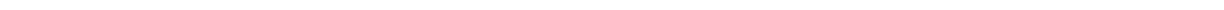


EUROCITIES POSITION ON THE EUROPE 2020 MID-TERM REVIEW



Contents

- Introduction 3
- Stepping up the Europe 2020 strategy 3
 - Fighting poverty 5
 - Reducing early school leaving 6
 - Improving energy efficiency and mitigating climate change 7
 - Investing in research and innovation (R&D) 7
 - Fostering culture and creativity 8
 - Empowering and resourcing cities 8
- Background: key challenges for cities in contributing to Europe 2020 9
 - Climate and energy 10
 - Research and innovation 11

Introduction

Involving cities better in the design, implementation and evaluation of the Europe 2020 strategy will improve its capacity to deliver change on the ground. Our cities are key to achieving the main Europe 2020 targets on employment, R&D, climate change, education and fighting poverty and social exclusion¹, since:

- 85% of GDP is generated in cities
- about three quarters of the EU population lives in cities
- about three quarters of CO₂ is emitted in cities

In line with the incoming European Commission president's priority of boosting Europe's competitiveness, increasing economic growth and job creation, the strategy should:

- recognise the crucial role of cities and their surrounding areas
 - as the engines of the European economy
 - as key players in climate action
 - as frontline managers of policies in the field of social cohesion and inclusion, and important actors in fighting poverty
 - as strategic leaders for integrated and sustainable urban development
 - as the level of government closest to citizens
- allocate more spending to city infrastructure such as transport infrastructure for sustainable, efficient mobility and comprehensive broadband access as far as possible within the existing EU budget framework

The outcomes of the European Commission's and member states' work on an EU urban agenda should feed into the implementation of Europe 2020.

Stepping up the Europe 2020 strategy

Fostering multilevel cooperation

The EU institutions and member states should systematically involve cities as partners in the development and implementation of the Europe 2020 strategy. In particular:

¹ a. Employment: 75% of 20-64 year-olds to be employed
b. R&D: 3% of the EU's GDP to be invested in R&D
c. Climate change and energy sustainability: greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990; 20% of energy from renewables; 20% increase in energy efficiency
d. Education: reducing the rates of early school leaving below 10%; at least 40% of 30-34-year-olds completing third level education
e. Fighting poverty and social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion
For further details see: http://ec.europa.eu/europe2020/index_en.htm

- The EU and member states should work in partnership with us to prepare the National Reform Programmes (NRPs) and implement the Country-Specific Recommendations (CSRs). Such involvement would provide much-needed practical experience and expertise in policies for which cities are responsible. This would ensure the genuine involvement of cities, beyond just consultation, and would allow cities to co-formulate the policy priorities on which they are to deliver.
- Such cooperation could take the form of ‘partnership agreements’ (PAs) between the EU, national, regional and local level, similar to those under the European Structural and Investment Funds (ESIF). The PAs described in the ESIF regulations were a step in the right direction. Although not all member states have fully involved cities, the PAs set the right framework for genuine multilevel cooperation.
- The European Commission should also include recommendations in its CSRs on the involvement of cities and other stakeholders in the European semester to ensure that the governance process of the Europe 2020 strategy includes all relevant parties.
- Outcomes of the work on an EU urban agenda by the European Commission and member states should feed into the implementation of Europe 2020. We have made a number of suggestions for improving overall multilevel governance through an urban agenda that aims to:
 - put cities at the heart of EU policy development and improve the coordination of EU policies with an urban dimension
 - improve cooperation between the national and local level as well across national ministries when it comes to national policies with an urban dimension²
 - ensure the timely involvement of cities in developing a post-2020 strategy

Increasing levels of employment

The Europe 2020 target on employment should be maintained. The EU and member states should continue to work on macroeconomic policies that foster growth and employment. As cities we have an important contribution to make at the local level, and EU and national policies should empower cities in this role. The NRPs should reflect local policies that support achievement of the employment target.

