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Urban Regeneration and Partnerships : Approaches from the EU

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Juliet Carpenter and Mateu Turró

Abstract – This paper summarises the development of EU policy related to urban regeneration over the last 20 years, in particular with reference to the partnership principle. The paper begins by setting out the EU policy framework, giving details of the development of the urban policy agenda within the EU, from the time when urban issues were not seen as being within the EU's remit, to the recent attention they have received in the Bristol Accord and the Leipzig Charter on Sustainable European Cities. The paper then outlines the type of intervention in urban areas that took place in the programming period 2000-2006, both through the Structural Funds and the EIB's support, identifying key issues such as governance, partnership and sustainable development that have been addressed during this period. The paper then sets out the reforms to the Structural Funds for the current programming period 2007-2013, as well as highlighting the new initiatives launched by the EIB, including JESSICA, which is specifically dedicated to sustainable urban development. The paper concludes by suggesting that, given recent policy developments such as the Leipzig Charter at the EU level, and initiatives such as JESSICA, the sustainability agenda is likely to dominate urban policy at the EU level in the years to come.

1.0 *Introduction*

Urban regeneration is an issue that has risen up the policy agenda of European member states since the mid 1990s (Berg et al, 1998). It is being increasingly recognised that cities are the motors of regional economic growth within the European Union (EU), and often the location of significant prosperity. Yet within European towns and cities, there exist considerable disparities between different social groups, in terms of their access to employment opportunities, decent housing and environmental conditions, and socially inclusive networks. It is these disparities that urban regeneration policies aim to address, often taking an integrated approach to tackling the physical, economic and social challenges that they present (Parkinson, 1998).

The European Commission has only lately started to embrace these urban challenges, by putting greater emphasis on urban interventions. The principle of subsidiarity framing EU policies envisages that decision making takes place at the level where it is most effective, usually the closest one to the citizens affected by the measure. So, urban policy was considered to be essentially the responsibility of national, regional and particularly local government. However, as 80% of Europe's population currently live in urban areas, it is obvious that practically all EU policies have a strong local impact and it seems therefore logical that some common action at the urban level is undertaken in order to ensure the effectiveness of European policies such as innovation, energy efficiency, environment, etc. and, in particular, social cohesion. In the social arena this need is particularly acute, as disparities are often more dramatic within regions and within the cities themselves than amongst the wealthier regions and the "convergence" regions supported by traditional EU regional development policy. No real convergence on the quality of life of EU citizens could globally be achieved without attacking urban inequalities.

In parallel with this increased attention given to urban areas, there has been a drive to encourage partnership working within EU programmes. This reflects a more general shift throughout the EU to develop modes of governance (as opposed to government) that are inclusive, responsive and proactive in addressing policy challenges (European Commission, 2001a).

The aim of this Working Paper is to set out the context for, and evolution of, the way in which the EU has addressed urban regeneration issues, particularly in the context of partnership working. It provides background information for the project "Measuring Social Sustainability: Best Practice from Urban Renewal in the EU", needed for subsequent survey work and to support the case studies to be undertaken over the next year.

The paper title uses the somewhat wider meaning of "urban regeneration" instead of "urban renewal" as it better reflects its contextual objective[1]. Although there are many contested meanings of both terms, for the purposes of this paper we often use them interchangeably to mean the use of public funding (although often with a substantial contribution of private monies) to redevelop run-down urban neighbourhoods in order to improve the quality of life of local people.

[1] The European Investment Bank (EIB) definition (Turró, 2001), considers that regeneration exists when there are major changes in the layout and structure of the area, including decanting of population to other areas, whilst renewal essentially involves the reconstruction or upgrading of existing buildings and infrastructure.

The paper is structured as follows: Section 2 will address the policy framework that forms a backdrop to urban interventions within the EU. Section 3 examines the role of the mainstream Structural Fund programmes in urban regeneration. Section 4 looks specifically at EU urban interventions such as the URBAN Community Initiative. Section 5 sets out European Investment Bank (EIB)-funded interventions in urban areas. Section 6 brings the review up to date, setting out the reforms of the Structural Fund post 2006, and the proposed urban interventions during the funding period 2007-2013. Finally, conclusions will be drawn together in Section 7, bringing out the role and importance of EU-led urban interventions, and the importance of partnership working within those programmes.

2.0 EU policy framework

2.1 The EU policy agenda

Since 2000, the EU policy agenda has been dominated by the so-called "Lisbon Strategy" that was set out by EU Heads of State and Government at a summit in Lisbon in March 2000. The Lisbon Strategy focuses on employment, economic reform and social cohesion with the aim that, by 2010, the EU will become:

> *"the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater cohesion."* (Lisbon European Council, 2000: 2)

In June 2001, the European Council in Gothenburg complemented this strategy by adding a sustainability dimension. The Council adopted the EU's Sustainable Development Strategy (European Commission, 2001b) which encourages the assessment of environmental, as well as social and economic aspects, in the drafting of all future policy documents, and thus confirming the EU's commitment to sustainability.

These two strategies (Lisbon and Gothenburg) have set new priorities for the EU's policy agenda since 2000.

2.2 The development of the urban policy agenda

The urban agenda has only recently been integrated into EU policy making. The principle of subsidiarity within the EU governance agenda calls for intervention at the "most appropriate level" in the particular policy context. It was therefore argued that, as urban issues are intrinsically local, they should not therefore be addressed at the EU level, but rather by lower levels that are closer to citizens. Indeed, up until the late 1990s, there was no explicit urban policy at the EU level.

