



# Comments on the draft structural funds regulations

Partnership and multi-level governance  
Thematic concentration  
Financial Engineering Instruments  
Sustainable urban development  
European Social Fund

## 1. Summary

- Europe's major cities must be involved directly in the national process to define and develop the **partnership** contracts on operational programmes. This is crucial for effective multi-level governance, coherent strategies, efficient spending and more value for money
- **Financial engineering instruments** must be made directly accessible to cities. Cities must be able to work directly with the financial institution, such as EIB, to make full use of the instruments rather than depending on managing authorities.
- We support the **thematic concentration** on Europe 2020 objectives. All investment priorities must have clear territorial/urban dimensions. Measures on sustainable urban transport and transport management must be included under priority 4. This is crucial to achieving a low-carbon economy in cities and a key element in a integrated city strategy.
- The **ring fencing of funds** for integrated sustainable urban development will help in those regions where urban actions have been neglected or very poorly funded in the past. But such a minimum allocation must neither lead to a decrease in the allocation for urban areas where it is currently higher, nor distract from the need for a strong urban dimension across all programmes
- There should be a clear obligation on member states and managing authorities to propose the management and implementation of an **Integrated Territorial Investment (ITI)** to cities. It should then be up to the cities to accept or decline depending on capacity and experience.
- The management procedures of ITIs must fully facilitate the combination of ESF, ERDF and CF funding across operational programmes and different priority axes so that it can be a driver for integrated actions in cities.
- An explicit **list of the cities** eligible for ITIs in the partnership contract or in the operational programme will help ensure that the ITIs are implemented effectively with delegation to cities. The list must be based on clear and transparent selection criteria developed by member states in partnership with their cities.
- We support the Commission's proposal that the first objective of an **Urban Development Platform (UDP)** should be about cities and the Commission learning from each other's experience of using ITIs and innovative actions to foster integrated urban development, thereby building capacity both within the UDP and beyond.
- We welcome the strengthening of the **social inclusion** dimension in the ESF and strongly support ring fencing of 20% for social inclusion priority. City authorities must be involved in the selection procedure for priorities for national operational programmes and for sub-delegated programmes to maximise the impact of interventions.

## 2. Draft General Regulation

### Partnership and multi-level governance

- In principle, we support the partnership approach proposed by the Commission in art. 5 and welcome the fact that the wording is stronger than the current regulations. It is essential that the current wording ('shall be involved...') is safeguarded.
- However the concept of partnership and the involvement of partners must be further defined. It may be possible to achieve this through a binding code of conduct. Alternatively, the Common Strategic Framework and/or art. 13-14 on partnership contracts must address the following issues:
  - The leaders and mayors of Europe's major cities must be involved directly in the process nationally to define and develop the partnership contracts. This is crucial for effective multi-level governance, coherent strategies, efficient spending and more value for money.
  - The partnership contracts should detail the specific role of city authorities, with a public mandate and democratic legitimacy, in the preparation, implementation, monitoring and evaluation of programmes. This should include the role of cities as equal partners to regions, due to the central role they play in delivering territorial cohesion and development.
  - City authorities must be involved directly as equal partners in the process of developing operational programmes. Experience shows that where cities have had an active role as partners in the process at regional and national level, the outputs have been better.
  - It is essential that the processes for developing operational programmes and partnership contracts nationally provide sufficient time for a meaningful involvement of the partners.

### Financial engineering instruments (FEI)

- We welcome the emphasis on leveraging investments with innovative financial instruments and the efforts to simplify certain procedures, such as limiting reporting to once a year.
- However, these new instruments must be made directly accessible to cities, to have a real impact and effectively support sustainable urban development. Currently, if a managing authority is unwilling to set up a FEI, cities are effectively cut off from using the instruments. Cities must be able to work directly with the financial institution, such as EIB, to make full use of FEI.
- The several references to future delegated acts are problematic, leaving too many issues unclear or unspecified. We would appreciate clarity and certainty as early as possible, and in any case before the end of 2013. This will also impact on the attractiveness of the funds for the private sector. Uncertainties will drive potential investors away.

## 3. Draft ERDF Regulation

### Thematic concentration

- We support the thematic concentration on Europe 2020 objectives. Concentration can improve effectiveness and impact. However the leaders of Europe's major cities must be directly involved in preparing, implementing, monitoring and evaluating programmes to ensure that the proposed thematic concentration results in the ambitious urban agenda proposed by Commissioner Hahn.

- We agree in principle with the proposal for 80% of ERDF funding to go to thematic priorities 1, 3 and 4 (Article 5) in more developed regions. The three priorities seem to provide sufficient flexibility to cover the key priorities for cities under ERDF provided that:
  - Article 5§4(e) is safeguarded in its current form i.e. ‘promoting low-carbon strategies for urban areas’
  - The investment priorities around Article 5§4 on a shift to a low carbon economy include measures on sustainable urban transport and transport management, crucial to achieving a low-carbon economy in cities and a key element in a integrated city strategy
  - **All investment priorities**, and in particular priorities 1, 3 and 4, also have clear territorial/urban dimensions. The concentration of 80% should not undermine the ambition to support integrated approaches and delivery on the ground in cities
  - The concentration of 80% on priorities 1, 3 and 4 do not mean that the use of integrated territorial investments and community-led local development is restricted only to the remaining 20%
- For transition regions, the thematic objectives 2 and 7 should be added to the list of possible investment priorities for which ERDF investments are reserved. This would give transition regions, and cities within them, better possibilities to catch up on infrastructure development.
- Investment in social housing from ERDF should be limited to energy efficiency initiatives and the current proposal of ERDF Article 5§4(c) is sufficient for this.
- We support the proposal that 20% of ERDF funding at national level should go to developing a low carbon economy.

