

# ***The EuroIndia Forum 2008***

***Goa***

***3-5 April – Delhi, 7 April***

***Intervention by***

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**Thursday 3 April 2008, 18.00 – 19.30**

**Plenary session:**

***The challenges of urban development in India***

## **Introduction**

It is my great pleasure to be with you today and to participate in the second edition of the Euro-India forum, which brings together many leaders and experts in the important field of urban policy.

The agreements which have been signed since the publication of the Euro-India strategic partnership in 2004 have paved the way for a lively dialogue at all levels, between India and the European Union, between enterprises, between academics and civil society. It is interesting to note that India and the European Union (EU) have had close ties going back over half a century to the early sixties. India was among the first countries to establish diplomatic relations with the then European Economic Community.

Since 2004, the relationship has moved beyond trade and economic cooperation, and the current partnership covers many areas of mutual political interest such as, for example, the dialogue over recent years on matters such as energy which is an important area of ongoing and future policy dialogue, or the first India-EU seminar on employment and social policy that took place in November 2006 in New Delhi.

The active involvement of the Euro-India Centre – based in la Rochelle, France, and Delhi – in sustaining this dialogue in the fields of development, environment, energy, heritage management, among others, has been a key asset for both sides.

The purpose of my speech, is to draw your attention to another of our preoccupations in the European Union, that of what we call social and economic cohesion, and cohesion policy. I will then go on to concentrate on its urban

dimension. I believe that this experience could be of interest to India and to other countries. Finally, I will take some time to look towards possible future developments in this field in the EU.

## **1. The challenge of cohesion in the European Union**

Today, the European Union is a community of 27 European countries. Its total population after enlargement is nearly 500 million inhabitants, which is still less than half that of India. In terms of land area, the Union today is around 4 400 square kms, which is one third larger than India.

The EU is confronted by wide disparities, and GDP per head varies by a factor of ten between the region of Nord-Este in Romania, the least prosperous region, and Inner London, the most prosperous region. I note that this appears to be similar to the situation in India, where my data suggest that GDP per head is ten times higher in Goa than in Bihar.

Europe is very urbanised and we estimate that around 60% of the population, approximately 300 million people, live in cities of over 50 000 and in the urban agglomerations. Today, we have two large metropolises, London and Paris, with a population in the administrative area of seven and six millions inhabitants, respectively. However, the population of their respective urban agglomeration, including the urban periphery, is almost double that. These agglomerations of the order of 12 or 13 million are at the same time on a somewhat smaller scale than the equivalent in India. In the administrative zones of Mumbai and Delhi, the population is already 13 and 11 million and the urban agglomerations are estimated to contain over 20 and 18 million, respectively.

In the EU, apart from the two major cities, there are 28 cities of more than one million inhabitants and 472 cities of more than 100,000 inhabitants, which is

similar to the EU with 23 cities over 1 million and 523 cities of more than 100,000 inhabitants.

The urban dimension is important because the evidence suggests that some of the most acute problems, presenting a serious challenge to the overall economic and social cohesion of the European Union, are to be found in cities. This is the paradox of our cities in that they contain both the greatest socio-economic problems while at the same time they generally have a large share of the available economic opportunities.

For example, highly qualified people are over-represented in cities, but so are those with very low skills and levels of qualifications. Cities are places for growth and jobs, but there are also areas with very high levels of unemployment. This urban paradox is also reflected in disparities between neighbourhoods. Our urban statistics, based on a sample of 258 large cities, show that almost all cities where unemployment is at a level of 10% or higher, have certain areas within which unemployment rates are at least double the city average. In some cases, unemployment rates reach up to 60% and affect whole families, and different generations of the same family. Within deprived neighbourhoods, high unemployment is compounded by multiple deprivation in terms of poor housing, poor environment, poor health, poor education, and high crime rates.

## **2. The European Union's cohesion policy**

### *Facts and figures*

Against this background, policy intervention to improve cohesion in Europe, and reduce disparities, can be traced back to the original Treaty of Rome of 1957. The founding fathers of the European Union already at that time had the vision, set out in the Treaty, that "*the Community shall aim at reducing the disparities*

*between the levels of development of the various regions". This has set the tone for subsequent policy.*

Determined action in this field, backed by real resources, did not begin however until 1975, when the European Regional Development Fund (ERDF) was created. Today, the ERDF operates in close liaison with the European Social Fund (ESF), which was originally created by the Treaty of Rome in 1957. The latter focuses on supporting social measures and training. Together, the two funds are generally referred to as the European Union's 'Structural Funds'.