However, during the 1990s, there was a growing awareness of the importance of cities and the pivotal role that they play in delivering EU policies, particularly in relation to the environment, economic and social cohesion, as well as employment and innovation. It also became increasingly apparent that while cities are the motors of regional, national and by implication EU economic growth, significant disparities exist both within and between cities, even inside the more developed regions, and that this warranted attention at the EU level. The European Spatial Development Perspective (ESPD), adopted in 1999, reinforced this view, with the aim of achieving a balanced and sustainable spatial development strategy (European Commission, 1999)[2]. Given the different experiences across Europe, particularly with the imminent accession of new member states, it was felt that "cross-fertilisation" and exchange of good practice at the EU level could help to address these disparities.

As a result of the awareness of the key role of cities and the need to share experiences, the European Commission started to develop some policy statements setting down the EU's urban policy agenda. In 1997, the Communication "Towards an Urban Agenda in the European Union" (European Commission, 1997) was published, which set out the challenges facing Europe's cities, as well as directions for the future. Following wide consultation with economic, social and political partners, this was followed up with a further Communication "Urban Sustainable Development in the EU: A Framework for Action" (European Commission, 1998), which was subsequently discussed with local, regional and national partners at the Urban Forum conference, held in Vienna in November 1998.

The Framework for Action set out an agenda for policy and action on urban issues at the EU level, with four interdependent goals:

- Strengthening economic prosperity and employment in towns and cities;
- Promoting equality, social inclusion and regeneration in urban areas;
- Protecting and improving the urban environment, towards local and global sustainability; and
- Contributing to good urban governance and local empowerment.

The twin themes of sustainable development and urban governance combined to produce a strong policy manifesto in the Framework for Action. It was rooted in an integrated area-based approach and advocated area-based regeneration initiatives combining economic, social, cultural and environmental aspects, being managed through partnerships with strong civic involvement.

The concept of partnership was woven into the Framework for Action, with proposals for good practice based on partnerships involving the public, private and voluntary sectors. Thus, the Framework for Action states:

> *"At the local level, it is important to involve citizens and the private and community sectors, thereby ensuing that the aspirations of all the main actors are taken on board, that the needs of targeted local beneficiaries are met, that all possible resources are mobilised and that 'ownership' and commitment are enhanced thus increasing policy legitimacy and effectiveness"* (European Commission, 1998: 5).

However, the underlying principle was not to prescribe solutions, but to encourage the analysis of local conditions as the starting point, and to take account of the institutional context of each Member State.

2.3 Recent developments in EU urban policy

Since the Lisbon strategy was adopted in 2000, there has been increasing recognition of cities' potential contribution to achieving the Lisbon objectives, given their role as the motors of regional and national economies. The European

[2] The European Spatial Development Perspective (ESPD) is an informal document adopted by Member States in 1999, which sets out guidelines to strengthen the coordination of national regional planning policies (European Commission, 1999).

Commission published its Communication "Cohesion policy and cities: The urban contribution to growth and jobs in the regions" in July 2006 in which it set out guidelines for achieving sustainable urban development in the context of European regional policy.

While the Commission has been promoting the urban agenda in recent years, member state Ministers have also been moving closer to a common position on urban policy. Partly inspired by the development of the "Sustainable Communities" agenda that had recently been developed within the UK (ODPM, 2003), European Ministers met in Bristol under the UK Presidency, in December 2005, and signed the Bristol Accord. The Accord set out what is meant by a "sustainable community" and highlighted eight characteristics of such places (see box below), which Ministers endorsed (ODPM, 2006). For further discussion of the concept of "sustainable communities" see Working Paper 2007/01 in this series.

Eight key characteristics of Sustainable Communities

1. **Active, inclusive and safe** - *fair, tolerant and cohesive with a strong local culture and other shared community activities*
2. **Well run** - *with effective and inclusive participation, representation and leadership*
3. **Environmentally sensitive** - *providing places for people to live that are considerate of the environment*
4. **Well designed and built** - *featuring quality built and natural environment*
5. **Well connected** - *with good transport services and communication linking people to jobs, schools, health and other services*
6. **Thriving** - *with a flourishing and diverse local economy*
7. **Well served** - *with public, private, community and voluntary services that are appropriate to people's needs and accessible to all*
8. **Fair for everyone** - *including those in other communities, now and in the future.*

Source: (ODPM, 2006)

Building on the Bristol Accord, in May 2007 European Ministers signed the "Leipzig Charter on Sustainable European Cities" (EU Ministers, 2007). For the first time, all 27 member states have outlined an ideal model for the "European city of the 21st century", and agreed on common principles and strategies for policy related to urban development. The Leipzig Charter lays the foundation for a new integrated urban policy in Europe, focusing on addressing urban challenges related to social exclusion, structural change, ageing, climate change and mobility. It contains two key policy messages:

- Greater use should be made of integrated urban development policy approaches, by
    - Creating and ensuring high-quality public spaces
    - Modernizing infrastructure networks and improving energy efficiency, and
    - Introducing proactive innovation and educational policies.

- Greater focus should be placed on deprived urban neighbourhoods, by
    - Pursuing strategies for upgrading the physical environment
    - Strengthening the local economy and local labour market policy

- Using proactive education and training for children and young people, and
- Promoting socially acceptable urban transport.

