ESPON Action 2.2.3: Territorial Effects of the Structural Funds in Urban Areas

A Second Interim Report to the ESPON Co-ordination Unit

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1.0 PART ONE - INTRODUCTION

The following interim report is submitted by ECOTEC Research and Consulting Ltd as the lead Partner for the ESPON Project 2.2.3 Territorial Effects of Structural Funds in Urban Areas. The project is aimed at supporting policy development by providing new knowledge, concepts and indicators on territorial trends and policy impacts related to an enlarged European Union. In this respect the project uses the EU 27 as the territorial unit of analysis and as far as possible includes Norway and Switzerland where relevant. The focus of the study is on urban areas located within declining industrial areas.

The ESPON studies are intended to inform:

- Those factors relevant for a more polycentric European territory. This is reported as not being a significant priority for this particular study.
- The development of territorial indicators and typologies, capable of identifying and measuring development trends as well as monitoring the political aim of a better balanced and polycentric EU territory
- The development of tools supporting diagnosis of principal structural difficulties, as well as potentialities. This should include disparities within cities and regenerating deprived urban areas
- The investigation of territorial impacts of sectoral and structural policies, such as the Structural Funds
- The development of integrated tools in support of a balanced and polycentric territorial development.

More specifically, the general objectives for this study are:

1. To develop methods for territorial impact assessment of the policies
2. To develop territorial indicators, typologies and new methodologies to consider territorial information and concepts and to represent spatially relevant development trends through a database and map-making facilities.
3. To detect territories most negatively and positively affected by the identified trends, with special reference to regions in terms of accessibility, polycentric development, environment, urban areas, territorial impact assessment; particularly areas exposed to extreme structural economic and social conditions
4. To analyse territorial trends, potentials and problems deriving from the policy, at different scales, and in different parts of the European territory.
5. To show the influence of the policies on spatial development at relevant scales
6. To show the inter-play between EU and sub-EU spatial policies and best examples for integration
7. To recommend further policy developments with reference to the three fundamental objectives of the ESDP

8. To develop possible orientations for policy responses considering institutional, instrumental and procedural aspects.

In addition the study is expected to:

- Identify and gather existing territorial indicators and data for urban areas and propose new indicators where necessary.
- Operationalise the policy options of the ESDP relevant for a territorial impact analysis of the Structural Funds in urban areas at an EU scale.
- Explore the extent to which the Structural Funds:
    - Address the process of metropolisation in relation to accelerated greenhouse effects and climate change
    - Address the question of control of urban sprawl and the links between urban and rural areas
    - Strengthen urban functions
- Examine the territorial effects of socio-spatial segregation and inequity of access to public services

In exploring these matters the study draws on urban typologies developed as part of TPG 1.1.1.

This report builds upon the first Interim Report produced in October 2003 and takes into account comments made by the European Commission, the ESPON Co-ordination Unit and discussions at the ESPON meetings in Luxembourg and Brussels. It also takes into consideration discussions between this project and the ESPON projects 2.2.1 and 1.1.1.

The coverage of the report reflects that set out in the Addendum to the contract, as agreed with DG Regio. In short this is:

1. Establishment of the database, indicators and map-making considering the available indicators
2. A second revised and extended list for further indicators to be collected from Eurostat and the EEA
3. Presentation of the methods for territorial impact assessment
4. Definition of appropriate indicators, typologies and instruments to detect regions and territories most negatively and positively affected by the identified trends with special reference to accessibility, polycentric development, environment, urban areas, structurally weak areas, and new methodologies to consider territorial information
5. Presentation of hypothesis on the territorial effects of relevant measures of the investigated policy on the base of a preliminary diagnosis, typology and evolution of European urban areas, using available territorial and socio-

economic indicators and data. In addition a presentation of hypothesis on the effectiveness, impact and added value of Structural Fund interventions.

6. First diagnosis of and territorial typologies for urban areas in Europe (tasks 3.1 and 3.2 in Terms of Reference) and the effects of the Structural Funds in urban areas and industrial restructuring areas. The investigation of urban areas should include with regard to different types of urban areas (such as metropoles, industrial clusters, and intermediate cities) their strengths and weaknesses, structural difficulties, risks (movements in industries and services, globalisation and enlargement) and their potentials for future development (sic).

1.1 Methodology and Typologies

The approaches, methodologies, typologies, concepts, indicators, data availability and mapping were set out in the first Interim Report. Following comments on this report by DG Regional Policy some amendments have been made to refine the approach further and to more clearly take into account some specific interests of the European Commission, as set out in the Terms of Reference.

The study is firmly focused on industrial declining urban areas. This is more explicitly drawn out in the approach adopted. Work has focused on identifying how declining industrial areas are currently identified with two key criteria emerging: areas eligible for support under the Structural Funds in the context of their industrial structure or urban conditions and areas which have a significant proportion of manufacturing employment and have experienced employment decline.

The literature has been further developed and contains further details on the results and conclusions available from existing published works on the Structural Funds in urban declining neighbourhoods and industrial urban areas. Requests for this to be expanded to include an assessment of the likely impact on urban areas of sectoral industrial change and economic shocks such as the accession of new member states have not yet been taken on board.

Data collection remains at the NUTS 3 level (and NUTS 2 for some specific data sets). Information will also be collected for a sample of identified urban areas. This will draw upon the work undertaken for Urban Audit 2 (and Urban Audit 1). The sample analysis will include all urban areas included within Urban Audit 2 and will be supplemented by a more detailed analysis of the use of the Structural Funds in about 25 urban areas, focusing upon declining industrial urban areas. This smaller sample will be representative of urban areas across the EU27 which have a declining industrial base. This represents a change in the methodological approach for the study and reflects the strong representations made by the Secretariat following the first Interim Report. The sample of urban areas will be based upon the functional urban areas identified by TPG1.1.1.

The selection of case studies will be based upon the nature of their industrial base and factors related to their overall location. The following factors will be taken into account:

- Economic and social performance (declining urban industrial base)
- Type of industrial restructuring
- Economic characteristics of surrounding region
- Geographical position
- Type of urban area
- Nature of Structural Fund support

In addition we would welcome comments on our proposal to include some urban declining industrial areas which might not be located in declining industrial regions.

The study has strong synergies with TPG 2.2.1. This has led to close working with TPG 2.2.1 and the agreement that TPG 2.2.1 will focus on collecting data for the planned use of Structural Funds in urban areas and that this study will focus on the role of Structural Funds in promoting broad Community policies in urban areas. In this respect the study will not examine the role of urban areas as development poles, or how they operate within a regional context. Rather it will focus on the impact of Structural Funds on smaller scale activities within declining industrial urban areas, and particularly the role of local authorities in this process. The governance elements will be a key feature of the sample analysis, although the depth to which this can be explored will be reduced as the sample number increases. We understand that the focus of the study will be on:

- What has taken place in relation to tackling industrial sector change
- The different problems faced in declining urban industrial areas.

1.2 Application of the ESPON Common Platform

The Common Platform for ESPON is being developed by TPG 3.1. We have used the templates provided for such aspects as SWOT analysis and Territorial Impact Assessment and completed these as best we can in the context of the current stage of the work programme.

1.2.1 Methodological Developments and Networking

In order to assess the territorial effects of the Structural Funds in urban areas, the ESPON 2.2.3 study has initially analysed the context for the policy input. To do this we are collecting indicators at a number of different levels – the European level (EU27+2), the meso level (160 cities covered by the Urban Audit) and the micro level (a sample of 25 cities). At a European level we are in particular collecting indicators to show urban areas in Europe both negatively and positively effected in relation to

economic strength and changing economic structure (focusing on industrial and sector change). We have used statistics available for the EU 27+2 at NUTS II and III in relaton to industrial change, sector change and economic performance for this process. In addition, we are currently in contact with DG Regio to acquire more specific studies at the European level which show current and future trends in relation to sector change, particularly in relation to enlargement.

As well as highlighting trends and disparities, the European analysis is also highlighting declining industrial regions which will be used in conjunction with Research Action 1.1.1s list of functional urban areas to form the basis for a sample study of 25 urban areas. While the list of Functional Urban Areas will highlight urban areas with a strong industrial base, our own anlaysis will place these in the context of regional economic base and economic performance to show whether these functional urban areas are likely to be in growth or decline. This will be supplemented by reference to urban areas in regions eligible for support under Objective 2 through the Industrial or Urban strand. We will therefore be able to identify urban areas which are worth exploring in more detail at a micro level in relation to the appropriateness of Structural Fund interventions through our sample of 25 urban areas.

Following the completion of the Urban Audit II we will also be able to collect meso-level indicators for 160 cities in order to show disparties in relation to a wider variety social, environmental and economic factors. We are collecting these indicators in relation to a four fold typology of economic strength; changing economic structure; social exclusion and enviromental quality. This will enable us to place our sample urban areas in a broader context in relation to urban trends.

Our assessement of the appropriateness of Structural Fund interventions involves the collection of a series of input indicators, relating to the value and intensity of expenditure, the issues tackled, and the actions supported. At a European level this will be achievable through an analysis of the value of structrual fund interventions at NUTS III contributed by Research Action 2.2.1, and through analysis of EU level programme documentation. For our sample of 25 urban areas, we will be looking in more detail at programme documentation (measures, priorities, actions, achievement of programme outputs and targets) and assessing how interventions and financial allocations compare with interventions on national, regional, local level.

To give some more detail about how the sample of 25 urban areas will be carried out, the sample methodology will involve three main tasks :

- Collection of statistics,
- Desk research into programme documentation and other literature (independent evaluations etc) in relation to the operation of the Structural Funds
- Interviews with programme managers and local stakeholders (including representatives from the business, education, local government sectors)

During the interviews we will be asking questions based around five main themes:

- filling in the gaps in our understanding of the value and intensity of relevant interventions in the area,
- testing our understanding of the assessing how the Structural Fund interventions relate to local, regional and national inteventions in this area,
- gathering their views on the appropriateness of theStructural Fund interventions to the particular socioeconomic and environmental context of their urban area
- assessing their views on the territorial effects of the Structural Funds interventions
- gathering their roles on the role of governance in relation to the implementation of the Structural Funds – in what way has the involvement of different local/regional/national and European players effected the local impact of the structural fund interventions

Once the sample is completed we will be able to assess whether Structural Fund use varies by type of area, and whether use varies by the type of programme. The sample will also provide the basis of a broad assessment of the appropriatenesss of Structural Fund interventions, both in relation to economic change within declining neighbourhoods (mainly in declining industrial regions) and in relation to territorial factors such as urban sprawl; process of metropolitanisation (eg greenhouse effect) the strenghening of urban functions, and social segregation and access to public services. The latter work will allow us to look at progress towards the policy goals of the ESDP while simulateneously assessing the effectiveness of the Structural Funds in achieving the related goals of socio and economic cohesion.

Bringing together the results of the sample with our analysis of the key trends at a European level, we will build up an understanding of the different problems faced in urban declining areas, and what has taken place in relation to tackling these problems, particularly in relation to industrial sector change. We should also have an understanding (drawn from previous European Commission studies) of future trends and how these might impact urban areas. Through this knowledge we will be able to make a series of policy recommendations in our Third Interim Report in relation to the future management and focus of the Structural Funds, based on a perspective for the future, an understanding of the need for the development of a consistent policy, and broadly taking into account the future risks for industrial sectors within Europe. In addition our recommendations will focus on :

- the territorial effects of Structural Funds in urban areas
- the role of the Structural Funds in supporting development in declining industrial urban areas
- the potential role of local authorities in the management of the Structural Funds in urban areas.
- the development of consistent criteria for identifying areas to receive Objective 2 style funding in future
- the influence of different regional and urban contexts on the use of Structural Funds in urban areas.

ESPON 2.2.3 has undertaken the following networking with other TPGs –

- communications with 3.1 to ensure our requests for data are distributed to the ECPs in Accession countries and requests for new indicators sent to EUROSTAT and EEA .

- communications with 1.1.1 on developing the list of FURS including more recently asking for clarification that industrial sector information would be included in their typology

- communications with 2.2.1 on maximizing joint working, including agreeing that 2.2.1 would provide information on Structural Fund expenditure across Europe at a NUTS III level. Discussions on how our projects could also usefully feed into each other.

- communications with 2.1.2 to ensure sharing of relevant data and maps and to identify useful data on RTD at an urban level

1.3 Executive Summary With Main Findings

Database and indicators

A Microsoft Access databases has been created for use in monitoring and mapping. The structures of the database follows rigid formats and the tables were designed to accommodate all information provided. Once this information was uploaded into the database it was disaggregated into four tables that also adhere to the same structure and design (as can be seen in the following diagram). Each of these tables contains data at an individual NUTS level.

The study will be looking at two main types of indicator:

- Context indictors
- Programme Indicators (in relation to the Structural Fund interventions in urban areas)

These relate to the following broad categories:

- Economic Strength
- Changing Economic Structure (with a focus on industrial areas in decline)

Social Exclusion

- Environmental Quality

Context indicators are being collected at two main levels:

- at a regional and sub-regional level for the EU 27+2 (NUTS II and III) where available
- at the level of the 'functional urban area' for the meso-sample of urban areas

Some indicators have been selected to define geographical position and the nature of the urban system in order to place the urban areas under study in their European context. They will therefore be collected for the EU27 at a NUTS II and III level.

Other indicators inform the four main dimensions identified above (economic strength, changing economic structure, social exclusion and environmental quality). Data will be sourced at the lowest appropriate scale in all instances, with a presumption towards NUS 3.

For a sample of urban areas factors which will be important in forming the context of Structural Fund interventions in urban areas form the basis for the indicators selected, such as:

- economic base
- social exclusion (unemployment, skills levels in local population, relative income levels, distribution of wealth and social segregation, access to basic amenities/services)
- urban density (taking into account potential urban sprawl etc)
- environmental performance (pollution and greenhouse gases, waste production and recycling, use of contaminated land etc)

In addition, the study is collecting programme level indicators to assess:

- What the intended effects are within Structural Funds programmes which are of relevance to urban areas
- The financial and activity inputs of the Structural Funds into identified urban areas
- What the Structural Fund programmes are measuring in terms of their outputs, results, effects and impacts.

The information on these indicators will be sourced from:

- TPG 2.2.1 for the nature and value of Structural Fund activities undertaken in urban areas
- Micro-sample analysis of programme activities within urban areas

A second revised request for additional data has been made to EUROSTAT and other agencies.

Identification of declining industrial urban areas

The identification of urban areas will follow the approach adopted by TPG 1.1.1. In particular, urban areas are defined as those with a population of more than 50,000 persons. The nature of the urban area is further sub-divided into a consideration of its role and function, namely:

- The scale at which it operates, ie whether it is international, national or regional
- The range of functions which are present

In addition we are seeking to add more localised criteria to the assessment. This will be undertaken at the level of a sample of urban areas. The main criteria are:

- What the dynamics of change are (whether it is a declining urban area for example, based upon population or employment change)
- What level of intra-urban cohesion exists (based upon internal economic disparities)

In the broadest perspective, the predominantly industrial regions categorized within the Economic and Social Cohesion Report fall more within Central and Eastern Europe. As the report says, many of the 'regions with high employment in industry' are concentrated in a central arc, stretching from the West Midlands in England, eastern France and northern Spain, through southern Germany and northern Italy to the Czech Republic, Slovakia and Slovenia. Although many of these regions are prosperous, many are not, reflecting the significant variation in value-added between manufacturing industries.

Comparison of industrial areas identified by the 2nd report on Economic and Social Cohesion and those eligible for support under Objective 2 of the Structural Funds (industrial strand) suggests that the criteria used to identify these areas are not entirely consistent. Taking this on board we have adopted an approach which will combine these two features.

The initial task has been to identify those regions (NUTS2) with a strong dependence on industrial employment (say those in the top quartile) and which are experiencing employment decline. This reflects the approach taken by the 2nd report on Economic and Social Cohesion. It is notable that our data provides a fragmented but clearly discernable spatial pattern in terms of regions which might be classed as industrial. In terms of those where employment is also declining the pattern is significantly different with a strong focus on the German Lander. This perspective has led us to propose that a mixed view is taken, working on the basis of urban areas in identified regions exhibiting industrial decline but also examining urban areas in regions eligible for support under Objective 2 through the Industrial or Urban strand.

The Common Platform

The report sets out information according to the common platform developed by TPG 3.1. This includes a summary of the information and approach adopted for the Territorial Impact Assessment process and a summary of the Strengths, Weaknesses, Opportunities and Threats prevailing in this topic area. Applying the SWOT to a policy field such as the Structural Funds has proved to be a difficult task, as policy strengths, weaknesses, opportunities and threats are numerous and relate to the response of Structural Fund programmes to external drivers of change. The types of policy interventions concerned are those supported through the ERDF and ESF and which are undertaken through Objective 1, Objective 2 and to a lesser extent the Urban Community Initiative. In the following table we synthesis some expected elements

	Objective 1	**Objective 2/3**	**Urban**
Business support	Developing innovative infrastructure Supporting SME entrepreneurship	Developing innovative infrastructure Supporting SME entrepreneurship Supporting social enterprise	Supporting SME entrepreneurship Supporting social enterprise
Education & training	Supporting SME entrepreneurship Training courses Tertiary sector support	Supporting SME entrepreneurship Training courses Tertiary sector support	Supporting SME entrepreneurship Training courses
Regeneration & exclusion	Support for socially excluded groups Development of city centres	Support for socially excluded groups Development of urban neighbourhoods	Support for socially excluded groups Development of urban neighbourhoods
Infrastructure	Improving city public transport Developing business parks	Improving city public transport	
Environmental issues	Tackling urban pollution Waste management	Tackling urban pollution Waste management Environmental improvements	Environmental improvements

European policy context

A wide range of issues addressed by urban policies in European countries reaching from economic competitiveness to social cohesion at local level and urban regeneration projects. This study is principally concerned with a European level policy framework addressing urban areas. Among these are e.g. Urban Framework for Action (UFA), the European Spatial Development Perspective (ESDP), the Urban Initiative, the Urban Audit, the Community Initiative Urban or the Structural Funds Guidelines.

In the context of urban areas the study focuses on declining industrial urban areas and urban areas exhibiting strong socio-economic disparities, with the emphasis firmly on the former. In this context the study aims to identify:

- What has taken place in relation to tackling industrial sector change
- The different problems faced in declining industrial urban areas

National context

A range of issues face declining industrial urban areas and these vary both between and within countries. One of the more significant aims is the restructuring of the economic base within declining industrial areas. Domestic policies are targeted at this and other objectives. There are a number of countries addressing social cohesion at a local level. This covers issues of segregation, social integration or social cohesion at local level (Austria, France, Greece, Italy) as well as more explicit aspects such as social infrastructure (the Netherlands) or pockets of deprivation (Belgium). Also aspects related to the housing are to be found here, such as need for housing (Ireland, UK), renewal and further development of large housing estate (Germany) or the need for competitiveness of the housing market (the Netherlands).

Strongly related to the social aspects are aspects of strengthening economic cohesion at local level. In this spectrum the focus is on what has been formulated as "linking needs and opportunities – ensuring that local communities are able to benefit from economic growth" (UK). In the same line are policies addressing employment and training (Ireland, the Netherlands) or economic revitalisation (France).

Another large field of urban policies concentrates directly on the urban infrastructure and land-use management. Main features are urban renewal or regeneration (Ireland, UK), reactivation of inner-city brownfields (Germany), development of harbour and old industrial areas (Denmark), attractiveness of urban centres (Finland), sustainable restructuring of declining districts (the Netherlands) or quality of life in urban areas partly focusing on attractiveness and partly stressing the issue of safety (Denmark, Finland, the Netherlands, Switzerland).

In addition aspects of transportation (Austria, Denmark, Finland, Greece, Ireland, Norway, Switzerland), especially as regards efficient urban transportation systems

and environmentally friendly transportation solutions, and aspects addressing the environment and sustainable development (Denmark, Finland France, Greece, Norway, Portugal) are to be found in various countries. A more concrete example of an environmental approach to integrated urban development is the Portuguese Programme of Urban Rehabilitation and environmental improvement of cities (POLIS).

Furthermore, sub-urbanisation is an issue in a number of countries, especially Belgium and Ireland, as well as decline in urban population (Belgium) and attracting private investors (UK).

