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AND THE COMMITTEE OF THE REGIONS

**SUSTAINABLE URBAN DEVELOPMENT IN THE
EUROPEAN UNION: A FRAMEWORK FOR ACTION**

Sustainable Urban Development in the European Union: A Framework for Action

EXECUTIVE SUMMARY

In 1997 the Commission adopted the Communication "Towards an Urban Agenda in the European Union". The Commission indicated its intention to examine EU policies from the point of view of their urban impact and to improve policy integration at urban level. Reactions from EU institutions, the Ministers of Regional Policy and Spatial Planning at their informal meetings and outside organisations have been very positive and the Commission has been urged to take further steps.

Many EU policies have, de facto, an important urban relevance that the EU cannot ignore. The Community has a responsibility to ensure that Community policies become more effective by better taking into account the potential of urban areas and the challenges facing them. In this Framework for Action the Commission is taking a step towards increasing the effectiveness of EU policies provided for by the Treaty by making them more 'urban sensitive' and ensuring that they facilitate integrated urban development. There is no attempt to attain new responsibilities for urban matters or to design specific urban definitions or solutions on the European level. These must of necessity arise out of local situations and within the institutional context of each Member State.

The EU Framework for action for sustainable urban development aims at better coordinated and targeted community action for urban problems and is organised under four interdependent policy aims.

1. Strengthening economic prosperity and employment in towns and cities

The Commission stresses the importance of improving the effectiveness of Structural Fund support by providing for an explicit urban dimension in regional programming. It also envisages that the Structural Funds will promote co-operation between urban areas in different Member States with a view to enhancing joint development opportunities.

Emphasis is placed on developing a stronger urban dimension in employment policies, through strengthened local involvement and support to local employment and development initiatives. The role of cities as centres for innovation and economic development will be strengthened.

The Commission will also promote transport strategies that reduce traffic congestion and will examine ways to improve the regulatory framework for domestic public transport.

2. Promoting equality, social inclusion and regeneration in urban areas

Future co-operation against discrimination and exclusion based on the new Amsterdam Treaty should recognise their particular concentration in urban areas.

The Commission advocates an area-based approach to the regeneration of deprived urban areas under the Structural Funds, integrating economic, social, cultural, environmental, transport and security aspects. Linkages between urban areas in difficulty and the wider social and economic strategies in order to avoid urban segregation are equally important.

The Commission envisages continued support for "second chance education and training".

3. Protecting and improving the urban environment: towards local and global sustainability

The Framework for Action highlights those environmental actions most likely to lead to demonstrable improvements on the ground in urban areas, and draws together a wide range of Community initiatives that affect the quality of the urban environment, including urban energy management, transport, waste, air quality, water, noise and contaminated land.

Emphasis is placed on integrated environmental management approaches and on how the Structural Funds can contribute to a more sustainable urban environment.

The Framework stresses the need to extend Eco-labelling and Eco-Management and Audit Schemes for improving the environmental performance of the public and private sectors.

The Commission emphasises the importance of the proposal for a Directive on the taxation of energy products for climate protection and underlines the role of urban areas in this context.

4. Contributing to good urban governance and local empowerment

There is a call for stronger policy integration between various levels of government and policy sectors and for citizen empowerment and involvement.

The Commission foresees awareness-raising and capacity-building measures and support for innovative urban development strategies aimed at promoting good urban governance, empowerment and urban security. It proposes action to improve comparative information on urban conditions and offers to support the "Urban Exchange Initiative" launched by the Member States.

For each of these four aims the Commission proposes to improve know-how and encourage exchange of experience between all the actors involved. The 5th Framework Programme for RTD will make an essential contribution in this regard.

Follow-up

The Framework for Action will be discussed with a wide range of actors at the Urban Forum which the Commission is organising in Vienna on 26 and 27 November 1998.

The Commission will improve internal service co-ordination with regard to urban issues. An Interservice Group will continue to examine the urban implications of EU policies and instruments with a view to further strengthening their urban sensitivity and integration. Cross-cutting actions under the joint responsibility of relevant Commission services will be developed.

The Commission also envisages setting up a group of experts to discuss progress with the implementation of the Framework for Action and to advise the Commission on future activity. Dialogue with representatives from all levels of government and other interested parties can be organised by way of "Open Platforms" and by holding the Urban Forum on a regular basis.

The Commission will assess overall progress with the implementation of the Framework for Action in its triennial report on economic and social cohesion.

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1 CONTEXT

In May 1997 the Commission adopted the Communication "Towards an Urban Agenda in the European Union"(COM(97)197) launching a wide discussion on urban policies and stimulating a great deal of interest from EU institutions. The Ministers of Regional Policy and Spatial Planning have welcomed the move by the Commission. The European Parliament, the Committee of the Regions and the Economic and Social Committee have adopted opinions that urge the Commission to take further action. Local government associations and individual cities and towns have also responded favourably.

To follow-up and reflect this discussion, the Commission has decided to present a European Union Framework for Action for Sustainable Urban Development. The framework is a first step towards meeting the commitment set out in the Communication for "improved integration of Community policies relevant to urban development" so as to "strengthen or restore the role of Europe's cities as places of social and cultural integration, as sources of economic prosperity and sustainable development, and as the bases of democracy". As well as building on previous urban initiatives at EU level the Framework for Action also takes account of recent developments particularly relevant for urban policies:

- The Treaty of Amsterdam which establishes sustainable development as an explicit EU objective, strengthens requirements for policy integration and includes combatting discrimination and social exclusion as new fields of action.
- Agenda 2000¹ and the proposed new Structural Fund regulations which emphasise "urban areas in difficulty", local development and social inclusion as well as growth and competitiveness in the lagging regions; the adoption of reinforced pre-accession strategies for candidate countries.
- The EU 1997 commitment to the Kyoto Protocol, adopted by the Third Conference of the Parties to the UN Framework Convention on Climate Change, which contains legally binding targets for the reduction and limitation of greenhouse-related emissions. The EU and Member States are parties to the Convention and intend to be parties to the Protocol.
- The review of the 5th Environmental Action Programme² providing for the development of 'a comprehensive approach to urban issues with special emphasis on the assistance required to support actions by local authorities to implement the Programme and Local Agenda 21'.
- The Employment Guidelines³ and the National Employment Action Plans.
- The proposal for the 5th Framework Programme for RTD⁴, which sets out a number of thematic programmes relevant for urban policies, including the Key Action "The City of Tomorrow and Cultural Heritage".
- The Commission Communication "Towards a Europe of knowledge"⁵ which proposes a reshaping of Community programmes for education, training and youth.
- The Commission Communication proposing a Framework Programme for European Culture⁶ for 2000-2004.

- The Draft European Spatial Development Perspective (ESDP) emphasising the need for balanced and polycentric urban development.

2 RATIONALE FOR AN EXAMINATION OF EU POLICIES

Urban Europe is enormously diverse. Around 20% of the EU population live in large conurbations of more than 250,000 inhabitants, a further 20% in medium-sized cities of 50,000 to 250,000 inhabitants, and 40% in smaller urban areas of 10,000 to 50,000 people. Important differences in economic structure and functions, social composition, population size and demographic structure and geographical location shape the challenges which urban areas face. National differences in traditions and culture, economic performance, legal and institutional arrangements and public policy have an important impact upon cities and towns. There is no single model of a European city. Enlargement of the EU will lead to the inclusion of additional towns and cities whose development in recent decades has been subject to differing forces. The quality of local governance conditions the capacity to deal with new challenges.

Despite their diversity, cities and towns across Europe face the common challenge of sustainable urban development which some cities are addressing more successfully than others (a description of challenges is presented in annex I). Economic prosperity and employment, social inclusion and environmental protection and improvement need to be complementary, mutually reinforcing goals; urban strategies need to combine actions that:

- improve the economic vitality of cities, especially in the regions lagging behind, by encouraging innovation, raising productivity and exploiting new sources of employment in smaller and medium-sized as well as in larger cities and promote a polycentric, balanced European urban system;
- organise access to the benefits of increased productivity and competitiveness in a fair way and reduce social exclusion and improve safety; exclusion blights the lives of those involved and threatens social integration, competitiveness and sustainability of towns and cities;
- make cities more environmentally sustainable and avoid imposing the costs of development upon their immediate environment, surrounding rural areas, regions, the planet itself or future generations;
- encourage innovative and flexible decision-making processes and urban institutions that will extend participation and integrate the actions of partners in the urban public, private and community sectors, from the European to the local level, and increase synergy and co-operation between existing institutional processes and resources.

This involves action at all levels of government. In general, responsibility for action lies mainly with Member States and regional and local authorities. There are, however, three main reasons why the Community should also pay closer attention to urban matters :

First, 80% of the EU population live in towns and cities. It is in urban areas that the problems stemming from economic, social and demographic change, the over-consumption of energy and natural resources and the generation of waste and pollution and the risks from natural and technological disasters are most heavily concentrated. At the same time, because of the concentration of economic, physical and intellectual resources, cities and towns are centres of communication, creativity, innovation and of cultural heritage. They are the dynamos of the European economy, enabling the EU to maintain a strong position in the global economy and community, while at the same time offering the scope to create employment, solve environmental problems and provide all citizens with a high quality of life. They also produce patterns which have a substantial influence on the rural world. Their diversity and distinct characteristics are an important feature of European civilisation.

Second, many EU policies have, de facto, an important urban relevance that the EU cannot ignore. The Community has a responsibility to ensure that relevant Community policies become more effective by better taking into account the challenges and potential of urban areas. This is particularly the case for the policies for economic and social cohesion and the protection of the environment established in the EU Treaty. The Amsterdam Treaty foresees further EU action with regard to employment, combating exclusion, eliminating discrimination, and enhancing safety through police and judicial co-operation. It also requires the environment and the protection of public health to be taken into account in all EU policies.