In the context of the Charter, "integrated urban development" is defined as:

> *"a process in which the spatial, sectoral and temporal aspects of key areas of urban policy are coordinated. The involvement of economic actors, stakeholders and the general public is essential"* (EU Ministers, 2007: 2)

The Charter provides the basis for common principles and strategies related to urban development, and has been welcomed by many commentators as an important step in addressing Europe's urban challenges. However, there has been criticism that it does not provide any follow-up programme or action points for member states to adopt, and it remains to be seen what action member states will take to operationalise the Charter in the future.

3.0 Structural Funds in urban areas (up to 2006)

3.1 The Structural Funds

The Structural Funds are the European Commission's financial instruments for regional policy. They address economic development and socio-economic disparities within and between Member States[3] and regions. The two main Structural Funds relating to urban areas are the European Regional Development Fund (ERDF) and the European Social Fund (ESF):

- The ERDF provides support for building infrastructure, productive and job-creating investments, local development projects and aid for SMEs;
- The ESF supports training actions and employment schemes, and promotes the social and labour market inclusion of unemployed people and excluded groups.

The Structural Funds support national, regional and local priorities, within an overall strategy framework, oriented towards regional economic development, that must be approved by the European Commission. The funds are organised around programming periods, with the most recent periods running from 1989-1993, 1994-1999 and 2000-2006.

Up until 2006, the Structural Funds were organised around so-called "Objectives", with Objectives 1 and 2 being focused geographically, and Objective 3 taking a thematic approach:

- **Objective 1** was targeted on regions whose development lagged behind the rest of the EU, with a gross domestic product (GDP) below 75% of the EU average, (such as the whole of Greece, southern Italy, parts of Spain and the former East German Länder). These regions were typically characterised by problems of economic adjustment or competitiveness, including low levels of investment, high unemployment rates and a lack of infrastructure for businesses. Structural Fund support provided basic infrastructure and investment for businesses.

[3] However, the instrument specifically devoted to support the poorer member states is the Cohesion Fund, originally created to assist them to compensate them for the burden of monetary union. See the end of the section for further details.

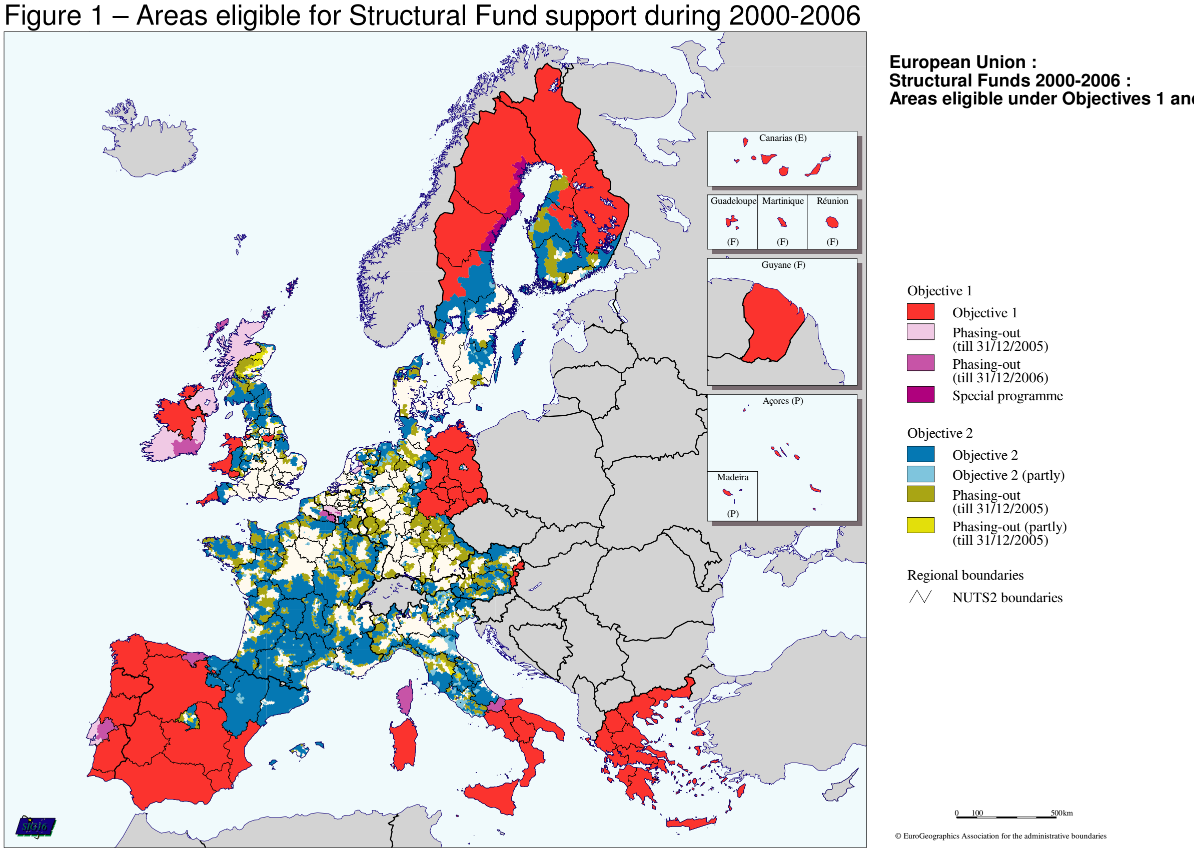
Although largely regional programmes, some Objective 1 regions, such as Merseyside in the UK (the Liverpool city-region), were essentially conurbations, with the whole strategy focused on urban development.

