



PROMOTING THE TRANSFORMING POWERS OF EUROPEAN CITIES.

**Positions of the German-Austrian URBAN-
Network on the promotion of sustainable
urban development in the EU Structural
Funds funding period 2028+**



#URBANPost2028

THE POSITIONS AT A GLANCE.

Promote Transformation:

In future cohesion policy, we need sustainable and long-term integrated urban development with adequate funding in all regions of Europe, as the importance of cities as key places of transformation will continue to increase, for example in energy and climate policy, migration policy and labour market policy in an open single market.

Create needs-based allocation of funds:

Statistical indicators for determining the eligibility of regions must be supplemented in the interests of the cities so that local problems can be reflected in a more differentiated way and challenges, such as demographic change, social disadvantage, migration, digitalisation, and ecological transformation can be tackled in a more accurate manner. This should also ensure that cities in more developed regions and transition regions receive adequate funding.

Establish attractive EU co-financing:

The current co-financing rates in the structural funds must be increased in order to enable lower economically performing municipalities and cities with low financial resources, in particular, to continue to access EU funding and not lose them as important allies in the implementation of EU strategies on the common path.

Maintain thematic flexibility:

The concentration of EU funding on the five key political objectives (PO) must be maintained. Urban measures can easily be credited to all key objectives (PO 1 - PO 5).

Increase quota:

In future, funding for sustainable urban development should include a minimum quota of at least 15%.

Strengthen area-wide impact through shared fund management:

The broad, partnership-based approach of shared management of funds has proven its worth and should be maintained. A structural cohesion policy is preferable to selective funding through special programmes.

Aim for administrative simplification:

A simplification of the regulations and procedures as well as the extension of the accounting period to at least N+3 is necessary to ensure efficient and effective operational implementation.

Create options:

For the promotion of integrated territorial development measures, there must continue to be a choice between ITI (integrated territorial investment) and CLLD (community-led local development) instruments and "other territorial tools" of the Member States.

Preserve long-term cohesion policy:

Cohesion policy should have a structural effect and is not a crisis instrument. Fragmentation through the creation of crisis and special programmes must be avoided.

Maintain territorial flexibility:

Territorial backdrops of EU funding with their different challenges and needs must be able to be designed flexibly in terms of future local transformation requirements and innovation potential: starting from neighbourhoods to city-wide and inter-municipal areas.



INTRODUCTION

Cities of all sizes are of outstanding importance for the social, economic, and territorial cohesion of the European Union. As places of diversity, creativity, and solidarity, but also because global challenges are most visible here, cities are drivers of innovation in transformation processes and often pioneers in the development of solutions. For over 30 years, EU cohesion policy has therefore been promoting the sustainable development of cities and regions in Europe through its funds and programmes.

As part of EU cohesion policy, Germany will receive around €19.8 billion from the European Structural and Investment Funds in the 2021 - 2027 funding period. Of this, €17.6 billion will be distributed by the federal states via programmes previously negotiated with the EU Commission. The federal government will finance €2.2 billion via a national programme (ESF+ federal programme). As part of the partnership agreement between Germany and the European Union, the implementation of 52 operational programmes was agreed locally. In Austria, around EUR 521 million from ERDF funding and EUR 0.76 million from the Just Transition Fund are available for the "Investment in employment and growth" programme 2021-2027. In Austria, around EUR 33 million of this is allocated to the urban dimension in terms of strategy-based, sustainable, integrated neighbourhood development measures, a large part of which is for Vienna (EUR 25 million) in its special role as a federal state and city. In Austria, there is currently no structural federal funding to promote urban development measures, with a few exceptions, such as the Climate Pioneer City Initiative of the Ministry of Climate Action. The current funding period has emphasised the need for sustainable and long-term urban development with adequate funding, as the COVID-19 pandemic, climate change and the war in Ukraine have created new regional and local inequalities and further exacerbated existing structural weaknesses and disparities. This makes a strong EU cohesion policy all the more important as an instrument for promoting stability in Europe and, at the same time, the associated support for change and transformation in all European territorial categories.

This position paper was drawn up by the member cities of the German-Austrian URBAN network with the participation of the German federal and state ministries and other partners in spring 2024. The positions and recommendations for action derived from this are based in particular on previous experience in implementing the urban dimension in the EU Structural Funds. The recommendations and demands are aimed at the specialist representatives of the EU institutions as well as the federal, state, and local authorities in Germany and Austria involved in the discussion process on the organisation of the EU funding period 2028-2034.

Promote transformation.