Today, we in the EU are at the start of a new planning period, which will last for 7 years from 2007 to 2013. A financial allocation for the Structural Funds has been agreed by the European institutions - after long and difficult negotiations lasting over two years - amounting to 350 billion euros, or around 550 billion American dollars at today's exchange rates. This is for all twenty-seven Member States of the European Union. Around 80% of this funding is however focused on just 35% of the population living in regions defined as least developed.

This European aid is allocated to each Member State according to objective criteria, notably according to statistics on levels of GDP per head, and is then delivered to support projects on the ground through integrated strategies. These strategies are targeted either geographically on the region or on a given sector, such as transport or the environment. Out of a total of 455 strategic programmes for 2007-2013, around half, some 225, are targeted on the regions. The largest regional programme for 2007-2013 is for Andalucia, in Spain, with a budget of 6.85 billion euros, or just under 11 billion dollars.

There are no programmes targeted on cities as such, although within the regional programmes the role of the cities is often very important. There is the possibility

to ringfence resources for a given city or cities, and more importantly perhaps, to sub-delegate some of the management responsibility to city authorities. The main example, in this latter respect, is in the Netherlands, a densely populated country, where it has been decided that the four largest cities will themselves administer and manage specific sub-programmes on urban development.

Initial data from the Member States suggest that for 2007-2013 some EUR 21.1 billion has been earmarked for actions that directly target urban development. This would not include expenditure, for example, to build up the transport networks in certain Member States, which would inevitably also benefit urban areas by establishing linkages. The direct urban development expenditures represent 6.1% of the total EU cohesion policy budget. No programme allocates less than 5% to urban development.

### *Policy objectives*

In pursuing its urban agenda, the four principal objectives of the EU programmes in the urban areas are:

- ✓ Promoting cities as motors of regional development, targeting improvements in competitiveness through the development of the knowledge economy: R&D, innovation, the information and communication technologies, human resource development, business formation and growth. This cluster activities we call in Europe our Lisbon strategy;
- ✓ Fostering internal cohesion inside the urban areas to improve the situation of deprived districts and avoid segregation.
- ✓ Conducting a more balanced, "polycentric" development between the economically strongest cities and the rest of the urban network at national and Community level.

- ✓ Developing the interface between urban and rural areas since the boundaries between cities and the rural hinterland are more and more blurred given suburban development, some of which is planned, some of which consists of urban sprawl.

### *The URBAN programmes and the URBACT network*

While all of the four objectives just mentioned have their place in European policy and programmes, particular attention has been given to fostering internal cohesion inside the urban areas and to improving the situation of deprived districts. Recognising the difficult and deep-seated nature of the problems, and the challenge they present to public policy, the EU has sought to develop innovative and more effective ways to offer help to such deprived urban areas. The vehicle for this has taken the form of what we refer to as a "Community Initiative", which denotes that the leadership for these actions has been more centred in Brussels than in the Member States. The specific Initiative that was developed, known as "URBAN", operated from 1994 to 2006. A total budget of 3.4 billion euros was allocated, relatively modest as a proportion of the total, but nevertheless allowing some 188 European cities to be supported through re-development programmes.

The URBAN programmes supported under this Initiative had the following characteristics:

- First, the promotion of an **integrated approach**. This involved coordinated investments - and therefore administrative coordination - across different fields with a view to creating synergies. The more traditional investments in urban transport, ICTs and small enterprise development were combined with those in education and culture and even in certain social services such as childcare facilities. This holistic

approach to urban development was found to be particularly important in addressing the needs and aspiration of people in the more run-down, deprived urban areas. The balance of investment is reflected in the fact that basic investment such as renovating buildings represented 40% of the total investment on average, while the other 60 % have been allocated to softer investments such as training, social and cultural services, services to small and medium enterprises, etc.