- **Objective 2** aimed to support economic and social conversion in industrial, urban, rural or fisheries-dependent areas facing structural difficulties. With the defining indicators including measures such as long term unemployment and poverty, high crime rates, poor environment and low educational achievements, many urban areas qualified for support.

- **Objective 3** was a thematic objective, not focused on geographic areas, but implemented at the national level. It focused on human resources, aiming to modernise training systems and promote employment among socially and economically excluded groups. Objective 3 therefore addressed many issues of relevance to urban areas, such as the skills agenda and social inclusion, although it was not targeted on urban areas as such.

The map (Figure 1) shows the eligible areas of the EU under Objectives 1 and 2, for the period 2000-2006. The boxes below provide examples of Objective 1, 2 and 3 interventions in urban areas.

Figure 1 – Areas eligible for Structural Fund support during 2000-2006



Source: European Commission, 2003a

Example of Objective 1 support in urban areas
The Athens Metro

Athens is home to 1.4 million people and was one of the most polluted cities in Europe. Prior to the construction of the metro, the city relied on one over-ground electrified line, and a complex network of bus services. The public transport system was so poor that the level of usage had collapsed. Following investment from the Structural Funds Objective 1 programme, as well as loans from the EIB, the Athens metro opened in 2000, with two new underground lines. A total of 15.5 km of track serve 19 new stations in the city, with a rush hour frequency of every 3 minutes. It is estimated that there are now 250,000 less private car journeys per day as a result of the construction of the metro, with subsequent savings in time and energy, as well as improvements in the environment and quality of life for residents.

Source: Regions in action, a country on the move: A selection of successful projects supported by the Structural Funds in Greece, Brussels: European Commission, 2003 p21

Example of Objective 2 support in urban areas
An industrial area put to new uses in Trollhattän, Sweden

The city of Trollhattän in western Sweden received Objective 2 funds to help set up a semi-public foundation, "Innovatum". The foundation was established by the municipality of Trollhattän, together with the Västra Götaland region and five private companies, to transform an industrial district of the city. The area began to grow from the 1850s, and prospered in the 20th century in the areas of engine production and printing presses, but since fell into decline. The Innovatum foundation has transformed the area, which now focuses on high technology production and services. There are around 35 companies located in a business park on the site, a "House of Knowledge", which includes an exhibition and education and training centre on the theme of technology, media and design, and a centre for film production, "Film i Väst".

Source: ECOTEC et al (2004), Annex 8, p35

Example of Objective 3 support in urban areas
Hamburg Objective 3

In Hamburg, around 30% of the city's school children are of ethnic minority origin, who are often difficult to retain at school. It is particularly difficult for those school leavers to access employment. Objective 3 funding has helped to set up an Information Centre – BQM – to build up contacts between teachers, social workers and businesses, in order to widen the job network for young immigrant school leavers. Some 1,500 businesses currently receive BQM's newsletter on the local labour market, with the aim of matching school leavers with employment opportunities. The Centre is also developing training courses on the benefits of vocational training, and preparatory courses aimed at helping young people to integrate into the workforce.

Source: Information sheet: ec.europa.eu/employment_social/esf/members/de_en.htm

It is worth noting here that a Cohesion Fund was created in 1993, in addition to the Structural Funds, to help the least prosperous countries of the Union to prepare for economic and monetary union. At that time, Greece, Ireland, Portugal, and Spain, whose GNP per capita was less that 90% of the EU average, qualified for the fund, which today includes all new member states, but not Ireland, as its economy has considerably improved. The aim of the fund is to reduce economic and social disparities by investing in major projects, rather than programmes, in two key areas: environmental infrastructure and trans-European transport networks. Typical examples of Cohesion Fund projects include the Dublin ring road in Ireland, treating urban waste water in Greece, and improving railway links in Portugal and Spain.

3.2 The Structural Funds in urban areas

The Structural Funds are primarily regional policy instruments, and are therefore not specifically focused on urban areas. Nevertheless, a significant proportion of spending does take place in cities. The European Spatial Development Perspective noted that during the 1994-1999 period, approximately 30-40% of subsidies from the regional fund (the European Regional Development Fund - ERDF) in Objective 1 regions were spent in urban areas (European Commission, 1999). In many Member States, many projects funded in Objective 2 areas are urban in nature.

The most comprehensive assessment of the urban dimension of Structural Fund programmes has been undertaken by the European Policies Research Centre (EPRC) in collaboration with Nordregio. They were commissioned by the European Commision (DG Regio) to assess how far the Objective 1 and 2 programmes, drawn up for each Member State for the period 2000-06, integrated the principles of two key policy documents: the Urban Framework for Action, and the European Spatial Development Perspective (EPRC and Nordregio, 2001a; 2001b).

They found that programmes rarely include an explicit urban dimension, and also that the inclusion of urban elements within the programming documents varied considerably from country to country, as summarised in Table 1. While some countries such as Ireland, Italy and Spain had strongly embedded the principles of the Urban Framework for Action within their programmes, other countries such Austria, Finland, Denmark and Sweden had not included an urban focus. In some cases, this was due to the fact that the programmes covered non-urban areas, but amongst the other Member States there were also differences in approach. The types of action found by the research to have been supported in urban areas are set out in Table 2.