To enhance economic and social cohesion, the EU mobilises very substantial financial resources and has a direct interest and responsibility in more effective action. EU-wide regional disparities mainly reflect relative strengths and weaknesses of towns and cities. EU efforts to reduce disparities will be more effective when they explicitly address urban development problems and exploit the role of towns and cities as motors of economic growth and centres of innovation. Pressures toward further concentration of economic activities and more rapid urbanisation will become stronger with enlargement. The EU has a role to play in encouraging a more balanced European urban system.

The urban dimension can also be increasingly incorporated in EU policy following from the new provisions on employment, exclusion and discrimination in the Amsterdam Treaty. Whereas macro economic and general labour market policies are the main instruments for employment policy, there is an increasing recognition of local capacities to create urban employment by tapping new sources of jobs through local development and employment initiatives, public-private partnerships and support for SMEs. An inclusive society is also an essential area of the Commission's Social Action Programme: the effectiveness of efforts to combat social exclusion and promoting equality of opportunities can be improved by more targeted and co-ordinated approaches in urban areas.

Proper functioning of the Single Market requires a level playing field across the European territory with common environmental standards which protect both the environment and the quality of life and health of urban residents. EU policies and programmes provide a framework for national, regional and local action; they already have an impact on the environment of urban and peri-urban areas and create responsibilities and opportunities for local and regional governments. Some environmental problems that occur in urban areas (for example, air pollution and exposure to natural or technological hazards) cross national boundaries or cannot be solved by national, regional

* The precise definition of 'cities', 'towns' and 'urban areas' varies from country to country. In this document the terms are used interchangeably to denote all types of urban settlement.

or local government alone and therefore require action at EU level. Others (such as environmental noise) require special attention because of the extent or severity of their impacts on ecosystems or human health. Some environmental problems such as low-level ozone concentrations and over-exploitation of groundwater supplies are getting worse rather than better⁷. On a broader scale, EU international obligations for the global environment – in particular new commitments in the context of the UN Convention on Climate Change – are unlikely to be achieved without special attention to urban areas.

EU policies in all these domains are of particular relevance to urban areas, and, alongside European and national responsibilities, towns and cities can play an important role in meeting the objectives enshrined in the Treaty. The EU has also a role to play in promoting co-operation and networking under various Community policies involving actions and institutions in urban areas across the Union. It is well placed to identify and disseminate lessons on new policy approaches emerging in Member States, and to assist the development of best practice models. The Community is already making important such efforts in many fields including social and economic cohesion; education, training, and life-long learning; research and development; information and communication; business development and entrepreneurship; the environment; transport; culture. A more explicit recognition of the urban dimension in these efforts and better co-ordination can increase their relevance and synergy for sustainable urban development.

Third, with full respect for subsidiarity, it is important to ensure that EU policies and actions contribute to more integrated responses to urban problems and that good urban governance is not impeded by rules and practice at EU level. The development of integrated approaches to urban management, acknowledged as essential for tackling complex and interrelated problems and maximising urban potential, is undermined by traditional sectoral approaches and by the fragmentation of powers and responsibilities amongst various levels of government. This reduces the capacity for problem solving at the local level. Citizens, too, have their part to play. All EU citizens and residents have the right to transparent, accountable and effective urban government and to influence the way that their neighbourhoods, towns and cities are run. They share responsibility for making Europe's urban areas more sustainable places in which to live and work. Good urban governance and local action are important for the effective implementation of EU policies and international commitments to sustainable development in line with Agenda 21 and Habitat II.

3 A FRAMEWORK FOR ACTION

The Commission is actively considering the urban implications of EU policies and instruments and how these can be better implemented and co-ordinated. This section outlines the actions which the European Commission envisages in order to work towards a strategic, integrated and ultimately more sustainable approach to urban issues. The Commission will continue to examine what other action in this direction may be taken in future.

A wide range of policies and instruments relevant for urban issues already exists. Through this Plan the European Commission is taking a step towards increasing the effectiveness of EU policies and instruments provided for by the Treaty, by rendering them more 'urban-sensitive' and ensuring that they are brought to bear in pursuit of shared objectives. Some existing instruments require adjustment. In some fields there is a need to develop new instruments to supplement the existing 'tool kit'.

The actions presented are guided in particular by the following principles: subsidiarity, integration, partnership, environmental sustainability, market efficiency. Specific urban definitions and solutions must necessarily arise out of locally-based analysis and strategy-building within the institutional context of each Member State.

Subsidiarity provides for decision-making at the lowest appropriate level. EU actions in urban areas will be most effective when they complement national, regional and local actions and bring a Community added value. The EU should take action that cannot be taken at a lower level with the same effectiveness and cost. In general, it should render the framework of EU policy more responsive to urban needs and create tools that cities and towns can use to their own benefit. It should also encourage Member States to apply subsidiarity at home. Participation, accountability and local capacity are necessary conditions to make subsidiarity effective.

Many of the characteristic problems of urban areas are multi-dimensional and can be traced to a lack of integration amongst public sector activities, both vertically between different levels of administration and horizontally between various policy sectors. National and EU policies can be catalysts for close working between agencies concerned with the economic, social, cultural, transport, technological and environmental aspects of urban development at city, sub-regional and regional levels. Better access of urban authorities to the formulation and implementation of relevant EU policies is also important.

Partnership is needed because complex urban problems cannot be solved by single government bodies or agencies alone. Problem-solving is a shared responsibility requiring action on the part of all stakeholders. At the local level, it is important to involve citizens and the private and community sectors, thereby ensuring 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.

EU actions in urban development should adhere to the principle of environmental sustainability. Meeting the needs of the present without compromising the ability of future generations to meet their own needs requires a precautionary approach, the efficient use of natural resources and minimising outputs of waste and pollution in ways informed by ecq-systems thinking. Activities with undesirable environmental impacts should be discouraged e.g. through the application of the "polluter pays" principle. Environmental impact can be reduced whilst strengthening links between environmental quality and social, economic and quality of life improvements at the urban level.

The principle of market efficiency emphasises the need to use the market mechanism as far as possible in developing the economic potential of urban areas and systems and meeting emergent economic trends and social preferences. At the same time, intervention is often required because of market failures including the adverse distribution consequences or inefficient pricing.

Guided by these principles, action at EU level can take or combine different forms: policy development, including, as necessary, legislation in fields of EU competence; actions to influence the market; provision of funding, especially through the Structural Funds; development of know-how on urban policies and urban policy tools and exchange of experience for the improvement of urban policy making and management.

In the chapters that follow the proposed actions are grouped under four interdependent policy aims :

- 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
- Contributing to good urban governance and local empowerment.

As these aims are interdependent, actions may often be of a multi-purpose nature. For instance, actions under the Structural Funds aimed at promoting urban-based economic growth and reducing regional disparities should also protect and improve the urban environment as well as contribute to social cohesion. Actions aimed at improving the quality of the urban environment should enhance the attractiveness of towns and cities and the competitiveness of businesses located within them. As well as promoting urban economies, sustainable transport measures contribute to social inclusion and to the improvement of urban environments.

Whereas this Framework for Action concerns mainly the EU in its present configuration, the involvement of candidate countries where it already exists or is envisaged (e.g. education, training and youth for Europe programmes, LIFE, SAVE, the RTD Framework Programme) is strongly encouraged.

3.1 Strengthening economic prosperity and employment in towns and cities

3.1.1 Policy objectives

The Single Market and Economic and Monetary Union provide the economic basis on which Europe's towns can expect to thrive. Urban-specific EU action under this heading should particularly contribute to the following objectives:

- Strengthen the role of towns and cities as centres of regional economic growth, productivity and employment, through explicit integrated urban programming; support a polycentric, balanced urban system⁸ and inter-urban co-operation.
- Promote a diverse, flexible and competitive urban economy, with particular emphasis on human capital, innovation, entrepreneurship and SME development including tourism; supporting factors for this are efficient transport, communications and planning systems, a good natural and physical environment, good environmental performance of enterprises, good quality of life in social and cultural terms and an attractive urban ambience.
- Underpin the development of knowledge and experience as regards the economic performance of urban areas, including the underlying conditions for this performance, the impact of Community policies and the good urban management practices.

3.1.2 Action

The main EU instruments in this context are the Structural Funds. The role of towns and cities as centres of regional economic growth and innovation should be addressed more clearly in the use of the Structural Funds. Local capacities for generating jobs in urban areas are important and need to be taken more clearly into account in the formulation of employment policies. The Community has also responsibility in ensuring a good framework for competition and can make an important contribution to the development of inter-urban co-operation as well as in the development of know-how on good policies and practices.

Action 1: Explicit urban programming for Structural Fund support

For the period 2000-2006 the Commission has proposed a total package of EURO 286.3 billion (1999 prices) for structural policies, of which approximately 2/3 would be for Objective 1 and EURO 21 billion for the Cohesion Fund. Moreover, EURO 46.9 billion will be allocated to accession countries, of which EURO 7.3 billion via the pre-accession instrument for transport and the environment (ISPA).

Given the crucial role of towns and cities for regional development and EU regional disparities, it is important for the effectiveness of regional policy that this funding be more explicitly related to urban needs and potential in the regions. This can be achieved by introducing the urban dimension explicitly in Structural Fund programming. This would also increase legitimacy and local accountability by involving local decision-makers and widening partnerships.

In the past, explicit inclusion of the urban dimension in mainstream Structural Fund financing has been the exception rather than the rule. The Community Initiative URBAN and the Urban Pilot Projects have underlined the importance of integrated urban action and have attracted very considerable interest and commitment from urban authorities and communities, the European Parliament and the Committee of the Regions.

The draft Structural Fund regulations proposed by the Commission contain the main instruments for mainstreaming this practice including an extension of partnership to local authorities and socio-economic bodies. The explicit inclusion of the urban dimension in Structural Fund programming will be part of the guidelines the Commission intends to adopt for the use of funds by Member States. In general, this can be achieved by promoting the preparation and implementation of integrated urban development actions.