Approaching the territorial effects of the Structural Funds in urban areas

There are three possible dimensions to the approach of this study:

Firstly it appears that balanced polycentric development is an overall issue one should consider in one way or the other. This can easily be related to an overall focus in urban areas and their potentials for economic **competitiveness** respectively for acting as economic engines. Such an approach following a rather obvious economic **growth** paradigm could also include the issue of accessibility.

Secondly, among others stemming from the European cohesion policy, another important issue are aspects of **economic and social cohesion** in urban areas. This focus could address the question of urban areas in decline, urban revitalisation/regeneration and urban challenges related to disparities within cities in general.

Thirdly, there would be the option of a rather clear-cut **integrated urban development** approach, emphasising on inner-urban questions and developments. This approach would very much draw on aspects discussed under the heading of national urban policies centring on inner-urban areas and disparities within cities. Especially issues as urban renewal, transportation in urban areas and environment in urban areas would be on stake here.

Both the second and the third approach are easily to be connected with what might be considered as fourth approach aiming at **governance issues**. This approach would include issues in the fields of integration, public participation and empowerment.

The Structural Funds in urban areas

Recent research for the EC[1] examines the use of Objectives One and Two in urban areas. The reports analyse how countries' programming documents and strategies tackle the policy aims of the UFA, i.e.

[1] Polverari, L. and Rooney, Mary Louise (February 2002) *The Spatial and Urban Dimensions in the 2000-6 Objective One Overview.*

- Strengthening economic prosperity and employment in towns and cities
- Promoting equality, social inclusion and regeneration in urban areas
- Protecting and improving the urban environment, and
- Contributing to good governance and local empowerment (p.58 on).

How the programming documents and strategies tackle the policy aims of the ESPD is also examined. The ESPD policy objectives are:

- Balanced and polycentric urban system and a new urban-rural relationship
- Access to infrastructure and knowledge
- Wise management of the natural and cultural heritage.

However, the question of how O1 and O2 tackle problems created by industrial change and changing economic sectors is not mentioned specifically. Declining industrial regions, the spatial effects of expenditure, and the role of management in influencing effects are also not specifically explored.

Although Structural Funds intervention in urban areas vary between regions they tend to focus on similar themes, which typically include strengthening of economic prosperity, social integration and urban renewal, environment improvement, and urban management. However, these themes are often dealt with in the same intervention rather than by having specific actions targeting each one. Thus, some of the actions described can refer to more than one theme. Regarding the relative importance of the different themes, it is apparent that actions to improve economic prosperity, e.g. various kinds of business support, are high on the agenda in most regions.

The findings of the work so far confirm the conclusions draw by Goodstadt and Clement (1998), that there has been a growing recognition that economic decline, social problems and environmental degradation experienced in European cities and regions are part of the same dynamic, and initiatives tackling these themes are no longer viewed as reconciling competing objectives but are rather increasingly designed to support identifiable inter-relationships between features that are central to strategies for renewing urban environments.

The first Polverari report looked at the O1 programming documents across the EU, and found that the inclusion of urban elements within the documents varied considerably. This ranged from a 'strong' inclusion of urban elements by Italy, to no inclusion at all by Austria, Finland and Sweden. This latter is thought to be due to the predominantly rural nature of the O1 regions in Austria, Finland and Sweden.

Polverari, L. and Rooney, Mary Louise (February 2002) *The Spatial and Urban Dimensions in the 2000-6 Objective Two Overview*

The second report found that the inclusion of the Urban Framework for Action policy aims within O2 programming varies considerable from country to country. Inclusion ranges from 'strong' in Belgium to none in Denmark and Sweden. This is thought to be due to the fact that in some cases the programming covers predominantly rural areas and urban development is not an issue. Additionally, in other cases the programmes incorporate urban areas but the strategies do not encompass any policy response to urban development needs because these are addressed by other means.

The policy aims of the ESDP reflect a desire to develop sustainable urban communities. Whilst across Europe examples can be found of urban areas which reflect these aims and particularly demonstrate a strong and dynamic economic base, compact development patterns and developing networks these are not usually those areas which are characterized as industrial areas in decline. In the light of the main policy aims and the focus placed upon declining industrial areas there are few strengths identifiable at this stage of the study.

In the light of the internal policy aims of the ESDP and the role of Structural Funds in urban areas greater strengths can be identified. On the whole Structural Funds programmes are promoting the development of competitive cities, supporting the strengthening and diversification of the economic base, improving the accessibility of urban areas and promoting social integration and welfare actions. Structural Fund programmes are also supporting environmental improvements, including efforts to strengthen urban eco-systems, and promoting and protecting cultural heritage.

It is not always easy to identify specific interventions for urban areas from programming document and strategies, as interventions used to tackle urban issues may be generic in design, and it is not always clear where the line of division lie between interventions aimed at different types of areas. However, interventions with a specific spatial and urban relevance do exist, and tend to focus on four broad sets of issues, in the case of both Objective 1 and 2:

- **The development of towns as regional economic nodes**. Combining infrastructure, business support and education and training measures and priorities, the aim of these kinds of intervention is to encourage the emergence of specific urban areas as centres of business innovation.

- **Relieving urban congestion**. Usually this relates to the dangers of over-development in certain urban areas, where too-rapid growth is leading to deteriorating quality of life. Interventions in this field might relate to improving the labour supply through training or developing brownfield land to increase the supply of land and property.

- **Reducing social and economic disparities within towns**. A range of interventions have been utilised here, such as training targeted at excluded groups, diversionary activities for young people and crime reduction projects.

- **Regeneration**. Interventions might include the environmental and architectural improvement of town centres, waste management, reclaiming brownfield land or better use of cultural heritage.

The Polverari reports attempt to create a typology of SF strategies by region, within which *urban areas* 'consist of the urban communities within Objective 1 [or Objective 2] regions, ranging from medium-sized towns within largely rural areas to significant city metropolitans'. However, the reports note that no absolute, standardised definitions of regional types (such as urban areas) exist as such across the Objective 1 programmes. The studies use the various terms and definitions used by individual programmes to classify urban areas as above. No attempt was made to set out a precise definition of how large an urban agglomeration must be to be considered an 'urban area'.

Urban areas and driving forces

The future performance of urban areas is mediated through a range of different forces, which might be termed as drivers for change. The key drivers identified in this study are:

- Economic drivers
- Leisure and tourism drivers
- Education and skills drivers
- Science and technology drivers
- Demographic drivers

The report examines a snapshot view of these trends but makes no attempt to disaggregate their impact spatially.

The imminent accession of a number of new member states to the EU, which are characterised by low labour costs and high levels of available labour has often been seen as a threat to the economic development of some existing members of the EU, owing to the reduction in the competitiveness of enterprises located in these states. However, there is no clear picture emerging as to the likely impact. In the short-term it is felt that average incomes in the accession states may fall, although the overall rate of economic growth will increase. This will lead to a small positive impact on trade elsewhere with the EU.

In terms of geographical impact, in one view it is not felt that there will be any strong detrimental implication for most of the current EU. Enterprise development is likely to be neutral, as a consequence of these changes, or positively affected, depending upon the overall sectoral mix and export orientation. However, a second view suggests that the current EU eastern border regions will benefit most significantly from enlargement as they will be placed more firmly at the heart of the EU. This could have negative implications for the Atlantic and Mediterranean areas which

might find themselves relatively disadvantaged. There is no consensus as to which affect is likely to dominate.

Positive enterprise development can also benefit from the existence of positive externalities; in fields such as R&D, the labour market and accessibility for example. The lack of such externalities can be seen as one reason why some peripheral urban systems have less competitive enterprise systems than more central parts of the EU. Indeed, it is the presence, or otherwise, of such externalities that are more likely to indicate the economic strength of urban areas rather than their peripheral or central location per se.

Moving towards the development of typologies and instruments

In moving towards the development of typologies and instruments for examining the territorial effects of Structural Funds within urban areas, particularly those in declining industrial regions, we need to consider two factors:

- Types of urban areas
- Underlying features of urban areas

In addition we will need to consider the nature of Structural Fund activities, but this is developed separately below.

Types of urban area

Building upon the work of TPG 1.1.1 we can identify the following types of urban area.

- Diversified global FUA
- Diversified European FUA
- Fairly diversified national FUA
- Fairly one-sided regional FUA
- One-sided local FUA

This typology does not fully take into account the particular features of different urban areas, such as their economic structure, whether they are growing or declining and so forth. We therefore need to add to the basic typology consideration of the issues facing urban areas.

Underlying features of urban areas

In considering different types of urban area we can build on the work identified above and separate out:

- Economic capital
- Social capital
- Network capital
- Environmental capital

As urban areas are rarely divorced from their surrounding region, as explored by TPG 1.1.1 in the context of functional urban areas, so any consideration of urban typologies needs to take into account both the surrounding regional context as well as immediate urban conditions.

To examine each in turn:

Economic capital: Inter alia, the economic capital of the urban area can be indicated by the strength of the business base, levels of employment in different sectors, levels of R&D and innovation and the success in attracting inward investment

Social capital: Inter alia, the social capital of the urban area can be indicated by the level of skills and qualifications present in the labour force and the strength of social integration. Low levels of socio-economic disparities are assumed to indicate strong levels of social capital. Demographic profile will also act as an indicator in this area.

Network capital: Inter alia, the network capital of an area is indicated by the strength of networks within an area and the strength of urban management and self-governance.

Environmental capital: Inter alia, the environmental capital of the urban area is indicated by levels of use of public transport, car ownership rates, extent of urban green space, density of development and infrastructure for pollution management.

A myriad of issues might face urban areas. These will be reflected in differing strengths of the four capital identified above. As these change over time so might the position of any urban area within a given typology. We identify below potential categories associated with each form of capital. For each category the direction of change over time will also be assessed where possible, enabling a dynamic picture of change to be presented.

Capital	***Categorisation***
Economic capital	Reliance on traditional industrial structure Reliance on new industrial structure Reliance on service economy Territory in transformation from industrial to service economy Strongly performing economy Weakly performing economy High levels of employment Low levels of employment

	High levels of unemployment Low levels of unemployment
Social capital	Urban area experiencing disparities Urban area not experiencing disparities Ageing population structure Stable population structure Youthing population structure Highly qualified labour force Low levels of qualifications in labour force
Network capital	Strong urban management Weak urban management Strong capacity for self-governance Weak capacity for self-governance
Environmental capital	Compact urban form Dispersed urban form Low levels of pollution High levels of pollution Presence of green spaces Strong use of public transport Weak use of public transport

The categorisation above relates to different typologies of urban area. In the case of the Structural Funds we can assume that the following types of urban area are of interest:

- Declining industrial urban areas
- Urban areas exhibiting strong socio-economic disparities

Towards hypotheses of territorial effects

The focus of this study is on the territorial effects of the Structural Funds in urban areas, concentrating on:

- Declining industrial urban areas
- Urban areas exhibiting strong socio-economic disparities

The intent is that the study will identify:

- What has taken place through the Structural Funds in relation to tackling industrial sector change
- The different problems faced in declining urban industrial areas

On this basis two hypotheses have been developed:

- That consistent criteria can be developed for identifying a typology of declining industrial urban areas
- That Structural Fund actions are targeted upon tackling the identified problems of these areas in a consistent manner in the fields of:
    - Economic restructuring

- Environmental improvements
- Overcoming socio-economic disparities within urban areas

1.4 The Third Interim Report

The third Interim Report is due to be delivered in August 2003. This will contain the following results:

August 2003 (third interim report):

- Application of the methodology, analysis of the hypothesis previously developed in all types of areas including the accession countries.

- Presentation of an executive report completing in particular the analysis under point h) from the Second Interim report (see below) and providing first recommendations for the present programming period to enhance the territorial approach as well as management and implementation of interventions under Objective 1, 2 and 3 in urban and in urban industrial areas, in particular in the context of the mid term review in 2003,

- Policy recommendations, which provide the basis for the futures focus of Structural Funds interventions post 2006, both in the present Member States and the candidate countries, including institutional settings and instruments;

- Proposal of a methodology for the territorial impact assessment of Structural Funds policies and of appropriate instruments to improve the spatial co-ordination of Structural Funds interventions and EU sector policies with implications for spatial development (task to be co-ordinated with sector impact studies, ESPON priority 2),

Point h) from the Second Interim report

First analysis of the urban areas in Europe and the effects of the Structural Funds in Urban areas (including databases, indicators and maps), the investigation of urban areas should include with regard to the territorial types of areas (such as metropoles, industrial clusters, intermediate cities); strength and weaknesses, structural difficulties, risks (movements in industries and services, globalisation and enlargement) and potentials

There is an important relationship between the results foreseen for this Research Action 2.2.3 and those which are being developed for Research Actions 1.1.1 and 2.2.1. Through its focus on the role, specific situation and potentials of urban areas as nodes in a polycentric development, Research Action 1.1.1 will provide an important

context in defining and identifying functional urban areas and looking at the role of urban areas in their wider context. Through its analysis of the overall territorial effects of structural funds, Research Action 2.2.1 will also provide important information on the amount of Structural Fund expenditure in urban areas across Europe as a whole.

Our analysis will build on this knowledge to look at the territorial effects of Structural Funds expenditure *in* identified urban areas, and in particular in relation to economic change in declining industrial areas, through looking at a sample of 20-30 urban areas. The sample is being chosen from a typology of urban areas at a European level which is based on an analysis of nature of urban system, economic base, and type of structural fund intervention.

Anticipated Results

The case study analysis will result in a greater understanding of the following key issues:

- The role of the Structural Funds on the economic competitiveness of urban areas particularly in relation to economic restructuring and declining industrial areas
- The role of the Structural Funds in issues of social exclusion
- The role of the Structural Funds in matters of environmental quality within urban areas

The same studies will be base on breadth rather than depth and therefore will only produce an initial assessment of territorial impact using a TIA conceptual model which will include analysis of the internal characteristics of urban areas and their knock on effects on factors contributing towards/detracting from ESDP model of sustainable polycentric development eg greenhouse effects, degree of urban sprawl. They will, however, provide an indication of the type and intensity of structural fund interventions in the urban areas and the appropriateness of these interventions to the socio-economic and environmental context.

We will be looking at:

- How are Structural Funds typically distributed in urban areas?

  Eg *Interventions in the field of economic restructuing*
  Infrastructure investment
  Community economic development
  Support for enterprise
  Training and education

- The extent to which approaches vary according to context

Eg *Economic circumstances*
Objective 1 or Objective 2, presence of URBAN community initiative?

- The extent to which Structural Funds in declining industrial urban areas are targeting

Eg *issues of economic restructuring*
urban sprawl
issues of social segregration
issues of urban sustainability

- To what extent modes of governance influence this process?

In assessing the role of the Structural Funds, we will be able to provide recommendations in relation to the extent of urban focus and appropriateness of Structural Fund measures in relation to key urban challenges identified across Europe, in particular urban neighbourhoods and wider urban areas suffering economic change and industrial decline.

The study will also produce an assessment of how the Structural Funds complements regional and national strategies for urban areas.

Mapping

Key trends at a European level which create the context for Structural Fund investment in urban areas will be mapped, enabling regional and urban typologies to be illustrated and the spatial distribution of proposed criteria for identifying declining industrial urban areas to be identified. A series of 39 maps are already included in this Second Interim Report; although these are obviously still in stages of development (included as Annex 1). Final mapping will include:

1. A snapshot of general conditions (eg economic performance and structure) of NUTS II and III regions: (and FURS once 1.1.1 provide the means for NUTS III data to illustrate trends for FURs)

- Population size and density at NUTS III
- Economic performance (GDP 1995-2000) at NUTS III
- Changing economic base (employment by manufacturing and services) at NUTS II
- Total employment at NUTS II
- Social performance (GDP per capita in comparison to national average) at NUTS III
- Connectivity (presence of major airport, fast train connection) at NUTS III

2. Dynamic picture of changing conditions to show major urban trends:

- Changing population levels 1990-2002 at NUTS III
- Changing economic performance (GDP/GDP per capita 1995-2000) at NUTS III
- Changing social performance (GDP per capita as % of national average, household income 1995-9) at NUTS III
- Changing economic base (employment by manufacturing and services (1990-2001) at NUTS II
- Employment growth (1990-2001) at NUTS III

3. Maps based on a combination of indicators to show inter-relationships in trends.

1.5 European Level Maps EU 27+ 2

Annex 1 includes 39 maps which have been produced so far in relation to ESPON 2.2.3 – these are only initial maps and are therefore obviously still in a stage of development.

Vulnerable urban areas/ territorially weak urban areas

- Mapping of declining industrial regions at NUTS II (and for Functional Urban areas once 1.1.1 provide the means for NUTS III data to illustrate trends for FURs)
- Identification territorially weak urban areas (population change, social performance, economic performance, economic growth)
- Identification of territorially strong urban areas (population change, social performance, economic performance, economic growth)

Economic performance and social deprivation

- Mapping relationship between social performance (GDP per capita) and economic performance in function urban areas at NUTS III level

Levels of urbanization

- Mapping relationship between population growth and population density at NUTS III (for Functional Urban areas once 1.1.1 provide the means for NUTS III data to illustrate trends for FURs)

- Mapping of population levels by geographical position (coastal, mountainous, border area)

- Mapping of relationship between economic growth and population levels at NUTS III (and for Functional Urban areas once 1.1.1 provide the means for NUTS III data to illustrate trends for FURs)

- Mapping of relationship between economic growth and urban density (for Functional Urban areas once 1.1.1 provide the means for NUTS III data to illustrate trends for FURs)

Relationship between geography and economic performance

- Location of growing and declining industrial regions across Europe at NUTS II

Nature of urban systems (if data allows)

- Map of population increase against urban density in relation to functional urban areas
- Map of population increase against different types of urban systems (agglomerations, polycentric urban systems etc)

Inventory of data collected <u>at a European level</u>

- Population change (1990-2002) at NUTS III
- Population density (hab/ km2) (1990- 2000) at NUTS III
- Physical location (coastal/mountainous, plains, border, central) at NUTS III
- Nature of urban system (agglomeration, polycentric or capital) at NUTS III
- Economic performance (GDP 1995-2000, GDP development -average growth in GDP per year 1995-2000) at NUTS III
- Economic base (employment by manufacturing and services 1990-2001) at NUTS II
- Total employment (1990-2001) at NUTS II
- Employment growth (1990-2001) at NUTS II
- Unemployment at NUTS III
- Social performance : (GDP by capita 1995-2000, GDP in comparison to national average 1995-2000) at NUTS III
- Connectivity (presence of major airport or fast train connection) at NUTS III

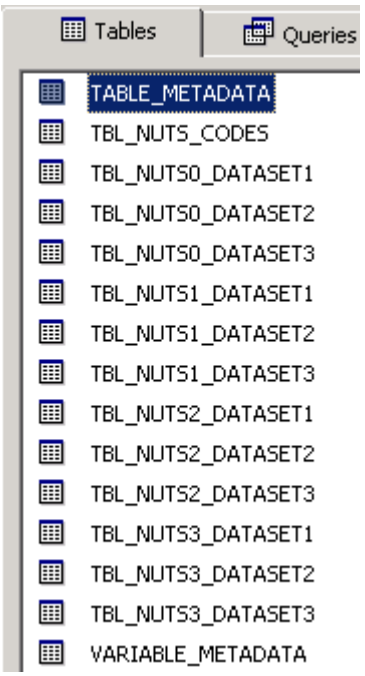
As can be seen in the wider report (Part 2 Establishment of the database, indicators and map-making considering the available indicators) this is in addition to the sets of indicators which are being produced at the level of the sample of urban areas.

2.0 PART TWO - ESTABLISHMENT OF THE DATABASE, INDICATORS AND MAP-MAKING CONSIDERING THE AVAILABLE INDICATORS

The development of territorial indicators and typologies has been undertaken at two levels. Firstly the analysis of key territorial and socio-economic indicators at an appropriate level. Where possible this has been undertaken at the NUTS III level for reasons of coverage and practicality. Secondly the identification of urban areas. This is an area of immense debate within the EU, and elsewhere, and is a critical focus for ESPON project 1.1.1.

