



URBAN DEVELOPMENT IN THE EU: 50 PROJECTS SUPPORTED  
BY THE EUROPEAN REGIONAL DEVELOPMENT FUND  
DURING THE 2007-13 PERIOD





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The opinions expressed in this publication do not necessarily reflect the views of the European Commission.

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## Abbreviations and acronyms

CECODHAS	European Federation of Public, Cooperative and Social Housing
CLLD	Community-Led Local Development
DG REGIO	Directorate-General for Regional and Urban Policy
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
ITI	Integrated Territorial Investment
NGO	non-governmental organisation
SME	small and medium-sized enterprise

# Executive summary

Over two decades of experience with European pilot projects, the URBAN I and II Community Initiatives demonstrated cities' commitment to engage with integrated, sustainable and participative urban development. It was in 2003 that consensus over these principles was formulated in the Strasbourg Declaration, which specified the URBAN approach, also called the URBAN Acquis. A series of ministerial meetings and documents related to urban development reinforced these principles as guidance for cohesion policy for 2007-2013.

The challenges we face today<sup>1</sup> require that cities renew their commitment to achieve better living conditions in urban areas for all. Learning from the URBAN Acquis, this research is a collection of 50 practices which partially represent how cities locally respond to urban challenges within the cohesion policy period 2007-2013. The 50 cases have been chosen to illustrate eight themes and to come from as wide a variety of places in the EU as possible, and they demonstrate the broad range of activities that can be carried out with the support of the European Union's structural funds.

## Production & structure

The case studies were prepared during 2012 and cover projects that have recently been completed or in a few cities are still under way. They were largely written by local experts, who were able to conduct interviews in national languages, and were then edited by a team of thematic experts. They have a ground-breaking format, which is designed to satisfy an extensive range of uses. Each case consists of two parts. The first is an analytical template, which sets out the key information about the case in a rigorous and comparable form. It covers the history and activities of each case, but is also thorough enough to include items such as context, governance, innovation, problem-solving, transferability, monitoring and evaluation. The templates are typically about 16 pages long.

The second part of each case is the narrative account, which is a shorter document of up to eight pages, illustrated with photographs and written in an accessible journalistic style. It is structured to contain a headline, a six-line standfirst, a half-page executive summary and the main text, divided into sub-sections.

Readers are expected to approach the cases through the journalistic account, and to refer to the analytical template to

follow up specific issues. The cases are published online<sup>2</sup> in downloadable pdf format with appropriate keywords.

The cases cover eight themes, chosen by DG REGIO for their relevance to resolving the main issues in European urban and regional policy today. The main conclusions regarding each theme are as follows.

## Smart growth

Smart growth involves smart specialisation – combining a place-based logic of differentiating an area from its competitors with the creation of an innovation system. Cities in the cases analysed are trying to reposition themselves in the knowledge economy, and typically use the ERDF to provide physical workspace with cultural, technology and R&D facilities. But this raises the question whether this by itself is enough, and makes the success of the ERDF component dependent on that of a much larger whole. User involvement – the quadruple helix – is a way to avoid the wasteful construction of infrastructure for which there is no demand.

The thematic recommendations are cities must ensure that ERDF-funded projects for smart growth are aligned with strategic planning policies for their regions. In particular, projects need to pay more attention to viability on the market: one of the greatest risks of publicly supported grant-based systems like the ERDF is that they can create artificial incentives for buildings, technologies and activities that do not reflect the real demand for new high-tech space in their localities. In the worst cases, well-meaning public funding can add to asset price bubbles. Moreover, in order to prevent creating elitist, gated scientific communities, cities need to define their role as brokers, above all taking the needs of citizens and the wider economic and social context into account.

## Sustainable growth

Sustainable growth strategies are about changing the development path towards a model that uses fewer resources to achieve higher levels of growth. A popular type of project within this theme is the redevelopment of brownfield sites such as disused dockyards or steelworks, turning them over to business, educational or cultural use – or a combination of these. Other projects are developing sustainability strategies or tools to assist the transition to a carbon-free energy

<sup>1</sup> [http://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/citiesoftomorrow/citiesoftomorrow\\_final.pdf](http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/citiesoftomorrow/citiesoftomorrow_final.pdf)

<sup>2</sup> [http://ec.europa.eu/regional\\_policy/projects/stories/index\\_en.cfm](http://ec.europa.eu/regional_policy/projects/stories/index_en.cfm); <http://www.aeidl.eu/en/projects/urban-development.html>

system, thus reducing the depletion of natural resources and limiting land consumption. The cases demonstrate that many cities are attempting to respond to both aspects of sustainable growth: to achieving durable improvement and development as well as exploring new green options to reduce their carbon footprint.

The sustainable growth projects also illustrate the importance of multi-level governance relations. Managing Authorities have a key role to play in incorporating into operational programmes support for cities in making the transition to a viable integrated and sustainable urban growth model. The concrete results of the projects may be easy enough to appreciate, but questions remain as to whether they really stimulate sustainable growth in the long term. One recommendation is that it is necessary to reconsider ERDF funding timescales in function of certain challenges and project objectives which are integral to achieving sustainable growth. Positive outcomes might be wiped out by downsizing and/or austerity measures brought in by local governments with other priorities.

## Inclusive growth

Inclusive growth is based on the premise that any growth, if it is to be economically, environmentally and socially sustainable, needs to be inclusive in order to reach all parts of society. Its urban dimension is expressed in the Leipzig Charter, and involves unique local responses stimulated by strategies such as neighbourhood management. Tools include education and training infrastructure and developing local services. It is driven by local actors and plays an important role in creating social innovation. The vital ingredient of an inclusive growth strategy is lively partnerships, which bring in civil society organisations representing people at risk of exclusion, and which embrace the various tiers of government. The cases include some interesting good practices in how to combine funds from different sources. The ERDF has added value since it has allowed experimentation with new approaches to reaching out and providing ad hoc support for mentally disabled people, long-term unemployed people for whom mainstream policies would not suffice to address specific personal issues, and ethnic groups at risk of marginalisation. The importance of these inclusive growth practices should not be underestimated. In the long-run they are the key to socially balanced and stable cities.

## Sustainable integrated urban development under Article 8 of ERDF

Article 8 focuses on urban regeneration of deprived urban areas with a sustainable, participative and integrated approach. This takes mainly two forms: horizontal, which brings together policies in an area, and vertical, which brings together different levels of government.

A large part of the success of integrated development projects depends on the governance framework within which they operate and on the capacity to involve all scales and tiers of government. In particular, the cases from France, Germany and Spain illustrate how national-level frameworks set the scene for local projects. However many EU countries lack such a framework, and the initiatives arise from cities themselves. Citizen participation is a strong feature of almost all these cases. Relevant examples are those cases in which an ERDF-funded project can be part of a broader strategic plan bringing together different sectoral policies.

In deprived urban areas, it is a slower process to change social conditions than to renovate the physical environment; therefore cities must question how much residents' life chances are improved beyond the improvement brought about by physical regeneration. This puts a premium on longer-term support mechanisms to ensure that the social side of integrated interventions does not collapse when funding ceases. The cross-financing option of including ESF-type actions in ERDF-funded programmes offered by Article 8 offers the chance to ensure synergy among different measures. However, it has not been exploited widely enough by cities.

## Housing for marginalised groups

Since 2010, the ERDF has been able to support housing projects in all Member States, but only those projects which house marginalised communities and those which take an integrated approach. In this context, the idea of integration is to create cities in which people of diverse social positions and cultures live together on an equal footing. This implies counteracting the forces that lead to the forced segregation of certain groups of the population.

Bad housing is a factor of exclusion, and the case studies show that this may be counteracted by converting disused buildings such as old hospitals into housing, or by renovating existing housing. Energy efficiency is an obligatory part of such schemes. However, even though people on low incomes will eventually save money by refurbishing their homes, they often cannot afford to make the necessary investment, and may be suspicious that improvement schemes will mean their rent will rise. Some projects have brought market forces to bear on this issue by stimulating both the demand for and the supply of energy-saving building materials and services.

A key success factor of these projects is the consent and if possible the active participation of the people who live or will live in the accommodation concerned, to make sure that housing renewal does not push away low-income families in favour of new residents who contribute higher levels of tax revenue. The drawback with these integrated schemes, for in-



stance those that aim to stimulate the market for ecological building materials, is that they may fall foul of ERDF audit rules.

## Financial engineering

During this programming period, financial engineering has started to take off within the structural funds, with 400 funds by the end of 2010 being set up to deliver 5% of the ERDF's value. Most of them support small firms and microenterprises, but some support sustainable urban development or energy efficiency. Their basic premise is that if funding is allocated in the form of loan, guarantee or equity rather than a grant, then, as it is repaid, it can be used several times over as a 'revolving fund'. This is supposed to increase the effectiveness of public spending. But there are more subtle effects; once a project is conceived in terms of business rather than charity, different and more professional motivations and criteria come into play. The prospect of having to repay a loan focuses decision-makers' minds on the financial viability of their proposals, and helps get better value for money. This means that loan revolving instruments can only work where there is prospect of a reasonable return, and grant aid will still be needed to carry out the more demanding projects such as recovering very contaminated brownfield sites.

This requirement for a change in mentality has caused delays in implementing financial engineering instruments. The upshot is that while on the one hand the public investments often lever in considerable amounts of private matching finance, they have been very slow to actually make any investments. An opportunity to stimulate the European economy through counter-cyclical investment has been missed.

## Local empowerment and public participation

The ERDF supports public participation and empowerment in a variety of ways: 'bottom-up initiatives may coincide with and complement top-down initiatives, each dominating different political phases of policy-making, implementation and monitoring'.<sup>3</sup> The scope of ERDF-funded projects is to encourage local administrations to engage in dialogue with stakeholders, especially under-represented minorities, thus empowering local communities. Local participation is also seen as instrumental in compensating for the limitations of the conventional and sectoral approaches towards the integration of public policies for sustainable urban regeneration. Some of these examples are national programmes, implemented locally: local committees are set up and given the discretion to allocate public money to carry out local improvements. Some schemes are regional, while other schemes are purely local.

<sup>3</sup> Silver, Scott and Kazepov (2010) 'Participation in Urban Contention and Deliberation', *International Journal of Urban and Regional Research*, vol. 4, issue 3

Perhaps the most interesting form of participation is achieved with the establishment of community enterprise, in which the people living in a locality jointly manage an enterprise to provide themselves with work and income.

The case studies show that authorities have been involving a variety of actors, using techniques and tools to improve the efficacy of participatory planning. It is widely acknowledged that participatory processes are at risk of being hyped up, being seldom linear and not always congruent with the situation on the ground. In particular, when rhetoric dominates reality there is little or no transformation on the status quo, and little capacity to challenge existing power structures and so generate policy and institutional learning. Good practices are those that succeed in sowing the seed of change and in engaging public authorities in reflection on the effectiveness of public participation in local micro projects as well as in governance more broadly.

## Co-operation, networking and learning

Under the European Territorial Cooperation goal, the ERDF supports three varieties of co-operation: cross-border, transnational and interregional. The URBACT interregional cooperation programme deals specifically with cities. The learning processes that occur depend on how the funding is structured. In some INTERREG projects, partners work on their own projects in parallel and share the results at the end. By contrast URBACT projects involve a lengthy preparatory period of exchange, learning and action planning before joint action starts. The URBACT action planning process accelerates policy learning by helping partners to save time by avoiding mistakes. It has enabled some cities to mainstream their ideas to national level. In other cases European funding can enable cross-border problems to be solved that would be difficult to fund within one Member State.

Policy learning has taken various forms. The cases show the need for closer links between the small but innovative learning programmes and the relatively conventional mainstream. This might be done by giving preference to projects which have a multi-stakeholder partnership and a properly structured action plan.

## Conclusions

This study is not an evaluation of the urban dimension in cohesion policy, but a report on the state of the art on how selected cities dealt with local urban policies funded under the ERDF between 2007 and 2013. The most important message is that all good practices had some level of integration of policies. However most practices are only good in parts – this is why the cases have been classified into thematic areas according to their main achievements. Moreover, most cases

could be classified into more than one thematic area. That is why this report recommends the further reading of the case studies in their complete form (journalistic account plus analytical template) to critically learn from the plusses and minuses of each practice.

The balanced distribution of cases into eight thematic area shows that cities are committed to tackling all the challenges pertinent to the cohesive future of European cities. From the interviews it has been widely acknowledged that EU funding has created an added value. The ERDF has on one hand inspired local practices by insisting on the principle of a sustainable and integrated approach, and on the other hand it has financially sustained the implementation of the projects. This has meant among the cases analysed that the ERDF has helped to move forward ideas or projects which have already shown success on the ground, to encourage other new partners and stakeholders to engage in local projects and to experiment with new forms of governance.

As regards the dimension of areas impacted by the ERDF, the study suggests that the ERDF has supported urban projects that covered a range of scales from the very micro scale of the neighbourhood, to the urban and metropolitan area, extending at times to polycentric urban areas and their cooperation at regional level. The ERDF has been invested in areabased interventions, but there were relatively few cases in which the place-based approach was combined with a people-based approach – and even fewer where ERDF and ESF cross-funding was deployed.

The physical aspect is also the main driver of ERDF use in brownfield redevelopment, housing, neighbourhood renewal and infrastructure. Some cases are at the edge of being monofunctional projects because physical regeneration is the sole goal.

In the most sophisticated cases, physical regeneration is only a driver for more comprehensive and integrated approaches to rethinking the future of an area – and of an entire city. The way the integration of policies has been achieved does not fit into a single definition. Integration means different things to different stakeholders and in different policy documents. The best examples are those in which horizontal and vertical integration are combined and the key aspects of smart, sustainable and inclusive growth are intertwined.

Cities have demonstrated that they can achieve big changes and experiment with social innovations. Yet cities do not have the competences to solve all the problems which are visible on the ground. The decentralisation of responsibilities to cities, increased participation of citizens, and the good will of policy innovators may not be enough to fight growing disparities, unemployment, retrenchment of welfare and dominance

of the globalised market. Regional and national authorities need to be brought into the picture as active players which are responsible for policy integration at their respective levels. This report suggests thinking of a form of two-way bridge between administrative levels so that the local level is not overburdened by the task of achieving policy integration, and sustainable integrated development is practised at every scale.

This also regards the management of public finances. The use of financial engineering tools demonstrates that there is a big potential which has not been completely exploited in the 2007-2013 period. The case studies show that networking, sharing of competences, clear partnership, good timing and transparency of investments are fundamental ingredients for making the best out of the new financial tools. To be successful they will need to find ways to integrate and coordinate investments in physical development with other soft investments which target the city as a whole. The holding and Urban Development Funds must above all balance the need to make commercial returns with the need to develop a high-quality portfolio that delivers on the wider social and environmental objectives of the programmes.

What is more difficult to assess is who really benefits from investments in cities, and how. Most of the case studies are stronger in output indicators than in medium or longer-term assessment of their results. More project-level evaluation is needed to improve understanding of what works.

In conclusion, the study has shown that individual municipalities are capable of producing one-off good practices. To go further and produce many good practices requires more support from higher levels of governance and more exchange with peers. This process also implies a revision of the role of territorial governance, so that the public authorities regain the function of redistributing wealth between groups and territories. To achieve this step-change requires that many more cities initiate and implement more ERDF projects in a way that builds on the experiences of these 50 urban projects.

# 1. Introduction

This report was prepared as part of a contract with the European Commission's Directorate-General for Regional and Urban Policy (DG REGIO) to present good practices in urban development co-financed by the ERDF during the 2007-2013 programming period. The study has produced 50 case studies which show how cities may best address urban development within ERDF programmes and provide guidance on the urban dimension in future cohesion policy.

The 2007-2013 period saw the mainstreaming of the 'urban dimension' in cohesion policy, as a result of which all urban areas have become potential beneficiaries of EU structural funds. EU ministers have endorsed a political agenda for urban development in Europe which fosters the *integrated approach* to urban development that is needed to overcome the limitations of a sectoral and fragmented approach to urban questions. This leads to the elaboration of a set of common principles which has been acknowledged as the EU *Urban Acquis*<sup>1</sup> and which has become an integral part of the Leipzig charter.<sup>2</sup> Managing Authorities of the structural funds have been given the possibility to include a vertical priority dedicated to urban development in their operational programmes. About half of the programmes have adopted such an approach across a wide range of Member States. A small group including the Netherlands have adopted a horizontal approach where the country is highly urbanised. A third group has no explicit urban dimension at all in their operational programmes.

In addition, apart from 'URBAN-type actions' based on the legacy of the Urban Community Initiatives, which apply only to a certain set of conditions (such as concentration on deprived neighbourhoods, integrated planning tools, etc.), cohesion policy in the 2007-2013 period finances 'urban actions' referring to the generic spatial context in which sectoral and isolated actions can happen. The EU guidelines<sup>3</sup> identify three different groups of actions that make up the urban dimension of operational programmes for 2007-2013:

- Actions to promote the internal cohesion of deprived urban neighbourhoods (URBAN-type actions): these actions follow an integrated, area-based approach, focus clearly on disadvantaged urban areas, and are generally programmed under Article 8;
- Actions to promote sustainable urban development in relation to specific urban challenges: these can respond

to specific sectoral challenges or not be concentrated on specific target areas but address the city level. They may aim to increase competitiveness, innovation and job creation, to rehabilitate city centres and brownfield areas, or to develop urban infrastructures;

- Actions to promote a more balanced, polycentric development: these include the development of networks of cities, intermunicipal cooperation and questions of metropolitan governance and urban-rural linkages.

Today the socio-economic conditions in which cohesion policy for 2007-2013 was born have changed. The financial downturn has affected EU cohesion policy including the way it intervenes in cities. The recent Europe 2020 Strategy is a fundamental review of the Union's policies which aims to proactively face the risk that 'two years of crisis (are) erasing twenty years of fiscal consolidation'.<sup>4</sup> The strategy acknowledges that the financial crisis has had severe consequences on the everyday life of many European citizens and has produced social unrest in those countries most severely hit by the recession. The Europe 2020 Strategy is intended as a 'wake-up call' and is presented in the belief that the crisis will function as a driver for future and more radical collective commitment by the EU: 'Business as usual would consign us to a gradual decline, to the second rank of the new global order'. 'Innovation' is chosen as a key word for boosting a cohesive EU in the global arena, strengthening the single market and social inclusion. The Toledo Declaration of June 2010 emphasised the role of cities in contributing to smart, sustainable and inclusive growth through an integrated approach.<sup>5</sup> Territorial cohesion was included in the Lisbon Treaty<sup>6</sup>.

The Lisbon Agendas growth and jobs on the one hand and the Gothenburg Agenda on sustainable development (2005) focus on social inclusion on the other – have been channelled into a new thematic strategy for Europe 2020<sup>7</sup> whose three goals are 'smart, sustainable, inclusive growth'. The Europe 2020 strategy responds to the European and global post-crisis challenge by proposing seven flagship initiatives<sup>8</sup> to catalyse

1 Urban Acquis at <http://www.bmvbs.de/cae/servlet/contentblob/31294/publicationFile/497/urban-acquis-englisch-november-2004.pdf>

2 [http://www.eukn.org/E\\_library/Urban\\_Policy/Leipzig\\_Charter\\_on\\_Sustainable\\_European\\_Cities](http://www.eukn.org/E_library/Urban_Policy/Leipzig_Charter_on_Sustainable_European_Cities)

3 [http://ec.europa.eu/regional\\_policy/information/legislation/index\\_en.cfm](http://ec.europa.eu/regional_policy/information/legislation/index_en.cfm)

4 Communication from the Commission. Europe 2020 – A strategy for smart, sustainable and inclusive growth, COM(2010) 2020 final, 03.03.2010, p. 7. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>

5 [http://www.mdr.toronto.ca/userfiles/declaratie\\_Toledo\\_en.pdf](http://www.mdr.toronto.ca/userfiles/declaratie_Toledo_en.pdf)

6 The Lisbon Treaty on the Functioning of the European Union (TFEU) was adopted in December 2007. See <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2007:306:SOM:FR:HTML>

7 EU 2020 strategy: [www.europa.eu/europe2020/index\\_en.htm](http://www.europa.eu/europe2020/index_en.htm)

8 Innovation Union, Youth on the move, A digital agenda for Europe, Resource efficient Europe, An industrial policy for the globalization era, An agenda for new skills and jobs, European platform against poverty.

progress under each priority theme. Cohesion policy and its structural funds are set out as key delivery mechanisms to achieve the goals.

However the emphasis placed on growth is similar to that of the original Lisbon Strategy of 2000 which signally failed to either prevent or contain the crisis. There is a risk that the Europe 2020 Strategy will remain trapped in a growth paradigm that ignores the ambiguities and problems that obtain in reconciling the principles of economic competitiveness, social cohesion and environmental sustainability.<sup>9</sup> It is particularly in the cities that these tensions are played out.

Reflection and learning from the past is especially important because the territorial and urban dimension is fundamental to reducing disparities in living conditions and working opportunities between Member States and Regions<sup>10</sup>. Indeed several of the key targets of Europe 2020 cannot be achieved without learning from the territorial and urban dimension of cohesion policy. The eight themes encompass and systematise different types of urban interventions that have been developed during the programme period 2007-2013. Chapters 3 to 5 on smart, sustainable and inclusive growth discuss concrete examples of urban practices which directly relate to the recent Europe 2020 Strategy. Chapter 6 addresses integrated urban development operations under Article 8-type actions of the ERDF regulation. Chapter 7 looks at how ERDF has been used to support housing improvements with a particular focus on marginalised groups, and takes account of changes to the regulatory provisions. Chapter 8 examines the role of financial engineering approaches, particularly those under Article 44 of the general regulation – the so-called JESSICA-type funds. Chapter 9 looks at local empowerment and public participation, which are key elements of the Leipzig Charter. Chapter 10 focuses on cooperation and networking and in particular the role of the INTERREG 4C and URBACT programmes in translating policy learning into concrete projects. The conclusions provide an overall view of the main messages resulting from this study. The full list of cases analysed (containing analytical templates and journalistic accounts), and the full methodology description containing the guidelines for quantitative and qualitative research are provided as separate annexes.

<sup>9</sup> Novy, A., Swiatek, D. C. and Moolaert, F. 'Social Cohesion: A Conceptual and Political Elucidation', *Urban Studies*, July 2012, vol. 49 no. 9 1873-1889

<sup>10</sup> F. Barca *An agenda for a reformed cohesion policy: a place-based approach to meeting European Union challenges and expectations. Independent report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, European Commission, 2009*

## 2. The methodology of the study

The methodology of the study comprised the selection of the case studies, the drafting of the guidance for producing them, the editing and post-production phase and the organisation of the collaborative architecture of experts and researchers.

The terms of reference for the study required that the case studies should:

- have an integrated, multisectoral nature (overall framework for projects and/or individual holistic projects);
- have a high relevance for EU policy priorities (especially the Europe 2020 strategy as well as the Lisbon and Gothenburg agendas) and have a European added value;
- have a clear thematic focus and (measureable) effectiveness in addressing challenges;
- be of an innovative nature;
- be sustainable, which means avoiding the risk of taking a short-term view dominated by immediate concerns with the current economic and financial climate at the expense of future sustainability;
- use a participative approach in the design and implementation of actions and good governance;

In addition there were geographical and thematic criteria

- provide a balanced and wide coverage of EU Member States (at least one city per Member State among the suggested examples);
- provide a balanced and wide coverage of different size of cities;
- provide a balanced coverage of the eight themes
- be selected from projects that are partially funded by the ERDF during the 2007-13 period

### 2.1 Selection of the case studies

The case studies were selected by an iterative process drawing on the knowledge of the field experts, thematic coordinators, core team, steering committee, DG REGIO geographic desks and Managing Authorities. The selection aimed to meet the requirements of achieving a geographic distribution with at least one case from each Member State, approximately five cases for each of the eight themes that had been identified in the terms of reference, and an even distribution of case studies from new and old Member States. Before approval by the Commission, each proposed case was assessed through desk research to see whether it would make a viable case study, using a two-page verification template completed by the field expert and checked by the core team. The selection of cases according to theme while taking account of the other criteria required some difficult choices and compromises.

The criterion of selecting at least one case study from every Member State did not mean that every Member State could provide a good example of urban regeneration. Moreover many of the projects proposed had not been completed. It was decided to opt for the most mature case studies whose good progress on the ground could be best assessed.

The allocation of case studies to themes was also problematic. By definition, good practices in sustainable urban development are successful policy examples that tackle several problems in an integrated manner. Many case studies could have been allocated to two or three themes. It was decided to highlight the most innovative characteristic of a case study and see where it best fitted. Links to case studies belonging to more than one thematic area are provided in the thematic chapters of this report.

We found that you can only be sure about the quality of the case after making the site visit. Some cases that were positively assessed by third parties were found to be problematic, insufficiently advanced or exaggerated. Even good practices have weak points. Therefore it was agreed with the Commission and the peer external experts that the case studies would be approached as critical analyses of practices with the intention of providing a wider and multifaceted perspective on a single story of urban renewal. Good practice case studies therefore mean case studies that on balance display strengths rather than weaknesses and have good learning potential for future policies.

### 2.2 Production and editing of the case studies

The cases were assigned to field experts who were normally resident in the relevant Member State and spoke the local language. They were responsible for proposing a list of interviewees, carrying out the interviews and then completing the template and writing the first draft of the 'journalistic' account. This use of local experts improved the quality of information from a wide range of stakeholders, many of whom did not speak English. The case studies were conducted using a 360-degree approach to selecting for interview a range of stakeholders with the specific aim of ensuring that a range of viewpoints were obtained and not a 'city promotion' view. The core team drafted a methodology document for drafting the case studies, and provided the format for collecting detailed data and instructions for drafting a more narrative account of the practice. This has been produced as a methodological annex to the study. The 360-degree approach requires

## 2. THE METHODOLOGY OF THE STUDY

interviews with a range of stakeholders: citizens or users are interviewed, as well as funders and peer organisations. Having a wide range of respondents and a visit of the local expert to the site for a minimum of three days enriched the exercise enormously and, for some projects, it was the first time that deep questions about implementation and results had ever been posed.

Normally between eight and twelve interviews took place for each case study and, in some instances, focus groups were also used to stimulate discussion among stakeholders. The main tool used by the field expert was a detailed ‘analytical template’ comprising about 50 questions organised in ten sections. The expert completed the template based on a variety of inputs from the different interviewees. After the field

work and the 16-page template had been completed, the expert wrote a six- to eight-page ‘journalistic account’. They were helped in the writing of this account by editorial review from the thematic experts and the core team. Based on the journalistic account, a half-page executive summary and six-line standfirst were then produced.