- Second, a **geographical concentration** on the most deprived areas. Each URBAN programme covered on average 20,000 urban inhabitants, with an average of total expenditure of 1,000 euros per inhabitant, with for example, 50% coming from EU funds and 50% from national or regional funds. Depending on the individual situation in the city in question, the geographical focus was either on areas close to the city centre, for example, where traditional industry had moved out, or on the urban periphery where urban planning and sprawl had failed to provide opportunities for the population.
- Third, a **time bounded approach**. Programmes were limited to 7 years maximum in total forcing managers to develop and implement projects within a strict time schedule.
- Fourth, **citizen's participation**. Attempts were made to involve the local population in programme design and project selection. Strong local partnerships were generally created involving local authorities, NGOs, neighbourhood associations and clubs, etc.
- Fifth, **dialogue and networking between cities**. Exchanges of experience and best practice were encouraged under the URBAN programmes, with

the support of a specific programme, URBACT. This brought together 265 cities, which worked together in the context of 20 thematic networks and 8 working groups.

On the URBACT programme, which provides a forum to bring cities together, this has been important for the Commission because a major part of the added value of European cohesion policy resides in the promotion of exchanges of experience and best practice. Through URBACT, there were a number of interesting innovations. These included, firstly, a peer-learning process between cities, whereby cities from one part of Europe could seek expert help from other European cities that had addressed specific urban development issues. It is now open to all European cities. It is worth noting that cities from other regions of the world can participate in some networks as observers. For example, Istanbul is involved in a network of cities. A particular focus has been on ways to improve city governance, although it is important to bear in mind that the powers for independent action delegated to cities differ considerably across Europe and even, in some cases, within the same Member State. While some city-regions in Germany, such as Hamburg, have important financial capacities and a range of devolved powers, others cities lack resources.

Secondly, a useful component of the networking process has been the opportunity provided for systematic benchmarking. City managers are obliged in their daily work to deliver quality services to citizens and businesses, for example in public transport and in many other aspects of city life. By benchmarking performance with other cities – on the basis of both quantitative and qualitative indicators – it is possible to provide guidance on areas that need to be improved as a priority. Increasing the use benchmarking, and developing appropriate indicators, has been part of the URBACT programme. Finally, the

results of URBACT have been made available to the public with the development of an interesting website ([www.urbact.eu](http://www.urbact.eu)).

### **3. Intelligence gathering: the Urban Audit**

Good policy depends on good information. Accordingly, we have developed since 1998 a more thorough system for collecting quantitative indicators on the state of European cities. This is known as the Urban Audit, which started with 58 cities, and where we now collect data on 322 European cities, together accounting for more than 25% of the European Union's population, as well as cities in Norway and Switzerland.

This allows us to provide a set of 330 indicators in nine domains, including demography, social and economic aspects, education, travel and transport. We already have 1996 and 2001 data and, soon, 2004 data will be available. The data have provided a key input to policy development at national and European level, and allowed city managers to place their work to improve urban conditions in a comparative framework.

The results of this large data collection may be accessed on the "urban audit" website [www.urbanaudit.org](http://www.urbanaudit.org) at the end of May 2008.

### **4. Outlook**

In Leipzig in May 2007, European Ministers responsible for spatial planning agreed a strategic document called the Territorial Agenda for the European Union. This is an action-oriented political framework for future cooperation developed together with the European Commission. It lists the most important present territorial challenges for the future. This is a well known list, inside and

outside the European Union and includes climate change, demographic decline and change, migratory flows, increasing development sprawl and proposes an action plan to address them.

We believe that these issues are territorial because Member States, regions and cities tend to face the challenges to different widely degrees. The policy response needs to be geographically differentiated; there can be no one-size-fits-all approach. Cities are very much part of the territorial challenge facing the Union and in the actions in response. Indeed, in a parallel and related development in Leipzig, the Ministers adopted a specific framework for urban development known as the urban charter. Looking briefly at each of the issues:

#### Environment and climate change

It is clear that cities of the twenty-first century are critical for achieving economic sustainability. We must work together to making them sustainable from an environmental point of view. Cities generate nearly 80% of all CO<sub>2</sub> emissions and a large proportion of other greenhouse gas emissions. They are therefore target areas for reducing pollution and energy efficiency and for taking related actions in the field of urban sprawl, for example, in the field of transport.

