

## “URBAN GOES, JESSICA COMES” OR SUPPORTING URBAN AREAS IN THE EUROPEAN COMMUNITY

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**ABSTRACT:** *The European Community has noticed relatively early, that the regional policy could not only drift for reducing the economic disparities existing between certain regions, but should support some other important goals. One part of the financial instruments of the regional policy supported expansions in rural development, but the regeneration of urban areas and the sustainable urban development has gradually appeared as new objective.*

*First of all I give a short summary on the background of supporting urban areas. I present the URBAN Community Initiative from its formation to 2006 as the instrument of the European Union's regional policy for supporting urban areas. I review the objectives and the working of the URBAN programme, then I changeover to the URBAN II, which was the second generation of this financial programme.*

*From 2007 the system of the regional policy has basically changed. The new policy, called cohesion policy, continues its' work. It has three new objectives which are being supported by the remainder two structural funds (ERDF and ESF) and the Cohesion Fund. The four Community Initiatives, so the URBAN too, have disappeared in this form. The URBAN II is integrated into the objective “regional competitiveness and employment” and appears within the framework of operational programmes co-financed by the ERDF. Within the framework of the cohesion policy, relating to urban areas, the ERDF may support the development of participative, integrated and sustainable strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas.*

*After studying URBAN and its “afterlife”, in the second part of my presentation I deal with a new financial initiative which can support the sustainable urban development within the European Community after 2007. Creating the JESSICA (Joint European Support for Sustainable Investment in City Areas) was a sort of answer to the request of the Member States and the European Parliament. They have formerly attracted the attention to the need of creating a new financial instrument which concentrates to the regeneration and reformation of urban areas. This new initiative is based on the cooperation between the Commission, the European Investment Bank and the Council of Europe Development Bank, promotes the sustainable investment, and growth and jobs, in Europe's urban areas.*

**KEYWORDS:** *regional policy, economic disparities, rural development, URBAN programme, Joint European Support for Sustainable Investment in City Areas.*

**JEL CLASSIFICATION:** *K 00, K 32*

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## INTRODUCTION

*“The urban question... is at the heart of economic, social and territorial change. Cities are a key location for the pursuit of a strategy for cohesion and sustainable development.”<sup>1</sup>*

The cohesion policy of the European Union is one of the most important community policies. In the last few years, due to the enlargement in 2004 and 2007, the importance of the cohesion policy has increased: almost the whole territory of the new Member States is supported by the Community under the objective “convergence”, which means that the financial activity of the structural funds is grown up in these areas.

The legal basis of the cohesion policy is the Article 159-162 of the EC Treaty, which declare both the objectives and the Community organs and financial instruments, which can act important role in realising the cohesion objectives.

The European Community has noticed relatively early, that the regional policy could not only drift for reducing the economic disparities existing between certain regions, but should support some other important goals. One part of the financial instruments of the regional policy supported expansions in rural development, but the regeneration of urban areas and the sustainable urban development has gradually appeared as new objective.

In addition to the structural funds, working in the framework of the EU’s cohesion policy, the Community has created special programmes, the so called Community Initiatives, to find common solutions to such problems, which concern the whole European Union. These instruments complete the cohesion objectives, i.e. they concentrate those areas which are not covered by these objectives. Linked with the Community Initiatives the European Commission had the competence to allocate the set amount.

### 1. COMMUNITY INITIATIVES: PAST AND PRESENT

In the first phase of the Community Initiatives (1994-1999) the Commission proposed to create more than ten Community Initiatives. The main goals of them were to developing cross-border, interregional and transnational co-operations, improving urban areas (especially urban areas struggling with crisis), managing the structural changes of the industry, developing employment and human resources, revitalizing the fishery sector.

The URBAN Community Initiative was born in this period too. It was created to regenerate urban areas facing with economic and social difficulties. In the financial background of the URBAN stood the European Regional Development Fund (hereinafter ERDF).

In the programming periode 2000-2006 the number of the Community Initiative programmes have decreased to four. The URBAN II, the EQUAL, the LEADER+ and the INTERREG III with the same objectives, but in renewed form have announced theirs competitions.

