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# **EUROPEAN UNION URBAN AND REGIONAL POLICIES**

Relationship Dynamics among European Commission/States/Regions
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#### **ABSTRACT**

Despite a rapidly changing international economic scenario (due, in part, to the much greater openness of the global market) and an atmosphere of old traditions of Municipalism and Regionalism – which constitute Europe's wealth in diversity, its strength and, at times, weakness within the global environment – the various countries of the European Union strive to address the challenges posed by the new economic order and start to become aware of the decisive role in economic and social terms that large urban agglomerations now play and are very likely to play in the future.

The Union takes measures at the level of each nation through the modernization of its instruments of action. Through its community financial mechanisms, in a complementing and directing role, the Union seeks to provide adequate responses within its medium-term vision of becoming the most competitive economic zone in the world by 2010.

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### 1. URBAN PICTURE OF EUROPE

The European Union is the most populous economic space in the world after India and China, comprising 25 Member States, over 250 regions and federated states and over 40 agglomerations with more than 1 million inhabitants.

Around 80% of the approximately 454 million inhabitants of the European Union currently live in an urban area, and half of those live in large agglomerations (more than 200,000 inhabitants).

In the course of about two centuries, Europe has evolved from a predominantly rural zone into an eminently urban one.

The hierarchy of the system of European cities comprises:

- two clearly dominant cities, Paris and London, with 9 and 7.2 million inhabitants, respectively
- a major European corridor (*dorsale*) stretching from London to Milan, crossing a large and continuous densely populated area (with more than 12 million inhabitants) formed by several "conurbations" interconnected on a line along the Rhine river and between the Rhine and the Neckar river, encompassing German metropolitan spaces (see map and attachment 2):

- Rhine-Ruhr	7.4 million inhabitants
- Rhine-Neckar	1.7
- Cologne	3

• A very uniform distribution of urban agglomerations reflecting the emergence of a multi-core Europe, as shown by the following summary of other major large metropolitan concentrations:

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2.6
2.6
2.6
2.4

### 2. NEW EUROPEAN PERCEPTION OF THE ROLE OF CITIES

Europe's perception of the role played by cities has clearly changed over the last decade.

Traditionally, cities were seen within their respective national economic hierarchy. Today they are increasingly seen within a broader context, which encompasses all of Europe and even the world.

There is currently a growing interest in recognizing the contribution and potential that cities represent for the economic competitiveness and welfare of European regions.

Cities are now increasingly seen more as a present and future source of economic advantage than as a source of expenditure and loss.

### 3. URBAN GROWTH AND SOCIAL EXCLUSION

(Greater awareness of the problems of large metropolitan spaces)

However, while such growing recognition has taken hold, it is noteworthy that the motivation for economic growth has not always led to social equity but often to social exclusion. This is a real problem in our days.

It is clear that national differences in traditions and culture, economic performance, governmental institutional instruments and policies in Europe have a major impact on cities and their evolution.

The problems of major metropolises such as Paris and London are not the same as those of medium-sized cities.

Declining large industrial cities with manufacturing economies, less qualified workers and major immigrant communities face very different dilemmas from those of cities based on high-technology industries.

While there has been a trend toward reduction in recent years, the percentage of the population threatened with poverty in the European Union in 2001 was 15% of EUR 15, i.e., approximately 55 million inhabitants, of which 1 in every 5 is a child.

The percentage tends to be higher in certain social groups than in others, such as the unemployed, large families and single-parent families, and elderly people living alone.

The risk of poverty and social exclusion is measured based on family aggregates whose income is less than 60% of the national average.

#### 4. AN ISSUE OF GOVERNABILITY AND PARTNERSHIP

Periphery cities face the same economic, social and environmental challenges as the cities at the core of Europe.

Despite their differences, European cities are affected by the same trends and face the same challenges.

The particular challenge that awaits them is to develop new decision-making models that increase their economic competitiveness while also reducing social exclusion – whatever their size and whether they are in decline or economic expansion, at the centre or at the periphery of Europe.

Such challenge is posed to all levels of government – European, national, regional or local – and all three sectors of economic life, represented by the government, private sector and civil society.

#### 5. CAUSES FOR IMPLEMENTED CHANGES

However the challenges faced by cities may impact them individually or as a whole, they are provoked by a certain number of structural changes taking place outside their boundaries, which are basically beyond their control.

Among such structural changes, the following may be highlighted:

- globalization of the economy
- economic restructuring that is creating distinct labour markets
- competitiveness among cities, regions and countries, with winners and losers within and among cities
- a change in the state of social welfare due to a decrease in support to already vulnerable individuals, communities and neighbourhoods.

Despite the challenges produced by such changes, European cities maintain significant economic, social and cultural capital, as well as great potential. A lot remains to be done.

Many of the factors attracting investment and people to certain places – such as quality of labour, education and professional training, culture, physical and housing environment, planning and fiscal systems, transport and communications infrastructure – remain under the influence of cities, if not under their control. There are many examples of successful responses to new challenges.

Many cities have successfully completed their physical restructuring through the revitalization of their historical central districts, which offer impressive commercial, residential and cultural structures.

Many cities provide a concentration of intellectual resources such as universities and research centres, which encourages high levels of innovation. Many play an important role as centres for communication, decision-making and trade. Many others have important cultural resources, which constitute an additional source for economic growth and job creation.

### 6. ARE CITIES BECOMING INCREASINGLY IMPORTANT?

Improving the performance of major European cities has become a task of great importance and effort.

There are many different opinions on how important cities are to contemporary Europe.

Historically, cities were decisive in determining the economic, social and institutional organization of Europe. It has been argued, however, that cities have been left behind by events and are no longer the determining factor for the competitiveness of national economies that they once were.

The arguments put forth may be summarized as follows:

- cities are economically, socially and institutionally fragmented and therefore not seen as elements for unified action
- the process of metropolitanization has rendered historical central districts obsolete
- connections between cities have rendered traditional urban boundaries obsolete
- global capitalism has made European cities insignificant

There is undoubtedly some truth to these arguments, but factual evidence shows that cities are now worth more rather than less. For instance, the death of cities has been predicted many times in the past but such has not happened. The metropolitanization challenge has been managed without loss of identity by core cities. Even in large metropolitan agglomerations, medium-sized cities have not lost their influence.

More concretely, the impact of globalization means that the Nation State can no longer do everything, which gives the cities an opportunity to act. Cities continue to significantly provide infrastructure and services. They also continue to make critical decisions for business, consumers, environmentalists and the less well-off groups in society.