In European cities, an efficient use of space has become a key objective, in line with protecting green areas and parks. There is also an increasing focus on the re-development of brownfield sites which the decline of traditional economic activities has left behind to create new open spaces.

#### Public Transport

As indicated, a sector which requires particular attention is the transport sector. Transport is one of the main producers of CO<sub>2</sub> emissions. Throughout Europe and elsewhere, increased traffic in towns and city centres has resulted in chronic

congestion, with the many adverse effects in terms of delays and pollution. Every year, an estimated 100 billion euros, or 1% of the EU's GDP, are lost to the European economy as a result of the delays caused by transport inefficiencies. One response is to seek to upgrade *public* transport. The European Commission has contributed to policy development, and recently issued a green paper on urban mobility. Among the issues is that of the coherence of transport systems that are often multi-modal (combining train, tram, bus and metro), for example, using a single ticketing system across the broader metropolitan area in the face of the problems of generated by administrative frontiers. I note that there are encouraging examples in India, for example in Bangalore which has an urban transport master plan.

### Demography

This is a critical issue for Europe against a background of low birth rates and increasing life expectancy with, overall, demographic decline, an ageing population. It is combined with an increase in migratory flows following the enlargement of the Union from twelve to twenty-seven Member States after 2004.

Europe's cities tend to have very different experiences in this regard. Certain cities are growing, in the UK and Ireland, and in the South of the EU, for example, in Spain. Other are declining, notably those in Central and Eastern Europe which have been experiencing population losses, which were largely due to the migration flows towards more prosperous regions of Europe.

For cities facing net inward migration, there are growing requirements for housing, social services and training including in languages. More and more cities are having to adapt to fluid, multi-cultural populations. The promotion of an enriched and peaceful inter-cultural dialogue has become a pre-condition

today for ensuring sustainability in cities. For cities facing outward migration, there are problems of the sustainability of business and public services alike, especially since it is often the young or the best qualified who leave. Many cities have adopted proactive strategies to lure back the migrant population.

Finally, there is the perennial problem of resources for policy. This is always a difficult challenge in the EU, as reflected in the two years of negotiation it required to reach an agreement on the budget for 2007-2013. At the level of the city, and in addressing the different policy issues, city managers have to compete with other priorities for scarce public resources, not just from the EU but regionally and nationally as well.

In the Commission, we have been seeking to find ways to enlarge the resources for investment available by encouraging greater use of non-grant, repayable sources of finance. For this reason, the Commission has launched the Initiative JESSICA ('Joint European Support for Sustainable Investment in City Areas'), which will finance urban renewal investments, using innovative methods of financing and channelling EU Structural Funds through Urban Development Funds. It is a new initiative developed in close partnership with the European Investment Bank and with the participation of the Council of Europe Development Bank. About 110 programmes for the period 2007-2013, out of a total of 225 targeting regions of the EU, include the possibility for urban investment under JESSICA.

I mentioned the recent Ministerial meeting in Leipzig and would like to add that in their conclusions, the Ministers specifically requested the Commission to prepare a Green Paper for consultation on the future of territorial cohesion policy this year. Part of the background to this is that the EU's Treaty of Lisbon, signed on 13 December 2007, and still to be ratified by Member States, includes

a new reference to territorial cohesion as the third dimension of cohesion alongside economic and social cohesion.

The Green Paper will address a number of issues on the concept and practical application via policy of the notion of territorial cohesion. Clearly the urban dimension will play an important role.

## **5. Concluding remarks**

I would like to conclude by mentioning the increasingly important international dimension to our work in this field. We have found that there is an increasing demand among our international partners to engage with the Commission in order to discuss policies that aim to promote more balanced territorial development. Particularly in countries that are experiencing rapid growth – and today we have ties with China, Brazil and Russia – concern to ensure that the benefits are widely spread has given rise to an acute interest in regional policy and regional governance at the highest political level.

EU regional policy has acted as a source of inspiration for other parts of the world, partly because of the appeal of its dual objectives of addressing the promotion of growth and reducing geographical disparities simultaneously. We are ready to share this experience with India, and I would look forward to the chance to explore together ways to cooperate more closely on regional, urban or 'cohesion' issues beyond the confines of this extremely useful conference event.

Thank you for your attention.