The last significant meeting on urban issues in the EU took place in Bristol in 2005, with an Informal meeting of the 29 EU Ministers responsible for urban and spatial development. Following this meeting, the most recent communication from the Commission to the Council and Parliament was published, reinforcing the importance placed on urban interventions within the Structural Funds, to achieve the Lisbon Strategy (European Commission, 2006a).

Table 1 – Degree to which the Urban Framework for Action is included in Objective 1 and 2 programmes, 2000-2006, by country (EU15)

	Objective 1	Objective 2
Strong	Ireland, Italy	Spain
Mixed	Belgium, France, Germany, Greece, Portugal, Spain, UK	France, Germany, Luxembourg, Netherlands, UK
Weak		Austria, Belgium, Finland, Italy
None	Austria, Finland, Sweden	Denmark, Sweden

(Source: EPRC and Nordregio, 2001a; 2001b)

Table 2 – Actions supported in urban areas by Objective 1 and 2 programmes

Theme	Actions in urban areas
Business support	• Developing innovative infrastructure • Supporting SME entrepreneurship
Education and training	• Tertiary sector support
Regeneration and exclusion	• Support for socially excluded groups • Development of city centres
Infrastructure	• Improving city public transport • Developing business parks
Environment issues	• Tackling urban pollution • Waste management

(Source: EPRC and Nordregio, 2001a; 2001b)

3.3 Governance and the Structural Funds in urban areas

In terms of governance issues, it has already been noted that the Structural Funds place considerable emphasis on the importance of partnership working, through encouraging the inclusion of relevant actors in the design, management, implementation and evaluation of programmes. This particular issue was examined by ECOTEC et al (2004) in their report into the territorial effects of the Structural Funds in urban areas. Taking a case study approach, one of the aspects that the project aimed to explore was governance structures and levels of engagement of different local actors in Structural Fund programmes with an urban impact.

Within the 27 case studies, the project identified 5 broad groups of actors involved in Structural Fund partnerships in urban areas: regional authorities; city authorities (local or sub-regional); NGOs; local community or voluntary groups and businesses; and other agencies. The regional authorities often take the role of managing authority with financial responsibility for the programme. In some cases, city authorities are also involved, to a greater or lesser degree, depending on the national Structural Fund management system. The categories of community or voluntary groups, NGOs, and businesses include both economic and social partners relevant to the programme. For example, trade and business organisations are often involved in management and implementation, municipal enterprises such as those related to waste disposal or culture can be partners, as well as social actors such as voluntary organisations and citizens' groups. A range of other actors were also identified as partners, such as employment agencies, Universities and vocational colleges, and trade unions.

The study also found that the Structural Funds have had considerable influence on governance arrangements within the programme areas. Applying the partnership principle and encouraging economic and social partners to be engaged in the programme have had a significant impact on modes of governance at the local level. In particular, there have been positive effects in two areas: in terms of networking and organisational innovation, with partnerships leading to new cooperation networks and more inclusive management structures; and in terms of citizen participation and identity-building for local residents.

However, the study showed that in many cases, the extent of partnerships was not as inclusive as it could have been, and that more could be done to involve a wider range of economic and social actors in the partnership. This finding is also reflected by the EPRC / Nordregio study (2001a and b) which showed that, of the four principles from the Framework for Action being examined, the one related to "good urban governance and increased participation of local actors and citizens" was the least developed.

The ECOTEC et al (2004) study also found that partnership working created extra administrative burdens and potential delays in the programming. These findings are also backed up by Atkinson (2000), who highlights the challenges of partnership working in urban Structural Fund programmes.

3.4 The Structural Funds and sustainable development

The Structural Funds support regional economic convergence within the EU. But written into the Council Regulations relating to the Structural Funds is also a commitment to support the balanced and sustainable development of regions:

> *"[in the] efforts to strengthen economic and social cohesion, the Community also seeks to promote the harmonious, balanced and sustainable development of economic activities, a high level of employment, equality between men and women and a high level of protection and improvement of the environment …"* Council of European Communities (1999: 1-2).

An evaluation carried out for the European Commission has sought to assess the contribution of the Structural Funds to sustainable development (GHK et al, 2002). At the level of the overall programme, the evaluation identified an increased level of integration between the Structural Fund programmes and broader regional development strategies, suggesting an overall approach that is more supportive of sustainable development in the long term.

At the level of individual measures, the evaluation applied the four-capitals model to assess the contribution of the Structural Funds to sustainable development (for further details of the methodology see GHK et al, 2002, and Ekins and Medhurst, 2006). The study found that the Structural Funds have made a positive contribution to manufactured and human capital, that is, physical infrastructure and human resources, but had in some cases made negative contributions to natural capital (i.e. the environment) and social capital.

In the case of natural capital, the negative effects were largely due to the impacts of new infrastructure investment, especially roads. However, it was found that these negative impacts were generally agreed by policy makers as an acceptable trade-off in the wider context, given the increase in economic opportunities and social welfare that such investment brings. In terms of social capital, the contribution of the Structural Funds is less clear, due to the difficulties of untangling the cause and effects in relation to the stock of social capital, social policy outcomes and economic development measures. The indicators used in the study included the evolution of poverty rates, disparity between average income of highest and lowest deciles, the number of social welfare recipients, and crime and youth criminality rates. The evaluation showed that there are signs of a decline in social outcomes despite increased employment and incomes more generally.