After the reform of the cohesion policy in 2007, the former Community Initiatives have disappeared. The INTERREG has turned into a cohesion objective, while the URBAN

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<sup>1</sup> Unity, solidarity, diversity for Europe, its people and its territory, Second Report on Economic and Social Cohesion, European Commission, 2001

and EQUAL have integrated in the “convergence” and “regional competitiveness and employment” objectives. The former Community Initiative programme, LEADER +, has been integrated into the new rural development instrument, the European Agricultural Fund for Rural Development (EAFRD).<sup>2</sup>

## 2. THE URBAN COMMUNITY INITIATIVE

At the beginning of the 1990s the Community has noticed, that the cities of Europe are not only the motors of growth, but mean of a certain source of problems and challenges too at European level. Although the cities are economic centres, and appear as the basis of the knowledge and technical capacity, they have to face up to the economic and social exclusion, high unemployment rates, degradation of the natural and built environment, congestion, crime, intolerance and racism, and the loss of local identity.<sup>3</sup>

In its opinion, the Committee of the Regions underlined “*the decisive role of cities in the implementation of the EU’s main objectives - economic and social cohesion, employment, competitiveness and environmental sustainability*”.<sup>4</sup>

As a result of this duality of the European cities, the Community tried to reduce the negative characteristics, searching for the best solution, and to make much better the positive features. To realise this idea, the Commission created a new instrument under the form of Community Initiative, which could support urban areas in the field of promoting economic competitiveness, tackling social exclusion and environmental regeneration. The new tool was designed to make an additional contribution within the framework of the Community Structural Funds.

### *The URBAN Pilot Projects*

In spite of the fact, that the URBAN Community Initiative was created only at the beginning of the 1990s, it has some forerunners, namely the URBAN Pilot Projects (UPPs).

Between 1989 and 1993, more than 33 UPPs were approved with the amount of 101 million € Community support.

After the successful execution of the UPPs, the URBAN Community Initiative has started its work in 1994. It had three main objectives: (1) the economic development of urban areas struggling with social problems, (2) connecting environmental values and economic goals, and (3) economic revitalising of historical centres.

### *URBAN I*

The first generation of URBAN (hereinafter URBAN I) was designed to support the sustainable development of crisis-hit cities and neighbourhoods in the European Union. It was one of 14 Community Initiatives, which were implemented during the programming period 1994-1999. Between 1994 and 1999, a total of 118 URBAN programmes were supported by the EDRF and ESF structural funds. The complete Community funding was approximately 900 million EUR in 1999 prices.

On the one hand, the URBAN I aimed to promote a spatial concentration of resources taking an area-based approach to delimit a neighbourhood and concentrate efforts on

<sup>2</sup> The urban dimension in Community policies for the period 2007-2013, European Commission, Interservice Group on Urban Development, Brussels, 2007, p. 7

<sup>3</sup> Partnership with the Cities. The URBAN Community Initiative. European Commission, 2003, p. 6

<sup>4</sup> Opinion of the Committee of the Regions of 3 June 1999, CdR 115/99 final

upgrading a particular area. At the same time, it also aimed in the The involvement of local communities, as far as possible, in the design, management and implementation of their programmes.<sup>5</sup>

In 1997 the Treaty of Amsterdam has firmly inserted sustainable development as an explicit Treaty concept, with Article 2 of the TEU introducing as one of the objectives of the Union the achievement of “balanced and sustainable development”.<sup>6</sup> As a result of this modification, a new development trend has started under the name, sustainable urban development.

#### *The URBAN II*

As a result of the success of URBAN I, the Commission – yielding to pressure of the European Parliament and its lobby – has proposed to lengthen the work of this Community Initiative for the period 2000-2006. Under the name URBAN II (2001-2006), the programmes have continued its work in rehabilitation of declining urban areas.

There is a basic difference between the URBAN first and second generation: the latter concentrates to a more degree to maintain the cooperations, which were built up with the local authorities and communities. In over 80 % of the cases, local community groups participated in the formulation of actions under the programme.<sup>7</sup> Another speciality of the URBAN II, that – in addition to the large cities – it was extended for the small- and medium-sized cities too.