It may also be argued that location, territorial space and communities have become more important – not less – for identity and action in a more globalized and insecure world.

For all those reasons, cities are still determining places for identity, action and decision, and are therefore crucial for national economies.

Despite institutional, financial, planning and legislation differences, three trends that clearly transcend national boundaries may be identified in the European Union.

<u>First</u>, the balance between responsibilities and powers among the national, regional and local levels has changed in many countries. Particularly important is the growing decentralization drive through the transfer

of powers and responsibilities to lower levels of government (subsidiarity – to place the decision-making power at the most appropriate level which is closest to the citizen).

It must be noted that decentralization has created greater autonomy and political room for lower decision-making levels. In contrast, regions and cities of countries making few efforts to decentralize have less power and even less capacity to respond locally to current problems of economic restructuring.

<u>A second trend</u> is the emergence of explicit urban development strategies in many countries. Countries that were the first to urbanize (United Kingdom, France and Netherlands) and the first to suffer urban decline were also the first to systematically develop an urban policy. However, the trend spread to other countries in the 1990's, and was generally accompanied by national acknowledgment of the importance of cities, their problems and potential.

<u>A third trend</u> refers to the growing recognition of the economic potential and opportunities cities represent. National leaders have become aware of the potential contribution of cities to a country's economic performance and competitiveness.

Historically, cities were formed before Nation-States. They subsequently lost their influence, and national governments started to do what was previously done by cities. The fact that European Union Institutions were created after WWII removed influence from governments, thus creating new opportunities for European cities. In fact, the new European regulations affect the life of cities, and the new European financing sources – such as the Structural Funds – are important for urban activities, directly creating additional funds for cities.

That is the reason why core cities of large metropolitan agglomerations have increasingly become involved in European city organizations and interested in their European economic level. This shows that the old economic order has been changed. Old traditional cities have begun to decline. New cities are built on new technologies. The cities that better responded to economic changes have been the ones better able to ensure an important role in the European economic order.

# 7. HOW TO MEET THE GROWING NEEDS OF THE POPULATION LIVING IN LARGE AGGLOMERATIONS?

### - important elements for competitiveness of cities

A crucial issue under debate in Europe is finding out whether there is any contradiction between striving for competitiveness and solving the social exclusion problem.

First of all, social exclusion and social cohesion are not the same thing. It is possible to have social exclusion and economic competitiveness. Such fact, however, does not contradict the assertion that growing social cohesion – through better education, for instance – might actually improve competitiveness.

Secondly, it is necessary to answer the question of how much better off successful cities would have been if they had less social exclusion.

European reality shows, first of all, that successful cities (such as Stuttgart and Munich in Germany) are those having the most qualified labour and best education levels. In this respect, there is no long-term conflict between a strategy for economic growth and a balanced social strategy. To improve performance in terms of people's education helps both the individuals themselves and the economy.

Secondly and most significantly, this reality shows that the most competitive urban economies present the lowest unemployment rates.

In conclusion, either the economic growth solves the problem of social exclusion by creating opportunities for all or it may be attacked through an alternative strategy for promoting welfare. However, to proceed with a strategy for growth development is not incompatible with a socially balanced strategy.

To speak of economic growth in cities is to speak of their competitiveness.

Among the main characteristics of economic competitiveness found in successful European cities, we highlight the following:

- Economic diversity. A city relying on a single economic sector whether it is a traditional one (coal, steel: naval construction) or a new generation one (financial services, mobile telephony, culture or computers) is more vulnerable to oscillations of global economic forces e.g., London and Frankfurt, financial services; Helsinki, mobile telephony). Munich in Germany is the model for diversification. German cities are the most successful in Europe and the ones with the highest share of the manufacturing industry.
- <u>Qualified labour</u>. Modern economies rely on sectors of the Information Society, even within the industrial sector. A strong relationship between qualified labour, innovation levels and GDP/inhabitant is established in cities. The GDP/inhabitant may vary in urban Europe from 60 /75,000 € (Frankfurt, Kalsruhe and Munich in Germany; Paris in France) up to 15/20,000 € (Liverpool, Barcelona, Lille, Manchester), reaching 51,000 in Brussels, 36,000 in London and 25,000 in Rome.

It is not the mere presence of qualified labour that matters, but rather the relationship between the ones offering such labour and consumers such as universities, research institutes, government and private sector. It is the commercialization of intellectual knowledge that is the key to innovation (e.g., Technological Complexes).

- <u>Communicability internal and external</u>. Successful cities have the physical and electronic infrastructure for transporting goods, services and people in a quick and efficient manner. Foreign connections are important, since exporting is a determining factor for their success.
- Ability to mobilize and execute long-term development strategies. The concepts of foresight, leadership, partnership and political ability are important for long-term development. Milan (Italy) is a bad example, while Turin (Italy) is a good, positive example.
- <u>Innovation in business and other organizations</u>. It is perhaps the most important feature of a competitive city. Four aspects are at the basis of urban and regional competitiveness:
  - investment in modern technological equipment
  - investment in research and education
  - investment in innovation
  - labour productivity

An EU study shows that usually over 40 % of the positive variation of the regional per capita GDP may be explained by differences in innovation performance. Stuttgart (Germany) and Toulouse (France) are good examples, and are simultaneously cities and capitals of regions or federated states.

• Quality of life - social, cultural and environmental. A well cared-for environment, diversity and quality of the architectural heritage, presence of cultural facilities, and diversity in the housing stock are important features for attracting investments and qualified labour. Munich (Germany), Lyon (France) and Barcelona (Spain) are good examples.

While it is true that cities are the engine for growth and competitiveness in the regions, the latter are no less important, as they provide cities with the space for major economic and infrastructure projects, greater variety of urban and rural housing, a more diversified workforce, and opportunities for leisure spaces.

#### basic needs and social exclusion

For the next three years, the European Commission has recommended six policy priorities on combating social exclusion to its Member States:

- Promoting investment in active measures related to the labour market in order to respond to the needs of people with the greatest difficulty in gaining access to jobs.
- Ensuring adequate social protection systems that encourage apt individuals to work.
- Improving access to suitable housing, healthcare and lifelong quality education and training opportunities to those most vulnerable to and threatened by social exclusion.
- Preventing school-aged children from dropping out of school and promoting a smooth transition from school to labour market.
- Fighting child poverty a crucial stage for breaking the cycle of an intergenerational legacy of poverty.
- Reducing poverty and social exclusion of immigrants and ethnic minorities.

