

Position paper: Cities & Urban regions 2020+

Positions of the Austrian cities and urban regions regarding the design of the EU grant decisions 2021-2027

1 Introduction

The EU cohesion policy aims at reducing regional disparities and promoting economic, social, and territorial cohesion in all regions of the entire EU, while focusing especially on the less developed regions of the EU. Cohesion policies should create new jobs that strengthen the competitiveness of business locations and companies, but also increase economic growth, push sustainable development and thus improve quality of life for the citizens of the EU. This requires better coordination and harmonisation between cohesion policies, competition policy, and the other EU policies.¹

However, the EU cohesion policy also has an essential function in terms of democracy and the promotion of EU integration; it could considerably counteract eurosceptical tendencies and exit-concepts. **Regions and cities are key area in this, as they act especially close to citizens and thus contribute significantly to European integration by transferring EU citizens to a local level - and thus making them more visible.**

It looks like the budget for the EU cohesion policy will be smaller due to BREXIT, and thus more targeted. Sectoral objectives such as innovation, low-carbon economy, or social inclusion of migrants, however, can only be achieved if the territorial dimension continues to be adequately considered in EU funding instruments.

The economic, social, and institutional differences within the European Union require a strong commitment to integrated, thus interdisciplinary strategies and their implementation in functional urban spaces; they must take account of the varying potential for development and the different challenges that cities and urban regions with strategies and interventions specific to their location are facing. Moreover, these strategies must consider the role of regional and local players appropriately. This is the only way for structural reforms on site to be promising. The economic policy stance of the EU must adapt for this purpose, in order to enable investment levels to increase again.

¹The EU law on state aid, for instance, is covered by the ESI Funds, but not by the European Funds for strategic Investment (EFISI) or by the EU action programmes (i.e. Horizon 2020).

Social, ecological, and economic processes and challenges correspond less and less to administrative limits. Addressing functional spaces as well as the cooperation of cities with their - often rural - surrounding areas is a requirement for the territorial and social cohesion of the EU member states. This fact is not only underlined by the cohesion report, but also by the Urban Agenda, where the importance of “functional urban areas” is explicitly highlighted as necessary to comply with local needs. Metropolitan areas, small- and medium-sized city regions are all equally affected by this.

Aside from the metropolitan area of Vienna, the **Austrian urban regions** have not yet received enough international attention - **but they exist in many ways, and the cities and their surroundings are becoming increasingly aware of the added value of a joint development and positioning.** It will be an essential guarantee for success over the next 10 to 20 years, to continue to acknowledge and support this process within the EU. **Larger and smaller urban spaces are evolving in all Austrian federal states:**

- Not only Vienna, Salzburg, and the Graz central area (with its development axis to Maribor/Slovenia) are growing; the areas Klagenfurt-Villach, Linz-Enns-Steyr, Leoben-Kapfenberg-Bruck or the Rhine Valley are agglomerating more and more and may be able to become European metropolitan regions in the near future.
- Smaller urban regions such as Lienz in East Tyrol traditionally maintain close relations with urban regions in South Tyrol (Bruneck) and use this way to position themselves in an international context.
- Moreover, Bratislava and its Austrian surrounding areas are a special case to be considered. Its location so close to the border means that the Slovakian capital has suburbs in Lower Austria and Burgenland. In this particular case, there is a joint positioning as a cross-border metropolitan area.

In the sense of a “multi-centre Austria”, successful urban regions act as impulse centres, local drivers of innovation, and as business locations, thus guaranteeing supra-regional competitiveness. This way, they can act as providers of infrastructure and contribute to the social dimension behind the idea of cohesion. Functional urban areas thus take on an increasingly important role next to core cities, and this role should be given appropriate weight in the context of cohesion policy.

