objective 2 advisory board. This facilitates coordination between the two programmes and ensures that Objective 2 resources are used to co-finance projects in the five clusters included in the agreement (information technology, bio-technology, media, wellness and environment).

Within this framework, the Oulu Centre for Expertise focuses on the development of high-tech businesses and start-ups in six areas of regional specialisation (through so called 'fora') in the fields of telecommunications, electronics, software engineering, wellness technology, biotechnology and environmental technology.⁶⁶ As for the growth agreement,

⁶⁴ There are Regional Councils, but these are not elected directly but are joint boards of representatives drawn from the constituent municipalities.

⁶⁵ For more detail on the Oulu Growth Agreement, see <http://oulu.ouka.fi/kasvusopimus/english/yleista/yleista.htm>.

⁶⁶ The Oulu Centre for Expertise Programme has the overarching goal "to make Oulu a top international hub of the information and wellness industries, where the region's creativeness, efficiency, energy and quality of life merge to form an excellent environment for both enterprises and people". See <http://www.technopolis.fi/orce/>.

ERDF resources intervene to fund projects that are part of this programme. Two project examples are described in the box below (the 'Octopus' and Smart Oulu projects - both of which were visited as part of the study tour of the IQ-Net conference of Oulu, in Spring 2004).

Box 7: Project Example - Octopus

The Octopus project is an example of an innovative measure financed by Community funds. Its goal is to promote the growth of mobile business operations and the creation of innovative applications and services.

Octopus operates under the umbrella of the Mobile Forum, a research, development, and business programme for mobile applications and services. The Mobile Forum presently includes almost 80 high-tech companies and companies utilising the mobile technology in their business. The Forum is a member of the Oulu Centre of Expertise. The Oulu region itself is recognised as one of the international centres for research and development in mobile technology.

The Octopus project is owned and administered by the City of Oulu. Other players include Nokia, which provides technology; Finnet, which provides network services; Oulu Polytechnic, which contributes teaching and education; and Technopolis, which provides infrastructure services. Octopus forms an essential part of the Oulu 2006 Growth Agreement, an initiative aimed at promoting growth in the Oulu region and is funded by the Northern Ostrobothnia Objective 2 programme.

The Octopus project identifies the needs of potential customers for mobile services but who have decided not to undertake the development work themselves. Its strength lies in its testing platform, which is more advanced than networks provided by commercial telecom operators. This platform enables "new wireless operations to be developed and tested rapidly and cost-effectively in an authentic environment with real users and national coverage."

The Octopus network has already been extensively used. According to the Hightechfinland.com web site, its successes so far include "the world's first mobile fishing license, several telemedical applications, and various business applications aimed at improving operational efficiency."

Box 8: Project Example - Smart Oulu

The Smart Oulu project, which lasted from 1 February 2004 to 31 December 2004 was organised by the Information Society City of Oulu, funded by the City of Oulu and the Council of Oulu Region to enhance the information society in the area. It was part of the Oulu 2006 Growth Agreement and part-funded by the Objective 2 programme.

Smart Oulu consisted of several sub-projects, each with its own aim:

- **Coordination** - to improve cooperation among different branches of city administration in relation to the information society, including the promotion of know-how and efficient use of resources;
- **Network Services** - to offer the City's services, such as library services and directories, in digital form;
- **Smart Card** - a versatile intelligent card for city residents and employees alike, with the aim of making it easier to pay for transport services, use public phones, use the library and pay library fees, pay for visits to the City's fitness centre and pay for services in some cafeterias; and
- **Mobile Services** - to ensure that several services provided by the City could be used more easily due to mobile phone technology (eg swimming and theatre tickets).

Other aspects of Smart Oulu continue to run. The Octopus project continues under the umbrella of Mobile Forum (see also above). The Smart Rotuaari project, developed in the University of Oulu, offers a new type of mobile marketing channel. The Pro-Telio project, supported by the City, promotes information technology for traffic and transport. Finally, the NetPosti Cooperation, also run by the City, ensures that day-care bills and City employees' wage slips are emailed to recipients.

6. URBAN-RURAL PARTNERSHIP

6.1 Toscana

Of the Italian partner programmes, proper interventions for urban areas are included only in the Toscana SPD. Even in this case the interventions are mainly targeted on small and medium towns.⁶⁷ The **Toscana SPD** includes various interventions for the modernisation of city and historical centres (especially minor centres), commercial and tourism infrastructure, urban waste disposal interventions and others. The interventions implemented under the SPD are streamlined and do not apply to particular types of territories (e.g. the aids to firms, or investments in social, economic and infrastructure). However, an investigation by the MA has concluded that broadly half of the total investments funded by the SPD are actually being implemented in areas that can be classified as ‘urban’⁶⁸.

Support for urban areas is not concentrated in a specific measure of the SPD, but is rather included in the infrastructure measures of priorities 2 and 3 of the SPD, namely in the fields of: commerce (sub-Measure 2.1.2); culture (Measure 2.2); transportation (Measure 2.3); productive sectors (Measure 2.4); social issues (Measure 2.5); energy (Measures 3.1 and 3.2); and waste treatment (Measure 3.4).

The integration of these interventions is ensured by the implementation method, which is based on Integrated Projects for Territorial Development, PISL (see past IQ-Net research for a detailed explanation of these projects), i.e. cross-cutting programmes elaborated by provincial/local partnerships which draw resources from various measures of the SPD.

The interventions implemented in the field of commerce infrastructure (sub-measure 2.1.2) are a good example of how the SPD targets the improvement of the attractiveness of the region’s urban centres.⁶⁹ This sub-measure has three main goals: (i) to revitalise the so called ‘natural trade centres’, especially within the old historical centres; (ii) to modernise suburban areas where small shops also provide other services to the communities (e.g. information office); (iii) to rehabilitate roofed markets and market squares in cities and minor towns, in order to increase their attractiveness. Investments implemented under this sub-measure include the restoration of market places, urbanisation works, urban furnishing,

⁶⁷ The OP LED is a sectoral OP providing mainly aids to firms situated in the Mezzogiorno. The Lombardia SPD, as has already been discussed, operates mainly in areas that are rural or mountainous and is only a minor programme within the region’s broader development strategy (and resources).

⁶⁸ These data are considered as highly approximate as not all of the projects in the SPD’s database explicitly state their location. The MA is working at present to fill such gaps and is still finalising this research. The main aim of the investigation is to understand how the thematic priorities defined in the draft ERDF Regulation for 2007-13 can be declined territorially. The starting point for this work was the urban/rural subdivision of eligible areas (as they were classified for the area designation), but there are a number of areas that do not qualify as urban or rural in a straightforward way. The MA is currently developing a set of criteria to allocate these areas to one or other category (applying a simple population threshold was felt to be too superficial an approach).

⁶⁹ Examples of such interventions are showcased in a recent promotional publication ‘*Infrastructure for Commerce. Public investment for the modernisation of our business districts. The SPD Experience in Tuscan Towns and Cities over the period 2000-06*’. In total, 80 projects are described in the brochure.

lighting, green areas, parking places and similar. Projects were implemented in the towns of Livorno, Arezzo, Grosseto, Massa, Prato and various other minor towns and villages.

Box 9: Project Example - Livorno market and seaside development⁷⁰

In Livorno investments of €4.35 million (of which €2.61 million from public funds) were carried out under measure 2.1.2 of the Objective 2 SPD to fund two separate but interlinked projects:

- *Project one Livorno seashore* - the project was implemented under the responsibility of the municipality of Livorno and entailed €1.53 million of public funds (€2.56 total investments) being spent on the renewal of the seashore area, including the creation of three small squares with new kiosks, bars, cafes and stands, with the demolition of old structures and the re-building of the new kiosks, booths and stalls serving food and drink, in three small squares linked by a promenade.
- *Project two Livorno market* - was also managed by the municipality of Livorno and entailed a public investment of €0.792 million (for a total investment of €1.32 million) for the refurbishment of the roofed market in the town's city centre. The refurbishment involved the setting-up of a new floor, the adaptation of spaces to comply with hygiene and safety regulations, the complete refurbishment of the fish market section, and the restoration of the façade.

The projects increased the attractiveness of the town of Livorno and improved the quality of life of residents, providing the basis for the re-launch of local commerce and tourism.

In similar vein, the investments for cultural infrastructure (measure 2.2) are also often implemented in urban areas. The measure funds investments for: architectural restoration; the restoration and setting-up of museums, theatres, cultural centres; the implementation of urban furnishing works and the restoration of historical areas into exhibition spaces, and other types of investments related to the usability of the region's cultural assets (e.g. promotion, database of cultural assets, multimedia products and others).

The selection procedure states that the projects have to be linked to the economic development objectives of the areas, as detailed in local programming documents or by the negotiated programming procedures. Moreover, the projects have to be coherent with the strategies for the full exploitation of cultural districts, tourism districts, parks and protected areas, and urban and suburban areas. For the latter, the new cultural activities and services have to improve living conditions and have to consolidate the local economic system. Indeed, the improvement of the quality of the urban environment (as well as of the extra-urban natural environment) is one of various priority criteria.

Harbour infrastructure and improvement of inter-ports and multi-modal links are funded under measure 2.3, which provides funding for the ports of Prato and Livorno-Guasticce, the Livorno, Carrara and Piombino harbours, the back-harbour area of Carrara and for the creation of a canal between the ports of Livorno and Pisa. The projects are crucial for both the regeneration of the areas and the improvement of the accessibility of the region.