Overall, the use of a standard template enabled experts with a range of experience to produce a high-quality product. It would not have been possible to deliver case studies from local experts without such a tool. More difficulties were found with the journalistic account, which required both a high level proficiency in English as well as the ability to produce a readable account. The two outputs of each case study were submitted for review to the thematic coordinator, who made written

**Figure 1: Table showing Cities selected for case studies by Member State and by Theme**

	Smart Growth	Sustainable Growth	Inclusive Growth	Integrated approaches	Housing for marginalised groups	Financial Engineering	Participation	Cooperation and Networking
AT	Wien							
BE		Brussels	Kortrijk		Gent			
BU			Pazardzhik					
CY				Nicosia				
CZ			Šumperk		Brno			
DK		Frederikshavn						
DE		Leipzig	Bremen	Duisburg			Berlin	
IE			Limerick					
EE	Tallinn					Tartu		
EL								Halandri
ES			Terrassa	Málaga				
FI		Lahti	Tampere					
FR	Toulouse	Chambéry		Saint-Nazaire				
				Ourcq				
IT				Firenze			Barletta	
LT	Vilnius				Skuodas			
LU		Esch-Belval						
LV				Riga				
HU	Pécs			Kazincbarcika	Budapest			
MT								Paola
NL	Eindhoven	Rotterdam						
PL	Gdynia					Poznań	Wrocław	
PT							Porto	Lisboa
RO							Alba Iulia	
SE	Stockholm							
SI								Ljubljana
SK								Bratislava
UK					Petersfield	London	Derry	
						Sheffield		

comments, in the context of the relevant thematic field. The documents were then sent back to the field expert for a first revision. The revised documents were sent again to the thematic coordinator, who forwarded them to the core team after approval. The role of the core team was to make a first quality check: length, pictures, style, etc. If everything was fine, it was passed to the editorial team for proofreading. Once the proofreading had been done and checked again by the core team, the documents were put in their final format with identical layout for all the documents, shared on the collaborative platform and sent to the EC steering committee. Two rounds of feedback from the Commission required a final editing for the case studies.

### 2.3 Collaborative architecture and communication

In order to supervise, support and accompany every step of the production of case studies, regular meetings and online conferences have been held among the thematic coordinators and experts. Moreover an online platform on Huddle was created to allow all the researchers to upload files and share information.

Each of the 50 cases has been made available online with all four components being used to produce different levels of information. These materials will be made available on the DG REGIO website:

- The six-line standfirst will appear in search engine results;
- The first document to be brought up will be a cover page showing the executive summary, a photograph and a map;
- This is followed by the full journalistic account which includes photographs;
- Zealous readers and researchers can then refer to the full analytical template.

# 3. Smart Growth

## 3.1 Smart growth and the Europe 2020 Strategy

Two important documents from the European Commission lay out the main elements of the European Union's strategy for smart growth in the coming period. These provide a useful benchmark for analysing how far the good practices identified in the current period follow the same principles.

First, according to the Communication on the Europe 2020 Strategy, 'smart growth means strengthening knowledge and innovation as drivers of future growth. This requires improving the quality of our education, strengthening our research performance, promoting innovation and knowledge transfer throughout the Union, making full use of information and communication technologies and ensuring that innovative ideas can be turned into new products and services that create growth, quality jobs and help address European and global societal challenges. But, to succeed, this must be combined with entrepreneurship, finance, and a focus on user needs and market opportunities.<sup>1</sup> These goals are translated into quantitative targets for expenditure on research and development, educational qualifications and digitisation. This definition recognises that there is a cycle or itinerary involved in translating ideas into new products and services and that this process requires a series of additional conditions to be in place.

Secondly, the European Flagship Initiative – the Innovation Union<sup>2</sup> – takes this definition of innovation still further in a way which opens new avenues of intervention for cities. In this

1 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:FIN:EN:PDF>

2 [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)

document, the Commission argues that 'Europe must develop its own distinctive approach to innovation which builds on its strengths and capitalises on its values by:

- 'Focussing on innovations that address the major societal challenges
- 'Pursuing a broad concept of innovation
- 'Involving all actors and all regions in the innovation cycle'

In this case, the societal benefits of innovation are emphasised and the importance of broad stakeholder involvement in the innovation cycle is recognised. The closeness of cities to both social needs and a wide range of local stakeholders place them in a potentially pivotal role for linking the two and ensuring that the conditions are in place for effective cycles of innovation.

## 3.2 The smart growth case studies

This snapshot of the eight case studies immediately raises a number of interesting points:

The territorial dimension of smart growth has been introduced by DG REGIO with the concept of 'smart specialisation' by regions<sup>3</sup>. Past experience has shown that many supply-driven projects failed, while those that managed to work with the grain of the SME economy and stimulate demand for innovation fared better. Too much infrastructure was built – especially in the form of science and technology parks, while developments in the softer side of hands-on incubation and

3 DG REGIO (May 2011) Smart growth for regions: [http://ec.europa.eu/regional\\_policy/information/pdf/brochures/rfec/2011\\_smart\\_growth\\_en.pdf](http://ec.europa.eu/regional_policy/information/pdf/brochures/rfec/2011_smart_growth_en.pdf)

SMART GROWTH		Project Summary	ERDF amount (€)
AT	Wien	Mingo: an incubator for start-up and growth SMEs	Phase 1: 645 625 Phase 2: 958 150
EE	Tallinn	The Cultural Cauldron: regeneration of industrial building for cultural centre and district (hotspot)	1 854 435
FR	Toulouse	The Oncopole: building for new science park based on medical cluster + soft actions for neighbourhood inclusion	10 900 000
HU	Pécs	Cultural capital investments	99 963 574
LT	Vilnius	Sunrise Valley: buildings for new science park, with a technology focus	194 500 000
NL	Eindhoven	The Automobile House: refurbishment of buildings and promotional activities for reorientation of existing science park	908 000
PL	Gdynia	Pomeranian Science and Technology Park: buildings for extension to science park and incubation centre with social innovation and cultural elements	35 000 000
SE	Stockholm	Kista Science City: networking for new focus in existing science park	570 000



linking risk finance to managing innovation was still lacking. At the Regions for Economic Change meeting in June 2011 Dirk Ahner, former Director General of DG REGIO, contrasted smart growth with stupid growth – in which all regions are trying to develop the same clusters and thereby waste resources. The essence of smart specialisation – which is the territorial approach underpinning smart growth – is that each territory should exploit the strengths and opportunities of its territory. It combines a place-based approach with innovation system logic. The innovation system itself is gradually being extended from the original triple helix model between businesses, knowledge organisations and (city) administrations towards a more open quadruple helix<sup>4</sup>. This helix includes users of all kinds as the fourth actor alongside the public, private and knowledge sectors which are the core members of the pre-existing triple helix model. Below we analyse the extent to which the case studies identified under the smart growth category embody the principles set out above.

- Five of the eight projects reflect the concern of cities to enter or reposition themselves within the knowledge economy as science or knowledge-based cities by promoting science districts or parks. Two more take a variant of the same area-based route through the promotion of cultural facilities, centres and districts aimed at attracting cultural industries and the ‘creative class’. Only one project (Mingo in Vienna) focuses on soft business support targeted at the lower end of the market (start-ups, microenterprises, migrants and local markets).
- In four of the five science parks and the two cultural pro-

<sup>4</sup> Carayannis, Elias G, David F. J. Campbell (2010). *Triple Helix, Quadruple Helix and Quintuple Helix and How Do Knowledge, Innovation and the Environment Relate To Each Other? A Proposed Framework for a Trans-disciplinary Analysis of Sustainable Development and Social Ecology*. *International Journal of Social Ecology and Sustainable Development* 1 (1), 41–69 (<http://www.igi-global.com/bookstore/article.aspx?titleid=41959>).

jects, the main function of the ERDF seems to be to provide physical space or buildings for targeted activities. So as we saw in our description of smart growth and smart specialisation, one of the key questions is the extent to which there are other forces driving the growth of these activities or whether there is a good reason to believe that the buildings and spaces themselves will be sufficient to generate it.

- Within the science park projects, the two convergence cities (Vilnius and Gdynia) appear to be building a base of knowledge producers almost from scratch – albeit by mustering all available local knowledge resources. The Toulouse Oncopole is a highly ambitious attempt to bring together and strengthen a new medical cluster (based on considerable existing strengths). The budgets for these three projects were very large (from €10-75m) and devoted mainly to new buildings.
- On the other hand, two of the projects in science parks in competitiveness cities (Stockholm and Eindhoven) are concerned with reorienting and reshaping existing sectors (IT in Stockholm and the automotive industry in Eindhoven) towards new and more profitable market niches.
- The two cultural projects are closer to the first group of science parks in that they are trying to grow a new set of cultural activities from a relatively low base using physical infrastructure and space as the main driver. However, the Pécs Capital of Culture case was of a different order of magnitude compared to Tallinn’s Cultural Cauldron in terms of its ambition, scale and speed of development.
- As mentioned, the Mingo Business Support Service in Vienna was the only one that really starts from the point of view of the people rather than the buildings.

These characteristics of the case studies – and particularly the fact that the ERDF usually funds a physical facility as part of a larger intervention – make it even harder than usual to analyse the cases without closely considering their linkages

**Tallinn’s Cultural Cauldron: From hippie niche to creative powerhouse**

The Cultural Cauldron in Tallinn is a former power station of about 10 000 square metres, strategically located near the sea front between the port of Tallinn and its medieval old town. The Cultural Cauldron project is a creative combination of a ‘soft’ and ‘hard’ development, the renovation of a physical facility and creating a new platform for networks and knowledge. The project is also an example of inspired leadership and initiative, and of successfully negotiating its path from voluntary beginnings through obstacles and delays to broad partnership and major success. The Cauldron has already won a popular place in Tallinn’s cultural life and innovation.



Tallinn, performance at the cultural Cauldron

with their evolving contexts. The process of designing and implementing each project reveals far more than any quantitative figure of investment or square metres built. The following section draws some of the main lessons.

### 3.3 Themes emerging from the smart growth cases

#### The ERDF's role in the conception and design of the projects

In most cases it was clear that the ERDF was a more or less essential component in a strategy and design made elsewhere. In many of the projects carried out by convergence cities, like Pécs Capital of Culture, Vilnius's Sunrise Valley or Gdynia's Science and Technology Park, the contribution of the ERDF was very large in both proportional and absolute terms (€99.9m, €75.8m and €35m respectively). However, even in these cases the ERDF was funding parts of a much broader plan for the city which in all cases was developed in earlier funding periods. This situation is magnified in the projects run by competitiveness cities (Eindhoven's Brainport, Stockholm's Kista Science City and Toulouse's Oncopole) where the ERDF was often a relatively small part of a very large, consolidated and ambitious vision of the future. The success of the ERDF part, therefore, depends very much upon external factors and its relationship to the whole. In this context, the ERDF either has to be modest about its role or try to intervene more directly at the strategy and design level. The Commission's proposals for Integrated Territorial Investments could be an important step forward in this sense.

#### The size and complexity of the interventions shapes the process

The size and complexity of many of these projects (for example, an estimated €1bn total investment for the Toulouse Oncopole) means that most of them necessarily evolve over two, three or even four EU programming periods. This has a number of consequences. Firstly, a number of the projects report that the tendering process has proved much more complicated and time-consuming than originally foreseen, leading to long delays and consequences for the project (not being ready in time for the event – Pécs, Tallinn, Vilnius...). Some of the projects seem to have followed a more gradual, step-by-step, 'testing the water' approach which could be useful for others (Gdynia).

Secondly, the original conception of the projects has evolved considerably during the process of implementation. The first ideas behind many of the projects have often come from visionary local people, groups and organisations. However, the complexity of managing large-scale infrastructure projects has usually meant bringing in more institutionalised management structures. The size and visibility of these projects has

also politicised them and in many cases led to them being expanded beyond the size originally foreseen (e.g. a large increase in the budget in Pécs Capital of Culture, the multiplication of Sunrise Valleys in Lithuania).

#### The economic sustainability of the projects: Project push versus needs pull

The idea behind all seven projects was to encourage innovation in cities and to help them shift their economies towards knowledge-based activities. However, two types of well-meaning 'project push' can have a major influence on economic sustainability. The first was the pressure to build the best and biggest buildings in projects dominated by hard physical investments. This raises questions about whether the buildings will finally achieve satisfactory occupancy rates and, even if they do, whether the income streams generated will be enough to allow local budgets to cover running and maintenance costs. The second was the pressure to emulate the latest scientific, technological, and economic fashions (e.g. the creative class) – so aptly described by Dirk Ahner as 'stupid specialisation'<sup>5</sup>. This is the very opposite of 'smart specialisation' – which should be rooted in a realistic assessment of an area's strengths and opportunities and its links with users.

The case studies illustrate some of the risks of these trends (e.g. potential overcapacity and unaffordable maintenance costs in Pécs, lack of critical mass and competition with similar 'valleys' in Vilnius). Some lessons for overcoming these risks can be seen, for example, in the original viability study and step-by-step approach taken by the Gdynia Technology Park, the debates and adjustments to the Cultural Cauldron in Tallinn, the way in which Eindhoven has tried to generate innovation and new niche markets for old (less fashionable) industries, and the way in which Kista Science Park has used the ERDF for soft investments to help the highly successful Kista Science City maintain its competitive advantage through peer-to-peer company networking and better links with market trends towards audio-visuals.

### 3.4 Achievements of the smart growth cases

#### The importance of an open, re-adaptive and participative approach

Smart growth has been interpreted in different ways: in most cases smart growth has meant that projects should focus on scientific, technological and economic excellence first and then distribute the spoils of success afterwards, rather underestimating that there are ways of including social and environmental elements in the equation from the outset. Some of

<sup>5</sup> [http://ec.europa.eu/regional\\_policy/conferences/smart\\_sustainable/doc/presentations/ahner\\_speech\\_final.pdf](http://ec.europa.eu/regional_policy/conferences/smart_sustainable/doc/presentations/ahner_speech_final.pdf) Dirk Ahner was former Director General of DG REGIO.

## Gdynia: Pomeranian Science and Technology Park (PSTP): Opening up new possibilities

In a disused bus garage, Gdynia has opened a new Pomeranian Science and Technology Park to transfer technology between universities and industry, including an Innovation and Entrepreneurship Incubator. The park's presence has transformed its neighbourhood, encouraged private investment nearby, and re-established Gdynia's reputation for innovation and modernity. The park is now under expansion and will eventually house 300 more firms, as well as an educational science centre. The project is an example of stepwise development, where new possibilities open up. Alongside its three original pillars of biotechnology, ICT and design, the park has added a fourth – social innovation. Since July 2011, one of the three Polish offices of the United Nations Development



*Gdynia Science Park showing the first phase – the refurbished bus garage*

Programme has been located in Gdynia's park; it focuses on innovative ideas aimed at eliminating social exclusion and intends to stimulate professional activity among disabled people.

the case studies illustrate that there is a high risk of creating elitist, gated scientific communities (e.g. Kista in Stockholm or Tallinn, which not only bring little local benefit but could even provoke the active hostility of existing city residents and firms.

These cases selected under smart growth show that one of the greatest risks of publicly supported grant-based systems like the ERDF is that they can create artificial incentives for buildings, technologies and activities that do not reflect the real demand for new high-tech space in their localities. In the worst cases, well-meaning public funding can add to asset price bubbles of the kind from which many European cities are struggling to recover (e.g. in the Baltic States, Spain, the UK and Ireland).

The case studies also show that one of the surest ways of avoiding such risks is to incorporate the views and opinions of users and other stakeholders in the smart innovation chain. This 'fourth strand' of the quadruple helix<sup>6</sup> – citizen and user involvement, in different degrees and ways – is one of the most important trends in innovation.

Some of the smart growth projects have been able to negotiate these risks, especially by adopting a stepwise and re-adaptive approach. Such an approach – exemplified by Gdynia and Tallinn – is helpful both to avoid ending up with artificial and unsustainable outcomes, and to open up to the broad participation of citizens and users. On the other hand, the Vienna case – working on small business development with a clear focus, tailored engagement and easy access – demonstrates the power of close-to-the client networking and engagement. It is also important to note that Eindhoven demonstrates the power of well-implemented triple-helix collaboration without

broad user (citizen) participation. So there is no one 'good practice' model to pursue here, but in fact several good practices, where promoting good connections is a key factor.

Whatever the constellation of partnerships, cities can play a vital role in facilitating connections. The case studies show that city administrations have a vital role to play in triple (and quadruple) helixes to ensure the integration of smart growth projects with the real needs of the city. For example: Gdynia – social innovation, Stockholm – peer to peer networking and a strong connection to city policy, Vienna – easy access and direct work with migrants and local markets, Tallinn – enhancing the involvement of different of stakeholders at various stages of the project.

It seems, however, that in most of the projects there is a major element of uncertainty related to the discovery of shortcomings in the initial understanding of the project and its goals, the subsequent emergence of certain obstacles and delays, and also the discovery of new opportunities for redirection and broader involvement. In this respect, some of the positive outcomes and achievements also came as a surprise, and could not be completely foreseen in the planning and target-setting phase of the project. All this points to a need to create projects with efficient learning cycles that can be adjusted and readjusted efficiently.

### Evidence of achievement in smart growth projects

In terms of evidence of achievements, the smart growth projects mostly rely on auditing, monitoring, stakeholder satisfaction measurements, participation rates in events, and also drawing indirect conclusions from various signals coming from stakeholders, media and social media. Robust and innovative monitoring and evaluation practices do not seem to be common. Nevertheless, there are clear achievements in the smart growth projects:

<sup>6</sup> The Quadruple Helix refers to the interaction of four pillars in innovation ecosystems: knowledge institutions, enterprises, government and civil society.

### Vienna: Success with tailored advice for micro-enterprises



Mingo reception area

Young micro-enterprises, often starting as one-person companies, can be very innovative and have growth potential, but often fall below the 'radar' of business support institutions. This is where Mingo – 'Move in and grow' – in Vienna has

opened up new possibilities. Mingo offers integrated start-up support for company founders, coaching for existing small businesses, networking events and business awards, multi-lingual services for ethnic firms and a neighbourhood scheme which helps to market local shopping streets and bring local consumer markets up to standard. Mingo started in 2007 as an office space provider for start-ups, but grew into a network of activities. Between 2008 and 2010, Mingo has organised over 1 300 face-to-face coaching sessions, with 500 start-ups getting expert help. One-third of the start-ups had an ethnic minority background, and half of all participants were female. The evaluation of the period shows that 71% of all those coached have indeed started a business, and – even more impressively – 90% of these firms are still up and running after two years.

- At the most basic physical level, all the projects seem to have achieved high levels of architectural design and are accompanied by significant improvements in public space and the urban environment. Several involve the regeneration of innercity brownfield sites (Gdynia, Tallinn); this in itself can have a major impact on identity and civic pride.
- Several of the projects incorporate social goals in their objectives (the fight against cancer in Toulouse, social innovation in Gdynia, cultural activity and services in Pécs and Tallinn, business support for migrants and local markets in Vienna). The social dimension and the new possibilities of engagement seem to emerge gradually during the life of the projects, indicating that there may well be major further potential to be harnessed.
- Some projects have consciously included activities to ensure that local residents have access to employment, local firms to contracts (Toulouse – Neighbourhood Growth Booster and contracts for social economy firms, Vienna – support for migrant entrepreneurs) and local services to innovative ideas (Gdynia – design, schools, Vienna – local markets).
- with relevant soft measures required to translate good ideas into practice.
- Cities should play a facilitating role as brokers between the actors involved in their specific innovation ecosystems – paying particular attention to users, those traditionally excluded and the social challenges faced by their cities. The Commission's proposals for Integrated Territorial Investments and Community-Led Local Development could, under the right conditions, prove to be extremely useful tools to help cities play this role. This type of combined investment could be used to mitigate the tendency for large-scale science and technology developments to become single land-use developments often cut off from the wider city.
- Smart growth does not only mean only economic growth: cities have the responsibility to explore how smart growth can be strongly integrated with sustainable and inclusive growth.
- Cities can include pilots which deploy social innovation techniques to improve the delivery of services and involve quadruple helix models.

### 3.5 Recommendations for cities on smart growth

- Cities must ensure that ERDF-funded projects for smart growth are aligned with smart specialisation strategies for their regions. Managing Authorities and their parent directorates need to be involved in these partnerships.
- Cities should ensure that smart growth projects are based on solid market and viability studies, which realistically estimate future demand, costs and public benefits, while avoiding the risks that well-meaning public funding can add to asset price bubbles.
- Physical investments should be planned and integrated

# 4. Sustainable Growth

## 4.1 Sustainable growth and the Europe 2020 Strategy

Sustainable growth is about changing the development path towards a model that uses fewer resources to achieve higher levels of growth. Cities and urban areas can and should play a major role in realising ‘green growth’ policies. They will be crucial players in contributing to the Europe 2020 flag-ship initiative ‘Resource Efficient Europe’,<sup>1</sup> shifting towards a low-carbon economy, maximising the use of renewable energy sources, radically remodelling the transport sector and using energy more efficiently.

The EU has been able to act in support of the Leipzig Charter principles through a range of funded programmes (URBAN, INTERREG, URBACT, mainstreaming of URBAN in ERDF programmes, etc.) These programmes have given considerable support to the way many cities across Europe have addressed the complex challenges of urban growth and development in recent years. National and regional authorities can play an important role in supporting cities as they develop integrated and sustainable approaches to urban development.

In attempting to identify good practices linked to sustainable growth in the 2007-2013 funding period, it is important to remember that many of the projects considered here were started before the Europe 2020 policy framework came into place. The projects selected communicate a positive message, in that good practice cases seem to have anticipated this evolution by incorporating integrated approaches and many have a focus on sustainability. They can be seen to be responding to the principles of the Leipzig Charter and the orientations expressed in the Toledo Declaration. Many, at least in the EU-

<sup>1</sup> The Quadruple Helix refers to the interaction of four pillars in innovation ecosystems: knowledge institutions, enterprises, government and civil society.

15, have also learnt from the experience of the URBAN programmes which was not available to the EU-12.

## 4.2 The sustainable growth case studies

Seven case studies were produced under the sustainable growth theme:

In addition to these case studies, a number of cases in other themes had aspects of sustainability as a strong dimension. These included the London Green Fund and the Estonian energy conservation fund in the Financial Engineering theme (see Chapter 8) and the rehabilitation of a former prison in Paola (Malta) in the Cooperation theme (see Chapter 10). Pécs and Tallinn from the Smart Growth theme both developed brown-field sites and could have been included in the Sustainable Growth theme.

## 4.3 Key themes raised by the sustainable growth cases

### Recycling land and buildings, contributing to the concept of the compact city

Brownfield regeneration continues to be an eligible activity for EU support and three of the selected cases – Esch-Belval, Leipzig Halle 14 and the RDM Campus in Rotterdam – fall into this category, coincidentally each involving the conversion of significant elements of industrial heritage. Whether it be the large-scale, comprehensive (even cross-border) intervention in Esch-Belval or the more targeted theme-specific projects in Leipzig and Rotterdam, the tool of reusing abandoned land or obsolete urban buildings has a multi-faceted impact in terms of establishing sustainable city futures. Reusing brownfield land is very important in helping to keep cities compact and in showing that land is a finite resource that should be recycled or reused. Often seemingly insurmountable obstacles need to

SUSTAINABLE GROWTH		Project Summary	ERDF amount (€)
BE	Brussels	Strategy for sustainable development	€981 169
DE	Leipzig	Halle 14 – former cotton factory converted for use by cultural industries	Project 1: €225 000 Project 2: €53 000
HU	Pécs	Cultural capital investments	99 963 574
LT	Vilnius	Sunrise Valley: buildings for new science park, with a technology focus	194 500 000
NL	Eindhoven	The Automobile House: refurbishment of buildings and promotional activities for reorientation of existing science park	908 000
PL	Gdynia	Pomeranian Science and Technology Park: buildings for extension to science park and incubation centre with social innovation and cultural elements	35 000 000
SE	Stockholm	Kista Science City: networking for new focus in existing science park	570 000

## RDM Campus – Rotterdam – reuse of one of the largest port buildings to create a new institution



Inside the 'Innovation Dock'

The RDM Campus is located in the City Ports area of Rotterdam on the site of a former and historically important shipyard. The initials RDM previously identifying the Rotterdam Dry dock Company (Rotterdamsche Droogdok Maatschappij) have been retained but now stand for Research, Design and Manufacturing. The already declining shipbuilding activity virtually collapsed in the 1980s with the loss of 1 370 jobs. Most of those made unemployed lived in the neighbouring settlement of Heijplaat and although residual industrial activities continued through the 90s it proved impossible to re-establish a viable industrial future for the site which was finally abandoned in 2002 – a major setback for the neighbouring community.

There was a major risk of the wharves becoming a no-go area in the city. In 2004 the Port of Rotterdam (owner), Albeda College (regional vocational training centre) and the University of Rotterdam came together to explore the potential for re-developing the site by introducing an alternative use pattern. While the city was interested in improving its economic profile by regenerating and re-exploiting the dockland environment, the educational institutions were looking for new space to

house and extend their research, learning and training activities and link to the relevant business community.

The result of this partnership was the creation of the RDM Campus as a primary component in the revival of the city ports area. The RDM Campus occupies the buildings and space around the former 'Dokhaven' (Dock Harbour) complex, notably the former machinery hall and the Droogdok building which was originally the head office of the Rotterdam Dry Dock Company. In effect a mixed use pattern supports the installation of the whole refurbishment where vocational training, innovative business locations and research institutions combine in an interactive platform. The monumental 23 000m<sup>2</sup> machinery hall now houses the 'Innovation Dock'. This voluminous structure is divided into two entities: the 'education hall' which accommodates the facilities of Albeda College and Rotterdam University, and the 12 000m<sup>2</sup> 'business hall' which provides space for small innovative companies in the construction, mobility and power market sectors – forming a dedicated knowledge alliance with the educational institutes. The former head office of the RDM company has been converted to house ancillary functions such as administrative offices, a restaurant and event and meeting space.

The project, supported by a crucial but modest ERDF input, has turned a problematic brownfield area into an important city location where traditional and new approaches to education and enterprise can support each other and the wider business community. At the same time spread effects are achieved through the enhancement of physical and economic links to the city of Rotterdam (ferry connection to city centre) and the stimulation of new prosperity and opportunity in the immediate vicinity of Heijplaat.

be overcome through imaginative and location-specific solutions as well as by deploying innovative financial models.