Integrated urban development actions are intended as an integral part of development plans, Community Support Frameworks, Single Programming Documents, Operational Programmes and of the programming supplement as provided for by Article 14 of the proposed regulation laying down general provisions on the Structural Funds. They are not intended as alternative documents to regional programmes but as important constituents. The regional plans and operational programmes would thus be expected to refer explicitly to the development problems, potential and objectives for the main urban areas in the region. They should, therefore, go beyond a merely sectoral formulation of regional action; they should organise an explicit integrated package of measures for these urban areas as part of the regional strategy. They should also identify the appropriate partners, the baseline data and monitoring indicators.

In line with the objectives presented above (3.1.1), integrated urban development actions could combine measures, contributing to a diverse and flexible local economy, human capital development and local employment, improvement of the urban environment (including sustainable transport systems, renewable energy sources and rational energy management all of which have also significant job-creation potential), renewal of historic centres and the development of urban infrastructure and technology. Emphasis needs to be put on renewal and consolidation of the urban fabric and on mixed uses and attention accorded to the complementarity between urban areas within regions and between urban and rural areas. Support for urban regeneration areas as described under 3.2.2 of this Framework for Action should form an integral part of integrated urban development actions where relevant.

Responsibility for implementation of an integrated urban development action could often be shared by the national, regional and local levels of government depending on the institutional structure of Member States. Such actions would, therefore, also contribute to vertical integration. The Commission will expect Member States to use global grants as a privileged form of financing integrated urban development actions.

Explicit urban programming for Structural Fund support can help to improve co-ordination with Community action in the context of the trans-European networks. Attention should be paid to cities that are not directly on the trans-European transport network (TEN-T) and to supporting local and regional transport connections to the national networks and the TEN-T, taking sustainability and urban accessibility into account. Interchanges between the TEN-T and the local areas favouring intermodality and contributing to sustainable urban transport systems can receive support from the ERDF and the Cohesion Fund. Similarly, support by ISPA to such schemes will be particularly needed in view of massive pollution in cities in accession countries. Support may also be provided for the trans-European networks for telecommunications which can assist the deployment of user-oriented value added services that are of particular relevance for urban development. Their guidelines already provide for interoperability between the networks and urban areas.

The integrated urban development actions will also contribute to improving synergy between the European Investment Bank (EIB) loans and the Structural Funds. The Commission will examine the scope for creating further complementarities. The EIB already supports investment in urban regeneration schemes and urban flagship projects as well as in urban transport systems and the quality of the environment, including social housing. The Amsterdam Special Action Programme of the EIB will also provide resources for long-term investment in education, training and health.

Integrated urban development actions can also be used for creating synergies with other EU policy efforts as well as national, regional and local actions.

Action 2: A stronger urban dimension in employment policies

Since its 1995 Communication on "A European strategy for encouraging local development and employment initiatives" the Commission has actively promoted a stronger local involvement in employment policies. The importance of these local initiatives has been confirmed and reinforced by the Employment Guidelines.

Action at urban level is relevant under all four pillars of the employment guidelines (improving employability; developing entrepreneurship; encouraging adaptability of business and their employees; strengthening the policies for equal opportunities). Under the pillar 'developing entrepreneurship' Member States have committed themselves to "investigate measures to exploit fully the possibilities offered by job creation at the local level in the social economy and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures". The forthcoming European Council in Vienna in December 1998 is expected to confirm this approach.

In line with the conclusions of the Jobs Summit in Luxembourg and to anticipate the new Title on Employment in the Amsterdam Treaty the Commission intends to give financial support to the exchange of experience and good practice as well as to pilot projects in this field. The urban dimension will be an important dimension. The Territorial Employment Pacts are also often applied in the urban context, and the Commission will further encourage transnational learning on the Pacts.

Support of local development and employment initiatives is also an important element of the draft European Social Fund regulation, including the Community Initiative for human resources (Action 7).

Action 3: Support for "European knowledge centres"

Within the framework of the new Community Action Programme for education and training, support will be given to 'European knowledge centres' for human capital and knowledge development in urban areas.

As part of a co-ordinated EU programme these knowledge centres will be able to pool resources and through networking seek that the individual centres benefit from the best available contemporary practice including the application of information and communication technologies to learning. In order to promote exchange between stronger and weaker cities in the EU the Commission and Member States should ensure adequate links between these centres and Structural Fund support organised under the integrated urban development actions (Action 1).

Action 4: Promotion of inter-urban co-operation

Under the new Community Initiative for cross-border, trans-national and interregional co-operation to promote balanced development that the Commission proposes for ERDF funding as of the year 2000, the Commission also intends to foster co-operation between urban areas in different Member States. Such co-operation will concern in particular the development and implementation of joint cross-border and inter-regional urban development strategies and planning approaches. Under this Initiative networking and clustering between EU actors and urban centres in accession countries will also be supported through the PHARE/Cross border co-operation programme.

Action 5: Promotion of attractive urban transport

Urban transport strategies need to address the impact of traffic congestion on city efficiency and personal well-being- the ways in which over-reliance on cars encourages urban sprawl and reduces the mobility of people without the use of a car and the impact of pollution and noise on our environment. To tackle these problems, cities need an integrated approach to promote the use of public transport, cycling, walking and car-sharing. There is a key role for economic instruments including, where appropriate, urban road pricing. In its Communication "Developing the Citizen's Network" (COM(98)431), the Commission set out its work programme to catalyse and support action in these areas by authorities, operators and transport user groups.

Attractive urban transport also requires that urban authorities assess what type and level of public transport their area needs, fix (and pay for) service levels which are not commercially viable, work with transport operators to develop new types of service and safeguard quality, integration and value for money.

Clear contracts between operators and authorities, including quality targets, are essential. The Commission is at present reflecting on how the regulatory framework for domestic public transport might be updated to ensure that all interested parties including local authorities operators and user groups achieve the maximum benefits.

Action 6: Development of know-how and exchange of experience on urban economic performance.

Research under the 5th Framework Programme for RTD will be relevant for improving productivity, employment and economic growth in towns and cities. The “city” is highlighted as a major issue for the first time in the Framework Programme in the form of the key action “The city of tomorrow and cultural heritage”.

The objective of the key action “The city of tomorrow and cultural heritage” is to promote sustainable economic development and competitiveness of European cities with reliable and affordable services. Emphasis is placed on the integration of the full spectrum of urban issues, including economic development, competitiveness and employment, resource efficiency of buildings and efficiency of urban transport (see also actions under 3.2.2, 3.3.2 and 3.4.2).

Other research relevant to urban areas will be conducted under the programme “Competitive and sustainable growth”; the key action “Products, process and organisation”; and the key action “Land transport and marine technology” which will assist in the development, validation and demonstration of critical vehicle technology and engineering concepts.

The Commission also intends to conduct a number of studies in fields relating to the competitiveness and economic development of urban areas including on the factors of economic and employment performance of cities in EU and accession countries; local and regional taxation systems; the urban impact of the TEN, especially in the less developed regions and accession countries; the role of financial institutions in facilitating environmentally sound entrepreneurship in SMEs and business start-ups in urban areas.

Cultural development and heritage are crucial for the vitality of cities and their economic performance. It contributes to urban identity-building and social capital. Through Raphaël, the Commission will fund exchange of experience on schemes improving the attractiveness and competitiveness of cities through cultural development. Research mentioned above will support this action.

Recreation, leisure and business tourism has become increasingly important for economic prosperity and employment in urban areas. The Commission will also encourage the exchange of experience on urban tourism, with a view to increasing the capacity of cities to manage tourist mobility as part of sustainable urban development strategies.

3.2 Promoting equality, social inclusion and regeneration in urban areas

3.2.1 Policy objectives

The policy aim under this heading is to promote equal opportunities and social and economic integration and improved living and working conditions for people belonging to low-income, discriminated and other socially excluded groups in towns and cities as well as to support the regeneration of urban areas in difficulties. EU action should particularly contribute to the following objectives:

- Extend pathways to employability and integration, in particular for the hard core of the long-term unemployed, young drop-outs, lone parent families and ethnic or racial minorities and others who are economically or socially excluded.

- Provide adequate, accessible and reasonably priced basic services, especially in relation to employment, education and training, health, energy, transport and communications, policing and justice with a view to preventing as well as remedying problems of exclusion.
- Enhance economic development and employment especially through business start-ups, provision of suitable infrastructure and advisory and other support services for existing businesses and community enterprises.
- Improve the physical environment, reduce pollution and develop natural landscapes in urban areas and neighbourhoods in difficulty.
- Prevent urban crime including juvenile delinquency and increase security.
- Strengthen local capacities to respond to the specific needs and potential of communities in deprived urban areas and neighbourhoods in an integrated way.

3.2.2 Action

The framework for Community action in this field has been extended by the Amsterdam Treaty. Increased co-operation within the EU and the development of exchange of know-how in fighting exclusion and discrimination can also be supported by an area-based response to urban regeneration under the Structural Funds.

Action 7: Co-operation against discrimination and social exclusion

The Amsterdam Treaty, once ratified, will provide a mandate for action by the Community: a) to combat social exclusion, by intensifying and improving co-operation between Member States in the field (Article 137) and b) to take appropriate action to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation (Article 13).

The impact of Community action in these two fields, although horizontal in nature, could be important for cities and towns. Urban areas are the locus of multiple forms of discrimination. In cities, the introduction of anti-discrimination measures can have an important impact as well as demonstration effect. The high incidence and spatial concentration of exclusion and deprivation in many cities create scope for co-operation between Member States on policies and measures that promote inclusion in an urban context. Although many of these problems are similar throughout Europe, the different approaches taken in different places provide a wealth of experience which action at EU level can help to evaluate and share.

The Commission will therefore seek to promote urban specific co-operation wherever appropriate and to involve NGOs and other civil society actors. Co-operation will typically relate to acquiring and exchanging knowledge about the nature and gravity of exclusion, to evaluating the effectiveness of policies to ensuring that social inclusion becomes a mainstream concern.