The promotion of integrated urban development measures¹ within the framework of EU cohesion policy has proven its worth for decades and makes a significant contribution to economic, territorial, and social cohesion in Europe's cities. Global challenges, such as climate change and climate change adaptation, have a significant impact on cities of all sizes as the societal centres of housing, production, services, trade, and culture. In order for the necessary sustainable transformation of cities and municipalities to be successful, cohesion policy must have a more long-term focus and be adequately resourced. This is the only way to bring about realistic, effective, and positive changes in the cities. Consistent and coordinated financial support from the EU, federal and state levels is needed to finance infrastructure projects to support decarbonisation, e.g. in sustainable energy systems in conjunction with social innovations. Qualitatively, the supported measures should be geared towards enabling transformative changes in cities, meeting the various urban challenges, and making cities more resilient to crises in the long term.

A flexible and adaptable cohesion policy that takes sufficient account of the diversity of European cities and regions and their individual needs is required. Cities vary considerably in size, structure, population composition and economic orientation. It should therefore be possible to adapt cohesion policy measures to local circumstances. In Germany and Austria, this requires close cooperation between the European institutions, the federal governments, the federal states and local authorities in order to ensure tailor-made approaches.

In future cohesion policy, we need sustainable and long-term integrated urban development with adequate funding in all regions of Europe, as the importance of cities as key places of transformation will continue to increase, for example in energy and climate policy, migration policy and labour market policy in an open single market.

¹ Integrated or interdisciplinary urban development encompasses several specialist sectors for planning the spatial development of a city, for example from urban, open space, transport, environmental, social, education, supply and disposal planning as well as labour market policy and economic development.

Create needs-based allocation of funds.

In future, European funding instruments should be more focussed on tackling local problems. The existing method of fund allocation and eligibility takes into account the difference between the gross domestic product (GDP) of the region in question and the EU average and also takes into account social, economic and territorial challenges and factors, such as unemployment, low population density and the level of education of the population. However, these parameters do not adequately capture specific facets of local challenges.

Cities and urban regions make a significantly higher contribution to gross domestic product (GDP) than rural areas in terms of their share of the population. As drivers of the European economy and catalysts for creativity and innovation, they play a central role in economic, social, and territorial cohesion in Europe. At the same time, there are increasing social inequalities in urban areas, such as a concentration of population groups with higher risks of unemployment, child poverty, transfer benefit receipt and fewer educational opportunities, which manifest themselves in increasingly socio-spatially segregated neighbourhoods.

Cities that are geographically located in a statistically more developed region often do still not have sufficient financial and economic strength to cope with the enormous local challenges described above. When planning cohesion policy, particular attention should therefore be paid to the differentiating, changing social and economic landscape in Europe's cities and regions. A successful needs-based allocation of funds should be based on a sound understanding of this diversity of challenges and local circumstances and do justice to the many different challenges. Transparent communication about the criteria for allocating funds is essential. EU funding policy should not only be aimed at eliminating deficits, but also at strengthening potentials and sustainable development prospects. This requires cities to participate in the development of quantitative and qualitative indicators in order to realistically reflect local characteristics. In particular, indicators should not be chosen too restrictively so that neighbourhoods that are actually in need are not excluded from funding on the basis of a single negative indicator.

Statistical indicators for determining the eligibility of regions must be supplemented in the interests of the cities so that local problems can be reflected in a more differentiated way and challenges such as demographic change, social disadvantage, migration, digitalisation, and ecological transformation can be tackled in a more accurate manner. This should also ensure that cities in more developed regions and transition regions receive adequate funding.

Establish attractive EU co-financing.

Many municipalities - even in statistically designated "developed" NUTS2 regions - are currently facing enormous financial challenges. This affects both small and medium-sized, but also larger cities with lower financial resources and insufficient personnel capacities, while at the same time facing ever-increasing social, economic, and environmental challenges. In these municipalities in particular, the current practice of co-financing represents a major hurdle. Despite major concerns, the EU co-financing rate for the 2021-2027 funding period was reduced from 50% to 40% for the more developed regions and from 80% to 60% for transition regions. In the less developed regions, up to 85% of project costs can be co-financed by the European Regional Development Fund (ERDF). The principle of hoping for national or regional grants to compensate for the lack of local co-financing for projects supported by the EU Structural Funds is inadequate due to the strained situation of public budgets, particularly as it overlooks the capacity limits, for example in the area of personnel, of already weakened municipalities.

Transition regions are particularly affected by the challenges of demographic change, digitalisation and decarbonisation. Due to this special situation, it is necessary to increase the maximum co-financing rates for transition regions to at least 80% again. A further increase in co-financing in developed regions to 50% would also help to give financially weak municipalities better access to EU funding.

This approach follows the principle of doing no harm, increasing the attractiveness of cohesion policy to potential beneficiaries in addition to the national funding options for cities and municipalities and strives for a fairer, needs-based distribution of resources to promote sustainable development in cities where it is most needed.