**Esch-Belval** is a most spectacular and comprehensive example of brownfield regeneration transforming a massive heavy industrial area into a completely new urban quarter – a mixed development linked to an economic future based on research and development clusters and attracting and integrating smart enterprise. It highlights the risks involved for both the private and the public sector in supporting such large-scale and complex interventions. Here, site decontamination, governance issues and departure from former urban development typologies demand extra intellectual, financial and physical investment. To a lesser extent, the collaborative, multi-agency and trend-breaking approach was equally essential in the other two cases, with soil contamination, asbestos

obstacles and heritage considerations to be overcome in the RDM Campus in Rotterdam, while obsolescence, industrial archaeology preservation and ownership issues had to be addressed in Halle 14 in Leipzig.

### Promoting low carbon and renewable solutions

The impulse of climate change and European and national responses promoting energy-efficient, low-carbon and renewable-based growth and development patterns implies a radical change in the way we do things. Authorities, agencies, businesses and individuals are transforming the way they deliver services, provide infrastructure, produce goods, use commodities and consume resources. For many cities and communities this is not easy and requires exploration, experimentation and ultimately innovation. Frederikshavn in Denmark, the K-Easy project in Finland (initiated in Lahti) and the Brussels Sus-

tainable Economy initiative all represent pioneering examples attempting to depart from the tried and trusted growth and development model. At this point in time, there is no guarantee that they will all be successful, but they are testing and applying valid ideas and techniques to create a new paradigm. A zero carbon city, the mainstreaming of energy-efficient housing, business and living solutions, not only requires political commitment and the input of new (prototype) techniques and technology, but also needs to generate traction through awareness-raising and capacity building. All of these projects, while moving towards clear structural and operational targets, also have a clear mission to test and communicate the value of effective alternatives to the status quo.

### Tapping into local assets and resources

The exercise of examining good practice or successful project approaches is fundamentally linked to the notion of transferability. However it is frequently not the project as such which is transferable in its entirety. More often it is the process, procedures, particular methods or even the 'spirit' of the project which is interesting for other cities or locations. It is important to recognise and exploit local contextual advantages and assets. The technical solution used to establish

district heating for deprived neighbourhoods in the Hauts de Chambéry in France is a particularly good and strictly defined example. Here, forestry industry know-how is applied to produce a renewable biomass solution. Seemingly simple and effective, the practice represents an important standard for what is possible in similar forested, semi-mountainous areas across Europe. In addition, the principle can be adapted to other biomass resources in other contexts, for instance by recycling domestic, agricultural and industrial waste. There are other operational examples of this, such as the Biogasmax project in Lille, also cofinanced in the 2000-2006 programming period.

Reuse projects illustrate the importance of getting the next use right. The gallery solution for Halle 14 in **Leipzig** would not work without the cultural, artistic dynamic present in the former Spinnerei site. Similarly RDM depends for its success on a combination of hightech and educational uses

### Alliances and partnership

Complex or multiple action projects tend to generate and depend on equally sophisticated patterns of cooperation between stakeholders (K-Easy, *Energiby* **Frederikshavn**, and

## Energy City – Frederikshavn

In 2007, the north Danish city of Frederikshavn took the decision to strive to become the first European city powered solely by renewable energy sources by 2015. The ambitious *Energiby* ('Energy City') initiative is a unique initiative which aims to create a 100% renewable energy system – rather than using only one single renewable energy source. The city's green growth is expected to have a vastly positive impact on the location's economic attractiveness and development.

Large energy infrastructure investments with positive trade-offs for the local economy and labour market are balanced by the involvement of local communities and citizens. As part of the initiative, a new digital modelling and visualisation tool has been developed to handle the complexity of such a 100% renewable energy system. It was co-financed by the European Regional Development Fund provided between 2007 and 2011, and it forms the basis for strategic investment and scenario planning for the city's new energy supply and consumption model.

Frederikshavn's 'Energy City' initiative underlines that local contributions are vital to the achievement of global goals. It is a local way of encouraging lasting climate and energy improvements – comprising a large number of activities to create a fully renewable energy supply system. It is also about seeding the idea in the local population and raising awareness of energy and climate change issues.



*Frederikshavn Police Station has undergone a comprehensive energy retrofit in the insulation of its roof.*

The geographical location (weather, climate, sea, agricultural hinterland) of Frederikshavn makes it a particularly appropriate area to target an urban zero carbon future based on the integrated use of renewable technologies. But equally a collective will on the part of politicians, public and private stakeholders and citizens is an essential prerequisite. Frederikshavn will produce and is already producing significant information and building methods to deliver its comprehensive goals. This knowledge and practice can undoubtedly benefit other cities looking to develop effective and appropriate governance models, technical solutions and communication and survey tools to lower carbon dependency.

Danish cities are among the front runners in energy efficiency and low carbon communities. Other cities have much to learn from how they are going about building local support for the actions and making it easy to be energy efficient.

## K-EASY – Lahti, Finland



Monitoring equipment in smart housing

K-Easy is about becoming totally ecologically smart in housing. This total smartness means bringing together development and innovation – which are often too far apart – to create total eco-smartness ‘from the cradle of housing to the grave – and back’. This involves five aspects: low-carbon city planning, energy-efficient housing and smart technologies,

comprehensive planning of building renovation, making use of building waste, and upgrading waste management and recycling. It is an attempt to take a comprehensive and synergistic look at sustainable housing, and to make innovations at the interfaces between established areas of expertise. K-Easy is interesting in terms of bringing together innovation, high-class professionalism and good practices covering five different topics in five sub-projects. Overall the project aims to reduce carbon footprints by improving the energy- and eco-efficiency of the building stock and urban design.

K-Easy is also interesting in the way that it brings together research and very practical elements and actors, and at the same time also reaches end-users and even citizens, as in the case of models for renovation planning. The project has already put in place quite good dissemination channels to spread the results as they emerge via universities, regional actors, SMEs, real estate foundations and managers, technological clusters and centres of expertise.

**Brussels** Sustainable Economy). This involves both management and guidance but also operational delivery through formal (contractual) partnership (i.e. the charter of cooperation signed between the ministries responsible for economy and environment in **Brussels**), multi-level governance models (**Esch-Belval**), cooperation and alliance based on the realisation of common goals (win-win) between national and local authorities, education and research institutes, service delivery agencies and private enterprises.

The sustainable growth projects illustrate the importance of multi-level governance. In the K-Easy project in Finland and the RDM campus in the Netherlands, the particular administrative relationships between national, regional and local levels make the projects possible.

In the **Rotterdam**'s RDM Campus for example, the synergy achieved through cooperation between port authority, university, business incubator and private (marine-related) companies is a trump card for the promotion of smart, inclusive and sustainable growth opportunities. In the relationship between the city and the energy company in **Chambéry**, an essential but relatively unspectacular service is delivered in a completely different but effective way. Again the triple-helix framework is an important and apparently effective feature of projects with a ‘smart growth’ dimension.

In the competitiveness areas where grant rates are lower, it appears that ERDF funding is predominantly sought to implement specific additional elements rather than to cofinance

whole projects. This is true of virtually all the projects selected and testifies to a desire to use public funds at EU level to top up wider actions (Esch-Belval), to provide additional support when delivery problems are encountered (RDM Campus) or to deliver critical support at the right time to ensure the implementation of the project (Halle 14).

#### Energy reduction and sustainable development

In addition to these projects considered under this theme, there are several housing projects that focus almost exclusively on energy conservation which can be related to the Sustainable Growth heading. Housing interventions should ideally reduce energy consumption in order to reduce heating costs – a factor that is especially important for marginalised groups – and to generate less carbon dioxide. The cases analysed illustrate the two major ways of doing this – refurbishing existing housing and converting unused buildings into housing for vulnerable groups.

The Retrofit South East project carried out in **Petersfield** is a good example of the reduction of energy consumption as one of the aims of housing intervention. During the Petersfield project, the retrofit of 14 houses was completed to advanced standards and was complemented with a sophisticated energy efficiency cost-benefit analysis.

In **Ghent**, the ‘Sustainable Demand? Sustainable supply!’ project stimulated demand among house-holders, property owners, organisations and businesses for energy-saving measures. The project also worked on the supply side, mobilising design



and construction businesses. Thus it provided a full package of assistance to help disadvantaged individuals, families and communities to reduce their energy consumption.

**Skuodas** converted a wing of a disused hospital building into energy-efficient social housing, creating 16 flats.

To sum up, physical reconstruction, when combined with energy measures, can make a significant contribution to the EU targets for energy reduction. Yet attention should be granted to the burden of regeneration costs and make sure that low income population can still afford social housing after the energy efficiency refurbishment.

#### 4.4 Achievements and results of sustainable growth projects

##### Evaluation and added value

Most of the projects covered in this theme have been primarily concerned with achieving concrete changes on the ground e.g. **Leipzig, Rotterdam, Esch-Belval** and **Chambéry** reusing brownfield land or derelict buildings.

**Frederikshavn** and **Lahti** show approaches to reducing energy consumption (and thereby reducing carbon emissions). For Frederikshavn this is through the development of a specific tool, and in the K-Easy project the application of new techniques to lower energy consumption.

The **Brussels** Sustainable Economy case aims at place-based success and will be strongly dependent on the fundamental change in a governance model (which the project itself stimulates) to tackle the regeneration of deprived priority districts in the city. Here the project is a concrete attempt to create new business (locations, types and models) and local jobs based on exploiting the opportunities and needs of 6 well-defined environmental sectors. The specific local context favours a top down and bottom-up interaction to trigger initiatives in the fields of eco-construction, renewable energy, waste, water, sustainable food, and green chemistry/green-white biotechnology.

#### 4.5 Conclusions on sustainable growth

##### The role of ERDF in supporting cities to achieve sustainable growth

The cases demonstrate that many cities are attempting to respond to both aspects of sustainable growth: to achieving durable improvement and development as well as exploring new green options to reduce their carbon footprint. In this way, sustainable growth is not simply equated with green growth but should also result in developing green enterprise, green service provision and green jobs, so combining smart and inclusive objectives.

The stimulus provided by ERDF support contributes to a number of common success factors which can be drawn from these project experiences: improving visibility; the demonstration effect which can significantly raise awareness levels; supporting the application of cutting-edge know-how and techniques; providing a platform for developing a shared policy orientation and a joint vision (win-win) and structural cooperation between public, private, research and civic stakeholders.

The ERDF has allowed cities to tackle critical difficulties, to experiment, to innovate and even to underwrite risks and unforeseen costs. It has represented an additional support or impulse which might not have been forthcoming or available within national or local structures, and adds extra force to help ensure long-term impact.

#### 4.6 Recommendations for cities on sustainable growth

- Cities should continue to support projects which regenerate abandoned, underused land within the existing built-up areas. Brownfield and greyfield initiatives, land recycling and densification should be stimulated to make cities as compact as possible.
- Cities need to understand land as a finite key common good, which cannot be considered a terrain for financial speculation and depletion of natural resources.
- Managing Authorities should incorporate into operational programmes support for cities in making the transition to a viable integrated and sustainable urban growth model.
- Operational programmes should facilitate action to achieve renewable, cradle to cradle, eco-material, local resourcing solutions, to advance sustainable mobility patterns and to prioritise green economy initiatives which underpin the 'passivstadt', 'eco-ville' and 'no carbon city' concepts.
- Cities should ensure that environmentally minded policy decisions should avoid 'greenwashing' by exposing the sustainable policy aims to the public.
- It is necessary to reconsider ERDF funding timescales in function of certain challenges and project objectives which are integral to achieving sustainable growth. Longer term projects could be divided to sub-projects for meeting the N+2 rules. ITI could provide a longer time-frame with increased certainty for continuous actions throughout the programming period.

# 5. Inclusive Growth

## 5.1. Inclusive growth and the Europe 2020 Strategy

According to the Europe 2020 Strategy, inclusive growth is closely related to the other two dimensions – sustainable growth and smart growth. The primary goal of inclusive growth is to ensure high employment which also delivers economic, social and territorial cohesion. This implies raising employment rates, especially for women, young people and older workers, by modernising labour markets and welfare systems and investing in skills and training. A fundamental prerequisite to achieve this goal is the launching of actions against poverty and social exclusion, to reduce disparities within the Member States and between European regions.

The importance of the topic stems from the fact that any growth, to be economically, environmentally and socially sustainable, needs to be inclusive in order to reach all parts of society. Cities and urban areas, where the majority of EU citizens live, play a key role in promoting fairer societies which ensure equal opportunities. The various flagship initiatives of the Europe 2020 Strategy will help to increase opportunities and access to jobs and services for all EU citizens throughout their lifecycle. The initiative *An Agenda for new skills and jobs*<sup>1</sup> and the European Platform against Poverty and Social Exclusion<sup>2</sup> will be crucial instruments which major players like cities and urban areas can use.

In the 2007-2013 programming period, cohesion policy represented the main financial resource to deliver the Lisbon Strategy and the Gothenburg objectives. Priority fields have been, among others, employment and social inclusion to pro-

mote the integration of all people, in particular those at the margins. The main instrument dedicated to social inclusion is the European Social Fund (ESF) and the European Regional Development Fund (ERDF) supports inclusive growth through investments in social infrastructure for marginalised communities. The current ERDF regulation<sup>3</sup> under Article 4 ‘Convergence’ also includes:

- Education investments, including in vocational training, which contribute to increasing attractiveness and quality of life (priority 10);
- Investments in health and social infrastructure which contribute to regional and local development and increasing the quality of life (priority 11).

The ESF and ERDF should work hand-in-hand to modernise education and training systems, reduce early school leaving, and promote better access to good quality education while also investing in community facilities and in educational, social and health infrastructure. The final goal is to strengthen communities and improve access to services.

## 5.2. The case studies in inclusive growth

Seven case studies have been classified as projects fitting the inclusive growth theme. It must be noted that they were funded in the structural funding period 2007-2013, precedent to the Europe 2020 main goals of smart, sustainable and inclusive growth.

The range and diversity of the cases under this topic shows that inclusive growth should not be thought of in boxes. However, common points emerge from the analysis. They regard the importance that all these initiatives play in shaping social innova-

1 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0682:FIN:en:PDF>

2 <http://ec.europa.eu/social/main.jsp?langId=en&catId=961>

3 <http://ec.europa.eu/social/main.jsp?langId=en&catId=961>

INCLUSIVE GROWTH		Project Summary	ERDF amount (€)
BE	Kortrijk	SucceS (Sustainable Uplifting Client Centred Employment Support)	1 355 861
BU	Pazardzhik	A new vision for the city centre	2 080 000
CZ	Šumperk	We want to live and work like you	1 083 109
DE	Bremen	Robinsbalje: Bremen's learning neighbourhood – centre with outreach educational project in poor neighbourhood	1 319 000
ES	Terrassa	Neighbourhood plan of District 2: working on migrant integration and community cohesion	500 000
FI	Tampere	Tampere Together: 18 grassroots mini-projects	161 820
IR	Limerick	Limerick Enterprise Development Partnership: development of a former electrical factory for mixed community and business uses	540 000

tion, through the role of local actors understanding the integration of policies at the core of inclusive growth. The case studies have been analysed according to three main topics which are here considered fundamental to the achievement of inclusive growth: social innovation, the role of social actors and the inclusion of the hard-to-reach.

### 5.3 Key themes revealed by the inclusive growth case studies

#### Social Innovation

Combating social exclusion demands greater solidarity, cooperation, and acceptance of diversity as main ingredients among others. In urban policies more than in other fields, well-meaning intentions must be turned into practice through the development of new methods and solutions capable of innovating in projects and relations among multiple stakeholders. Among the cases analysed **Bremen** and **Kortrijk** show very impressively how simple socially innovative solutions can drive change.

In **Bremen**, the INTERREG transnational experience led to a re-think of the role of education, and in particular that of schools as multi-functional institutions which play a crucial role in the development of their neighbourhoods. The bundling of services and institutions in one centre, a lived partnership by the different stakeholders and the active involvement of the residents are key success factors of this complex intervention. This case shows remarkably how education, social inclusion and urban regeneration can be linked and become a turning point for the revitalisation of social and cultural activities in a deprived urban area.

Based on the INTERREG SucceS – ‘Sustainable Uplifting Client Centred Employment Support’ – project, the case study of **Kortrijk** is highlighted for its innovative methods of reaching out and tapping into the existing capacities and knowledge of long-term unemployed people. The sound experience of the European partners allowed a fruitful sharing of techniques and tools. At the heart of SucceS is a focus on individuals who are at the margins of society and have experienced long periods of unemployment or are low-skilled and living on a low income. In these cases, training or retraining may not be enough. They often have to deal with feelings of failure and mistrust after being rejected by the labour market and this can lead to their disengagement from community life. The novelty and innovation of the SucceS approach is, therefore, to start with confidence building measures with each individual, building self-esteem as the first step in actively re-engaging the hard-to-reach.

#### Role of social actors

The inclusive growth cases illustrate the huge potential of civil society organisations in promoting the inclusive growth agenda. In our selected examples not only are the approaches to tackling these issues different, but also the actors who are taking the driver’s seat. The commitment of the key stakeholders is crucial, and in this regard local NGOs and associations play a key role in promoting inclusive growth by operating as social enterprises (e.g. **Limerick**), linking private companies with public institutions (e.g. **Šumperk**), or as the long arm of the public administration to mediate conflicts (e.g. **Terrassa**).

### Robinsbalje, Bremen’s Learning Neighbourhood – Bremen, Germany

The Robinsbalje in Bremen was inspired by the Vensterscholen in Groningen in the Netherlands, and the idea for the Quartiersbildungszentrum (QBZ) was born out of an INTERREG project, the Hanse Passage Project “Modernizing schools as community centres for lifelong learning” (Modern School, Interreg IIIc). Robinsbalje, a former car park in a deprived neighbourhood, was transformed into a centre which offers education, health and employment services in one facility. It opened in 2010, with financial support from the ERDF. Many public and non-governmental institutions have joined forces in the new premises to give the neighbourhood’s residents better prospects for the future. A notable feature was the involvement of local residents and NGOs in all the phases of the project.

Locating a grammar school and kindergarten along with easy-to-access healthcare, social welfare services and sports clubs in one place means that disadvantaged and migrant families, when they bring their children to school, can learn more about other services and take German classes.



Opening ceremony of the school

© City of Bremen

The ‘learning neighbourhood’ concept applies a holistic approach to education and takes an integrated urban planning perspective. With its focus on education and skills the Robinsbalje centre supports people of all ages to anticipate and manage change. It supports bringing school drop-outs back into education and diminishing mental barriers to educational institutions by creating a new, open district centre which offers integrated solutions to a multi-faceted challenge.

## SucceS, Kortrijk



Leaflet cover

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SucceS is the result of cross-border co-operation between five agencies in the UK, France and Belgium. The project aimed to improve quality of life and social inclusion by reducing unemployment. The partners developed new approaches of fostering access to employment for people living in disadvantaged neighbourhoods. The project is an outreach initiative designed to help those over 16 who are most excluded from the labour market, by providing individual support, building capacity and concrete opportunities to re-engage with the social and economic life of their community. To achieve their goals the partners set objectives which focused on developing the capacities of the people. The

key objectives determined the framework for developing activities on mobility, soft skills, capacity building and qualifications. Each partner implemented these activities in their own local context using specific networks, providers, facilities and structures. The results achieved were evaluated in relation to the targets set by the project (i.e. number of house visits, or participation in training courses). In quantitative terms the project measured the outputs, which so far are very positive. In how far the outcome, i.e. putting disadvantaged permanently into employment, is reached, remains an open question, since the project is still running. The results were used to jointly design guidebooks on working with the target group of excluded, sometimes self-excluded, people. These guides, which can be used for train-the-trainer seminars, contain the core idea of the project: discovering the innovative potential of combining outreach and activation measures with on-going accompaniment, to complement traditional employment services.

In the project 'We want to live and work like you' in **Šumperk** a dedicated NGO teamed up with public and private partners, persons with mental disabilities, their family members and experts in a remote Czech region. With the help of ERDF funding, a new service centre for disabled people and their family members/carers was built. The case of Šumperk could be a role model for other Eastern European countries where improved services for mentally disabled people are desperately needed. This example of collaboration between the NGO and the local administration is quite unusual in the context where the project developed.

The urban renewal project in **Terrassa**, which benefited from the legacy of the area-based approach of the URBAN initiative in Spain, launched an initiative to promote coexistence among inhabitants, which was managed by the Department of Social Action and Civil Rights. This department has created an advisory service on legal frameworks for the management of community associations. These associations supported the empowerment of owners and tenants to solve their common problems in the apartment buildings. For many years the neighbourhood was an area of tension and had a high potential for conflict, in part owing to the high influx of migrants from Morocco over a short period of time. The city admin-

## Limerick Enterprise Development Partnership



Horse mural – Children's Corridor Art Project, LEDP

In the case of Limerick, the work of NGOs shows how community-led approaches can be developed through the development of local assets, owned by groups in the community. Here

the Limerick Enterprise Development Partnership (LEDP) – a multi-stakeholder local partnership, led by the private sector, operating as a social enterprise – purchased and redeveloped the old Krups factory as a hub for enterprise, employment, training, education and economic and social inclusion in one of the poorest neighbourhoods in Limerick city. The partnership used various funding schemes including the ESF and ERDF. Whereas the investment needed to set up a Family Tree Crèche was purely financed from ERDF and private means, the training measures in the business park provided by different training providers were financed by the ESF from the Irish Human Capital Investment Operational Programme 2007–2013. Moreover, LEDP received funds under the Territorial Employment Pact which was also predominantly ESF-driven.

istration decided to intervene and to create an atmosphere of peaceful coexistence by investing in physical renovation accompanied by conflict management. Renewing streets and building squares and bridges created elements of safety and improved the mobility of the residents. Moreover, the neighbourhood plan included mediation, conflict-reducing and activation programmes for young, elderly and unemployed people and for children<sup>4</sup> **Terrassa** can be considered as good practice, because it excellently combines physical renovation with conflict management. Its mixture in measures of structural improvement and mediation between native population and new-comers mainly coming from Morocco made a real difference for the people living in the neighbourhood of Terrassa.

### How to reach the hard-to-reach

The principal target groups for inclusive growth are in many cases people who can be characterised as hard-to-reach and having special needs. Many of them are low-skilled, have experienced phases of long-term unemployment and live on low incomes. These living conditions outside the mainstream labour market are often accompanied by a combination of stressful situations, which in turn leads to disengagement

<sup>4</sup> Given the very difficult situation in the neighbourhood it is hard to tell how many people from the Moroccan community actively participated in the neighbourhood meetings and if there was a real participation process or rather an information campaign.

from societal life. For people belonging to minorities such as migrants, Roma or people with disabilities, the barriers to active participation in community life are even more complex. All cases analysed under this heading deal with citizens with particular barriers to the labour market and/or socially excluded groups. The projects reach out to marginalised groups, enhancing their participation and strengthening their self-esteem through activation, mentoring and mediation using new methods (e.g. Kortrijk, Terrassa and Tampere). They support the acceptance (visibility) of disadvantaged people in the community and they improve their employability, increase their work participation and their access to work (e.g. Pazardzhik and Šumperk). They provide training, up-skilling and education and try to retain young people in school (e.g. Bremen and Limerick).

## 5.4 Achievements of the projects in inclusive growth

The inclusive growth cases have the common goal of using short-term impulses to create positive long-term impacts. For example, the **Limerick** Enterprise Development Partnership (LEDP), during its 12 years of operation, has already achieved significant results, bringing investment and jobs into this deprived part of the city, creating an education and training infrastructure and developing local services. Thus, this project

### Tampere Together – Tampere, Finland

Tampere together is an example how a city can push the boundaries of community work, to reach disengaged citizens with small 'hands-on' mini-projects, easy-to-access funding and good coordination and facilitation. The project was able to establish real contact with people who are traditionally very difficult to reach and activate: immigrants, disabled people, long-term unemployed, people with mental problems, substance abusers and those living in deprived areas of the city. Eighteen grass-roots mini-projects with the aim of breaking down barriers and activating people were approved and run by local associations and citizens. These small-scale activities made a difference for the participants and have also had a positive impact on the public and third sector organisations that organised them. It is an example of achieving highly visible results with a small amount of money. The positive long-term effects which can stem from such grassroots participation depend, however, on embedding such initiatives into a wider strategy and ensuring the continuous engagement of the local actors.

The example of '**Tampere together**' shows very convincingly that experimental grassroots activities can reach diverse groups of migrants. This approach was initially tested in the EU 'Local Social Capital' pilot project (1999–2002) and mainstreamed during the structural funding period 2000–2006.



Russian culture day in schools

The mini-projects developed strategies and found local answers to reach out to migrant groups such as Somalis and Russians. Different events and activities took place to increase the visibility of migrant communities, providing opportunities for exchange and cultural understanding. Furthermore, citizens were closely involved in the low-threshold mini-projects in various ways as initiators, planners and actors, creating a real dialogue. The participation of the voluntary organisations in the programme as well as facilitation by a permanent coordinator helped to professionalise the local NGOs running the projects. 'Tampere together' increased the visibility of the migrant communities and at the same time provided voluntary associations with new ideas and service concepts.

already demonstrates mid- and long-term effects. The question is open whether parts of the success of the project are due to the relocation of existing activities from other parts of the city. However, the Family Tree Crèche created in this project, a fully ERDF-funded initiative, is a clear example of an additional service which was created without replacing, transferring or closing other facilities in the city. The crèche is an additional childcare service which would not have been possible without ERDF funding.

In **Pazardzhik** the city centre was in a very poor physical condition. People felt unsafe and threatened by high crime rates. Huge investments were made to rebuild an energy-saving, cohesive and accessible city centre that provides for a better quality of life and work. The new space also increased the visibility and integration of disadvantaged groups by creating jobs, some of which were taken by Roma women and by creating wheelchair ramps to allow disabled people to move safely and access municipal services.

Besides employment rates, educational attainment figures and poverty reduction rates, the nature of inclusive growth includes soft actions which require time in order to become visible. These factors revolve around integration, employability, job quality, combating discrimination, accepting diversity, social innovation, and creating feelings of identity, belonging, pride and responsibility. However most of the inclusive growth case studies also aim to improve quantitative results in the long term. They are already showing the first positive small-scale signs by creating jobs directly, for example in the case of Šumperk, Bremen and Limerick. There is some evidence that in the future more positive quantifiable results regarding employment, education and poverty reduction will be achieved, but many projects are still at the beginning. Many of the cases analysed are still running or have just concluded. In **Šumperk**, for example, the centre had just been built when this study commenced at the end of 2011, and the project had just started to develop contacts with local companies in order to increase the employment rate of disabled people. In many of the projects a deeper evaluation has not taken place, is still under way or has not yet been published. This is why it is difficult to measure or estimate success. Hard factors for inclusive growth will need more time and might be verifiable only in the medium and long term.

