

# Third Joint EU Cohesion Policy Conference

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## **COHESION POLICY AND LARGE URBAN AREAS – A CONTROVERSIAL RELATIONSHIP**

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# How the 21<sup>st</sup> century has begun

## Financial meltdown



New York, US

## Climate breakdown



Sofala, Mozambique

## COVID lockdown



Kuala Lumpur, Malaysia



Athens, Greece



Sydney, Australia



Bogotá, Colombia

# Allocational tension of EU resources

- The present challenges to urban development, the chronic ones (climate change, ageing, globalization, growing inequalities), and the new shocks as the pandemics, the energy crisis and the war, **affect the large urban areas the most**. It is in these areas where most of the problems emerge and these are the areas **where the solutions can most effectively be achieved**.
- Cohesion policy, on the other hand, assures that the largest pot of EU money allocated on a territorial basis prioritizes the **poorer, lagging behind areas**.
- How can this 'allocational tension' be handled? **Is it possible to give more support to larger urban areas and metropolises, suffering the most of the crises, without giving up the original intentions of Cohesion Policy?**

# Structure of the presentation

1. The territorial aspects of the multiple crises
2. The territorial aspects of EU policies
3. EU institutional contradictions
4. How to tackle the allocational tension of EU resources?

# 1. The territorial aspects of the multiple crises

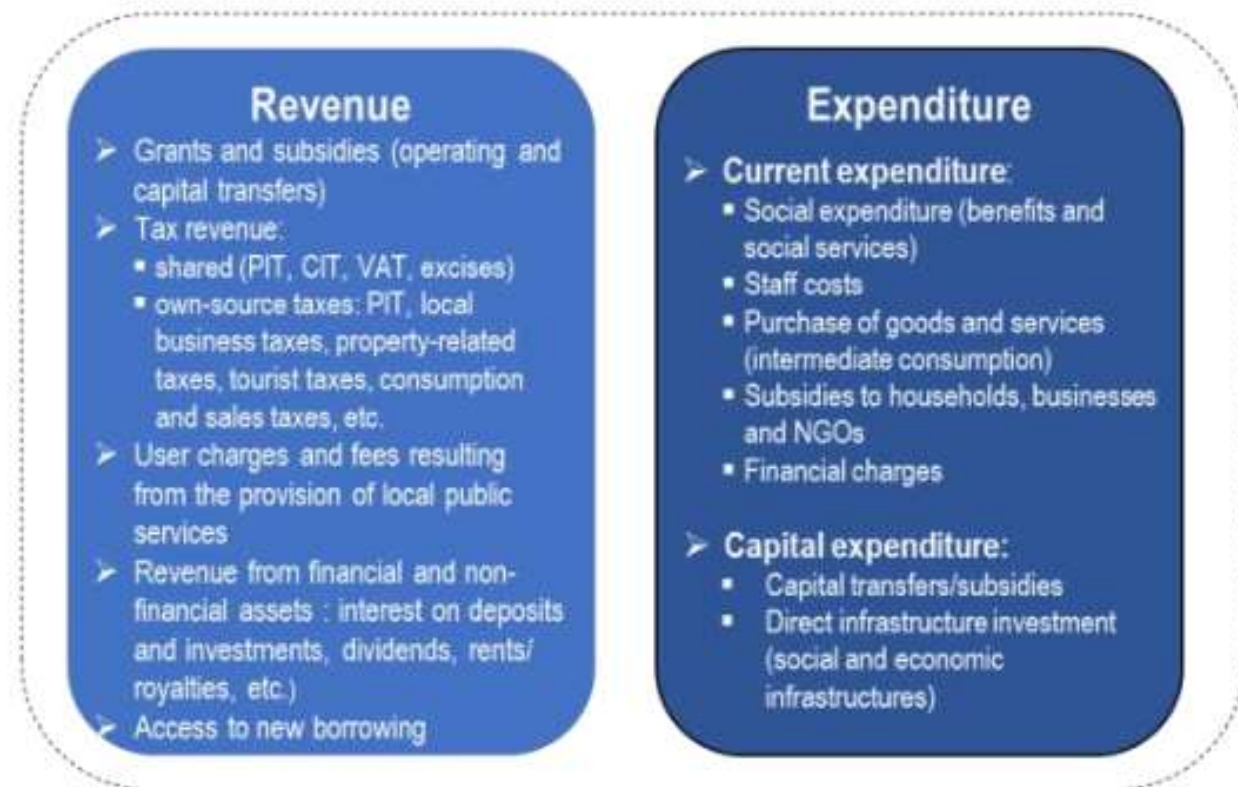
- The shock of the **pandemic highlighted, as a thunderstroke**, the situation when **difficulties are increasingly congested**.
- **Cities are in the frontline to fight the pandemic**: being closer to the citizens, they know better what people really need.
- Also regarding the **climate**, a fair share of the needed emission cuts must happen in big cities and metropolitan areas. Local communities very often are more ambitious in climate action than national governments
- Parallel to the **increase of tasks** (confinement, health and social expenditures) **the revenues of local governments are decreasing** due to falling local tax incomes (tourism, local business taxes, etc.) and losses in public transport fees. Many countries had to give emergency financial support to the local level.