⁷⁰ Regione Toscana (2005), *Op. Cit.* p.17-18.

Finally, measures 2.4, 2.5, 3.1 and 3.2 fund a range of projects, from the creation of business (industrial and handicraft) and the reclamation of abandoned areas for the creation of services to firms; to the social infrastructures (centres for elderly, victims of violence and abuse, cultural *metissage*, nurseries and public childcare and similar), urban ‘tele-heating’ (particularly in degraded areas), and urban and special waste treatment and recycling (but with no particular priority given to urban waste; emphasis seems to be placed on the potential for a fast financial absorption as well as on general technical and environmental criteria).

6.2 Niederösterreich

The approach adopted in Niederösterreich represents a mix of urban-rural partnership, regeneration and clustering. The *Land* includes 73 towns and over 500 municipalities. One of the goals promoted by the Objective 2 SPD, in line with the Austrian Spatial Strategy (ÖREK⁷¹, Austrian Spatial Development Concept 2001), is to counteract the dominance of Vienna and contribute to the generation of growth centres in other towns, improving the living standards of the inhabitants, e.g. with social and cultural infrastructure (commonly referred to in the Austrian context as ‘decentralised concentration’). Nonetheless, the main objective of the programme is the creation of economic conditions for growth and employment, rather than the generation of a more balanced spatial structure.

In the SPD, the interventions for the development of urban areas are contained in a dedicated measure, measure 1.3 ‘Development of urban areas and small regions’. The *Land* has implemented an urban regeneration programme since 1992. This includes, at present, more than half of the *Land’s* towns⁷² and is co-financed by the ERDF under measure 1.3⁷³. This measure also includes other instruments and comprises three sub-measures:

- Elaboration of small-scale regional development concepts, pilot projects and studies which focus on local development. This follows the ESDP idea of cooperation and networking between several communities and the involvement of the local population⁷⁴.
- Urban regeneration, which is complementary to other measures and programmes. Projects are supposed to increase the quality of life and, as such, range from the improvement of social services to the provision of ‘public space’ and cultural projects.

⁷¹ Available from <http://www.oerok.gv.at/>. The strategy outlines the following main goals: (i) Austria as a business location in Europe; (ii) sustainable use of natural resources; (iii) balanced regional development and social integration; (iv) mobility and traffic: opportunities, moderation and excess; (v) urban regions. dynamic development and need for guidance; and (v) rural regions: a variety of challenges and development opportunities. For the ‘urban’ goal, ÖREK specifies two aims: polycentric and attractive city regions; and strategy and decentralized concentration in the surrounding areas.

⁷² See http://www.noel.gv.at/service/ru/ru2/Was_ist_Stadterneuerung.htm

⁷³ This domestic programme was also co-financed in the 1997-99 SPD.

⁷⁴ See also MTE NÖ, p. 71.

- Increased attractiveness of city centres. This is in response to the fact that many city centres have been affected by the resettling of businesses to the periphery due to the high costs of city locations.

Only the first and second sub measures have been performing to plan. In particular, the sub-measure ‘attractiveness of city centres’ was not very successful, due to difficulties encountered in implementing successful public private partnership cooperation. Examples of projects implemented within this measure are presented in the case studies in Box 10 and Box 11.

Also of relevance, although not spatially targeted at urban areas, is measure 1.2 of the SPD. This aims to activate the endogenous potential of the region by supporting network activities, activities focusing on consultancy, and cluster management support. The Niederösterreich development strategy places strong emphasis on cluster development. The *Land* currently includes six clusters in the wood sector, Green Building (ecological construction of housing), ‘automotive’ industry (mobility, traffic and new vehicle technologies, joint cluster with Vienna region), well-being/tourism industry, plastic (joint with Oberösterreich), and the food industry (launched in January 2005). As with NRW, however, this strategy does not entail a specific spatial goal, but rather focuses on sectors which are considered to present particular development prospects.

Box 10: Project example - Art and culture infrastructure in the town of Haag

Until the early 20th century the town of Haag used to be the *Bezirkshauptstadt* of the region Amstetten. However, it lost its special position with the construction of rail infrastructure in neighbouring municipalities, which led to a relative decline of the town’s size and economic activity.

The Objective 2 SPD supported the establishment of a so-called ‘theatre summer festival’ in the city centre. This has attracted not only tourists from all over the country but has also boosted business activity. The regained popularity of the town also delivered a ‘psychological kick’ and a boost of confidence amongst inhabitants and local administrators. This in turn resulted in additional self-funded projects.

In addition to the festival, EU resources were also used to fund the construction of a new library in Haag’s city centre which further increased attractiveness of the town and the quality of life of its residents (see: http://www.noel.gv.at/service/ru/ru2/download/ZIEL2_Multimedia_1202.pdf).

Box 11: Project Example - Youth centre in Hollabrunn

In the town of Hollabrunn, an old and disused slaughterhouse was refurbished and rebuilt as a youth centre. The building now hosts not just the youth centre but also other clubs, e.g. a centre for the elderly. It also includes a café which has become a meeting place for different groups of residents.

The project has allowed the creation of a variety of social activities for all age groups and supports intergenerational dialogue. As such, it is considered by the MA of the SPD to have been particularly successful.

In the same town, the ERDF has also co-funded sports infrastructure, namely a multifunctional ice-skating and beach volleyball ground which represents a valuable leisure resource for the town's younger generations.

6.3 Norra

In Sweden, there is no overarching national policy which addresses polycentric development. National urban policy only targets the vulnerable areas of Sweden's three top cities: Stockholm, Malmö and Göteborg.

This policy does not involve the two partner programmes (**Norra Norrland** and **Norra**) which do not have any large urban agglomerations. The aim of these programmes is instead to improve the living conditions and opportunities for their inhabitants, addressing typical problems associated with peripherality (e.g. both regions are experiencing declining population).

In both regions, the overall development strategy is based on the desire to take full advantage of local endogenous potential, tackling the spatial and social challenges associated with the remote character of the territories. The main territorial challenges are, on the one hand, to connect the regions to the rest of the country (especially to the main cities) and, on the other hand, to develop closer interrelations between the regions' main centres and their surrounding communities. This means focussing policy intervention mainly on accessibility, service provision and economic diversification (also by means of supporting education, entrepreneurship and innovation).

The Norra SPD has funded a range of projects that aim to raise the level of education of the population⁷⁵, improve the accessibility to services (e.g. health and care) and create business conditions. The project described in the case study box below illustrates the investments made in the region to create a specialised growth pole in the fibre optic field: the 'Fibre Optic Valley'.

⁷⁵ For example by supporting distance learning centres.

Box 12: Project example - Fibre Optic Valley in Hudiksvall

The region of Hudiksvall has an established fibre optic industry which includes leading companies (Ericsson Network Technologies and Acreo FiberLab) in this field. The region is trying to exploit this potential to develop further a world-class centre of excellence in this field: the Fibre Optic Valley. The objective is to make the region Europe's leading innovation centre for e-services to private homes and fibre optic products for industries by 2010.

Drawing on different measures of the SPD (funding infrastructure investments, entrepreneurship and R&D activities), the Fibre Optic Valley project is absorbing ERDF resources of c. €3.2 million, and entails a total eligible investment in the region of €14 million. It is considered by the MA of the Objective 2 programme to be an example of good practice.

The project has funded the creation of a test-bed, the development of fibre optic training courses, and the continued maintenance of equipment. It has also sought to create a fibre optic connection between the Hudiksvall test bed and the national test bed in Kista.

Having involved a wide range of actors from both the public and private sectors, (including the municipalities of Hudiksvall, Sundsvall, and Gävle; the County Administrative Board of Gävleborg; Ericsson; CERN; the University of Gävle; Mid Sweden University, and others) the project is already delivering some results: the region has now the most comprehensive fibre optic training programmes in Scandinavia. This includes training and education ranging from fibre optic theory to building fibre optic networks. Education and training on this subject are available at all levels, from upper secondary school, to vocational training and even higher education (with Mid-Sweden University offering Masters and PhD programmes on this subject - the first PhD dissertation on the Fibre Optic Valley was submitted in March 2004.

As for the test bed, this now stretches from Hudiksvall to Stockholm, allowing firms and researchers to undertake large-scale tests. A by-product, but by no means a secondary outcome, of the project has been the generation of increased co-operation between several higher education institutions in the region and with private sector firms in Sweden and abroad.

7. THE URBAN CI IN PARTNER REGIONS

No review of the role played by the Structural Funds in the support of urban development would be complete without a mention of the Urban Community Initiative. Launched in 1994, following a successful experimentation of Urban Pilot Projects, this initiative currently funds programmes in 70 European cities. A synthesis of the programme is provided in Box 13 below.

Box 13: The Urban Community Initiative

The CI Urban was launched in 1994 to tackle social exclusion in 118 European cities. The initiative was re-introduced for the 2000-2006 period (with the name Urban II) and comprises 70 programmes across the EU, covering some 2.2 million inhabitants and providing for a Structural Funds allocation of more than €728 million (ERDF) and a total public and private activated investment of c. €1.6 billion.

Selection of the cities eligible for support was made based on the basis of the following criteria⁷⁶: (i) a specific need for conversion; (ii) high levels of long-term unemployment, poverty and exclusion, criminality and delinquency; (iii) high numbers of immigrants, ethnic and minority groups, or refugees; (iv) precarious demographic trends; (v) low levels of economic activity; (vi) a low level of education, significant skills deficiencies; (vii) high drop-out rates from schools; and (viii) a particularly rundown environment.