2.1 The ESPON 2.2.3 Database

A Microsoft Access databases has been created for use in monitoring and mapping. The structures of the database follows rigid formats and the tables were designed to accommodate all information provided. Once this information was uploaded into the database it was disaggregated into four tables that also adhere to the same structure and design (as can be seen in the following diagram). Each of these tables contains data at an individual NUTS level.



Field descriptions are provided, within each database, in the table 'VARIABLE_METADATA'. Within this table information is stored relating to the year to which the information is related, the type of measurement unit and the source from where the information was derived.

2.2 Definition of indicators

In this context the study will be looking at two main types of indicator:

- Context indictors
- Programme Indicators (in relation to the Structural Fund interventions in urban areas)

These will relate to the following broad categories:

- Economic Strength
- Changing Economic Structure (with a focus on industrial areas in decline)
- Social Exclusion
- Environmental Quality

Context Indicators

The table below illustrates the socioeconomic context indicators which are being used for the study. As is shown in the table, indicators are being collected at two main levels:

- at a regional and sub-regional level for the EU 27+2 (NUTS II and III) where available
- at the level of the 'functional urban area' for the meso-sample of urban areas

The first groups of indicators set out in Table 1 (geographical position, nature of urban system) will be used to place the urban areas under study in their European context. They will therefore be collected for the EU27 at a NUTS II and III level and

The remaining indicators will be used to inform the four main dimensions identified above (economic strength, changing economic structure, social exclusion and environmental quality). Data will be sourced at the lowest appropriate scale in all instances.

At a local level, we will be looking at factors which will be important in forming the context of Structural Fund interventions in urban areas, such as:

- economic base
- social exclusion (unemployment, skills levels in local population, relative income levels, distribution of wealth and social segregation, access to basic amenities/services)
- urban density (taking into account potential urban sprawl etc)
- environmental performance (pollution and greenhouse gases, waste production and recycling, use of contaminated land etc)

Source of the Statistics

Information on the identified indicators is being collated from the following bodies:

- **Eurostat**

The ESPON 2.2.3 team has made full use of the the New Chronos and GISCO databases provided to ESPON by EUROSTAT.

- **National Statistical Offices**

Each of our national experts will be gathering information on geographical position and the nature of the urban system at a national level, in addition to endeavouring to fill gaps in data from Eurostat. A request has gone via 3.1 to the Espon Contact Points in each of the Accession countries to identify data which is not available from Eurostat.

- **Other TPGs**

A number of the other TPGs will be collecting data which will be of relevance to this study. For example 3.1 has already provided meta data on where NUTSIII regions are situated on coastal and border areas. 2.2.1 will be providing valuable information and transport node by mode, and TPGs 1.1.1 and 1.1.2 will be providing useful information on headquarters within NUTS III regions and business success rates.

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- **Urban Audit II and locally available indicators sourced for through the sample**

A number of the indicators which will form the basis of our sample of urban areas are being sourced from the Urban Audit II. The second urban audit is currently being carried out for 160 cities across the EU15. It is a follow up to Urban Audit I and involves the collected of a series of indicators at the level of the urban area. In comparison with Urban Audit II it seeks more detailed indicators on industrial sectors and other relevant topics.

While indicators are being collected at a local level the Urban Audit II uses European level classifications such as the NACE industrial classification categories (see above) and LUCAS land cover categories. The LUCAS survey (Land Use/Land cover Area frame Statistical survey) was introduced in 2001 at European Union level. Its main objectives are to produce harmonised data at European level on land use/land cover and changes in these, and it covers non-conventional aspects such as the environment, multifunctionality and landscape. Built up areas are included in the survey in addition to further breakdowns into residential, industrial and commercial uses. The survey covers 100 000 points (10 000 2x5-point grids) spread systematically over the territory as a whole, to be collected on an annual basis from 2001. The Urban Audit II will use its categories as the basis for its own collection of data on urban area at city

level, and we are investigating the usefulness of using other categories for the purpose of our sample.

The UAII data is planned to be available in August. This is not ideal with respect to the proposed timetable of the study as a whole. We would welcome discussion on with the timescale for our sample of urban areas. Therefore while carrying out the how these might best be dealt with..

The audit also only covers cities within the EU15. This is not problematic in that we are mainly focusing our sample analysis on EU15 countries which have been eligible for support under the Structural Funds (although we are considering conducting a further sample study in one or more of the Accession countries as a comparator.

Table 1 Context Indicators

Domains	**Indicator**	Definition	Measure	Geographical coverage	Level at which data will be collected	Year	Source
Geographical position	**Physical situation**	Coastal/Border	Yes/no	EU 27	NUTS III	2003	3.1 Meta data
	Accessibility	Transport network by mode		EU27	NUTS III	2003	TPG 1.2.1
Economic performance	**Development of GDP**	Average GDP growth between 1990 and 2000	%	EU27	NUTS3	1990-2000	EUROSTAT
	GVA per capita		%	EU27	NUTS3	1995-2000	EUROSTAT
	Companies (with headquarters within the city) quoted on the national stock exchange		No	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
	New business registered in reference year		No	SAMPLE OF CITIES	sample of cities	2003	Urban Audit II

Domains	Indicator	Definition	Measure	Geographical coverage	Level at which data will be collected	Year	Source
Changing economic base	**Total Employment**		% %	EU 27	NUTS II	1995-2001	EUROSTAT
	Enteprise base	Headquarters European companies	No	EU27	NUTS III	2003	TPG 1.1.1
		Balance of newly founded and bankrupt firms	No	EU27	NUTS III	2003	TPG 1.1.2
		Enterprises by company size	No	EU27	NUTS III	2003	TPG 1.1.1
	Employment by sector	Percentage of labor employed in manufacturing Percentage of labor employed in services	%	EU 27 SAMPLE OF CITIES	NUTS II NUTS III and below	1995-2001 2003	EUROSTAT Urban Audit II
	Employment by sub-sector[2]	Employment (jobs) in sectors A-P	%	EU 27 SAMPLE OF CITIES	NUTS II NUTS III and below	1995-2001 2003	EUROSTAT Urban Audit II Nace Rev. 1 NA TA3
		Employment (jobs) in sectors C-E					
		Employment (jobs) in sector F					
		Employment (jobs) in sectors G-H					
		Employment (jobs) in sector I					

[2] Please see the full NACE Industrial classifications which are set out in a box at the end of this table.

Domains	Indicator	Definition	Measure	Geographical coverage	Level at which data will be collected	Year	Source
		Employment (jobs) in sectors J-K					
		Employment (jobs) in sectors L-Q					
		Employment (job) in sectors C-F					
		Employment (job) in sectors G-P					
	Share of national regional and employment	Share of the urban employment in the total regional, national employment	%	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
Social exclusion	**Unemployment**		%	EU27	NUTS III	1998-2001	EUROSTAT
	Unemployment (under 6 months)		%	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
	Unemployment (under 1 year)		%	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
	Share of national/regional unemployment	Share of the urban unemployment in the total regional, national unemployment	%	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II

Domains	**Indicator**	Definition	Measure	Geographical coverage	Level at which data will be collected	Year	Source
	Educational level	Total number of residents qualified at ISCED level 1	Number	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
		Total number of residents qualified at ISCED level 2	Number	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
		Total number of residents qualified at ISCED levels (3-4)	Number	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
		Total number of residents qualified at ISCED levels (5-6)	Number	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
	Number of places in universities and further education establishments per 1.000 resident population		Number/1.000	SAMPLE OF CITIES	NUTS III and below	2003. Possibly earlier snapshots	Analysis of sample of urban areas
Social Exclusion	**GDP per capita as a percentage of the average national GDP per capita**		%	EU 27	NUTS II	1995-2000	EUROSTAT
	% of households receiving less than half of the national average household income		%	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
	Dwellings lacking basic amenities		No	Sample of cities	NUTS III and below	2003	Urban Audit II
	Life expectancy at birth		Age	Sample of cities	NUTS III and below	2003	Urban Audit II

Domains	**Indicator**	Definition	Measure	Geographical coverage	Level at which data will be collected	Year	Source
	Total number of recorded crimes within city (per year)		No	Sample of cities	NUTS III and below	2003	Urban Audit II
Level of urbanization/ Landuse	**Population size**		No	EU 27	NUTS III	1995-2001,	EUROSTAT
	Population density	Population per square mile	Population / mile2	EU27	NUTS III	1995-2001	EUROSTAT
	Population size		Sample 160 cities and case study sample	Sample of cities	NUTS III and below	2003	Urban Audit II
	Total urban area		km2	Sample of cities	NUTS III and below	2003	Urban Audit II Sum pf LUCAS Landcover categories A,B,C,D,E,F,G
	Population share	Percentage of national total	%	Sample of cities	NUTS III and below	2003	Analysis of sample of urban areas

Domains	Indicator	Definition	Measure	Geographical coverage	Level at which data will be collected	Year	Source
Environmental performance	**Unused areas including contaminated and derelict land areas**		%	SAMPLE OF CITIES	NUTS III and below	2003	LUCAS Land use category U40 Urban Audit II
	Green house gas emissions	Number of days per year ozone O3	No of days	SAMPLE OF CITIES	urban area (160 cities and case study sample and case study sample)	2003	Urban Audit II
		Total carbon dioxide CO2 emissions	Tonnes	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II

		Total carbon monoxide CO emissions	Tonnes	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
		Total methane CH4 emissions	Tonnes	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
		Total nitrogen dioxide NO2 emissions	Tonnes	SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
	Waste production and recycling	Annual amount of solid waste (domestic and commercial) collected from within the designated boundary		SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II
		Annual amount of solid waste (domestic and commercial) that is recycled		SAMPLE OF CITIES	NUTS III and below	2003	Urban Audit II

In addition, we will also be identifying the following factors for NUTS 3 areas within the EU27:

Table 2: Qualitative indicators

Domains	**Indicator**	Definition	Measure	Geographical coverage	Level at which data will be collected	Year	Source
Geographical position	**External accessibility**	Airport Fast train station	Yes / no	EU 27	NUTS III	2003	National Statistical offices
	Administrative status	National capital Regional capital	Yes / no	EU 27	NUTS III	2003	National Statistical offices

	Geography	Mountainous Plains	Yes/no	EU 27	NUTS III	2003	National Statistical offices
Nature of urban system	**Spatial composition of the urban region**	Agglomeration, moocentric Ntwork of cities, polycentric	Yes / no Yes / no	EU 27	NUTS III	2003	National Statistical offices

NACE Classifications

- A - Agriculture, hunting and forestry
- B - Fishing
- C - Mining and quarrying
- D - Manufacturing
- E - Electricity, gas and water supply
- F - Construction
- G - Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
- H - Hotels and restaurants
- I - Transport, storage and communications
- J - Financial intermediation
- K - Real estate, renting and business activities
- L - Public administration and defence; compulsory social security
- M - Education
- N - Health and social work
- O - Other community, social and personal service activities
- P - Activities of private households as employers and undifferentiated production activities of private households
- Q - Extra-territorial organizations and bodies

Programme level indicators

ESPON 2.2.3 will also be looking at programme level indicators to assess

- What the Structural Fund programmes are actually measuring in terms of their outputs, results, effects and impacts.
- What the intended effects are within Structural Funds programmes which are of relevance to urban areas
- The financial and activity inputs of the Structural Funds into identified urban areas

The information on these indicators will be sourced from:
- TPG 2.2.1 for the nature and value of Structural Fund activities undertaken in urban areas
- Micro-sample analysis of programme activities within urban areas

2.3 Identification of urban areas

The identification of urban areas will follow the approach adopted by TPG 1.1.1. In particular, urban areas are defined as those with a population of more than 50,000 persons. The nature of the urban area is further sub-divided into a consideration of its role and function, namely:
- The scale at which it operates, ie whether it is international, national or regional
- The range of functions which are present

In addition we are seeking to add more localised criteria to the assessment. This will be undertaken at the level of a sample of urban areas. The main criteria are:
- What the dynamics of change are (whether it is a declining urban area for example, based upon population or employment change)
- What level of intra-urban cohesion exists (based upon internal economic disparities)

In the work undertaken by TPG 1.1.1 the following criteria have been applied:

International level - FUA
- population (urban region) 5% or more of national population
- capital functions (administrative)
- "own" international airport (urban region not smaller than 500 000 inhabitants + airport more than 1 000 000 passengers 2001)

National / transnational FUA
- population (urban region) more than 200 000 inhabitants / core city population more than 2% of national value (no less than 100 000 inhabitants)
- specific national function (according to experts)

Regional FUA
- population 50 000 to 200 000
- specific regional function (according to experts)

Table 3. Features and functions of FUAs

	Feature / Functions	Measured variable
F1	Population	Population
F2	Industrial functions	Gross value added (sectors C-F)
F3	Tourism functions	Overnight stays in hotels (and similar)
F4	Transport functions	Airport (passengers), ports (container traffic)
F5	Knowledge functions	Location of University, number of students
F6	Decision-making centre	Location of TOP 500 companies
F7	Administrative functions	Administrative status of FUA (three different levels: 1) national capital; 2) province/regional capital; 3) no specific administrative status

Five different categories are utilised in typology G = global, E = European, N = national, R = regional, L = local.

Drawing these together a five-category typology has been identified. We will take this as one starting point for our study.

Table 4: Example of list of cities according to their functions

	F1	F2	F3	F4	F5	F6	F7	
City1	E	G	G	G	G	G	G	Diversified global FUA
City2	N	E	N	E	N	E	N	Diversified European FUA
City3		E		N		N		Fairly diversified national FUA
City4			N					Fairly one-sided transport oriented regional FUA
City5	N							One-sided industrialised local FUA

2.4 Arriving at a definition of declining industrial areas

One of the key foci of Research Action 2.2.3 is looking at urban areas within declining industrial regions. Importantly this requires identifying urban areas within regions which can be defined as suffering most negatively from industrial decline at a European level. There are different elements to this approach depending upon whether one adopts the approach of the 2nd report on Economic and Social Cohesion, or eligibility for support though the Structural Funds.

Method A - the typology of those regions with the top 10% and top 25% of employment in industry in Europe as defined in the 2nd Economic and Social Cohesion report (please see Map 1below). In this Europe is broken down into three main types of regions:

- **lagging regions with a high employment in agriculture**

Eg: regions falling notably in the southern Member States and in Central European countries, except for the Czech Republic, Slovakia and Hungary.

- **regions with high employment in industry**.
  Eg: many of these regions are concentrated in a central arc, stretching from the West Midlands in England, eastern France and northern Spain, through southern Germany and northern Italy to the Czech Republic, Slovakia and Slovenia.

- **regions with high employment in services**.
  Eg: a number of capital cities in the north of the EU, but also regions in southern France, Spain and Italy, where employment is concentrated in basic services, which have relatively low levels of GDP per head.

Method B- the regions selected for funding under Objective 2 2000-6 (Please see MAP 2 below). 18% of European population (EU15) is covered by Objective 2. This funding is allocated for the following main reasons with relevance to our study:

Relevant types of region	**Justification for inclusion**
Urban areas (1,9% of European pop or roughly 10% of the eligible population)	-a long-term unemployment rate above the Community average -a high level of poverty -acute environmental problems -a high crime rate -a low level of education
Industrial areas (8,5% of European pop – roughly half of the eligible population)	-an unemployment rate above the Community average; -a higher percentage of jobs in the industrial sector than the Community average; -a decline in industrial employment.
Mixed areas (2.1% roughly 12% of the eligible population)	

Source: Inforegio

The remaining funding is spent on rural areas and areas dependent on fisheries.

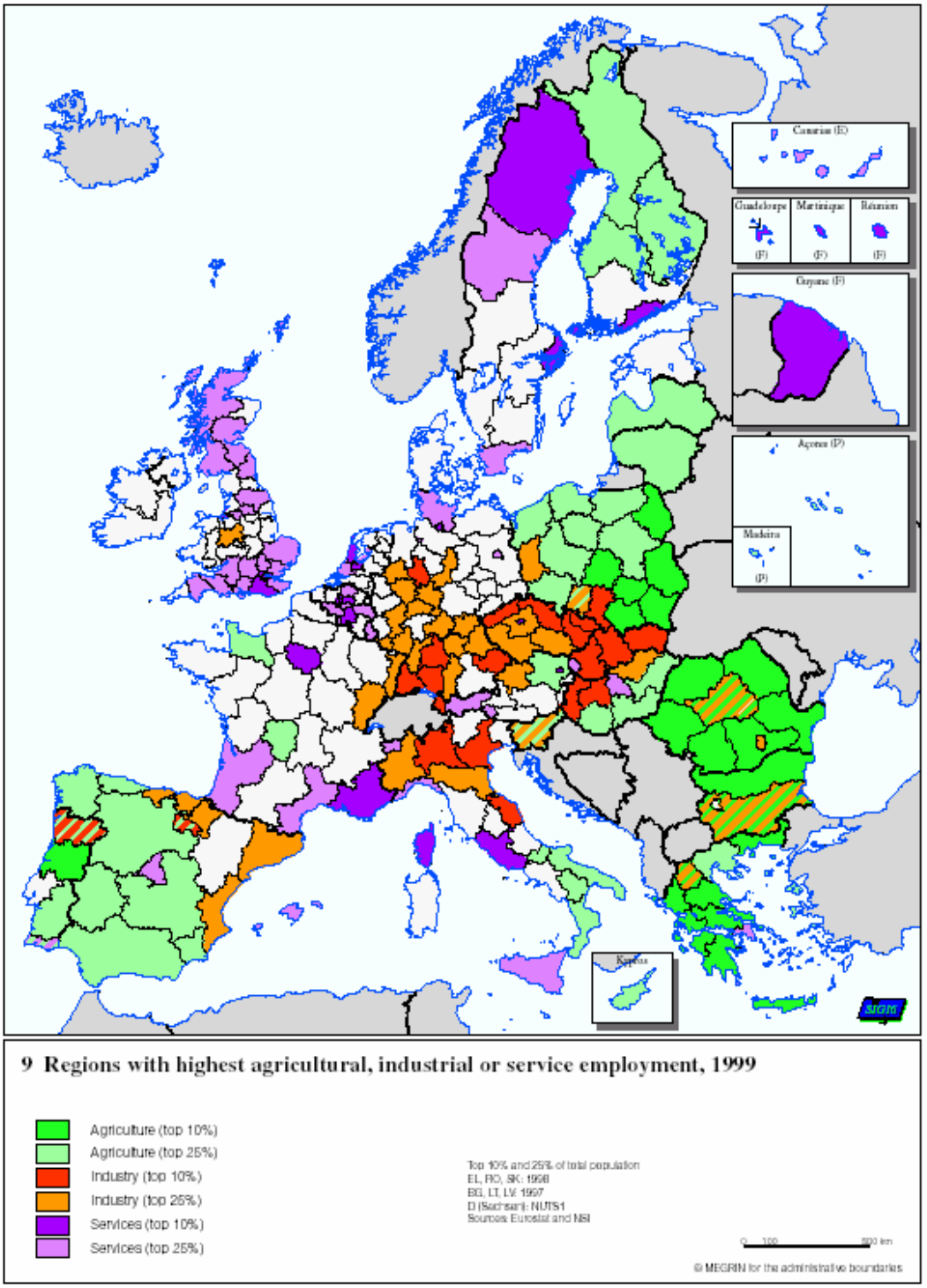
Comparison of the two maps suggests that the criteria used to identify industrial areas eligible for support under Objective 2 of the Structural Funds are not entirely consistent with that used in the 2nd report on Economic and Social Cohesion. Taking this on board we have adopted an approach which will combine these two features.

The initial task is to identify those regions (NUTS2) with a strong dependence on industrial employment (say those in the top quartile) and which are experiencing

employment decline. This reflects the approach taken by the 2nd report on Economic and Social Cohesion. It is notable (Maps 22-31) that our data provides a fragmented but clearly discernable spatial pattern in terms of regions which might be classed as industrial. In terms of those where employment is also declining the pattern is significantly different with a strong focus on the German Land er.