Co-operation on new means for combating discrimination and inequalities to access to the labour market will be the theme of the Community Initiative for human resources proposed under the Structural Funds. This initiative will support new ways of addressing discrimination and inequalities in relation to employment and will finance integrated multi-partner projects bringing together public, private and non-governmental organisations to work in partnership as members of wider trans-national networks. Projects will relate to the mechanisms which generate or reinforce

discrimination as well as on the policies which can actively foster inclusion with the aim of developing joint best practice solutions which can be mainstreamed in national and Union policies. City authorities and urban actors will be important partners in these projects.

Community action to combat discrimination may combine legislative proposals with an action programme, which would contribute to improve knowledge, to exchange best practice and to promote awareness raising and information.

In anticipation of the Amsterdam Treaty (Art. 3.2), the Commission has also proposed that the Structural Funds should contribute to eliminating inequalities. The Commission intends to adopt guidelines providing for a systematic assessment of the contribution of the Funds to reducing exclusion, poverty and other forms of inequalities.

Action 8: Structural Fund support to area-based action for urban regeneration

The need for area-based multi-sectoral policies is increasingly recognised in urban regeneration. Such policies are required to confront the concentration of social distress, environmental degradation, crime and economic decline in particular areas of cities. However, the problems of distressed areas cannot be resolved by policies that focus on these areas alone. Action must integrate such areas into the wider social, economic and physical fabric of the city and the region.

The Commission has proposed that, under the new Objective 2, Structural Fund support should address the economic and social conversion of areas in structural difficulties, including urban areas.

The draft regulations propose that "urban areas in difficulty" need to meet at least one of the following criteria: a rate of long-term unemployment higher than the Community average; a high level of poverty including precarious housing conditions; a particularly degraded environment; a high crime rate; low levels of education attainment. The appropriate scale of the area in terms of population will vary depending on the particular investment needs, resources available, and the urban and national context. The designation of the boundaries of the areas should reflect a consideration of these factors but too thin a spread of resources should be avoided. Additionally, the process of selecting the areas should avoid stigmatising urban neighbourhoods.

Urban areas within Objective 1 regions and within other Objective 2 regions undergoing conversion will also be able to adopt area-based approaches to urban stress. In line with the proposed regulations, efforts targeted at specific neighbourhoods will form part of wider programmes in both Objective 1 and 2 regions. In the case of Objective 2, programming will allow for the establishment of links amongst urban areas in difficulty and with other conversion areas (industrial, rural, fisheries) eligible under Objective 2.

Area-based actions for urban regeneration should be an integral part of the development or conversion plans, Community Support Frameworks, Single Programming Documents and Operational Programmes and of the programming supplement as provided for by article 14 of the draft regulation laying down general provisions on the Structural Funds. As in the case of the integrated urban development actions mentioned under section 3.1.2 (of which they may also be part) area-based actions for urban regeneration are intended as essential constituents of regional programmes, not as alternatives to them.

The Commission intends to adopt guidelines for the use of Structural Funds under Objectives 1 and 2 which will promote an integrated area-based approach to urban regeneration building upon successful experiences within Member States; the current Community Initiatives URBAN and

INTEGRA and the Urban Pilot Projects of the ERDF. Key characteristics of the area-based urban regeneration are:

- strong partnership to define challenges, strategy, priorities, resource allocation and to implement, monitor and evaluate the strategy. Partnerships should include economic and social partners, NGO's and residents groupings;
- linkage of the strategic plan for the area in question to the economic, social and physical network of the wider urban area, including between neighbourhood partnerships and agents responsible for the social and economic strategy of the wider conurbation;
- integration of the economic, social, security, environment and transport aspects, including access to jobs and training opportunities from areas of concentrated exclusion;
- local capacity-building and empowerment of excluded groups;
- a multi-annual and contractual approach with agreed outputs and performance measures;

Member States can include additional measures in the programmes, connected to those that are supported by the Structural Funds.

Action 9: Second chance schools

Within the education, training and youth for Europe programmes, the Commission will support innovative actions focusing on the development of second chance education and training arrangements in urban areas. The programmes will, in particular, support trans-national partnerships of schools, measures to remedy school failure, actions to combat social exclusion in disadvantaged areas and training support for trainers.

Action 10: Development of know-how and exchange of experience on discrimination, exclusion and urban regeneration

Research, monitoring and evaluation at EU level on issues of discrimination, social exclusion, poverty, and delinquency in urban areas will be stimulated by measures the Commission intends to develop on the basis of Articles 13 and 137 of the new Amsterdam Treaty as well as under the Key Actions Improving the "socio-economic knowledge base" in the 5th Framework Programme for RTD. Research priorities are expected to include issues related to social cohesion and multiculturalism; spatial dimensions of exclusion processes and policies; development of social ex/inclusion indicators and "early warning systems"; social protection and public services; as well as the quality of life. Complementary research activities are proposed under the 5th Framework Programme in Key Action on "The Ageing Population". Exchange of experience will also concern changing attitudes and improving legislation on discrimination, prevention of delinquency, the quality of life and the needs of older people in the context of housing, care, mobility, accessibility, leisure, etc.

Pilot projects to fight against drug, abuse and related collection and dissemination of information on good practices and experiences will be taken forward by the Commission. These aspects will be addressed in conjunction with the European Monitoring Centre for Drugs and Drug Addiction.

3.3 Protecting and improving the urban environment: towards local and global sustainability

3.3.1 Policy objectives

The overall aim in this field is the protection and improvement of the urban environment so as to improve the quality of life, safeguard human health and protect local and global eco-systems. Reducing the total environmental impact (or “ecological footprint”) of urban activities is the way forward, since it will lead to improvements both within Europe’s urban areas and elsewhere. EU action should particularly contribute to the following objectives:

- Improve ambient air quality in urban areas, the reliability and quality of drinking water supplies, the protection and management of surface and ground waters; reduce at source the quantity of waste requiring final disposal and reduce environmental noise.
- Protect and improve the built environment and cultural heritage, and promote biodiversity and green space within urban areas.
- Promote resource efficient settlement patterns that minimise land-take and urban sprawl.
- Minimise the environmental impacts of transport through aiming at a less transport-intensive path of economic development and by encouraging the use of more environmentally sustainable transport modes.
- Improve environmental performance of enterprises by promoting good environmental management in all sectors.
- Achieve measurable and significant reductions of greenhouse gas emissions in urban areas, especially through the rational use of energy, the increased use of renewable energy sources and combined heat and power and the reduction of waste.
- Minimise and manage environmental risks in urban areas.
- Promote more holistic, integrated and environmentally sustainable approaches to the management of urban areas; within functional urban areas, foster eco-systems-based development approaches that recognise the mutual dependence between town and country, thus improving linkage between urban centres and their rural surroundings.

3.3.2 Action

While all aspects of environmental policy have some urban impact, the actions highlighted here are those judged most likely to lead to demonstrable improvements on the ground in urban areas or to foster more integrated and sustainable approaches to urban development and management. Legislation continues to be the main instrument for environmental policy. However, through the 5th Environmental Action Programme the legislative approach is complemented by a range of measures intended to enable various groups, including all levels of government, to meet their shared responsibilities as regards the environment and sustainability. These measures include funding, fiscal instruments (such as environmental taxes and charges), financial incentives, awareness-raising and reporting instruments such as eco-labelling and co-operative actions (such as voluntary agreements with industry). The Co-Decision on the Review of the 5th Action Programme commits

the Community to developing a more comprehensive approach to urban issues and to broadening the range of instruments, especially market-based measures (like green accounting).

Action 11: Better implementation of existing environmental legislation at urban level

To secure further improvements to the urban environment the effective implementation of existing Directives on air quality, urban wastewater, drinking water, bathing water, waste, integrated pollution control and environmental impact assessment is especially important including as regards Structural Funds operations.

Measures to improve implementation were proposed in the 1996 Communication on Implementing Community Environmental Law⁹. The EU intends to provide for greater citizen involvement in these processes. To encourage greater consistency in the application and enforcement of Community environmental law the Commission will encourage the creation of co-ordination networks within Member States linked to the informal network for the Implementation and Enforcement of Environmental Law (IMPEL). These measures are expected to result in stronger links between urban local authorities with enforcement responsibilities, and increased linkage between local and regional enforcement bodies and the European Commission.

Environmental Impact Assessment has special importance as regards the integration of environmental concerns into other EU policy areas, required by the Treaty. Directive 85/337/EEC on the effects of certain public and private projects on the environment is currently the main instrument for ensuring that much new urban development is environmentally-sound and that public consultation takes place before development consent is given. The Commission is seeking ways to improve its implementation. Adoption of the proposed Directive on the assessment of the effects of certain plans and programmes on the environment (Strategic Environmental Assessment (SEA)) will provide for environmental impact assessment to be carried out earlier in the planning process, allowing the selection of the most sustainable options for urban development.

Action 12: Further legislation concerning waste, air quality, water and noise

As well as controlling waste and particular pollutants, legislation in these key areas calls for integrated approaches to the management of the urban environment.

For example, Waste Directives¹⁰ already oblige Member States to set up management plans identifying the quantity, origin and disposal routes for waste of various types. Through new and revised directives Member States are increasingly required to set up collection schemes for separated waste and to develop solutions for specific waste streams, such as end of life consumer products (especially vehicles and electronic waste) and organic matter.

The Air Quality Framework Directive 96/62/EC combines limit values on various pollutants with the obligation on Member States to produce detailed action plans at the level of urban zones or agglomerations demonstrating how limits will be met, and to inform citizens when air pollution limit values are exceeded. The Directive also allows the Commission to publish an annual list of non-complying cities, a measure which may have a serious impact on a city's image. In collaboration with the European Environment Agency the Commission will prepare guidance to assist Member States and local authorities in the implementation of the Directive.