In terms of governance and management structures to ensure sustainability, the evaluation found that there had been a strong positive impact on the development of institutional capacity at the regional and local levels, including "the ability to take strategic views, adopt coordinated policy approaches, apply methods for policy evaluation and to adopt consultative and partnership approaches" (GHK et al, 2002: viii). The evaluation concluded that this impact will have lasting benefits in the regions receiving Structural Fund support.

Thus, while the ECOTEC and EPRC / Nordregio studies found that partnership working could be better developed and red tape reduced, the GHK et al evaluation highlights the positive institutional impacts and long term benefits of the Structural Funds, and more generally the importance of governance for sustainable development.

3.5 Evolution of the partnership ideal within the Structural Funds

Within the EU, the principle of partnership has been particularly influential in the operation of the Structural Funds, the financial resources set aside by the EU to address regional disparities. The concept of partnership within the Structural Funds was initially defined as "close consultations between the Commission, the Member State concerned and the competent authorities ... at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal" (Council of European Communities, 1988: 5). However, since then, the notion has strengthened to include "the economic and social partners designated by the Member State" within the competent bodies and authorities (Council of European Communities, 1993). As a concept, partnership now includes social, sectoral and territorial partners involved in the programme, including community and voluntary sector partners, local and regional authorities, and the private sector.

The key drivers that lie behind this push for greater partnership working are varied. At a broad level, there has been a cultural shift across the EU that has encouraged organisations to work together, cutting across traditional divides and well-established boundaries. There are two main reasons for this shift. The first relates to the complexity of the socio-economic problems facing cities and regions, which are often beyond the remit of just one organisation working on their own (Carley et al, 2000). The second relates to the underlying belief that partnership working generates a number of positive benefits and produces better outcomes in terms of, for example, greater effectiveness, greater legitimacy and transparency, greater commitment and ownership, and opportunities for capacity building and learning across traditional divides (Tavistock Institute, 1999).

Within the EU, it is also widely held that good governance and effective institutional structures are crucial for regional competitiveness and these are facilitated by cooperation and exchange of information between actors, including those in the public and private sectors (European Commission, 2004: 58). This cooperation in turn stimulates collective learning and the creation, transfer and diffusion of knowledge, which are critical for innovation (Simmie, 2001). A further spin-off from partnership working is the networks that are created, and which can contribute to social capital (Putnam, 1993) in a city or region, thus supporting to sustainable development (Ekins and Medhurst, 2006).

It is in response to these considerations that, over the successive programming periods, partnership working has become more deeply embedded in the operation of the Structural Funds, from being defined as close cooperation between different tiers of government (vertical partnerships) to the inclusion of different social and economic partners (horizontal partnerships). With the requirement to implement Structural Fund programmes in partnership, the EU has played a significant role in introducing the partnership principle to many member states, where it had not previously been normal practice.

4.0 Urban focused interventions (up to 2006)

Up until 1994, the European Union's involvement in specific urban interventions was relatively limited. The Structural Fund programming period 1989-1993 had seen major investment in infrastructure and human resource development, some of which was focused on urban areas, but explicit urban interventions had not been a feature of regional policy during that period.

The URBAN Community Initiative was launched in 1994 (European Commission, 1994) in response to the growing awareness at the EU policy level of the challenges facing Europe's towns and cities. URBAN I was implemented during 1994-1999 and the specific focus for these programmes was deprived neighbourhoods in need of regeneration. In comparison with the first URBAN Community Initiative, URBAN II, which ran from 2000-2006, placed greater emphasis on the importance of integrated programmes, including transport interventions, and also provided for more structured transnational learning between programme areas, through the network-focused URBACT programme.

However, the actual scale of the URBAN programmes is very small within the Structural Fund programmes. For the period 2000-2006, 700 million euros were committed to the URBAN II Community Initiative in EU15, representing just 0.3% of the total EU15 Structural Funds budget of 213 billion euros. The actual funding per programme is also relatively small. The 70 URBAN II programmes received on average an EU investment of around 10 million euros over 7 years. This contrasts with national programmes such as the New Deal for Communities (NDC) in the UK, where individual programmes receive an average of £50 million per programme (around 74 million euros) over 10 years (Lawless, 2004).

Most programmes were situated in areas that were already eligible for support under Objectives 1 or 2, but the URBAN programme opened up the possibility for cities outside these priority areas to apply for funding. This was in recognition of the fact that even in more prosperous cities of the EU, there were still pockets of poverty and deprivation that warranted further public investment. Having previously been seen as an environmental issue, urban regeneration was now presented as an issue of social cohesion that needed to be addressed independently of geographically-based regional disparities. The focus of the URBAN programmes was narrower than the mainstream interventions, and particularly aimed at targeting urban deprivation. In addition, the active involvement of citizens through partnership arrangements was specifically encouraged throughout the programme.

An evaluation of URBAN I (1994-1999) showed that it was largely successful in terms of its impact at the local level, although due to the small scale of each programme, these impacts were necessarily limited (GHK, 2003). Nevertheless, it has been argued that the wider impacts of the programme have been significant, particularly in terms of partnership working (Carpenter, 2006). Partnership working has been one of the most important legacies of the URBAN programme, and has paved the way for lasting relationships and the creation of networks of public and private-sector organisations. City authorities are directly responsible for the management of the programme, and different services of the local authority and other agencies are involved in the implementation of the project, depending on the issues involved. Despite the challenges and delays that were often incurred, many of the URBAN programmes showed that there was real 'community added value' in managing regeneration using a partnership approach.