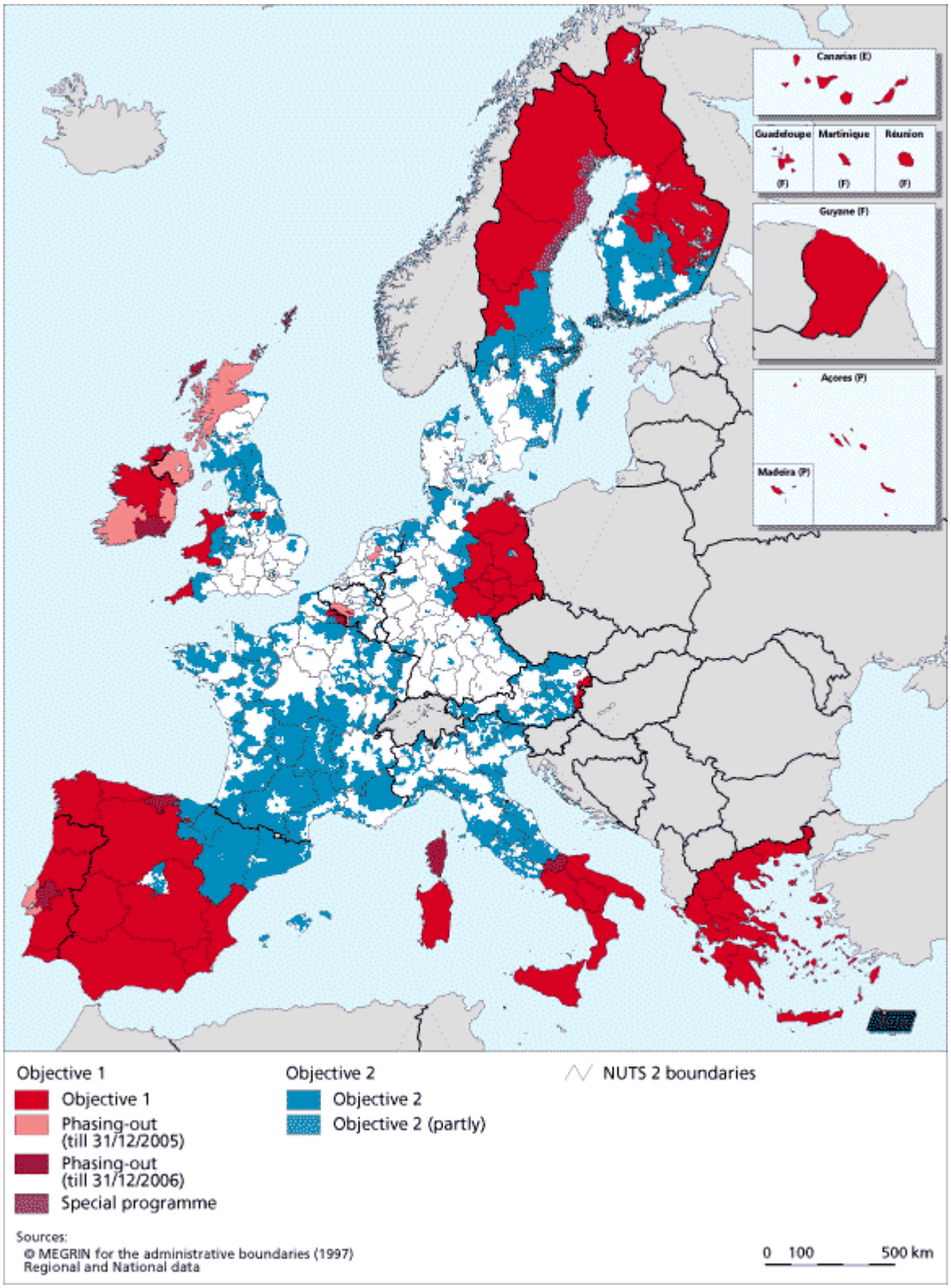
This perspective has led us to propose that a mixed view is taken, working on the basis of urban areas in identified regions exhibiting industrial decline but also examining urban areas in regions eligible for support under Objective 2 through the Industrial or Urban strand.

Map 1: Economic structure of regions in the EU27



Map 2 Objective 2 Map of eligible areas

Objective 2 : map of eligible areas


Canarias (E)
Guadeloupe
Martinique
Réunion
(F)
(F)
(F)
Guyane (F)
Açores (P)
Madeira (P)
Objective 1
Objective 1
Phasing-out (till 31/12/2005)
Phasing-out (till 31/12/2006)
Special programme
Objective 2
Objective 2
Objective 2 (partly)
NUTS 2 boundaries
Sources:
© MEGRIN for the administrative boundaries (1997)
Regional and National data
0 100 500 km

In the broadest perspective, the predominantly industrial regions categorized within the Economic and Social Cohesion Report fall more within Central and Eastern Europe. As the report says, many of the 'regions with high employment in industry' are concentrated in a central arc, stretching from the West Midlands in England, eastern France and northern Spain, through southern Germany and northern Italy to the Czech Republic, Slovakia and Slovenia. Although many of these regions are prosperous, many are not, reflecting the significant variation in value-added between manufacturing industries;

In **Northern Spain**, there is a fairly close fit between the regions, in that Basque country, Navarre, Catalonia and Rioja are all covered by Objective 2 and are in the top 25% in terms of employment in industry. However Arragon is also covered despite not fitting into this category. In addition, Objective 2 funding also applies to the Madrid region which exhibits high % employment in services.

In **France**, the main industrial areas appear to be France Compte and Alsace-Lorraine which are only partly covered by Objective 2 funding. However a large area of central and southern France is covered by Objective 2 funding, including areas which have high percentages of employment in agriculture and services (Limousin and Languedoc/Rousillon/Provence/Alpes/ Cote d'Azur respectively).

In the **UK** there are no regions in the top 25% in relation to employment in industry according to the classification in the 2nd Economic and social Cohesion report. However Objective 2 funding covers relatively large areas of Central and Northern England, Southern Scotland and East Wales and East Cornwall.

In **Italy** Objective 2 funding applies to a large area of central Italy, despite several regions in this area exhibiting a high percentage employment in services (Umbria and Latium). The highest industrial employment is in Northern Italy (eg Venoto, Lombardy) which are not covered by Objective 2 funding

In the **Nordic Countries** southern central Finland receives Objective 2 funding despite part of this region having high percentage employment in agriculture. In addition the regions of Gavleborg, Dalama and Varmland in central Sweden also received Objective 2 funding despite not having regions in the top 25% in relation to employment in industry.

In **Germany**, despite a large number of regions in the western part of Germany having high levels of employment in industry (top 10 and 25%), there is a marked lack of Objective 2 funding, except for areas of Lower Saxony which border on Saxony-Anhault.

3.0 A SECOND REVISED AND EXTENDED LIST FOR FURTHER INDICATORS TO BE COLLECTED FROM EUROSTAT AND THE EEA

The following list of indicators is not available at NUTS III level within Europe and would be very relevant to carrying out territorial impact assessments in the future. We have therefore included these in a request to EUROSTAT, and EEA

- Total urban area (km^2) at NUTS III
- Employment in services, employment in industry (%) at NUTS III
- Employment (jobs) in NACE sector F at NUTS III
- Employment (jobs) in NACE sectors G-H at NUTS III
- Employment (jobs) in NACE sector I at NUTS III
- Employment (jobs) in NACE sectors J-K at NUTS III
- Employment (jobs) in NACE sectors L-Q at NUTS III
- Employment (job) in NACE sectors C-F at NUTS III
- Employment (job) in sectors G-P at NUTS III
- Total number of residents qualified at ISCED level 1 at NUTS III
- Total number of residents qualified at ISCED level 2 at NUTS III
- Total number of residents qualified at ISCED levels 3-4 at NUTS III
- Total number of residents qualified at ISCED levels 5-6 at NUTS III
- Population share % of national total at NUTS III
- % of households receiving less than half of the national average household income at NUTS III
- Dwellings lacking basic amenities at NUTS III
- Life expectancy at birth at NUTS III
- Total number of recorded crimes within city (per year) at NUTS III
- Share of the urban unemployment in the total regional, national unemployment at NUTS III
- Unused areas including contaminated and derelict land areas at NUTS III
- Number of days per year ozone O3 at NUTS III
- Total carbon dioxide CO2 emissions at NUTS III
- Total carbon monoxide CO emissions at NUTS III
- Total methane CH4 emissions at NUTS III
- Total nitrogen dioxide NO2 emissions at NUTS III
- Annual amount of solid waste (domestic and commercial) collected from within the designated boundary at NUTS III
- Annual amount of solid waste (domestic and commercial) that is recycled at NUTS III

4.0 PRESENTATION OF THE METHODS FOR TERRITORIAL IMPACT ASSESSMENT

The following section is based on the common assessment framework for Territorial Impact Assessment established by TPG 3.1.

4.1 Scoping

Policy interventions concerned (what is causing impacts)

The policy interventions concerned are those supported through the ERDF and ESF and which are undertaken through Objective 1, Objective 2 and to a lesser extent the Urban Community Initiative. In the following table we synthesis some expected elements

	Objective 1	**Objective 2/3**	**Urban**
Business support	Developing innovative infrastructure Supporting SME entrepreneurship	Developing innovative infrastructure Supporting SME entrepreneurship Supporting social enterprise	Supporting SME entrepreneurship Supporting social enterprise
Education & training	Supporting SME entrepreneurship Training courses Tertiary sector support	Supporting SME entrepreneurship Training courses Tertiary sector support	Supporting SME entrepreneurship Training courses
Regeneration & exclusion	Support for socially excluded groups Development of city centres	Support for socially excluded groups Development of urban neighbourhoods	Support for socially excluded groups Development of urban neighbourhoods
Infrastructure	Improving city public transport Developing business parks	Improving city public transport	
Environmental issues	Tackling urban pollution Waste management	Tackling urban pollution Waste management Environmental improvements	Environmental improvements

The full list of intervention codes relevant to urban areas is extensive and is set out in Annex 2 to this report.

Subjects affected: what is changed by the interventions

The hypothesis is that the Structural Funds will have a positive impact on the objectives of actions undertaken. A priori this will include the following categories:

- Urban areas
- Businesses in urban areas
- Populations in urban areas

The types of effects anticipated will include:

- Economic growth promoted
- Socio-economic disparities reduced
- Environmental quality improved
- Capacity to manage increased
- Levels of skills and qualifications increased
- Use of public transport increased

Which territorial level of observation?

The territorial unit of observation is the urban area. Statistically this is most simply described as NUTS 3 but analysis will also be undertaken for urban neighbourhoods which are more likely to conform to NUTS 5 where appropriate for a sample of urban areas.

The statistical analysis will be undertaken at three levels, NUTS 3 for the EU27 +2, in so far as this is possible and appropriate, with some analysis at NUTS 2. At the urban level for a meso-sample of urban areas (the Urban Audit towns and cities) and at the sub-urban scale (NUTS 5) for the micro sample of urban areas.

What has happened, what may happen in future?

The analysis of Structural Fund interventions will span 1994-1999 and 2000-2006 for selected urban areas. Identification of broad categories of intervention for same periods across EU.

The identification of trends in context indicators will be undertaken from 1994 to latest available figures.

4.2 Analysing

Topic of calculation. What output is registered, measured, appraised

The principle issues that the study is examining are:

- What has taken place in relation to tackling industrial sector change
- The different problems faced in declining urban industrial areas.

In this regard the following information will be collected and analysed:

- The nature of interventions in urban areas
- Differentiation of interventions according to typology of urban areas
- Role of Structural Funds in declining urban areas
- Role of governance in promoting the effective use of Structural Funds in declining industrial urban areas.

Type of indicators selected

A range of indicators will be reported on (as identified previously) in the fields of economic, social and environmental effects and we do not repeat these here. They broadly break down as follows:

- Statistical indicators
    - Input indicators (EU15)
    - Context indicators (social, economic, environmental, network) from EU27+2 and meso and micro samples
- Qualitative variables based upon survey results from interviews in micro sample of urban areas.

It will be very difficult to make any judgement as to causal link between input indicators and context indicators, owing both to the limited evidence that will be available and the scale of the interventions. Where secondary evaluation evidence is available then this will be reported upon.

Criteria for examination

Inter alia, the criteria for examination are:

- Improving economic performance of urban areas (social and economic cohesion) and particularly tackling industrial decline and restructuring
- Overcoming socio-economic disparities
- Securing sustainable patterns of growth and development

As a secondary aspect of the analysis we are comfortable with exploring how Structural Funds have been used in urban areas to promote urban growth centers (balanced territorial development) as part of the above three factors.

Technique of analysis

The technique of analysis is principally that of sample analysis based upon 25 identified urban areas.

Definition of territorial

The territorial concept is that of declining industrial urban areas. These urban areas are located within NUTS 2 regions but may be larger or smaller than NUTS 3.
Within these urban areas the following territorial policy dimensions will be explored:

- Extent to which Structural Funds support activities within urban areas
- Nature of activities supported within urban areas

Format of outcome

The format of the outcome will be:

- Typology of all regions
- Typology that can be applied to all urban areas (with population greater than 50,000)
- Typology of sample of urban areas
- Single type of urban areas
- Mapped results based upon qualitative and quantitative categories.

5.0 FIRST DIAGNOSIS OF AND TERRITORIAL TYPOLOGIES FOR URBAN AREAS IN EUROPE (TASKS 3.1 AND 3.2 IN TERMS OF REFERENCE) AND THE EFFECTS OF THE STRUCTURAL FUNDS IN URBAN AREAS AND INDUSTRIAL RESTRUCTURING AREAS.

Discussing territorial effects of Structural Funds in urban areas, a number of aspects need to be taken into consideration. Firstly, there is of course the question of what urban areas are and what makes an area urban. Secondly, focusing on the question of impacts a number of policies are directly and indirectly addressing and effecting urban areas. These need to be taken into account as territorial effects are not only caused by the Structural Funds.

The first chapter of this paper addresses national and European policies directly addressing urban areas. Giving an overview over the issues tackled by urban policies, a number of aspects can be identified which in the end may both supplement and contradict Structural Fund activities. In addition, the focus of urban policies guides us also the core issues of urban development and thus a possible focus of the study.

The second chapter investigates what type of actions are funded by Structural Funds in urban areas are. The main emphasis is on the Structural Funds period 1994-99. In addition there is also a short outlook on the Structural Funds period 2000-2006.

5.1 Urban Policies

Explicit urban policies and policies explicitly addressing urban areas have an impact on urban areas which needs to be considered when studying the impact of Structural Funds. An understanding of the issues addressed by policy aiming directly on urban areas, provides an overview of the "urban issues" recently at stake and guides towards the main challenges in urban areas.

To achieve this, a number of European documents as well as national documents of European relevant to urban development have been reviewed. Guided by a brief questionnaire documents relevant to urban policies in 18 European countries (all 15 EU Member States plus Slovenia, Switzerland and Norway) have been reviewed. In parallel a set of European level documents have been analysed.

This paper draws the various reviews together to a cross-European summary on challenges related to urban areas. This reaches from the aspects of urban systems to very local inner urban issues. In the last section proposals are made concerning possible foci of the analysis of Structural Funds.

5.2 Urban areas and urban policies in European countries

Today, the majority of EU citizens live and work in urban areas, and the EU is one of the most urbanised areas in the world. There are approximately 170 cities with more than 200,000 inhabitant and 32 cities with more than a million inhabitants (Berg et al, 1998) However, urbanisation is understood differently in each EU Member State: whereas in Sweden, a population centre is defined as built-up area with 200 inhabitants and a maximum of 200 meters between the houses, in Germany, there are at least 10,000 inhabitants needed for an urban designation. If the degree of urbanisation is judged by the proportion of population living in (large) towns, the conclusion is that Europe contains strongly urbanised countries (such as Belgium, Denmark, Germany, the Netherlands and the UK), slightly urbanised ones (Austria, Finland and Sweden) and a number of countries occupying a position in-between the two extremes (France, Italy and Luxembourg). How much various possible definitions of urbanisation differ is simply illustrated by the fact that e.g. Sweden has an 'urbanisation degree' of 55 percent according to United Nations and 84 percent according to national statistics.

There is a general recognition that urban areas/regions do not exist in isolation from wider forces originating in national, European and global spheres. This also comprises the fact that urban agglomerations are seen as motors of development in Europe. At the same time, fundamental changes in the economy, technology, demography and politics are reshaping the environment in the towns and cities in Europe. The environment of towns and cities becomes increasingly competitive and complex and they need to anticipate and respond quickly to opportunities and threats that influence their position on the national, European and global arena (Berg *et al*,1998: 426).

Table 17.1 Spatial pattern and urbanization

	Degree of urbanization	Balanced urban system	Primary city	Stage of urbanization	Urban problem areas	Cities >100,000	Metropolises >1 million	National population
Austria	low	no	yes	suburbanization	inner cores	6	1	7.8
Belgium	high	yes	no	sub/deurbanization	inner cores	8	2	10.0
Denmark	high	no	yes	suburbanization	inner cores	4	1	5.2
Finland	low	no	yes	urbanization	inner cores	6	1	5.0
France	average	no	yes	suburbanization	suburbs	46	3	58.0
Germany (west)	high	yes	no	sub/reurbanization	inner cores	83	8	81.3
Germany (east)				sub/deurbanization				
Greece	average	no	yes	urb/suburbanization	mixed	6	1	10.3
Ireland	low	no	yes	urb/suburbanization	mixed	3	1	3.6
Italy (north)	average	yes	no	sub/deurbanization	mixed	46	4	57.9
Italy (south)				urb/suburbanization				
Luxembourg	high	–	yes	suburbanization	suburbs	0	–	0.4
Netherlands	high	yes	no	sub/reurbanization	inner cores	23	2	15.5
Portugal	low	no	yes	urb/suburbanization	mixed	5	1	9.3
Spain	average	yes	no	suburbanization	mixed	48	3	39.3
Sweden	low	no	yes	urb/suburbanization	mixed	11	1	8.9
United Kingdom	high	yes	yes	sub/deurbanization	inner cores	57 *	7	58.1
EU total						352	36	370.6

* Eurocities documentation, Barcelona, 1989.

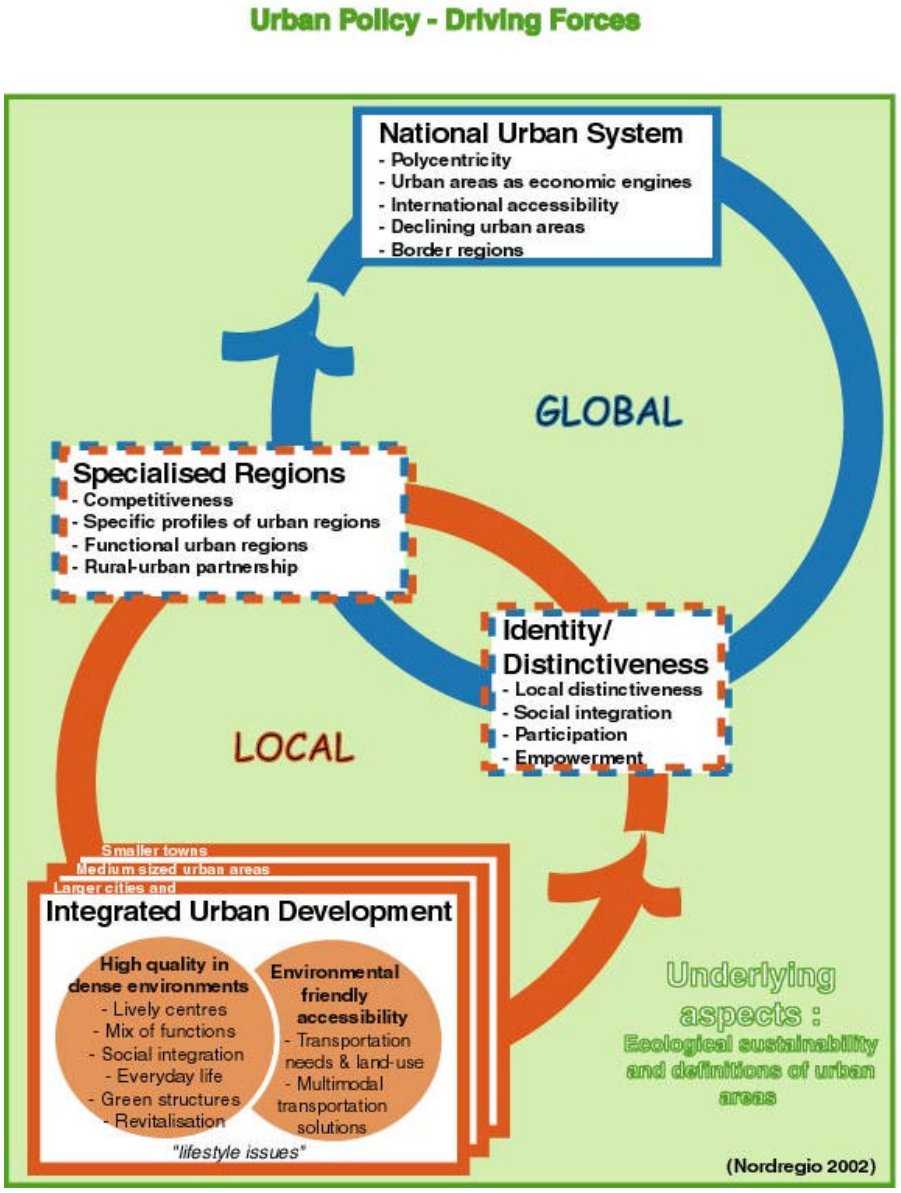
(Source: Berg et al 1998)

Each of the national governments in the EU tailors its policy initiatives to the specific circumstances in its country. It is significant that nowhere in the EU is a ministry

exclusively occupied with urban areas and their development. There is, however, a number of countries, where urban policy plays a role in domestic polices, e.g. in *the Netherlands*, which has a State Secretary for Major-City Polices under the Ministry of Interior, or *Finland* where urban policy is part of the regional policy carried out by the Ministry of Interior. In other countries, e.g. *Denmark*, the Ministry of the Environment is responsible for urban questions. In many countries urban policy has no strong stand in the political system. However, in most countries, the Ministers of Housing, Spatial Planning, Transport, Social Affairs, Employment, Economic Affairs etc. have an influence on cities and their development, mostly through sectoral policies which are not explicitly oriented towards urban areas. The division of tasks among these ministries is organised differently in each country.