***Impact on subnational government assets and liabilities***



***Impact on subnational government budget***

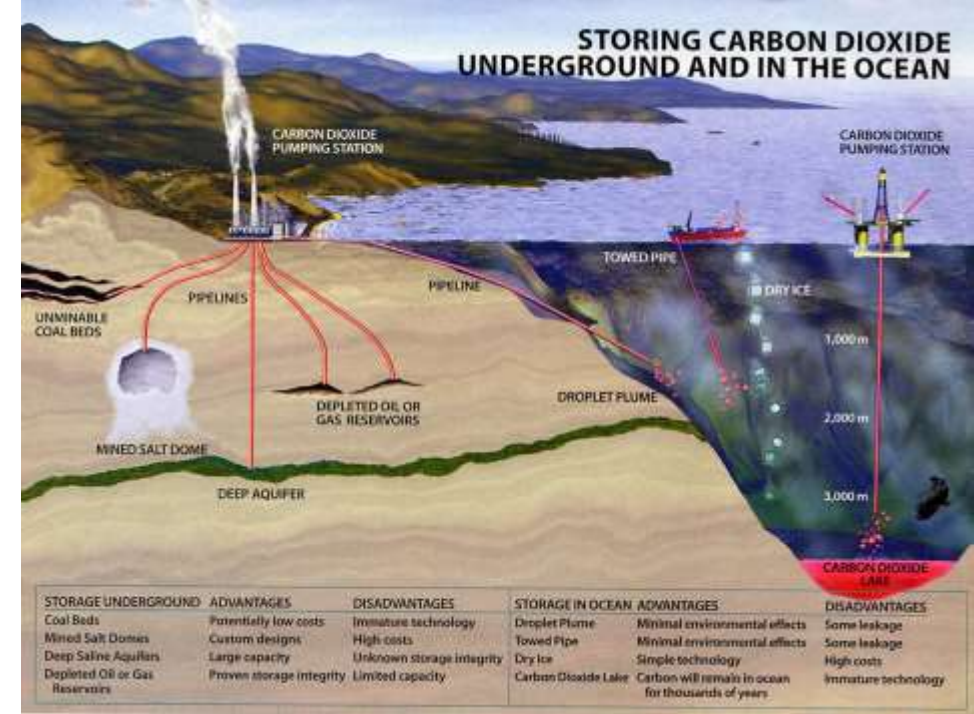


# The importance of integrated approaches

- Public reactions on the complex crises have to be **integrated, across sectors**, to avoid externalities, and **in territorial sense**, to avoid spillover effects.
- The **best territorial scale to develop integrated policies is the metropolitan/FUA scale**, where the externalities and spillover effects can best be handled.
- One of the key problems to tackle is **sprawled urban development** (exacerbated by the pandemic), leading to increasing car use, environmentally and energetically less efficient building forms.  
Not even at the peak of the pandemic could Los Angeles beat New York, COVID did not lead to the victory of urban sprawl against compact urban development.



# Examples on non-integrated solutions





# Elements of integrated urban strategies

Innovative ideas and overarching new integrated visions:

- **'accessibility shift'**: access should be prioritized against mobility, aiming for decreasing car use (e.g. 15minCity)
- **carbon neutrality and energy revolution**, cities as prosumers of renewable energy, resilient cities and circular cities
- **food revolution**: proximity food, closer links between the production and consumption areas of food
- **mixity in cities**: keeping manufacturing jobs and affordable housing within the cities

Integrated urban development strategies should be built **from these ideas on metropolitan level**, with backing of a national urban policy.