### 8. CURRENT ORGANIZATION OF EUROPE

### national policies

In the 1960's, strong population growth, immigration and rural exodus benefited Europe's urban centres in a decisive way. Nevertheless, a new form of urban growth took place in the majority of large urban agglomerations – the peri-urbanization.

This phenomenon covers, on one hand, the concentration of jobs in the urban centres where economic activity takes place and, on the other, the growing need for space by families living in such centres or adjacent neighbourhoods, which leads them to leave for the periphery. As a result, commuting is intensified along with inherent needs for adequate infrastructure and facilities.

This movement took place in the largest urban concentrations at first, and later extended to main cities of all countries in Europe, giving origin to the metropolitan spaces we currently know.

In addressing the increasing territorial dimension of the urban problem, European countries have reacted and individually adopted policy measures suitable to their specific cases.

In the sense of urban diversification versus urban concentration, some countries have attempted to create new cities (United Kingdom, France, Netherlands) or to organize the new large metropolitan spaces:

- Either through the creation of appropriate institutions (London, Madrid, Brussels, Lisbon, Barcelona)
- Or through the association of different levels of power (regional and local) for solving problems of infrastructure, facilities, provision of basic services to the population, and for economic development

Different attempts to create a democratically elected institution for managing metropolitan zones have failed due to reasons related to political disputes over competences among the various levels of power (national-federal-regional and local). London and Brussels saw their newly created institutions quickly disappear. In Madrid, Barcelona and Lisbon, they never even left the drawing board.

A time-proven formula for solving the actual problems of the population living in metropolitan spaces has undoubtedly been the association of regional and local entities, either through the creation of companies governed by public law, having legal personality (with or without the participation of the private sector) or simply through the delegation of public services to private companies.

<u>Annex 5</u> presents several examples of experiments in European countries, with special focus on 2 federal countries – Germany and Belgium – and France, which is undergoing decentralization.

Funding of urban policies of the various Member States is usually charged to the Government and Municipalities in centralized States, and to regions/federated states and Municipalities in federal or decentralized States.

# European regional policy—how to combine competitiveness and social cohesion to ensure sustainable economic and social development?

European Union's growing awareness of the urban phenomenon in general and metropolitan phenomenon in particular -20 % of the population lives in large agglomerations and approximately 80 % lives in urban areas (more than 10,000 inhabitants) – has led the European Commission to prepare a set of recommendations to Member States and propose, within the framework of its regional development policy (Economic, Social and Territorial Cohesion Policy), specific measures for urban agglomerations, providing the latter with supplemental funding in addition to their national financing.

Four major groups of recommendations may be identified:

### • Reinforcing economic prosperity and employment in urban agglomerations

The political objective is to reinforce the role of cities as centres for economic growth, productivity and jobs; promote diversity, competitiveness and flexibility of urban economy; promote knowledge development and experience-sharing on governability and performance.

- O Urban programming for receiving European Funds
- o Stronger urban dimension of employment policies
- o Support to European knowledge centres (networks)
- o Promotion of inter-urban co-operation
- o Promotion of attractive urban transport (less pollution and noise)
- o Know-how development and experience-sharing on economic performance

### • Promoting equality, social inclusion and regeneration in urban areas

The political objective is to promote equal opportunity and economic and social integration, improving living conditions of low-income, excluded or about to be excluded population, and supporting the regeneration of degraded neighbourhoods.

- o Urban programming for funding its regeneration (houses, environment, etc.)
- o Fight against crime
- o Second-chance school (fight against school drop-out)
- o Experience-sharing between cities

### • Protecting and improving the urban environment: sustainable urban development

- o Legislation on waste, air quality, water quality, and noise
- o Reinforcement of pollution control and city cleanliness
- o Reinforce reduction of environmental impact of urban transport
- o Management of energy savings in urban areas
- Expansion of Eco-labelling, eco-management and auditing schemes
- O Support to these measures by European Funds

### Reinforcing good urban management and local power

- o Diffusion and promotion of innovative urban development strategies
- o Reinforce security of cities through promotion of crime prevention

o Reinforce scientific and technological research

At the European level, The European Commission has the power to carry out financing programs in urban areas within the framework of the Economic, Social and Territorial Cohesion Policy.

A number of programmes have been carried out in this area since 1989, starting with a Pilot Project Programme that year, which was followed by the Urban I Programme (1994-99) and currently the Urban II Programme (2000-06):

PROGRAMME	NO. OF CITIES	EUROPEAN FUNDS Million Euros	TOTAL COST Million Euros
Pilot Projects 1989 - 99	59	164	300
URBAN I 1994 - 99	118	900	1.800
URBAN II 2000 - 06	70	727	1.600

The overwhelming majority of these financial resources are used to fund projects in urban areas, which often face serious difficulties and specific challenges such as:

- Unemployment and crime rates that are twice the European average
- Proportion of immigrants that is more than twice the European average
- Proportion of green spaces that is half the European average

The objectives of these European interventions are:

- Promoting the design and implementation of especially innovative strategies for economic and social regeneration of small and medium-sized towns or decaying neighbourhoods of large agglomerations
- Reinforcing and facilitating experience and knowledge sharing on regeneration and long-lasting urban development in the European Union.

Among initiatives of this type, we highlight the following:

- improvement of living conditions through renovation of buildings and creation of green spaces, for example
- creation of local jobs in the environmental, cultural and service provision domains
- development of environmentally-friendly public transport systems
- promotion and use of new information technologies

In parallel, the European Commission has launched an Urban Audit Pilot Project in 58 cities in order to obtain comparative data on cities across Europe based on a set of indicators covering 5 domains:

- economic and social aspects (population, nationalities, housing structure, labour market, income disparities poverty, housing, health, crime, employment, economic activity
- involvement of civil society
- education and training levels
- environment (air and noise quality, water supply, sanitation, land use; waste collection and treatment; mobility typology, energy use, climate
- culture and leisure

Beyond specific measures for urban areas within the context of the Cohesion Policy put in place since 1989 – which is in its third Programming Period – and contemplated in the Union Treaty, the European Union has established the following funds since 1989:

Programming Period	Million Euros	EUR
2000-2006	213,000	15
2007-2013 (Proposal)	336,000	27

From these credit amounts, a little more than 60% go directly or indirectly to urban agglomerations as investments in infrastructure and facilities and as business aid. These funds are managed in a decentralized fashion, with shared responsibility by administrative authorities (State, Regional and Municipal bodies) and the Commission (entity that approves programmes and makes payments to administrative authorities) within a co-funding system and with the participation of the private sector, whose overall share of the total cost of investments is in the order of 20%.