Within the framework of the URBAN too, a really new element is the using and developing of urban audit, which main goal is to collect as much as possible information on the living conditions in 258 large and medium-sized cities within the European Union. It provides European urban statistics based on indicators like demography, economic and social aspects, civic involvement, training and education, environment, and so on. The urban audit studies and compares these features at city, at larger urban zone (LUZ) and sub-city district (SCD) level.

	URBAN I	URBAN II
Number of eligible areas	118	70
Eligible population	3.2 million	2.2 million
Largest programme (inhabitants)	Vienna (130,000)	Amsterdam (62,000)
Smallest programme	Bari (8,000)	Amadora (10,000)
ERDF contribution	€953 million (1999 prices <sup>1</sup> )	€700 million (1999 prices)
Average ERDF/programme	€8.1 million	€10 million
Average ERDF/inhabitant	€300	€320
Total investment	€1800 million (current prices)	€1580 million (current prices)
Total investment/inhabitant	€560	€720

Table 1: URBAN I and URBAN II: key facts<sup>8</sup>

<sup>5</sup> Ex-post Evaluation. URBAN Community Initiative (1994-1999), Final Report, GHK, Brussels, August 2003, p. 21

<sup>6</sup> Richard Macrory: The Amsterdam Treaty: An Environmental Perspective. In: Legal Issues of the Amsterdam Treaty (eds. David O’Keefe – Patrick M. Twomey), Hart Publishing, 1999, p. 172

<sup>7</sup> Growing Regions, growing Europe, Fourth report on economic and social cohesion, European Commission, Brussels, 2007, p. 119

<sup>8</sup> The programming of the Structural Funds 2000-2006: an initial assessment of the Urban Initiative, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, COM (2002) 308 final, Brussels, 14. 6. 2002, p. 29

The URBAN II concerned on the regeneration of cities and declining urban areas by supporting new strategies and integrated development programmes. The programme – as before – was financed by the European Regional Development Fund with the maximum sum of 700 million €. The greatest part of this support was distributed between Germany, Spain, Italy and the United Kingdom. With the help of this Community aid, about 50 urban areas could realise new strategies promoting economic and social growth.

In favour of the more harmonised development of the European Union, the Community supports, which aim at urban and rural areas, shall promote the balance between these areas, and shall take into consideration the concrete problems and specialities too.

The balanced urban development claims to rehabilitate and increase the social integration in those urban areas, which are lagging behind. The living standards shall be increased too, and new respects, like public health, clean and cheap public transport, the using of renewable energy sources shall take into account. To realise these ideas, the leadership of the cities should be more effective and be closer to the citizens.

In addition to the cities, the rural area is also an important factor in course of the development process. Connections between urban centres, and between these and rural areas, are a major force for economic development. These rural areas mostly are rarely populated, and several cases have to face with the lack of the basic services and working possibilities. In respect of these features, rural areas are a main field of the Community supports, because it is necessary to create a relative balance between cities and outer areas, and build up harmonised cooperation.

### 3. SUPPORTING URBAN AREAS AFTER 2007

#### *Changes of the cohesion policy*

From 2007 the system of the regional policy has basically changed. The new policy, called cohesion policy, continues its work. In July 2006 the Commission adopted a regulation package consisting of 5 regulations. (Previously the regulation package was in focus of debates. The basis for the reform debate on EU Cohesion policy is the proposals set out by the European Commission in the Third Cohesion Report and the draft Regulations in 2004.)

The adopted 5 regulation reform the whole structure of the cohesion policy. The framework will be simpler and more transparent than in the past few years. These regulations also simplify the joint implementation. On the one hand the simplification appears in the objective's transformation, on the other hand comes up in the number of the financial instruments too.

In the programming period 2007-2013 there are 3 new objectives instead of nine, which are being supported by the remainder two structural funds (ERDF and ESF) and the Cohesion Fund. The three new objectives of the cohesion policy, i.e. the „convergence”, the „regional competitiveness and employment” mainly concern to reduce differences between the regions and improving the competitiveness and employment in these regions. The third objective, called „European territorial cooperation” denotes the territorial dimension of cohesion policy. This newly defined objective is based on the experiences of the INTERREG III Community Initiatives. Under this cross-border objective, transnational and interregional cooperations can be strengthened.