This is especially important as currently, more than 70% (with an upward trend) of EU citizens live in cities or urban agglomerations ² and the lion's share of the European GDP is generated in these areas. At the same time, concentrations of poverty, unemployment, and pollution of the environment also occur in said areas. What's more, the effects of the most recent flows of migration (social security, education, integration) and questions regarding the financing of basic infrastructure for public services are disproportionately felt by cities and urban agglomerations.³

To tackle these challenges more efficiently and thus continue to enable social cohesion all over Europe, cities and urban regions should be considered even more than before in all locally relevant EU policies and EU funding instruments in the upcoming EU funding period 2021-2027 (ranging from programming to implementation as beneficiaries) - not least in countries like Austria, which have yet to implement an explicit national urban policy. And this does not only apply to instruments by the EU cohesion policy, but also more targeted EU action programmes and other EU funds such as the European Fund for strategic investments ("Juncker fund").

The **EU Urban Agenda** and the decision of the "**Pact of Amsterdam**" have laid the foundation for EU legislation to become more "city-compatible" and to create improved access to EU funds and subsidies for cities and urban regions as well as their local governments. The findings documents of the first concluded partnerships show the new foundations, based on action plans and recommendations, on which the new EU cohesion policy must build on as of 2020.

Urban spaces and the positioning of the EU funding policies after 2020 must receive special attention **across borders**. This is not least important in terms of a further enhancement of the **macro-regional strategies of the European Union**, so that relationships and spatial connection as well as challenges in cities and urban regions can be tackled sustainably by way of cross-border cooperation and projects. Austria is part of the EU Danube Region and the EU Alpine Region, and it forms a traditional bridge between Central and South-Eastern Europe.

A strong commitment to the urban assisted-areas map within the EU (funding) policy after 2020 would also comply with **goal 11 of the UN Sustainable Development Goals (SDGs)**, "**Make cities and human settlements inclusive, safe, resilient and sustainable**". Some of the

² <http://ec.europa.eu/eurostat/web/degree-of-urbanisation/overview>

³In 2017, the unemployment rate in Vienna was at 13.0%, whereas the mean for all of Austria was only 8.5%. In 2016, 56.4% of those receiving needs-based minimum benefits lived in Vienna, while Vienna's share of the Austrian population is but 21.2%.

most pressing points of this goal are access to affordable, sustainable, and safe housing, public transport, green and public spaces, inclusive and sustainable urbanisation and participatory, integrated, and sustainable human settlement planning as well as interdisciplinary approaches and policies towards more environmental protection, resource efficiency, and mitigation and adaptation to climate change.

The preparatory work for an Austrian urban regions policy was completed during the Austrian Conference on Spatial Planning based on the Austrian Spatial Planning Programme (ÖREK, 2011), in collaboration, among others, with the “Cooperation platform for Urban regions”, which has been active since 2012⁴. One of the results of these works is the recommendation No. 55 adopted by the members of the Austrian Conference on Spatial Planning; “For an Austrian Urban regions policy”, which recommends to “position urban regions in the European context” and to “establish a stronger position of the Austrian urban-regional policy within the European Spatial Development Context and within the EU funding policies”.

The present position paper was created upon initiative of the Austrian Association of Cities and Towns and has been discussed in the framework of the National Coordination Platform on European Urban and Urban-Regional Politics for Austria, in which representatives of Austrian cities and urban regions participated. The positions and recommendations for action in this paper result especially from the mentioned preparatory works as well as from previous experience of urban and urban-regional initiatives that have been implemented in many ways in Austria with the help of EU funding (ERDF/IGJ, ETC, LEADER etc.).

2 Positions and recommendations for action

2.1 Enhancing EU funding opportunities for cities and urban regions

EU funds continue to play a vital role for the implementation of innovative inner-city and urban-regional initiatives in Austria. The scope of urban-regional action according to integrated multi-level approaches in the administration (multi-level governance) in Austria would be considerably lower without EU start-up funding.