### 9. CONCLUSION

- 9.1 A new awareness has formed at the European level in the sense of considering that cities/large agglomerations are the definite leaders of regional performance. In fact, it is in cities/large agglomerations that air traffic growth takes place, crime rates are lowered, jobs are created, and GDP / inhab. is mostly formed. This is not only the case in Europe, since the same occurs in the United States. Cities are the wealth of nations (not the only type of wealth, evidently): cities such as Toulouse (France), Milan (Italy), Frankfurt and Stuttgart (Germany) their competitiveness is higher than the countries themselves.
- 9.2 Cities are where economic growth takes place. The size of an agglomeration is important large agglomerations have greater potential in economic, governance, and territorial terms. The relationship between agglomerations and Region (or Federated State) is important in terms of performance differences (GDP / inhab.) e.g., its distribution across regional cities in terms of innovation and economic diversity processes (old and new economies), in terms of availability of specialization levels (Universities; airports import/export and mobility quality of life). Amsterdam and Frankfurt are examples of airport related specialization.
- 9.3 Political activity may change the course of cities, but leadership and strategic vision are necessary in order for that to occur. For example, Liverpool in the United Kingdom is getting ready to become the cultural capital of Europe by 2008. Manchester is another good example of a good connection between city leaders and the private sector. The cities that grow are those with the ability to attract people to live and work in them. Moreover, competitiveness is not incompatible with cohesion, but when social inclusion is not present, a competitive city may have more social exclusion than expected. One example of this situation is London, in the United Kingdom. In order for the situation to improve, living conditions in large cities must be improved at the same time they seek to become competitive.
- 9.4 Cities and large agglomerations, in particular, may just lead European economy in the future.
- 9.5 As an institution (level of power), the Metropolitan Area failed as an attempt to organize an ever-changing territorial space (due to swift urban growth), in clear contradiction with the traditional stable significance of the boundaries of municipalities or Regions/Federated States. A second reason is attached to the local (Municipalities or Regions) power-holders' political aversion to letting go of competences, within a framework of national political constitutions that are not very open to the multiplication of institutions less visible to the common citizen.
- 9.6 In Europe, there is no uniform standard for urban and regional development, nor a single solution for the problems of large agglomerations commonly known as metropolitan areas. The solutions found by different countries, far from being a cure-all, are the result of pragmatism (due to the urgency of problems) and restraints imposed by local and regional political-administrative traditions dating back several centuries in certain cases (Germany, Austria, Portugal, Spain, France, United Kingdom, etc.) not to mention the still very visible nationalism and regionalism of some areas. For example, the UK, known as the Centralizing State, is divided into four nations due to historical reasons England, Scotland, Wales and North Ireland; and Germany and Austria, with the existence of City-States.
- 9.7 The solutions found for the problems of large European agglomerations aim to find the best territorial and administrative level that is also the most economically advantageous and the one closest to the citizen. They are generally of two types:
  - voluntary association/co-operation of Municipalities and Regions:

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- with or without the participation of the State, through the creation of inter-municipal companies governed by public law and having legal personality (company carrying out a mission in the general interest and in which more than half of the stock is held by one or several municipalities/regions)
- o with the participation of the private sector in the form of government-controlled companies (corporations whose stock is held by local entities as majority shareholders and by private economic and financial partners)
- delegation of public service to a private company through a license agreement (whether or not using the Public-private-partnership instrument). In this respect, there are no limits for the imagination and currently even prisons and hospitals often take part in this scenario in many countries, including the most centralizing ones. However, this formula is generally used for the management of toll Roads and Bridges, major Ports and international airports, Integrated Water Supply Systems, Integrated Systems for the collection-treatment-recycling of household waste.

Examples of the first type of solution are given in the attachment entitled "Actual experiences of several European metropolises."

9.8 Beyond national policies, the widespread awareness of the economic and social dimension of cities and, in particular, Large Agglomerations, led the European Union to complement huge national efforts with interventions at the European level within the framework of its Economic, Social and Territorial Cohesion Policy, whose budget equals 0.45 % of Europe's GDP (Gross Domestic Product), i.e., an annual expenditure of the order of €37,000 million for the programming period underway and a forecast expenditure of approximately €48,000 million for after 2006.

**Annex 1** 

# **TERRITORIAL DIVISION AND POLITICAL ORGANIZATION (EUR 25)**

MS	Type	1 <sup>st</sup> level	2 <sup>nd</sup> level	3 <sup>rd</sup> level	Special	Population	Area
Austria	Fed. Rep.	9 Lander		2354 <sup>1</sup>	Vienna <sup>2</sup>	8	85
Belgium	Fed. Mon.	3 Regions	10 Prov	589 Mun.		10	31
Czech	Republic	14 Regions	77 Districts	6,200		10	79
Republic				Mun.			
Cyprus	Republic		73 Mun.	353		1	9
				Council			
Denmark	Dec. Mon.	14 Counties		275 Mun.	3	5	43
Estonia	Republic		15 Counties	241 Mun.		1.4	45
Finland	Republic	19 Regions <sup>4</sup>	5 Prov.	455 Mun.		5	338
France	Republic	26 Regions	100 Depts.	36,763 Mun.		61	544
Germany	Fed. Rep.	16 Lander	323 Kreise	14,742 (1)	5	82	357
Greece	Republic	13 reg. (4)	57 Depts.	5,921 Mun.		11	132
Hungary	Republic	7 regions	19 Counties	3,131 Mun.		10	93
Ireland	Republic	8 regions	29 Counties	90 Mun.		4	70
Italy	Desc. Rep.	20 regions	102 Prov.	8,102 Mun.	6	58	301
Latvia	Republic	7 plan reg.	26 Districts	550 Mun.		2	64
Lithuania	Republic		10 Counties	60 Mun.		4	65
Luxembourg	Monarchy		3 Districts	118 Mun.	Luxembourg	0.4	3
Malta	Republic			67 Mun.		0.4	0.3
Netherlands	Monarchy		12 Prov.	625 Mun.	Friesland	16	42
Poland	Republic	16 prov.	308 Counties	2,489 Mun.		39	313
Portugal	Republic		305 Mun.	4,220 Parish	7	10	92
Slovakia	Republic	8 regions	79 Districts			5	49
Slovenia	Republic	6 regions		193 Mun.		2	20
Spain	Desc. Mon.	17 regions <sup>8</sup>	50 Prov.	8,097 Mun.		40	506
Sweden	Desc. Mon.	22 regions	23 Depts.	288 Mun.	9	9	450
U. Kingdom	Monarchy	4 nations <sup>10</sup>	485 Distr.	11,095 Mun.		59	244
EUR 25						454	3,975