The Commission will seek to ensure that the urban dimension is taken account of in the development of all new environmental legislation and other instruments. One way to do this is to involve urban local authorities and other stakeholders in the formulation of new instruments, as is currently occurring in the development of legislation for environmental noise.

Action 13: Strengthening pollution control and clean-up in towns and cities

The EU has already put in place a powerful regime for integrated pollution prevention and control which benefits urban areas.¹¹

Legislation to be proposed under the White Paper on Environmental Liability will put into place measures to implement the prevention, precautionary and polluter-pays principles, allocating responsibility for the clean-up of contaminated land and ensuring that monies are provided for restoration and clean-up. The environmental liability regime will also apply to other types of environmental damage, including damage to natural resources, for example those protected by the Habitat and Birds Directives and by the Water Framework Directive. While most such sites are in rural areas, some are adjacent to large cities, and some protected species have urban habitats.

Action 14: Contributing to a reduction of the environmental impact of urban transport

Reducing the impact of transport in urban areas needs action across a broad front. This includes reducing the amount of pollution emitted by each form of transport per kilometre travelled; encouraging a shift towards the use of the more sustainable forms of transport; giving greater attention to the factors determining total transport demand.

Within the process of revising the Council guidelines for the TEN-T starting in 1999, the Commission will consider whether to include intermodal passenger terminals. The Commission will also consider whether there are specific circumstances in which local and regional infrastructure links should be included in the network; how to ensure that promoters of TEN-T schemes take account of accessibility for people with reduced mobility; how to encourage promoters to take advantage of new opportunities created by capacity improvements for promoting sustainable transport forms and a better local environment.

Technological improvements and fuel switching are needed to reduce emissions from all types of motorised vehicle. The Auto Oil programme is a key measure in this regard. The Commission will table optional high standards for motor vehicles, providing urban authorities with an excellent opportunity to promote Enhanced Environmentally-friendly Vehicles and engines (EEV) in targeted transport groups such as taxis, buses, delivery vans and refuse collection trucks. The Commission is currently implementing the Community's strategy on CO₂ emissions from cars through an environmental agreement with the automotive industry and legislative proposals on a monitoring system and on a consumer fuel-economy information scheme.

Action 15: Sustainable urban energy management

Given the significant energy use in urban areas, and all the associated environmental issues, it is important to promote sustainable energy management. The Commission will continue its efforts to promote higher energy efficiency and energy saving and more intensive use of renewable energy sources in urban areas, through actions in all relevant policies, as well as through the programmes ALTENER II and SAVE II and the relevant parts of the 5th RTD Framework Programme.

An Action Plan with an urban dimension will be proposed setting up priorities for the energy efficiency policy of the Community in the context of the Kyoto Agreements. Actions with an urban dimension for renewables will be proposed in the context of the follow-up to the White Paper on renewables. The Commission will also seek to ensure that the urban dimension is taken account of in the development of new legislation and other instruments.

Given the need to act locally, the Commission will continue to encourage the creation of Local and Regional Energy Management Agencies through the SAVE II Programme. Local authorities will also be encouraged to access Structural Fund support as foreseen under Action 18 below. Moreover, links will be established with local and regional authorities in accession countries.

Action 16: Climate protection

First steps in the post-Kyoto programme of actions for climate protection are set out in the Communication on Climate Change – Towards an EU Post-Kyoto Strategy¹². This brings forward key issues to be addressed at both Community and Member State level, for example, energy efficiency and the doubling in the share of renewables in the energy balance to 12 % by the year 2010, transport and waste disposal, all of which have important urban dimensions. Measures which need to be taken by Member States will inevitably impact upon cities. Other measures in preparation are likely to improve the “framework conditions” necessary to work towards sustainable urban development, in particular the proposal for a Directive on the taxation of energy products which should contribute to reduced CO₂ emissions. Several Member States have introduced CO₂ taxes in order to achieve emissions reductions going beyond the Kyoto targets and these will be facilitated by the adoption of this proposal.

Action 17 : Extending Eco-Labelling and the Eco-Management and Audit Scheme (EMAS)

These two market-based schemes are intended to ensure that environmentally sound products (Eco-Label) and processes (EMAS) are rewarded in the market place¹³. Participation in them is voluntary. Originally intended for manufacturing industry, the regulations for both schemes are currently being revised to extend their application to more sectors, including services (for example tourism, transport, banking and insurance). The Ecolabel revision is currently being discussed with the other EU institutions. The availability of declared ‘green’ products and services should facilitate environmentally sound public procurement. The application of these schemes and other good environmental management practices is especially to be encouraged in SMEs whose better environmental performance is essential if buoyant mixed use areas are to be maintained and encouraged in urban centres.

Completion of the revision of the Eco-Management and Audit Regulation extending its application to municipal administrations (building on successful experimental action in some Member States) will widen its scope as a tool for both better urban management and legislative compliance (since organisations with EMAS registration make provision to fulfil legal obligations).

EMAS also has application in the area of public procurement, given the requirement for operators participating in EMAS to address the environmental performance of their contractors, subcontractors and suppliers. The purchase of environmentally sound goods and services – including, for example, transport - by urban local authorities is one of the most significant ways in which these authorities can promote sustainable development. The existing legislative framework provides scope for action and the Commission would like to see local and regional authorities taking further advantage of it. The recent Communication on Public Procurement¹⁴ commits the Commission to the publication of an interpretative document on the integration of environmental concerns into public procurement. A Communication on the Internal Market and the environment is also in preparation.

Action 18: EU Structural Fund support for protecting and improving the urban environment

Many of the investments made in Objective 1 and Objective 2 regions as well as projects funded by the Cohesion Fund have direct implications for the urban environment. Existing and proposed

Structural Fund regulations require operations to be compatible with Community policies including environmental legislation.

The Commission intends to adopt guidelines for ensuring that funding can protect and improve the urban environment. In line with the draft regulations, the guidelines on the use of Structural Funds will refer to the need for explicit environmental sustainability criteria to guide the choice of development strategy; the commitment to good environmental management of beneficiary organisations; the compliance with EU legislation including environmental impact assessment and the involvement of bodies active in the field of the environment.

Emphasis will also be given to measures promoting rational use and efficient management of energy and the use of renewable sources; waste minimising and take-up of clean technologies; transport sustainability and improvement of public transport; flexible mixed use urban development; renewal and consolidation of the urban fabric with preference to redevelopment of brownfield land over greenfield development; the attractiveness of urban centres through preservation of the cultural heritage; the protection and improvement of open spaces (including agricultural land) within urban areas and in the urban fringe; minimising and management of environmental hazards; new employment opportunities and training linked to environmental needs.

Sustainability criteria mean that proposals for local and regional road improvements which would add to congestion problems cannot be supported. By contrast, the Commission recognises that well-placed improvements to public transport as part of a regional development concept can increase the capacity of urban areas to create employment and economic growth, cut congestion as well as help improving the environment.

Rural areas can seize opportunities for job creation offered by towns and cities, for example in the areas of biomass energy and green tourism. Rural development policies will further encourage rural diversification. The Commission proposals for the reform of the Common Agricultural Policy include a number of measures which may have application in peri-urban areas. In implementing these measures, Member States will need to take steps to protect biodiversity, landscapes, the quality of drinking water, and groundwater. Ecosystem models are especially useful in understanding the complex interconnections between urban centres and their rural surroundings.

Action 19: Development of know-how and exchange of experience on the urban environment

Through the 5th Framework Programme for RTD, in particular the Key action 'The city of tomorrow and cultural heritage', the Commission will support research on the sustainable city. This will focus on urban design and land-use; the integration of transport and land use in new developments; the application of fiscal instruments to land-use planning; new technologies focusing on energy efficiency and transport as well as on cultural, historic, and architectural heritage with specific attention to historic city centres¹⁵. The EU Framework Programme for Culture will also include action that promotes architectural quality; transnational training on architecture and techniques related to the built environment can be supported through the Leonardo da Vinci programme and Marie Curie Research grants.

The Commission will continue to support studies, pilot projects, networking and transnational meetings related to urban environment issues that require effective action at local level, such as urban waste water; groundwater supplies; biodiversity and the protection and ecologically-sound mixed use of urban open space and forest resources within towns and cities¹⁶; environmental pressures upon towns and cities in coastal zones¹⁷ including the issue of bathing water quality. To complement existing physical measures for reducing environmental risk, know-how support to civil

protection will continue¹⁸, including for the prevention of landslides, fires and flash floods and the post-earthquake assessment of building safety.

The strength of the financial instrument LIFE lies in its direct intervention mechanism and its focus on environmental issues for the entire EU territory. Resources for LIFE are limited but they can make an important contribution to developing know-how.

LIFE can currently co-finance action in nature conservation, innovative and demonstration actions to promote sustainable development in industrial activities, the integration of environmental considerations in land use development and planning, and preparatory actions in the fields of coastal management and protection, waste reduction, the protection of water resources and air pollution. LIFE also promotes participatory approaches, effective implementation of environmental legislation and efficient management of natural resources.

The revision of the LIFE Regulation¹⁹ is scheduled to take place before the end of 1999. The Commission will consider whether modifications are required to the current fields of action. Given the significance of the urban environment, the Commission will consider expanding the scope for urban projects, especially innovative and demonstration projects which encourage integrated approaches and contribute to sustainable development including actions to measure and reduce the ecological footprints of urban areas, to convert areas of urban sprawl to sustainable suburbs ("retro-fitting") and to reduce transport demand in urban areas.

3.4 Contributing to good urban governance and local empowerment

3.4.1 Policy objectives

As indicated above, good urban governance and local empowerment are crucial factors for increasing the quality of life in towns and cities and for managing them in more sustainable ways. Urban governance can be improved by better vertical integration of activities of different levels of government and better horizontal integration within and between various organisations at the local level and involvement of stakeholders and citizens in urban policies. The issue is how institutions and structures can develop shared strategic goals and meet new demands for collective action.

