



EUROCITIES OPINION ON THE EU BUDGET REVIEW

Introduction

The EU has set itself a number of ambitious targets for 2020. Achieving those targets should improve the quality of life of those living in Europe and boost Europe's competitiveness globally, by focusing on smart, sustainable and inclusive growth.

These ambitions are shared by Europe's big cities. Our EURO CITIES network, which represents over 135 of Europe's largest cities, provides a platform for us to bring our shared voice to European level on issues that impact the day-to-day lives those living and working in Europe.

At the same time, we are all faced with the stark reality of the current economic situation. This leads to major challenges in our cities, with many facing severely reduced budgets, major cuts in personnel and a growing demand on services.

At European level, there is a risk that social polarisation will increase, that important investments in energy efficiency and actions to reduce climate change will not be made, that Europe will fail to drive innovation and develop the competitive edge it needs on a global scale.

This is a risk we cannot take. For this reason, decisions taken on the size, scope and structure of the next financial perspective will be crucial to designing a budget that can ensure smarter spending and a stronger, quicker impact, with results that are visible for as many of our citizens as possible.

It is crucial that strategic priorities at EU level reflect the reality on the ground if they are to tap into the real potential for change. Particularly in a climate of economic downturn and tight public budgets, policy interventions at different levels of government must be coherent and coordinated to be effective, and scarce financial resources must be used efficiently.

Cities delivering Europe 2020

The European model of integrated urban development, based on well-managed urban concentration, provides the most sustainable form of growth and it is a distinct asset in the global competition for talent, investment and tourism. If we want Europe to maintain its economic competitiveness in this rapidly changing world, to deliver a high quality of life for our 500 million inhabitants, we must invest in our cities so that they perform economically, socially and environmentally for the benefit of all.

Smart growth

85% of Europe's GDP is generated by cities, they are the drivers of growth and their economic performance is therefore critical to the EU's global competitiveness. This economic role must be

central to our vision of cities of the future. Europe's metropolitan economies provide a critical mass of commerce and trade: businesses, producers and products, services and consumers. Our cities are and must continue to be Europe's centres of learning, of technical and cultural development, and of both academic and commercial research and innovation. They must attract and develop the talent Europe needs to compete in the world. They will also be the places where, thanks to vibrant markets, innovation is applied, adapted and adopted first. The role of cities as centres of government and of public goods and services is vital economically. As a distinctive aspect of the European social economy model, our vision must include smarter government and greater innovation in public services. Finally, the connections between our major cities, their international accessibility, as well as their function as nodes in the trans-European transport networks, are also fundamental to our competitive base and to polycentric development.

Sustainable growth

Urban concentration makes best per capita use of natural resources such as land, energy, and water, so cities have the potential to be the most sustainable form of human settlement. But as cities nevertheless account for 80% of emissions we need to make our cities greener if we are to meet the EU's climate targets. Our buildings and businesses must be more energy efficient and we need to increase our use of renewables. Urban density is an aid to all these green solutions. Urban transport accounts for almost half of cities' emissions. Higher density living supports high-quality public transport and accessibility by cycling and walking. There is also a huge potential for new technologies to contribute to sustainability, whether by reducing the need to travel, or by changing the behaviour of citizens and businesses regarding energy use and mobility choices. Cities provide the living labs for such green growth solutions. Europe's urban areas have the opportunity to lead the drive towards more sustainable growth and develop business opportunities for the green economy.

Inclusive growth

75% of Europeans live in cities and towns and that percentage is growing. Cities have always and must continue to provide the critical infrastructure for social mobility. They attract migrants nationally and internationally, providing opportunities for work, education, enterprise and advancement. Our most successful cities not only retain that talent but attract skilled and creative people globally. They combine diversity with social cohesion, integrating newcomers, drawing strength from the diversity of the distinct cultures. However, issues such as poverty and social exclusion are also predominantly urban phenomena. Cities play a key role in co-ordinating and leading action to tackle exclusion and related issues such as long-term unemployment and skills development. It is crucial that all sections of society benefit from and contribute to growth. The 'sense of place' created by European cities is particularly powerful. Through their built form cities are a complex expression of their, often very long, history. The social, political and economic culture that sustains 'belonging' and active citizenship are concentrated in their spaces and institutions.

It is our strong belief that an EU budget better designed to empower, equip and resource cities will help ensure the broader, quicker, stronger impact that Europe needs to deliver our 2020 objectives.