In practice, programme areas can be divided into three broad categories⁷⁷:

- Inner cities: city centres or the inner rings of dense housing. Inner city areas are the most common type within Urban II - 31 out of the 70 programme areas can be classified as being of this type, including just under a million people (nearly half the Urban population).
- Peripheral and suburban neighbourhoods: this category is also very common within Urban II, comprising 27 programmes and around 800,000 people.
- Small cities: this is the smallest category, concerning 8 programmes and 240,000 people.

The objectives of the programme are to promote the design and implementation of highly innovative strategies of economic and social regeneration in small and medium-sized towns and declining areas in major conurbations, and to reinforce and share knowledge and experience on regeneration and sustainable urban development in the European Union.

Specifically, the programme finances projects that: improve living conditions, e.g. by renovating buildings and creating green areas; create jobs, e.g. in environment, culture, and services to the population; integrate the less-favoured social classes into the education and training systems; develop environmentally friendly public transport systems; create effective energy management systems and make greater use of renewable energy; and use information technologies.

⁷⁶ DG REGIO, *Vademecum for URBAN II Community Initiative Programmes. Working Paper for the New Programming Period 2000-2006*, p.5.

⁷⁷ European Commission (2002), *Communication From The Commission To The Council, The European Parliament, The Economic And Social Committee And The Committee Of The Regions. The Programming of the Structural Funds 2000-2006: An Initial Assessment of the Urban Initiative*, Com (2002) 308 final pp.13-14.

The 70 programmes overall give the highest priority to physical and environmental regeneration (40 percent of total financial allocation). The next two priorities - social inclusion and entrepreneurship/employment - account for 42 percent of spending between them, with the other priorities, notably transport and the information society, sharing the rest of the resources. ERDF intervenes with up to 75 percent of the total cost of a programme if the urban area is in a lagging behind region (Objective 1), and up to 50 percent elsewhere.

Urban II, like its predecessor, places strong emphasis on genuine partnership with local authorities and with the local community. The relatively small areas and population covered by Urban II enable high aid intensity - 30 percent higher than Objective 2 in terms of aid per inhabitant per year.

According to an initial assessment by the European Commission, there is no significant variation in the proposed spending patterns between inner city and peripheral/suburban areas. However, where the whole city is covered by Urban, there is a slight tendency to reduce spending on physical regeneration (down to 34 percent as against 40 percent for Urban II in general) and to increase spending in other areas proportionately. Similarly, there are few systematic differences between small, medium and large cities, with the notable exception of ICT spending (larger cities allocate c. 7 percent of total funds on ICT, medium cities 3 percent and smaller cities propose only 2 percent).

According to the Commission, the Urban CI presents some interesting aspects in the implementation system:

- Strong local partnership - not only does this make the programmes more effective and better targeted on local needs, it also contributes to the long-term development of urban areas: once in place, a local partnership has the potential to play other roles in promoting local development.
- Selection of the cities by Member States, on the basis of Commission financial allocations and guidelines, this element strikes a good balance between the need to preserve the spirit of the Community Initiatives and the flexibility to adapt to a wide range of different socio-economic circumstances.
- The adoption of a short-list of common indicators to underpin the monitoring and evaluation of programmes represents another step towards simplification and efficiency. These indicators give a more quantified picture of the state of play in each of the 70 programmes.
- Administrative simplicity, including the mono-fund approach, avoiding parallel payment procedures.

Sources: European Commission, *Vademecum for URBAN II Community Initiative Programmes*, and European Commission (2002) *The Programming of the Structural Funds 2000-2006: An Initial Assessment of the Urban Initiative*, Com (2002) 308 final.

Various IQ-Net partner regions include town and cities which are supported by the Urban II Community Initiative, including: **Graz** (part of the centre and west, c. 32,000 inhabitants), **Antwerpen** (municipalities of Hoboken and Kiel, just outside Antwerpen, 45,000

inhabitants), **Dortmund** (part of the 'Nordstadt' district, c. 55,000 inhabitants), **Dessau** (Sachsen Anhalt), **San Sebastian** (Pasaia district, c. 38,200 inhabitants), **Carrara**, (historical centre and various neighbourhoods, c. 34,600 inhabitants), **Milan** (north-west part, c. 53,100 inhabitants), **West Wrexham** (Wales, nine out of 17 wards, c. 29,000 inhabitants), **Hetton** and **Murton** (NEE, c. 35,000 inhabitants) and **Glasgow**, Clyde Waterfront (Clydebank South and Port Glasgow, c. 28,000 inhabitants).⁷⁸

The following section outlines in detail the Glasgow Urban II initiative which is particularly interesting for its complementarity with the Objective 2 SPD (Section 7.1). Section 7.2 synthesises briefly the content of selected⁷⁹ CI initiatives being implemented in other cities of IQ-Net partner regions (Graz, Dessau and Dortmund).

7.1 Glasgow: Clydebank Waterfront

As already discussed, there is a degree of overlap between the Urban II and Objective 2 programmes. The main focus of Urban II activity, the Clydebank Waterfront area, is also a strategic site for the Objective 2 programme, and the scope of the measures correlate directly:

- improvements to environment, safety and security of recognised industrial and business areas;
- actions to link excluded individuals to economic opportunities; and
- actions to ensure quality of access to economic opportunities through physical, environmental, social infrastructure and access to ICT.

The interventions undertaken as part of the two initiatives, however, are coherently implemented. The Objective 2 programme targets higher level initiatives, i.e. high-growth sectors and clusters and site development projects which will affect a minimum of 250 jobs. While the thematic overlap is evident, the role of Urban II could be seen as filling a demand for smaller projects, which may be overlooked in the larger programme, and which focus on community needs.

One key factor which has determined the synergy between the Objective 2 and Urban CI programme has certainly been the fact that, for both programmes, implementation responsibility falls within the same organisation - Strathclyde European Partnership (SEP). This allows both programmes to be implemented using the partnership model developed in Western Scotland since 1988, which itself was informed by the experience of the Urban 1994-99 Programme. Local project development, appraisal and decision-making systems are in place, providing a high level of partner involvement and reflecting the considerable support and commitment of the agencies involved in economic development in the area.

⁷⁸ For more detail on these programmes, see http://europa.eu.int/comm/regional_policy/urban2/towns_prog_en.htm .

⁷⁹ The paragraph deals only with the Urban II programmes which were discussed during the fieldwork undertaken by EPRC researchers in preparation to the Newcastle meeting.

Building on lessons from the 1994-99 Urban Community Initiative, which in Scotland operated in the areas of Glasgow North and Paisley, the **Clyde Urban Waterfront Regeneration Zone** covers two distinctive communities:

- Clydebank South (in the West Dunbartonshire Council area) covers the wards of Whitecrook and Dalmuir and also includes the Clydebank Waterfront area, stretching from the Erskine Bridge to the Rothesay Dock.
- Port Glasgow (in the Inverclyde Council area) covers the wards of Port Glasgow East, Port Glasgow South, Clune Brae & Devol and Port Glasgow Centre & West.

The Clyde Waterfront programme was developed by a partnership involving local communities, economic development agencies, social and economic partners and the Managing Authority. Assistance was provided by SEP, with consultation an important and consistent feature of the Programme's development. The programme implements a vision for the regeneration of the Clyde Urban Waterfront Regeneration Zone as a place to live, learn, work and invest, recognising the history of industrial decline, multiple disadvantage and social exclusion in the area.

The programme is designed to encourage increased private sector investment in the area and to heighten local people's perception of wider programmes of redevelopment. The innovative regeneration of this urban area is integral to tackling the socio-economic problems of the Clyde Urban Waterfront Regeneration Zone. Urban II funding acts as a catalyst for this change, working to stem population decline and link local people to new economic opportunities in the area.

7.2 Other Urban II CI programmes in IQ-Net regions

7.2.1 Graz

Following on from the Urban I programme in Graz (*Bezirk Gries*), the Urban II programme "Urban Link Graz West" covers a total area of 738 hectares in the western part of the city. The area, with a population of almost 32,000 (c. 13 percent of the total population of the city), faces challenges which include a decline in economic activity, high unemployment, a large immigrant population, below-average education levels, social exclusion and transport-led environmental pressures. On the positive side, the *Fachhochschule* (local college) is attracting more students and there is continuing growth in the SME sector. Between 1996 and 2001, 50 single projects were implemented in the area Graz-West under the former CI Urban I. The second Urban programme also performs rather well and there are no absorption problems anticipated. In 2000-06, €4.2 million have been provided by the ERDF. The programme has three priority themes: 'development of the potential of the information society'; 'fit for the future district development'; and 'the communication to accompany the process'⁸⁰. Projects under the first priority aim to improve the underlying structural conditions, for the development and enhancement of human resources and for innovation-oriented economic development. Under the second priority, projects are planned to cover the subjects of mobility, leisure activities and sustained construction,

⁸⁰ <http://www.urban-link.at/>

living and working. Lastly, the third priority aims to increase the participation of the citizens in the decision-making process.

7.2.2 Dortmund

The Dortmund Community Initiative has been allocated €28,9 million, of which €9,9 million is from EU funds. The programme area covers part of the 'Nordstadt' district of the town of Dortmund (population 55,000), an area which is also covered by the Objective 2 programme. The socio-economic problems of the Nordstadt are seen to be related to the phasing-out of the coal mining and steel industry.