Our cities are the powerhouses of Europe’s economy. We provide the opportunities and infrastructure necessary for economic growth and job creation. We are at the heart of Europe’s economic life, as hubs for business and investment in their wider metropolitan areas, and as public employers and procurers. We can offer the right environment and quality of life for people, investment, innovation and businesses to thrive. We develop

² EUROCITIES policy paper on an EU urban agenda: ‘Engaging cities for a smart, sustainable and inclusive Europe’: <http://bit.ly/1qkWopK>

policies and programmes tailored to the specific needs of local entrepreneurs and small businesses, for example by:

- providing financial incentives for business development
- taking into consideration business needs when planning urban regeneration, such as by redeveloping brownfield land into business centres
- establishing business incubators and clusters
- fostering synergies between local companies, universities and research institutes

We also help people to access the labour market by:

- organising training courses, and helping people to reskill
- cooperating with businesses to develop schemes such as
 - apprenticeships
 - programmes for specific groups of job seekers, such as the long-term unemployed
 - programmes to improve job seekers' social skills
- developing social services that better enable people to combine family and professional life, for example by providing comprehensive and integrated childcare facilities to help parents get back into the labour market

Our city administrations organise the integrated delivery of multiple services that are often essential for tackling the many barriers between unemployed people and the labour market.

The labour market in Europe is rapidly changing, with greater demand for highly-skilled workers. By working in innovative ways with public employment services, cities can help address this demand. This work should be promoted by the Europe 2020 strategy.

Fighting poverty

The Commission has reported that the EU is not on track to achieve the Europe 2020 goal of reducing poverty³. This is likely to be the most visible failure of the strategy. It is therefore vital that Europe 2020 maintains its focus on promoting social inclusion and reducing poverty. It is particularly important in this period of economic recovery that those most affected by the crisis receive adequate support.

The crisis has seen the complex trends of poverty and exclusion change significantly. In some cities, poverty has been exacerbated for those groups already affected by it; while in others entirely new groups are being affected. With the poorest people often concentrated in specific city neighbourhoods, recognising the urban dimension of poverty

³ Communication, 'Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth', COM(2014) 130 final: <http://bit.ly/1fEID1V>

is essential. The NRPs must specifically address the urban dimension of poverty and exclusion.

Quality, stable employment is an effective route out of poverty, and efforts must continue to boost job creation. However, the number of working poor has increased, with many people finding themselves caught in the 'poverty trap' due to the proliferation of poor quality, unstable jobs in recent years. The Europe 2020 strategy must promote quality employment and decent salaries, along with structured investment in social services to help those living in poverty. Urban regeneration projects that include social objectives can contribute to reducing poverty

Social housing or publicly-supported housing is an important resource for fighting poverty and social exclusion. It should not be limited to marginalised people. As cities, we should retain the right to be able to supply broad sectors of the population with subsidised housing. A restriction on this right would contradict the principle of universal access to public services. In order to contribute to the Europe 2020 goals, the EU should therefore support member states in modernising and expanding their publicly-supported housing stocks in response to demographic, social and climate-related challenges.

In order to make a real impact on poverty, cities develop integrated actions that cut across different policy areas. It is our cities that can generate participative, community-based, and comprehensive strategies to address poverty and social exclusion. These include the streamlined and integrated delivery of services to various target groups, comprehensive urban regeneration programmes combining people and place-based approaches, or partnerships to deliver the best possible services to those in need. With limited resources available at national level, EU funding programmes and instruments have an essential role to play, if these problems are to be addressed adequately..

The European Commission should ensure that the ESF is being allocated to local actions that help promote social inclusion and allow people to make an active contribution to society.

Reducing early school leaving

Despite an overall reduction in early school leaving figures across Europe, the Europe 2020 strategy should not overlook those areas where it remains a problem or is increasing. In many cities, the rates of early school leaving have actually increased, especially among specific groups, such as young migrants or young people from poor socio-economic backgrounds.