A multi-annual financial framework that brings EU added-value

The concept of EU added-value is crucial to determining where EU funds should be targeted. There are a number of principles where we believe the EU has important value to add:

Supporting integrated development

The EU Budget Review underlines that Europe 2020 needs integrated solutions. For us this means addressing social, economic and environmental issues together. More effective and enduring outcomes can be achieved by an integrated approach where objectives can reinforce each other and where actions can serve different goals at the same time. Integration in this sense applies to planning, policy-making and implementation. Coordinated, longer term planning is essential, with strategies based on the common challenges and opportunities of an area. Within this partnership working is essential, to ensure efficiency savings, but also shared development of ideas, innovation in services and products and joined up resources. If conceived and run in this manner, projects not only achieve individual goals, but contribute to wider shared objectives.

Cities are the level of government closest to businesses and to citizens, and the most effective level for driving policy integration in their wider functional areas, combining a range of different funding sources, and coordinating delivery on the ground. We believe firmly that exploiting the territorial potential of our big cities offers a new perspective for delivering Europe 2020. This would mean a budget design that strengthens the involvement of cities in defining policy and funding priorities, and in directly accessing grants and other financial instruments. Combining place-based and people-based approaches are particularly important for cities and the development of more multi-fund programmes would enable cities to better combine and match resources to implement integrated actions.

Strengthening multi-level governance

Multi-level governance is a prerequisite for delivering the Europe 2020 objectives and the design of the EU budget and its programmes should be based on this principle. It is only by harnessing the potential inherent in Europe's regions and cities that we will be able to make a difference on the ground.

The new Treaty objective of territorial cohesion, which all EU policies including Europe 2020 must now take into account, for us, means the need to realise the varying potential of all the diverse territories of Europe. This is a chance to make real the European commitment to multi-level governance. Multi-level governance that, crucially for us includes not only member states and regions but also engages our cities directly. In the vast majority of cases governance mechanisms are weakened by the failure to involve major cities and metropolitan areas in setting priorities and policy-making. It is vital that when individual funding programmes (and indeed the individual calls) are designed, they take into account the best available information on needs and opportunities in cities.

Cities must be seen as partners, not just beneficiaries of money. They cannot deliver effectively if policies are simply imposed on them and are not based on their knowledge or the reality on the ground. If cities are not involved in national discussions on the framework for EU policies, it will be impossible to ensure an integrated approach in delivery, which we believe can be a crucial European added value. A partnership approach based on sharing intelligence, joint planning and the potential to pool financial and human resources between all levels of governance will help increase efficiency and impact of policy at all levels.

Supporting new and innovative approaches

With the current economic climate and the challenges facing all levels of government, innovation is essential to finding new solutions and methods to meet the changing needs and expectations of our society. The longer term nature of EU support allows for greater experimentation in policy and actions. EU support is not attached to statutory legislation as much as national funding so recipients are often able to explore new ways of tackling problems. Project working allows new methods to be tested in a way that is not possible in day to day

policy making. EU support adds value by nurturing public sector innovation that will be vital in addressing future strategic challenges.

Innovation should also be applied to the way we understand the spatial levels of intervention. Planning and actions should take place at the spatial level best suited to addressing issues effectively: for example, metropolitan areas, functional urban areas, cities or city neighbourhoods. We believe that functional areas, with cities at their core, have a significant potential to drive forward integrated development in a wider area, to the benefit of the region as a whole. The future EU budget would add value by encouraging and supporting new forms of partnership for delivering results.

Solidarity

Failure to empower and resource our cities to combat climate change, drive innovation and tackle exclusion will be at the cost of Europe as a whole. At the same time, meaningful investment in our cities and metropolitan areas can drive social-economic and territorial development to the benefit of Europe as a whole. It can help develop goods and services within cities, which can then benefit surrounding areas where the same services are less developed.

Implementing the concept of territorial cohesion is about recognising the diversity of our territories and unlocking the potential of each, so that they can contribute in the most effective way to our shared objectives. In this sense there are a number of key areas where cities have a particularly significant contribution to make, which if properly supported and resourced will significantly benefit our shared objectives. This is at the core of the concept of solidarity.

Designing a results-driven EU Budget

Simplification

Processes at national and EU level need to be simplified. The focus should be on effectiveness rather than financial control, as is currently the case. This would mean that monitoring and evaluation mechanisms focus on results and impact rather than on formal correctness and speedy spending, which is the case currently. The high levels of bureaucracy and administrative/audit requirements remain a barrier to many cities applying for funding, and absorb considerable resources from those that do. This must be reinforced by clear and strict rules on definition and consequences of misspending.

Interventions on a given territory with the use of different funds make it important, that the spending rules and procedures for the different funds and programmes are harmonised.

Better spending

Investment in capacity building at national, regional and local level would make a valuable contribution to better spending and improved results. This could be a provision linked to a range of different programmes.

Greater flexibility is needed in terms of the automatic 'decommitment' rule to take into account the range of different types of projects, including differences in size, scope and objectives.

The principle of co-financing fosters better spending as it acts as a tool to increase synergies between European, national and regional level.