MS = Member State Population in Millions Area in 1000 square Km Special = special status

<sup>&</sup>lt;sup>1</sup> Germeinden (municipalities) and Stadt (Towns) <sup>2</sup> Lander and Stadt at the same time

<sup>&</sup>lt;sup>2</sup> 2 autonomous regions (Greenland + Faraoe Islands) + 4 Towns (Copenhagen, Arhus, Aalborg, Odense)

<sup>&</sup>lt;sup>4</sup> Co-operation of Municipalities

<sup>&</sup>lt;sup>5</sup> Berlin, Bremen, Hamburg (*Lander* and *Stadt*)

<sup>&</sup>lt;sup>6</sup> 5 autonomous regions out of 20 and 2 autonomous provinces: historic reasons 2 autonomous regions (islands of Azores and Madeira)

<sup>8</sup> all autonomous regions

<sup>&</sup>lt;sup>9</sup> Island of Gotland; Towns of Mälmo and Gothenburg <sup>10</sup> England, Wales, Scotland and Northern Ireland / England has 9 regions

# **Annex 2**

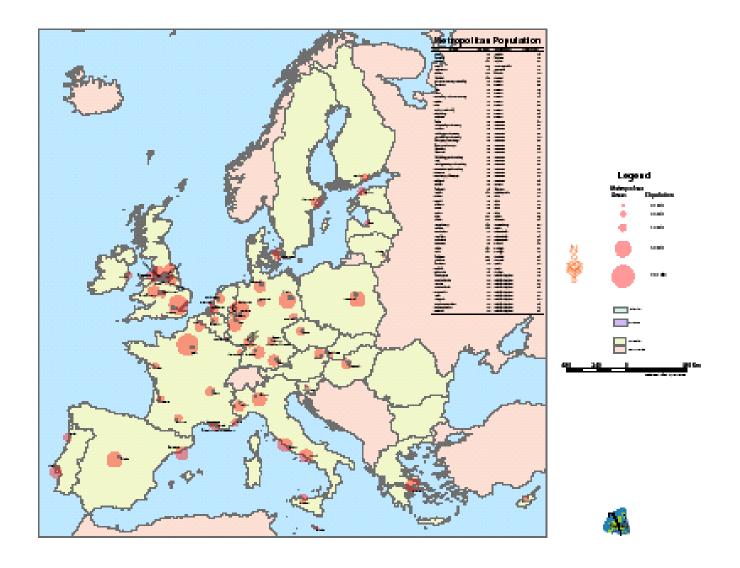
# CITIES AND METROPOLITAN AREAS EUR 25

Million Inhabitants

COUNTRY	CA	APITAL CITY	METROPOLITA	Million Inhabitants N AREAS
COCIVILI	Name	Pop.	Name	Pop.
		FEDERAL COUNTRIL		-
AUSTRIA	Vienna	1	Vienna	1.6
BELGIUM	Brussels	0.2	Brussels	1 7.4
GERMANY	Berlin	3.5	Rhine-Ruhr(1)	7.4
			Berlin	5.1
			Cologne	3
			Hamburg	2.6
			Stuttgart	2.6
			Munich	2.4
			Rhine-Neckar(2)	1.7
			` '	
			Nuremberg-Erlangen	1.3
			Hanover	1.1
			Dresden	1
	0	THER EUROPEAN COUN	NTRIES	
FRANCE	Paris	2.2	Paris	9
			Lille	1.8
			Lyon	1.6
			Marseille/Aix en Provence	1.5
			Toulouse	1
			Bordeaux	0.9
			Nice	0.9
			Nantes	0.7
			Strasbourg	0.6
******			Ü	
ITALY	Roma	2.7	Rome Milan	3.8
			Naples	3.1
			Turin	2.2
			Palermo	1.2
UNITED KINGDOM	London	3.5	London	7.2
			West Midlands	2.6
			Greater Manchester West Yorkshire	2.6 2.1
			Merseyside	1.4
			South Yorkshire	1.3
SPAIN	Madrid	2.9	Madrid	4.8
DODTTAGAA	x · · ·	0.5	Barcelona	3.1
PORTUGAL	Lisbon	0.6	Lisbon Oporto	2.7 1.2
FINLAND	Helsinki	0.6	Helsinki	1.2
DENMARK	Copenhagen	0.5	Copenhagen	1.7
HUNGARY	Budapest		Budapest	1.8
SWEDEN	Stockholm	0.7	Stockholm	1.8
POLAND	Warsaw	1.6	Warsaw	5 1.4
ESTONIA CZECH REPUBLIC	Tallin Prague		Tallin Prague	1.4
NETHERLANDS	The Hague	0.5	Amsterdam	1.3
			Rotterdam	1.2
SLOVENIA	Ljubliana	0.25		·
SLOVAKIA	Bratislava	0.45		
MALTA LITHUANIA	Valleta Vilnius	0.2 0.5		
LATVIA	Riga	0.5		
CYPRUS	Nicosia	0.3		
GREECE	Athens		Athens	3.2
IRELAND	Dublin	0.5	Dublin	1.1
LUXEMBOURG	Luxembourg	ias of Duisbarg, Essan, D		

<sup>(1)</sup> Continuous urban complex encompassing the cities of Duisberg, Essen, Dortmund e Dusseldorf

<sup>(2)</sup> Continous urban complex encompassing the cities Manheim-Ludwighhofen-Heidelberg



### Annex 3

### RESPONSIBILITIES AND COMPETENCES IN FEDERAL GERMANY

Federal Germany is administratively and politically organized based on the Fundamental Law of 1949, as updated on October 3, 1990 with the country's reunification.

There are 3 levels of territorial administration:

- 16 *Länder* (federated states)
- 323 *Kreise* (Districts)
- 116 *Kreisfrei Städte* (cities with autonomous administration) 14626 *Kreiseangehörige Gemeinden* (municipalities associated into districts)

The Federal State has 332,300 employees, against 1,935,000 in the *Länder* and 1,305,000 in the municipalities.

Tax revenues are distributed as follows: 43.5 % (Federal State), 40.4% (*Länder*), 11.9 % (Districts and Municipalities and 4.2 % (European Union)

### The *Länder* (Federated States)

With the exception of the Berlin, Hamburg and Bremen *Länder* (Federated City-States), the remaining 13 *Länder* are divided into *Kreise*, which are in turn divided into *Gemeinden* (Municipalities).