### 5.5 Conclusions from the inclusive growth cases

The cases provide evidence that the ERDF cannot deliver inclusive growth by itself – despite some strong results from the projects described above. A more holistic and integrated approach is needed through the sound mixture of different funds, especially the ESF but also including national, regional, local and private financing. A good practice example of using

different EU funds, beyond cross-funding, is the Limerick Enterprise Development Partnership (LEDP), which combined the ESF and ERDF in one area to create synergies.

In some of the inclusive growth cases, ERDF is the main financial contributor, while in other cases it provides a smaller amount for a specific measure. However, most of the projects would not have been realised without ERDF funding. At the same time the ERDF alone is not enough to secure sustainability for inclusive growth projects. A common strategic framework (as foreseen in the structural fund period 2014–2020), which enables the coordinated use of different funds beyond cross-financing, might be an appropriate response. Private co-financing seems to be a decisive factor for sustainable and cost-covering investments.

In conclusion, the case studies show that there is no simple answer or single way to achieve inclusive growth, and that it has to be thought about from a multidimensional perspective. The cases provide strong evidence that, firstly, integrating such initiatives into a wider framework, and secondly, partnerships and improved collaboration among the local actors, are the key elements in ensuring the sustainability of the results, which can make short-term impulses long-lasting and inclusive growth sustainable.

The long-term impacts of the inclusive growth initiatives will also depend on the effects of the economic crisis. Positive outcomes might be wiped out by company closures, downsizing and/or austerity measures brought in by local governments with other priorities. The importance of these small-scale impulses, however, should not be underestimated. In the long run they are the key to socially balanced and stable cities.

### 5.6 Recommendations for cities on inclusive growth

- Cities need to foster lively partnerships which are crucial for the success of projects which deal with inclusive growth. In order to achieve effective working partnerships these need to be animated by skilled coordinators to bring actors from different levels on board.
- The third sector is a key partner in developing innovative inclusive growth projects, and cities should take steps to build long-term relationships with civil society organisations.
- Cities should ensure that inclusive growth projects are based on a sound needs analysis and a thorough evaluation of the impacts.

# 6. Integrated area-based approaches

## 6.1 Integrated approaches and the use of Article 8 of the ERDF regulation

The 'integrated approach' has been the leitmotif for the Leipzig Charter, the Urban Acquis, the Barca report<sup>1</sup> and many other urban policy documents of the past decade. Article 8 of the ERDF regulation specified an integrative, sustainable and participative approach to urban regeneration, especially for deprived urban areas<sup>2</sup>. Integration is seen as the opposite of sectoral or silo-based delivery in which development is disconnected and fragmented.

One aspect of Article 8 permitted the use of the cross-funding option whereby up to 15% of ESF-type actions could be funded by the ERDF. However, this opportunity has been adopted only occasionally by operational programmes in the 2007-2013<sup>3</sup> period and the case studies analysed are no exception.

In all the eight case studies in this theme, there is a reference to implementing regeneration programmes with an integrative

<sup>1</sup> 'An agenda for a reformed cohesion policy', April 2009. [http://ec.europa.eu/regional\\_policy/archive/policy/future/pdf/report\\_barca\\_v0306.pdf](http://ec.europa.eu/regional_policy/archive/policy/future/pdf/report_barca_v0306.pdf)

<sup>2</sup> '[...] in the case of action involving sustainable urban development as referred to in Article 37(4) (a) of Regulation (EC) No 1083/2006, the ERDF may, where appropriate, support the development of participative, integrated and sustainable strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas. [...]' – Regulation (EC) No 1080/2006 of 5 July 2006 on the ERDF. [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2007\\_feder/ce\\_1080\(2006\)\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2007_feder/ce_1080(2006)_en.pdf)

<sup>3</sup> DG REGIO (2010) Study on Sustainable urban development – implementation praxis of Art. 8. However cross-financing has a compulsory element introduced by the Managing Authority in the Hungarian cases of Magdolna, Pécs and Kazincbarcika.

perspective. The key question is whether this is a common understanding of integration and whether integration is a declaration of intent or a real practice. Integration means interdependency of environmental, social and economic planning policies, and is intended to tackle the complexity of urban problems by developing the capacities of local areas, citizens and governance systems. Although the notion of integration is expressed in policy documents as if it is a single concept, in the real world integration has a number of meanings and interpretations:

- In terms of policy management, integration is about organising and coordinating the policy fields in a specific area including the formation of partnership and promoting citizen participation (horizontal integration);
- In terms of governance, integration is about bringing together vertical policies from different levels of government and in the case of Article 8 applying them coherently in an area-based initiative (vertical integration);
- In terms of geography it can be used to address the issue of sustainable urban development at different geographical scales, such as neighbourhood, municipality or city region.

The combination and interrelation of these aspects is the most difficult and challenging task for a city but is necessary to achieve a genuinely integrated approach.

## 6.2 The case studies in the integrated area-based approaches theme

The following cases have been classified in the integrated development theme:

INTEGRATED AREA BASED APPROACHES		Project Summary	ERDF amount (€)
CY	Nicosia	Urban renewal of the historical city centre	5 981 496
DE	Duisburg	Integrated neighbourhood redevelopment of an old peripheral industrial area	€ 1 435 312
ES	Málaga	Regeneration of the historic centre of Málaga	€10 044 432
FR	Saint-Nazaire	Revitalisation of a peripheral, deprived area of Saint-Nazaire	€700 000
FR	Ourcq – Seine-Saint-Denis	Regeneration of a large, heavily industrialised area in northern Paris	€5 297 000
IT	Florence	Rehabilitation of a former prison into a multifunctional centre (housing and culture)	€690 000
LV	Riga	Rehabilitation of a former military site into a cultural centre	€3 628 323
HU	Kazincbarcika	Regeneration of Herbolya Old Town low-rise peripheral residential area in Kazincbarcika	€1 200 000

These cases were selected to represent different forms of integration targeting different types of deprived urban areas: buildings in the city centre and its surroundings (Florence, Riga), central neighbourhoods (Nicosia, Málaga), peripheral neighbourhoods (Duisburg, Kazincbarcika, Saint-Nazaire), a larger area on the outskirts of a city (Ourcq). Urban deprivation becomes manifest as a locational problem in a specific spatial dimension depending on context, history and socio-economic situation of the city. However, the causes of such problems may arise at a geographical level above the municipality, the city or even the city region. Therefore, few 'local' problems can be entirely solved at the strictly local level. Fully developed integrated approaches can impact more efficiently on the future of cities when issues of local deprivation are questioned and related to political, economic, social and environmental dynamics at higher governance levels.

### 6.3 Key themes in the case studies on integrated approaches

Cities benefiting from ERDF funding engaged in launching integrated policies, which may or may not be directly linked to Article 8. The observations on these policies developed within the cases studies show that there are four main features that can be taken into consideration to understand how cities cope with the principles of Article 8:

- The policy schemes for integrated planning
- The integrated planning tools
- The organisations or institutions managing and steering the integrated process
- The level of citizen participation in governance

#### The policy schemes for integrated planning

In the EU-15 the integration of policies in the urban realm has long been employed to tackle issues of deprived neighbourhoods, mostly through area-based initiatives and encourage by the two URBAN initiatives. In many of the EU-15 countries, national policies and programmes exist which act as frameworks for local projects, influencing the selection of intervention areas through different forms of assessment and indicators. In other countries, notably in the new Member States, such national programmes do not exist or are very weak.

- National or regional schemes

Among the eight cases analysed there are three (in France, Germany and Spain), which have been supported through their respective national framework.

The French *Politique de la Ville* was among the first national programmes in Europe to focus on disadvantaged neighbourhoods with the overall aim of reducing inequalities, and the Sensitive Urban Zones (*Zones Urbaines Sensibles – ZUS*), were identified at national level. Urban Social Cohesion Contracts (*Contrats Urbains de Cohésion Sociale – CUCS*) were signed between the National Urban Renovation Agency (ANRU) and local

administrations. Complex partnerships have been developed in the strict national governance scheme which is designed to deliver integrated planning for urban renewal.

In **Saint-Nazaire**, a Public Interest Grouping was created and the Metropolitan Council coordinates the interested municipalities horizontally.

In **Ourcq**, when the Regional Council of Ile-de-France started drafting its 2007–2013 operational programme, the Seine-Saint-Denis policy-makers lobbied to include a dedicated priority axis on integrated urban development, convinced that only a multidimensional strategy could improve the performance of the public policies they were in charge of.

In Germany, the Socially Integrative City (*Soziale Stadt*) programme takes a similar approach to delivering a scheme for the integrated regeneration of disadvantaged areas at national level, by providing planning tools and a legal framework for integrated intervention.<sup>4</sup> However, despite the national framework, the selection of the areas followed a particular process based on the needs of the municipality. In **Berlin**, at the beginning of the programme, several pilot areas were chosen directly by the municipality with no reference to the index of deprivation (as was done for example in the UK for the selection of the New Deal for Communities areas). Currently 34 areas are active. Their selection is related to a social monitoring system that relies on 12 items of data providing an account of both static and dynamic living conditions in the neighbourhood. In Duisburg, the 'Green Belt North' project has been developing since the middle of the 1980s within a broad historic context of integrated urban renewal interventions in the neighbourhood of Marxloh. It was part of the municipal 'special programme for urban development Hamborn/Marxloh' in 1991. From 1995 to 2000, Marxloh took part in the EU URBAN initiative, and action fields and objectives were fixed in the operational programme.

In Spain the *Iniciativa Urbana* (Urban Initiative) governance scheme is based on a direct relationship between the national and the municipal level, whereby cities apply for block grants. To a certain extent, this is seen as compensation for the strong regional autonomy of the Spanish model. One aspect of the Spanish system is that there is no ministry explicitly dedicated to urban development, so the evaluation process is coordinated and supported by a private company. In **Málaga** the project focuses on the urban area defined by the PEPRI (Special Recovery Plan of the old city) developed in 1990, which is the plan that gives coherence to all urban interventions.

The case of **Kazincbarcika** is particularly interesting, because Hungary developed a national integrated policy framework,

<sup>4</sup> For another example of the Socially Integrative City see also Berlin-Neukölln in the Local empowerment and public participation theme.



## Saint-Nazaire

In France sustainable development is endorsed at each level of planning, from municipality to region. For the Saint-Nazaire metropolitan council (CARENE), the challenge is to improve access to the western and northern parts of the metropolitan area, to build mixed (public and private) housing and to improve public amenities. This aims to increase the social mix, improve the quality of life and make this part of the city more attractive. To do so, CARENE is implementing an Integrated Urban Programme with two distinct but interconnected strands: one is in the western part of the city, while the other is in the north. The latter, called 'Horizon Certé', is the case study area. Since 2003 the main planning tool has been the Urban Renewal Project (Opération de Rénovation Urbaine – ORU). An ORU allows for deep transformation of neighbourhoods not only through spatial intervention but also through the diversification of housing. The 2002-2003 planning documents identify regeneration projects and the ORU operates on all development factors: housing, economic activity, social development, environment, new mobility schemes etc. ERDF support has been instrumental in allowing for the cleaning up of polluted industrial wasteland adjacent to the social housing estate. The former social housing has been partly demolished and reconstructed in small units within the



*Saint-Nazaire: new style social housing apartments in Certé*

CARENE Local Housing Programme. The policy aim here is not to use environmental arguments to eliminate social housing to make way for middle-class families or up-market housing developments that generate higher tax revenue. The whole process of urban renewal has been accompanied by social development and participative planning rooted in the local history of former rural communities, which earned a living from shipyard work. One innovation is the reintroduction of commons public properties owned by the municipality but left for the use of local initiatives. The Certé redevelopment belongs to one of the 61 French Integrated Urban Programmes (Programmes Urbains Intégrés – PUI), carrying out ERDF Article 8 interventions as part of probably the largest implementation of integrated approaches in Europe.

exclusively on the basis of EU funding. According to this national integrated policy framework, cities are asked to develop a IUDS, Integrated Urban Development Strategy. The municipality of **Kazincbarcika**, situated in the most depressed region of Hungary, identified a major deprived neighbourhood and applied for ERDF funding in the framework of the North Hungarian operational programme. The Herbolya Old Town project targeted a peripheral, deprived, segregated area. This project was implemented totally within the 'socially sensitive regeneration' measure 3.1.1 (priority axis 3: development of settlements). Thus the municipality used options which were offered by the national programme for EU-funded urban renewal.

### Municipality-led integrated schemes

Many EU countries make no attempt to develop national integrated policies. In the cases of Florence, **Riga** and **Nicosia** there is no national framework for integrated policies of urban renewal, and the projects are started at municipal level, with either minimal or no attempt made to connect them into wider strategic visions.

In **Florence**, the integrated project to convert the disused Murate prison was a long-term one, started in the mid-1990s by the city's Department of Social Housing. This case shows how a sectoral intervention based on physical regeneration can turn into an integrated action through the innovative approach of the managers, who aimed to give the prison a multifunctional

use including social housing and cultural initiatives. An interesting aspect of this case is that the building is not located in a typical disadvantaged neighbourhood, but in a prestigious and valuable area of the historical city core. It has provided a way to counteract the displacement of weak socio-economic groups through gentrification, using the social housing project as a pivotal feature for a multi-sectoral intervention. The integrated approach to renovating the Spīķeri block in **Riga** derives from the convergence of private and public owners' interests in the regeneration of the area, but it was not part of any national or metropolitan scheme. An additional input came from Riga's Cultural Capital programme for 2014.

A similar approach was taken in **Nicosia**, where the municipality directed structural fund investment towards the regeneration of part of the Taht-el-Kale Quarter, in Nicosia's Walled City. There was no policy framework other than the city's general master plan. The intervention complies with the regional operational programme and the implementation was 85% funded by the ERDF, which provides wider strategic perspectives and fosters the integration of actions.

### The use of specific planning tools

Article 8 encourages the adoption of specific integrated planning tools to develop deprived areas sustainably. The case studies present tools which aim to facilitate interdepartmental collaboration.

In France, ERDF Article 8 intervened in support of Urban Contracts for Social Cohesion (CUCS) which were included in the Integrated Urban Programmes contained within the regional operational programmes for the current period. In 2012 there were 61 Integrated Urban Programmes in France. The urban renewal programme (*Programme de Rénovation Urbaine*) for Trignac was part of the broader development strategy of the northern part of the **Saint-Nazaire** metropolitan area. It became operational in 2001. The 2002-2003 planning documents identify regeneration projects and the programme covers all development factors, including housing, economic activity, social development and environment.

In **Florence**, Le Murate is one of the 25 projects that make up the 'Florence City of Knowledge' PIUSS (Integrated Plan for Urban Sustainable Development) responding to the priorities of the regional operational programme. This appears however to be a collection of existing and newly planned projects apparently assembled solely for the purpose of optimising ERDF funding opportunities.

In **Kazincbarcika**, as a requirement of the North Hungarian operational programme, an Integrated Urban Development Strategy (IUDS) was elaborated which designated the target area for regeneration among other development areas.

### Management of area-based initiatives

The majority of the practices are steered by technical departments within the municipal administration responsible for the overall plan. The bringing together of capacity, competencies and human resources is crucial to achieving the aim of coordinating multilevel and multifaceted relations among sectors. In **Florence**, the project was entirely managed by the municipality

through the coordination of different departments. In Málaga the project is led by the municipality through the city's European Affairs Service. In **Nicosia** the Municipal Master Plan office was in charge.

In other cases, the management was contracted out by the municipality to an external, specialist body created to implement the project. The form of these bodies differed: private agency (Kazincbarcika), public-private agency (Duisburg), NGO (Riga) or consortium. Although the final responsibility for the projects remained with the municipality, these bodies played an extremely important role in project planning and implementation, as the case of the **Magdolna** quarter project managed by Rév8 (see next chapter) proves.

In **Riga**, the project is managed and steered by the city council, although objectives and strategies are continuously shared with the NGO *Rīgas spīķeri* representing the interests of the private partners. In the German case, the City of Duisburg was responsible for the entire project and carried out the tasks such as land acquisition and development planning. However, the project beneficiary organising the work in situ is Duisburg Development Agency Ltd (EG DU), owned 50% by the City of Duisburg and 50% by the Civic Foundation Bürgerstiftung Duisburg.

In **Saint-Nazaire**, the overall coordination was in the hands of the Metropolitan Council. A steering group comprising elected councillors, government officials, the National Urban Renewal Agency (ANRU), and the other stakeholders met once a year to check the general coherence and progress of both Integrated Urban Programmes, with a particular focus on the housing strand. Meanwhile in Ourcq (Seine-Saint-Denis), the Integrated Urban Project is managed by a consortium of four municipali-

## Herbolya, Kazincbarcika



*Kazincbarcika: the Herbolya vocational training centre with playground*

In Hungary the EU funds for urban renewal could be accessed through two channels. Most Hungarian cities chose to apply to the ERDF for city-centre rehabilitation, meaning mainly public space improvement. According to the national policy framework, OPs require to develop IUDS Integrated Urban Development Strategy. Kazincbarcika was one of the few municipalities that chose to tackle social problems and enhance social cohesion in marginalised neighbourhoods. In such cases the

city's IUDS had to contain a 'desegregation plan' (practically a social inclusion plan) for the spatially concentrated marginalised groups. The deprivation of the target area had to be proven by indicators defined in the regional operational programme. An important condition for the city to submit its project proposal was that an anti-segregation expert, appointed by the then Ministry of Social and Labour Affairs, approved the desegregation plan. The project mixed hard and social infrastructure development, bringing multi-sectoral services to the target area, which beforehand had been difficult for the locals to access. The project is based on a broad partnership including public providers, the social and health services and a religious NGO rooted in the target area and providing vocational education for disadvantaged children. Significant steps have been taken towards a more participative approach involving the local disadvantaged people.

## Málaga

The *Iniciativa Urbana* is a national scheme which encourages agencies, departments and professionals to direct their actions in broadly the same direction, and to align incentives, cultures, and structures to address critical tasks that cross organisational boundaries, such as urban regeneration, protecting the environment and enhancing competitiveness. In the Málaga project a platform within the municipal government has been created, which involves all the departments concerned with the *Iniciativa Urbana*: European Affairs, Municipal Institute of Training and Employment, Promálaga (a municipal company), Environment, Social Rights, Planning and the Central District. This 'Commission of the Historical Centre' is responsible for coordinating, planning, monitoring and evaluation. This intra-municipal cooperation has helped to ensure the integrated approach of the project. New economic activities, mainly small shops and service businesses, started and grew because of the renewal and regeneration of public spaces, squares and streets. This physical renewal is an incentive for setting up economic initiatives in the area. The increase of pedestrian areas has had a clear and positive



Overview of the intervention area (Historical center)

impact on commerce and on improving accessibility and mobility in the central area. The renovation of abandoned urban areas can create spaces to host new teams dealing with social inclusion and employment projects. Meanwhile the social interventions that focus on increasing social inclusion have a clear effect on reducing conflicts between groups. The better social cohesion has improved the attractiveness of the area for visitors and tourists. Several activities and projects of the *Iniciativa Urbana* have their rationale in contributing to the single strategy of integrated urban renewal.

ties through a public interest grouping (*Groupement d'Intérêt Public* – GIP).

In **Kazincbarcika** the project management was contracted out to a private consultancy company (COWI Hungary), which also prepared the city's Integrated Urban Development Strategy in 2007-2008.

### Participative approaches

Citizen participation is an explicit requirement of Article 8. Although none of the cases explicitly referred to Article 8, thanks to the legacy of the URBAN initiative there are many examples of public participation and local empowerment.<sup>5</sup> In the case of **Ourcq** and **Saint-Nazaire**, citizen involvement is a strong feature of the strategic plan. In Germany, in **Duisburg** (as in **Berlin**) the Socially Integrative City programme deploys a wide range of communication methods and techniques to encourage the inclusion of local players. In other cases, such as in Kazincbarcika, Riga, Florence and Nicosia, little or no citizen action took place in the development of the integrated projects, but multi-stakeholder consultation was in place involving representatives from a religious association (**Kazincbarcika**, **Nicosia**), artists' associations and NGOs (Riga), and architecture students through the URBACT Local Support Group (**Florence**). Further analysis would be needed to understand the impact of participation in the conception and realisation of the regeneration plans, to find out if these approaches represent a form of power decentralisa-

<sup>5</sup> Even though URBAN was not available for EU-12, some succeeded in implementing strategies with an integrated approach.

tion and to what extent participation has been considered as a fundamental way of achieving the integration of policies.

### 6.4 What the projects achieved

In our approach integration has been defined as coordination between policy areas (horizontal), between different levels of government (vertical) and between geographical areas (cooperation). The integrated approach demands a management innovation in local government – it demands a paradigm shift in the way local government manages policy fields, multi-level governance and functional areas.

The eight projects show different levels of integration. The most integrated appear to be the German and French projects, where all three aspects (economic, environmental and social) are taken into account. The level of integration of policies is similar in the Spanish and Hungarian cases. However it is not clear whether the integrated approaches will continue after the end of EU support as the national frameworks are relatively weak in these countries. The Italian project is quite specific, because it deals with a new use of a prison in a historic residential neighbourhood. The project mainly integrates policies at municipal level. The Latvian and Cypriot cases are the least integrated, almost one-dimensional projects, with few social aspects.

This consideration is not an evaluation of practices and their capacities to achieve integrated approach. The success of integrated approaches should be analysed beyond physical changes, considering other factors such as the cohesion within the

local community (being involved in the community, and having influence on local decisions); quality of life in the neighbourhood (it becomes a better place to live); and life chances of the residents (better access to jobs, better education, health etc.)

Generally, area-based interventions are not a guarantee of success. They may enable or even encourage residents to choose to move away. Usually this means that their life chances improve, however because they have left the area this improvement is difficult to assess. Some integrative policies successful in terms of procedures, may also turn into obliging residents to move away because the housing costs after regeneration may not be affordable any more. Even for people remaining in the area improvements effects are difficult to measure. Often, too short a period has elapsed since the interventions and no money has been reserved to evaluate the effects of interventions on the people.

It is clear that to achieve positive outcomes regarding the residents demands consistent interventions over quite a long period of time. Moreover in many cases the results depend on factors that area-based interventions cannot influence (e.g. availability of jobs, affordability of services). In this regard an interesting comparison can be made between two groups of the most integrated case studies: the Duisburg and Saint-Nazaire versus the Málaga and Kazincbarcika cases. Information gathered from the case studies points to more hope in the German and French group for long-lasting positive outcomes for the residents, than in the Spanish and Hungarian group. In the latter there is a real danger that with the termination of the EU support the non-physical factors (training, inclusion of local residents) will cease.

This assumption points towards the need for national/regional frameworks which continue to assure the financing of those interventions which need a much longer time than the physical regeneration of buildings or public spaces.

## 6.5 Conclusions on integrated approaches

Vertical and horizontal coordination, strategic partnership, communication and residents' ownership of the projects is still more developed in most of the 'old' than in the 'new' EU Member States. In many of the EU-15 countries the governance culture has assimilated the principles of integrated approach as a necessary method to deal with the complexity of urban problems. The new Member States are developing the culture and governance of the integrated approach also in relation to the possibilities of benefitting at best of EU funding. Knowledge exchange programmes such as URBACT and INTERREG play an important role in this regard.

A key requirement for the success of ERDF interventions is to ensure that the individual investments are part of a long-term strategy which is developed together with the affected

residents and other stakeholder groups. The Integrated Territorial Investment (ITI)<sup>6</sup> and Community-Led Local Development (CLLD)<sup>7</sup> instruments could assure this kind of long-term innovative framework for ERDF interventions.

Steps to facilitate cross-sectoral planning are necessary as well, as demonstrated by the absence of implementation of the Article 8 cross-funding option. This appears to be due to the inability to use the ERDF for ESF-type actions because there is no reciprocal exchange of knowledge between the two funds: the ESF and ERDF are in most countries managed by different administrative bodies, often acting on different administrative scales. This has been acknowledged for example in France, by the *Comité interministériel des villes*, which called for measures facilitating the use of the ESF within urban regeneration integrated actions in the context of the Urban Contracts for Social Cohesion (CUCS)<sup>8</sup>.

Calls for upgraded tools to perform sustainable urban integrated development are emerging from all stakeholders involved in urban development, from the interviews with managers, policy-makers and community organisers as well as from reports and evaluation studies. This issue will be a challenge for future cohesion policy, with the introduction of Integrated Territorial Investments as an innovative logic to address the problems of designing and implementing participative and sustainable development.

## 6.6 Recommendations on integrated approaches

- Since local problems affecting deprived urban areas can be only partially solved with an area-based approach, ERDF-funded projects could benefit from being part of broader strategic plans. A better link should be developed between project selection and broader programme thinking which has to be based on participative strategic planning on a wider scale.
- ESF-type and ERDF-type actions should be brought together at national or regional level, so as not to overburden the local level with the challenge of combining funding to achieve integrated projects.
- In order to improve future policies it is fundamental to assess the long-term impacts of integrated approaches, especially where these concern deprived urban areas. Key evaluation questions include: how much were the life chances of residents improved, did the projects financed succeeded in reducing inequalities, and were the original problems displaced else-where in the city?

6 Article 99 of the proposed Common Provisions regulation

7 Articles 28-30 of the proposed Common Provisions regulation

8 *Comité interministériel de la Ville (18 février 2011) Fiche Action n°41: Mobiliser les fonds européens dans l'exercice en cours de la Politique de Cohésion Européenne*

# 7. Housing for marginalised groups

## 7.1 Housing, marginalisation and the ERDF

The ERDF regulatory provisions governing interventions in housing are the context for projects in the housing theme. There were three waves of regulations:

1. The original regulatory provisions of 2006 stated that only the EU-12 Member States were eligible for funding for housing investments. They also stated that the 'expenditure shall be programmed within the framework of an integrated urban development operation or priority axis for areas experiencing or threatened by physical deterioration and social exclusion.'<sup>1</sup>
2. The provisions in 2009 introduced an opportunity to use ERDF funding for energy efficiency improvements in existing housing in all member states. This allowed the EU 15 to participate in these actions.
3. The revision to the regulation introduced in 2010 enabled EU-15 became eligible for funding for housing investments for marginalized communities. They had gained eligibility for energy efficiency measures in 2009 The restriction whereby these measures can only be applied for marginalized communities applies exclusively to EU-15 as in the EU 12 the original regulation was maintained.

Projects in the first wave include the case studies of **Budapest, Brno** and **Skuodas**, while those in **Petersfield** and **Ghent** are in the second wave. At the time of selecting projects in 2011 there were none sufficiently advanced to fit the third wave of the regulatory provisions. However, the Budapest case might be seen as a good example for future third wave projects, bearing in mind the emphasis on integrating marginalised communities into society.