We remain sceptical about creating an EU wide-reserve. Previous experiences with such a tool were not very positive, and resulted often in an underspend as the money arrived too late.

Secondly, as we are seeing in the current period, the economic situation can change and make achieving targets very difficult. Finally, the costs of administering the reserve, in order to distribute 2-3%, are likely to be high and the money could potentially be better spent. An alternative means to incentivise the correct use of resources could be lighter control for those that demonstrate good management of funds.

Structure

The Europe 2020 strategy is already being implemented with the current budget structure. As this is an ongoing process, we believe it better to keep the current structure, but improve the flexibility to move expenditure between budgetary items.

Having one heading for each priority of Europe 2020 - smart, sustainable and inclusive growth - and another three on citizenship, external and administrative expenditure would perhaps be more in line with Europe 2020 objectives. However, it could result in greater complexity. For instance the Budget Review locates cohesion policy within inclusive growth. Yet, it is relevant for all three objectives of Europe 2020 and is also financing projects under smart growth (on innovation for example) and under sustainable growth (energy efficiency).

Duration

The future multi-annual financial framework should cover at least seven years. This is important for longer-term budget certainty, to enable longer term projects to be implemented. This will be essential if we are to meet our objectives by 2020. After seven years there is room for a critical review and adjustment, but maintaining a first period of at least seven years would ensure the necessary stability.

Financial engineering mechanisms

Cities face major challenges in almost every area of EU policy, which will require substantial investment to address. If cities are not in a position to invest, local economies will be seriously weakened and this will have a direct impact on EU growth and competitiveness. Sufficient investment is unlikely to be available from national sources, so EU investment can make a major difference. The scale of investment required is such that grant funding will not be enough. Loans, guarantees and other types of financial instruments will also be necessary. There is scope to improve existing tools, as well as to develop new ones.

Our experience in financial instruments under the structural funds shows us that they are not always designed in a way that ensures easy and direct access for cities. It is essential that the European Commission and the European Investment Bank (EIB) involve cities in the design of new instruments, communicate the possibilities broadly and provide or fund technical assistance to enable cities to benefit from the support on offer. In this respect, more support under the Covenant of Mayors, linked to ELENA, technical assistance and other financial instruments from the EIB should also continue to be fostered.

Public-private partnerships can be very valuable, as they can be flexible, provide significant leverage effects and enable cross-fertilization and knowledge transfer between public and private sectors. However professional guidance is also essential. It is also important to ensure a high quality and transparent environment for business and the public sector to operate in. Achieving these objectives as a prerequisite for PPPs is the responsibility of national governments. However, support from European institutions can provide significant help.

A strong cohesion policy with an ambitious urban agenda

A strong cohesion policy will be essential to delivering Europe 2020. As a development and investment policy it must continue to cover the EU as a whole, supporting the territorial potential in all our regions and cities. The budget for cohesion policy in the next financial perspective should remain at least the same size as the current one.

In its Fifth Cohesion Report the European Commission proposes an ambitious urban agenda. In our response to the report, we elaborate our view of what this ambitious urban agenda should be⁷. Of particular relevance to the broader issue of the future EU Budget are our ideas on conditionality for member states to demonstrate that they have involved cities in the process of developing National Reform Programmes and Development and Investment Partnership Contracts. This would be a mandatory condition to having the documents approved by the European Commission. It would be for each member state to decide on the process by which it would do this, depending on its own national context. One option would be for member states to each draw up a list of representative cities in their own national contexts that they would involve in the negotiations. This list would be drawn up based on an analysis of which cities, within a country, would be the key enablers and key drivers to deliver Europe 2020 on the ground.

Conclusion

The future budget must ensure we get more for our money: it must be results-driven, based on smarter spending to ensure critical mass and a stronger, quicker impact, with results visible for as many as possible. We are convinced that an EU Budget better designed to empower, equip and resource cities will achieve these objectives and ensure we are on the right path to delivering Europe 2020.

The added value of EU funding should be the promotion of an integrated approach, strengthening multi-level governance, supporting innovative approaches and ensuring solidarity. As city governments, we are closest to the realities on the ground and can help define where needs are starkest, where opportunities lie and how resources should be combined and targeted. As cities and metropolitan areas, delivering Europe 2020 will fall to us to a very large extent. We should therefore be closely involved in the design and implementation of the relevant policies and programmes at EU and national level.

Europe as a whole will benefit if we empower and resource our cities to combat climate change, drive innovation and creativity, support skills and training, tackle social exclusion, improve public transport, deal with an ageing population and migrant integration, change behaviours and ensure environmental quality. Europe as a whole will suffer if we fail to do so.

⁷ The EUROCIITIES Response to the Fifth Cohesion Report can be downloaded at www.eurocities.eu