With full respect for subsidiarity, the EU action can play a role in establishing better links between actors at all levels and can ensure that partnership-building for urban issues is encouraged. EU action should particularly contribute to the following objectives :

- Increase information for local authorities and other urban actors, including citizens, on EU policies and build dialogue with them in the formulation of EU policies.
- Involve towns and cities more fully in the implementation of EU policies.
- Promote policy integration and synergy between and within all levels of government within functional urban areas.
- Support local capacity-building so as to increase the quality and effectiveness of urban governance, including exchange of good practice between cities, transnational co-operation and networks.

- Promote innovative approaches to the extension of local democracy, participation and empowerment and to partnership-building involving the private sector, communities and residents.
- Improve collection and use of comparative information on urban conditions across Europe, the diagnosis of urban problems and the identification of effective policy solutions, enabling actors at all government levels to tailor their policies to local needs and to monitor and assess the performance of their policies in terms of quantitative and qualitative outcomes on the ground.

3.4.2 Action

Action already presented under previous sections (e.g. “integrated urban development actions” (3.1.2) and the targeted approach to urban areas in difficulty (3.2.2), research and exchange of experience can make an important contribution to improving urban governance by promoting strategy building, policy integration, partnership, and linkage within the wider functional urban areas and with regional strategies. In addition, the Commission envisages action to further strengthen public awareness, innovation and grass-roots participation as well as to improve comparative information on urban areas, including those in accession countries.

Action 20: Awareness-raising, exchange of experience and capacity building for sustainable urban development

The Commission will support a range of awareness-raising activities to retain and develop know-how and capacity at the urban level so that the main themes of the Framework for Action can be put into practice. This work will cover the development and exchange of experience linked to the full range of urban issues. It will particularly focus on the need to overcome fragmentation of efforts amongst various agencies and departments and between the public, private and community sectors, and it will include the promotion of community participation and empowerment. Action will concern in particular :

- The establishment of a linked network of EU databases on urban issues, summarising information on innovative and demonstration projects supported by the EU and, later, other sources. This will include relevant existing databases, for instance the European Local Transport Information Service²⁰, as well as new databases. The Commission will consider the potential of this network as a tool for monitoring policy progress.
- Development of an urban dimension in the new “European network for detection of good practice” under the future Innovative Actions for the Structural Funds (see Action 20 below). This will collect and disseminate good practice and facilitate exchange of experience, including that gained through urban sustainable development projects undertaken via other EU funded programmes such as LIFE, SAVE, the 5th Framework Programme for Research and Technological Development, PHARE, TEN-T schemes.
- Continued support for local government networking activities that involve private and community sector actors. Those include, where appropriate: the European Sustainable Towns and Cities Campaign; a European Mobility Management Platform; Car Free Cities; LIA (Local Integration and Action favouring ethnic minorities); the Local Energy Agencies; the network of Urban Forums for Sustainable development and networks experimenting with particular themes of this Framework for Action such as urban road pricing and climate protection. The Commission will stimulate these networks and Agenda 21 activities to link with each other for

themes of common interest and will ensure an appropriate legal basis necessary to fund such activities on a multi-annual basis. Cities and towns in accession countries are encouraged to participate in these networking activities²¹.

- The recognition at EU level, through a single Commission award scheme, of the innovation and progress made by individual cities and towns in developing and implementing more strategic, integrated and participatory approaches to urban sustainability in line with the ideas of this Framework for Action²². The Commission welcomes further sensitising of decision-makers by European associations, for example the adoption of the new Charter of Athens by the European Council of Town Planners.
- In addition to training supported by the European Social Fund, the Leonardo da Vinci, Socrates and Youth for Europe programmes can help to organise training for actors involved in urban development, to improve local capacity and transnational learning.
- Support for institutional capacity-building will be extended to cities in accession countries under PHARE to help to prepare them for participation in EU programmes and for the responsibilities that they will have in the implementation of national environmental strategies and legislation relating to the application EU law. In addition, the 'Cities in Compliance' project will be extended in 1999 to support implementation of key environmental legislation placing particular emphasis on integrated management approaches.
- The use of new communication and information approaches, including Internet, to support the preparation of future Commission activities which have a relevance for urban areas. This will allow for wider consultations with urban actors, including those from private and community sectors and will reduce barriers for the local level to participating in EU related work.
- In order to foster further learning within its own organisation the Commission will continue to encourage the secondment of employees from local and regional authorities on a temporary basis to ensure that their experience is incorporated into Commission work.

The Commission is also planning to revise the Directive on Access to Environmental Information (90/313/EEC) which is an essential tool for transparency in urban governance. In establishing the rights of citizens to environmental information it enables consumers to make environmentally sound choices. The revision is needed in order to implement the Convention on Access to Information, Public Participation and Justice in Environmental Matters (the Aarhus Convention), adopted in June 1998 and signed by the European Community and most Member States²³. The Convention goes further than the existing Directive in terms of the rights of individual citizens to request information, including information on matters such as air quality, noise, energy, human health and safety, cultural sites and built structures.

Action 21: Innovative urban development strategies

The Commission intends that Innovative Actions under the Structural Funds will support Urban Innovation Strategies, focusing in particular on introducing better urban governance mechanisms, for instance: self-management of services by communities; new approaches to capacity-building and resident involvement; multi-agency approaches to urban security; integrated schemes for regeneration. The Commission will select these strategies through open calls for proposals in the new programming period of the Structural Funds (2000-2006).

Action 22: Increasing safety by promoting prevention in the field of urban crime

The Commission will support the development of policies in the field of prevention of urban crime including juvenile delinquency, by making use of the financial instruments available such as, for instance, the Falcone programme²⁴. It will, in particular, help to develop innovative initiatives of local authorities and NGO's through pilot projects and networking of persons responsible in the prevention of urban crime. It will support the collection and dissemination of good practices and experience and encourage training of persons responsible in these fields through exchange projects. This Action will have to be taken forward in conjunction with actions relating to discrimination and social exclusion.

Action 23: Improving comparative information on urban conditions

Indicators are essential for assessing urban performance, but there are widely differing practices in data and information collection. Increasingly decision-makers need to be informed on how individual cities compare, both in terms of characteristics at one point in time and underlying trends. Eurostat has undertaken a number of pilot projects related to earth observation, the Labour Force Survey and environmental pressure indicators. The European Environment Agency reports regularly on the state of the urban environment. The Commission has recently launched an Urban Audit which, during its pilot phase, will collect comparable information on a range of economic, social, environmental and civil society indicators linked to the 'Quality of Life' for 58 EU cities. Research on urban indicators is also provided for in the 5th Framework Programme for RTD. Linked to Local Agenda 21, local authorities will be further encouraged to develop locally-relevant indicators for sustainability. While the basis for comparative urban statistics is being laid, a concerted effort will be needed to make progress towards a statistical information system on urban agglomerations based on official statistics. Links with Geographical Information Systems will be sought, and links will also be ensured with the newly established Commission-wide network for indicator users²⁵.

Benchmarking has proved to be an effective technique for continuous improvement. It can be applied to urban services and systems through self-assessment by local government. The Commission will build upon its work of detecting best practice, on the experience of its existing pilot benchmarking exercise in urban transport and on the work on urban indicators in order to encourage a more intensive use of benchmarking at urban level.

Action 24: Contribution to the Member States' "Urban Exchange Initiative"

At the occasion of the Glasgow Informal Ministerial Meeting in June 1998, the Ministers responsible for regional policy and spatial planning concluded that the current intergovernmental initiative by the Member States for collecting good urban policy practices will produce an informal non-binding framework by around the year 2000. The Commission will feed into this process and report on the follow-up of its Framework for Action to the Informal Ministerial Meetings, thereby providing a bridge between the Framework for Action and the initiatives undertaken by the Member States.

4 FOLLOW-UP

The Commission will propose the current Framework for Action for discussion with a wide range of actors from public, private and community sector at the Urban Forum in Vienna on 26 and 27 November 1998. Implementation of the actions proposed will take full account of the discussions at the Forum.

One of the key challenges mentioned in this paper, applying to all levels of government, is the need to overcome isolated working of various government departments on issues that affect urban areas. In the 1997 Communication "Towards an Urban Agenda in the EU" the Commission undertook to examine how it can adapt its internal organisation so as to establish mechanisms geared towards ensuring more integrated approaches to urban matters. The following steps will be taken in early 1999 towards stronger co-ordination and integration :

- an Interservice Group in the Commission will continue to examine the urban implications of EU policies and instruments with a view to further strengthening their urban sensitivity and integration. It will monitor progress with implementation of the Framework for Action and oversee the activities of the European network for the detection of best practice concerning urban issues.
- a number of cross-cutting actions with multiple purposes such as the establishment of an integrated network of databases on urban issues, benchmarking and indicators and information strategies towards the local level will be the joint responsibility of relevant services within the Commission;

Following the "Urban Forum" the Commission will examine any further steps that may be required to strengthen co-ordination.

Moreover, the Commission envisages:

- the creation of a group of experts (with a limited but representative number of members) meeting periodically to discuss progress in the implementation of the Framework for Action and to advise the Commission on future action. This Group will build upon experience gained through existing advisory mechanisms;
- the setting up of "Open Platforms" with representatives from all levels of government and various sectors, including the private and community sectors, to discuss specific elements of the Framework for Action. These Platforms will be established in association with the Expert Group, which will assist the Commission in developing terms of reference, and will also involve accession countries;
- holding the Urban Forum regularly.

The actions identified in this framework follow the rules of the Community policies to which they relate. They will be engaged by the Commission as of 1999 and should be in full swing by the year 2001. The Commission will assess overall progress with the implementation of the Framework for Action in the context of its triennial report on economic and social cohesion. The 2002 report will be the first to take detailed stock of progress.

Notes

¹ Agenda 2000 - For a stronger and wider Union – Bulletin of the European Union, Supplement 5/97, 1997

² Decision N° 2179/98/EC of the EP and of the Council of 24 September 1998.