The programme has three priorities, as well as the technical assistance:

- improving the quality of the physical urban environment (25.8 percent of total public funds);
- supporting the local economy (45.1 percent of total public funds);
- stimulating grassroots initiatives and structures by local inhabitants (21.4 percent of total public funds)

The Managing Authority is the NRW *Land* Ministry for Urban Construction, Housing, Culture and Sport, however the programme is implemented by Dortmund City Council.

7.2.3 Dessau

In Sachsen-Anhalt, the Urban CI programme in Dessau has been allocated €19.8 million of public funds, of which €14.9 million is from EU funds. The programme covers most of the town centre, with a population of 28,100. Dessau is still undergoing major structural problems. Its large public mechanical engineering companies were particularly hard hit by the economic collapse which followed re-unification, leading to high unemployment rates (around 21 percent at the beginning of the programme and higher now) and large areas of abandoned industrial waste ground. Over the last ten years, the population has fallen by 15 percent due to emigration and a fall in the birth rate. Moreover, people with higher incomes have moved out of the town centre, resulting in increased social problems. There are also serious environmental problems e.g. polluted abandoned industrial waste areas; high levels of noise pollution and toxic emissions from motorised traffic; a lack of green open spaces near residential areas; and no attractive sporting and leisure facilities.

The priorities of the programme are:

- Priority 1: Strengthening the competitiveness and the investment activity of SMEs, developing human resources and promoting equal opportunities (33.4 percent of total public funds).
- Priority 2: Strengthening the local identity by improving urban qualities and functions (31.5 percent of total public funds).

- Priority 3: Upgrading the social and cultural infrastructures and leisure facilities (31.6 percent of total public funds).
- Priority 4: Technical assistance (3.5 percent of total public funds)

The Managing Authority for this Urban II programme is the Ministry for Housing, Urban Construction and Transport (whereas the Managing Authority for the Objective 1 OP is in the Ministry of Finance).

8. TERRITORIAL COOPERATION EXPERIENCES

Leaving the topics of urban and polycentric development aside, the proposals formulated by the European Commission for 2007-13 European Cohesion policy appear to place emphasis on a second policy strand for the achievement of territorial cohesion: territorial cooperation (in the form of cross-border, transnational and inter-regional cooperation).

The views on territorial cooperation expressed by the partner regions are rather ambivalent: on the one hand, cooperation is regarded as something positive in itself; on the other hand, numerous difficulties and challenges have to be overcome before engaging in this type of project. This can be illustrated by the fact that even within one country or region (i.e. within the same institutional context) territorial cooperation can encounter various problems.

However, some overarching benefits of territorial cooperation as well as associated examples of good practice can be identified, bearing in mind that the role accorded to territorial cooperation clearly depends on the geographical and institutional setting of the region, as well as its overall economic situation.

8.1 Perceived benefits of territorial cooperation

It is difficult to assess the outcomes of territorial cooperation in the scope of the Interreg CI as they are mainly intangible. Several studies have made the attempt to identify fields in which added value is generated in the course of territorial cooperation programmes.⁸¹ A study by Nordregio and EPRC analysing trans-national Nordic-Scottish cooperation provided an overview of the perceived benefits of cooperation projects, based on the views of the actors involved in the cooperation projects. The main benefits relate chiefly to the fields of information exchange, “know-how” transfer and increased networking. The development of new ideas and approaches to problem solving is also a relatively important benefit, whereas the establishment of constant cooperation structures, the building of trust and confidence as well as the establishment of a common identity have been found to be less evident.⁸²

These findings can be complemented by individual experiences highlighted by concerned actors in the IQ-Net partner regions.

- In a number of cases, cooperation facilitated the development of new contacts that would otherwise not have taken place. This has led to the establishment of networks which extend beyond the timescale of the projects (e.g. **Vlaanderen**).
- Negative effects of borders could be reduced and the programme generated clear added value in making European integration more visible (**Sweden**).
- Additional funding could be obtained (**NRW, Vlaanderen**).

⁸¹ For an overview see Taylor, Olejniczak, Bachtler (2005) *A Study of the Mid Term Evaluations of INTERREG programmes for the programming period 2000 until 2006*, p. 82-85.

⁸² Böhme K et al. (2003), *Trans-national Nordic-Scottish Co-operation: Lessons for Policy and Practice, Nordregio Working Paper 2003:3*, Stockholm, p. 70-71.

- The projects allowed for an exchange of experience and information (**Sweden, NRW, Vlaanderen**), also specifically on the theme of spatial development (**France**). Favouring exchanges in sectors of excellence and at the same time by transfer of knowledge between more advanced and less-advanced regions (see also the example of the “InCluD” network, below) is also seen as a way to encourage a more balanced development across Europe.
- Cooperation projects funded through Interreg are also perceived as having increased also the role of the regions in the design and management of programmes (**Lombardia**).

In their assessment of cooperation experiences, IQ-Net partners also identified some good practice examples, i.e. projects which they perceived to have been particularly successful, as follows:

- **Alpcity**⁸³: In the scope of the Interreg IIIB Alpine Space programme, this project led by the Piemonte region, involves, amongst others, the partner regions of **Lombardia** and **Niederösterreich**. It focuses on local development and urban regeneration measures in small Alpine towns aimed at preventing further economic decline, ageing population, abandonment of villages, loss of cultural vitality and building decay. According to project documentation, the main achievements are to be found in raised awareness, support for local innovative actions and policy guidance as well as promotion of networks and new cooperation forms (successfully funded projects in **Niederösterreich** are e.g. “city network youth” and “multimedia libraries”).
- **InCluD** (Industrial Cluster Development)⁸⁴ : As part of the Interreg IIIB CADSES programme, this project led by the **Lombardia** region and the *Land* of **Niederösterreich**, aims to create an exchange network encompassing research and innovation, as well as production and marketing. This will allow the transfer of experience and know how for the promotion of analogous clusters in countries of Central and Eastern Europe. The main objectives are the promotion of regional cohesion within and outside the EU through transnational infrastructure of knowledge, communication and cooperation. Outcomes have been obtained in the field of economic surveys and feasibility studies, the development of interrelations at entrepreneurial and institutional level, the setting-up of a cluster map and a correspondent database, as well as the conclusion of cooperation agreements contributing to economic cooperation and institution building.
- **ICN** (Industrial Change Network)⁸⁵: This Interreg IIIC project was submitted by the East-West Interest Group of the European Industrial Regions’ Association (EIRA) and approved in April 2003. It is managed by **NRW**’s Ministry of Economics and Labour together with the Objective 2 secretariat, and it involves partners from the Czech

⁸³ <http://www.alpcity.it/>

⁸⁴ <http://www.includ.net/>

⁸⁵ www.icn-project.org.

Republic, France, Germany, Hungary, Italy, the Netherlands, Poland, Sweden, and the United Kingdom. The Group meets three times a year, holding five parallel workshops on various themes (SME development, human resources and social policy, regeneration of industrial sites, innovation and technology management, Structural Funds' implementation). Although results seem to be rather intangible, the Managing Authorities express their satisfaction with this project.

- **WINNET** (European Network of Women Resource Centres)⁸⁶: This project takes place in the framework of Interreg IIC North, with the lead partner being the County administrative board of Gävleborg. It follows the main objective to create a European Network of Women Resource Centres (WRCs) which promote the support of local and regional development through the integration of women in economic, social and political life. The network is meant to complement and enhance existing local and regional cooperation in an interregional dimension and thus promote Equal Opportunities policies. This is to be achieved by promoting actions in the field of women's entrepreneurship, gender equality related to local development and social exclusion, as well as women and technology.

All these initiatives directly or indirectly pursue the overall objective to improve the implementation of Structural Funds. At the same time, problems have to be addressed in order to facilitate the development and implementation of territorial cooperation projects, an effort which is being undertaken among other things in the scope of the current reform debate. The main problems met by partner regions are synthesised below.

8.2 Problems and difficulties

One of the main difficulties associated with territorial cooperation projects is the fact that the projects' outcomes and results tend to be intangible and hardly visible. The Interreg programme is felt to be vague and complex (**NRW**) as well as scarcely transparent (**France**).

A further main criticism concerns the Interreg *modus operandi*, relating to the **lack of proportionality**. Funding is limited and the use of resources circumscribed to specific measures (**NRW**). Major administrative effort is required for project management (e.g. **Niederösterreich**) and this is challenging especially for smaller organisations (both in terms of funding and staff, e.g. **Sweden**).

The differences in the competencies attributed to the regional and sub-regional levels in various countries and the differing domestic administrative traditions have also contributed to make projects implementation rather complex and to delay project completion (**Niederösterreich, Sweden**).

Finally, a number of partner programmes have experienced practical difficulties: for the **Swedish IQ-Net** partners, for example, the physical limitations caused by the long distances (time-consuming and expensive travel) made working with European partners challenging (e.g. **Gävleborg** is cooperating with 15 countries); questions were raised over the

⁸⁶ <http://www.women.eu.com>

effectiveness of excluding private actors as project partners (**Lombardia**); communication difficulties were often encountered, especially in the framework of Interreg IIIB, where the implementing authorities and Managing Authorities were separated (**Lombardia**). A final issue which was raised in **Italy**, relates to the domestic allocation of competence over the coordination of Interreg. Whereas regional policy overall falls under the responsibility of the Ministry of Economy and Finances, Interreg is managed under the coordination of the Ministry of Infrastructures which is felt not to be adequately tuned in with Structural Funds rules, goals and methods.