The NRPs should acknowledge the successful actions designed to tackle and/or prevent early school leaving, many of which are carried out by cities. These include preventing truancy, and providing individual support and career advice for young people. Early intervention is paramount, and resources are needed to deal with the issue as soon as it arises. These responses usually require interventions across several different policy areas and often involve engaging with local communities and families. This integrated delivery of services at city level is a key success factor.

The target to reduce early school leaving should be maintained, and the NRPs should recognise cities' initiatives contributing to this goal.

Improving energy efficiency and mitigating climate change

The momentum towards the 20-20-20 climate and energy targets should be maintained in order to pave the way for more ambitious targets for 2030. Greening the European Semester should continue and resource efficiency targets should be made part of the Europe 2020 targets. We welcome the Italian EU presidency's plans to propose further integration of the environment into the European Semester. The transition to a more sustainable and secure energy system that will remain affordable in the long term requires efforts not only at EU and national level, but also local action. The EU should therefore give greater support to European initiatives fostering local action, such as the Covenant of Mayors and EU Mayors Adapt.

EU and national energy and transport policies should incentivise and support local sustainable energy production, use and distribution. This can include: micro generation, combined heat and power, local solar and wind power, use of sustainably-sourced biomass and geothermal resources, heat recovery in technological processes and district heating and cooling. Policies should also phase out fossil fuels as far as possible, including for transport, and support low-emission mobility through a greater uptake of sustainable transport modes. EU climate and energy policy needs to be properly integrated with air quality policy and industry regulation, especially for vehicles. A lack of coordination between different air quality policies has resulted in a failure to meet legal limit values in most large cities, as they do not have the funding or powers to take the necessary action. This is exacerbated by inadequate vehicle emissions regulations, and by climate and air quality policies that have contradictory effects: for instance, while the 'dieselisation' of Europe's car fleet can help reduce CO₂ emissions, it has aggravated air pollution.

Partnerships and cooperation between different governance levels are also central to any strategy to achieve climate and energy targets. Urban sustainable energy and transport systems require cooperation between cities and their surrounding areas, taking into account commuting patterns and sharing available resources. They depend on each other to tackle strategic challenges. National and European policies should promote partnerships, sustainable energy and transport systems, better energy efficiency and renewable energy production.

Furthermore, member states should revise their taxation frameworks to incentivise low and zero emissions solutions, technologies and fuels for transport and heating. These should take into account air pollution and energy efficiency in the buildings and transport sectors.

Investing in research and innovation (R&D)

To increase Europe's competitiveness and achieve a real innovation union, more investment is needed in R&D. This would also help attract foreign knowledge and investment to Europe and its cities as R&D facilities and infrastructure help make an environment attractive for businesses. While current forecasts predict that the Europe 2020 target for R&D investment (3% of GDP) will not be achieved, we would like to see this target maintained and more efforts made.

EU policies and programmes should ensure a broad approach to innovation. In many cities, there is a focus on organisational/social/non-technical innovation. It is important that EU policies and funding programmes also recognised the value of social and public

sector innovation. They should recognise how this innovation is enabled through education and skills, and collaboration with citizens, businesses (for instance through pre-commercial procurement and innovation procurement), research institutes, universities, living labs and others. The EU should fund practical, large-scale demonstration projects showcasing what can be achieved through concerted action and funding.

Funding programmes such as FP7, and now Horizon 2020, allow cities to invest in areas such as smart cities, public sector innovation and open data. They also provide an important source of funding for many SMEs.

The European Commission should continue to promote the opening of data throughout the EU, through support and guidance on open data infrastructure and processing, and the development of innovative open data projects which can highlight the economic and social value of open data.