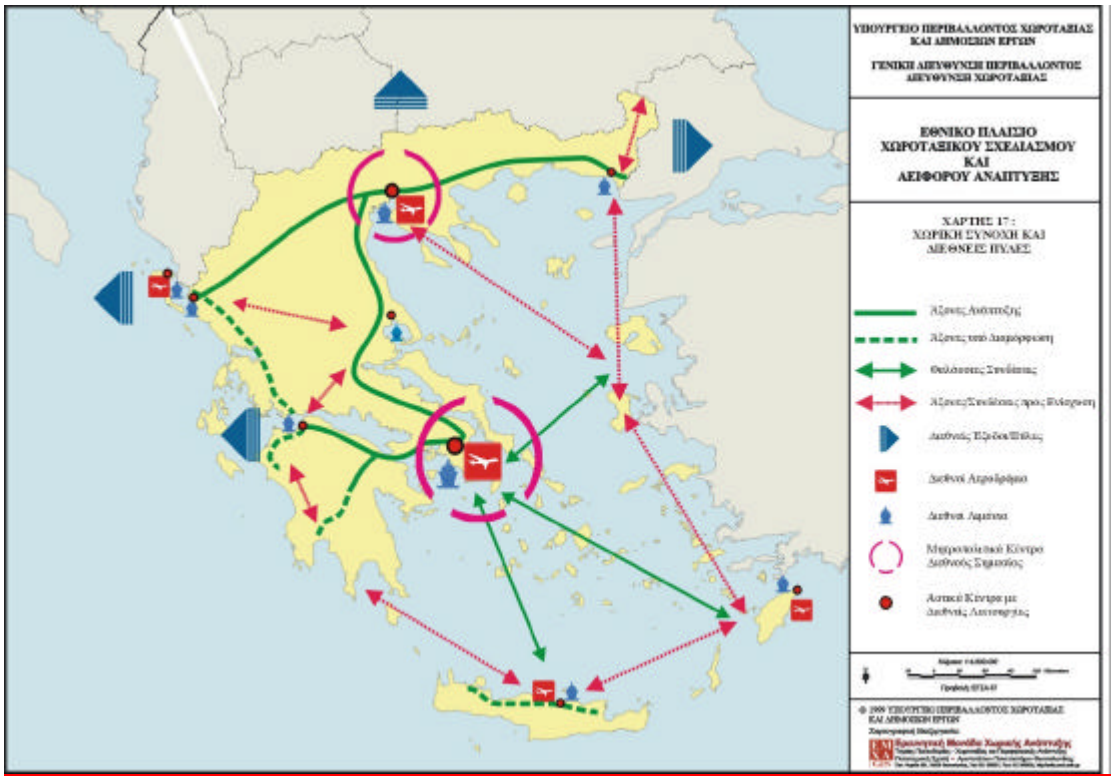
Regarding the issues addressed in relation to urban policies, two major fields can be identified (i) socio-economic problems of town as well as metropolitan problems, and (ii) balanced or polycentric development focusing on the position and role of towns in the regional and national spatial organisation pattern. This division corresponds largely to the division of urban policies approaches aiming at cohesion respectively such aiming at strengthening competitiveness.

A closer analysis of the aspects addressed in urban policies allows a division into four categories. Apart form illustrating respectively grouping the different aspects of urban policies it shows also how urban policies aiming and cohesion and those aiming at competitiveness are inter-related.



(Source: Nordregio 2002)

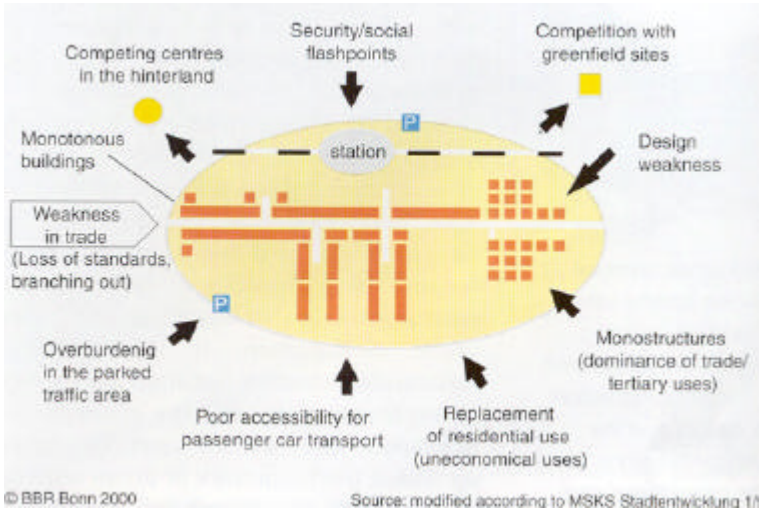
Starting with the issue of **strengthening competitiveness**, a recent credo in the field of spatial policies is that balanced development, i.e. utilisation of all parts of a territory, is an important factor for strengthening economic competitiveness. Balanced development is in turn often related to the idea of **polycentric development**. Indeed, this is reflected in a wide range of national urban policies, although wording and framing of this idea may differ. In countries following this aim, urban policy is also seen as policy focusing on the national urban system. A number of countries with strongly monocentric urban patterns make special provisions for their capital cites, normally the largest urban area, both in terms of its economic and social links with the rest of the country, but also in terms of its unique range of problems related to it. For instance in Spain, are the significant differences between large urban areas (Madrid and Barcelona) and the rest of the country considered an important policy issue. Also Finland is an example of this approach to urban policy.



(Source: Greece – Spatial Cohesion and International Gates)

Closely related to the aspect of national urban systems is the aspect of **functional urban regions**. Here, the focus is often on cities or functional urban regions as motors of economic growth. A wide range of European countries reflect this aspect in their urban policies. The idea of cities as centres of economic growth is framed differently in these countries, e.g. the Netherlands and Austria focus on international competitiveness whereas the Nordic countries take a more general approach seeing cities as motors for development. A similar approach can be seen in the UK focusing especially on building up economic clusters. A further aspect is question of international accessibility as precondition of economic growth. This is e.g. emphasised by Greece or the Netherlands. In addition to the clear cut approaches to functional urban regions or cities as economic centres also aspect such as industrial centres in change or in decline are an issue in urban policies, not at least in Belgium, Luxemburg and Greece. In terms of functional urban regions also aspects of networks between cities and town (Greece, Switzerland) and rural-urban partnership at regional level (UK, Sweden) are comprised under urban policies.

One aspect which is strongly related to the performance of functional urban regions, namely **distinctness and social aspects forming the identity** of such a region are not so often explicitly stressed in urban policies. To a certain extend these may be comprised under governance, empowerment and partnership principles put forward in urban policies. In this review, however, this aspect has only rarely been identified in urban policies. However, there are number of examples addressing the issue of identity, e.g. on of the tree general goals outlined in the Slovenian Spatial Development Concept is the preservation of the identity of spatial structure.



(Source: BBR 2000)

The fourth aspect of urban policies centres on **inner-urban areas and disparities within cities**. Not surprisingly this is the aspect stressed mostly in the various documents. Urban policy focusing on socio-economic aspects or urban quality of life can be found, e.g. France. This category of policy responses to urban affairs deals mainly with issues as unemployment, integration of minorities and asylum seekers in the urban society, as well as urban security. Increasingly, environmental and cultural (heritage) topics are entering this field as well. In more urbanised countries – e.g. Denmark, the Netherlands, Germany, Luxembourg, Finland and Sweden - the value of the environment rises and environmental policies point out the need for high standards for new infrastructure in urban areas. Any attempt to categorise features addressed in urban policies focusing on the situation within urban areas faces difficulties because of the broad variety of aspects and differences in formulating these aspects in the various countries. Anyway, it has been tried to set up a tentative list of such aspects:

On the one hand there are a number of countries addressing social cohesion at local level. This covers issues of segregation, social integration or **social cohesion at local level** (Austria, France, Greece, Italy) as well as more explicit aspects such as social infrastructure (the Netherlands) or pockets of deprivation (Belgium). Also aspects related to the housing are to be found here, such as need for housing (Ireland, UK), renewal and further development of large housing estate (Germany) or the need for competitiveness of the housing market (the Netherlands).

Strongly relate to the social aspects are aspects of strengthening **economic cohesion at local level**. In this spectrum the focus is on what has been formulated as "linking needs and opportunities – **ensuring that local communities are able to benefit form economic growt**h" (UK). In the same line are policies addressing employment and training (Ireland, the Netherlands) or economic revitalisation (France).

Another large field of urban policies concentrates directly on the urban infrastructure and land-use management. Main features are **urban renewal or regeneration** (Ireland, UK), reactivation of inner-city brownfields (Germany), development of harbour and old industrial areas (Denmark), attractiveness of urban centres (Finland), sustainable restructuring of declining districts (the Netherlands) or quality of life in urban areas partly focusing on attractiveness and partly stressing the issue of safety (Denmark, Finland, the Netherlands, Switzerland).

In addition aspects of **transportation** (Austria, Denmark, Finland, Greece, Ireland, Norway, Switzerland), especially as regards efficient urban transportation systems and environmentally friendly transportation solutions, and aspects addressing the environment and **sustainable development** (Denmark, Finland France, Greece, Norway, Portugal) are to be found in various countries. A more concrete example of an environmental approach to integrated urban development is the Portuguese Programme of Urban Rehabilitation and environmental improvement of cities (POLIS).

Furthermore, **sub-urbanisation** is an issue in a number of countries, especially Belgium and Ireland, as well as **decline in urban population** (Belgium) and attracting **private investors** (UK).

This illustrates the wide range of issues addressed by urban policies in European countries reaching from economic competitiveness to social cohesion at local level and urban regeneration projects. It has however, to be kept in mind that the issues here are just spotlights representing different aspects to considered when discussing urban areas. This is by far no concluding list and also the countries mentioned are just examples most issues are addressed by more countries.

European Level Issues

In addition to the urban policies at national level, there are also activities at European level addressing urban areas. Among these are e.g. Urban Framework for Action (UFA), the European Spatial Development Perspective (ESDP), the Urban Initiative, the Urban Audit, the Community Initiative Urban or the Structural Funds Guidelines.

Through these as well as a number of other activities at European level aspects shimmer through which are considered important when it comes to urban areas. Aspects stemming from the European debate can be roughly divided into four categories.

Coming very much form the debate on the European Spatial Development Perspective the issues of **balanced polycentric urban systems** is stressed. This involves also issues such as rural-urban relationships and the role of small and medium sized cities.

A related feature is **functional regions** as engines for development. Strengthening economic prosperity and development is not just an aim expressed in the Urban Framework for Action. Also other key documents discuss cities and

functional regions as engines for economic development. Partly this is related to the question of accessibility or rural-urban partnership at regional level. The majority of documents focuses on development aspects, but to a certain extend also this is also addressed in terms of economic cohesion focusing on less favoured areas. This includes objective 1 and 2 areas as well as urban industrial areas.

Criteria for supporting urban areas (URBAN II)

- High level of long-term unemployment
- Low level of economic activity
- High level of poverty and exclusion
- Specific need for conversion, due to local economic and social difficulties
- High number of immigrants, ethnic and minority groups or refugees
- Low level of education, significant skills deficiencies and high drop-out rates from school
- Precarious demographic trends
- Particular rundown environment

A rather broad issue is related to urban development and **disparities within individual cities**. The aspects covered by this issue reach from environment and cultural heritage over social integration and regeneration of urban areas to transportation in urban areas. To a large extend the same variety of aspects is reflected as discussed earlier under the heading of inner-urban areas in national urban policies. As e.g. the URBAN II selection criteria for supporting urban areas reflect, there is a rather strong emphasis on cohesion perspectives when it comes to inner cities and disparities within cities. This stands in contrast to the aspects of polycentric development and function regions, discussed above, where economic competitiveness and growth are in the focus.

Finally, at European level the aspect of **governance and local empowerment** is stressed in various documents. Indeed, partnership and involvement of the urban population appear at European level to be worth more words than in many national documents.

However, in large the discussion of urban issues at European level confirms the set of issues identified at in the national documents.

A study conducted by the European Policies Research Centre (EPRC) and Nordregio investigated the inclusion of urban aspects in Structural Funds Programmes of the recent period. The focus was mainly on Objective 1 and 2 Programmes and the inclusion of aspects addressed in the Urban Framework for Action (UFA). This overall conclusion is that the policy aims put forward in the UFA are considered to varying extend in the programming documents. In Objective 1 programmes the inclusion of urban issues is in general rather low where as in Objective 2 programmes the policy aim on "strengthening economic prosperous and employment in towns and cities" and the aim on "protecting and improving the urban environment" show a certain predominance in relation to other urban issues addressed.

5.3 Focus for the study deriving from this review

Drawing on the various aspects highlighted in relation to urban areas, there derive various options for setting a focus for the continuation of this study.

Firstly it appears that balanced polycentric development is an overall issue one should consider in one way or the other. This can easily be related to an overall focus in urban areas and their potentials for economic **competitiveness** respectively for acting as economic engines. Such an approach following a rather obvious economic **growth** paradigm could also include the issue of accessibility.

Secondly, among others stemming from the European cohesion policy, another important issue are aspects of **economic and social cohesion** in urban areas. This focus could address the question of urban areas in decline, urban revitalisation/regeneration and urban challenges related to disparities within cities in general.

Thirdly, there would be the option of a rather clear-cut **integrated urban development** approach, emphasising on inner-urban questions and developments. This approach would very much draw on aspects discussed under the heading of national urban policies centring on inner-urban areas and disparities within cities. Especially issues as urban renewal, transportation in urban areas and environment in urban areas would be on stake here.

Both the second and the third approach are easily to be connected with what might be considered as fourth approach aiming at **governance issues**. This approach would include issues in the fields of integration, public participation and empowerment.

Certainly, these approaches are not mutually exclusive and a combination of them will be needed. It seems however worthwhile spending some thought on the issue whether the focus tends rather on issues of economic growth and competitiveness or on social and economic cohesion or on what might be described as the "planners approach" focusing mainly on inner urban development in general.

5.4 Structural Funds in Urban Areas

The Structural Funds (SF) are considered the main financial instrument of the European Union with regard to its regional policy, addressing economic development and socio-economic disparities between and within Member States, regions and cities. The eligible areas vary in terms of their geographical characteristic, not least in terms of urbanisation. Most areas comprise some combination of urban centres and less populated areas, but the variability can be from regions regarded as almost fully urbanised to regions with few and relatively small urban areas. In this context, the level of urbanisation does not only refer to the ratio of inhabitants living in areas defined as urban, but also to the evolution phase the urban systems is in. According

to Geyer (2002), urban systems undergo three development phases, Urbanisation, Polarization reversal, and Counter-urbanisation, where one or few primate cities dominate during the first phase but with net-migration and growth slowly shifting towards intermediate and smaller cities. Discussing European urban development, it needs, however, to be taken into consideration that there is no single European urban system. Indeed, there are a variety of urban systems in European, mostly national systems, which are in different stages of development. Accordingly "typical" urban challenges differ regarding the recent status within the cycle of urban development and the size of the urban area and the urban system in question.

To some extent, this is also reflected by the variation between Member States and regions in the share of the total funding spent on urban development. According to an estimated made in 1997, approximately 40% of the total European Regional Development Fund (ERDF) for Objective 1 programmes 1994-1999 and Objective 2 1994-1996 was spent on urban development. In this context, urban areas were regarded as cities with at least 100,000 inhabitants. Although this estimate does neither include all Structural Funds interventions nor urban areas smaller than 100,000 it indicates the extend to which SF spending goes to urban development. However, there are great variations in the relative importance of urban development in areas designated as Objective 1 or 2 between Member States and regions, with the share being as low as 15% up to almost 100%, depending on the nature of the area as mentioned above. Objective 1 and 2 of the Structural Funds are not the only objectives applicable for urban development as 3, 4 and 5a are all directed at problems facing various cities in the EU, but their financing capability were considerable lesser.

In addition to the mainstream Structural Funds programmes, urban areas have received support from the SF through the Urban Pilot Projects (UPP), from 1990-1993 and 1994-1999, and the Community Initiatives, mainly URBAN I (1994-1997). These programmes were explicitly focused on urban development and targeted neighbourhoods in extreme deprivation. Most areas receiving support were within regions eligible for funding through the mainstream programmes, but both the UPP and URBAN I opened up the possibility for support for urban areas that were not designated as objective regions. The focus of attention was narrower than in the mainstream SF programmes and active involvement of citizens affected by the interventions was emphasised. In general these programmes have been regarded as successful and provided valuable input into the discussion concerning the importance of urban policies. However, it has been argued that the URBAN projects only have had a relatively minor impacts overall upon cities and that the principles of the URBAN initiative should rather be integrated into the mainstream programmes rather than marginalize them in a single Community initiative (Parkinson).

5.5 Structural Funds Interventions in Urban Areas 1994-1999

As previously mentioned, regions eligible under Structural Funds (SF) often include both urban and less populated areas. Available literature on SF interventions in the different regions does usually not focus attention explicitly on urban areas, as it seems to be more common to describe and assess measures and impacts for the designated region as a whole. For this reason, the main attention here is on SF intervention in highly urbanised regions.

Below is a description of some Structural Funds interventions in urban areas with focus on the period between 1994-1999, divided into four main themes. The title of each theme is based on the policy aims of the Urban Framework for Action (UFA). The UFA is a Commission Communication presented in 1998 to encourage the urban polices in existing EU policies by making them more urban sensitive and ensuring that they facilitate integrated urban development. Therefore, the policy aims of the UFA are a suitable point of departure although they were only presented towards the end of the 1994-99 SF period.

The policy aims put forward in the UFA are in line with the different aspects of the economic concept of territory. Following Campagine (2002) a territory is at the same time:

- a system of localised technological externalities, i.e. an ensemble of material and immaterial factors which, thanks to proximity and the resulting reduction in trans-action costs involved can also become pecuniary externalities,
- a system of economic and social relations, which make up the relations capital or the social capital of a certain territory, and
- a system of local governance which brings together a collectivity, an ensemble of private actors and a system of local public administration.

In addition to these UFA stresses the state of nature as an important factor for the urban environment.

Although Structural Funds intervention in urban areas vary between regions they tend to focus on similar themes, which typically include strengthening of economic prosperity, social integration and urban renewal, environment improvement, and urban management. However, these themes are often dealt with in the same intervention rather than by having specific actions targeting each one. Thus, some of the actions described below can refer to more than one theme. Regarding the relative importance of the different themes, it is apparent that actions to improve economic prosperity, e.g. various kinds of business support, were high on the agenda in most regions.