A good example: the French urban communities



## 2. The territorial aspects of EU policies

- Urban areas might get Cohesion Policy money (besides indirectly from the sectoral OPs) from the **Regional OPs**, from the **SUD initiative** (5-6-8% of ERDF) and **exceptionally directly** from EU-wide initiatives.

Direct financing of urban areas existed in the form of the URBAN Community Initiative, which was a small and very successful initiative, but was terminated in 2006.

- Cohesion Policy **'allows' the planning for and the use of EU money on metropolitan/FUA level**. The decision, however, **depends fully on the Member States** and this leads in reality to the exclusion of many metropolitan areas from EU financing.

The majority of SUD strategies focus on cities, towns or suburbs (45%), followed by districts/neighbourhoods (31%), functional areas (20%), network of cities (4%)

- The **territorial aspects of other important EU policies are not always clear**. For example, regarding environment protection and carbon neutrality, the Fit for 55 package has a potentially strong, yet neglected territorial impact.

Although concrete interventions have to be planned on block and neighbourhood level (especially regarding energy efficient renewal of buildings), there are huge opportunities in planning for energy efficient renewal on city or metropolitan level.

- **Functional area cooperation** is not only important in large metro areas but also **on smaller territorial scale**. Strengthening urban-rural links and the role of smaller cities and towns, providing access to a wide range of public and private services, as regional centres, would be very important. However, **the long-term vision for rural areas often neglects to potential role of cities**.

### 3. EU institutional contradictions

- The long-lasting institutional split within the European Commission, **separating the urban and rural issues and territorial programmes**, is making the functional cooperation between settlements difficult.

It would be important to bring rural development policy back into the framework of Territorial policies and, partly designing it in a metropolitan/FUA view, partly as policy for deep rural areas.

- The **gatekeeper role of the national level is extremely strong**: decisions on the allocation of EU resources are taken almost exclusively on the national level. At the same time, **only a few countries have dedicated national urban policies**.

There are only very few European countries, notably France, the Netherlands and Germany, where national urban policies can be considered as significant component of national policies

# Hijacking the EU money

- The **large combined amount of Cohesion Policy and RRF grants**, controlled almost exclusively by national governments, threaten with mis-use, grant dependency and large-scale corruption.
- National governments, under the pressure to decide quickly about the use of enormous amounts (3-4% of GDP/year) of money, easily apply **'pork barrell' planning, instead of setting up real reform programmes.**
- To fight against this, **larger role should have been given in planning and implementation of investments to elected local governments or metropolitan councils**, who are the closest to understand and fight the problems emerging due to the sudden shocks.

In the **USA** the Coronavirus State and Local Fiscal Recovery Funds program delivers \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. **13% of the money is given directly to Metropolitan Cities**, while another 31% to other units below the level of the US federal states.