Each one of the *Länder* has a constitution, internal sovereignty (i.e., it excludes any type of control by the Federal Government over its actions) and own administrative powers.

Each *Länder* has the following organization:

- a Parliament elected through direct universal suffrage and composed of a single house
- One government, whose president is elected by the Parliament

Each Länder has its own court system.

*Länder* are represented at the federal level in the *Bundesrat* (2<sup>nd</sup> House of the Federal Parliament) – way in which the *Länder* participate in the creation of national legislation – and Federal Government/ *Länder* co-ordination councils exist in many fields.

The application of federal laws is primarily the federated states' responsibility. Exceptions to this rule are: Foreign Relations and Defence – specific tasks for which federal authorities and institutions are responsible.

Article 83 of the Constitution states that the application of federal laws is the responsibility of the *Länder*, unless otherwise stipulated or allowed by the Constitution. The federation may only oversee the legitimacy of the application of Law.

Legislation and administration in the areas of education, professional training, science, culture, and public order and safety are the responsibility of the *Länder*.

An important task of the *Länder* – hardly ever noticed by the public – is regional planning. Its objective is to create equal living conditions for all citizens as much as possible. Planning helps ensure that all necessary services for day-to-day life – schools, shops, doctors, pharmacies – are implemented at a reasonable distance from a central city in scarcely populated areas and that the prerequisites for attracting investments and industries are created in economically underdeveloped areas.

An equally important objective of regional planning is environmental protection and conservation – maintenance of natural landscapes, economical use of non-renewable natural resources (water, air, and soil), restriction on land use by factories and traffic generating infrastructure.

Länder may also be asked to apply some federal laws on behalf of the Federation (article 85 of the Constitution). That is the case, for instance, with the management of highways, federal roads and waterways, airport operation licensing, nuclear energy production plants, and nuclear waste recycling and storage plants.

# **Municipalities**

Municipalities have their own competences as well as competences assigned by the Federal Government and the *Länder* – which are accompanied by the necessary funds in the latter case.

### Their own competences

Municipalities may decide, for instance, to finance the construction of swimming pools, acquire buses, create a museum, and subsidize theatres or local associations.

### Mandatory activities

Municipalities must perform certain activities, such as: waste disposal; energy, gas and water distribution; construction of schools and pre-school centres. Municipalities are free to decide how to handle such affairs. These activities are increasingly becoming the object of licenses to the private sector.

Other mandatory activities are, for instance, the payment of social benefits and housing subsidies; maintenance of firefighting service, rescue services and natural disaster protection services; and the organization of municipal elections.

### Delegated activities

Among activities delegated by the [State] and performed by municipal administrations within their territorial area, the following may be highlighted: organization of population census survey, military service registration, and organization of national and regional elections.

**Länder** parliaments must determine the constitutions and boundaries of municipalities, and *Länder* governments must supervise them.

In areas of common interest to a group of municipalities (*Städte* and *Kreise*), entities with a legal statute suitable for the performance of a specific task may be organized, such as a workgroup or a body governed by public law.

Such areas generally refer to tasks that go beyond the competence of a single municipality, such as wastewater treatment, water supply and public transport. Infrastructure planning and building may also be shared by neighbouring municipalities.

# Annex 4

### COMPETENCES OF AN ENLARGED EUROPE

Through the new Treaty (pending approval by Member States), the European Union consolidates its existing competences and prepares to receive others.

The principle of <u>attribution</u> regulates the delimitation of competences. The principles of subsidiarity (in fields not exclusively under its domain, the Union only intervenes when action objectives cannot be satisfactorily achieved by Member States at the central, regional and local levels) and proportionality regulate the exercise of these competences.

Any and all competences not attributed to the Union by the Treaty – Constitution belong to Member States.

The Constitution and law adopted by Institutions (European Commission, Council of Ministers, European Parliament) in exercising the competences assigned to them take precedence over the law of Member States.

When the Constitution assigns an <u>exclusive</u> competence in a given field to the Union, <u>only</u> the Union may produce laws and mandatory legal acts. When such competence is

<u>shared</u> with Member States, both the Union and Member States may produce laws and mandatory legal acts. Member States exercise a competence insofar as the Union has not exercised it or has decided to no longer exercise it.

Exclusive competence	shared competence
Establish competition rules	Internal market
Monetary policies for Euro countries	Space of freedom, security and justice
Common commercial policy	Agriculture and fisheries
Unified Customs	Transport and Trans-European Networks
Conservation of marine biological	Energy
resources	Social Policy (partially)
	Economic, social and territorial cohesion
	Environment
	Consumer protection
	Public Health Safety

The Union will also have the competence of:

- Ensuring the co-ordination of economic and employment policies among the States
- Defining and carrying out a common foreign and security policy, including the gradual definition of a common defence policy
- Defining and executing investment programmes in the areas of research, technological and space development
- Executing actions and conducting a common policy in the co-operation for development and humanitarian aid.

**Annex 5** 

ACTUAL EXPERIENCES OF SEVERAL EUROPEAN METROPOLISES

**Germany (Federal State)** 

The <u>Ruhr area</u> provides the best example for co-operation in a metropolitan space in Germany. The heart of industrial Germany has a total of approximately 7 million people in the Nordrhein-Westfalen *Länder*.

The area is composed of 11 cities and 4 Municipality groupings (Kreise). They entered into a co-operation agreement in 1920 (!), creating the Municipal Co-operation Council. Their co-operation consists in planning a common strategy for exploring the region's

Their co-operation consists in planning a common strategy for exploring the region's potentials, and inventorying common problems (e.g., drop in the number of industrial jobs, bad reputation of the declining zone, high unemployment). Culture, tourism and public infrastructure are the Council's main areas of activity.

The law that created this association specifies the following main tasks:

- Protection of natural spaces
- Creation of regional development plans
- Waste treatment.

Joint public transport is organized under a different association.

Regional associations may agree upon the creation of common public transport services (bodies governed by public law), road networks, leisure facilities, and zones of economic activity (industry and service).

# **Belgium (Federal State)**

In Belgium – a federal state comprising 3 regions or federated states – the institution with the competence of managing the country's main metropolis (Brussels) is located in the Brussels-Capital region. The metropolis encompasses 19 municipalities and had, in 2000, a budget of approximately 2 billion Euros.

To solve problems for its citizens – such as transport (urban and port); water, gas and energy distribution; sanitation (waste and sewage); service provision (housing, cable TV distribution); and the promotion of economic and spatial development – the Region is usually organized based on:

- The creation of inter-municipal bodies governed by public law, associating municipalities interested in their management and funding, and eventually including other adjacent municipalities and regions if such is the economic imperative.
- The delegation of public service to private companies through a service specification and management agreement.