³ Council Resolution N° 13200/97 of 15 December 1997.

⁴ COM(1998)305 final.

⁵ COM(1998)563 final.

⁶ COM(1998)266 final.

⁷ European Environment Agency, Europe's Environment: the Second Assessment, 1998.

⁸ A polycentric and balanced European urban system implies a decentralised territorial development with several urban centres of gravity at European level and a large number of dynamic cities and towns and of urban clusters, well distributed on the European territory and also in the more peripheral and rural parts of the EU. The creation of such a system is a central policy orientation of the draft European Spatial Development Perspective developed by Member States and the Commission.

⁹ COM (96) 500 final

¹⁰ 91/156/EEC, 91/689/EEC and 94/62/EC

¹¹ Directive 96/61/EC requires Member States to ensure that pollution from major industrial installations – many of which are located within or close to urban areas – is minimised and that, upon cessation of activities, sites are returned to a satisfactory state.

¹² COM(98)/353.

¹³ These schemes are established by regulations 880/92 and 1836/93 respectively.

¹⁴ COM (96)583 Final

¹⁵ The International Charter for the Conservation of Monuments and Sites (Charter of Venice, 1964) and the Charter for the Conservation of Historic Towns and Urban Areas (1987) have influenced the methods and techniques for restoring and re-using cultural heritage. The Commission can encourage the up dating of these texts and the inclusion within them of a strong urban dimension.

¹⁶ See Communication of the European Commission on a “European Community Biodiversity Strategy” (COM(98)42 final).

¹⁷ See the Coastal Zones Integrated Management Programme; COM (95)511, COM(97)744 Final

¹⁸ Council Decision of 19 December 1997 establishing a Community Action Programme in the field of civil protection (98/22/EC). OJ No L 008, 14 January 1998.

¹⁹ Reg.1973/92 as modified by Reg.1404/96

²⁰ <http://www.eltis.org>

²¹ COM(1998)294 Final.

²² Such an award will be based on the existing European Sustainable City Award and the European Urban and Regional Planning Award schemes

²³ "Convention on access to information, public participation in decision-making and access to justice in environmental matters", United Nations, Economic Commission for Europe, Fourth Ministerial Conference on Environment for Europe, Aarhus, 23-25 June 1998.

²⁴ Joint Action of 19 March 1998 adopted by the Council establishing a programme of exchange, training and co-operation for persons responsible for action to combat organised crime.

²⁵ The Commission has created an interservice network for the users of indicators, in which Eurostat and the European Environment Agency play an important role. The network will set up a system to monitor the implementation of various EU policies in the field of sustainable development, including at the urban level. The EEA will produce an annual indicators-based report on the state of Europe's environment in cooperation with the Commission.

ANNEX: CHALLENGES FOR EUROPEAN TOWNS AND CITIES

Urban Europe is enormously diverse. While around 20% of the EU population live in large conurbations of more than 250,000 inhabitants, a further 20% in medium-sized cities of 50,000 to 250,000 inhabitants, and 40% in smaller urban areas of 10,000 to 50,000 people. Important differences in economic structure and functions, social composition, population size and demographic structure and geographical location shape the challenges which urban areas face. National differences in traditions and culture, economic performance, legal and institutional arrangements and public policy have an important impact upon cities and towns. There is no single model of a European city.

Enlargement of the EU will lead to the inclusion of additional towns and cities whose development in recent decades has been subject to differing forces. Urban areas dominated by clusters of factories are faced with obsolescence, inefficient energy use environmental damage, urban sprawl, and inadequate urban services, all compounded by deficiencies in land use planning systems. Some of the more positive urban characteristics such as high levels of public transport use, low crime rates, high employment, low cost housing and social services, low levels of social segregation and well preserved historic cores are under threat. Weak traditions of local governance affect the capacity to deal with new challenges.

Despite their diversity, cities and towns across Europe face the common challenge – to increase their economic prosperity and competitiveness, and reduce unemployment and social exclusion while at the same time protecting and improving the urban environment. This is the challenge of sustainable urban development which some cities are addressing more successfully than others.

1. The challenge of globalisation and economic restructuring: strengthening economic prosperity and employment in urban areas and working towards a balanced urban system

Globalisation, the rise of the service economy and increasing international competition provide both opportunities and threats to urban areas as there are fewer barriers to separate local markets. Cities can exploit the opportunities offered by global integration as demonstrated by urban-based growth sectors like communications, transport, international trade and retailing, environmental technology, cultural industries and tourism, design and research. Growth in these sectors offers the potential to create employment and to improve the local quality of life. Currently, however, unemployment rates in many cities exceed national averages, illustrating the impact of economic restructuring and the varying capacity for adjustment at urban level. These challenges are particularly strong in the less developed regions of the EU and in the accession countries.

Strengthening urban economic prosperity and employment involves in particular:

- A diverse and flexible local economy combining manufacturing, services, cultural industries, leisure and tourism and giving particular emphasis to entrepreneurship and SMEs which provide a higher share of new jobs.
- A good supply of human capital to exploit the growth and innovation in the knowledge-based sectors of the economies and a capacity for life-long learning through strong links between supply of and demand for skilled human capital.

- A good communications infrastructure including information technology, transport links which assure internal and external accessibility, and internationalisation strategies that encourage exchange, networking and learning between different economic and social milieu.
- A good urban environment in terms of natural and physical resources, in turn dependent upon effective systems of pollution control, well-functioning environmental infrastructure and transport, and land use planning systems that foster mixed uses and an attractive urban ambience.
- A good quality of life in cultural and social terms including affordable housing and a secure environment.
- Good urban governance promoting integrated approaches and partnerships for urban economic development, including enterprises.
- Efficient and functional linkages with larger and smaller urban places, including the capacity to build effective links with rural hinterlands.

Enhanced mobility leads firms and people increasingly to compare locational advantages in different regions and countries in terms of costs, quality of life and efficiency of public services. Within the EU the single market has increased exchanges and interdependencies between towns and cities. Economic and Monetary Union will augment these changes. These global and European developments have encouraged a sense of competition between cities as they seek to find a niche in a rapidly changing marketplace, and this has implications for the EU urban system as a whole. The draft European Spatial Development Perspective (ESDP) highlights the pressures, in some parts of Europe, for further concentration of economic activity and the risk of failing to exploit the potential of towns and cities of different size and characteristics. Action is needed to improve access to the main European transport and communication networks, including the establishment of secondary networks that connect smaller and medium-sized cities and link them to the main gateways and higher order cities of the European territory. Moreover, to assist balanced regional development and improve their economic prospects, smaller and medium-sized cities need to integrate their rural hinterlands into their development strategies.

Within this new context, local and regional entities face the danger of harmful tax competition, which may erode their tax receipts and distort competition within the Single Market. A certain level of co-ordination in the tax field would avoid or mitigate the undesired effect of competition between entities of different members.

2. The challenge of social inclusion: breaking the links between economic restructuring, spatial segregation and social exclusion in problem urban areas

Social exclusion tends to be concentrated in European cities, in some cases affecting between 15 and 20 per cent of the urban population. Social exclusion threatens Europe's economic prosperity and social stability and constitutes a personal tragedy for those affected.

Exclusion takes many forms: children without real prospects for their future ; low educational attainment ; isolation ; homelessness or inadequate housing ; high levels of debt ; limited access to transport and essential services including information and

communication services ; limited access to police and justice ; poor health ; lack of citizenship rights. It has many secondary symptoms such as social fragmentation, civil disorder, a growth in racial tension, youth alienation and delinquency, crime and policing problems, drug abuse and mental health problems. The process is particularly acute amongst long-term unemployed and ethnic minority people and immigrant groups who face discrimination in labour and housing markets in addition to problems caused by language barriers.

Social exclusion is in part connected to developments in the labour market. There has been a decline in manufacturing jobs and a growth in knowledge-intensive professional, managerial and technical jobs with good salaries and conditions which have gone to well qualified, mainly indigenous workers. The expansion in consumer and personal services, on the other hand, has largely drawn on female and ethnic minority workers and provides jobs that are often insecure, part time and poorly paid. Combined with high levels of structural unemployment this has contributed to the growing gap between the highest and lowest levels of household incomes. In many urban areas, lack of employment opportunities has seriously affected the lives of young people. Social changes related to family patterns, ageing and the sub-urbanisation of people and jobs have reinforced the consequences of economic and labour market restructuring.

All these factors have encouraged the development of segregated cities, including some whose economies have fared well. In many urban areas, the gap between rich and poor has been aggravated by reductions in support for social housing and other services. In some cities the redevelopment of central areas has forced up land values and rents in the housing market and displaced low-income groups to social housing estates on the periphery. Elsewhere dilapidated rented housing in central areas remains the base for low income groups. The concentration of people with the worst income and employment prospects in areas with low quality housing and poor environmental conditions, often badly served by transport and community facilities, has led to social problems and significant tensions. Such neighbourhoods are effectively locked out of wider economic and social developments and become segregated.

Social exclusion is a cost for society as a whole and a drain on urban economic development. Furthermore, cities and towns can base economic prosperity on internal diversity and plurality. Current discrimination practices imply that there are untapped sources for economic growth, not only in terms of human resources but also under the form of underexploited economic and social links between ethnic minorities in the city and other parts of the world.

In cities of the accession countries the introduction of market processes to the allocation and use of land and property, along with structural changes within labour markets are inducing tendencies familiar in the EU. A particular challenge is to prevent spatial segregation and concentrations of exclusion in these cities.

The problems of distressed urban areas cannot be solved by policies that focus on these areas alone¹. Meeting the challenge requires a comprehensive approach to cities which can combine preventative actions to reduce the incidence of distressed areas in the future with remedial measures that integrate existing such areas into the social, economic and physical fabric of the city. This involves in particular:

¹ OECD, *Integrating distressed urban areas*, Paris, 1998.