### Sustainable urban development

#### Integrated territorial investments (ITIs)

- We support the Commission’s proposal on ITIs. This new instrument could potentially provide much needed flexibility in terms of geographical scale for programming and implementation of funds.
- The ring fencing of funds for the purpose of integrated sustainable urban development will help in particular in those regions where mainstreaming of an urban priority has not been effective in the past and urban actions have been neglected or very poorly funded. However:
  - a minimum allocation should not distract from the need for a strong urban dimension across all programmes. Since the greatest potential impact for Europe 2020 goals lies in metropolitan Europe, each thematic priority should have a clear and strong urban dimension.
  - we must ensure that the minimum allocation does not lead to a decrease in the allocation for urban areas where it is currently already much higher.<sup>1</sup> It should be clear that if all member states apply the minimum rate, urban areas will lose out compared to the current programming period. There should be a clear requirement for member states not to reduce the overall financing for urban actions compared to the current situation.

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<sup>1</sup> e.g. 25% for Malmo and 33% for G-4 by sub-delegation to Amsterdam, Rotterdam, The Hague and Utrecht).

- The management procedures of ITIs must fully facilitate the combination of ESF, ERDF and CF funding across operational programmes and different priority axes so that it can be a driver for integrated actions in cities.
- There should be a clear obligation to propose the management and implementation of an ITI to cities. It should be up to the cities to accept or decline depending on capacity and experience.
- We agree to explore whether an incentive for the use of integrated territorial investments can be applied in the same way as has been proposed for the use of community-led local development (i.e. 10% higher co-financing rate)

#### **List of cities**

- A list of the cities eligible for the funding defined in the partnership contracts or in the operational programme will help ensure that the ITIs are implemented effectively with delegation to cities. A list of cities will provide visibility to both urban priorities and the ITIs, which will ensure a better use of the instrument than it has been the case for global grants.
- Where appropriate, the list of cities can also include functional urban areas. In many member states, the urban areas will inevitably be represented by their core city.
- Clear and transparent selection criteria should be developed for the selection of cities by member states for receipt of the ring fenced funding. This selection cannot be arbitrary or politically motivated and member states must be able to demonstrate on what basis they have selected the participating cities. In addition to the Commission's suggestions of a requirement for participating cities to have integrated strategies in place, the selection should include the key enablers and drivers to deliver Europe 2020 on the ground, namely those that are:
  - cooperating strategically with their metropolitan areas
  - driving growth and innovation for their regions and beyond
  - acting on urgent and long-term climate challenges
  - actively facilitating inclusion and social mobility

#### **Innovative actions**

- We support the specific allocation to innovative actions and recognise the potential this offers to also support functional areas. With the proposed 0.2 % allocation it is however clear that only a very limited number of projects can receive support. Supporting a high number of smaller projects would undermine the incentive for cities to manage the projects as well as the potential wider positive impact of the project.
- The scope of innovative actions should be extended to include the area of social innovation to fully cover the needs of cities.

#### **Urban Development Platform**

- We support the Commission's proposal that the first objective of an Urban Development Platform (UDP) should be technical exchange between cities.
- It should be about cities learning from each other's experience of using ITIs and innovative actions to foster integrated urban development, thereby building capacity both within the UDP and beyond. We see the logic of maintaining an URBACT programme to facilitate such exchange and, most importantly, to capture, distil and disseminate the learning.

- We also believe the UDP needs to be more than this: the UDP should have a political dimension. We suggest that takes the form of an 'approach' - a 'way of working' - that the Commission, and member states, agree to adopt in order to promote the integrated approach. This would entail:
  - recognising that the integrated approach calls for a specific territorial focus. For urban policy this means a focus on the unit of territorial governance, i.e. where the city authority, with its territorial partners, is able to bring policy goals together and adopt a mutually reinforcing set of measures to achieve them
  - giving urban leaders a meaningful place within the governance process of EU regional policy, rather than in periodic showcase events
  - requiring cities to be involved actively in the formulation and governance of operational programmes.
  - expecting all relevant European Commissioners to seek dialogue with city mayors when visiting member states
  - initiating, in cooperation with the CoR, an urban strand of activities within the Open Days

#### 4. Draft ESF regulation

- We welcome the strengthening of the social inclusion dimension and strongly support ring fencing of 20% for social inclusion priority. We believe city governments are strongly positioned to exercise a leading role in the preparation, management and implementation of this priority.
- We welcome the flexibility and range of investment priorities for ESF, but in order to maximise the impact of interventions city authorities must be involved in the selection procedure for priorities for national operational programmes and for sub-delegated programmes.
- We must ensure that ESF can potentially be targeted to all groups that are considered to be marginalised in a given area. Therefore, the list of investment priorities in art. 3§1(c)(ii) should not single out any specific marginalised communities as examples.
- A more explicit mention of the contribution that authorities delivering social services can make to social innovation is needed in art. 9. City governments should be involved in selecting themes and in accessing mutual learning networks on social innovation. In view of the high degree of risk-taking involved, the proposed 10% higher co-financing as incentive to take forward social innovation is insufficient.
- We welcome the enhanced importance of transnational cooperation detailed in ESF art. 10. However the role of city authorities must be more explicit, in particular concerning involvement in selecting themes and in accessing mutual learning networks. Again, the 10% higher co-financing is insufficient as incentive in the current economic climate. The squeeze on local authorities' resources will make it difficult to co-finance such programmes which in turn will limit cities' potential to effectively participate.
- We strongly support art. 12 but would like it strengthened to underline that ESF **should** support integrated territorial investments. There should also be a clearer direct reference to the role of cities, particularly with regards to General Regulation art. 99§3 and the possibility to designate intermediate bodies.