Some examples of bodies governed by public law, having legal personality are:

### <u>Inter-Municipal Water Distribution Authority (IBDE)</u>

IBDE provides water distribution to the 19 municipalities of the city of Brussels. The water is supplied by another company in Brussels – the *Compagnie Bruxelloise dês Eaux*-CIBE (Brussels Water Company), responsible for water collection, treatment and transport to all regions of Belgium.

Its mission also consists in maintaining the piping network, performing new connections and helping less favoured individuals with the practice of a social price.

Its management team includes representatives from Municipalities and the CIBE. Funding is provided by the Municipalities, Region and revenues from the sale of water.

<u>Inter-municipal companies</u> with the same type of funding and operation exist for Gas and Energy Distribution.

Transport Management. Examples for urban and river transport.

The Brussels river port is managed by a company (Port of Brussels), whose main shareholder is the Region of Brussels. Other shareholders are 8 stake-holding Municipalities and a public limited company.

Current funding is provided by shareholders and revenues from service provision, and investment financing is provided by shareholders and the Federal State.

The Brussels Airport is managed by a private limited liability company (Brussels International Airport Company) under a public service delegation agreement and in which the Belgian State holds 63% interest.

Urban Transport. In the region of Brussels, transport is provided by the Brussels Intermunicipal Transport Company (STIB), a company governed by public law that manages surface (Tram e Bus) and underground (Metro) transport networks, ensuring transport for more than one million people in the Region's 19 municipalities and ten other adjacent municipalities, covering an area of 242 km<sup>2</sup>.

The transport network management and the investment plan are framed by a "Management Agreement" between the Region and STIB, which provides the latter with the necessary business autonomy, while maintaining political and strategic development control in the hands of the Region. The agreement also ensures the public funding needed for network development.

Consideration is being given to co-operation with similar transport companies in the other two Belgian regions in order to – in association with the National Railway Company – ensure improved mobility in the Region of Brussels. Also under consideration is possible collaboration with the periphery area through the construction and exploration of a Regional Express Network – inter-urban railway lines (such as the RER in Paris).

In terms of long-term strategic programming, the Region of Brussels created, in 1974, the Brussels Regional Development Agency (SDRB), whose objective is to support economic development and job creation in the Region. The agency's activities centre on economic expansion – primarily the construction of infrastructure to attract businesses,

namely industrial and technological complexes and corporate real estate. In regard to <u>urban regeneration</u>, its activities focus on the production of housing for the middle-income population of neighbourhoods with a residential construction deficit, for the purpose of maintaining or attracting inhabitants back to the Region.

SDRB's various projects in the urban domain are performed through a partnership between the public and private sectors.

SDRB is a body governed by public law and having legal personality, whose shareholders are the Region – majority shareholder – and the Region's 19 Municipalities – in equal shares.

### **France**

(State undergoing decentralization)

In France, four main types of company are used to solve problems for the population that cannot be solved by local organizations (municipalities, departments and regions):

- EPCI public establishment of inter-municipal co-operation
- EPIC public industrial and commercial establishment
- SEM government-controlled company
- private company (under public service delegation)

In France, a framework of inter-municipal co-operation/association form prevails. The need for their creation became clear around a century ago, in virtue of the high number of small municipalities, allowing them to pool resources in order to solve problems posed by the constant increase of their competences.

Initially started for the purpose of building a certain facility or managing a certain service (technical conception), they quickly became instruments of territorial organization planning for ensuring the co-ordinated economic and social development of several municipalities surrounding a core municipality.

The notion of inter-municipal co-operation was materialized through the creation of <u>EPCI</u>

<u>Public Establishments for Inter-Municipal Co-operation</u>. Their structure varies depending on the size of the population involved and local co-operation possibilities (see table below).

An EPCI is a public administrative establishment:

- Endowed with "moral personality" and financial autonomy
- Endowed with self-management and its own staff
- Whose administrative decisions are subject to the control of the State's representative in the Region
- That performs public works.

• Governed by the principle of exclusivity, i.e., at the time of their creation, the transfer of competences from municipalities is total and immediate.

Funding is usually provided by:

- Contributions from municipalities budgetary or fiscal
- Own taxes and levies, which may be the following, depending on the type of EPCI:
  - o Surcharge (e.g., 10 %) on four direct municipal taxes
  - o If replacing tax on economic activity collected by municipalities single professional tax.

In 2002, there were almost 2,200 EPCI with own tax revenues in France, involving 73 % of the country's Municipalities (26,850) and approximately 73 % of the French population (45 million inhabitants).

Except for Paris, all large agglomerations in France belong to or are at the centre of one of the following:

- 12 Urban Communities
- 120 Agglomeration Communities
- 2032 Communities of Municipalities

The following major Urban Centres are examples of Urban Communities:

- Bordeaux
- Lille
- Lyon
- Strasbourg

Average annual expenditure per capita is above 230 Euros in the above Urban Centres.

The following major Urban Centres are examples of Agglomeration Communities:

- Nice
- Toulouse

Inter – Municipal organizations with own taxes and levies

	1 0		
EPCI Type	Features	Competence	Funding
Agglomeration Community	It groups municipalities	Mandatory: creation,	Tax revenues (single tax
	forming a continuous	organization, maintenance	on economic activity in
	group of more than 50,000	and management of zones	municipalities – surcharge
	inhabitants around one or	of economic activity	on existing taxes, other
	more cores of 15,000	(industrial, artisanal,	taxes), revenues from

	inhabitants	commercial, tourism, port	service provision and
120 EPCI 2,013 municipalities 16 million inhabitants	minaoitants	or airport); urban transport; housing.  Optional: water; sanitation; environmental protection; construction, organization, maintenance and management of cultural and sports facilities (at least three of them)	grants from various sources.
Urban Community  12 EPCI 266 municipalities 4.6 million inhabitants	It groups municipalities forming a continuous group of more than 500,000 inhabitants.	Land use and urban planning control (guidelines, land occupation plans, zoning, etc.); building of facilities (roads, markets, certain school facilities); public service management (urban transport, water, sanitation, household waste, etc.); economic and social development (economic activity zones, etc.); urban renewal and social inclusion policy; management of public interest services (e.g., slaughterhouses, etc.); combating air pollution.	Tax revenues (single tax on economic activity in municipalities more than 55% - surcharge on existing taxes on housing and property; proceeds from taxes relating to transferred competences; grants from various sources.
Community of Municipalities  2032 24,465 municipalities 22 million inhabitants	It groups municipalities forming a continuous group.	Organization zones; establishment of land reserves; zones of economic activity; social housing; municipal roads; cultural, sports, pre-school and elementary education facilities.	Tax revenues (single tax on economic activity in municipalities more than 55% - surcharge on existing taxes on housing and property; proceeds from taxes related to transferred competences; grants from various sources.