Many cities find the Digital Agenda for Europe (DAE) helpful when it comes to getting the most out of digital technologies. They also welcome the focus of the new structural funds on research and innovation and ICT. Initiatives such as the European Innovation Partnership on smart cities and the iCapital award demonstrate the importance of cities in driving forward and enabling innovation. Ensuring a broad approach to innovation and smart cities is also important for such initiatives.

Greater involvement of cities in developing EU innovation policy and funding priorities and programmes such as Horizon 2020 would help ensure the real needs and priorities for investment in innovation are met. Furthermore, linking ESIF funds with R&D funding is a new area for cities, and will bring with it new challenges. It is therefore important that cities and other stakeholders have access to guidance to make the most of this opportunity.

Fostering culture and creativity

In addition to their intrinsic values, culture and creativity provide various economic and social benefits. This is particularly true at local level. In recent years, EU policies have recognised the contribution of culture to the Europe 2020 goals. Culture and the creative industries offer real potential for economic development by boosting declining local economies, contributing to the emergence of new economic activities, creating new and sustainable jobs, and improving city attractiveness.

However, funding for the cultural and creative sector remains scarce. Mainstreaming culture and creativity into the wider European agenda, both in terms of policies and funding, would help realise the potential of the cultural and creative sector and foster its contribution to growth and job creation.

Empowering and resourcing cities

The European Commission should use the urban audit to develop better data on cities and urban development. The Europe 2020 strategy, and its implementation and monitoring, must be based on robust and reliable evidence. At the moment, data from the local level, especially cities, is patchy at best. The available data often relies too much on national and regional averages and, as a result, does not show the complex realities on the ground. It does not reflect, for example, the intra-city disparities which have a

crucial bearing on how a policy measure can be implemented. A reliable and up-to-date dataset would make it easy to monitor the contribution of cities towards Europe 2020, and identify the obstacles for cities in delivering the strategy.

EU funding programmes have become even more important due to the economic and financial crisis. The ESIF remain a vital source of public investment across the EU, including in cities. New measures in the 2014-2020 programming period specifically target spending on the Europe 2020 objectives. The Commission and member states must ensure that the requirements for investing in cities and urban areas, as set out in the new regulations, are fully implemented in the national Partnership Agreements and Operational Programmes. This includes the minimum 5% of ERDF funding for sustainable urban development, with the option to allocate the implementation directly to cities, as well as the Innovative Actions programme.

To ensure the greatest shared benefit and transfer from investments, enabling cities to learn from one another and exchange good practice on issues related to Europe 2020 targets can add considerable value and can be effectively supported by programmes like Horizon 2020, COSME and LIFE.

Innovative financial instruments will be increasingly important and continuing work to improve and complement existing tools, such as the ELENA technical assistance facility and JESSICA is essential. Cities must have direct access to these instruments, in collaboration with the relevant managing authorities. Support through the ESIF technical assistance scheme is vital to help cities and managing authorities develop their capacity to establish and manage financial instruments and urban development funds. The European Commission currently works with 'off the shelf' instruments. A specifically urban 'off the self' instrument will facilitate greater uptake among managing authorities, to the benefit of cities. It should be developed in dialogue with cities to ensure it meets their needs.

Background: key challenges for cities in contributing to Europe 2020

Unemployment, poverty and early school leaving

Many cities have reported a dramatic increase in unemployment since 2010. Some groups have been disproportionately affected by unemployment, including the long-term unemployed, workers over 50, people with low qualifications, and those with few opportunities for re-training and re-skilling. High youth unemployment has become a major concern, especially due to an increasing mismatch between skills acquired and the requirements of the labour market.

Many cities have observed a rise in poverty since 2010, with people increasingly relying on food banks and other charitable donations. The number of people classified as 'working poor' and 'young people in poverty' has increased. Poverty is also affecting new groups of people, such as the lower middle class. The number of homeless EU migrants also rose in a number of cities.

Many cities have experienced an increase in early school leaving rates since 2010. This is despite the fact that the national statistics show an overall decrease in the number of early school leavers in the EU. The number of poorly-qualified young people in the labour market is also rising, which may have serious consequences in the future if no action is taken.