# Special case: the East Central European countries

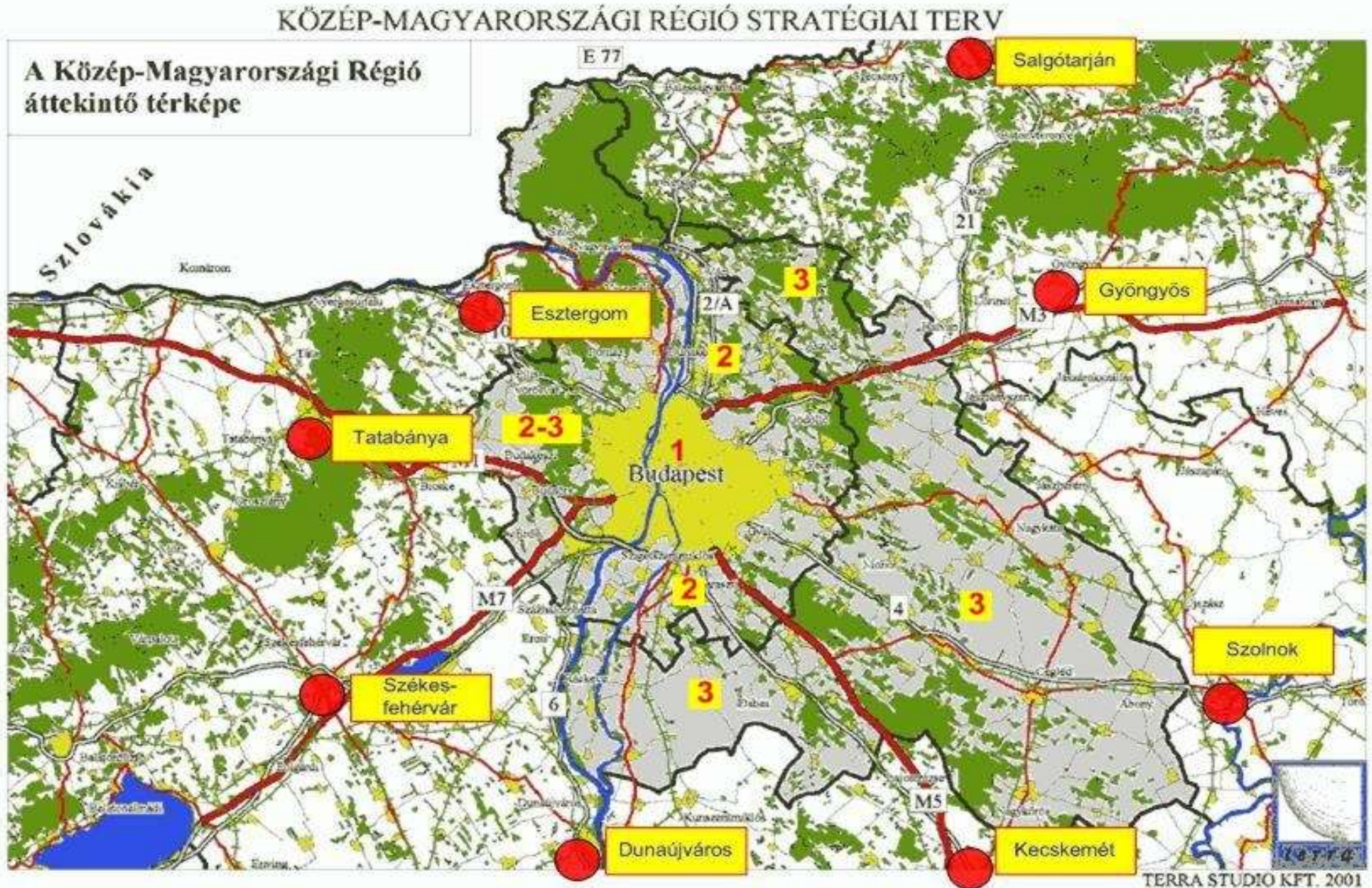
- In cohesion countries, cohesion funding grew from the equivalent of 34% to 52% of total public investment from the 2007–2013 programming period to the 2014–2020 programming period. **Having a growing share of cohesion funding in public investment, it is of huge importance how this money is spent.**
- In some ECE countries **large cities and metropolitan areas are in reality in even more disadvantaged situation than Cohesion Policy aims for it.** This is especially true for countries where there are **differences in the political colours between the national level and the largest cities** (e.g. Hungary, Poland). In such cases the gatekeeper role of the national governments becomes extra strong, trying to **divert EU resources away from the oppositional cities.**

- The politically motivated allocation of EU money might even be true for the dedicated urban funding (SUD), in the case of which **preferences are given to smaller cities which are loyal to the government.**
- In **Hungary** the national government goes further and reduces the revenues of the large cities (in form of increasing special taxes on them). As a result the **seemingly rich cities, with high GDP/capita figures, prove in reality to become poor**, regarding the available financial resources which they can spend on development.

An example for that is Budapest, a city crippled by the national government financially, making it difficult that the city can finance its ambitious aims, such as to become carbon neutral in the near future.



# Problems of territorial integration in the Central Hungarian Region



- The disadvantaged situation of large cities and metropolitan areas in some countries (to an even larger extent than Cohesion Policy aims for it) contributes also to **negative political developments** in these countries.
- There is a general increase of nationalism – against which **the large cities are the bastions of liberal democracy** (this reminds the situation of the sanctuary cities in the US under Trump).
- It is true that the lagging behind areas need extra care and development opportunities – however, **in countries where the large cities struggle and underperform compared to their potentials, the catching up programmes for poor areas have also less chances to succeed.**

# 4. How to tackle the allocational tension of EU resources?

Assure **more role to the subnational level**, especially to metropolitan areas in the **designing and implementation of EU-wide policies**, also beyond the pots of EU financing.