Inadequate housing conditions contribute to the marginalisation of socially vulnerable groups, and such groups are often over-represented in deprived neighbourhoods. This socio-spatial overlap is thought to reinforce the marginalisation of certain communities. A number of Member States (UK, DE, NL, FR, and HU) have identified deprived neighbourhoods by reference to a basket of indicators such as high long-term unemployment, low education attainment, discrimination, (extremely) poor housing, disproportionate exposure to health risks, lack of access to health care, inadequate and/or variable income, geographical isolation (for example, bad transport

<sup>1</sup> Article 7(2) of Regulation (EC) No 1080/2006.

connections), belonging to an ethnic minority, advanced age and loneliness, lack of information on rights and benefits, etc. These composite measures have been used to target national policies and determine policy priorities.

Although it is thus evident that housing conditions are only one dimension of a much larger problem, they contribute greatly to keeping socially vulnerable groups in a disadvantaged position. The problems created by inadequate housing are diverse: economic, legal, social, environmental, etc. In some countries, there exists a strong segmentation by income groups in social housing, which creates a situation where the most vulnerable groups are highly concentrated. This situation generates social problems, a decline in the quality of service provision, and stigmatisation. Since the problems created by inadequate housing are multifarious, integrated and multi-scale approaches to tackling them are necessary.

The goal of targeting marginalised communities through integrated interventions is to create conditions in European cities in which people in different groups are not forced to live in segregated conditions. This goal is frequently tackled with 'social mix' approaches. CECODHAS<sup>2</sup> defines these as 'the policy aim to have people from different social, economic, cultural and ethnic backgrounds living together in harmony, without predominance of either group's culture and norms over the others, and where respect, tolerance and, in some places, even a sense of celebration of that very diversity are found.'<sup>3</sup> However this is a much debated concept as there is no evidence that social mix policies improve the housing conditions of the weakest groups of population<sup>4</sup>.

## 7.2 The housing case studies

The analyses of cases cover three projects designed according to the first wave of regulatory provisions (Budapest, **Skuodas** and **Brno**) and two projects financed under the second wave of provisions (**Ghent** and **Petersfield**).

The projects selected in this theme were:

<sup>2</sup> CECODHAS Housing Europe is a European umbrella organisation representing 43 national housing organisations. <http://www.housingeurope.eu/>

<sup>3</sup> Czischke, D. (ed.) (2009) *Urban Regeneration in Europe: The Place of Social Housing in Integrated Urban Policies*. CECODHAS, 10.

<sup>4</sup> Cheshire, P. (2009). 'Policies for Mixed Communities: Faith-Based Displacement Activity?' in *International Regional Science Review*, 32(3), 343-375

HOUSING FOR MARGINALISED GROUPS		Project Summary	ERDF amount (€)
BE	Ghent	Reduction of energy consumption in homes and buildings in the city	Phase 1: 113 470 Phase 2: 107 796
CZ	Brno	Renovation of a disadvantaged neighbourhood	5 258 220
HU	Budapest-Magdolna	Renovation of a disadvantaged area of Budapest using housing as the main investment	5 800 000
LT	Skudodas	Conversion of redundant buildings to social housing	337 498
UK	Petersfield	Housing rehabilitation combined with energy efficiency	521 552

### 7.3 Issues from the housing cases

The most important issues arising in the housing case studies are the significance of participative and inclusive approaches, the need for conflict resolution strategies and effective communication, the importance of leadership, the impact of physical regeneration actions and issues related to ERDF funding rules. This chapter also gives good practice examples from the cases for each of the themes.

#### Participative and inclusive approaches in housing projects

The case studies show that the participation of target groups in designing new housing estates and defining needs for housing is important. Participation enables policies to better meet the needs of the communities and creates a feeling of ownership. CECODHAS has underlined that involving inhabitants in decision-making and delivery of social housing is a precondition of successful housing projects.<sup>5</sup> The analysis of the **Magdolna** quarter in Budapest suggests that such projects can be successful only with the involvement of a wide range of stakeholders (institutions, NGOs, owners and residents). Moreover, it also shows how the participatory approach can be used to devise a new way to fight unemployment – unemployed people were given needs-based and personalised training itineraries. Social programmes in **Magdolna** have taken a similarly participatory approach: a local association of tenants was established, and the municipality provided local low-rent offices to six NGOs in order to establish their activities in the quarter.

**Brno** is another example of the participatory approach to project planning and implementation. The city authorities involved local communities in the project preparation phase through public hearings. During the implementation phase, the public was mainly involved through intermediary NGOs. It also played a central role in ensuring the sustainability of the action (e.g. awareness-raising to prevent vandalism and misuse of public buildings).

<sup>5</sup> CECODHAS (2011) *The Place of Inhabitants. Residents' Participation in Creating Sustainable Housing & Neighbourhoods*.

However, the cases analysed also show that the participatory approach has its own challenges. Marginalised groups are not necessarily the most willing to accept urban renewal and changes (**Magdolna**). The Ghent case showed that convincing the targeted marginalised people, particularly migrants or elderly citizens, to renovate their houses in line with sustainable energy consumption standards was not easy. Such difficulties are only to be expected since it is often not clear to low-income inhabitants what the consequences of renewal will be in terms of costs and whether they will be able to afford to live in the area once it is renewed.

An inclusive approach to housing interventions emphasises that the projects should inter alia aim to create spaces for self-help groups and for the development of the sense of community, such as day centres and community centres. This is also important in reducing crime, sustaining the environment of the housing estate, and developing a sense of pride in community. In **Magdolna**, a new community centre was established and constructed, providing an important facility for community development programmes — most of the 'soft' programmes were implemented there. In the case of **Skudodas**, a family services centre was opened in one part of a renovated disused building, providing social services for vulnerable persons and families at risk.

The promotion of local jobs is also an example of an inclusive approach to housing interventions. For instance, economic initiatives in **Magdolna** were implemented alongside the housing interventions in the area of employment. A job club to help unemployed people met weekly, and several job-market events were organised at which job-seekers could meet employers, all of whom emphasised the importance of building personal relations between people in search of a job and potential employers.

Housing interventions can also mitigate the problem of unemployment in other ways, as is exemplified by the **Petersfield** case, where the project to improve the energy efficiency of housing aimed to stimulate the emerging retrofit market and has led to the creation of new quality jobs in the region. A similar initiative was taken in Ghent, where encouragement was given to enterprises providing energy reduction services

to meet the demand from the city's inhabitants. The demand was stimulated through an advice service for local householders, property owners, organisations and businesses. These actions strengthened the market for energy reduction services and possibly also contributed to creating new jobs.

**Conflict resolution and citizens' involvement**

Certain conflicts may arise during the implementation of the programme in the locations where socially segregated communities are living. Inhabitants of condominiums can often have diverging opinions about the decision-making, financial situation and management of the renovation programmes. Problems may arise because construction workers are often unused to working in marginalised areas. Moreover, inhabitants can be unsatisfied with the quality of the renovation work. Antisocial behaviour and criminality must also be considered. Such conflict makes communication and conflict resolution skills necessary. Case studies show that where the target groups and the general public were well informed about the implementation of the project, it went more smoothly. Public awareness of the project and its aims has played a part in preventing conflict (**Magdolna**) as did training for staff in conflict management.

In **Skuodas**, at the beginning of project implementation, the municipality had to deal with the dissatisfaction of neighbours who were afraid of disorder, noise and petty crime. The municipality held a number of meetings with the local community and emphasised that the municipality, the local police (if required) and the social workers would take all necessary measures to secure the order and comfort of life in the neighbourhood. The case study also showed that the municipality understood the importance of community help in facilitating the integration of the socially vulnerable people into society.

Conflict is most likely to arise in settings where project coordinators need to deal with highly marginalised groups (**Mag-**

**dolna**), and least likely in places where groups are not marginalised (as with elderly people in **Petersfield**).

The success of the projects depends to a large extent on the participation of agents with specialist knowledge in the area of integrated urban development and the social inclusion of marginalised groups through housing projects. Leadership by NGOs or private companies can help to steer the project effectively towards its objectives. In the **Magdolna** case, the specialist knowledge of Rév8, the locally-based development company owned by the municipality and the city, contributed greatly to the success of the project. In **Petersfield**, the leadership of Radian Housing Association was mentioned as a key success factor. In **Skuodas**, the implementers emphasised the role of the project management group. Clearly, the success of the project depends on how well the agency knows the community and how well it is able to organise the project activities.

**Impact of physical improvements**

The impact of physical regeneration on the well-being of marginalised communities is another important issue that emerges from the case studies. This has been a key finding in evaluations of area-based initiatives.<sup>6</sup>

In **Brno**, a strong emphasis was put on improving the socio-economic living situation in a problematic residential area through the physical regeneration of apartment buildings and their physical surroundings. The plan was to make the targeted area visually, socially and economically attractive, with up-to-standard housing stock and a sufficient amount of public green space.

<sup>6</sup> For example the UK's New Deal For Communities evaluation: [http://extra.shu.ac.uk/ndc/ndc\\_evaluation.htm](http://extra.shu.ac.uk/ndc/ndc_evaluation.htm)

**The Magdolna Quarter Programme Magdolna**

The integrated approach of the Magdolna Quarter Programme Magdolna is one of the most deprived areas in Budapest. The regeneration project aimed to build cohesion and to improve housing and living conditions. The hard infrastructure investments were complemented by many soft projects which aimed to tackle the severe social problems of the marginalised groups in the neighbourhood. The case study highlights the importance of the communication and conflict resolution skills of the managing organisation in enabling it to handle the conflicts arising from poor housing conditions and the harsh social situation of the inhabitants. The community also needs to be helped to build up community organisations to stimulate positive contributions from residents and achieve better and lasting results for the



*The community house*

renovation. It is also apparent that such projects can be sustainable only with the strong participation of a wide range of stakeholders.

## Brno's Integrated Urban Development Plan for a residential area



To fight physical decay and social exclusion, the Czech city of Brno is successfully using existing EU funding possibilities to regenerate a centrally-located residential area. The intervention zone of around 19.5 hectares and some 4 300 inhabitants shows signs of severe physical and social deprivation –

*Renovated courtyard*

with an estimated unemployment rate of around 80%.

Actions cover not only the physical regeneration of (public and private) apartment buildings and their urban environment but also projects to rehabilitate and expand existing social housing. Roma communities living in the area are a primary target group of additional 'soft' projects envisaging their better inclusion into society.

Completed in 2012, the first renovated buildings are visible signs of hope for the area. Moreover, a new park, to be created in the same year, will provide the area's residents with some much needed green space.

In **Skuodas**, the reconstructed hospital building, currently used for social housing, stands near the town centre and its renovation improves the town's attractiveness.

Moreover, most of the case studies (e.g. **Petersfield**, **Ghent**, **Skuodas**, and **Brno**) show that rehabilitation and energy efficiency measures can be combined, helping meet the EU's energy objectives.

Improving access to social infrastructure, such as schools, shops, and other services, is important for the inclusion of marginalised groups. A good example is the **Brno** case, where improving the accessibility of the area by renovating the road network and technical infrastructure was one of the key objectives. The construction, reconstruction and rehabilitation of transport infrastructure have contributed to its achievement.

The integrated approach to housing aims to minimise the potential for culture clash and feelings of resentment. It can also create opportunities for mutual acceptance, as well as avoiding the creation of ghettos and enclaves of poverty that further isolate families and children. In **Brno**, the target area had the potential for better integration into the town, since it was located immediately next to the historical centre and benefited from the attractive block structure of the 19th century buildings. However, once the project actions made visible improvements in the previously deprived area, a spill-over of social problems and an outflow of marginalised groups took place.

### Issues with ERDF rules

There were several issues related to ERDF rules. On occasion there was inflexibility in the interpretation of rules governing the operational programmes.

## The Petersfield project: how social housing retrofit can help meet Europe's climate change targets



*Petersfield – the rehabilitated houses showing solar panels*

The Petersfield project was a demonstration pilot aiming to transform a small group of social housing units by retrofitting the properties to a high standard of energy efficiency, and to use this work as a catalyst for an innovative programme of research, business assistance, knowledge transfer and awareness-raising in the region.

During the project, 14 semi-detached Reema-type<sup>1</sup> prefabricated homes in **Petersfield** underwent an advanced low-carbon refurbishment.

The project was developed in recognition of the significant challenges facing the housing sector if it is to meet the national energy efficiency target of an 80% cut in greenhouse gas emissions by 2050.

The project was complicated by the fact that many of the tenants were elderly and socially vulnerable, and needed special attention to get them involved. However, the implementers found a way to work with vulnerable tenants in order to encourage energy-efficient behaviour and take them out of fuel poverty.

<sup>1</sup> <http://ukhousing.wikia.com/wiki/Reema>



The **Magdolna** case showed that the way that EU rules are interpreted by Managing Authorities lacks flexibility when dealing with complex regeneration schemes. The **Magdolna** project had been required to specify each property and cost in the proposal. However, new stakeholders and project elements arose during the implementation of the project, for example when cost overruns occurred because dry rot was discovered in what had been a simple repair.

The length of time allowed for integrated housing regeneration is important. EU programmes can finance projects that last up to seven years (plus an additional two for the payment period). In **Magdolna**, the exigencies of the N+2 performance reserve rule meant that the time given to the city by the Managing Authority was very tight. It is up to the national authorities to apply the rules in a flexible manner.

In **Petersfield**, there were difficulties related to interpreting the ERDF regulations. Social housing retrofit is a new activity for the ERDF since the revision of the regulations in 2009. Halfway through the project, auditors challenged the eligibility of the business assistance activity. The auditor deemed it to be training and therefore not eligible under the ERDF. The project sponsor vowed never to use the ERDF again.

#### 7.4 Achievements and European value added of the housing projects

The ERDF's added value is clearly visible in all cases. In **Petersfield**, the additional ERDF funding allowed the implementers to analyse and document the processes and results in greater detail. It also enabled them to add other measures, such as business assistance, fund development, research reports, and dissemination to stakeholders.

In **Florence**, a case study selected in the theme of the Integrated Approach, the ERDF was a support to a municipal and regional fund which invested in social housing in a prime residential location in the historical city centre. This choice counteracted the trend to build social housing on the outskirts of an urban area, and thus avoided using land or further marginalising low-income families.

In **Brno**, the availability of ERDF funding for the project played a decisive role in targeting the chosen area. Several interviewees mentioned that selecting an area known for its social problems and Roma population went against mainstream local politics. The EU funding allowed the city to engage and assign staff and organise activities within a structured project framework. Without this support it is unlikely that the full range of actions could have been initiated and implemented. The EU support has to continue the core activities further within the service delivery structure of the city. Other case studies also show that

funding from the ERDF was essential to implement the projects.

#### 7.5 Conclusions and lessons learnt from the housing projects

The cases analysed confirm that an integrated approach to housing helps to target marginalised groups, improve their living conditions and better integrate them into society. However, the effectiveness of the application of integrated housing initiatives depends on other factors for its success. One of the widely mentioned factors of success is a wide partnership. In order to maximise the effectiveness of project activities, the project coordinators should gather as wide as possible an array of partners and stakeholders. The participation of the target groups in planning and implementing the project is especially helpful. Another factor of success is the presence of conflict resolution and communication skills as well as leadership capacities. These are necessary since various conflicts inevitably arise from dealing with socially vulnerable people and their neighbours. Another factor of success is to ensure that in case of demolition and reconstruction of social housing the affordability of the new homes is guaranteed for low-income groups.

The cases show that the implementers can easily assess the direct inputs and outputs of their projects, such as the number of houses renovated or the length of road surfaced. However, the ERDF is increasingly interested in the results of the projects it funds, such as the percentage of previously marginalised people integrated into society. Such outcomes and impacts are rather more complicated to evaluate. We suggest that in the planning process of future projects, more attention should be given to the question of how to capture these results through monitoring and other means.

All the cases show that where the physical reconstruction of buildings was one of the project activities, it led to a reduction of energy consumption thus contributing to EU energy objectives. Housing investments could play a significant role in contributing to Europe 2020 energy targets.

European added value is clearly visible in all cases. This is especially so in terms of the volume and scope effects of ERDF funding. In terms of volume, ERDF funding contributed greatly to the reflection, documentation and analysis of newly created knowledge. For instance, funding enabled cost-benefit analyses, communication of the progress of the project through websites, brochures, magazines and other means, etc. ERDF funding also allowed for the financing of physical projects (e.g. renovation of buildings). In terms of scope, ERDF funding has helped to target groups and address policy areas that would not have been addressed otherwise.

## 7.6 Recommendations on housing for disadvantaged groups

- New social housing should take the rational consumption of land and locational issues into account. Planners should avoid over-development on the fringes of cities, which increases urban sprawl, and instead provide social housing in town centres.
- Managing Authorities need to be flexible in dealing with the costs in housing repair activity and allow contingencies to be built into budgets to deal with unexpected costs.
- Managing Authorities should ensure that the full scope of programme periods is allowed to carry out complex urban regeneration activities.
- Social mix in housing is a result of increased social cohesion when housing policies provide affordable properties and facilities and are flanked by measures that enhance the opportunity structure for residents.
- A clear understanding of eligibility between Managing Authorities promoters and auditors is needed to avoid putting project promoters at risk of crawl back.
- The ERDF regulations relating to housing investments need to be flexible to take account of different tenure conditions regarding social housing in the Member States.
- Housing refurbishment to improve energy efficiency can help to achieve the goals for reducing carbon emissions, but care should be taken to ensure that low-income tenants or residents can afford any increases in costs and that these are offset by reductions in energy

# 8 Financial engineering

## 8.1 Financial engineering and the ERDF

The EU Structural Funds have been exploring approaches to financial engineering since the mid-1990s<sup>1</sup>. The 2007-2013 period saw the introduction of technical assistance in support of Article 44<sup>2</sup> of the ERDF for financial initiatives that could make use of the ERDF. These included JESSICA<sup>3</sup> for urban regeneration and JEREMIE for SME development. In addition two other instruments JASMINE for microfinance and JASPERS for large projects. In the case of JEREMIE and JESSICA the loan or equity funds themselves are financed under Article 44a, b and c of the General Regulation. Of the new initiatives, only Article 44b supported by JESSICA had a specifically urban focus.

Non-grant instruments such as JESSICA-type Urban Development Funds open up the possibility of achieving more cost-effective urban regeneration by working with the market and bringing in private investment. They also offer the potential, if investments are both made and repaid, to create 'revolving funds' in which investments in future periods can be made out of the returns from the current period. The JESSICA-type funds build on a few experiments in the Member States during the previous period such as the Blueprint fund<sup>4</sup> developed in the East Midlands of the UK. But JESSICA funds are also more complex than traditional public sector investments and may expose Managing Authorities as well as project sponsors and fund managers to higher levels of risk. The complexity lies in legal arrangements, financial models and the need to satisfy state aid rules. Because of this complexity, they can take a long time to set up, especially where the funds operate at two levels, comprising a holding fund and an urban development fund.

In addition, non-grant instruments were introduced during difficult market conditions which have seen the boom turn to bust. This has made the financial planning of the funds very difficult and property markets are still not buoyant compared to their 2007 levels.

According to the Commission Services<sup>5</sup>, approximately 5% of

<sup>1</sup> Early experiments included the €20 million grant to the Merseyside Special Investment Fund in 1995 which supported start-up and growth SMEs.

<sup>2</sup> Article 44 of Council Regulation No 1083/2006

<sup>3</sup> JESSICA stands for Joint European Support for Sustainable Investment in City Areas

<sup>4</sup> <http://www.blueprintregeneration.com/aboutus>

<sup>5</sup> Commission Staff Working Document (27.2.2012) Financial Instruments in Cohesion Policy

European Regional Development Fund allocations of the current programming period were committed to different types of financial instruments. In total, by the end of 2010 almost 400 funds had been set up. Most of these funds support businesses but there were also JESSICA funds for urban development, energy efficiency and renewable energy projects. Eleven Member States had funds for urban development, and one Member State (Estonia) has set up a fund exclusively focused on renewable energy and energy efficiency activities<sup>6</sup>.

By the start of 2012, Article 44 funds had been set up as follows:

- Art 44 (a): Enterprises, including SMEs and micro-enterprises: €8.1 billion of ERDF and national resources committed to 41 holding funds (investing in 131 funds) and 258 specific funds in 25 Member States;
- Art 44 (b): Sustainable urban development: €1.9 billion of ERDF and national resources committed to 19 holding funds and 3 specific funds in 11 Member States;
- Art 44 (c): Energy efficiency in the building sector, including existing housing: €0.24 billion of ERDF & national resources committed to one holding fund<sup>7</sup>.

The European Commission staff report problems of 'over-allocation of resources' to financial instruments, which resources remain in the funds instead of being disbursed to the final recipients and 'circumvent the automatic decommitment rule'. London was able to use its investment of €48 million of ERDF in the holding fund of the London Green Fund in 2009 to achieve its targets for payments up until 2012 under the so called N+2 rule. As they claim in the London Annual Implementation Report for 2010 the 'N+2 targets have been met which places the OP outside the scope of 'Automatic decommitment foreseen by Article 93 of the General Regulation'. The regulations for 2014-2020 seek to contain this problem.

## 8.2 The financial engineering case studies

The selection of case studies for this theme was challenging since relatively few projects have been supported under JESSICA-type Urban Development Funds. Those that have set up holding funds had often not made investments in projects by the end of 2011 when the case studies were selected.

Among the case studies were planned ERDF-supported micro-

<sup>6</sup> Lithuania also set up a fund for energy efficiency and renewable energy, but it was not up and running by the time of the Commission staff working document.

<sup>7</sup> DG REGIO presentation on 29 March 2012 in Malmö: [http://www.eib.org/attachments/general/events/malmo\\_290312\\_martins1.pdf](http://www.eib.org/attachments/general/events/malmo_290312_martins1.pdf)

FINANCIAL ENGINEERING		Project Summary	ERDF amount (€)
EE	Tartu	KredEx housing fund – pan-Estonian Housing fund for housing improvement in apartment buildings linked to energy conservation	17 000 000
PL	Poznań	JESSICA urban development fund – an Article 44b holding fund organised at regional level as part of the Wielkopolska convergence programme	50 000 000
UK	Sheffield	Yorkshire Key Fund – a social enterprise fund which is helping to move social enterprises from grants to loans	Phase 1: 1 540 669
UK	London	The London Green Fund: a JESSICA holding fund at regional level with two urban development funds, one focusing on waste management, the other on energy conservation and carbon reduction. A third focusing on housing is being negotiated.	60 000 000

credit projects in cities to illustrate how ERDF support for microcredit could be a key component of Community-Led Local Development approaches, which will be important in the next programming period. However, the ERDF has supported relatively few microcredit operators in this programming period and those that have been supported have no urban specificity. There are microcredit operators targeting specific groups in urban areas but in general they have not been recipients of ERDF funds.

The 2007-2013 programmes were the first in which the regulations encouraged non-grant instruments for urban development. There had been no pilot actions and this meant that each fund had to be designed from scratch. The lack of de-

tailed guidance<sup>8</sup> in the early years meant that Member States and fund managers were to some extent working in the dark.

Different types of funds require different financial engineering techniques and there are too few models to be able to say which are more effective either in terms of impact or of their ability to revolve.

In the case of the Estonian housing renovation fund, the fund

<sup>8</sup> A short, eight page guidance note was produced in mid 2007 but covered all four initiatives. Further guidance was provided in 2008 but the most detailed guidance was not produced until mid 2010. [http://ec.europa.eu/regional\\_policy/the\\_funds/instruments/jessica\\_legislation\\_en.cfm#2](http://ec.europa.eu/regional_policy/the_funds/instruments/jessica_legislation_en.cfm#2)

### Estonia: KredEx Housing renovation loan scheme



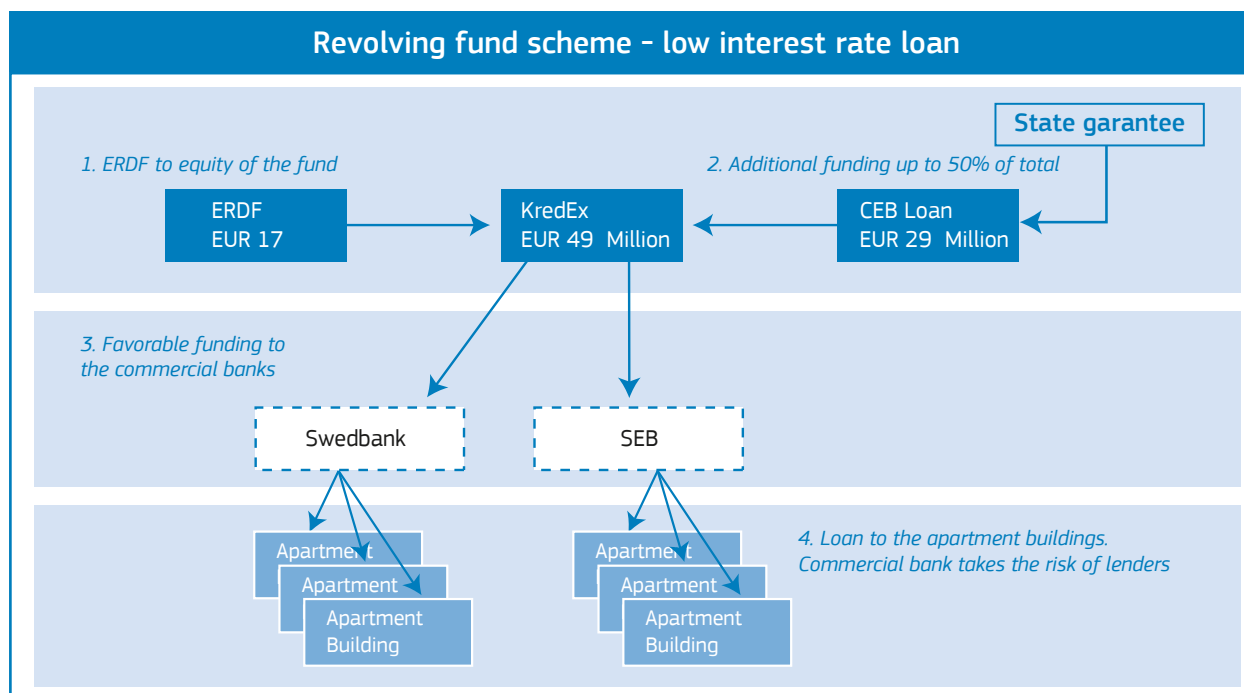
*KredEx investment in cooperatively owned housing blocks*

KredEx provides low-interest loans for the renovation of apartment houses, using an ERDF Article 44 mechanism. In 2009 KredEx formed a revolving fund combining several funding sources (ERDF and national sources), which allowed it to provide two banks with funds that they could then lend to other bodies with lower interest and a longer loan period than typical market loans. The recipients of these loans are cooperative housing associations (for housing built before 1993) and municipalities (as owners of social housing).