The current co-financing rates in the structural funds must be increased in order to enable lower performing municipalities and cities with low financial resources, in particular, to continue to access EU funding and not lose them as important allies in the implementation of EU strategies on the common path.

Maintain thematic flexibility.

In the 2021-2027 period, five political objectives (PO) were defined for EU cohesion policy and structural funding as part of cohesion policy, on which the allocations from the ERDF are based. For example, all Member States must currently use at least 30% of EU structural fund allocations to ensure a greener, low-carbon transition to a climate-neutral economy and a resilient Europe.

Effective, sustainable urban development is characterised by multi-sectoral planning and implementation, which in Germany and Austria is often supported by informal, strategic planning instruments such as Integrated Urban Development Concepts (INSEK/ISEK) or other local strategies.

As a rule, sustainable urban development measures are subsumed under PO5, but due to the multi-sectoral nature of integrated urban development measures, the other key policy objectives (PO 1-4) in EU funding also offer sufficient scope for urban development projects.

The concentration of EU funding on the five key political objectives (PO) must be maintained. Urban measures can easily be credited to all key objectives (PO 1 - PO 5).

Increase quota.

In the current 2021-27 funding period, the EU stipulates that at least 8% of ERDF funding at national level will be made available for sustainable urban development. Initial analyses by the DV indicate that this quota will be met, at least in Germany. The current minimum quota of 8% must be significantly increased in view of the enormous investment challenges in Europe's cities. Around 70% of the population in Europe lives in cities, in Austria this figure is around 59% and in Germany even around 77%. Although the current practice in EU funding is particularly focussed on the challenges and potential of large cities and metropolitan regions, integrated sustainable urban development is of enormous importance for cities of all sizes. The specific concerns and opportunities of small and medium-sized cities must therefore be given greater consideration in EU funding for integrated sustainable urban development. If we want to bring Europe closer to its citizens in times of local, regional and national social upheaval and increasing urbanisation, then we must do this primarily with and in cities.

In this context, a gradual increase in the quota should be sought, with a minimum quota of 15% in the next funding period. This increase for sustainable integrated urban development in EU funding will strengthen the increased knowledge of the multi-sectoral impact of integrated urban development and recognise the growing importance of urban development for the overall European good.

In future, funding for sustainable urban development should include a minimum quota of at least 15%.

Strengthen area-wide impact through shared fund management.

The principles of partnership and cooperation in the multi-level governance system are key features of the programme planning and implementation of EU cohesion policy. The multi-year practice by the sub-national state levels in Germany and Austria has proven itself and the procedure of shared fund management and implementation should be maintained. This not only contributes to an institutional strengthening of the European implementation structure, but also makes it possible to efficiently consider development differences and potentials in cities, particularly in territorial states, and to bundle EU cohesion policy with regional development planning. However, in the future, even greater attention should be paid to the integration of local strategies and needs - in the spirit of innovative multi-level governance approaches - especially in the planning and implementation of national EU structural fund programmes. In addition, many municipalities need the active support of the region in order to mobilise the necessary administrative capacities to participate in EU funding programmes.

A key challenge is to develop clear criteria to ensure that specific EU special programmes take equal account of the actual needs and development prospects of the Member States, their federal states and cities. This requires a precise definition of the objectives of special programmes as well as mechanisms to avoid redundancies or overlaps with the general cohesion objectives. The Commission must ensure that special programmes and centrally managed programmes are not implemented at the expense of the urban dimension of regional programmes implemented under shared management. In special investment programmes for cities, care must be taken to ensure that the allocation of funds at European level is also more geographically balanced than in the past. Special

programmes, such as the European Urban Initiative, can demonstrate how cities can be offered clear added value and have a complementary effect.

The broad, partnership-based approach of shared management of funds has proven its worth and should be maintained. A structural cohesion policy is preferable to selective funding through special programmes.

Aim for administrative simplification.

The current funding period in particular presents many local authorities with considerable operational difficulties. While the activities of the last funding period were still ongoing, there was considerable overlap between the end of ongoing funding activities and the application for new projects in Germany that are to be funded by EU cohesion policy. Optimising the application phases would not only increase the incentive of EU funding for municipalities, but also increase the effectiveness and sustainability of the project measures in the cities and municipalities, as the implementation period in the current funding period has de facto shrunk considerably. The transition between funding periods should be planned with greater foresight in order to ensure greater continuity for operational implementation.