The four Community Initiatives, so the URBAN too, have disappeared in this form. The URBAN II is integrated into the objective “regional competitiveness and employment” and appears within the framework of operational programmes co-financed by the ERDF. Within the framework of the cohesion policy, relating to urban areas, the ERDF may support the development of participative, integrated and sustainable strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas.

After 2007, most of the programming documents, the so called National Strategic Reference Frameworks (NSRF) contain references to sustainable urban development measures in line with the former URBAN model. In most cases, the urban dimension appears as a specific priority inside the NSRF. In some member states, for example in Denmark and in Germany, urban development is a “cross-cutting” objective.<sup>9</sup> It means, that in course of each development priority shall take into consideration the urban dimension, the prospective effects of the assistances for the cities and urban areas.<sup>10</sup>

*The new generation: the URBAN +*

As a consequence of the cohesion reform, the urban deprivation and regeneration under the name of URBAN + are integrated into regional programmes<sup>11</sup>, after 2006.

The sustainable urban development should be reinforced by fully integrating measures in that field into the operational programmes co-financed by the ERDF, paying particular attention to local development and employment initiatives and their potential for innovation.<sup>12</sup>

The sustainable urban development appears in a single article of the reference regulation. Article 8 of the Regulation (EC) 1080/2006 declares, that the ERDF may, where appropriate, support the development of participative, integrated and sustainable strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas.

After 2007, increasingly appears the need, to make European cities more attractive in respects of the investments. To realise this, it shall be take into consideration some characteristics, like availability and mobility, attending basic services, appropriate level of natural and physical environment, possibility of cultural services.

Connecting to the availability and mobility, the quality and the security of the public transport should be develop. A very important further aim is to decrease the level of environmental- and noise-pollution in urban areas, and rehabilitate the old city-districts. In course of the urban development and planning process, it should be take into account, that the people living in the cities also have a claim for cultural programmes, entertaining possibilities. The culture can build up bridges between the people, and it is also able to strengthen the social relations.

*Interregional urban co-operation: the URBACT*

The main goal of the URBACT programme is to build thematic networks, to promote the exchange of experiences between the cities and partners, who took part in UPPs, URBAN

<sup>9</sup> Forth report on economic and social cohesion, p. 120

<sup>10</sup> In more detail: Uwe Altröck: Spatial Planning and Urban Development in the New EU Member States. From Adjustment to Reinvention, Ashgate Publishing, Ltd., 2006

<sup>11</sup> A new partnership for cohesion. Convergence, competitiveness, cooperation. Third report on economic and social cohesion, COM (2004) 107, European Commission, Brussels, 18 February 2004, p. xxxi

<sup>12</sup> Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999, OJ L 210., 31. 7. 2006, p. 1, para (9)

I and URBAN II programmes. The URBACT is working for the strengthening of the social cohesion in the urban areas, which are facing with difficulties.

Several European city take part in the URBACT – network. The basic method of the programmes is the sharing of the experiences within the framework of debates, and different forums. After these forums, the staff of the URBACT tries to compare the results and makes a common language and common tools.

The URBACT concerns on starting a new, experience- and discussion-based thinking process, which can support the common development of the European cities, which can help each others during the development process. The URBACT offers for the cities the possibility to resort to Community experts.

Within the framework of the URBACT programme, thematic networks are created. To create a new network, it needs at least the participation of five cities in it. The networks hang around certain objectives. At present there are 13 thematic networks, which have more than 120 members from the member states, 12 of the from the new member states.

Inside the URBACT there are also so called working groups. The existence of these groups are ad hoc, they are created for determinate term, to work up and answer for certain issues.

#### **4. A SUPPLEMENT FINANCIAL INSTRUMENT: THE JESSICA<sup>13</sup>**

Article 159 of the EC Treaty declares, that in realising cohesion objectives, over the Structural Funds, the European Investment Bank also takes part. The European Investment Bank (hereinafter EIB) is a financial institution of the European Union having its own legal personality, financial autonomy and decision making organ. With regard to its activity it is worth noticing, that it takes part to support cohesion objectives by from the beginning, through granted loans and guarantees.