A key component of this scheme is its energy-saving objective. One of the requirements for renovation is an energy

audit which is carried out on each apartment house before the renovation is undertaken. The average energy saving after renovation is calculated to be around 40% (and can be as much as 50%). For many flat own-ers this means that after they take out their loan, their monthly utilities bill shows no increase. The loan pay-ment is thus fully covered by the saving in heating costs.

The loans are provided with interest rate subsidies. The interest subsidies are supplemented by refurbishment grants to housing associations, and are used to cover self-financing requirements. The scheme on offer is thus a complex financial instrument, the benefits of which are harder for ordinary citizens to grasp than simple grants. Its success therefore requires an all-round approach including various activities to raise awareness of the benefits of renovation, and encouraging and facilitating borrowing. Such activities include awareness campaigns, training, and showing model houses. Kred-Ex's innovative approach has resulted in housing associations in Estonia successfully carrying out a considerable amount of modernisation on their housing. This is an innovative solution that is much more efficient than the grant scheme it replaced.



is operated by KredEx and capitalised by the Estonian government, the ERDF and by a loan from the Council of Europe Bank. KredEx is a nationally owned bank which specialises in this type of fund management. The borrowers from the fund are the co-operative housing association owners of apartment buildings who wish to renovate and upgrade their energy efficiency. To obtain a loan, the housing co-operative fills out the application form and applies through branches of the two fund managers Swedbank and SEB. The loan decision is then passed up to KredEx. After they have decided the loan they pass the money down to the bank. This mechanism has proved to be efficient in making loans. By 2011 the fund had made 391 loans.

The **Yorkshire Key Fund** is a singletier fund. It is one of the very few organisations in the EU using ERDF to make loans to social enterprises which are a form of social business. The Commission uses the term 'social business' to cover an enterprise whose primary objective is to achieve social impact rather than generating profit for owners and shareholders. It operates in the market by producing goods and services in an entrepreneurial and innovative way, it uses its surpluses mainly to achieve these social goals, and it is managed by social entrepreneurs in an accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activity.

The model used by the Yorkshire Key Fund is simple. An applicant social enterprise is referred to the Key Fund by a business support organisation or else finds out that loans may be on offer through the website. It applies to the fund directly and completes an application form to accompany its business

plan. The loan decision is taken at one of the monthly investment panels organised by the Key Fund and normally this will be the next loan panel after the application is received. The decision is sent to the applicant within a month of application in most cases. The Key Fund will be able to recycle all of the loan fund that is repaid. A certain proportion goes on administration of the fund and also on business support to borrowers.

### The Yorkshire Key Fund

The Key Fund of South Yorkshire has been providing grants, loans and equity finance packages to social enterprises and other groups in the third sector since its establishment in 1999. As both a social enterprise itself and one of nine Community Development Finance Institutions in the Yorkshire and Humber region it aims to help social business ventures that are unable to access mainstream finance and to boost business creation in socially deprived areas. Part of its role is to encourage the model of social enterprise.

The combined total budget of the two ERDF projects currently managed by the Key Fund is €1 607 700 of ERDF with match funding of €1 646 300. The projects are performing well against targets. Between January 2011 and May 2012, the Key Fund has made 65 loans of up to €30 000, 15 of between €30 000 and €120 000 and one of over €120 000. Delinquency rates are low and 70% of investments are in organisations located in or that reach into the bottom 20% of most deprived areas.

The Key Fund provides a highly effective service that balances responsiveness and relationships with the locality with sound investment principles. Its innovative blend of grant and

loan has simplified business start-up and growth for social enterprises and provided a keen business imperative. Several stakeholders believe that the model provided by the Key Fund is transferable outside the region, and the example it sets, of nurturing social enterprise with a mixture of grants and loans, is one that should be replicated elsewhere.

The **Poznań** and **London** JESSICA-type funds are two-tier funds. In the **Poznań** case, the European Investment Bank (EIB) is the fund manager for the holding fund which covers the whole of the region of Wielkopolska. The EIB organised a public procurement exercise through the Official Journal of the EU for the Urban Development Fund which also covers the whole region. The management of the Urban Development fund was awarded to a state-owned development bank. The holding fund makes investments in the Urban Development Fund which in turn invests in specific projects (including the two supported so far in Poznań). Thus although it is designed like a private sector financial engineering instrument, both the fund manager and the holding fund are publicly owned banks.

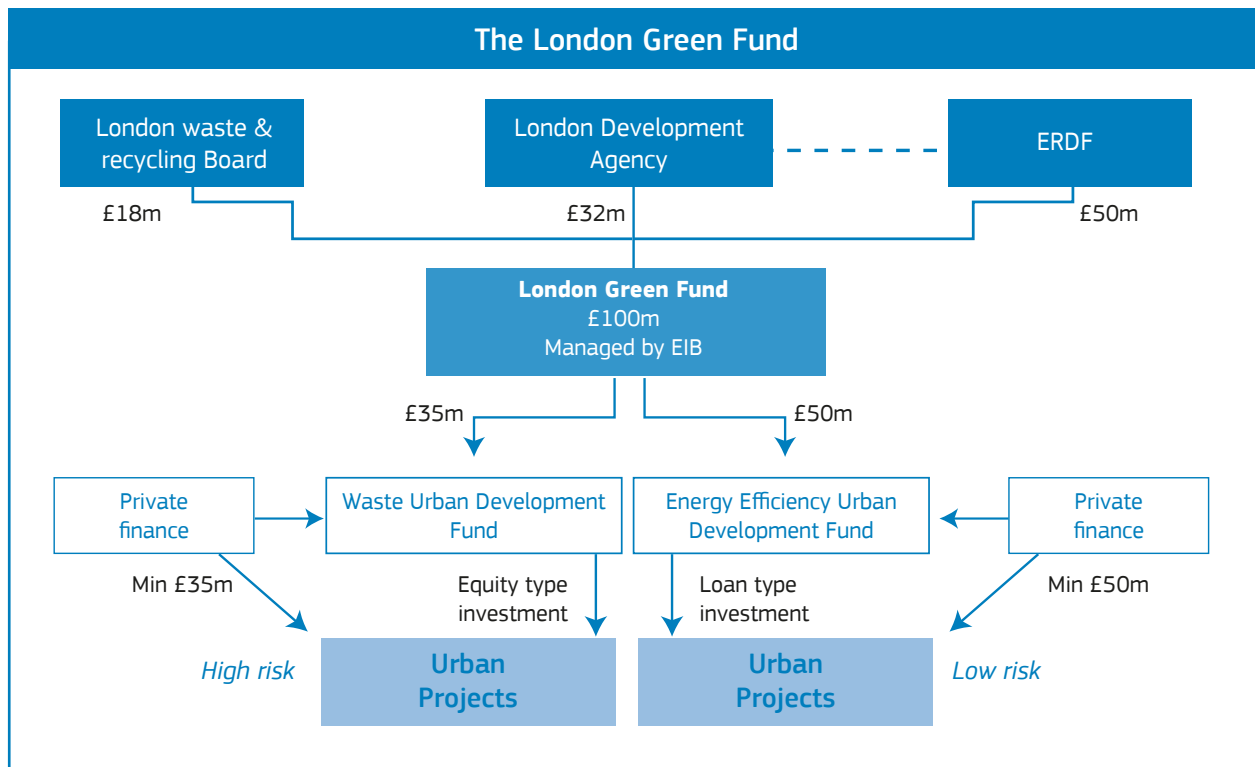
In **London**, the holding fund is managed by the EIB on behalf of the public founders (the Greater London Authority, the London Development Agency and the London Waste and Recycling Board). The region covered is Greater London (which includes 33 London Boroughs) and corresponds with the Mayor and Greater London Authority's jurisdiction as well as being the programme area for the ERDF. The fund managers for the two urban development funds were appointed by the EIB through competitive tender after publication in the official

journal. The EIB appointed two private fund managers: Amber Infrastructure for the London Energy Efficiency Fund and Foresight LLP for the waste fund (Foresight Environmental Fund). The holding fund finances the public elements of the two Urban Development Funds but the fund managers also bring in private finance at the Urban Development Fund level (see figure below). The initial £50 million (approximately €60 million) of ERDF money is doubled by public cofinance to create a fund worth €110 million and then doubled again by private contributions at the level of the Urban Development Funds.

It is likely that **London** will launch a third fund in 2013. This flexibility to create new funds illustrates one advantage of the holding fund model. **London** has funds that perform different tasks. If a fund is not performing, or if a new need is identified, another fund can be launched after a public procurement exercise.

Some financial engineering models have been affected by the crisis. In the UK many projects can borrow at a cheaper rate outside the EU scheme and this has affected the ability of the London Green Fund to find appropriate deals as some public sector developments (such as buildings for the health service and local authorities) can find money at lower interest rates.

For the future, the suggestion of establishing holding funds at national level seems to have some advantages provided that the regions are still able to control their share of the fund through an explicit partition. This could speed up the process of setting up the funds and avoid wasteful duplication.



## London Green Fund

The London Green Fund is an Article 44b holding fund investing in infrastructure schemes aimed at reducing the production of carbon dioxide in the capital in line with the London Plan. It will support energy efficiency, waste and recycling projects in the London region that have the potential to create jobs, reduce carbon emissions and improve energy efficiency. It aims to bring in private capital to match the public investment, and provide loans that allow the funds to revolve so that the returns can be reinvested in urban regeneration. A holding fund is managed by the European Investment Bank and two separate urban development funds have been procured. One is focused on waste and recycling and the other on energy efficiency.

The first waste investment was made in 2012 in a plastics recycling plant and the first large-scale energy efficiency project is imminent.

Despite delays in start-up the London Green Fund is an innovative tool for financing infrastructure that brings commercial



*The Greater London Authority by the River Thames*

expertise into public sector financial decisions. It also multiplies the original public sector investment. The current forecast is that from a €120 million starting point the fund will leverage in private investment to bring a total of between €360 and €480 million to invest in green growth projects.

## 8.3 The issues emerging in financial engineering cases

### The lead time to investment

The biggest challenge facing new investment funds is how to get into operation as early as possible in the programme cycle. The Estonian KredEx fund was up and running relatively quickly and made its first investment in June 2009, about 20 months after the operational programme was approved.<sup>9</sup> KredEx benefited from a design based on a tried and tested model developed by KfW (a state owned bank specialising in SME finance in Germany).<sup>10</sup> KredEx started working with KfW in March 2007, several months before the operational programme was signed. It also had experience of working through banks from a previous grant scheme in which banks act as a distribution channel. KredEx was very swift in organising its public procurement through the Official Journal of the European Union and hired Swedbank and SEB.<sup>11</sup>

The Yorkshire Key Fund had run a similar scheme under a previous programme but found that the Article 44 of the General Regulation made it difficult for it to qualify as a fund: it therefore operated under project funding. It was able to start lending in 2009 within two years of programme approval. However, operating as a project rather than a fund has meant that it has some cash-flow issues as grant is

claimed in arrears after loans are made. It also means that they cannot use the interest on payments that holding funds are able to deploy to cover administrative costs.

The **Poznań** and **London** funds incurred considerable delays. Both projects were to some extent pioneers, and suffered from the absence of guidance – which was not produced until mid-2010.<sup>12</sup> The 'JESSICA Evaluation Studies' carried out in Wielkopolska and **London**<sup>13</sup> took some time to commission and complete. The London study was published in September 2008 with the title 'Scoping the use of JESSICA in **London**'. The EIB's consultants proposed a two-tier structure with a single holding fund, operated by the European Investment Bank. Once the holding fund manager had been selected they were in a position to select fund managers for each of the urban development funds by open tender.

As a result of the cumulative time needed for all these procedures, the London Green Fund did not make its first investment until mid-2012, nearly five years after the approval of the operational programme in December 2007. The Wielkopolska fund which covers **Poznań** also had a lengthy set-up period which meant that the first loans were not approved until 2011.

Time could also have been saved by launching the public procurement process earlier. When a fund manager has been

<sup>9</sup> The Estonian programme was approved in October 2007.

<sup>10</sup> KfW – Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute) formed in 1948 after World War II as part of the Marshall Plan.

<sup>11</sup> SEB Asset Management is the SEB Group's specialist investment house in Germany for actively managed securities and real estate investment funds

<sup>12</sup> A handbook for holding funds was published in mid 2010 midway through the programme period: [http://www.eib.org/attachments/documents/jessica\\_holding\\_fund\\_handbook\\_en.pdf](http://www.eib.org/attachments/documents/jessica_holding_fund_handbook_en.pdf)

<sup>13</sup> [http://ec.europa.eu/regional\\_policy/archive/funds/2007/jjj/doc/pdf/jessica/uk-london-study-en.pdf](http://ec.europa.eu/regional_policy/archive/funds/2007/jjj/doc/pdf/jessica/uk-london-study-en.pdf)

selected it has to test the market by inviting proposals. If the proposals are not satisfactory, there can be delays. In the case of the London Green Fund it was only discovered after appointing fund managers that some energy efficiency projects for neighbourhoods which were thought to be financially viable were either not 'investment ready' or were inappropriate for the funds for other reasons. Ultimately, the investment decisions lie with the fund managers and it is difficult to short-circuit this process. **Poznań** lost time with its gasworks project which did not go forward under JESSICA even though it had been identified as a flagship project for the fund. In both cases the scoping studies seem to have exaggerated the number of potentially viable investments in the pipeline.

In both the **London** and **Poznań** cases, local officials have expressed confidence that the holding funds will achieve their spending targets by the end of 2015. However, the relatively low level of commitments leaves the risk of a 'dash for cash' to ensure that the holding funds spend their full allocation. Such a response could in turn lead to a reduction in the quality of investments. If the money is not spent, automatic decommitment would ensue and the money would be lost to the region.

Of more immediate concern is that the long lead time led to the **London** and **Poznań** funds not making any investments during 2008-10 which were the most critical years of the crisis. Countercyclical investment during this period would have helped boost city economies and employment. This pattern was repeated across Europe: only four Urban Development Funds were operational in 2009, and ten in 2010.

#### Partnership governance and participation

The complexity of fund management and issues of commercial confidentiality reduce the scope for wider public participation and partnership. The London programme monitoring committee has approximately 20 members including representatives from civil society. In contrast, the advisory board's structures for both the holding funds and Urban Development Funds are more restricted. The London Green Fund has only seven people on its holding fund advisory board. Much of its operation appears cloaked in commercial confidentiality and minutes are not published. This commercial confidentiality is taken to an extreme by the Foresight website which requires a disclaimer to be ticked before allowing access to the site. Paradoxically, once on the site there is very little information about projects that are being supported.

The Yorkshire Key Fund is a model of transparency and good governance. Investment decisions are taken at a monthly meeting of the investment panel which includes outside representation from the social economy. The decisions are

published and there is a high degree of transparency. Social enterprises in the region appear satisfied that this is a robust and fair process.

There appears to be some trade-off between the size of investments and the level of citizen involvement and the transparency of operation of the funds. It seems that the larger and more complex the investments the lower the level of transparency and accountability to the citizen.

### 8.4 The achievements of the financial engineering projects

It is still too early to judge the achievements of three of the financial engineering projects. The greatest impact to date has been achieved by KredEx. The KredEx housing renovation loan fund appears to work very efficiently as a delivery mechanism to channel loans to improve cooperatively owned buildings across Estonia. In this case there is a single national scheme and a relatively large number of relatively small loans. By the end of 2011, 391 loan agreements had been signed to renovate a total of 14 680 apartments. The total area improved was 940 000 square metres at a unit cost of €59 per square metre.

For the Yorkshire Key Fund, the job creation targets of 1 800 jobs and gross value added target of around €5 million are on target to be met. However, it is too early to assess the impact of investments made in social enterprises at this stage, although the results of evaluations of the previous schemes have been positive.

The two schemes in **London** and **Poznań** are difficult to assess because only two investments have been made in Poznań and the investment for a waste recycling plant in Dagenham in East London was only announced in September 2012. An investment by the London Energy Efficiency Fund in a major arts complex is expected before the end of 2012.

The problems of implementing complex financial instruments have been exacerbated by the crisis which has affected the cost of money and the returns on development sites in unpredictable ways. The London Green Fund appears to have been affected by problems whereby the cost of money through the fund is higher for public sector developers (Health Service and others) than that available through other public sector sources, for example through money raised on the bond market. The funds for energy efficiency are also likely to be affected by other policy decisions (for example reductions in feed-in tariffs for electricity).

The lack of transparency in fund-led approaches is a further cause for concern.



## 8.5 Conclusions and lessons learnt from the financial engineering approaches

The four case studies in this chapter illustrate the potential role that financial engineering can play. They are also likely to be complemented by microcredit loans focusing on urban businesses.

However, the case studies also reveal the need for caution. In urban regeneration, JESSICA-type funds are most likely to be of benefit for projects that are near to market viability. These projects can make a return for an urban development fund while still being too risky for the private sector. The challenge will be to avoid displacement, where funds are used for projects that are already likely to be financially viable, such as retail shopping centres and leisure schemes. JESSICA-type funds are likely to be used mostly to make investments in individual projects rather than to finance the whole of a comprehensive area-based approach made up of many complementary projects. It is likely that the JESSICA-type funds will selectively invest in the more financially viable projects, leaving other key elements of a master plan such as transport, the public realm and social investments to the public authorities.

Large and complex developments are likely to require a mixture of grants, loan and equity instruments rather than a single urban development fund. However, it is clear that Urban Development Funds are unlikely to be able to replace the type of complex integrated packages of investments that were seen under URBAN I and II and are represented in this collection of case studies by the Magdolna quarter in **Budapest**, **Málaga** and **Berlin**. These integrated approaches in deprived neighbourhoods are likely to need a predominantly grant-funded approach.

JESSICA-type funds can free up grant money in programmes by investing in commercial property. On more difficult sites there will still need to be grant funding to make brownfield sites viable. It also looks as though grant ERDF will still be needed for other types of investment in cities that do not make a near-commercial return such as public realm and soft investments.

The KredEx fund shows that there is a clear advantage in financing large numbers of relatively small-scale projects to improve apartment buildings and make them more energy-efficient. This is a win-win situation where grant schemes are not needed because the savings on energy-efficiency measures provide a saving to the residents.

Similarly the Yorkshire Key Fund is succeeding in weaning social enterprises from dependence on grant funding and helping them to become viable businesses. These types of funds could be important in supporting the renewed interest in social business and social innovation at EU level.

## 8.6 Recommendations on financial engineering

- The process of setting up Article 44b holding and urban development funds should be accelerated to ensure that investments can be made within a reasonable period (for example within 24 months from when the programmes are signed) leaving the majority of the programme period in which to make investments.
- There is a need to build and share capacities at all levels (EU and EIB, Member States, Managing Authorities and cities) to work with new financial engineering initiatives.
- The involvement of the private sector and its need for commercial confidentiality should not be allowed to reduce transparency, partnership and participation.
- Experience has shown that cities and Managing Authorities, Member States and EU institutions have struggled with the implementation of non-grant-based approaches. Developing more regional development banks could be an important vehicle for developing financial engineering models in the future and would bring the holding funds closer to the regions.
- Social and environmental actions can be incentivised as part of packages of JESSICA investments by using interest rate subsidies to encourage these less commercial aspects (e.g. as is possible in **Poznań**).

The Commission's proposals for cohesion policy for 2014-20 address some of these points – for example by making it possible to implement standardised off-the-shelf instruments to enable a quicker roll-out. However, the point remains that all the players must focus on shortening the time taken between programme approval and the first investment being made.

# 9. Public participation and empowerment

## 9.1 Participation and the ERDF

Recent years have seen increasing interest in public participation in urban governance. With its roots in the activism and social movements of the 1960s, public participation is concerned with the actions, methods and conditions that allow stakeholders to engage in different forms of direct democracy. During the 1990s, there was a rediscovery of the value of a bottom-up approach in urban areas, in parallel with a surge of local development approaches<sup>1</sup>. The importance of citizen participation in the future of European cities was stated in a series of official EU urban and spatial policy documents<sup>2</sup>, and citizen participation was considered a crucial factor in achieving cohesion in European territories and cities. However, EU documents do not provide a full definition of the concept. Instead, many treaties and documents<sup>3</sup> plead for consensus-based public participation in general terms as a way to share decision-making processes on the future of European cities. The purpose is to encourage local administrations to engage in dialogue with stakeholders, especially under-represented minorities, thus empowering local communities. Local participation is also seen as instrumental in making up for the limitations of the conventional and sectoral approaches towards the integration of public policies for sustainable urban regeneration.

The URBAN I and II Community initiatives were the first ERDF programmes that implemented the concept of participation in the regeneration of deprived urban areas with poor public services and facilities, and inadequate educational, work and living opportunities. Cities all over Europe, encouraged by the financial support offered, could experiment with a range of citizen participation practices. Its legacy is still present in the current funding period where participation in both EU15 and EU 12 has often been shaped into 'area-based interventions', tackling the micro scale of the neighbourhood and its inhabitants. The URBAN initiatives drew on and complemented national programmes, especially in

the Netherlands, Denmark, Italy, Sweden, Belgium, Germany and the UK<sup>4</sup>. People-led initiatives were also a feature of the UK mainstream Objective 1 and 2 programmes of this period, which featured community economic development measures, with Merseyside being the most developed example.

Since the end of URBAN II, a number of reports have reassessed the importance of public participation and its role in urban sustainable development. In particular, the Barca report (2009) mentions public participation as a fundamental condition for the future of cohesion policy. According to this report, participation helps local choices to be more informed, in line with people's preferences, and allows citizens and collective bodies the freedom to experiment with solutions while exercising peer monitoring. Yet participation alone will not suffice without other institutional conditions needed 'to stimulate development by encouraging the involvement and cooperation of people, creating an incentive for them to pool knowledge and to develop collective projects'<sup>5</sup>.

The Leipzig Charter (2007) and cohesion policy 2007-2013, especially through Article 8 of the ERDF regulation, focus on public participation as a means to achieve a more efficient integrated and sustainable approach to the urban regeneration of those areas that suffer from complex economic, social and environmental problems.

The fundamental role of these documents is to raise public awareness of the need for more direct democracy in public policies regarding urban development. However, there is always a risk that policy documents may remain mere exhortation towards public participation and empowerment, and may underestimate the effect of power conflicts and contradictions intrinsic to implementation. In the worst case they may negatively affect genuine ideals of democratic participation.

1 [http://ec.europa.eu/regional\\_policy/archive/consultation/terco/cp\\_sup-port\\_local\\_dev\\_en.pdf](http://ec.europa.eu/regional_policy/archive/consultation/terco/cp_sup-port_local_dev_en.pdf)

2 e.g. Commission of the European Communities (1992) 'Urban Social Development', Social Europe supplement 1/92 and European Commission (1999) *European Spatial Planning Perspective: Towards Balanced and Sustainable Development of the Territory of the EU*.

3 Leipzig Charter, 2007, Barca report 2009, Article 8 of 2007-2013 Cohesion Policy et al.

4 *Grotestedenbeleid – GSB (Netherlands 1995), Kvarterløft – neighbourhood uplift (Denmark 1997), Contratti di quartiere (Italy 1997), New Deal for Communities (United Kingdom 1998), Storstadspolitiken (Sweden 1998), Politique des Grandes Villes/Grootstedenbeleid (Belgium 1999), Soziale Stadt (Germany 1999)*. Some of these national programmes have been partially funded from the ERDF.

5 Barca, F. (2009) *An Agenda for a Reformed Cohesion Policy*, Independent report prepared at the request of Danuta Hübner.

## 9.2 The empowerment and participation case studies

The endorsement of participatory processes and the empowerment of local communities is a result of several EU-supported urban development practices referring to the Urban Acquis. The five case studies on this theme have been selected as representing different modes and practices of public participation inspired by the principles of social cohesion, inclusion and integration of policies in the 2007–2013 programming period. They also show differences in approach, dimension and methodology because they are applied in different socio-cultural contexts and within different national governance regimes.

One of the main differences is the size of intervention areas and policy scale in which processes of public participation take place. However most of the cases tend to focus on the neighbourhood level of intervention.

- The **Berlin** case study is a community-led development at neighbourhood level within a state programme (covering 34 areas in Berlin) supported by a federal programme tackling deprived areas;
- The **Barletta** case in the region of Puglia illustrates local participation in a regional programme targeting youth, which covered all municipalities in the region;
- The **Porto** case concerns micro-scale subsistence economy, led by the waste sector at metropolitan scale;
- **Alba Iulia** and **Wrocław** were partners in two URBACT projects tackling deprived neighbourhoods suffering from neglect, stigmatisation and segregation;
- The **Derry** case is a community-led development in a specific neighbourhood targeted for socio-political reasons under the PEACE II programme.

Moreover, the selection of these cases shows that public empowerment through participation may be the explicit goal of national programmes. These can be part of the integration of policies for area-based regeneration into a national scheme, or may derive from the sectoral approach of a regional pro-

gramme. In other cases participation can be the means adopted to solve specific local issues and conflicts, without being a prerequisite of wider national or regional schemes. In order to disentangle the main features of the case studies, they are analysed according to modes of participation, triggering factors, management and methodologies set in motion by the local authorities that invested ERDF funding in urban regeneration.

## 9.3 Issues from the participation and empowerment cases

### Modes of public participation

The usual dichotomy of top-down or bottom-up does not provide a full picture of how cities have developed and coped with participatory practices. The case studies in this theme show that different modes have come into play with hybrid forms of local participation and empowerment, which are intertwined and context-sensitive. In almost all the cases – and it is truer for the most complex and long-term ones – we noted different coexisting approaches to engaging local stakeholders, in which bottom-up initiatives were combined and reformulated, and in some cases fused into top-down practices. Conversely, top-down practices have been learning from bottom-up initiatives.

Despite this, a common feature of these five case studies is that all processes were managed and coordinated by public authorities and therefore we may speak of top-down approaches which may or may not engage in dialogue with bottom-up active citizenship practices.