Another form of Inter-Municipal organization without its own taxation system, but having earmarked funds for meeting important basic infrastructure and public facility needs are:

- Municipal Syndicates
- Government –controlled companies (SEM)

There are three types of Municipal Syndicates:

- single-purpose inter-municipal syndicates (SIVU)
- multi-purpose inter-municipal syndicates (SIVOM)
- selective purpose inter-municipal syndicates a municipality may join for part of the competences.

They usually exercise competences relating to: water – distribution and production; power distribution; school management and transportation; sanitation; household waste. Funding is shared:

- Contribution from Municipalities (grants and surcharges on municipal taxes)
- Revenues from provision of services to the population

Another interesting example of co-operation among public institutions is in <u>transport organization</u>. The future trend is for this competence to be assigned to the Regions, which will then become the organizing transport authorities within their areas of action.

In the Paris Region, the Central Government and local organizations have co-operated since 1959, which allowed the creation of the Transport Syndicate of Ile-de-France (centre of Paris) with Government and local authority representatives (Region, 8 Departments). In France, there are four levels of territorial administration: Central Government, 26 Regions, 100 Departments and more than 36,000 Municipalities.

The Ile-de-France Transport Syndicate (STIF) co-ordinates the activity of the 2 largest transport operators in the Region – RATP and SNCF – and the approximately 90 private operators. It defines general conditions for service exploration, determines itineraries, duration and frequency of services, ensures financial balance of public transport operation (6,000 million Euros), establishes tariffs, and defines quality standards for carriers.

SNCF is the national railway operator and, as such, is of little interest to the present analysis, except for the fact that it physically provides the Regional Express Network (RER), true backbone in the connection between the centre of Paris and periphery municipalities of the region of Paris.

RATP is the public urban transport provider *par excellence* in Paris. Created in 1948, the RATP is organized as an EPIC (Public Industrial and Commercial Establishment) and operates based on a management agreement entered into with the STIF (Paris) for managing services such as Metro, Bus, Tram, RER – which allows it to maintain reasonable quality of service and handle a demand of 2,600 million trips/year, i.e., 9 million trips/ day on more than 3,500 km of network. Traffic increased by 1.4 % in 2002:

- Bus 3,403 Km of routes
- Tramway 20 Km of routes
- Metro 211 Km of routes in 16 routes
- RER 115 Km of routes (2 regional routes and 67 terminals)

One last instrument of Inter-municipal organization is the local SEM (local government-controlled company) – distinct from the State SEM, in which the relationship is between the central Government and private entities only. There are different types of government-controlled companies, but they are essentially corporations whose capital stock is held by local entities – elected bodies (Municipalities, Department and Region) and private economic and financial partners. This instrument is often used in other member countries of the Union such as Germany, Italy and Sweden. Of a total of approximately 2,200 million Euros of the local SEM in France, around 63% are held by local entities, while the remaining 37% are in the hands of public and private banks

(12%) and institutional bodies such as Chambers of Commerce and Industry, Chambers of Agriculture, major state-owned companies, etc. (15 %).

Among the sectors favoured by the SEM are: housing, water production and distribution, electrical power, gas, household waste, tourism, commercial facilities. Local SEM emerged at the end of the last century in France. They now represent 1,255 units, with 61,000 workers and an annual turnover of 11,000 million Euros.

# **United Kingdom**

The centre of the <u>London</u> Metropolis (City of London) is governed by an elected Mayor, who directly manages the services of the <u>Greater London Authority</u> (GLA), among others.

The GLA is the City's specialized service for defining the development strategy for London. It is controlled by the city's elected Assembly and has a staff of 600.

The GLA prepares medium-term and long-term development strategies in the following domains: transport, policing, firefighting and emergency services, economic and spatial development, culture, environment, and health. It has an annual budget of approximately £5,000 million.

Besides directing the creation of strategies for transport, spatial and economic development, and environmental development, the London Mayor (president of the Municipality) sets the budgets for the GLA, Transport for London (transport coordinating authority), London Development Agency (economic development and urban regeneration service), etc.

<u>Transport</u> in London is under the responsibility of an especially created body – Transport for London – which co-ordinates several local companies governed by public law such as London Buses, London Trams, London Underground, Docklands Light Railway, London River Services. It has an annual budget of approximately £4,360 million, of which 51% are funded by revenues from the sale of services; 48 % by subsidies from the Central Government; and 1 % by GLA.

In the domain of <u>economic development and urban regeneration</u>, there is the London Development Agency in London, a public utility company under the Mayor's authority. Its purpose is to promote business and investment in the areas of economic development (industry, commerce and services) and urban regeneration, job creation, training of specialized personnel, etc, while working in partnership with the private and public sectors and organized civil society.

<u>Manchester</u>, a metropolitan area of nearly 3 million inhabitants, solved the issue of managing its international airport (20 million passengers/year), through the creation of a company (<u>Manchester International Airport</u>) involving 10 District Councils

(Municipalities). A similar company (<u>Metrolink System</u>) was created for managing the urban surface rail network in Manchester.

# Annex 6

# CITIES PARTICIPATING IN THE URBAN II PROGRAMME Programming Period 2000 - 2006

# **Million Euros**

MEMBER STATE	NO. OF CITIES	TOTAL COST	<b>EUROPEAN</b>
			<b>FUNDS</b>
BELGIUM	3	54	21
DENMARK	1	12	5
GERMANY	12	273	149
GREECE	3	36	26
SPAIN	10	180	113
FRANCE	9	284	102
IRELAND	1	11	5
ITALY	10	264	115
NETHERLANDS	3	87	30
AUSTRIA	2	36	8
PORTUGAL	3	30	19
FINLAND	1	23	5
SWEDEN	1	16	5
UNITED	11	272	124
KINGDOM			
TOTAL EUR 15	70	1,578	727

Participating cities include the following:

- Brussels
- Berlin
- Dortmund
- Bordeaux
- Strasbourg
- Milan
- Turin
- Amsterdam
- Rotterdam
- Vienna
- Lisbon
- Helsinki
- Gothenburg

# **Annex 7**

# REFERENCES

- Statistical Data from Eurostat (European Union Statistical Office)
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