9. THE URBAN DIMENSION IN THE NEW MEMBER STATES⁸⁷

9.1 Territorial challenges and urban areas

Definitions of an 'urban area' differ among the new Member States. These definitions depend on national traditions of municipal government and on political factors. Countries therefore differ in their understanding of what constitutes a village, town, city or urban district. Another complication in defining urban areas is that areas that have the administrative status of a city in fact may be rural in character as, for example, in parts of the Slovak capital, Bratislava. As a rule, however, according to the programming documents of the different countries, the proportion of urban population in the new Member States ranges between 50 and 75 percent.

Density of population in the new Member States (EU-10) is somewhat below the EU average of 118 people per square kilometre. It ranges between 1,266 people per square kilometre in Malta to 30 in Estonia. There are also significant regional differences within countries in terms of the proportion of urban and rural population.

In terms of population, capital cities dominate their countries to varying degrees. Some countries, such as Poland, tend to be polycentric. Only 4.2 percent of the country's population live in the Polish capital Warsaw, although it is, after Budapest, the second largest capital in the EU-10. In Estonia, Hungary, and Latvia, there is a clear dominance of the capital cities. In Latvia, one third of population lives in the capital city Riga (see Table 6 below).

Factors of population polycentricity and monocentricity do not coincide with economic dominance. Prague and Bratislava economically outperform the rest of their countries by high margins, despite the relative polycentricity of Czechia and Slovakia. GDP per capita in the Bratislava region is double the average GDP per capita in the rest of Slovakia. As a general phenomenon in the EU-10, there is a growing economic divide between capital cities on the one hand and the rest of the countries on the other hand. Poland is an exception, with growing city regions across the country.⁸⁸

⁸⁷ Unless specified otherwise, this section is based on programming documents for the individual countries for the programming period 2004-2006.

⁸⁸ D. Yuill and N. Quiogue, 'Spatial targeting under EU and national regional policies', paper presented to the *Benchmarking Regional Policy in Europe* conference, Riga, April 2005; European Communities, DG Regional Policy, *Interim Territorial Cohesion Report (Preliminary results of ESPON and EU Commission studies)*, Luxembourg, 2004, p.11.

Table 6: Monocentricity and polycentricity of urban systems in the new Member States

Rather monocentric urban systems	Rather polycentric urban systems
<p>Hungary: Budapest (1.78 million) represents 17 percent of total population. Eight cities (Debrecen, Miskolc, Szeged, Pécs, Győr, Nyíregyháza, Kecskemét and Székesfehérvár) with a population of 100,000 to 210,000 inhabitants have a national role and a more or less important transnational role.</p> <p>Lithuania: Vilnius (540,000) represents 16 percent of total population. Kaunas (380,000) has a transnational/national role.</p> <p>Latvia: Riga (760,000 inhabitants) represents 32 percent of total population. Daugavpils (110,000) plays a national role</p> <p>Slovenia: Ljubljana (260,000) represents 13 percent of the total population. Maribor (90,000) could have a significant transnational role.</p> <p>Estonia: Tallinn (400,000) represents 29 percent of total population. Tartu (100,000) plays a national role.</p> <p>Malta: the whole territory of Malta constitutes a single urban region.</p>	<p>Poland: Warsaw (1,610,000) represents only 4 percent of total population. Eleven cities, in addition to Warsaw have a population in the range of 250,000 - 800,000 inhabitants. All these cities have an important national role. Seven of them have an important transnational role (Katowice, Wrocław, Łódź, Gdansk, Kraków, Poznan and Szczecin), while the other three as well as some other less populated cities have a relatively less important transnational role.</p> <p>Czechia: Prague (1,180,000), Brno (380,000) and Ostrava (320,000) have an important national and transnational (nearly “European”) role, while Plzeň (170,000) and Olomouc (100,000) have a national role and a comparatively less important transnational role.</p> <p>Slovakia: Bratislava (430,000) represents 8 percent of the total population. Košice (240,000) has a relatively important transnational / national role.</p> <p>Cyprus: Nicosia (200,000) represents 29 percent of the total population. There are three other relatively important cities on the island: Limassol, Larnaka.</p>

Table is adapted from: European Communities, DG Regional Policy, *Interim Territorial Cohesion Report (Preliminary results of ESPON and EU Commission studies)*, Luxembourg, 2004, p.20.

Although spatial problems in the new Member States are significant, by themselves they do not necessarily translate into problems for cities. On the contrary, an “urban advantage” in relation to rural areas, rather than an urban problem, seems to be the general pattern. Business activities, educational centres, as well as knowledge networks, are concentrated in cities. As a result, cities display relatively stronger economic development than rural areas. In Latvia, for example, real personal incomes in urban areas grew by 32.4 percent between 1996 and 2002, while those in rural areas grew only by 7.5 percent.

Migration from rural areas to cities is perceived as an important issue in Cyprus, Poland and Slovakia. In Estonia, Latvia and Malta, the trend has been the opposite, with population leaving cities for towns and villages. In Czechia, Hungary and Lithuania, people have been

leaving the largest cities but moving into medium-sized cities. The trend of migration from cities appears to be mitigated by the fact that young, economically active people continue moving to urban areas.⁸⁹

These developments have resulted in problems for the countryside, including depopulation, stagnating growth, decreasing living standards and declining services, such as public transport. This is reflected in the high number of provisions addressing rural development. Such provisions appear in the programming documents of all new Member States.

The problem for cities is that the “urban advantage” has not translated into balanced development of their areas. Some large cities combine wealthy and prosperous areas with areas in decline. Inner parts of the Cypriot capital Nicosia, which is divided by the cease-fire line, have suffered because of the political situation and the decline of tourism. In Malta, there are high environmental pressures due to the extremely high density of population. Czech, Hungarian, Polish and Slovak cities have been affected by dilapidated housing estates, insufficient capacity of roads, heavy pollution, poverty and social exclusion in some districts.

9.2 Approaches to urban development

The new Member States adopt a combination of both ‘proactive’ and ‘reactive’ methods of addressing urban development. The proactive measures include improving the business environment and support for businesses and information technologies. The reactive measures include tackling poverty and deprivation, thus ensuring balanced development of cities.

Overall, the ‘reactive’ approach to urban development is underplayed in the programming documents for the current period, not least due to the lack of financial resources available. This seems to follow the general tendency to stress efficiency orientation in spatial economic development over equity. In general, the efficiency orientation is associated with supporting key drivers so as to boost the national economy; the equity orientation is aimed at reducing inequalities in spatial development.⁹⁰

There are different ways in which urban problems are tackled in the new Member States’ programming documents. An important division is between non-specific and specific approaches. Non-specific approaches rely on programming documents territorially covering both urban and rural areas; urban areas are thus covered by national development plans. Specific approaches recognise urban development as a goal in itself; this is reflected in the structure and language of programming documents.

Based on the hierarchy of Community funds interventions, specificity in this section is defined as follows: non-specific approaches are represented by those programming documents where urban development does not figure explicitly; semi-specific approaches are those that accord urban development the level of a measure (measures), a sub-measure

⁸⁹ D. Yuill and N. Quiogue, *ibidem*; European Communities, DG Regional Policy, *ibidem*, p.91.

⁹⁰ D. Yuill and N. Quiogue, *ibidem*.

(sub-measures), or lower (examples are: mentioning urban development in a country's CSF or an SPD; elaborating on aspects of urban development within a more general measure; and devoting a measure or measures to urban development under a more general priority); specific approaches are those that accord urban development the level of a priority (priorities) or where special programming documents exist for individual cities. There is a continuum between non-specific and specific extremes, with semi-specific approaches representing intermediate stages.⁹¹

Most countries display a combined approach to urban development. Depending on national circumstances non-specific, semi-specific and specific approaches are brought together with an aim to form a cohesive strategy (see Table 7).

Importantly, the existence of a specific programme or programmes of urban development is not a measure of the quality of development plans for cities. The choice of the degree of specificity of approaches depends on the national situation; not including urban development in programming documents may well be merited by the country's economic and social circumstances. As the Estonian Single Programming Document asserts, the major urban centres in general "perform much better than the surrounding areas". The document also mentions synergies between urban and rural areas. Therefore, no specific urban measures have been adopted, and the focus is on national development.

The degree of specificity of urban development measures is not reflected in the amount of finances available. Again, national factors such as population are important. For example, €16,82 million of Community and national contributions have been allocated to the Cypriot SPD Objective 2 priority Regeneration of Urban Areas in Decline. The Polish measure Public Transport Development in Agglomeration, a "hierarchically-lower" provision, has been allocated €335.79 million.

For an evaluation of the current development plans, one has to wait until after 2006. Due to the brevity of the current programming period in the new Member States (2004-2006), there are no mid-term evaluations of operational programmes. Only *ex post* evaluations will highlight the successes and failures of policies of support for urban areas.

The different approaches are elaborated upon below. The explanations of different approaches are accompanied by country examples.

9.2.1 Non-specific approaches to urban development

Non-specific approaches to urban development rely on general development plans targeting urban areas by default. Cities in the new Member States are covered by sectoral operational programmes aimed at increasing the competitiveness of industry, improving human resources and improving transport links. This is because of the location of businesses, plants, educational institutions, railway hubs and airports in urban areas. The

⁹¹ A limitation of this approach to analysing urban development lies in the differing definitions of urban and rural areas in the individual countries. Another limitation lies in the fact that the language of the programming documents may differ in specifically addressing urban problems. A thorough study of country practices and traditions would be required to create a more precise picture.

bias of most sectoral interventions towards urban areas is explicitly acknowledged, for example, in the Lithuanian SPD.