The first mode is the multi-stakeholder participatory approach through community-led development practices. Here we have cases of pure area-based intervention which aim to integrate place-based and people-based strategies at the very local level. Citizens have the possibility to directly influence the decision-making processes of their neighbourhood through committees, fora, and community-managed budgeting. This mode may imply that the local sphere of deliberation is tied

LOCAL EMPOWERMENT AND PUBLIC PARTICIPATION		Project Summary	ERDF amount (€)
DE	Berlin	Socially integrative city focus on a neighbourhood management practice in Berlin	182 657 000 (OP urban axis)
IT	Barletta	Bollenti Spiriti Youth Programme for urban regeneration	120 000 000 (merged with national FAS funding)
PL	Wrocław	Pilot project of regeneration of Nadrodze District (URBACT)	10 000 000
PT	Porto	Urban gardening managed by LIPOR metropolitan waste agency	55 732 (Cohesion Fund)
RO	Alba Iulia	Participatory survey in a Roma neighbourhood (URBACT)	25 500
UK	Derry	Grassroots initiative to heal divisions across the divided communities in Derry City and across the border in Co. Donegal	289 721

## Creggan Enterprises



Young people involved in the GOAL Project

The Gaining Opportunities to Address Legacies (GOAL) project is a grassroots initiative mobilising the divided Catholic/Nationalist and Protestant/Loyalist communities in Derry and across the border in County Donegal. The aim of the project is to promote reconciliation and a sense of shared community to replace the historic pattern of conflict and social segregation. The project targets groups directly affected by division and conflict, including former prisoners and their sup-

port groups, victims and their families and communities. Activities include cultural awareness and community relations training; exchanges and visits involving cross-border and cross-community groups; young and older people working together on research and awareness projects, and exhibitions and interpretation of history in local communities. Creggan Neighbourhood Partnership, the lead partner in GOAL, is an umbrella structure of community organisations and runs a number of inter-linked social and community initiatives in the neighbourhood. All four partner organisations in GOAL are strongly community-based and rely on volunteers. GOAL and associated projects are implemented in the wider community infrastructure organisation, Creggan Enterprises. Creggan Enterprises, in operation now for over 20 years, evolved from a community-led drive for jobs and regeneration in one of Northern Ireland's most rundown, neglected and conflict-ridden neighbourhoods, the Catholic/Nationalist Creggan. It established and now manages a retail and enterprise park and community facilities – the Ráth Mór Centre and Business Park – using a social economy model.

to the wider scale such as the city, region or state. In these cases, area-based initiatives are a requirement of national strategies e.g. the *Soziale Stadt* in Germany, as in the cases of **Berlin** and **Duisburg** (the latter being in the integrated approach theme), which received both ERDF and national funding. In other cases, pure community-led development is directly managed at local level by NGOs and social enterprises with no national framework. These combine opportunities for education, growth and jobs for the residents into community centres, as in the case of Creggan Enterprises in **Derry**.

The second mode is one in which the local administration encourages the direct involvement of citizens as end beneficiaries at the micro geographic scale without necessarily having a rationale for citizens partaking in the decision-making processes, nor a requirement for this at wider geographic scale. In this case the influence of EU principles is evident, especially in those countries where there was no URBAN experience: participation is introduced as a new feature of EU-based urban policies. EU programmes and ERDF financial support allowed and required cities to experiment with public participation in urban regeneration. This is exemplified by **Alba Iulia** and partially by Wrocław in relation to the URBACT programme.

The third mode sees public participation as the coordination and coproduction of strategies, namely as a means to improve partnership governance with or without involving citizens directly. It involves the multi-level, vertical and

horizontal coordination of actors in order to achieve policy integration by establishing regular roundtables among representatives of stakeholders. This is seen in several cases but particularly in the practices of **Berlin** in the coordination between Managing Authority, intermediary body, city, district, neighbourhood, arms-length agencies and inhabitants; in **Málaga** (integrated approach theme) in the creation of a consultative roundtable among civil servants; in **Saint-Nazaire** (integrated approach theme) in the coordination of different agencies in the framework of the *Politique de la Ville*; in **Duisburg** in Germany between the *Land* of North Rhine-Westphalia, the city and the neighbourhoods; and in **Magdolna** in Hungary (housing theme) with the agency in charge of coordinating local policies.

The fourth mode does not count on pre-designed public participation schemes and rationales at institutional level. The institutions managing EU funding aim to empower the public by acknowledging the citizens' 'right to participate', by providing space to dialogue with spontaneous bottom-up initiatives and proposals complying with the principles of sustainable economic, social and environmental development. According to this mode, European funding for sustainable regeneration is combined with national and local funding and used to support innovative grassroots actions, e.g. the cases of Porto on sustainable economy, **Barletta** on youth entrepreneurship and urban renewal, and **Lisbon** (in the cooperation theme) on social inclusion and regeneration in deprived urban areas.

This mode of operation may lead to policy and institutional innovation as new departments are created to manage public participatory processes, as in **Barletta** with Bollenti Spiriti. However, this does not necessarily occur in every case.

In all of the modes analysed, participation is a theoretical ideal, and it is often hard to assess its success in practice. It is widely acknowledged that participatory processes are often characterised by rhetoric, never linear and not always congruent on the ground. In particular, when rhetoric dominates reality there is little or no transformation of the status quo. Interviews with local inhabitants show that many criticise the limits of the local participatory processes in challenging existing power structures. This is a particular problem when there is need to tackle urban and social issues that go beyond the scope of top-down area-based approaches, where systemic problems such as increased rents, gentrification and unemployment are not seen as something that the locally-based forms of participation are sufficient to address.

### Organising and triggering public participation

How is participation organised? What are the incentives for public participation to happen? Triggering public participation is not an obvious task for local authorities and there are different elements that influence why this process is in place or not. The case studies examined presented three broad factors which helped authorities to engage in public participation and local empowerment: the availability of EU funding in accordance with the EU principles of sustainable urban regeneration, the structure of the governance framework, and the existence of independent and innovative community-based initiatives.

In all the case studies it was clear that EU funding and in particular the ERDF plays an important role in enhancing and pro-

viding financial support for participatory processes. In some cases EU funding triggers the continuation of a practice that already showed positive outcomes (e.g. **Duisburg**, which had already started urban regeneration of the deprived urban areas with a participatory process, and **Derry**, which uses EU funding on a citizens' initiative for an existing social economy enterprise). But the ERDF also represents a contribution to national schemes directed at integrated urban development and area-based policy (e.g. the *Soziale Stadt* in **Berlin**). URBACT, with its small amounts of monetary support for Local Action Groups, represents the main source for participatory planning implementation where experience is lacking (Alba Iulia). On the other hand, requirements and procedures for accessing EU funding often provide inspiration and guidance for sustainable development and public participation (**Wrocław**).

The national and regional framework may require public participation, as in the case of *Soziale Stadt* in Germany, which requires that neighbourhood participation be organised (allowing for regional variations) through a Neighbourhood Council of inhabitants managing local funds up to €50 000 (e.g. **Berlin**), or the case of the URBANA national programme in Spain.

There are cases in which the problem cannot be dealt with through national programmes or through traditionally organised sectoral policies alone. The project's efficacy may depend on the capacity to involve a wider circle of stakeholders relevant to different topics. In the case of **Derry**, the improvement of the neighbourhood of the Creggan estate was a community-led response following three decades of civil war. Mainstream policies were not capable of reaching into an area like this and investors had steered clear of the neighbourhood. Community leaders created a development trust model to build new assets such as a shopping centre and workspaces.

## Berlin – Socially Integrative City

Socially Integrative City (*Soziale Stadt*) is a German national programme, partially financed from the ERDF, that promotes participatory sustainable urban development at neighbourhood level, using a design that combines a tight spatial focus, local participation, and the integration of policies and human and financial resources. This federal programme decentralises decision-making, by delegating responsibility for small-scale projects to residents living in deprived areas. The city of **Berlin** has refined and extended the original programme's ideas. A distinctive para-institutional structure known as Neighbourhood Management is created in each selected neighbourhood, and manages five types of Neighbourhood Funds, each covering a different size and type of project and working with the direct involvement of residents. The Neighbourhood Manage-



*New playground, Koermerkiez*

ment teams provide a platform for networking and interaction, enabling groups and actors to debate and identify local needs, values and responses. One of the anticipated effects of the programme is the empowerment of citizens, through collaboration and cooperation on projects.

## Barletta – Bollenti Spiriti



Stakeholders involved in an Urban Lab project, the BS staff on the right.

Bollenti Spiriti is a programme of the Puglia Region aimed at youth empowerment. Although directed by a sectoral policy department, it is explicitly conceived as an integrative initiative, pursuing the aim of networking different experiences in the territory, opening up space for social, cultural and educational initiatives, endorsing the entrepreneurial and creative potential of young generations. It creates a participative network of young actors and projects

to amalgamate the multiple stakeholders into a dynamic community and foster synergy among the projects. The main investment of the programme has been in the Urban Laboratories, with the objective of renovating disused public buildings to be transformed into new cultural centres and public spaces. It is an infrastructure programme covering the whole region to provide facilities for cultural activity, education and training for young people, with the aim of supporting a creative local development. Urban Laboratories are managed by NGOs selected through a public call. Each of them has a local network, comprising local organisations which sign a networking agreement committing them to support its activity. A major innovation in the governance structure has been the constant effort to bridge the gap between institutions and beneficiaries, avoiding 'patronising organisations' and intermediaries in the relation with young people. This includes the use of social web platforms and ICT tools to keep constant contact and feedback with and among the stakeholders.

Creggan Enterprises spawned other community structures to work on issues around peace and reconciliation.

Even the most planned or institutionalised practices have one important trigger factor, which is the independent initiative of one person or a group of people. These types of spontaneous grassroots politics are sometimes accepted by local institutions and in others ignored, repressed or co-opted. When they are genuinely valued, these participatory practices are regarded as policy intuitions or innovations, and may be capable of enlarging the scope of institutionally planned interventions (Barletta, Porto)..

### Management of participatory planning

When the participatory planning processes are institutionalised as part of strategic planning, the management is organised so as to facilitate vertical and horizontal coordination among the stakeholders. Participation may be managed by various types of organisation:

- Publicly owned or subsidised external agencies with the status of private companies or consultancy firms, as in Porto and **Magdolna** (in the Housing theme);
- One or more NGOs which manage part of the programme dealing with citizen participation: in **Wrocław**, 80 or so NGOs active in the urban regeneration areas are coordinated by an agency subsidised by the city which manages the networking of initiatives;
- A public administration, as in **Barletta**, taking care of the coordination and communication (although in this case initially it was an external consultancy whose employees were later absorbed on a contractual base into the re-

gional administration);

- Community-based agencies, which spring up in the vacuum left by public administrations: this was the case on the Creggan estate in **Derry**. These can be the forerunners of community-led local development models pursuing an asset-based strategy using the governance model of development trusts and other locally based structures.

There are some questions as to the full legitimacy and representativeness of these bodies. However, it is not so much the legal nature of managing organisations that makes the difference as their capacity to adapt to local conditions, the competencies and the personal commitment of the local team.

The cases examined included a wide range of techniques and tools:

- **Survey, outreach, consultation and participatory budgeting:** Locally established and long-term forums or round tables (Duisburg, Integrated Approach theme), surveys (Alba Iulia), outreach (**Berlin** and **Tampere** – Inclusive Growth theme), neighbourhood councils and participatory budgeting (**Berlin** and **Duisburg** – Integrated Approach theme), *Iniciativa Urbana* assemblies (regular meetings between municipal officials, civic associations and citizens);
- **Training and workshops:** Workshops involving multimedia, theatre, music and other forms of arts (**Berlin**, **Wrocław**, **Saint-Nazaire** – Integrated Approach theme, **Amadora** – Cooperation theme), open participatory conferences (Barletta), a public participation school (Málaga), social web forums (Barletta).

In **Saint-Nazaire**, since 2005, a team in charge of social development has hired street performers and a film director to encourage participative dynamics among the local community. A dedicated space has been opened as an exhibition room and resource centre in the city hall. At regular intervals a 'café-chantier' is organised on thematic issues such as mobility, social life, inclusion, sports, culture or youth;

- **Self-organisation:** Despite all being processes led by local authorities, some cases show more flexibility towards self-managed initiatives – after all such initiatives still need to respond to the options for participation provided by the public authority. In **Barletta** citizens can constitute new groups and lobby through social web platforms for new projects. Moreover the annual Bollenti Spiriti open meetings (the BarCamps) are occasions for prioritising new ideas for the future policies for the whole region. In **Porto**, citizens are free to constitute an interest group, coordinate themselves and use the benefits of the Horta à Porta project to develop a sustainable economy in a network of similar practices;
- **Transfer of ideas and networking: Saint-Nazaire** was engaged with Agenda 21 and linked to the Transition Towns, **Amadora** was inspired by El Sistema in Venezuela. **Duisburg**, as the leader of the URBACT RegGov network, shared its knowledge with **Alba Iulia** and **Halandri** (Cooperation theme).

Given the richness of the tools available, the most significant difference is between those projects where participation is used to establish a long-term, consistent and proactive dialogue with a deliberative capacity preceding decision-making, and those where participation is used as a somewhat superficial technique to facilitate the implementation of specific projects. In the second category is the example of **Alba Iulia**, where public participation appears to be a limited attempt to meet EU requirements, rather than an element of the local planning culture. In **Berlin**, **Barletta** and **Derry**, the objective is clearly to create a participative attitude in society at large, implying to some extent a clear sharing of responsibilities and empowerment of local communities.

## 9.4 Achievements

The actual empowerment of local communities is particularly difficult to assess from the cases analysed, owing to the work-in-progress stage of many projects, to different ways of implementing the ideals of public participation and to the inherent problems in identifying objective indicators of such a concept as 'social empowerment'. In some cases, such as Germany's national *Soziale Stadt* programme, the results in terms of the involvement of local actors, increased decision-making capacity and setting up of new procedures and tech-

niques are based on evidence provided in the monitoring and evaluation documents<sup>6</sup>. However in this case (Duisburg-Marxloh), the citizens and the local team that has been active for more than 10 years at grassroots level refer to a certain 'fatigue' experienced after repeating the same role in the same participatory scheme for several years.

In other cases, such as Bollenti Spiriti in Puglia, there is evidence of a great mobilisation and consolidation of young actors and approaches engendering positive chain effects of youth empowerment and networking. However, the capacity to root such approaches and fresh energies effectively in consolidated practice is an open issue. In **Derry** and **Porto**, public participation is an essential element of dealing successfully with difficult local challenges. Both practices have the capacity to be transferred to other contexts (the challenges being peaceful reconciliation in the first case, and economic sustainability in the second)<sup>7</sup>. In the case of **Alba Iulia**, the participatory process was a requirement of the URBACT Local Support Group and it was delivered as an element of the planning procedure. Whether the participation will ultimately lead to the empowerment of local society and in particular the segregated minorities of Roma targeted by this case study remains a question.

In many cases, good practices are still rather isolated instances of fortunate local conditions combined with successful partnerships fostered by enlightened activists, committed people or innovative policy recommendations, without evidence of being part of mainstreamed approaches. However, authorities' support of the principle of public participation may help the voices of politically underrepresented subjects to be heard and facilitate the decision-making processes of complex urban development.

## 9.5 Reflections and lessons

From the five cases selected in this theme and the wider panorama presented by the whole study, public participation and local empowerment are key elements that permeate the sustainable urban development approach promoted by ERDF.

The cases show that the construction of a participatory process is dependent on socio-economic conditions and the particular type of governance culture and experience of Member States. In northern Europe, in particular, it appears that 'institutionally integrated processes' dominate, with a top-down approach to bottom-up practices. Here long-term planning frameworks are characterised by complexity, verti-

<sup>6</sup> [http://www.staedtebaufoerderung.info/cfn\\_033/nn\\_512334/sid\\_1B9F029C6A8AB8EF18C9EEE6B6753DA1/nsc\\_true/StBauf/DE/SozialeStadt/Literatur/literatur\\_\\_node.html?\\_\\_nnn=true](http://www.staedtebaufoerderung.info/cfn_033/nn_512334/sid_1B9F029C6A8AB8EF18C9EEE6B6753DA1/nsc_true/StBauf/DE/SozialeStadt/Literatur/literatur__node.html?__nnn=true)

<sup>7</sup> For more details see the section on 'Transferability of practice' in the analytical templates of both case studies.

cal articulation, and a higher level of effectiveness in public administration, but also some rigidity of rationale and obstructive bureaucracy, as outlined for instance in the case of Soziale Stadt by neighbourhood managers<sup>8</sup>. The issues may stem in some part from the repetition of long-term practices, and an incapacity to renew methodology in a framework that remains the same.

In contrast, southern European and new Member States that lack a national framework are more dependent on a local context; here participation arises out of extemporaneous opportunities, intuitive actions and self-organised social innovation, possibly filling gaps left by institutional governance or profiting from particular contextual conditions. This attitude has the positive effect of enhancing dynamic initiatives and innovative models. It is characterised by adaptive capacity and civic engagement, and designs interesting exceptions to the mainstream models, but often lacks continuity.

New Eastern Member States, inspired by EU guidelines and principles, seem instead to apply public participation as a form of 'institutional adaptation' in order to comply with EU rules. They are pushed to speed up the renewal of the post-communist institutional and sectoral apparatus in order to benefit from EU support, although in some cases they show a limited and paternalistic understanding of public participation which can be still encountered as well in many EU-15 Member States.

While community engagement and participation refer to the involvement of the community and service users in a collaborative approach to regeneration, empowerment goes further than these in that it refers to the transfer and decentralisation of power to individuals and groups affected by decision-making. Empowerment per se is not a guarantee or a direct outcome of any participatory process. According to the cases analysed, there are many ways in which such a transfer can happen.

**Berlin** and **Barletta** represent opposite paradigms. **Berlin** uses a strict top-down programme to enable bottom-up participation. A complex partnership built on the solid German policy framework expects to enhance the capacity of local communities to take part in the governmental process, but at the same time it has the effect of bureaucratising the activism that is traditionally rooted in German civil society. **Barletta** starts from a bottom-up youth activism initiative, which has been taken on board at regional level. The regional administration takes over a grassroots initiative, decides to steer it, exploiting the innovative thinking of particular groups and initiatives, enlarging the institutional planning capacity to a wider number of actors. Here, 'bottom-up initiatives may coincide with and complement top-down initiatives, each dominating

<sup>8</sup> See the journalistic account of the Berlin case study.

different political phases of policy-making, implementation and monitoring'.<sup>9</sup>

In conclusion, the definition of public participation and local empowerment in the cases analysed is rather superficial, because fundamental aspects in the frameworks are seldom questioned. These aspects include:

- The limitation of rights to participate, which is usually related to territorially-bounded sovereignty, obligations and citizenship;
- The limitations in assessing the degree of effective empowerment that results from enlarging the capabilities and freedoms of the people involved;
- The effectiveness of public participation on a wider scale beyond the deprived target areas, and whether participation is a way to keep the poor busy in the neighbourhood, playing with money at the margin of the capital, or a genuine mode of rethinking radical democratic demands in our contemporary cities and society.

Critical reflection as well as long-term monitoring and evaluation of practices are needed to assess the efficacy and the lessons of the cases analysed.

## 9.6 Recommendations on public participation and empowerment

- Local public participation initiatives may mobilise stakeholders, and encourage more empowerment and engagement at the local level, but this needs to be translated into operations at other scales of governance.
- Participative decision-making processes should avoid the unnecessary polarisation of approaches. Consensus versus conflict and top-down versus bottom-up are not opposite alternative methods of public participation. They are necessary political moments in the decision-making processes.
- Participation is multifaceted and its meaning can easily be pulled in different political directions and turn into rhetoric. Approaches to participation need to be transparent, reviewed and questioned in practice to ensure that there are checks and balances between the powers at play, and to make sure that the weakest groups of society are players in the political arena.

<sup>9</sup> Silver, Scott and Kazepov (2010) 'Participation in Urban Contention and Deliberation', *International Journal of Urban and Regional Research*, vol. 4, issue 3



# 10. Cooperation, networking and learning

## 10.1 Cooperation and networking in the ERDF

Cooperation and networking are ways of speeding up the transfer of learning practices between cities and regions of the EU. Although many innovations take place in cohesion policy, they frequently get stuck in one region or one city. The two main cohesion policy programmes through which this aim is pursued are INTERREG IVc and URBACT II for city-to-city exchange and learning. INTERREG has three types of programme. In this context INTERREG IVc, which promotes inter-regional cooperation, is the most important. INTERREG IVA, which supports cross-border cooperation, and INTERREG IVB, which supports transnational cooperation on occasion also make a valuable contribution.

INTERREG IVc provides funding for interregional cooperation across Europe. It is implemented under the cohesion policy and has a European Territorial Co-operation goal. Its overall objective is to improve the effectiveness of regional policies and instruments. INTERREG IVc is a large programme with over 1 200 projects approved by 2011 in more than a dozen bidding rounds. There are two types of INTERREG IVc project: mini-programmes and capitalisation projects. INTERREG IVc projects build on the exchange of experiences among partners. INTERREG IVc pursues the objectives of the Lisbon and Gothenburg Agendas and, since its launch in 2011, those of the Europe 2020 strategy. Networking activities such as thematic workshops, seminars, conferences, surveys and study visits are its main tools, but INTERREG IVc also allows piloting, where this complements the exchange of experience. Unlike URBACT, INTERREG IVc is not specifically targeted

at cities and urban areas, although they can participate as partners. The beneficiaries of INTERREG are public authorities, associations and non-profit organisations. Private firms are only eligible if they apply through a consortium.

URBACT II, also financed under the Cooperation objective, organises networking projects among cities. URBACT I was originally created as a spin-off from the second URBAN Initiative, to allow cities to share information and experiences in achieving more sustainable urban development. URBACT I networks demonstrated that cities could learn from each other by developing methodologies for the exchange of experience and knowledge. This breakthrough enabled the more rapid dissemination of new ideas and techniques. URBACT thus became a knowledge exchange, a vital link in creating and spreading innovations in urban policy and practice. Since 2007, URBACT II has required each partner city to produce a Local Action Plan to implement the results of exchange and learning activities. The action plan, which is elaborated by a Local Support Group of stakeholders in the city, aims to attract financial resources from the city's mainstream European structural fund programmes. However, there is no priority treatment and no guarantee that action plans will be financed.

## 10.2 The cooperation case studies

The cases selected for this chapter are examples where exchange, learning and transfer have taken place and have added value to a project realised in the case study city. They have been drawn from INTERREG IVA, IVc and URBACT projects.

COOPERATION, NETWORKING AND LEARNING		Project Summary	ERDF amount (€)
EL	Halandri	A city regeneration benefiting from exchanges as part of the URBACT RegGov project	690 000
MT	Paola	A military prison reinvention benefiting from participation in the URBACT REPAIR project of former military sites	153 034
PT	Amadora - GreaterLisbon	The creation of the Generation Orchestra in a migrant community aided through support under URBACT MILE project	352 490
SK	Bratislava	Cross-border employment and qualification project supported under INTERREG 1A	1 275 000 planned 1 105 000 revised
SI	Ljubljana	Sostenuto: Cultural project led by an NGO (Bunker) and supported under INTERREG 4C	230 667

## Orquestra Geração, Amadora, Lisbon, Portugal



Harp and Trombone

The city of Amadora, which founded the Orquestra Geração ('Generation Orchestra') was part of the URBACT II Fast Track Network MILE. The orchestra is a programme for social inclusion primarily focused on children and adolescents who are socially and educationally vulnerable. It uses music to build social cohesion in deprived communities and to build

a bridge between homes and schools based on achievement.

The programme is inspired by Venezuela's youth orchestra programme El Sistema, but has developed its own way of involving families and the local community whilst keeping the school as the central strategic point. It has been operating in Portugal since 2005 and started in Amadora. There are currently 16 active orchestras, mostly operating in areas of deprivation, involving more than 800 young-

sters attending musical training activities co-ordinated by the National Conservatory School of Music.

The partnership is very diverse in its makeup and objectives, connecting schools, foundations, government departments, music schools, local communities, local government and technical coordination agencies, as well as volunteers, working together collaboratively to develop the programme and its transfer to other regions of the country. The programme has been supported throughout its development by public and private funding including ESF, ERDF, national public funds (central and local government) and private funding from foundations and companies.

One of the winning features of the programme is the communication and marketing strategy which has made Orquestra Geração a famous brand name, and a kind of label for programmes of excellence in the field of social inclusion through music. The brand's value is systematically enhanced through cultural events, concerts, shows, workshops and public activities which increase its visibility throughout the school year.

The goal for 2020 is to create 140 new orchestras and to involve 7 000 young people in schools in nine regions of Portugal. In future, the programme will be coordinated by a new association made up of the current partners.

The three URBACT partner cities in this theme used learning and exchange to improve the quality of their implementation. Halandri was able to draw on the experience of Duisburg and other project partners to understand how to develop an integrated approach to working in neighbourhoods. Paola drew inspiration from other URBACT cities with military infrastructures such as lead partner Medway in UK and also the well-known La Murate prison rehabilitation (see case study on **Firenze** in this collection..

Amadora in Greater **Lisbon** worked with Venice and other partner cities on the issue of how to promote the integration of migrants at the local level.

The two INTERREG projects were very different. **Bratislava** used INTERREG 1A funds to create a cross border labour market between Bratislava and Vienna. **Ljubljana** used an interregional INTERREG 4C project to develop a local participative approach to cultural development in a neighbourhood which was then shared with other cities through the INTERREG project.

In addition to the projects selected under this theme, a number of case studies from other themes had strong elements of exchange and transnationality:

- In the theme for smart growth **Eindhoven** has been involved in many transnational projects through its 'Brainport' and related expertise in the triple helix approach. The city was a partner in the URBACT Joining Forces Working Group which looked at metropolitan governance issues, as well as in a number of INTERREG projects. In the same theme, the Kista Science City in **Stockholm** has been involved in many initiatives linked to incubation and science parks funded under INTERREG programmes, especially as part of the Baltic Sea Region. **Gdynia** Innovation Centre has been involved in several INTERREG projects. Sunrise Valley in Vilnius is a partner in the INTERREG IVC project Working4Talent and also participates in a number of Baltic Sea INTERREG projects.
- In the theme for sustainable growth **Rotterdam's** RDM campus was a RegioStars finalist in 2010 and is now active in a number of INTERREG projects.
- In the inclusive growth theme, **Bremen** transferred experiences from a European programme to the local level. The idea of establishing the Robinsbalje centre is based largely on the model of the Dutch *Vensterschool* and the concept originated in an INTERREG IIIC project. In **Kortrijk** the transnational partners in the project share techniques in dealing with outreach, individual approaches to activating excluded, sometimes self-excluded groups,

## Sostenuto, Ljubljana

The Sostenuto project has used transnational cooperation and networking as the main way to support partners, local stakeholders and inhabitants from the Mediterranean area to implement innovative cultural and creative activities in their cities and regions. The project was implemented between 2009 and 2012 by seven partners from EU countries in the Mediterranean area (Spain, France, Italy, and Slovenia) and one IPA Adriatic country (Montenegro) with ERDF support of €1.2 million under the INTERREG IV B MED programme.