Strengthening economic prosperity and employment in urban areas

The first policy aim of the UFA is directly related to the main objectives of EU Structural Funds. Indeed, the Commission stresses the importance of improving the

effectiveness of Structural Fund support by providing for an explicit urban dimension in regional programming. In addition to co-operation between urban areas, emphasis is placed on developing a stronger urban dimension in employment policies, through strengthened local involvement and support to local employment and development initiatives. This regards also role of cities as centres for innovation and economic development. Indeed, a lot of the vocabulary reminds of what has later been presented in the ESDP document in terms of terms of city networks (promoting balanced polycentric development) and cities as engines for regional development (promoting dynamic, attractive and competitive cites and urbanised regions).

The literature on Structural Funds suggests, that there is a wide range of activities in this field and also that the urban focus is often rather implicit. Given the cohesion focus of Structural Funds interventions, actions carried out centre mainly around the promoting dynamic, attractive and competitive cites and urbanised regions. Accordingly in the field of strengthening economic prosperity and employment in urban areas, the main emphasis is on inner-urban problems rather than on urban co-operation and urban systems.

Action carried out focuses on increasing diversification of the economic activities, strengthening research and development activities in a urban region, supporting enterprises by providing innovation infrastructure and attracting inward investments.

- *Diversification*: Increased diversification of economic activities is considered and important factor in improving the economic viability in urban areas, for example by measures encouraging entrepreneurship, the development of SME's, support of tourism and cultural industries etc. SME development is in fact one of the most common strategies related to the Structural Funds both in urban and rural areas. Local enterprise agencies have been set up to provide advice and expertise on topics e.g. financing, business planning, legal issues etc, and in some cases have provided or helped fledgling firms in finding suitable premises. One such example is in Manchester in England, where a business centre has been set up on the campus of the University of Manchester to help high-tech business start-up.
- *Research and development*: High levels of activity in the fields of research and development are regarded as an important factor of the productive environment in competitive regional economies. Research centres have been set up with the support of the Structural Funds, for example a biotech centre in Halle in the Saale in Germany, with the aim of producing scientific knowledge to be applied for SME firms in the region. Parallel to the research centre, a business start up centre is set up to encourage establishment of new SME firms.
- *Developing innovation infrastructure*: Related to research and development, innovation is often considered an important aspect in making enterprises more competitive. In Valencia for example, a network of innovation centres have been set up with the assistance of the Structural Funds to promote certain

industries and increase their competitiveness by offering various kinds of assistance to firms within given industries.

- *Attracting inward investment projects*: Attracting investment is considered an important factor for improving economic prosperity and increase employment opportunities in deprived urban areas, for example by improving the general physical condition of the urban area or create business parks. In Burbach in Germany for instance, new high-tech companies as well as handcraft enterprises have been located on the renovated and revitalised area of an old iron and steel work.

It goes with out saying, that there is a vast variety of SF actions carried out in this field and many of them in urbanised areas. Because of the spatialised focus of Structural Funds, a certain emphasis is on old industrial areas.

Whereas actions carried out certainly have effects at local level, their contribution to European economic and social or even territorial cohesion is more uncertain. Despite the prevailing belief that territories cannot be pushed of the market, Camagni (2002) stress that this indeed is possible and that the law of comparative advantage does not hold for confrontations among local economies. So he argues that the general assumption that each region will always be granted some specialisation and role in the interregional division of labour is not valid. Following this line of argumentation the intention of the Structural Funds might not be achieved by the actions described above.

Support of equality, social integration and renewal of urban areas

For many years there have been attempts via the Structural Funds to aid lagging regions in updating and modernising their industrial structures in order to compete more effectively within the common European market. Atkinson (1998) underlines that during the 1980's increasing attention was given to the social dimension, as it was increasingly acknowledged, for both economic and political reasons, that the European Social Model, which was seen as essential to Europe's economic and political success, was under threat from global and European economic restructuring. Thus issues such as social exclusion and cohesion became part of the EU's vocabulary and its policies, justified primarily in terms of their implication for economic development.

Indeed, both attractiveness and local competitiveness depend on similar common factors, which are not only found in physical externalities, accessibility and environmental quality but also in relational capital and the learning capacity expressed by the territory.

In the UFA the Commission advocates an area-based approach to the regeneration of deprived urban areas under the Structural Funds, integrating economic, social, cultural, environmental, transport and security aspects. Linkages between urban areas

in difficulty and the wider social and economic strategies in order to avoid urban segregation are equally important. Special emphasis is placed on aspects such as second chance education and training.

Given the policy focus of social cohesion, actions carried out focus on deprived areas, and issues such as social integration, training and education and equality aspects.

- *Social integration:* Inhabitants in deprived urban areas facing declining economic performance, high unemployment, lack of opportunities, inferior housing, outward migration etc, run the risk increased isolation and social exclusion from society. In the Merseyside region in England, a project called pathways to integration was established with the goal of developing self-help in some deprived neighbourhood in the region. The aim was to let local residents identify the underlying causes of their own difficulties and then design their own *pathways* into education, training and employment with the help of local resource centres offering a range of services that combine training, service provisions and community development.
- *Training and education:* Accessibility to training and education is in many regions regarded as a valuable factor in improving the economic prosperity of deprived urban areas and enhancing social integration. The focus of measures and objectives can vary between areas, as some are directed at training of employees to increase competitiveness of firms, others focus on unemployed people to increase their job opportunities and yet another are aimed at training for those who want to start their own company. In Hamburg, an employment program was established as a pilot project, focusing on combating youth unemployment by preparing school-leavers specifically for starting work and to provide already unemployed young people with further training.
- *Improving the image of deprived areas*: To improve the image of deprived areas is regarded as an important aspect in trying to attract businesses, create new employment opportunities and enhance the general living condition of the inhabitants, for example by improving the physical appearance of the area in the form of urban centres development, recycling of vacant and derelict land, refurbishing old building (old industrial sites, harbour areas, run-down centres etc.). One such example is in Belfast, Northern Ireland, a city where areas previously used for various industrial and harbour activities along riverbanks are being redeveloped with the aim of improving the economic and social condition in the city.
- *Promoting equity*: It seems, as special projects focusing especially on women and the inequality between men and women in urban areas are not very common. This might be explained by the fact that gender equality is a mainstreaming issue of Structural Funds and thus only rarely addressed by explicit measures or project. Some projects can though be detected as a part of, for example, employment projects in deprived areas as in Merseyside pathways project mentioned above where childcare is offered for women seeking employment or training.

A major difference between actions regarding equality, social integration and renewal of urban areas and those addressing directly prosperity and employment in urban areas, can be seen in the geographic focus. Direct economic measures are mainly viewed in regional economic terms and thus address the problems of regions or of urban areas being motors for development of a certain region. The more socially oriented aspects are partly considered as cross-cutting issues running through a variety of Structural Funds actions. Those actions showing an emphasis of these issues focus often on rather small areas with a region or urban agglomeration. This is not at least illustrated by Hamburgian example. Hamburg itself is one of the most prosperous city-regions in Europe (in economic terms), however, there are pockets of poverty within the urban agglomeration, which have been subject to Structural Funds action.

In the context of Structural Funds, human, social and relational capital endowments emerge as the factors for regional competitiveness, as necessary pre-condition to secure employment stability, benefits from external integration and the growth of local well-being and wealth. Camgani (2002) underlines that there are a number of theoretical and operational problems that need to be considered, such as the actual necessity and usefulness of competitive policies, the possible targets and tools of such policies and the possible emergence of zero-sum games and beggar-my-neighbour attitudes among territories.

Protection and improvement of the urban and global environment: Towards local and global sustainable development

The UFA highlights environmental actions most likely to lead to demonstrable improvements in urban areas, and draws together a wide range of Community initiatives that affect the quality of the urban environment, including urban energy management, transport, waste, air quality, water, noise and contaminated land. Emphasis is placed on integrated environmental management approaches and on how the Structural Funds can contribute to a more sustainable urban environment.

Environmental issues have featured more prominently in EU objectives and regulations in recent years. Efforts to integrate these objective date back several decades, with an emphasis on the improvement of vacant and derelict land. Although much has been achieved with EU support, difficulties have been experienced with the relatively short time scale of the Structural Fund programmes, moves towards quantitative, commercially-oriented appraisals and evaluation procedures, and securing co-funding from less committed local partners (cf. Clement, Bachtler, Turok).

Despite the wide range of problems when it comes to environmental aspects and sustainable development within the Structural Funds programmes, issues such as improving public transport, environmental improvement of urban areas and infrastructure for pollution management are covered.

- *Improving city public transport:* Growing concerns, both locally and globally, over increased traffic in cities and resulting pollution has led to projects to support development of public transportation networks. The probably most famous example is the extension of the Athens metro, which was completed in 2000, partly financed by the Structural Funds.
- *Urban green space and environmental improvement in urban areas:* Improving the urban green space, for example by planting trees, can be a part of measures aimed at enhancing the general appearance of deprived neighbourhoods. In Sheffield, England, for example, a project funded by the Structural Funds involved a series of environmental improvements on council owned land around and between housing in a deprived area.
- *Promote environmental awareness*: To reach the goal of a more sustainable urban development, measures in promoting environmental awareness among both citizens and firms are important. Improving the environmental performance of production can also open up new markets and increase the competitiveness of firms. Investments in environmentally friendly technology are though often expensive, making it hard for SME firms to compete with larger firms. In Berlin, SME firms have since 1989 received support for environment improvement schemes from a so-called environment assistance programme.
- *Infrastructure for pollution management:* Integral part of plans to improve the environment, both local and global, in order to move towards sustainable development are measures related to the treatment of waste in all forms. In Bilbao, the Structural Funds have been used to help funding the second phase in the construction of a wastewater treatment plant, which will double the primary treatment capacity to include the treatment of storm water and provide a system for organic treatment of active deposits. The plant treats wastewater from 80% of the population of the Greater Bilbao area.

These examples confirm the conclusions draw by Goodstadt and Clement (1998), that there has been a growing recognition that economic decline, social problems and environmental degradation experienced in European cities and regions are part of the same dynamic, and initiatives tackling these themes are no longer viewed as reconciling competing objectives but are rather increasingly designed to support identifiable inter-relationships between features that are central to strategies for renewing urban environments.

Especially actions falling into the sections “improving public transport” and “infrastructure for pollution management” illustrate that contributing to environmental sustainability is a horizontal goal of the Structural Funds. Thus one may detect a number of infrastructure projects contributing to the improvement of the local (and global) environment. On the other hand the vast majority of infrastructure investments might not consider environmental aspects or even harm sustainable development.

The degree to which Structural Funds actions integrate environmental sustainability as horizontal goal varies among projects and among EU Member States. Accordingly, there might be a long way to go before achieving the aims put forward in the ESDP under the heading "wise management of the natural and cultural heritage". So far, Structural Funds seem to focus on aspects in the field of "water and resource management – a special challenge for spatial development". Also the ESDP aim already mentioned above on "dynamic, attractive and competitive cites and urbanised regions" relates to environmental policy options addressed by Structural Funds actions.

Contribution to a good urban management and strengthening of local self-governance

The UFA calls for stronger policy integration between various levels of government and policy sectors and for citizen empowerment and involvement. The Commission foresees awareness-raising and capacity-building measures and support for innovative urban development strategies aimed at promoting good urban governance, empowerment and urban security.

Governance, participation and process-orientation are increasingly considered important issues in policy making. Understanding a territory as a system of local governance, means concentrating on what brings together a collectivity, an ensemble of private actors and a system of local public administration. In terms of regional policy this means, individual companies are the entities that compete and act in the international market and that their innovativeness can never be separated form the presence of a Schumpeterian entrepreneur, but at the same time, these entrepreneurs/companies are to a large extent generated by the local context and, in order for them to govern and live with uncertainty their decision-making-processes are firmly based on socialised process and explicit collective action.

The importance of governance processes is reflected in different aspects of the Structural Funds system. In the context of Structural Funds in urban areas, aspects such as urban management, participation process and comprehensive development strategies seem to be key issues.

- *Good urban management:* The wide dimension of problems many urban areas are facing today are such that they have to be tackled through many policy areas, creating the need for an integrated approach involving several sectors. The establishment of partnerships between different levels of government (local, regional, national, European) and also between various actors active in the same area are considered an integral part of good urban management.
- *Public participation in developing processes:* Active involvement of local citizens affected by SF interventions, in the development and implementation of projects of neighbourhood renewal, is considered contributing to the success of such intervention. In a neighbourhood in Hague, Nederland, with

the support of the URBAN community initiative, a wide consultation exercise was carried out with different groups of the community with the aim of trying to transform a local park considered unattractive and unsafe.

- *Support of comprehensive development strategies:* In the German city of Neunkirchen, where the city-centre is dominated by iron and steel works that have been closed down, the Structural Funds in combination with national urban development funds facilitated a comprehensive urban development action. This included renewal of the iron and steel works, developing of the pedestrian area, creation of urban green structures and development of industrial areas.

Urban development and management is increasingly becoming part of European policies. Müller-Zick (2001) argues that although there is no formal EU competence in the field of urban development, structural policies influence urban development considerably. He illustrates that Structural Funds can be an instrument supporting comprehensive urban development strategies. Indeed, the European Union pushes towards complex strategies and solutions. This regards especially the work on cross-sectoral approaches to urban problems, which are pushed by the partnership principle in the Structural Funds. However, his review illustrates that Structural Funds open for the development of comprehensive urban development strategies mainly when combining them with other funding sources showing an explicit urban focus. Accordingly Structural Funds can be used for urban management and cross-sectoral development strategies but do not primarily stress this aspect.

Thus, we may conclude with a last quote of Camagni:
"In these conditions, the roles and responsibilities of local development policies and spatial planning widen, facing new political and cultural challenges. Integrating economic and spatial goals; integrating different sectoral tools; stimulating local co-operation networks and partnerships; guaranteeing the real and effective participation of people and citizen in the construction of territorial 'visions' and strategies; enhancing local competitiveness through appropriate policy tools address to collective learning and local relational capital: all these new tasks represent relevant challenges and ask for a rapid evolution of our models of territorial governance" (Camagni 2002:2407)

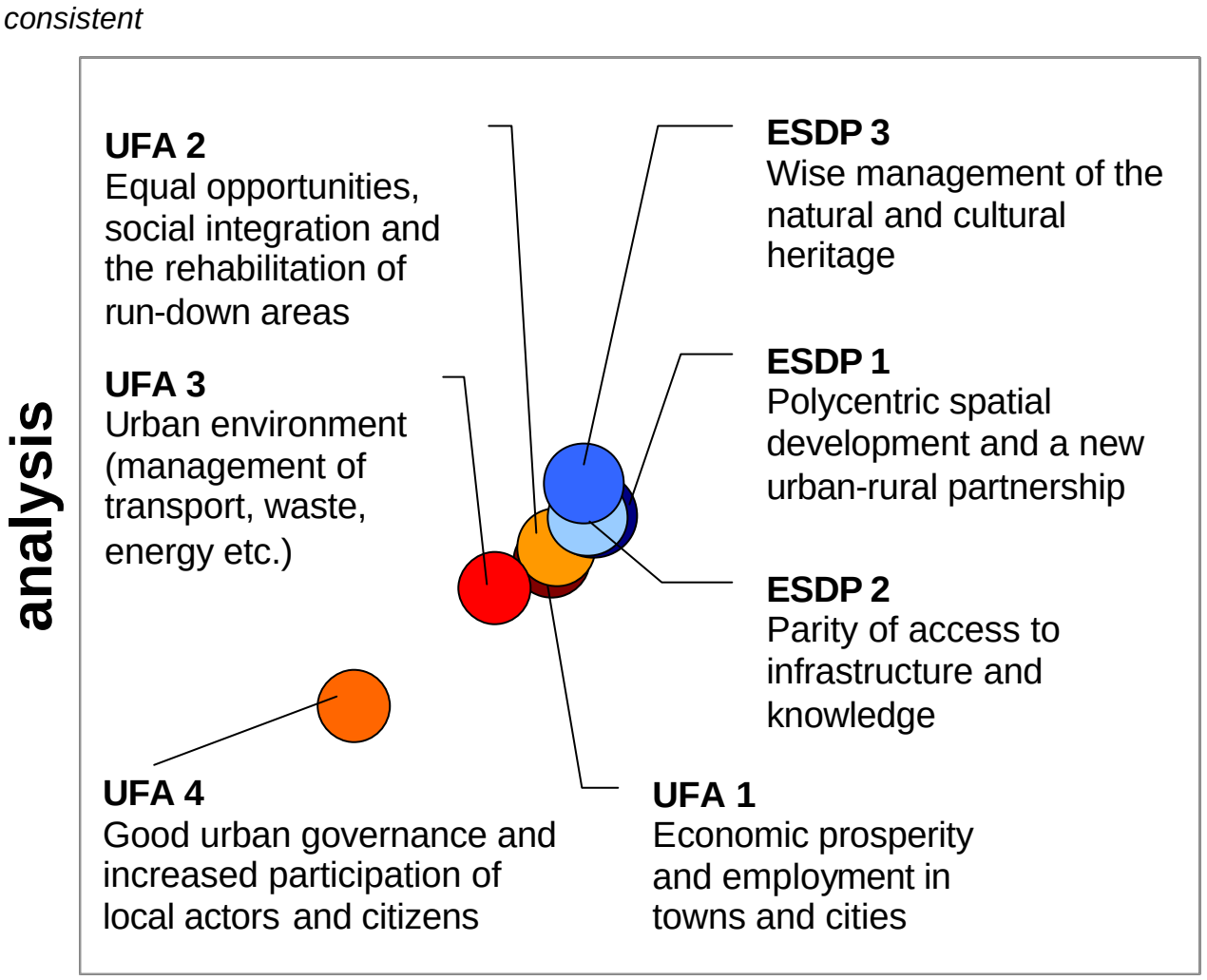
Structural Funds Interventions in Urban Areas 2000-2006

For rounding up the discussion, we would like to give a brief outlook on the urban dimension in the recent Structural Funds period (2000-2006). This section is based on the assessment of the "Spatial and Urban Dimension in the 2000-06 Objective 1 & 2 Programmes" carried out by the European Policies Research Centre (EPRC) in co-operation with Nordregio.

The figure below gives a cross-European picture of how the various UFA and ESDP policy aims are integrated into the programmes. Instead of illustrating national

differences this figure provides an overview sorted by policy aims. The figure gives a fairly good overview on the preferences/tendencies: not surprisingly the ESDP policy aims are favoured and governance issues have least priority.

Spatial & Urban Dimension in the 2000-6 Structural Funds Programmes



Nordregio (2002)

Based on the study on the spatial and urban dimension in the 2000-06 Structural Funds programmes carried out by the European Policies Research Centre (EPRC) in co-operation with Nordregio.

For most aspects it shows that they are on a medium range consistently integrated both in the programme analysis and in the programme strategy. Not unexpected, "urban governance and public participation" ranks lowest among the four UFA policy aims, whereas the other one are clustered closely together. In this context it may come as a surprise that social integration/equal opportunities shows a (slightly) higher priority than economic prosperity/employment. Environmental aspect rank lowest within this cluster.

However, one needs to keep in mind, that the Structural Funds programmes have been drafted as regional economic development programmes. Urban issues are not among the core issues and the degree to which there is accordance or correspondence with UFA policy aims, are often rather coincidental.

In addition to the ranking of policy aspects, the assessment of the spatial and urban dimension in Structural Funds resulted in territorial oriented typologies of interventions. The territorial areas covered followed the indications of the Second Cohesion Report: urban, rural, peripheral, border and coastal areas. The following table presents the interventions in urban areas, which are about the same for both Objective 1 and 2:

	Objective 1	**Objective 2**
Business support	– Developing innovative infrastructure – Tertiary sector support	– Developing innovative infrastructure – Tertiary sector support
Education & training	– Supporting SME entrepreneurship	– Supporting SME entrepreneurship
Regeneration & exclusion	– Support for socially excluded groups – Development of city centres	– Support for socially excluded groups – Development of urban centres
Infrastructure	– Improving city public transport – Developing business parks	– Improving city public transport
Environmental issues	– Tackling urban pollution – Waste management	– Tackling urban pollution – Waste management

Drawing wider conclusion on the urban dimension of Structural Funds, one needs to keep in mind, that this table is based on the urban slant which can be spotted in Structural Funds measures and priorities frequently. However, it does not say anything about the urban dimension in relation to the entire focus of the programmes. This will need to be assessed through our subsequent research activities, coupled with that of TPG 2.1.1.