A growth pole strategy of national economic development, which is mentioned in the programming documents of several new Member States, is another example of a non-specific approach to urban development. This recognises that urban centres can act as engines of economic growth if high-potential industries within those centres are supported. The strategy is non-specific in that it considers support for urban development as a means of developing wider areas rather than as a goal in itself.

It seems that in more populous countries of the EU-10, a growth pole strategy is necessitated by a country's size. Because population is spread across a relatively large territory, the capital cannot act as the single driver of national development. Other growth centres therefore receive support. This is specifically mentioned, for example, in the Czech CSF.

It may even be that the official existence of a growth pole strategy is merely a function of the size of a Member State. As Table 7Error! Reference source not found. shows, the growth pole strategy is mentioned in the programming documents of those new Member States which have over 2 million inhabitants, starting with Latvia (whose SPD encourages the development of five economic growth centres), and continuing with Lithuania, Slovakia, Hungary, Czechia and Poland.

Growth pole strategies are only tentatively developed in the current programming documents. They appear to support the long-term national goals of strengthening polycentricity where it exists and developing it where it is weak. Four examples of growth pole strategy are listed below.

(i) *Czechia*

The country's Joint Regional Operational Programme (JROP) stresses that investment in the areas of transport infrastructure, public transport, urban regeneration and human resources will be focused on regional growth centres. The JROP includes upgrading and construction of class II and III roads, with an emphasis on roads around regional growth centres, linking these centres to motorways. Other goals include connecting industrial zones to border crossings. Public transport provisions concentrate on connecting regional centres with rural areas. Municipal and regional governments play important roles in these areas of investment and co-finance the JROP, along with national resources.

(ii) *Hungary*

In the Hungarian Community Support Framework, Budapest is acknowledged as the national growth pole. Nevertheless, the document states that regional growth poles are explicitly promoted as well. Examples of promoted areas include regional tourism and regional knowledge centres.

(iii) Poland

The Polish Integrated Regional Operational Programme seeks to enhance regional competitiveness by “strengthening existing comparative advantages through investments in infrastructure.” Regional centres are to be supported as places for investment and “concentration of economic, social, tourism, sport and cultural activities.” There is stress on infrastructure links between the regional centres and the remaining areas of the regions so as to enhance these areas’ economic development.

(iv) Slovakia

The Slovak CSF is the most detailed in explaining the growth pole strategy and how it involves investment from Community funds. It ties in the support of regional centres with: the construction of motorways; building of infrastructure; supporting industry and services; human resources; research and development; and agriculture and rural development. Investment is planned to link the growth poles, and also the growth poles and their surrounding areas. These links are designed to revitalise rural areas through targeted investments to deal, in particular with unemployment. One of the overall aims is to avoid unequal development as so far, investment has been disproportionately concentrated in the Bratislava region.

9.2.2 Semi-specific approaches to urban development

Semi-specific approaches to urban development can be categorised by areas of intervention. Transport and the environment, and addressing the problems of urban areas in decline are amongst the most frequent areas of intervention in the programming documents of the new Member States.

(i) Transport and environment

The Latvian SPD contains the priority Promotion of Territorial Cohesion. This priority includes the measure Development of Accessibility and Transport System, which includes addressing transport issues in the capital and other cities, such as traffic safety, pollution, road construction and traffic management. Likewise, the Lithuanian SPD provides for improving transport infrastructure and the environment in cities through its Development of Social and Economic Infrastructure priority.

In the Maltese SPD, the Strategic Investment and Strengthening Competitiveness priority axis includes a measure for improving the environmental situation. The treatment of urban waste water is specifically mentioned as a problem to be addressed.

The priority Development and Modernisation of the Infrastructure Used to Enhance the Competitiveness of the Regions in the Polish Integrated Regional Operational Programme (IROP) is also of relevance. This priority includes urban transport, especially in the main agglomerations of Warsaw and Upper Silesia. Further, the Polish OP Transport covers improving transport infrastructure in cities, under its Balanced Development of Different Transport Modes priority. This includes measures for railway infrastructure in

agglomerations. The Safer Road Infrastructure priority includes provisions for improvement of urban sections of national roads.

The Promotion of the Productive Sector and Competitiveness priority of the Slovenian SPD contains provisions for urban transport systems. Finally, the priority Environmental Infrastructure of the Slovak OP Basic Infrastructure contains provisions for treatment of urban waste water.

(ii) Development of marginalised areas

The Strengthening Regional and Local Potential priority in the Hungarian CSF is elaborated upon in the OP for Regional Development. The latter's Developing Regional Infrastructure and the Communal Environment priority contains specific measures for urban regeneration. Urban regeneration activities include: support to develop abandoned industrial land; investment in pre-school facilities and primary schools; development of public transport facilities; local employment initiatives; and crime prevention. Urban regeneration activities are also thought to improve the environment for economic activity, intensify relations between city centres and suburbs and "reduce the persistent national inequality of opportunities within living standards."

The development of marginalised areas is part of the combined approach to urban development in Hungary. The country's CSF acknowledges the importance of thriving cities as centres of economic growth. It emphasises urban development, including reactive measures to address poverty and urban decline, as preconditions of the success of the growth pole strategy.

Under the Development of Infrastructure in Regions priority in the Czech JROP, there is support for the regeneration of declining historical town centres and for city areas affected by economic and social problems. The goal is to promote tourism and job creation. Another priority, Development of Tourism, provides for infrastructure and information systems necessary to attract tourists visiting Prague to the regional centres. Finally, the Local Development Priority of the Polish IROP aims to cover, amongst others, marginalised urban areas.

9.2.3 Specific approaches to urban development

Specific approaches to urban development occur in the following two situations: First, a specific urban problem exists, such as in Cyprus. Second, a city's GDP per capita is above 75 percent of the average EU GDP per capita, is therefore not covered by the country's CSF for Objective 1 funding. Instead, in the case of the Prague and Bratislava regions, there are special SPDs for Objective 2 and Objective 3 funding.

(i) Regeneration of declining urban areas in Cyprus

Cyprus's SPD for Objective 2 funding focuses on small areas of greatest decline in cities as well as on rural areas. The Regeneration of Urban Areas in Decline priority concentrates on upgrading the built environment. It assumes that following regeneration, the urban area in

question has the potential to develop as a business centre. Other objectives include the provision of community facilities and the facilitation of entrepreneurship and innovation.

(ii) The Prague region

The Prague region is identical with the municipality of Prague. It is a NUTS 2 unit of itself. Its SPD for Objective 2 covers 30.9 percent of Prague's population in areas mostly in the north and east of the city. It contains two priorities: Revitalisation and Development of the City Environments focuses on the transport system and on regeneration of flood zones and dilapidated areas; and Building up the Future Prosperity which seeks to improve the quality of partnership between the public and private sectors, the non-profit sector and science and research, in line with the Lisbon agenda of enhancing the knowledge economy and the information society. Other provisions concentrate on support for small and medium-sized enterprises and on creating favourable business environment. The measure Development of Strategic Services in Support of Information Society is designed to increase the information technology capacity of the city administration, with a specific aim to ensure social cohesion and support equal opportunities. Prague's SPD for Objective 3 covers the whole of Prague. It focuses on human resources and includes the following priorities: Active Labour Market Policy; Social Integration and Equal Opportunities; Life-long Learning; and Adaptability and Business.

Although comparatively less funding is available through Objectives 2 and 3 than through Objective 1, Prague has been able to turn this apparent disadvantage into an advantage by being heavily involved in the drafting of the programming documents, especially the SPD for Objective 2. Unlike other cities, Prague thus had the opportunity to be directly involved in the shaping of Structural Funds programmes affecting it.

The SPD for the Prague region play a part in the combined approach to urban development in Czechia. The country's CSF emphasises that support for the Prague region "creating substantial agglomeration gains for business, which should be strengthened under the SPD Objective 2 programme and linked to the other regional 'growth poles' in the Czech Republic".

(iii) The Bratislava region

The Bratislava region includes the City of Bratislava and three additional districts. It is a NUTS 2 statistical region. Like Prague, the Bratislava region has two special programming documents: the SPD for Objective 2 and SPD for Objective 3. About 29 percent of the population of the region are covered by Objective 2 funding. The three semi-rural districts are included as well as several, mostly rural, parts of the Bratislava city. This SPD thus concentrates on Bratislava's hinterland; it aims to derive advantages from the growth pole effect of the city proper. The goal is to encourage the growth of competitiveness of small and medium-sized enterprises and tourism, in order to increase the attractiveness of the targeted districts for their inhabitants. The SPD contains only one priority, which includes measures for business support and for tourism.

The Bratislava region's SPD for Objective 3 funding covers the whole region. It concentrates on helping groups at risk of social exclusion back into employment. It has two priorities: Priority the Development of Active Labour Market Policy and Social Integration provides for increasing employability of disadvantaged groups and improved employment services; another priority concentrates on life-long learning and support for research and development.