The activities of the EIB, linked to the economic and social cohesion, primary aim at equalized development in the European Union. From the part of the EIB it is shown by supporting the development of regions and helping to reduce the disparities existing between the European regions.

In its Corporate Operating Plan (2007-2009) the EIB declares to support the EU's renewed cohesion policy and to help in the programming phase of those projects, which are co-financed by the ERDF and the Cohesion Fund in the beneficiary countries. To realise the renewed Lisbon Strategy, the Community has created some new cohesion instruments, the so called "J-instruments", i.e. the JASPERS<sup>14</sup>, the JEREMIE<sup>15</sup> and the JESSICA. The agreement creating the "J-instruments" was born in October 2005. It pronounces, that in realising the objectives of the cohesion policy the Commission (namely its Directorate General for Regional Policy) and the EIB work together and via these new financial instruments strengthen the co-operation between the two institutions.

The JESSICA (Joint European Support for Sustainable Investment in City Areas) was created to support investments in urban areas in the spirit of sustainability. It offers the combination of subventions with loans to finance urban development and urban renovate projects.

<sup>13</sup> Joint European Support for Sustainable Investment in City Areas, JESSICA

<sup>14</sup> Joint Assistance to Support Projects in European Regions, JASPERS

<sup>15</sup> Joint European Resources for Micro to Medium Enterprises, JEREMIE

Creating the JESSICA was a sort of answer to the request of the Member States and the European Parliament. They have formerly attracted the attention to the need of creating a new financial instrument which concentrates to the regeneration and reformation of urban areas.

This new initiative is based on the cooperation between the Commission, the European Investment Bank and the Council of Europe Development Bank (CEB), promotes the sustainable investment, and growth and jobs, in Europe's urban areas. Actually, it can be said, that the JESSICA is the continuation of the URBAN Community Initiative in the cohesion policy. But, on the other hand, we should make a distinction between the two instrument supporting urban areas: while the URBAN was financed by only the ERDF, in the case of the JESSICA not only the ERDF, but the EIB also offers its aim combining various credit and guarantee possibilities.

In the programming period 2007-2013 it is possible for the beneficiary countries to separate a part of the amount coming from the EU's structural funds and to create so called Urban Development Funds (UDFs). The UDFs can support investments in urban areas, especially by accelerating the rate of these investments.

The JESSICA will contribute to handle the UDFs simpler and more flexible by creating public-private partnerships (PPPs), and gives also financial and professional help in realising the urban development projects. The JESSICA also offers certain consultant services: the staff of the JESSICA consists of experts, who are delegated by the EIB, the CEB and some other International Financial Institutions (IFIs). These latter take part as external experts in the work of managing authorities.

It is worth noticing, that the possibilities are offered by the JESSICA for the urban areas are only subsidiary, they serve as supplement of the other instruments which are available for these areas in the development projects.

#### AFTERWORD

At the last few pages I have presented in brief the past and present tools of the urban development policy of the European Union. The objectives of this policy is changing continuously. Nowadays, the main goals of the EC are to build up operable cooperation between the European cities, or to strenghten the existing cooperations.

In addition to the cooperations, another important objective is to create dynamic and competitive cities. The Community affirms, that European cities are the motors of the competitiveness of the regions, and their role will write-up in the future. It declares too, that new partnerships shall be crete between urban and rural areas, in favour of decrease the differences existing between these areas.

The Community emphasise, that European cities could not exist alone, without its area, so the development trends shall take into account this dimension too.

It is really important to realise these urban development ideas not only at European, but also at national level. The Community programmes, like the URBAN and its generations, contain several lessons for the future European policies. One of them is the integrated approach of problems, where social, economic and environmental measures are combined with the purpose of developing urban areas.<sup>16</sup>

<sup>16</sup> The programming of the Structural Funds 2000-2006: an initial assessment of the Urban Initiative, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, COM (2002) 308 final, Brussels, 14. 6 .2002, p. 5

The urban question is an increasing political priority in the European Union. It is basically important in Europe from the point of view of economic and social cohesion. After 2007, the major part of the programmes, existing in the framework of the remained two Structural Funds and the Cohesion Fund, contribute to financing this areas.

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