Many cities have experienced dramatic funding and staff cuts, while at the same time having to deal with more people out of work and living in poverty. In some instances, policies for increasing welfare efficiency have meant a tightening of the eligibility criteria for unemployed and poor people, leaving a number of people without adequate social support.

Climate and energy

City authorities are frontrunners in climate mitigation in Europe. Several had already developed their own climate strategies before the EU, and most have ambitions for 2020 that reach beyond those of the EU, either within the framework of the Covenant of Mayors or other initiatives. City governments are working to improve the energy efficiency of the main contributors to greenhouse gas emissions: buildings and transport. They also implement more sustainable energy production and supply, for example through renewables, district heating and cooling, and combined heat and power. Cities integrate climate action with other measures wherever possible, helping to improve citizens' quality of life and stimulating local economic growth.

The 20-20-20 targets on greenhouse gas emission reductions, renewable energy and energy efficiency have been implemented through several legislative measures, many of which must be implemented at local level.

The EU targets have:

- increased public awareness of climate change
- helped keep national climate policy on track when governments change
- supported further development of EU regulations to make vehicles, heating and other household appliances more energy efficient
- provided political backing for decisions on local climate policy

Initiatives such as the Covenant of Mayors have made a significant contribution to local political commitment.

Sustaining local commitment and action requires EU and national support. Financing local climate action has become increasingly difficult, particularly in those countries hit hardest by the economic and financial crisis. This concerns private and public investment in building renovation, as well as in transport and energy infrastructure. European funds and new innovative financing tools have therefore become even more important than before. Cities welcome the focus of the new structural funds regulations on climate and energy efficiency. The Commission and managing authorities should ensure that ESIF financing for climate action is easily accessible for cities.

Greater adjustment of national taxation frameworks is still needed to incentivise more sustainable solutions such as renewable energy, and switching to more sustainable transport modes, for instance by discouraging company cars, and using more sustainable fuels for road vehicles. Taxation of fuels for heating and transport must focus not only on CO₂ emissions, but also on their impact on air pollution, for example from diesel-powered vehicles.

Tax policies should also provide reliable incentives for sustainable energy in the mid and long-term. Otherwise businesses and citizens will not invest in sustainable solutions. For example, changes to renewables subsidies in the Netherlands have led to uncertainties in solar power investments over recent years. A tax reduction scheme for large-scale solar power projects introduced last year is too complex, and the conditions too unclear for citizens to invest in larger-scale solar power at schools and other local facilities. Another such example is in Spain, where new proposals and reforms to the electricity sector not only favour large utilities companies, but actually disincentivise small-scale renewable energy production. New legislation led to a sudden change in the compensation structure that defined the financial and business models used for renewable energy projects, resulting in additional fees and taxes that make it much less attractive for businesses and households to produce renewable energy.

Research and innovation

Key challenges include:

- Combining the ESIF with R&D funds. It can be difficult to attract innovative companies without sufficient investment in infrastructure.
- The procurement process, particularly for pre-commercial procurement and procurement of innovation, can still be complicated and lacking in legal clarity for some cities.
- EU policies and programmes need to ensure a broad approach to innovation that looks not only at market innovation but at how to create the conditions for innovation.

City authorities are both supporters of innovation and innovators themselves. They provide the services and support to build the skills, processes and structures required for innovation, for example by supporting clustering, developing business incubators, and facilitating funding partnerships. They look at how innovation will help achieve city objectives in all areas, such as: climate change; improving public sector efficiency, improving health, sustainable transport, demographic change, and raising education levels.

City authorities are increasingly looking to work with all local stakeholders in a co-creation approach to innovation. Cities aim to create ecosystems where innovative businesses can thrive, but also where innovation is used as a means to achieve city objectives. This requires support from EU policies and funding programmes.