The project partner from Slovenia was the Bunker Institute from Ljubljana, a non-profit organisation which organises cultural events. The project was implemented in the inner-city district of Tabor, in cooperation with local stakeholders and residents. They used a local exchange trading system<sup>1</sup> to enable people to exchange know-how, services and competences in urban revitalisation. Innovative cultural events and activities were organised – workshops, a festival, art performances, sport competitions, etc. – focusing particularly on urban gardening and greening of streets, parks, abandoned sites and other public spaces. These activities resulted in the establishment of the Tabor Cultural Quarter in March 2011 as a non-profit association based on a long-term partnership with cultural institutions (museums, galleries, cinemas, theatres, etc.) and other non-profit organisations in the neighbourhood. It will organise a variety of cultural events and activities.

The planned activities focused on land use regeneration, such as urban greening, gardening, reuse of a local park, use of open space between the new museum quarter (former military barracks), traffic calming and temporary establishment of pedestrian zones. The partners organised innovative cultural and social events and activities – workshops, festival,

<sup>1</sup> Local exchange trading systems are non monetary forms of exchange using an alternative currency. They are often used to stimulate local activity, volunteering and to build social capital



New activities in the Tabor Park in Ljubljana

and art performances – on these sites. The activities included the following:

- My Street: art installations and street exchange market in Slomškova Street with the temporary transformation of a number of parking lots into open spaces during the festival Mladi Levi to make space for activities and interaction between local residents and visitors as well as other partners – cultural institutions, non-profit associations, sport clubs, eco-farmers, bicycle repair service, etc.
- Trail 10 Book: participation in the event Ljubljana – World Book Capital 2010 together with other partners (e.g. Europlakat), sponsored by the Municipality of Ljubljana, libraries, bookshops, individuals, etc.
- Workshops: T-shirt printing with an art fashion designer, DJ techniques, and culinary events with residents from the home for the elderly.

These activities have contributed to the bottom-up urban revitalisation of the Tabor neighbourhood. In this sense the project has been a good example of cooperation and networking between different levels, and provides a role model for social inclusion, local empowerment and participation in improving the quality of urban life.

and accompanying them, which gives innovative inputs to the participating regions.

- In the theme on integrated approaches, **Duisburg** used its knowledge of vertical and horizontal integration to lead the URBACT RegGov project, which also involved its own North Rhine-Westphalia Managing Authority working with Managing Authorities from other participating regions.
- In the theme on participation, the city of **Alba Iulia** had been a partner in the URBACT NODUS working group. Wrocław had been a partner in the URBACT network URBAMECO and had been particularly inspired by a field visit to Lyon. **Berlin** was the lead partner of the URBACT CoNET network focusing on neighbourhood management.

### 10.3 The models for translating exchange and learning into implemented actions

This section reveals that there are different processes at work in the cooperation and networking projects depending on how the funding is structured.

Sostenuto was an INTERREG IVC project that allowed several cities to each work on their own idea in parallel within a single cooperation project. This allowed **Ljubljana** to develop a Local Exchange and Trading System (LETS) in the city, while the other cities worked on their own themes. Results were shared at the conclusion but did not appear to directly feed into the methodology used in each city.

**Bratislava** worked with **Vienna** to solve a joint problem of functional urban area labour markets that had arisen because of Slovakia joining the European Union and becoming part of the Schengen area. Overall, the urban cross-border co-operation was able to adapt local labour market systems to the new reality in which the Austrian market had become accessible to people trained within the Slovakian system (and to a lesser extent vice versa). It is clear that in this case the INTERREG project enabled cross-border activity to take place that would have been difficult to finance through any national scheme.

In the URBACT case studies the implementation of a project takes place after a process of exchange, learning and action planning that may take up to three years. In the URBACT MILE network **Amadora** was collaborating with other cities on the question of how to integrate migrants at the local level. Its action plan involved taking the existing idea of the Generation Orchestra to the next level, and because it succeeded in using its URBACT local action plan to gain access to the mainstream ERDF programme, it was able to spread the pilot beyond its own municipal borders and across Portugal.

**Halandri** took a more classic route. It used its participation in the RegGov network to learn about how to structure and implement integrated approaches. RegGov had a specific focus on the vertical aspect of integration driven by strong leadership from **Duisburg** and active participation of the North Rhine-Westphalia Managing Authority for ERDF. The effectiveness of this transmission process is testified to by Halandri and by other RegGov partners (e.g. Kőbánya in **Budapest**, which was the first of the Hungarian cities to have an integrated action plan approved) which was able to acquire know-how and implement it through a speeded-up learning process.

This approach to spreading know-how in integrated urban development through a focus on practical action has made a difference in the case studies that were examined.

#### 10.4 Achievements on cooperation and networking

**Halandri** has succeeded in transformed the Patima area by developing an action plan to bring much needed infrastructure to a recently built neighbourhood. This has included the development of public open space, childcare centres, new sewage systems and drainage for flood prevention. The municipality's participation in the URBACT RegGov network enabled it to learn from good practice on how to organise participation and coordinate public sector actors. The engagement of the Attica Managing Authority was a key factor.

**Paola** has moved from having a project in a former prison to using the prison as a driver for an ambitious action plan. Paola, a very small municipality in a densely urbanised area, suc-

ceeded in developing a plan to renew the prison for social and cultural purposes, and linked this project into a general plan for a new green belt and public transport in the surrounding area, which benefits the whole municipality. The team managed to bring together funding from disparate sources – URBACT, INTERREG and mainstream ERDF.

In **Ljubljana** the project has contributed to the revitalisation of the Tabor quarter of the city. The project also had an action research element whereby universities could accompany the projects. This combination of practitioners and academics could be encouraged more widely in cooperation projects. It seems likely that the Sostenuto project in Ljubljana could have launched its LETS scheme with adequate funding from a national source or the mainstream ERDF programme but was aided by being among peers in an INTERREG IVC project. This role of cooperation programmes in opening up access to funding for NGO partners is unintended but not unimportant.

Co-operation in cross-border agglomerations has helped overcome gaps and differences in local economic operating systems. These differences affect the daily life of Europeans for example by preventing workers with qualifications in **Bratislava** from obtaining work in **Vienna**, 70 km away. These problems in turn hamper the EU's economic development. Special urban significance lies in the fact that de facto common metropolitan markets exist but are hindered by national borders and different legislative systems.

Improving the compatibility of these systems can unleash the positive economic effects of urban agglomeration and concentration. In this respect, cross-border co-operation projects can make important contributions by initiating change through mutual exchange and learning. Creating a better mutual understanding of the challenges and potentials on each side of the border can be considered a prerequisite for boosting the economic potential of cross-border conurbations.

#### The added value of the exchange

Transnational exchange can play an important role. Its value is often in accelerating implementation, as Mr Kappos, member of the Halandri Local Support Group and Steering Committee illustrates: 'the contribution of the international partners was crucial. It was important to have contributions from countries that are way ahead in planning and governance and have already implemented such projects, but also from countries which are in a pretty much similar state to us, like Bulgaria. It has been a very substantial co-operation. The role of the lead partner was also very important. With their help, we managed to save time, and avoided mistakes...' This aspect of saving time by avoiding mistakes should not be underestimated. Transnational exchange often gives partners the confidence to move forward along a particular path, buoyed up by the knowledge that they are not the first to do it.

## Corradino Prison redevelopment, Paola

The original goal of this project was to redevelop a former military prison complex into a cultural and sports facility. This first objective, promoted by a third sector organisation, the Hibernians Sport Association, has become the trigger for a broader strategic planning action promoted by a partnership led by Paola Local Council. The Paola Action Plan aims to integrate the regeneration of the city along several axes, comprising the creation of a green path linking heritage sites, mobility reorganisation, restoration of the old fortifications, employment training for disadvantaged people, renewable energy sources, etc.

The URBACT REPAIR network's methodology for urban regeneration suggested five 'pillars' along which the local partnership has designed its actions: sustainable urban conservation, transit-oriented development, sustainable communities, good design and energy efficiency. The plan will last until 2015, and its main objective is to enhance the potential of Paola as a heritage site in an area designated mainly for residential and transit use next to Valletta's Grand Harbour. The implementation of actions is mainly at the initial stage but many of the operations have been granted funding, with a significant contribution from the EU structural funds.

Among the projects are the renovation of the old prison fund-



Overview of the prison complex

ed by the ERDF under Priority 2 (promoting sustainable tourism), the realisation of green spaces and the restoration of the military fortifications (both supported by INTERREG IV) and a social programme for the training and professional reintegration of prisoners on parole from the local correctional facility, funded by the ESF. This case is a good example of how EU-supported networking actions can have a positive effect by empowering the local administration, increasing its strategic capacity, fostering integrated planning and supporting the creation of effective territorial partnerships. It is also a prefigurative Integrated Territorial Investment as it has obtained support from a range of different programmes.

Some projects were given impetus by being part of URBACT or INTERREG but were already making progress. This was clearly the case in **Amadora** which had seized on the idea of developing an orchestra based on the world-renowned *El Sistema* in Venezuela, and used funding from a range of programmes (EQUAL, ERDF, and URBACT) to take this forward. No one programme can claim parentage but now ERDF funding is being used in the main programme to spread the approach to other cities in Portugal.

The exchange programmes offer cities an important opportunity to find out about what is happening elsewhere and also to show off what they are doing. Many of these cities have few opportunities for opening up their policy achievements to the wider world. Being part of an URBACT or INTERREG project can help to build both their capacity to organise projects as well as their credibility with funding bodies including the Managing Authorities. Through these contacts they become known, trust is built and future possibilities open up.

### 10.5 Reflections on cooperation and networking

In general it seems to have been easier for cities to obtain funding where dedicated priorities for integrated urban development were in place (e.g. **Duisburg** in the North

Rhine-Westphalia programme, **Berlin** with a programme at city and region level and Halandri in the Attica programme). There is a risk that local action groups will be frustrated if no funding is forthcoming from the main programmes. The examples analysed here were specifically chosen to illustrate success in moving from the action planning stage to full implementation and are therefore not fully representative of the situation on the ground.

Some projects had strong support from their Managing Authorities who were directly involved in local groups. This was the case with the Attica Managing Authority which was active in the **Halandri** Local Support Group.

It is evident from the case studies in this theme that there are cities that have accumulated vast experience of integrated urban development over two or more decades, while other cities are just starting out on this journey. Ideally, we would wish to see a logical progression whereby cities start out using exchange and learning as a means to improve their local policies and practices. Having done this, they re-enter the fray with the intention of contributing to the wider knowledge commons. It is clear that cities such as **Berlin** and **Duisburg** have taken the second part of this route by leading projects in which their considerable experience can be used to bring other cities up to speed. Halandri testified to the value that Duisburg

had brought to the network and how it had helped them to act with confidence in designing actions for their city.

The transnational exchange and cooperation projects illustrate that while innovation takes place in small programmes there is a corresponding lack of experimentation in the majority of the mainstream ERDF programmes (with a few impressive exceptions such as the participative budgeting measures in Germany). There is also no routing established between the work carried out in project development in an INTERREG or URBACT project and the mainstream programmes. Instead cities are left to find their own way into the programmes and sometimes these ways are blocked.

This problem of the overall design of policy innovation between small programmes in which innovative actions are fostered and the mainstream programmes which hold the major resources for project financing needs to be addressed. One potential route for this to be done is through selection criteria which could favour projects that can demonstrate a multi-stakeholder partnership and which have a coherent and costed action plan with appropriate indicators and timelines. The Integrated Territorial Investments and Community-Led Local Development approaches in the next programming period for 2014-20 could use such an action planning methodology incorporating transnational exchange to boost quality.

It is clear from the many projects that have participated in exchange and learning programmes among the 50 selected here that at their best these programmes are inspiring city actors to become better and more reflective. This can be important for economic and social development and is often hidden by simple output measures. The projects that are able to incorporate learning and good practice from elsewhere are more likely to have a real impact on their cities.

### 10.6 Recommendations on co-operation and networking

- Cooperation and networking can accelerate policy innovation and could be particularly valuable in the implementation of new approaches such as Integrated Territorial Investments and Community-Led Local Development if exchange, learning and capacity building is carried out from the start of the next programming period.
- There is a need to build capacity to use transnational learning and to incorporate new ideas at municipal level.
- Cooperation networks should above all foster common reflection on urban development, and not necessarily promote a blind 'copying and pasting' of successful practices, which might be context dependent. A process of adaptation, considering the cultural, political, administrative and economic constraints of different realities, should precede any attempt at policy transfer.
- A better bridge is needed into the mainstream programmes so that the results developed in INTERREG pilot actions or contained in URBACT local action plans can be implemented. This can be helped by building relationships between cities and Managing Authorities.

# 11. Conclusions

These 50 ERDF urban good practices are a rich mix of projects, each of which responds to a specific challenge in its city. What are the innovative solutions that are being tried? What are the barriers? Are resources accessible to cities? Specifically, is there money available in the programme and is it in a relevant priority? Are the competences at the right level to enable action to be taken? Is there capacity in the city (both in the city administration and in outside organisations) and can this be mobilised? Is the leadership in the city willing to make the step?

More needs to be done to build and spread a culture of good practice. These case studies mark a step forward in understanding and documenting practice through a more comprehensive approach. The studies are a start, but more is needed to achieve and this will require resources and capacity, as well as the exchange of experience.

## Good policies and practices do not have a blueprint

According to its terms of reference, this study uses the term 'good practice' to describe the 50 case studies analysed. However, it should be recognised that, like all practice, these case studies are only good in parts. Often it is the difficulties that cities have faced and even their failures in overcoming problems that help the reader to understand the challenges of implementation. These case studies show that detailed examination from a range of viewpoints reveals interesting ideas, problem-solving solutions, modes of cooperation and collaboration. It is evident that the 50 cases provide a rich learning platform, and it is in this sense that they can be considered good practices. Good practices are therefore those experiences that have the potential to develop new thinking, and which can inspire institutional learning in other contexts and situations, by engaging public policy towards more fair and just socio-spatial development.

The acquisition of new policies by cities through transnational exchange and learning programmes does not function as a simple commodity transaction in the way that multinationals have spread products throughout Europe and the world. It is not possible to 'copy and paste' policy solutions and there are no blueprints. Instead the policy-maker needs to understand how to go about doing integrated urban development. This process requires critical and contextual knowledge because the institutional and governance framework is different in each place.

## Integrated approaches – across different geographical levels

One of the most engaging results of the study is the variable geometry of strategies in place to achieve urban and territorial cohesion through the implementation of integrated approaches. The area-based type of intervention dominates many of the practices, especially those in deprived areas, because of social, economic and environmental factors. This is true whether they tackle issues on the micro scale – the neighbourhood level – or at the level of the wider metropolitan area. Physical regeneration is still a major driver in creating multi-stakeholder cooperation in the integration of policies. However, in the best examples, both people and place-based approaches are combined at relevant administrative levels.

This combination of place-based and people-based approaches is most visible in those cases where the national level is committed to developing the two approaches together. This is seen for example in Germany through the nationally-backed *Soziale Stadt* programme. However, even the best examples demonstrate that one of the greatest impediments to policy integration is the difficulty of sharing responsibilities clearly among administrations at different levels. Moreover, national governments separate responsibilities among different ministries, which find it difficult to cooperate in an integrated manner in specific projects.

At the same time the local level, which is closer to the actual implementation of projects, can be overburdened with the difficulties of making integration happen on the ground. See for example the problems experienced by both the French and Germans in using the ESF cross-funding option under Article 8, which arises because these ESF-type actions are financed by different bodies at other levels.

Successful urban regeneration is most likely to occur when focused area-based interventions such as physical renewal and accompanying soft measures are complemented, as in Berlin, by coherent horizontal policies, for example for education, social welfare and the labour market.

## Beyond community-led local development

Many of these case studies have enabled local stakeholders to be directly involved in various forms of community-led local development (e.g. Magdolna in Budapest, Bollenti Spiriti in Puglia). However, it is not enough to engage citizens

at the local level alone. Problems that are visible in parts of cities can be solved neither by the area-based approach alone nor solely by investing in the development of the (still limited) capabilities of the direct beneficiaries. The need for integrated approaches and heightened levels of participation is evident at all levels. In addition, the lack of know-how in public administrations and the inflexibility of traditional sectoral policies remains a major barrier to the implementation of better integrated sustainable development. Managing Authorities can make a major contribution by requiring enhanced integration of policies at all levels. This could be particularly relevant for the new Community-Led Local Development and Integrated Territorial Investments. These approaches require new forms of institutional cooperation (e.g. Budapest and Šumperk) and specifically the coproduction of policies and actions by all parts of the governance chain working together with local communities.

### Combining inclusive, sustainable and smart growth

Integration implies the balanced interaction of inclusive, sustainable and smart growth. Since the Brundtland report, social, environmental and economic integration is recognised as being crucial to sustainable urban development and as a principle is commonly agreed upon. However, within the logic of competitiveness among cities and territories, cities have been seen as spaces for investing in economic growth, while the environmental and social aspects are sometimes reduced to a marketing gimmick. Many of these cases reclaim the social and environmental aspects in a serious way. In all the cases the question of who benefits and who loses is fundamental.

A number of projects bridged two or even three of the Europe 2020 growth objectives. It is easy to see that high-tech projects on brownfield sites such as Esch-Belval are smart and sustainable. But the Oncopole in Toulouse and RDM Campus also have a focus on inclusion – the former by running a complementary project in a disadvantaged neighbourhood, the latter by opening the site up to the neighbouring housing estate, originally built for workers at the former dockyard.

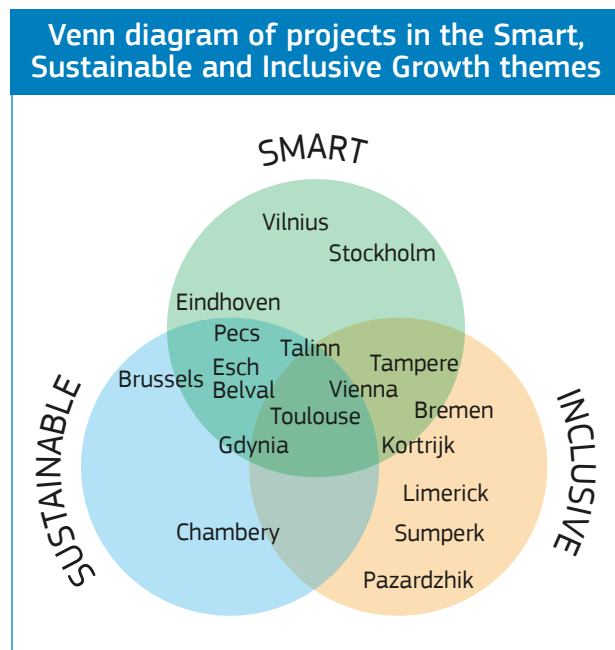
The diagram below shows the positioning of the smart, sustainable and inclusive growth projects against the three objectives of Europe 2020. Some (e.g. Vilnius, Stockholm, Limerick, Pazardzhik and Chambéry), are only in one circle. Others such as Toulouse and Gdynia are in two or three circles. Not all projects can reflect all three aspects, but overall there is a need for selection systems for ERDF funding to prioritise those projects in the overlaps over single objective projects.

If such efforts are not made, the risk is that mega-projects turn into mono-projects, with little or no relation to the context, little public participation and a focus on financial returns rather than on social inclusiveness. Good practices in this realm are those experiences that translate and integrate the key words of smart, inclusive and sustainable growth beyond the logic of competitiveness, and which offer new models of spatial development that are inclusive and open.

Smart sustainability is also about thinking of land as a valuable and not endlessly reproducible resource. Land needs to be preserved without stressing its ‘carrying capacity’. Several cases illustrate the idea of avoiding urban sprawl by limiting urban physical growth, reusing brownfield sites (Rotterdam, Riga, Paola, Firenze, Esch-Belval) and recycling materials (Saint-Nazaire). Inclusive growth means investing in the human potential of what people can do, whether long-term or temporarily, under critical economic, health and social conditions. The projects studied provide opportunities to improve these conditions while relating individual problems to the wider social demand for better and fairer welfare, health care, and job opportunities (Kortrijk) or through culture and creativity (Tallinn and Ljubljana).

### The capacity to implement integrated approaches

The main result of the cross-analysis of the case studies is that the capacity, knowledge, readiness and experience to develop good practice at different scales is very unevenly distributed. This study confirms the existence of a gap between the EU-12 and EU-15 – because the latter had been able to build on their previous experience with URBAN. However, there are emerging good practices in EU-





12 (Budapest) as well as examples of weakness in EU-15 which display occasional policy amnesia (where lessons on integration that had been learnt have now been forgotten).

The question of capacity raises the issue of how it can be increased. URBACT and INTERREG IVC projects both raised the quality of policy-making and action planning at local level. Both offer a protected learning environment in which one city is able to learn from those with more experience. But this is only a start in capacity building and much more coherent needs-based solutions are needed to develop new forms of urban leadership, to foster a culture of social innovation, to enable and encourage risk taking and to learn how to work with grassroots organisations. All of these aspects are features of an 'open innovation' culture, aspects of which are seen in many of the case studies.

### Social innovations

The cases illustrate that the ERDF has been behind a number of social innovations.<sup>1</sup> These include integrated approaches to addressing problems in disadvantaged neighbourhoods. Some good practices are developed at the local level and operate on a limited scale. This is the pattern of practices that have a socially innovative nature, and which have enlarged their scope by involving other actors (e.g. the urban gardening project in Porto and the Amadora youth orchestra). These innovative practices challenge the institutions by developing new forms of participation and cooperation. The character of these bottom-up innovative practices may be isolated and does not always succeed in penetrating the governance structure – some are destined to remain small-scale successes in just one locality. Sometimes this is because the institutions act to control, or to repress, these initiatives. In other situations it may lead to the mainstreaming of policy innovation and institutional learning as in Puglia with Bollenti Spiriti or in Wrocław, where new departments have been created to manage public participatory processes, or Amadora (Lisbon) where the initiative has been spread to many other municipalities.

The Yorkshire Key Fund illustrates the vast potential that could lie in investments in social business. The Key Fund is one of the first funds in the EU to use the ERDF to lend to social enterprises, and acts as a demonstrator for the recent EU Social Business initiative. The next programme period should also see the ERDF supporting microcredit funds targeting both specific groups in cities, and perhaps disadvantaged areas of cities, as part of community-led local development approaches. The Managing Authorities could invest more through their programmes to promote this important form of inclusive growth.

<sup>1</sup> See also *Guide to social innovation and cohesion policy*

### Finance to make a difference

The crisis is driving a quest for more efficient financial tools. There is growing interest in financial engineering instruments as a result. But these are not a panacea. Among the case studies of JESSICA-type Urban Development Funds only the energy efficiency housing loans in Estonia have already delivered significant and tangible benefits. In the others it has taken a long time to get the funds up and running to a point where they can make their first investments. Despite these problems, these early examples illustrate that many 'classic' ERDF-type investments could in future be made by revolving funds. Some cities and regions will also find ways of capitalising on equity investments which can offer the potential for the city to reap the benefit and redistribute the rise in values that can accrue from regeneration. The shape, size and governance of these financial returns to revolving funds need to be made transparent.

The limitations of financial engineering also need to be understood. It will not be able to replace grant funding in more disadvantaged neighbourhoods, on badly polluted brown-field sites or for investments with mainly social rather than financial returns.<sup>2</sup> To be successful it will need to find ways to integrate and coordinate investments in physical development with other soft investments which target the city as a whole and not only the deprived urban areas. Managers of holding funds will need to look for ways to incentivise more holistic approaches, as is possible in the case of the 'social' interest rate subsidy in the Wielkopolska fund (Poznań). The holding funds and Urban Development Funds must above all balance the need to make commercial returns with the need to develop a high-quality portfolio that delivers on the wider social and environmental objectives of the programmes. If commercial logic diverts the ERDF from its core purpose by chasing higher-yielding investments such as retail and leisure centres, the funds will have failed. Funds also need to work harder on their transparency and accountability arrangements so that public confidence is sustained and participation is enabled.

### Transparency and metrics

The study found strikingly different approaches to transparency in the case studies. Indeed there appears to be a reciprocal relation whereby the bigger the investment, the less information is publicly available. At the positive extreme is the case of Berlin. Not only is information freely available about the expenditure on thousands of small ERDF-funded projects, but the projects are selected by panels of residents, elected at the neighbourhood level.

<sup>2</sup> Social impact bonds are likely to grow in importance, but mostly in specific applications where outcomes can be defined and where the returns to bond holders are driven by 'savings' in public investment.

While most projects knew what outputs their investment had bought, there were weaknesses in collecting evidence of what results these outputs had achieved. This points to the continued lack of an evaluation culture, particularly regarding results-based management and the need for cities and city investors to undertake more project-level evaluations. The lack of good data on what projects have achieved is a considerable barrier to improving urban policies and demonstrating their efficacy.

### Policy learning, knowledge, exchange and cooperation

The case studies illustrate the importance of policy learning in the urban sphere. This emerges not only from the cases that were selected to illustrate cooperation and networking, but also from cases in other themes, in which exchanges and learning may be funded under INTERREG or URBACT or may happen informally. Many of the projects are donors or recipients of know-how both formally through cooperation programmes and informally through ad hoc exchanges. It is evident that the cooperation programmes are an occasion for capacity building because in most Member States this type of knowledge building of city administrations is not organised at the national level.

The existence of national urban exchange networks in France, Germany and the Netherlands seems to be important in promoting good practice within their respective Member States. It is no accident that cities from these same Member States so often play a pivotal role in the transnational cooperation networks – often as lead partners. In addition, several cases demonstrate that exchange networks with relatively modest investments can bring about significant change and are the first steps towards more sophisticated operations.

The importance of building capacity to innovate and implement new ideas at local level was evidenced in many projects. This know-how has often grown up as a result of exchange programmes, collaborative work and incremental learning. The opportunity exists to build these skills in a more systematic way. Overall the 50 case studies illustrate that with greater capacity, more transparent strategies and investments and more multi-level social and economic policies, cities could be achieving more to drive Europe towards the 2020 targets.

The study has shown that individual municipalities are capable of producing one-off good practices. However, the need is to generate a culture which promotes an effective multitier approach to practice that does not benefit only one sector of the population and not only for a limited amount of time (e.g. funding duration) since most good practices

demonstrate their efficacy in the long run. This requires that the actors are networked at their own level and that each level of governance is actively supported by the level above – an instance of subsidiarity working in both directions. Therefore, one approach to creating and implementing efficient practices is to have cities networked with their peers to lobby on a rights-based platform for better living standards for their inhabitants. They need to be supported in the vertical dimension by regional and national administrations according to their respective responsibilities. This process also implies a revision of territorial governance so that city administrations regain the function of redistributing wealth between groups and territories. To achieve this step-change requires that many more projects in many more cities implement ERDF projects in a way that builds on the experiences of this sample of 50.