- Affordable access to basic services, especially housing, education and training, health, energy, transport and communications, effective policing and justice.
- Pathways to integration, in particular for the hard core of the long-term unemployed, young drop-outs, lone parent families and ethnic minorities and others who are socially excluded.
- Economic development strategies which support local businesses, especially start-ups and community enterprises through the provision of suitable infrastructures, advice and support services.
- Improvement of the physical environment including renovation of the housing stock, measures to reduce pollution and vandalism, and the protection and improvement of buildings and open spaces in run-down areas as well as the preservation of historic and cultural heritage.
- Community development which encourages social mix and improved security for persons including maintenance of local commercial and leisure centres in distressed areas.

While policies at national and regional level are essential to increase economic activity and employability and provide social safety nets, building effective pathways to integration also requires local actions responsive to the specific needs and potential of communities in deprived urban areas. In organising such local responses integrating economic, social, environmental and cultural systems, the participation of local communities and groups is indispensable.

3. The urban environment challenge: local and global sustainability

The state of the urban environment is a fundamental issue with local, European and global implications. The depletion of natural resources (especially through the use of non-renewable energy and minerals and timber stocks) and increases in pollution and waste impact upon local, regional and global ecosystems and impose costs of all types on citizens, businesses and urban governments. A low quality environment often aggravates the spatial dimension of exclusion.

The extension of built-up areas (urban sprawl), linked to the decentralisation of employment, retail and leisure centres as well as to changes in patterns of consumption and to changes in residential preferences, reduces the environmental worth of large areas of land for an indefinite period. Loss of green space both within and around urban areas threatens biodiversity, as well as the quality of life of citizens. Many European cities contain extensive areas of derelict and contaminated land (brownfield sites), the legacy of industrial re-structuring.

Urban sprawl reinforces the need to travel and increases dependence upon private motorised transport, leading in turn to increased traffic congestion, energy consumption and polluting emissions including noise. These problems are most acute in urban areas where residential densities are low and where day to day activities (home, work, shopping) are widely separated.

The better management of urban mobility is essential for urban sustainability. As well as encouraging urban sprawl, car-dependent transport systems have other negative impacts, including neighbourhood severance and reduced mobility for people without a car. Where

mobility is necessary there is a need for local transport systems which promote greater use of public transport, cycling, walking and car-sharing. The challenge is to devise integrated transport strategies which combine alternatives to private cars with measures to restrict car use, the use of economic instruments such as pricing and the application of new technologies including telematics, backed up by appropriate land-use policies. Such measures will promote efficiency and help to reduce transport demand.

The rising consumption of primary energy, with associated emissions of greenhouse gases responsible for climate change. Insufficient thermal insulation in buildings is an important cause of energy overconsumption. Increasing consumption of water per capita is another key issue. Serious water shortages already exist in large areas of southern Europe. The quality of drinking water is threatened by eutrophication and pesticide contamination. The pollution of marine environments threatens not only fisheries but also the local economies of many coastal urban settlements which depend upon tourism. Air pollution is a serious problem for human health, and urban populations are increasingly exposed to noise levels which are too high for undisturbed sleep and a good quality of life.

Urban governments must also deal with large increases in the volume, variety and hazardousness of solid waste and in the quantities of wastewater and sewage requiring effective treatment. Poor waste management leads to the deterioration of landscapes, the contamination of water and soil, and the creation of habitats for pests and disease transmission. Cities also need to minimise and manage environmental risks such as those posed by landslides, subsidence, earthquakes and floods, as well as technological risks such as those associated with major industrial plants and nuclear power stations.

The quality of buildings and infrastructure and the need to protect and enhance the cultural heritage are major issues in all types of urban areas, though they are most prominent in historic urban centres.

Environmental challenges are particularly acute in accession countries of Central and Eastern Europe, especially in the priority fields of water and air pollution.

Urban environment challenges are inter-related. Meeting them requires:

- integrated approaches within strategic frameworks, making full and complementary use of all available policy instruments to tackle problems (as the case of urban mobility clearly demonstrates) and the design of measures which solve more than one problem at a time.
- policy interventions that result in solving problems locally rather than passing them on to other places or to future generations.
- policy solutions which lead to changes in individual patterns of consumption and behaviour on the part of all key actors, especially enterprises and citizens.

It is increasingly accepted that eco-systems analyses which stress the need to reduce the total environmental impact of urban activities provide a sound basis for action. Policies based on the principles of resource efficiency (optimising the use of material inputs and non renewable natural resources per unit of output) and circularity (such as the recycling of materials, land and buildings) can lead to both reduced environmental impacts and cost savings, thus making economic as well as environmental sense.

Cities' efforts to implement policies of this type may be impeded by traditional planning and management practices and by the operation of markets. Price structures typically do not fully take into account scarcity or externalities (such as pollution). Nor do they favour the recycling and re-use of non-renewable resources. For example, the efficient and more sustainable use of urban land is complicated by the cost of cleaning up and re-using brownfield sites. However, European cities are increasingly seeking to influence the operation of markets to generate more sustainable outcomes (for example through the use of local environmental taxes, levies and charges).

Most European cities now appreciate that economic prosperity, employment growth, quality of life and a high quality urban environment go hand in hand. Treating environmental quality as a market advantage rather than a constraint is an important key to progress.

4. The challenge of governance: responding to fiscal stress and institutional restructuring and increasing local capacity to manage change

Important changes have been taking place in the structure of national, regional and local governments and in the relationships between the public, private and community sectors. Although there are differences between Member States, cities face a number of common institutional and fiscal challenges.

Budgetary limitations have reduced the level of public resources available for urban investment. At the same time the processes of administrative decentralisation and regionalisation in many countries have brought increased responsibilities for cities - but not always increased resources to back these up. Fiscal stress has been the consequence, threatening to undermine the capacity for action at local level and the possibilities for active involvement in EU programmes.

In many Member States there has been a shift in the relationship between the state and the market in sectors with a strong urban dimension - in particular housing, welfare services, training and education, transportation and communications, and in some countries the generation and supply of energy, water supply and waste collection and disposal. There has also been a decline in service provision by single public agencies and a growth in partnership models.

Yet, the pressure upon public expenditure is not declining. Redressing social exclusion requires substantial public resources. Increasing economic growth and employment in urban areas and improving environmental quality also require major investment in social and physical capital, which cannot be met entirely by the market. European cities have therefore to become more creative in constructing financial packages to fund economic, environmental and social investment. Increasingly this requires a cultural shift towards new ways of working within the public sector and between the public, private and community sectors. This is particularly relevant for lagging regions and the accession countries, where pressures to modernise and upgrade the physical stock of cities place an intense demand upon national and local budgets.

Meeting economic, social and environmental challenges is in any case not straightforward. Cities are subject to, or must deliver, the programmes and priorities of different levels of government. Too often the mainstream programmes and urban initiatives of various levels of government have different goals, budgets and timetables, and are targeted towards different geographical areas. Additionally, policy measures may have unintended consequences. Sometimes, measures intended to solve certain problems

work against each other or create barriers to action at lower governmental levels. The result is fragmentation of effort, reducing the potential impact of programmes and resources. Better vertical integration is required.

At a horizontal level, cities face the challenge of co-ordinating action across very different policy fields such as local employment, education and training, housing, environment, planning, transport, health, welfare and finance. Functional segregation and traditional departmental specialisms often lead to ineffective and inefficient responses. New management approaches are needed for tackling the multi-dimensional and interconnected problems which cities and towns increasingly have to deal with.

The economic, social and environmental linkages between cities and their surrounding regions are changing rapidly. There is considerable inertia in institutional structures which may not be well suited to changed conditions. Improved co-operation between municipalities and approaches based on the needs and potential of functional urban areas² are essential if urban sustainability objectives are to be achieved and the effectiveness of policy interventions at EU level improved.

Institutional segregation constrains development at the community and neighbourhood level and compounds tendencies for socio-economic and physical polarisation within cities. Cities face the additional challenge of extending democracy and local empowerment and involving all stakeholders – including citizens - in formulating and implementing integrated urban strategies for sustainable development. They need to build partnerships through which residents and key local actors can influence the future of their communities, at the same time counteracting the trend towards low levels of participation and increased alienation from the political process. There is a special need for progress in the accession countries where urban democracy has been recently re-established.

In sum, meeting economic, social and environmental challenges which are complex and inter-related requires a strategic and institutionally integrated policy response in which all stakeholders share responsibility for formulating and implementing trans-sectoral solutions. Institutional flexibility and partnership working are essential. This is the challenge of urban governance.

5. Summary of key challenges

Despite the diversity of their experience and situation, Europe's towns and cities experience common trends and face similar challenges. The trends are globalisation and economic restructuring, social change and rising exclusion, pressures on the environment, fiscal stress and changes in institutional relationships. Economic prosperity, social inclusion and environmental protection and improvement need to be complementary self-reinforcing goals of an urban sustainability strategy that will:

- improve the economic vitality of cities, especially in the regions lagging behind, by encouraging innovation and entrepreneurship, raising productivity and exploiting new sources of employment in smaller and medium-sized as well as in larger cities in order to promote a polycentric, balanced European urban system;

² 'Functional urban areas' comprise communities which are socially, economically and/or environmentally linked, for example an urban centre and its 'commutershed'. They often fall under the jurisdiction of several municipalities and their management may involve a large number of public agencies. The exact definition of such areas varies with the national and local context.

- **organise access to the benefits of increased productivity and competitiveness in a fair way and reduce social exclusion and improve safety; the scale and intensity of exclusion blights the lives of those involved and threatens social integration, competitiveness and sustainability of towns and cities;**
- **make cities more environmentally sustainable and avoid imposing the costs of development upon their immediate environment, surrounding rural areas, regions, the planet itself or future generations;**
- **encourage innovative and flexible decision-making processes and urban institutions that will extend participation and integrate the actions of partners in the urban public, private and community sectors, from the European to the local level, and increase synergy and co-operation between existing institutional processes and resources.**