Table 7: Approaches to urban development in the new Member States

Country	Population (000) ⁹²	Growth pole strategy	Semi-specific approach to urban development	Specific approach to urban development
Cyprus	730	-	-	The Regeneration of Urban Areas in Decline priority in the Objective 2SPD
Czechia	10,212	✓	The Development of Infrastructure in Regions priority in the Joint Regional Operational Programme (measure Regeneration and Revitalisation of Selected Towns); and the Development of Tourism priority in the JROP (measures Development of Services for Tourism; and Development of the Tourism Infrastructure)	A. Objective 2 SPD for the Prague region: priorities Revitalisation and Development of the City Environments (transport, revitalisation); and Building up the Future Prosperity (business support, information society) B. Objective 3 SPD for the Prague region: priorities Active Labour Market Policy; Social Integration and Equal Opportunities; Life-long Learning; and Adaptability and Business
Estonia	1,351	-	-	-
Hungary	10,117	✓	The Developing Regional Infrastructure and the Communal Environment priority in the Operational Programme for Regional Development (the Regeneration of Urban Areas measure and other)	-
Latvia	2,319	✓	The Promotion of Territorial Cohesion priority in the Single Programming Document (the Development of Accessibility and Transport System measure)	-
Lithuania	3,446	✓	The Development of Social and Economic Infrastructure priority in the Single Programming Document (the Improvement of Accessibility and Service Quality of Transport Infrastructure measure)	-
Malta	400	-	The Environment Situation measure under the priority axis Strategic Investments and Strengthening Competitiveness in the Single Programming Document (provisions for environment in urban areas)	-

⁹² Source: European Commission, *Portrait of the European Union*, 2004.

Table 8: Continued

Country	Population (000) ⁹³	Growth pole strategy	Semi-specific approach to urban development	Specific approach to urban development
Poland	38,191	√	A. Priority Development and Modernisation of the Infrastructure Used to Enhance the Competitiveness of the Regions in the Integrated Regional OP (measure Public Transport Development in the Agglomerations); the Local Development Priority in the IROP (measure Degraded Urban, Post-industrial and Post-military Areas) B. The Balanced Development of Different Transport Modes priority in the Transport OP (measure: Improving Railway Infrastructure to Provide Better Services between and within Agglomerations); the Safer Road Infrastructure priority (measure Construction and Reconstruction of National Roads)	-
Slovakia	5,380	√	The Environmental Infrastructure priority in the OP Basic Infrastructure (measures Improvement and Development of the Infrastructure for Protection and Rational Use of Waters; and Improvement and Development of the Waste Management Infrastructure)	A. Objective 2 SPD for the Bratislava region: priority Support of Economic Activities and Sustainable Development of the Target Area (development of SMEs; services for entrepreneurs; support for tourism and leisure facilities in the region) B. Objective 3 SPD for the Bratislava region: priority Development of Active Labour Market Policy and Social Integration (increasing employability; employment services); priority Development of Life Long Learning and Support for R&D in the Context of Human Resources Quality Improvement (qualifications and HR for research and development)
Slovenia	1,996	-	The Promotion of the Productive Sector and Competitiveness priority in the SPD (urban transport provisions under the measure Economic Infrastructure and Related Public Services)	-

Source: Own elaboration

⁹³ Source: European Commission, *Portrait of the European Union*, 2004.

10. FUTURE PERSPECTIVES

10.1 Commission Proposals

In its Third Report on Economic and Social Cohesion, the Commission places strong emphasis on both themes of urban development and territorial cooperation. The report argues for an ‘integrated response to specific territorial characteristics’ which entails the upgrading of territorial cooperation to the rank of third Objective of cohesion policy and the integration of interregional cooperation in the mainstreamed programmes. As regards urban policy moreover, the Third Report on Economic and Social Cohesion anticipates the requirement for Member States to provide a list of urban areas that should benefit from support within the programmes. Cooperation between cities (under the territorial cooperation heading) and active involvement of city authorities in the design and implementation of the interventions in urban areas are also strongly encouraged.⁹⁴

Both themes - urban development and territorial cooperation - are discussed in the draft Community Strategic Guidelines for 2007-13 Cohesion policy support.⁹⁵ The Guidelines were submitted on 11 May 2005 by the European Commission (DG Regio and DG Employment) to the Member States, in preparation for the informal ministerial meeting of 21 May.⁹⁶

This document sets out three clear priorities for Cohesion policy: (i) improving the attractiveness of regions and cities, (ii) encouraging innovation, entrepreneurship and the knowledge economy; and (iii) creating more and better jobs. It also outlines a hierarchy of sub-priorities and actions under each one of the three priorities. The latter should be declined differently in the programmes under the Convergence and Competitiveness/Employment Objectives (to give prominence respectively to growth enhancing conditions, and innovation and job creation).

The Guidelines dedicate a chapter to the theme of ‘Territorial Cohesion and Cooperation’, specifying that:

The overall aim should be to diversify centres of economic activity by **working towards a more polycentric model of economic development**. This involves a more concerted approach towards urban and rural development.⁹⁷

For urban areas, the Guidelines advocate the need to support the competitiveness of neighbouring cities and FUAs, and the “balance between the economically strongest regions

⁹⁴ Former Regional Policy Commissioner Barrot, at the European City Summit in Noordwijk (October 2004), stressed that “the Commission is proposing a reinforcement of the role of cities in the next generation of the European development programmes due to start in 2007. The proposal would mean enhanced funding for urban projects, more decentralised management, and greater emphasis on exchanging best practices [...].... In the order to involve cities further in the pursuit of the Lisbon and Gothenburg agendas, the general regulation was intended to ensure that their responsibilities in the design and the implementation of interventions were increased”.

⁹⁵ European Commission (2005) *Cohesion Policy in Support of Growth and Jobs. Community Strategic Guidelines, 2007-13*. Non-paper of Directorates General Regional Policy and Employment, May 2005.

⁹⁶ Prepared after a comprehensive consultation process. The Commission had circulated in January a draft ‘Community Strategic Guidelines’ which included among the proposed key strategic issues, ‘Issue 10: Pacts with the cities and rural areas’. The views of IQ-Net partners on this topic are discussed in Section 10.2.

⁹⁷ European Commission (2005) *Ibidem*, p. 19, bold added to the text.

and the rest of the urban structure”.⁹⁸ This should be achieved through ‘participative and integrated strategies’ and, more specifically, through actions in the fields of rehabilitation of the physical environment, entrepreneurship and local employment, social inclusions and urban regeneration.⁹⁹

For territorial cooperation, the Guidelines stress the need for complementarity of cross-border and transnational cooperation with the three priorities identified. Cross-border cooperation is linked to the ultimate goal of integrating “areas divided by national borders that face common problems requiring common solutions”, particularly through the development of transport and communication infrastructure which contribute to the development of ‘integrated border regions’. Transnational cooperation, on the other hand, is set to target ‘structuring actions’ in macro-regions, for their durable, integrated development. This is to be achieved particularly via tangible and intangible actions for the increase of the interconnection of the territories and via actions in the fields of the TENs, natural risk prevention, water management, maritime cooperation and R&D networking. The Guidelines also provide for a tentative, first reflection on future transnational cooperation spaces (in an annex) as a basis for discussion over future zones.

Finally, the Guidelines discuss future interregional cooperation. This will focus, according to the document, on the themes of innovation, SMEs and entrepreneurship, the environment and risk prevention, as well as on the exchange of experiences on urban development and cooperation programmes. Interestingly, the guidelines point out that “interregional cooperation will also be supported within programmes for convergence, and regional competitiveness and employment”.¹⁰⁰

This latter point marks a change from the Commission’s initial proposals. These provided for an integration of interregional cooperation within the regional programmes, implying that each regional OP or SPD would be expected to devote a proportion of the resources to this type of projects. Due to concerns expressed by the Member States in the consultations over the Community Support Guidelines, the Commission has slightly amended its positions, and refers now to the mainstreaming of interregional cooperation as an option. The current view seems to imply two forms of interregional cooperation activities: on the one hand, funding would be set aside within the first two Objectives, possibly with a focus on bilateral forms of interregional cooperation; on the other hand, larger partnerships and cooperation projects would be supported under the third (Territorial Cooperation) Objective.¹⁰¹

The views of Member States and partner programmes vary on the concrete role that urban development and territorial cooperation should play in 2007-13. A brief synthesis of the main issues is presented in the two Sections below.

⁹⁸ European Commission (2005) *Ibidem*.

⁹⁹ European Commission (2005) *Ibidem*, p. 20.

¹⁰⁰ European Commission (2005) *Ibidem*, p. 22, bold added to the text.

¹⁰¹ See also Ferry M and Gross F (2005) *The future of territorial cooperation in an enlarged EU*, Conference Discussion Paper No. 4, Benchmarking Regional Policy, 2nd International Conference, EPRC, Riga, April 2005.

10.2 IQ-Net partners' views on urban development support

The views about future urban support vary across Member States and regions. The inclusion of the urban theme in domestic debates over future cohesion policy also varies. In some countries, the reflection on the urban theme is rather structured (e.g. in **Italy**, see Box 14); in others, the debate on the reform of the Structural Funds is focussing on other topics; lastly, for some IQ-Net partners, political reasons mean that it is not possible to outline a definite view on this theme (e.g. forthcoming elections in **NRW** at the time of fieldwork).