5.6 Use of Objectives One and Two in urban areas

Recent research for the EC[3] examines the use of Objectives One and Two in urban areas. The reports analyse how countries' programming documents and strategies tackle the policy aims of the UFA, i.e.

- Strengthening economic prosperity and employment in towns and cities
- Promoting equality, social inclusion and regeneration in urban areas
- Protecting and improving the urban environment, and
- Contributing to good governance and local empowerment (p.58 on).

How the programming documents and strategies tackle the policy aims of the ESPD is also examined. The ESPD policy objectives are:

- Balanced and polycentric urban system and a new urban-rural relationship
- Access to infrastructure and knowledge
- Wise management of the natural and cultural heritage.

However, the question of how O1 and O2 tackle problems created by industrial change and changing economic sectors is not mentioned specifically. Declining industrial regions, the spatial effects of expenditure, and the role of management in influencing effects are also not specifically explored.

Within the Structural Fund Guidelines, urban development is addressed as one of the aspects of balanced territorial development. Three Actions are highlighted within the Guidelines as being particularly relevant for consideration within the programme strategies:

- Action 1. Explicit urban programming for SF support

- Action 8. SF support to area-based action for urban regeneration

- Action 18. EU SF support for protecting and improving the urban environment.

The first report looked at the O1 programming documents across the EU, and found that the inclusion of urban elements within the documents varied considerably. This ranged from a 'strong' inclusion of urban elements by Italy, to no inclusion at all by Austria, Finland and Sweden. This latter is thought to be due to the predominantly rural nature of the O1 regions in Austria, Finland and Sweden.

[3] Polverari, L. and Rooney, Mary Louise (February 2002) *The Spatial and Urban Dimensions in the 2000-6 Objective One Overview*.
Polverari, L. and Rooney, Mary Louise (February 2002) *The Spatial and Urban Dimensions in the 2000-6 Objective Two Overview*

The report analysed the extent to which the programming documents included elements of the Urban Framework for Action, and classified them as shown in the table below.

Objective 1

Inclusion of Urban Framework for Action elements	**EU Countries**
Strong	Ireland Italy
Mixed (weak)	Belgium France Germany Greece Portugal Spain UK
None	Austria Finland Sweden

The following points attempt to show to what extent to which the framework has been considered within the O2 programming documents.

The second report found that the inclusion of the Urban Framework for Action policy aims within O2 programming varies considerable from country to country. Inclusion ranges from 'strong' in Belgium to none in Denmark and Sweden. This is thought to be due to the fact that in some cases the programming covers predominantly rural areas and urban development is not an issue. Additionally, in other cases the programmes incorporate urban areas but the strategies do not encompass any policy response to urban development needs because these are addressed by other means.

The table below summarises the reports findings about the inclusion of Urban Elements in the O2 programme analysis. It was reported that the countries can be grouped into 4 categories, strong inclusion, mixed or medium inclusion, weak inclusion and no inclusion.

Objective 2

Inclusion of the UFA policy aims	**Country**
Strong	Spain
Mixed/medium	France, Germany, Luxembourg, the Netherlands, UK
Weak	Austria, Belgium, Finland, Italy
None (due to lack of relevance)	Denmark and Sweden

Interventions in urban areas

As the reports highlight, it is not always easy to identify specific interventions for urban areas from programming document and strategies, as interventions used to tackle urban issues may be generic in design, and it is not always clear where the line of division lie between interventions aimed at different types of areas. However, interventions with a specific spatial and urban relevance do exist, and tend to focus on four broad sets of issues, in the case of both Objective 1 and 2:

- **The development of towns as regional economic nodes**. Combining infrastructure, business support and education and training measures and priorities, the aim of these kinds of intervention is to encourage the emergence of specific urban areas as centres of business innovation.

- **Relieving urban congestion**. Usually this relates to the dangers of over-development in certain urban areas, where too-rapid growth is leading to deteriorating quality of life. Interventions in this field might relate to improving the labour supply through training or developing brownfield land to increase the supply of land and property.

- **Reducing social and economic disparities within towns**. A range of interventions have been utilised here, such as training targeted at excluded groups, diversionary activities for young people and crime reduction projects.

- **Regeneration**. Interventions might include the environmental and architectural improvement of town centres, waste management, reclaiming brownfield land or better use of cultural heritage.

Examples of common interventions related to typical programme measures are given in the table below.

Typical Programme Measure	Examples of interventions with specific spatial (urban) relevance
Infrastructure	• Improving city public transport • Developing business parks
Business support	• Developing innovation infrastructure • Tertiary sector support
Education and training	• Supporting SME entrepreneurship
Regeneration / exclusion	• Support for socially-excluded groups • Development of urban centres
Environmental	• Tackling urban pollution • Waste management

These common interventions are identical across the Objective 1 and 2 programmes, with the exception of 'developing business parks', which is excluded from the O2 list of interventions.

Definitions

The reports attempt to create a typology of SF strategies by region, within which *urban areas* 'consist of the urban communities within Objective 1 [or Objective 2] regions, ranging from medium-sized towns within largely rural areas to significant city metropolitans'. However, the reports note that no absolute, standardised definitions of regional types (such as urban areas) exist as such across the Objective 1 programmes. The studies use the various terms and definitions used by individual programmes to classify urban areas as above. No attempt was made to set out a precise definition of how large an urban agglomeration must be to be considered an 'urban area'.

6.0 DEFINITION OF APPROPRIATE INDICATORS, TYPOLOGIES (AND INSTRUMENTS) TO DETECT REGIONS AND TERRITORIES MOST NEGATIVELY AND POSITIVELY AFFECTED BY IDENTIFIED TRENDS

The aim of this study is to examine the role of the Structural Funds in urban areas. In the context of the study the particular focus is on declining industrial urban areas. We have identified in previous sections the indicators to be used in this process and the instruments to be deployed, particularly the use of sample analysis.

In the following section we identify the main trends which are present in this policy field, the ESDP policy context and the relevant strengths, weaknesses, opportunities and threats – drawing on the framework provided by TPG 3.1.

The ESDP argues for the use of spatial typologies to frame interventions of structural funds. In this respect it highlights the:

- Importance of Structural Fund interventions as part of wider (regional) territory
- Importance of programmes offering integrated development plans
- Importance of INTERREG – importance of integrated and spatial development

The man policy aims of the ESDP are to support:

- Polycentric pattern of settlements
- Compact cities and limitation of urban sprawl
- Urban rural partnerships
- Developing networks between cities and urban areas, within member states and across borders
- Developing dynamic and competitive cities with a strong and diverse economic base good accessibility and strong social welfare
- Developing a sustainable urban eco-system
- Promotion and protection of cultural heritage.

In the light of the policy aims of the ESDP what are the main strengths identified

The policy aims of the ESDP reflect a desire to develop sustainable urban communities. Whilst across Europe examples can be found of urban areas which reflect these aims and particularly demonstrate a strong and dynamic economic base, compact development patterns and developing networks these are not usually those areas which are characterized as industrial areas in decline. In the light of the main policy aims and the focus placed upon declining industrial areas there are few strengths identifiable at this stage of the study.

In the light of the internal policy aims of the ESDP and the role of Structural Funds in urban areas greater strengths can be identified. On the whole Structural Funds programmes are promoting the development of competitive cities, supporting the strengthening and diversification of the economic base, improving the accessibility of urban areas and promoting social integration and welfare actions. Structural Fund programmes are also

supporting environmental improvements, including efforts to strengthen urban eco-systems, and promoting and protecting cultural heritage.

In the light of the policy aims of the ESDP what are the main weaknesses identified

The weaknesses are more apparent in the context of Structural Funds in urban areas. The weaknesses facing the Structural Funds in urban areas relate to the strength of the urban economies upon which they are targeted. Inter alia, urban areas with declining industrial economies exhibit a weak economic base and a sluggish economy. Social and economic disparities are often present and environmental problems are prevalent.

Structural Fund programmes in urban areas only weakly address, if at all, a number of key policy aims of the ESDP, including the promotion of compact cities and the limitation of urban sprawl, urban-rural partnerships and polycentric settlement patterns. There are limited examples of inter-city networking.

In the light of the policy aims of the ESDP what are the main opportunities resulting from identified frame conditions

The main opportunities emerge from the changing nature of production patterns and the increasing attention paid, at a policy level, to the concept of sustainable development.

The increasing importance of the knowledge economy, focusing on products which have low transport costs reduce the effects of weak accessibility. This offers important opportunities for some urban areas, at the same time other urban areas can benefit from changing production patterns that reinforce the attractiveness of locations where production costs are relatively low (owing to lower labour charges, lower costs of land, cheaper transport costs or lower compliance charges for regulatory requirements), or accessibility to particular markets is stronger. The emphasis on increasing skill levels offers an opportunity for urban areas which are able to demonstrate strengths in these areas.

Changing leisure patterns are increasing the number and value of tourism visits. Urban areas are strong beneficiaries of this trend. The importance of a strong cultural heritage in attracting tourism is recognised and promoting environmental improvements and the promotion and preservation of the cultural heritage within urban areas.

The introduction of the Euro and the accession of new member states are both anticipated to provide a fillip to economic growth. Those economies that have a strong export orientation may prove the strongest beneficiaries. The detailed spatial effects of the reduction in barriers to trade are as yet unclear.

Environmental concerns have increased in profile over time. The policy environment is supportive of desires to promote compact cities and limit urban sprawl.

In the light of the policy aims of the ESDP what are the main threats resulting from identified frame conditions

Possible threats facing the securing of the ESDP policy options include the continuing decline of urban areas dependent upon vulnerable economic sectors, owing to the continuing globalisation of trade. The reduction in a skilled and available labour force owing to an ageing population profile and migration to more prosperous economies, may also threaten the development of dynamic and competitive cities. Changing patterns of business location decisions may reduce levels of inward investment to environmentally weak areas, whilst low levels of business start-ups will fail to invigorate the local economic base.

Additional threats include the potential cumulative gains made by stronger economic areas, though attracting new economic activities based upon the economics of agglomeration and the spillover effects that this can have on the rela accessibility of urban areas (as the provision of flight destinations decline in weaker areas and increase in those that are stronger).

Economic growth may lead to urban sprawl unless it is controlled. This is both a consequence of growth but may also be a driven by a desire to promote economic growth (whereby land use planning controls are only weakly applied in order not to constrain demand). Economic growth may lead to increasing social and economic disparities if the benefits of this growth are not equally distributed.

The introduction of the Euro and the accession of new member states may weaken the position of already vulnerable urban economies as less competitive economic sectors are adversely affected by the reduction in barriers to trade.

What are the driving forces dominating the field

In order to detect regions and territories most negatively and positively affected by prevailing trends it is necessary to firstly identify what these trends are. It is then necessary to identify how the social and economic structure of the territory in question is likely to react to these trends. This latter element is particularly difficult but is an important stage in the development of Structural Fund programming documents.

In identifying the likely development path of different regions the European Commission has proposed that one of four economic models might be adopted.

- HERMIN model
- QUEST model
- Venables model
- REMI model

In the absence of applying such detailed modeling activity the best that one can manage is to make a best estimate based upon the presence (or absence) of certain sectors and to assume that sectoral trends will apply in an even manner that is relatively non-differentiated in a

spatial sense. This is clearly a very simplistic assumption when applied to real world economics, which – over the long-term - rely upon the movement of production capacity according to least cost conditions. In reality, different economic sectors are developing in very different ways and these sectoral trends will impact differently in different places. To a certain extent we can build a picture of how urban areas are reacting to existing trends, through the use of trend-based indicators, but this is no guarantee of future performance. The difficulty of identifying 'turning points' is the critical problem here.

In the following section we identify some of the key trends which are likely to apply across the European territory in the next 10 to 20 years. We then consider how urban areas relate to their wider regional economies and what factors contribute to their positive (or negative) performance. Finally we move towards the first development of typologies (and instruments) for identifying territories affected by the changes identified.

6.1 European trends

In the following section we focus on identifying some of the key drivers of change as they will operate at a European level. These drivers are presented in broad format. Each sub-section focuses on those trends that are likely to have some impact on business activity. The trends are expressed at their broadest scale and will clearly have differential impacts. It is not the role of this section to determine what the geographical implications of the identified trends may be. The section is based upon an analysis of various secondary sources and provides a snapshot of currently identified trends.

The section is organised under the following broad categories:

- Economic drivers
- Leisure and tourism drivers
- Education and skills drivers
- Science and technology drivers
- Demographic drivers

6.2 Economic Drivers

Globalisation of trade

Although primarily a policy issue, this is also being driven by changing economic conditions. The world economy in recent decades has been characterised by reductions in barriers to trade through liberalisation, deregulation, privatisation and the application of information technology. Whilst it has opened up companies to lower cost competitors and pressure from more demanding investors and capital markets, it has also facilitated the exploitation of new markets and new products. The evidence points towards the world's economic markets becoming ever closer and inter-twined.

Key trends in the continued liberalisation of trade will be:

- The membership of China to the World Trade Organisation, which is estimated may add up to 2% to global output over the next 10 years.
- Continued efforts by the EU to secure liberalisation of transport, energy, telecommunication and finance and labour markets
- The affects of the European Single Market, particularly when coupled with the accession of Central and Eastern European States to the EU

Whilst the precise effects of these changes are largely unpredictable it is safe to assume that firms relying upon cost competition will be increasingly disadvantaged. Those firms with technological advantages or intellectual property will be those that are more likely to thrive in the longer-term.

However, it is not certain that market liberalisation will continue as a dominant trend. Recent protectionism by the US, particularly in steel and textile markets, may signal a change in global trading conditions. However, protection in such industries is unlikely to confer significant benefits to the EU and may prove more damaging than tendencies towards liberalisation. Equally, increasing levels of legislation affecting industrial activity in the EU may, at least in the short-term, detrimentally affect the cost-competitiveness of some industries as they comply with higher legislative requirements than are required of their competitors.

Whilst market liberalization has been occurring the balance of trade has shifted. The pattern of change varies by country (see below). Some Member States have become more trade orientated towards other EU member states, whilst others have become less so. Again, this tends to reflect historical trading patterns and the nature of the economic sectors present in each country.

Table 5 : Share of Intra-EU-Exports in Total Export (1958-1998)

	1958	*1975*	*1980*	*1990*	*1998*
France	30.9	53.2	55.6	65.3	62.4
Belgium and Luxembourg	55.4	72.7	73.7	79.9	75.8
Netherlands	58.3	73.0	75.1	81.4	79.0
Germany	37.9	46.9	51.4	64.0	56.4
Italy	34.5	49.2	52.3	62.8	56.2
United Kingdom	21.8	35.2	45.1	57.3	58.0
Ireland	82.3	81.4	76.9	78.6	69.8
Denmark	59.3	46.6	51.6	68.4	66.8
Greece	50.9	51.6	48.3	68.0	52.3
Portugal	38.9	53.8	59.7	81.2	81.6
Spain	48.9	48.1	52.7	67.6	70.5
Sweden	-	-	-	62.3	57.3
Finland	-	-	-	62.2	56.1
Austria	-	-	-	67.2	64.2

Source: EUROSTAT (adapted from second report on economic and social cohesion)

There is a growing trend for integration of markets and sectors at the EU level. The Cardiff report on the economic development of the internal market notes that, contrary to initial forecasts, a faster growth in peripheral Member States than in the core zone. Between 1998-00 GDP grew by an average of 3.8% per annum in Spain, Greece and Portugal compared to 2.8% in the rest of the EU and 2.9% for the EU as a whole. Growth rates in Ireland were even higher. In part this is due to the higher levels of specialisation in growth sectors in these countries, meaning that, overall, faster than average economic growth is being experienced. Those regions with strong export orientation (within the Eurozone) will tend to benefit from the introduction of the Euro as transaction costs are reduced.

There is only limited evidence to support the contention that significant concentration of economic activity in the core regions of Europe is occurring as a consequence of market liberalisation. However, there is some evidence that lower skilled/lower cost dependent industries are concentrating (both relatively and absolutely) in Southern European areas. It appears that concentration forces have increased since the late 1970s. Whether dispersion will follow as cost to market reduces is a moot point. On balance, though, it also appears that over time economic activity within regions has become less specialised.

Structural economic change

Amongst OECD member countries two thirds of business activity and 70% of jobs are now classified as based upon service provision. A number of sectors have been identified as offering the best prospects for sustained growth[4]. These sectors are a mixture of those with a long existing presence (retail, business services), and newer sectors which are considered to have the potential to provide a higher proportion of jobs in the future. In all, there is a movement towards more knowledge based, higher value added sectors.

Structural change is also reflected in a shift in the nature of the firm. There is an increasing pattern for major companies to out-source activities. This has been a significant factor in the growth of firms supplying business services, and has been one factor accounting for the changing balance of employment between manufacturing and service activities.

The growth of the 'Knowledge Economy'

There is increasing recognition that maintaining competitiveness in an increasing global economy is no longer dependent on the production of standardised products at the lowest possible cost. The greatest employment increases are expected in sectors connected to the knowledge economy: computer services, other business services and professional services for example.

[4] They include: Research and Development; Biotechnology and pharmaceuticals; Information Communication Technologies and Software; Electronics; High-tech manufacturing; Business services; Financial Services; Tourism; Culture and Media; Education; Health and Personal Care; Food Processing; Retail

Developing specialisation in knowledge, design and human capital intensive products, which can sell at premium prices in niche markets, is an increasing focus of economic policy and business practice. This in turn depends on a process of continuous innovation, driven by factors such as access to specialised labour and research and leading edge supply networks. For businesses, there is a need to connect all parts of their organisation so that knowledge can be shared quickly. The implications of this include:

- 24-hour knowledge transfer - driving the need for a flexible work force and 24 hour access to buildings;
- Increased efficiency and a reduction in production cycle times (thereby reducing space requirements);
- Knowledge and data transfer encouraging companies to out-source a larger number of processes – again reduction in space for a given level of activity; and
- Development of intranets and extranets, enabling non-specific location working linked by sophisticated telecommunications – leading to reduced space, requirements for larger offices to be replaced by smaller 'serviced' provision.

While around 40-60% of all business R&D is performed in so called high-tech manufacturing, for many countries an increasing share (30-40%) of R&D is performed in the service sector. Although manufacturing has declined in overall importance, the high-tech element in some countries has potential to be very dynamic in terms of sales and productivity increases, although with less effect on jobs.

Inward Investment Trends

Foreign Direct Investment continues to be a major consideration within the worldwide economy. In 1999, global and European foreign direct investment rose to all-time highs. The US and the UK are the largest generators and beneficiaries of global FDI. Some of the key trends affecting FDI include:

- Movement towards more knowledge-based sector projects, producing a greater number of investments, but smaller numbers of jobs and investment per project.

- Shift of FDI towards new locations - particularly southern Europe and accession states of Eastern Europe

- Shift towards cross-border mergers and acquisition activity (M&A), led by Europe and the US, rather than growth in more traditional FDI investment areas (for example greenfield investment, expansions, co-location).

- Movement towards direct investment protecting or safeguarding existing jobs rather than generating new jobs. Of 2,000 direct investment projects in Europe in 1999, only 1% generated jobs of 1,000 or more (Ernst & Young's European Investment Monitor).

- Sectoral focus of new project investments, with six sectors accounting for 50% of all projects in Europe (software, automotive, financial services, electronics, chemicals and

pharmaceuticals). Manufacturing remains the largest single activity, although there has been strong growth in call/ contact centres, co-ordination/ head offices, and e-commerce.

Business Location Decisions

Business location decisions will increasingly be influenced by such factors as:

- Quality of working environment (including access to services);
- Quality of social infrastructure and housing choices;
- The need for, and increasing importance of, flexible working arrangements – home working, flexi hours;
- The quality of the local skill base – with organisations requiring access to large skilled labour pools.