⁴Cf. www.stadtregionen.at and <http://www.oerok.gv.at/raum-region/oesterreichisches-raumentwicklungskonzept/oerek-2011/oerek-partnerschaften/abgeschlossene-partnerschaften/kooperationsplattform-stadtregion.html>

For inner-city and urban-regional (urban-rural) measures it is currently mostly resources from the European Structural and Investment Fund that come into effect; respectively from the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development Funds (EAFRD).⁵

The Austrian cities and urban regions thus request – also taking into account the European Parliament resolution on cohesion policy for 2020+⁶ and the position papers of the Council of European Municipalities and Regions⁷, of the Assembly of European Regions (AER)⁸, of EUROCITIES⁹, as well as of the German-Austrian URBAN network¹⁰ – **to enhance the EU funding opportunities for the implementation of integrated urban development strategies, urban-regional initiatives, and cooperation between cities and their surrounding areas, and to anchor them more firmly on the level of the member states.**

In any case, **the results of the Urban Agenda and its partnerships should be used and included in the EU funding policy 2020+.** It is especially the results regarding “better funding” of integrated, strategic investment projects that can be used to provide innovative funding and financing models for cities and urban regions that are easy to handle for local authorities.

⁵ The programme Investment in Growth and Jobs (Article 7 - Integrated and sustainable urban development) supports, for instance, the Upper Austrian urban regions and urban-rural cooperation in Tyrol (CLLD). The cooperation between the city of Villach and its surrounding regions works with LEADER resources; other functional spaces that go beyond the Austrian national borders, such as the cooperation in the area of the Lienz Valley with Bruneck in South Tyrol, are supported by the Interreg programmes.

⁶ Building blocks for a post-2020 EU cohesion policy, European Parliament resolution of 13 June 2017 on building blocks for a post-2020 EU cohesion policy (2016/2326(INI)) (<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2017-0254+0+DOC+PDF+Vo//DE>)

⁷ The future of cohesion policy - a simplified and integrated territorial approach, CEMR Position Paper, June 2017 (http://www.ccre.org/img/uploads/piecesjointe/filename/CEMR_position_paper_future_of_cohesion_policy_EN.pdf)

⁸ AER position on cohesion policy post 2020, July 2017 (<https://www.contexte.com/positions/aer-position-on-cohesion-policy-post-2020-53342.html>)

⁹ A strong cohesion policy for Europe and citizens, EUROCITIES policy paper on cohesion policy post 2020, June 2017 (<http://nws.eurocities.eu/MediaShell/media/EUROCITIESpolicypaperoncohesionpolicypost2020FINAL.pdf>)

¹⁰ Positions of the German-Austrian URBAN network on the arrangement of the urban dimensions within the EU Structural Fund programming period 2021-2027, November 2016 (http://www.deutscher-verband.org/fileadmin/user_upload/documents/Positionspapiere/Positionen%202014/06_Positionen_Zukunft-staedt.-Dimension_URBAN-Netzwerk.pdf)

1. Continuing the Urban Agenda as a European city and urban area policy. Regarding a EU city and urban area fund:
 - a. To sound out possibilities based on the model of the European Fund for Strategic Investments (“Juncker fund”)
 - b. Or to introduce a city / urban-regional dimension in the European Fund for Strategic Investments and thus provide financial resources for local city administrations and measures for city-surrounding areas.

2. Regarding the European Structural and Investment Fund (ESIF):

The Austrian Association of Cities and Towns welcomes in principle the enhanced attention by the EU to the importance of cities brought on by the new structural-fund period; for instance, at least 5 percent of EU regional funding for integrated urban development according to Article 7 of the ERDF regulation has to go to cities. However, this budgetary commitment has only come into effect in selected regions in Austria, depending on the respective state’s strategy. However, the support of projects for an integrated urban development has proven its worth in Austria since the successful implementation of GI URBAN I + II. It has facilitated important and sustainable stimuli - especially as levers for innovative, local, strategy-led projects (for instance based on Smart City strategies).

The Association of Cities and Towns thus requests:

- **To increase the support of investment measures for integrated, strategy-led, inner-city, urban-regional and city-and-surroundings projects - also in “more developed regions”.**

The majority of the currently supported urban, urban-regional, and city-and-surroundings initiatives is limited to the development of strategies, concepts, and networking activities in the sense of capacity building. According to the needs of cities and urban regions as “problem owners”, these measures should be complemented with:

- Activities for the preparation and strategy-based, long-term planning of sustainable, large public infrastructures.
 - The additional promotion of infrastructures up to 2.5 million euros through ERDF. This would make the benefit for the city / urban region and the inhabitants more visible. It also applies to cross-border urban regions (see above).
 - Investment in innovative (pilot) projects in the area of public infrastructure, as well as the enhancement of quality of life in public spaces, sustainable mobility, public education and health, childcare and nursing care as well as public procurement in consideration of the principle of additionality, in order to guarantee local and regional development.
 - Investment in sustainable buildings and environmentally friendly mobility, in order to fight climate change and to advance the energy revolution.
 - Investment in ICT (digital transformation) and Urban Technologies (smart city / smart region approach¹¹).
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- **To enhance the inclusion of urban-rural/city surroundings partnerships and projects into the ERDF as part of the urban dimension in addition to urban development strategies.**
- More resources should be provided for this during the next programming period, and the budgetary commitment of 5% for integrated sustainable urban development¹² should be raised to 20%.

¹¹ A cooperation with active project participation of the core city should be facilitated in LEADER as well - cf. city-and-surroundings regional cooperation Villach.

¹² Article 7, ERDF regulation (EU) No. 1301/2013

- The provision regarding urban regions / agglomerations as beneficiaries of the innovative measures¹³ (Urban Innovative Actions programme) should be maintained. In order not to put medium-sized urban regions at a disadvantage, setting a fixed population size as a criterion for eligibility (currently at 50,000 inh.¹⁴) should be avoided. An alternative would be to lower the number to 30,000 inh. or to take the daytime population (inh. plus commuters) as a criterion.
- The Instrument for Territorial Investments (ITI)¹⁵ is a welcome tool. It should be simplified and continued as a fund for cities and urban regions to make processing easier. An overall budget should be provided for this, without any allocation of measures to individual programme priorities and their respective budgets.
- The URBACT programme should continue to be used as a learning network and strategy development tool for integrated urban and urban-regional activities, also to advance the findings from the Urban Agenda partnerships. Aside from focusing on capacity building, URBACT should also enable the implementation of innovative investment pilot measures in the future - especially as an incentive for taking on lead-partnerships. Moreover, URBACT, like the UIA-initiative by the EU, should be linked to national ERDF programmes in order to create synergies on a local level.

¹³ Article 8, ERDF regulation (EU) No. 1301/2013

¹⁴ Inhabitants

¹⁵ Article 36, ESIF REGULATION (EU) No. 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

- **To establish urban-rural/city surroundings partnerships and projects as an integral part of the EAFRD within the scope of LEADER, with the added possibility, in correlation to the ERDF funding instruments, of including larger core cities as equal partners.**

In Austria, cities with more than 30,000 inhabitants are currently not eligible for EAFRD funding, even though have considerable agricultural structures (cf. Definition of rural areas in the Austrian Programme for rural development LE14-20¹⁶).

- Option (1): **Flexible LEADER tools:** If the local development strategy calls for the inclusion of core cities larger than 30,000 in population in order to guarantee sustainable development for the urban region, then it should be possible to establish such an inclusion.

The objective of LEADER, namely strengthening rural areas, cannot be considered invariably separate from city and central area. If city-surroundings projects can prove regional character and if their objective is regional sustainable impact, cities should be able to participate in LEADER project sponsorships - inversely to the efforts in the area of ERDF. Cities can make valuable contributions in the form of resources of any kind - expertise, personnel, financial means (keyword equity capital). At the same time, quality rural areas are indispensable added value for a city and its adjoining suburbs.

- Option (2): **Combination of EAFRD and ERDF funds** (keyword multi-fund approach) The application requirements for an implementation would have to be in accordance with the administrative capacities (simple and user-friendly management) of the Local Action Groups (LAGs). Moreover, they must not further reduce the current, already very low financial allocation for the urban dimension within ERDF (keyword: added value through complementarity of EU funding instruments).