The URBAN II programme is just closing, and has not yet been evaluated ex-post, but the national mid term evaluations in 2003 showed that, in general, URBAN II has improved on URBAN I, particularly in the integrated nature of the programmes and the simplification of processes and management arrangements. For example in the UK, it was found that URBAN II programmes were now better integrated with regeneration initiatives and existing partnerships and local authority departments than before (DTZ Pieda Consulting, 2005).

Example of an URBAN case study

Renovation of an abandoned historic building as a community facility, Pamplona, Spain.

The Pamplona URBAN II programme is focused on the historic centre of the city. A number of buildings in the centre were derelict and had been abandoned, including the 16th century Palacio del Condestable. The URBAN programme aimed to renovate the palace for use as a community facility, for training, social, and cultural activities. One of the key features of the project has been the extensive consultation that has taken place, including with residents and associations of local businesses. At each stage, local people have been actively involved in putting forward proposals and defining the project, and residents' and businesses associations are well represented on the monitoring committee. The project has taken an integrated approach, through environmental improvements and historic restoration, social inclusion through training and social activities, as well as economic regeneration including pacts for employment with local businesses.

Source: European Commission, 2003b, page 17

5.0 EIB funded urban interventions (up to 2006)

The European Investment Bank (EIB) is the financing institution of the European Union. It aims to contribute to the development of EU policies, notably economic and social cohesion, by providing finance, in particular long-term loans, for projects that contribute to EU policy priorities, including those of the Structural Funds. These projects can include large scale investments in individual projects as well as integrated programmes consisting of a multiplicity of smaller investments being part of a global regional or local investment programme devoted to a mixed small-scale infrastructure projects. There are also sector-specific projects, for example related to energy, the environment, social housing or information technology. Unlike the Structural Funds, the EIB can support social housing rehabilitation and also new construction, as long as it plays an integral part in a well-defined urban regeneration programme. The EIB can thus potentially play an important role in the social sustainability of urban renewal programmes and complement Structural Fund subsidies for urban infrastructure and "productive" investment.

The projects supported by the EIB in urban areas fall within the EU's priorities and follow the principles of promoting urban concentration and restricting pressures for suburbanisation, which together combine to reduce demand for car travel, promote energy efficiency and facilitate public transport use (EIB, 2005). During 2001-2006, the EIB contributed some 27 billion euros to finance projects directly aimed at improving the environment and quality of life in cities, including renovation of buildings and infrastructure, improvements to urban public transport, and social housing projects. In 2006, around 4.5 billion euros (or around 10% of total individual EIB loans in the EU) were targeted at urban renewal and urban transport projects.

Sustainable urban transport projects are an important area of the EIB's investment. Between 2001 and 2006, the EIB approved the financing of 69 projects to build or extend their light rail or tramway systems in 46 cities. In terms of sustainability, all projects must be environmentally sustainable to qualify for financial support. Thus, assessing the environmental impact of potential transport projects is an important component of the EIB's appraisal system. It ensures compliance with EU environmental regulations and that the net environmental impact is acceptable, with the required implementation of suitable mitigation measures where necessary.

Case study of EIB investment

Support to social housing in Glasgow, UK

Unlike the Structural Funds, the EIB can invest in social housing projects, and has supported 7 such projects in the UK. Most of these have been financed through specialised intermediaries such as The Housing Finance Corporation, Abbey National plc and Halifax Bank of Scotland. For example, in 2003 the EIB lent the Glasgow Housing Association a total of 219.2 million euros to invest in a major urban regeneration programme in the city. This involved housing renovation, work on so-called 'problem' estates, including selected demolition, and improvements to the local environment.

Source: EIB (2005) page 8

6.0 Interventions post-2006

The new programming period for the Structural Funds was recently launched covering the period 2007-2013, and also includes the theme of partnership working as an important principle within the programmes. Indeed, at the Informal meeting of Ministers related to urban and spatial development in Leipzig in 2007, the Leipzig Charter that was signed places emphasis on partnership working within the context of building sustainable urban communities:

> *"Integrated urban development programmes … should be coordinated at local and city-regional level and involve citizens and other partners who can contribute substantially to shaping the future economic, social, cultural and environmental quality of each area"* (EU Ministers: Leipzig Charter on Sustainable European Cities, 2007: 3)

The partnership principle is therefore embedded in the EU's most recent urban policy charter, and it likely to play an increasingly significant role in the management and operation of Structural Fund programmes in the future.

6.1 Structural Funds post-2006

The post-2006 Structural Fund programming period follows enlargement of the EU to include 12 new Member States. Given that some of these States have considerable structural challenges, the Structural Funds have been re-organised to take account of the shifting map of the EU.

Driven by the Lisbon strategy, with its focus on competitiveness, and a wider neo-liberal agenda that has permeated policy making in many EU countries (Boddy and Parkinson, 2004; Buck et al, 2005), the new architecture of the Structural Funds is based around three objectives (the "three Cs"): convergence, competitiveness and cooperation:

- **Convergence:** The "convergence" objective is allocated, like the previous Objective 1, on the basis of GDP per capita using the criteria of "GDP per capita less than 75% of the EU-25 average".

  A number of regions are also eligible for transitional support (called "phasing-out"), if they would have been eligible for the convergence objective if the 75% threshold had been based on the average GDP of EU-15 and not EU-25. This includes regions such as the Algarve in southern Portugal and the Highlands and Islands in Scotland.