1. **Increase further the SUD share of ERDF**, strengthening the role of the metropolitan and local level in it and **making the metropolitan spatial scale more appealing** (e.g. with higher co-financing share).
2. **Give larger share of EU money directly to large cities and metropolitan/FUA areas through thematic programmes** for which cities and metro areas can bid directly, avoiding the gate-keeper national government.

This would be in line with the suggestion of the 8th Cohesion Policy Report, to increase the effectiveness of place-based policies. In the successful place-based initiatives, such as the URBAN Community Initiative was until 2006, the local level played crucial role.

In line with another suggestion of the Report, more emphasis should be given to metropolitan/FUA areas which can play very important role in strengthening urban-rural links and supporting rural areas.

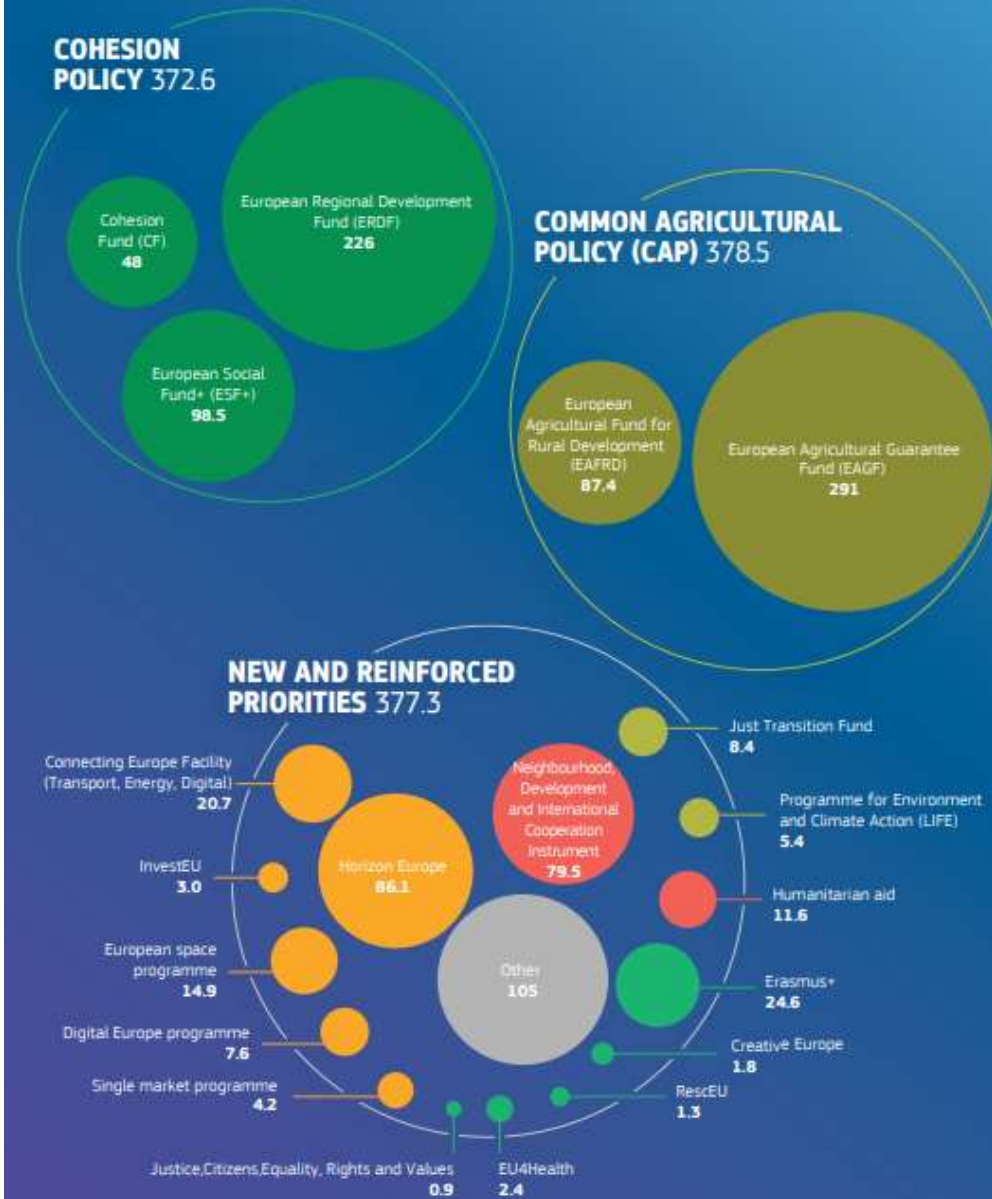
# How to support directly urban areas and cities?