- **To advance the CLLD approach for urban-rural/city surroundings partnerships and projects.**

¹⁶ “The programme covers the entire federal territory of the republic of Austria. Measures restricted to rural areas by Regulation (EU) No. 1305/2013 (hereafter: “basic regulation”) can only be implemented in municipalities with fewer than 30,000 inhabitants or in the rural parts of municipalities with more than 30,000 inhabitants. The rural areas of municipalities with more than 30,000 inhabitants are displayed in a map... Following the relevant OECD criteria, only those parts of municipalities with a population density lower than 150 inhabitants/km² are considered rural areas.” (Austrian programme for rural development 2014-2020, p. 73)

The CLLD approach (or LEADER approach within EAFRD) should become a core element of the cohesion policy post 2020, as it involves local players in the preparation and implementation of their development plans for areas ranging from the NUTS-level 2 down to the smallest local authority. For this purpose, the local and regional authorities within the LAGs should be strengthened in Austria, too (based on the model of substantial and successful CLLD use, i.e. In the Czech Republic, in Hungary, in Slovakia, or in Portugal), as they have the administrative and financial capacities as well as the regional experts to implement the development strategies.

- To establish CLLD regions for urban-regional activities based on the model of the LEADER regions, with the objective to develop sustainable governance structures.

□ **To include urban-rural/city surroundings partnerships and projects as integral parts of the European Territorial Cooperation (ETC) for cross-border cooperation (Interreg).**

Functional relationships and ties between cities and urban regions often go beyond national borders.¹⁷ This applies to Austria especially, due to its central location, its topography, and its transport geography. **Cross-border cooperation** is an important tool for the sustainable development of border regions and to contribute to the territorial and social cohesion within the European Union (keyword regional integration and stability).

- Therefore, EU support mechanisms should be adapted to better serve the needs of the local level and they should be provided with adequate resources. This is also because urban-regional cooperation across national borders usually causes higher operative costs (mostly due to different languages, joint awarding services, invoicing, coordination).¹⁸

- To facilitate operating subsidies also for the management of cross-border urban regions, in order to guarantee sustainability and to enable at least piloting minimum operation (i.e. start-up funding).

Aside from promoting governance structures, EU resources should also increasingly enable investment measures that can be equally implemented in the entire defined border region. Which means not only administrative units located directly at the border, but wherever it makes strategic sense (also along development axes that continue into the back country, such as Graz-Maribor/Slovenia).

¹⁷ Currently, 38% of EU citizens live in EU border regions.

¹⁸ Interreg A could set the priorities for city-and-surroundings cooperation.

To ensure access to **ESF funds**¹⁹ for sustainable, integrated city and urban region development.

Social problems such as risk of poverty and permanent exclusion are more numerous and more frequent in metropolitan regions. A concentrated use of ESF funds seems especially appropriate and should complement ERDF investments. This is also because social inclusion and the fight against poverty are essential objectives of sustainable, integrated city and urban region development.

- To continue to guarantee **the support of “social services” within the EAFRD.**

Regarding childcare, nursing care, healthcare facilities and services - including health promotion - the promotion of “social matters” has been introduced for the first time in the current period. This has proven its worth for small and medium-sized cities as well as for cities’ surroundings and should definitely continue to be a high priority in the upcoming funding period.

3. Within the scope of EU action programmes:

- **To expand funding possibilities for innovative urban and urban-regional as well as city-and-surroundings projects in line with thematic EU action programmes and to promote integrated approaches and multi-level-governance approaches.** This applies primarily to follow-up programmes of those programmes especially relevant to cities and urban-regional activities, such as the one for research and development (Horizon 2020), environment (LIFE), integration & refugees (AMIF), education (Erasmus+), and culture (Creative Europe), but also the Europe for Citizens Programmes especially relevant to cities and urban-regional²⁰.

¹⁹ If using the number of people receiving minimum benefit as an indicator for this issue, the numbers for Vienna amount to the following: In 2016, a total of 307,533 people or 182,173 joint households received payment to ensure their means of subsistence and housing outside of care facilities. Compared to the previous year, the number of people receiving needs-based minimum benefits has increased by 8.1% (+23,159), and that of joint households by 8.1% (+13,726). With 56.4% of the individuals and 59.6% of the joint households receiving minimum benefits from Vienna, this made for the majority (cf. STATISTIK AUSTRIA, statistics on needs-based minimum benefits. Created on 2 Feb 2017)

²⁰ The Europe for Citizens programme is a great tool, but not very well funded. In Austrian urban regions, the topic “cross-border citizens’ participation” will certainly gain more importance in the future. For the urban regions, the addition of another funding measure especially suitable for cross-border urban regions would be beneficial.