  Included in the 'convergence' heading is the Cohesion Fund, which benefits those countries whose Gross National Product (GNP) is less than 90% of the EU average and Spain ("phasing out" of the Fund).

  Together, the Structural Funds and Cohesion Fund, which make up the convergence objective, account for 82% of the total cohesion budget.

- **Regional competitiveness and employment:** The "competitiveness" objective applies to all other regions not covered by the convergence fund, supporting activities to achieve the Lisbon agenda's competitiveness targets set for 2010 (to create the most advanced knowledge-based economy in the world, with at least 70% of the adult workforce in employment by 2010). The absence of zoning (characteristic of the previous Objective 2) is recognition that there are pockets of deprivation even in the most prosperous regions. For a successful region to remain competitive, it needs to be adaptable to change, with possible implications for public sector investment in supporting opportunities for change.

  Within the competitiveness priority, there are two elements, one channelled through regional programmes to promote economic change in industrial, urban and rural areas (not dissimilar to the previous Objective 2 initiatives), and the other channelled through national programmes aimed at promoting employment, structured around the European Employment Strategy (modelled on the previous Objective 3 arrangements).

  As with the convergence objective, there is transitional support available for regions which were covered under the previous Objective 1, but whose GDP now exceeds 75% of the EU-15 GDP average (called “phasing in”). This includes regions such as Sardinia in Italy, and the Canary Islands in Spain.

The competitiveness objective accounts for 15% of the total cohesion budget.

- **Cooperation:** Building on the success of the INTERREG Community Initiative programme, which promotes cross-border cooperation, the “cooperation” objective is aimed at communities in border regions, supporting joint territorial cooperation programmes and projects that forge links between communities in different Member States. This accounts for the remaining 3% of the total budget.

As these programmes are only just beginning to be implemented, their impact specifically on urban areas has not yet been assessed. On the surface, it would appear that the urban dimension is less evident, as the URBAN Community Initiative has not been maintained. However, there has been a requirement for member states to incorporate an “urban dimension” into their National Strategic Reference Framework (NSRF), which sets out the broad priorities for future Structural Funds Programmes in each country. All countries have incorporated urban considerations in their development strategies and there are, therefore, increased opportunities to incorporate urban issues into the mainstream programmes, with the potential to delegate power to urban authorities to manage aspects of the programme. Local authorities will be key partners, and the commitment and participation of the private sector will also be required. The extent to which the urban dimension has been incorporated into the NSRF varies between member states, and the mid term evaluations in 2010 will provide the first opportunity to assess how far urban issues are being addressed within the new programmes.

6.2 EIB interventions in urban areas, post-2006

One key innovation of the EIB interventions in the period post-2006 is the introduction of three new Community initiatives involving the EIB: JASPERS, JEREMIE and JESSICA. JASPERS and JEREMIE are not specifically targeted at urban areas, focusing respectively on technical assistance for project preparation (including, however, the possibility of supporting some major urban projects) and finance for SMEs. JESSICA (Joint European Support for Sustainable Investment in City Areas), however, is dedicated to accelerating the implementation of sustainable urban development (see Turró et al, 2007).

The JESSICA initiative is currently in its start-up phase, but once operational, Member States will be able to use some of their Structural Fund allocations to invest in Urban Development Funds or Holding Funds (European Commission, 2006b). These will provide non-grant financing into urban regeneration programmes, with the main objective to accelerate their execution and to leverage funds from international financial institutions, private banks and investors to projects generating revenues, notably using PPPs (public-private-partnerships). The EIB may be appointed holding fund by the Managing Authorities and is providing technical assistance for the creation of Urban Development Funds. The projects financed with JESSICA funds will be required to conform to the European Commission’s guidelines on sustainable urban development.

The EIB itself has expanded its eligibility of urban investments, until recently based on the objective of improving the urban environment, to include projects that are essentially based on the social cohesion objective. Social housing construction in greenfield areas, for instance, could be financed provided that a proper housing plan exists demonstrating that existing brownfield sites are insufficient or inadequate to cope with the housing needs of the less well off.

7.0 Summary

There has been a significant sea-change in the attitude towards EU-led interventions in urban areas since the 1980s and the first programming period of 1989-1993. At that stage, it was felt that urban areas were a priority for national governments rather than the EU, in line with the principle of subsidiarity. However, during the intervening 20 years, there has been increasing recognition of the importance of addressing urban challenges at the EU level, primarily for two reasons: firstly, because cities are the engines of regional, national and thus EU economic growth; and secondly, because of the marked disparities that exist within and between cities, that call for a wider response from a social inclusion perspective.

In parallel with this increased interest in urban issues has been a growing emphasis on the importance of partnerships in planning, managing and delivering EU interventions. This has evolved from being essentially a passive consultation role, to economic and social partners being expected to take a full and active role in all stages of Structural Fund programming and delivery.

The most recent developments on the EU urban scene, the Leipzig Charter and the EIB's JESSICA initiative, both look set to take these two developments further. Ministers for the first time have recognised collectively the importance of integrated urban development and the role of partnerships, which in theory lay the foundations for greater emphasis on urban policy in the future. In a parallel development, the JESSICA initiative aims to work with private sector investors to support projects that contribute to sustainable urban development. Given these two developments, it is likely that the sustainability agenda will dominate urban policy at the EU level in the years to come.

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