There are, nonetheless, some emerging trends across countries and partner regions, namely:

- Concerns have been raised over the opportunity to select *a priori* a list of urban areas (**Toscana**, **Wales** and **France**; the latter opposes, more specifically, area designation).
- Some IQ-Net partners suggest that flexibility is needed as regards the areas that will be supported (e.g. **Wales**) and on the choice to include urban support in the programmes (e.g. for **Germany** this should be left to the national and regional authorities to decide). Some IQ-Net partners highlight that it would be inappropriate to adopt a rigid definition of 'urban areas' - for example based on population thresholds - as this would not allow to be taken into account the variety of situations in Member States and regions (**Toscana**, **Wales**). In **France**, the urban debate is linked to the debate on the needs of rural areas which are no more viewed as synonymous of 'areas dominated by agriculture', but involve considering the 'urban countryside' and other forms of areas in an intermediate position between large cities and rurality¹⁰².

¹⁰² Wishlade F (2004) 'Country Review 2003-04: France', in Yuill (ed.) *A Country-by-Country Review of Recent Regional Policy Developments in the Member States and Norway: Policy Change in 2003-04*. EoRPA Paper 04/2, September 2004, p. 54-71.

Box 14: Debate on urban support in future cohesion policy in Italy

In Italy, the discussion of the national position for the negotiations and on the drafting of the National Strategic Document (NSD) are taking place in the form of a structured process of consultation which mirrors the approach adopted in 1998-99 for the programming of current Structural Funds programmes. This debate involves, at this stage, the participation of representatives from national and regional administrations in a so-called 'Contact Group' on the future of the Funds. This is organised in a number of thematic working groups and will lead to the formulation of proposals for 2007-13 programming. One of the thematic working groups, as in 1999, deals with the theme of 'Cities' (Working Group E - *Città*).

The work-plan of the working group identified the following themes for discussion:

- Strategic approach - the urban policy objectives for the National Strategic Document
- Choice between National OP and Regional OPs - should the interventions for cities be included in an *ad hoc* thematic National OP or in the Regional OPs?
- Management mechanisms - how to strengthen the role of municipalities (*comuni*) for the identification and management/implementation of projects?
- Financial allocations - the Commission identifies an indicative 10 percent ERDF reserve for projects in urban areas. Is this realistic and pertinent?
- Selection of cities - pertinence and selection mechanisms
- Requisites and criteria for the eligibility and selection of interventions in urban areas
- Mobilisation of private resources
- Ways to link the projects in urban areas to (non-eligible) investments in the housing sector.

Source: Ministry of Economy and Finances (2004) *Spunti di Discussione*, Internal Document to the Gruppo di Contatto-Programmazione 2007-13 Gruppo di Lavoro Città, October 2004.

- There are mixed views, amongst IQ-Net partners, as to whether urban areas will be assisted in their future programmes. Some IQ-Net partners consider such inclusion to be likely (e.g. **NRW, Finland, France**), others do not envisage a strong role of the Funds in the urban development field. With reduced resources, moreover, it will be difficult to strike a balance between urban and rural interests (e.g. in **Niederösterreich** 'not everything will be funded').
- Equally, there are no clear views yet on the likely content of the support to urban areas. This is due to the uncertainties over fundamental issues such as the level of funding available and the types of eligible activities (e.g. **Finland**). Overall, however, some IQ-Net partners have expressed an interest about the possibility of funding urban transport measures in future programmes (e.g. **Steiermark**).
- As regards the selection of projects eligible for support, it has been underlined that support should not be granted in consideration of the 'urban' localisation of the initiatives *per se*, but in consideration of the quality of the strategic project-design (*progettualità*) expressed by the local actors (**Toscana**) and of the nature of the

projects (France)¹⁰³. In France, the need to correct the ‘perverse effects’ of Structural Funds rules has also been raised, in particular with reference to the N+2 rule which has led to priority being given to the more ‘mature projects’ that are not necessarily the best in terms of the impacts achieved.¹⁰⁴

- Italy emphasises the lack of clarity of the provisions contained in the draft regulations, pointing at a number of expressions which are not specific enough and which cause interpretation difficulties (e.g. ‘urban agglomerations’, or ‘participative, integrated strategies’).
- Some countries and regions stress the need to reduce the complexity of urban support measures and to take more explicitly into account the need for proportionality between resources allocated and bureaucratic demands. This is a general point, but which applies particularly to the urban measures, in consideration of the decentralisation of responsibilities to towns and cities (e.g. such concerns were expressed clearly by Dortmund City Council in NRW).
- Finally, a number of IQ-Net partners stress that urban support should not be equated with urban regeneration (Toscana) and that, if urban regeneration projects will continue to be implemented under the Cohesion policy umbrella, efforts should be paid to ensure the quality and coherence of the projects with the socio-economic goals of the programmes (NRW, Sachsen Anhalt). The main, overarching goals of Cohesion policy should not be forgotten.

10.3 Territorial cooperation theme

As for the urban theme, the views of countries and regions on territorial cooperation are diversified and characterised by a certain degree of uncertainty. This having been, the points below synthesise the main issues raised by IQ-Net partners.

- Views on the mainstreaming of interregional cooperation are ambivalent. Some (e.g. Niederösterreich) consider this favourably, as a means to promote the integration of local bodies and bottom-up projects in the programmes and to support the creation of valuable networks (Vlaanderen, Lombardia, Norrbotten). Others underline that the inclusion of interregional cooperation in the mainstreamed programmes should not be obligatory (NRW, Länsi-Suomi, Sachsen-Anhalt), for example in consideration of the administrative complexity of such projects.
- In terms of funding allocations, some IQ-Net partners suggest that the resources for territorial cooperation should not be increased (mainly because of the high administrative burdens associated with cooperation projects which are disproportionate to the results delivered). Concern is also expressed as regards the identification of new

¹⁰³ ACT Consultants (2005) *Contribution des programmes Objectif 1 et Objectif 2 au développement des territoires prioritaires de la politique de la ville*, Final Report, Volume 1, January 2005, p. 84: ‘En matière de politique de la ville, privilégier la nature du projet plutôt que sa localisation en quartier prioritaire’.

¹⁰⁴ ACT Consultants (2005), *Ibidem*, p. 85.

and innovative projects, suggesting the need to place more emphasis on cross-border rather than on interregional cooperation (**Niederösterreich, Steiermark**). Member States should be entitled to decide on the financial allocations, reflecting their different priorities (**Sweden**).

- The general focus on competitiveness is also viewed as problematic to implement. Current cooperation programmes, suggest some partners, have failed to integrate successfully direct and indirect forms of support to firms (**Lombardia**).
- Concerning practical aspects, partner regions ask for: a clarification of the respective responsibilities of Member States and European Commission, a better definition of the role of the Managing Authorities, and the development of a solid legal basis for transnational financial management and control. A more strategic implementation is also being advocated. This should be achieved, for example, by linking cross-border and transnational cooperation projects to the mainstreamed programmes, so as to ensure more coherence and synergy between thematic projects (**Sweden**). Moreover, current territorial cooperation experiences should be taken into account in the definition of the new rules, so as to maximise the knowledge gained and correct any area in need for improvement (**Lombardia**).

11. ISSUES FOR DISCUSSION

The paper has reviewed a wide range of issues about current and prospective European cohesion policy support to urban development and territorial cooperation. A number of themes for discussion emerge from the paper.

11.1 Urban centres as economic drivers

EU Cohesion policy is being increasingly aligned with the objectives of the so-called Lisbon agenda (competitiveness and growth). In this context, the role played by urban centres is gaining prominence. Urban centres and systems are viewed increasingly as engines for growth and drivers of competitiveness. This implies a policy shift from reactive to proactive approaches to the support of urban areas. What are IQ-Net partners' experiences/views on:

- The role of urban centres as economic drivers?
- The role of Structural Funds in development of urban centres and systems?
- The instruments that should be used to support urban centres as economic drivers?
- The need for support to be different for the regions in the Convergence and those in the Competitiveness and Employment Objectives?

11.2 More tangible territorial cooperation

The Commission and the Member States widely acknowledge the added value of territorial cooperation programmes. Yet, territorial cooperation initiatives have not delivered tangible outcomes, and it is difficult to assess their cost-effectiveness. What are IQ-Net partners' experiences/views on:

- The proposed strategic territorial cooperation framework?
- The proposed implementation framework (i.e. does this tackle the difficulties experienced during the current programming period?)
- The necessary steps to overcome past problems and make the outcome of cooperation initiatives more tangible in the future?

11.3 Policy integration and cross-fertilisation

The programming and implementation of the current generation of Structural Funds programmes have highlighted that it is not easy to integrate different policy perspectives in drafting and implementing the programmes and the related projects. It has been difficult, in particular, to reconcile the perspective of economic and social development with those of the planning of physical infrastructure investments.

- How can better synergies between the two policy spheres be achieved?
- What communication and cooperation instruments should be put into place to make sure that the objectives of Cohesion policy are met?

- How is it possible to ensure that all the different types of intervention (namely those for urban development and territorial cooperation) operate in synergy for the achievement of the objectives of Cohesion policy (e.g. as regards project selection)?

11.4 Increasingly devolved governance

Current policy proposals emphasise the role of local authorities in Structural Funds programming and implementation. This entails a number of challenges: local authorities are not necessarily equipped in terms of human resources to face the demanding bureaucratic requirements of the Funds; their staff are not always au fait with the ‘language’ of the Structural Funds; local design and delivery cannot leave out of consideration the need for regional and supra-regional coordination.

- What conditions should be put into place to make sure that the local authorities can successfully meet the challenges implied by a more devolved framework?
- How would the respective roles of national and regional governments change?
- How can the regions become effective facilitators?