The future procedure should not lead to extensive changes; in particular, established, and proven management and control systems should be continued. For example, dispensing with comprehensive amendments to the EU regulations for programme implementation, management and control systems would contribute significantly to the continuity of the programmes and noticeably accelerate the start of the implementation of a new funding period. Necessary approval processes could thus be implemented much more efficiently at the beginning of a funding period. Submitting the approved legal acts for EU cohesion policy as early as possible can also significantly minimise delays. A tightening of the lead time and an early announcement of the framework conditions are also necessary. Procurement procedures are becoming increasingly time-consuming and labour-intensive, but small municipalities in particular usually wait for the framework decision before taking the financial risk of a procedure. Taking into account the principle of proportionality, specifications should refrain from detailed regulations as far as possible, e.g. with regard to award documentation and regulations on the provision of evidence.

Simplifying the rules and procedures is therefore an essential requirement in order to reduce the administrative burden and enable faster, more efficient implementation of EU funding. A comprehensive review of the existing regulations is necessary in order to

avoid unnecessary hurdles and complexity. Insofar as regulations for the next funding period are available in time, an adjustment of the accounting period to at least N+3 would offer an extended timeframe for the utilisation of funds. This is particularly advantageous for complex projects or in response to unplanned crisis situations.

Simplifying the rules and procedures and extending the settlement period to at least N+3 are necessary to ensure efficient and effective operational implementation.

Create options.

The optional use of territorial instruments such as ITI (integrated territorial investment) and CLLD (community-led local development) to strengthen participation in planning processes and investment decisions in the current funding period should be viewed positively in principle. Nevertheless, approaches based on the territorial instruments are already being actively pursued in the German federal states. The "other territorial tool" introduced in the 2021-27 funding period is therefore very welcome and should be retained. The possibility of accepting existing integrated development strategies as the basis for funding sustainable urban development projects thus contributes significantly to process efficiency and prevents the creation of duplicate structures.

For the promotion of integrated territorial development measures, there must continue to be a choice between ITI (integrated territorial investment) and CLLD (community-led local development) instruments and "other territorial tools" of the Member States.

Preserve long-term cohesion policy.

Cohesion policy itself is not a crisis instrument and is geared towards long-term goals, such as strengthening Europe's economic, social, and territorial cohesion and reducing the differences in the level of development between different regions. Nevertheless, it makes an effective and sustainable contribution to better managing future crises at regional and local level and to developing greater resilience. Special programmes for the immediate response to acute crises should complement medium- and long-term support mechanisms in shared management and not compete with them under any circumstances. In order to ensure that crisis and special programmes strengthen the overall coherence of EU funding policy, clear communication and careful coordination between the administrative authorities at European, national and federal level, including the cities, is essential. It has been shown that special instruments have increased the risk of double funding, which has led to considerable additional administrative work and legal uncertainties for both the administrative authorities and the beneficiaries. In addition, this complex funding landscape and the sometimes competing funding procedures at local authority level have led to a lack of clarity, which particularly penalises smaller local authorities with low administrative capacities, although it is precisely these that need more support. This situation must be avoided in future.

Cohesion policy should have a structural effect and is not a crisis instrument. Fragmentation through the creation of crisis and special programmes must be avoided.

Maintain territorial flexibility.

In order to be able to respond effectively to the diverse requirements and changes in the different administrative levels and units, it is important that territorial settings can be addressed flexibly with different EU funding instruments - starting at the neighbourhood level and extending to city-wide and inter-municipal contexts. Flexibility allows local communities to be actively involved in the development of their living space and EU funding to be used in a more targeted manner. Territorial flexibility helps to develop a customised and long-term funding policy that meets the specific needs and innovation potential of cities and municipalities.

In addition, consideration of different territorial levels - from neighbourhoods to city-wide and inter-municipal relationships - ideally supports integrated development planning with participatory elements. This enables the optimal utilisation of synergies between neighbouring administrative units and planning areas and the overcoming of common challenges. This not only enables individual responses to local requirements, but also promotes networked thinking, planning and action in the interests of comprehensive and sustainable transformation.

Territorial backdrops of EU funding with their different challenges and needs must be able to be designed flexibly in terms of future local transformation requirements and innovation potential: starting from neighbourhoods to city-wide and inter-municipal areas.

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The URBAN-Network

The German-Austrian URBAN-Network has been supporting German and Austrian cities in the implementation of integrated urban development measures within the framework of the EU Structural Funds and beyond since 1996. In 2024, these are the following 13 member cities: Berlin, Bielefeld, Dresden, Duisburg, Düsseldorf, Graz, Jena, Leipzig, Mannheim, Meißen, Plauen, Regensburg and Vienna. As a long-standing exchange platform and community of interest for urban issues, the network is also in direct contact with political decision-makers at national and European level. The network is supported by the German Association for Housing, Urban Development and Regional Planning. Further information can be found (in German) at <https://www.deutscher-verband.org/aktivitaeten/netzwerke/urban-netzwerk.html>.