In general, the coherence between EU funding instruments must be advanced. The combination of different funding instruments that support integrated urban development and urban region development must be facilitated, or, ideally, it should be checked obligatorily, as is the case with the combination of Horizon 2020 and ERDF for the implementation of innovative pilot demonstration projects (research/evaluation/rollout).

2.2 Simplifying procedures

Exuberant administrative requirements have a considerably negative impact on the readiness to use EU subsidies. The Austrian urban regions and cities call for noticeably feasible and proportionate procedure when it comes to the operative implementation and control of EU projects and common EU-wide standards and interpretations of Implementing Regulations and other provisions.

- ❑ Fewer rules and more standard solutions such as flat rates, unit costs, or lump sums.
- ❑ Avoiding parallel control structures if national regulations in the respective area are in place and functional (Single Audit approach). The cross-checking system for the same documents through different audit bodies is especially burdening for local authorities.
- ❑ Control and audit must be proportionate (principle of proportionality / Use of varying inspection depths). Small projects should not be subject to the same inspection obligations and burdens of proof as large (investment) projects.
- ❑ Uniform rules for all EU funds must be created and “gold plating” (exceeding requirements) must be avoided.
- ❑ General 100% recognition of project-based personnel costs of local authorities as local co-financing. This not only makes for a better access to the ESIF funds, but it also supports the development of capacities and competences for the execution of EU-funded projects in the administration. Verification management of staff and supplementary staff expenses should gear towards standards of practice seen in public administration. Which means, for instance, no claims to funding project-related salary account assignment!
- ❑ For urban-regional inter-communal funding projects with partnership structures across administrative borders, a budget distribution

according to the Lead-Partner principle should be made possible. This is especially necessary when high project expenses occur, as this could minimise project sponsor risks.²¹

2.3 Cities and urban-regional players as core stakeholders in EU funding policy

- ❑ The partnership principle should be advanced through an early-on inclusion and ability to participate for local authorities and urban-regional organisations. This can be achieved by implementing the principle also on an operational level when going through the programming process.
- ❑ An adequate classification of regions should be established for the cohesion policy, and also for cross-border cooperation.
- ❑ EU-funded (innovative, pilot, strategic, non-commercial, public) measures should, in principle, not fall within the scope of EU state aid law.

2.4 Inclusion of cities and urban-regional players as equal stakeholders into EU policies

In line with the Urban Agenda of the EU, the urban dimension must be set as an inherent part of the legal and strategic framework for cohesion policy,

- especially regarding better codetermination of cities and urban regions.
- Furthermore, the urban dimension must be anchored in all relevant decision processes of the EU;
- Lastly, the rules of procedure of the European Parliament must include the right to speak for politically elected representatives of the cities and their associations and networks.

²¹ The Lead-Partner principle was not applicable for urban-regional initiatives within the ERDF-Investment for Growth and Jobs.

Conclusion

Experience of previous years has shown that, under the following conditions, EU funding is especially important and justifiable for cities and urban regions - even in the more developed regions:

- ❑ Wherever they support and organise communication and knowledge sharing at eye-level among experts: Learning from each other is considered a valuable contribution to forward-thinking urban development by urban stakeholder all over Europe.
- ❑ Wherever they initiate planning and investment innovation and mitigate risks. Many new projects and process innovations in cities and urban regions get off the ground because a funding project offers the protected organisational framework and venture capital to test and evaluate new innovations for the first time.
- ❑ Wherever they promote processes of cooperation in functional urban areas: Cooperation within rigid political and administrative structures almost always needs a nudge from outside. National agglomeration policy, as it is already being practised in many proactive countries, has not yet gained ground in Austria. For this reason, EU funding would be an especially ideal external incentive-tool.
- ❑ Where cities and urban regions are empowered in the sense of the subsidiarity principle to implement EU matters on a local level, like in the case of the implementation of environmental standards (CO₂ reduction, adaptation to climate change), or, most recently, in the case of integration of migrants.