- **Green New Deal:** strengthening the co-operation between EU and local (municipal/regional) level climate governance by creating easily accessible financing strands for cities for circular economy, sustainable water management, air quality, transport decarbonization, etc. projects.
- **Connecting Europe Facility:** making CEF sources directly available for cities/metro areas, and involve them into the inter-institutional talks.
- **Horizon Europe:** continue combining different European financial tools to better tap the potentials of cities and urban areas, for example in de-carbonizing of Europe by 2050, taking more attention on the real financial possibilities of municipalities to implement the projects.
- **European Urban Initiative:** increasing its financial allocation and adding sustainability to the priorities of EUI, to support strategic actions in favour of green and just transition of cities and urban areas.

# How to do the direct financing of urban areas?

- **Where should the money come from?** Not from Cohesion Policy, rather from the CAP.
- **What would be the legitimacy for sub-national beneficiaries?** ITI associations show that it is enough to require the existence of an **integrated strategy and some form of body**, there is no need for legally approved territorial structure and fully fledged institution.
- **How could the growing tasks of control be handled?** Use the model of **outsourcing** – if the projects have to give an account towards an institution contracted by the Commission (instead of towards a national body), the corruption loss will be much smaller than the cost of outsourcing the control.
- **How to allocate the resources between urban areas?** URBAN was based on national envelopes, this could be extended by a national bidding procedure where the decision is not taken exclusively by the national government. Other programmes are based on EU-wide bidding/competition.

# MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027: KEY FIGURES



Funded under the Multiannual Financial Framework only. Some policies such as cohesion, and programmes such as the European Agricultural Fund for Rural Development (EAFRD), the Just Transition Fund, InvestEU, RescEU and Horizon Europe - receive top-up allocations under NextGenerationEU. ESF+ is allocated additional EUR 0.8 billion for employment and social innovation, outside the cohesion policy.

Several programmes receive additional top-up allocations under MFFR Article 5, from the reuse of commitments under FR Article 15 and from potential inflows from the European Development Fund. The precise additional allocations will be established annually. Indicative amounts are provided on page 54. All amounts are in EUR billion, in current prices, as of November 2020.

Source: Infographic originally designed by the Council of the European Union.

Source: The EU's 2021-2027 long-term Budget and NextGenerationEU. April 2021

# Revise the Recovery and Resilience Facility

- Revise the Recovery and Resilience Facility, **increasing the involvement of sub-national actors**. Little can be done in the mid-term revision, but more could be done in the potential new wave of the RRF: intensive involvement of cities, metro areas and regions in planning, decision making and implementation; and **a share of RRF should be given directly to cities and metropolitan/FUA areas**.
- Oblige Member States to **include representatives of the local level and NGOs into the monitoring of national planning for and implementation of all EU programmes**, giving them strong roles and entitlements.

On concrete project level there are promising efforts into this direction with the **EU Integrity Pacts**.

# Strengthen the dissemination of good practices

- Launch **EU UA partnership on metropolitan and functional urban area cooperation**
- Launch an **Open Method of Coordination (OMC) procedure regarding national urban policies**, with special emphasis on metropolitan area policies.
- Launch new wave of **elaborating meaningful ways of urban-rural cooperation**, instead of simply ruralizing the whole of the territorial policy-making system.



# Strengthen the capacities of local governments

- Intensify **capacity building training on integrated policy making** for politicians from the local, regional and national level, and for representatives of metropolitan and FUA bodies.
- Besides the **broadening of the EU City Facility (EUCF)**, also new programmes, such as **Erasmus for young politicians**, would be very useful.
- **URBACT, in cooperation with the EUI**, could be a resource for such kind of programmes.

All these mean that the general aim of Cohesion Policy to prioritize poorer and lagging behind areas should not be given up, but **the EU should find ways to support more the metropolitan conurbations and functional urban areas, which are important allies on the way towards sustainable and resilient development.**

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Thanks for your attention!

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