6.3 Leisure and Tourism

Leisure and tourism are an increasingly important aspect of the economy and people's lifestyles. The pattern of spending (time and resources) in these areas can have a major impact on spatial structures.

Increased Leisure time

Improvements in productivity at work and more importantly labour-saving devices in the home are leading to increased amounts of leisure time across the population as a whole. While trends such as longer working hours are also evident today there are signs that some are beginning to trade-off increased wealth for more leisure and a better work-life balance.

Tourism

Trends in tourism in recent years have shown massive increases at a global scale - the industry is one of the largest and fastest growing in the world. The industry is forecast to increase in the next twenty years as a result of rising education levels (which affect cultural participation) and affluence (which serve to increase the aspirations of the population). The increasing age of the population results in a greater percentage of the population with more available time, being at the peaks of their careers, possessing the highest earning powers and thus having the highest levels of disposable income. The increasing economic role of women means that they also have more discretionary income and thus more control over holiday destinations and leisure time. There is greater emphasis on shorter trips, combined breaks with business travel, weekend escapes and particularly day trips.

6.4 Education and skills drivers

Research has shown that the most successful regions generally have a highly skilled, flexible and well managed workforce, that is constantly updating and adapting to new circumstances. The competition to attract, train and retain knowledge-based personnel will be central to the success of both organisations and regional economies. Following on from the shift towards a knowledge-based economy, businesses are having to adapt their attitudes to work. Such a change suggests the following:

- Flexible work arrangements (working from home/flexible hours);
- The quality of working environment (including access to shopping, leisure, banking and other social infrastructure);
- Business location in an area of quality skill base, ie enabling access to the 'largest pool of talent'.
- Increased Use of Information and Communications Technology
- Increased use of Contracting

6.5 Science And Technology Drivers

Information and Technology Communication Technologies

New and emerging technologies continue to have a major influence on space. By 2010 the internet will be an all but ubiquitous technology enabling international markets to be reached with ease and joint working world-wide. Each new wave of technology in the past has had far reaching positive consequences on economic growth and employment. The indications are that the latest wave of new technologies will bring about similar benefits.

In manufacturing, ICT has had a major impact on the organisation of activity. It will enable businesses to manage their supply chain more effectively, enable the more efficient management of stocks through just in time delivery processes and result in the down sizing of manufacturing plants, at least in the medium to long term. For the service sector, the development of ICT will pose a potential threat to town centres, since many office based functions based within headquarters (for example, general admin, records storage) will no longer need to be located there.

Greater application of science and technology

Access to new technologies will increase as advancements are made and its application more commonplace. Advanced nations are now performing more science and technology research than ever before and exploiting the results more rapidly. In business, evidence collected from surveys of organisations suggests that those with a focus on Research and Development or high-technology achieve higher than average productivity and employment growth, although other factors such as worker training, organisational structures and managerial ability are also

critical to this. The application of science to new areas will bring about new possibilities and opportunities, for example:

- bio-technology to the fields of medicine – genetic engineering - crime and food processing;

- to agriculture, with the diversification towards crops for non-food uses (bio-fuels). Such changes would alter the appearance of areas planted (particularly if it were coppicing systems) and could attract small scale energy and manufacturing plant into more rural areas;

- to health care, through more remote monitoring, and automated support for living. The elderly may therefore be able to have care and a high quality of life in their own homes for much longer than is possible at present.

6.6 Demographic drivers

Ageing workforce

The EU is facing a substantial ageing of its population. One study has estimated that 34% of those living in the EU will be 65 or over by 2050 (PIU Strategic Futures). This affects all Member States bar Portugal and Ireland. This obviously has far reaching consequences for welfare provision and the labour supply.

An ageing population will see an increase in the number of economic dependents. This will put greater pressure on workforces and taxation policies. There is concern that a reduction in savings by this cohort (as suggested by Modigliani's life-cycle hypothesis) will also reduce overall levels of investment across the economy, thus influencing enterprise development and growth rates. However, this might be offset if the elderly have relatively high levels of accumulated wealth which they are use to increase consumption and so promote higher levels of economic activity.

One far-reaching consequence may be changes to retirement age, although this may not be uniform across social classes. Indeed, a key change may be to increase the practical retirement age (which is often around 55 years) rather than the statutory retirement age.

Migration

As a result of an ageing population and decreases in fertility rates, it is likely that migration flows will be the determining factor of population change in EU countries rather than natural increase/decrease. Increasing mobility of workers in the EU and the potential increase of labour supply from the accession states as they become integrated into the EU will be strong contributory factors.

Sectoral trends

Each economic sector in the EU faces its own unique pressures and conditions. This makes it very difficult to generalise on the implications for polycentric development models. Even within a sector there is not necessarily consensus on likely future development patterns. For example the European chemical industry is as likely to concentrate in the core of the EU, owing to high transport costs, as it is to disperse to peripheral port areas, as manufacturers seek to replace land-based transport modes by maritime shipping.

There is, though, a consensus amongst industry representatives that to the extent that there is a reduction in investment in the EU in favour of other markets (whether these are in central and eastern Europe, Asia or elsewhere) the effects are most likely to be felt in the weaker economies, such as Spain, Portugal and Greece. This was particularly remarked on in the context of food and drink industries, an area where these Member States might be felt to have some comparative advantage. Industry representatives have also remarked on the likely negative impact that the forthcoming WTO rounds could have on the first-processing sector, which might have differential regional impacts depending upon the nature of industrial mix. In contrast, bio-technology is seen to be a strong candidate for further growth, particularly in the UK, Germany and northern Belgium.

One factor that might support a more polycentric pattern of development is the increasing importance attached to niche products and branding. This can be seen in the food and drink industry as well as in other industries such as textiles, where high value added activities are associated with a limited number of locations throughout the EU.

In general, a sectoral shift towards service activity is clearly occurring throughout the EU. It will be these activities that drive much of economic development in the future, and those regions possessing strong high value service sectors will thrive. The extent to which different sectors are represented in urban areas is an important contributory factor to their prosperity.

Accession states and other border areas

The imminent accession of a number of new member states to the EU, which are characterised by low labour costs and high levels of available labour has often been seen as a threat to the economic development of some existing members of the EU, owing to the reduction in the competitiveness of enterprises located in these states. However, there is no clear picture emerging as to the likely impact. In the short-term it is felt that average incomes in the accession states may fall, although the overall rate of economic growth will increase. This will lead to a small positive impact on trade elsewhere with the EU.

In terms of geographical impact, in one view it is not felt that there will be any strong detrimental implication for most of the current EU. Enterprise development is likely to be neutral, as a consequence of these changes, or positively affected, depending upon the overall sectoral mix and export orientation. However, a second view suggests that the current EU eastern border regions will benefit most significantly from enlargement as they will be placed more firmly at the heart of the EU. This could have negative implications for the Atlantic

and Mediterranean areas which might find themselves relatively disadvantaged. There is no consensus as to which affect is likely to dominate.

The EU is increasingly providing assistance to other border areas. In particular with countries surrounding the Mediterranean. A Medbank has been established to cover the Mediterranean basin, along the lines of the European Investment Bank. This may focus its investment on a limited number of North African economies. This provides a practical mechanism for stimulating enterprise development in an area separate from the traditional core of the EU.

Enlargement of the EU may have more significant impacts than can be assessed at the present time. It is likely that there will be an alteration in trade patterns as a new population geography is introduced into the EU. There is already some evidence of Greece increasing co-operation with neighbouring countries in anticipation of enlargement at the expense of focusing on other potential EU markets.

Data sets and regional classification for driving forces

There are numerous datasets directly related to the driving forces of structural change within urban areas. Equally a number of driving forces need to be assessed through the use of proxy variables or considered as indirect contributors to other driving forces – such as factors influencing business location decisions. Other datasets are required for they relate to key policy interests targeted by the Structural Funds, although it is difficult to see these as driving forces unless one counts policy focus – such as targeting social exclusion - as a driving force. The following broad sets of data will capture many of the forces and trends identified.

- Economic structure – NACE
- Economic performance
- Demographic profile
- Skills profile
- Environmental quality
- Deprivation indices

Typology derived from driving forces

The typology derived from the driving forces could be exceptionally broad, covering a myriad of issues and different circumstances. In practice we can identify a limited number of principle issues, which other factors contribute to, to different degrees. These are:

- Declining urban industrial areas
- Strengthening urban industrial areas
- Urban industrial areas in transformation to a service economy
- Urban areas exhibiting strong socio-economic disparities
- Urban areas exhibiting a balanced distribution of wealth and opportunity

Contribution to the concept of sustainable development and regional competitiveness

The promotion of strong urban areas by the Structural Funds can promote the concept of sustainable development if well-managed. We make no allowance for deadweight, substitution and displacement effects, which may minimise the overall impact, either on the urban area itself or lead to offsetting negative effects on other areas. We briefly make and initial assessment of this against three strands:

	Positive	Negative
Economic	More balanced economic structure across EU Improvements to competitiveness of EU by increasing overall levels of productivity Improved levels of income and wealth creation	
Environmental	Reclamation of derelict land Improvement of environmental quality	May encourage greater transport movements (freight, business and longer commuting journeys) Economic growth can encourage urban sprawl and congestion
Social	Improved levels of social inclusion Increased skills leading to higher incomes Reduction in under and unemployment leading to higher income levels	Disparities may increase Unemployment may increase as a result of productivity increases

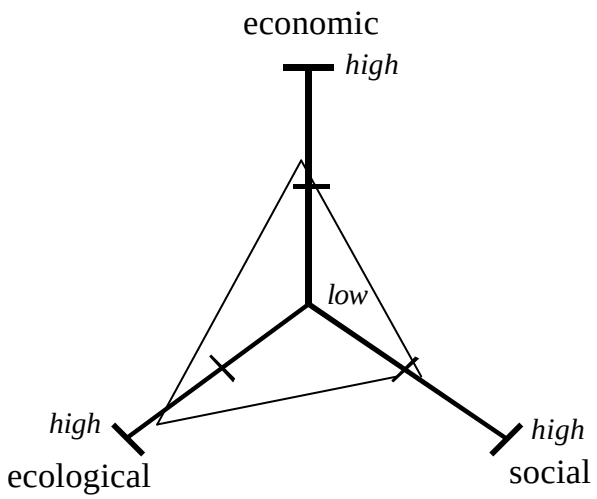
Identification of 3-4 most important indicators for measuring and assessing these trends.

The key indicators will be:

- Reducing disparities in income and wealth
- Reducing levels of air and water pollution
- Strengthening employment base

- Increasing productivity, measured as GVA per full time equivalent or GVA per capita

Summary position:



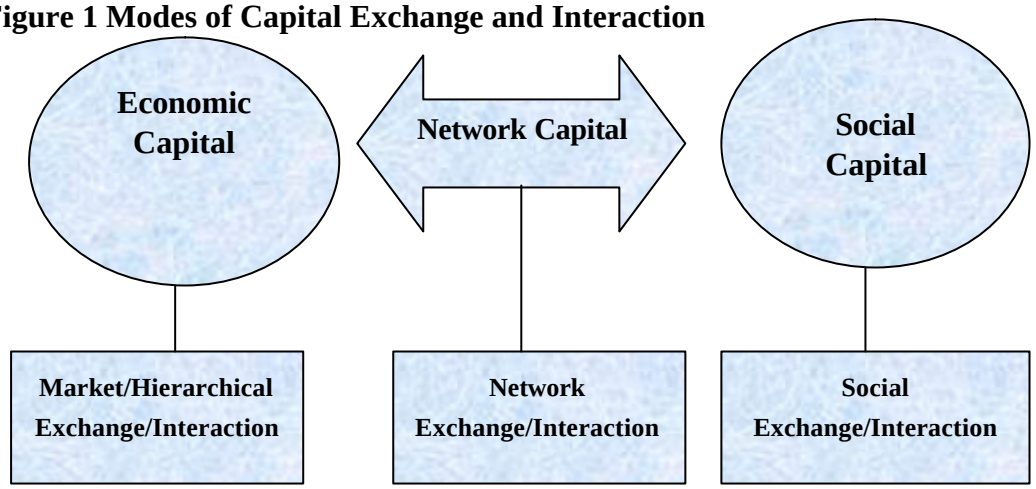
Hypotheses on the development of urban areas

Positive enterprise development can also benefit from the existence of positive externalities; in fields such as R&D, the labour market and accessibility for example. The lack of such externalities can be seen as one reason why some peripheral urban systems have less competitive enterprise systems than more central parts of the EU. Indeed, it is the presence, or otherwise, of such externalities that are more likely to indicate the economic strength of urban areas rather than their peripheral or central location per se.

Huggins outlines a particularly useful approach to understanding the dynamics at work within local economies. His work has been developed in the context of industrial clusters but can be applied equally within local urban systems, as is reflected in Figure 1. He identifies the important role played by economic capital, social capital and the connecting network capital.

Economic capital is taken to consist of the strategic human, financial, knowledge and technological capital forms of essential value to businesses. Network capital consists of the relationship resources of business facilitating the exchange and interaction of other forms of capital. It is the ties bound by these relationships that constitute the assets of network capital, based on varying forms of conditional and unconditional trust, and connected through a business and/or social environment. Social capital refers to the assets required to achieve or maintain an individual's or group's position within social structure and networks, through actions governed by social norms, rules and interactions. Social capital is established as an asset for development, broadly incorporating the human resources of an area. Putman's work on the role of social capital in the development of Italy (Putman 1993) identified an active 'civic community' as a central factor in the success of the North in relation to the South of Italy.

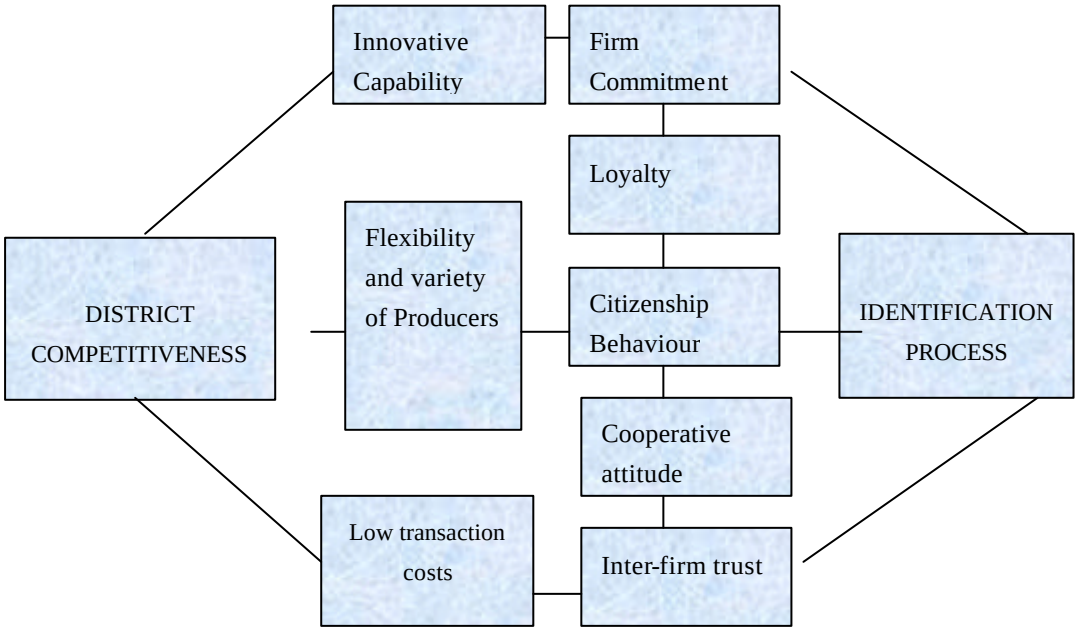
Figure 1 Modes of Capital Exchange and Interaction



(Huggins 2001 2)

Sammarra and Biggerio follow a similar logic as they identify some of the key components that contribute to strong local economies (illustrated in Figure 2). Again many of these are based around intangible externalities. In this case the identity or image of an area is a critical factor, as reflected through a series of intangible linkages.

Figure 2 The Relationship between Identity and Competitiveness as proposed by Sammarra & Biggerio 2001.



(Sammarra & Biggerio 2001 76)

Work by Rosenberg (set out in Table 1) identifies some of the aspects of strong regional and urban economies that policy makers might wish to consider in order to strengthen the competitive position of local enterprises.

Table 6 : Factors supporting the development of competitive regions

R&D capacity	Are there industry-specific R&D facilities in the form of public research centres or industry association centres? Do these centres address common problems?
Workforce skills	Does the region promote the development of industry-specific skills, encompassing technical skills and industry specific skills relating to all business processes
Human resource development	Does the local area provide opportunities for the development and adaptation of new and existing staff to meet the needs of a changing environment? Does this fit with other change management actions?
Proximity of suppliers	Are primary and secondary suppliers and sources of raw materials located nearby? Does this proximity lead to exchanges of knowledge and positive synergies ?
Capital availability	Is there a wide range of appropriate sources of capital available to firms? Do finance providers understand the nature of local business and network actively with the main players?
Access to specialised services	Can firms obtain local specialised services from public and private sector providers? Are these services geared to the specific needs of the cluster in such a way that they add value and provide a competitive advantage to firms in the cluster?
Machine and tool builders	Are there local providers of machines, tools and software that supply the specific needs of key local industries? Are there close relationships such that both sides gain from interactive learning processes?
Intensity of networking	Do firms in the vicinity co-operate for collective advantage? Do they share knowledge or resources, collaborate in meeting customer needs, and to what extent?
Intensity of competition	Are there competing firms in the region with overlapping capabilities or capacities? Do firms turn to innovation and a search for new markets as an outcome of local competition, and does this strengthen the position of regional firms in external competition?
Social infrastructure	What forms of business association and clubs exist in the region, and are they active at promoting the existence and well-being of the area? Do formal and informal networks underpin the emergence of collective actions and inter-firm learning?
Entrepreneurial energy	How active is the region in terms of the rate of new firm formation? Does the area attract in expertise from outside that forms the basis of new firms set up within the region?
Innovation	Is local industry on the leading edge in terms of new products and processes within its core industries? Do regional firms use innovation as a means of retaining competitiveness relative to firms elsewhere?
Shared vision and leadership	Do firms in the area recognise that there is a regional system to which they belong? Do they recognise the existence of shared goals and act to achieve them collectively? Are there key animateurs who set priorities and have the respect of others in the area?

Source: developed from Rosenfeld, 1996.

At the regional scale, an endogenous growth agenda has emerged from perceived weaknesses of traditional exogenous development strategies. With the slowdown in availability of FDI in

the early 1980s and the rise of new paradigms of endogenous development many regions questioned the sustainability of inward investments and shifted the emphasis of regional strategies away from just attraction towards retention, re-investment and maximising the local spin-offs. Rather than competing just on grants, agencies began to talk about building the 'business case' for the long term, and an emphasis on locally specific untraded interdependencies as factors in the competitiveness of plants within their companies as well as within their industry.

These moves have paralleled a changing role of the state in industrial policy which has been described by Kevin Morgan as a shift from 'direct intervention' to 'indirect animation' (Morgan, 1996). In this transition, the essential role of the state is being redefined as being an 'animateur', a facilitator of networking and institution building. Public actors should not try to take ownership of enterprise development initiatives, but primarily work as a catalyst, or a broker, that brings actors together and supplies initial funding for research and the initiation of the networking process. Knowledge is an essential component of this role as catalyst. One of the most difficult demands for the state is that, while it aims at encouraging collective learning within its constituency, it needs to become a learning organisation itself, following strict principles of how to act and when. Key policy objectives then are to facilitate the development of suitable conditions for enterprise development, based upon an understanding of the particular local context and a strong knowledge of the prevailing strengths and weaknesses in terms of the position of the area in the global enterprise system.

Moving towards the development of typologies and instruments

In moving towards the development of typologies and instruments for examining the territorial effects of Structural Funds within urban areas, particularly those in declining industrial regions, we need to consider two factors:

- Types of urban areas
- Underlying features of urban areas

In addition we will need to consider the nature of Structural Fund activities, but this is developed separately below.

Types of urban area

Building upon the work of TPG 1.1.1 we can identify the following types of urban area.

- Diversified global FUA
- Diversified European FUA
- Fairly diversified national FUA
- Fairly one-sided regional FUA
- One-sided local FUA

This typology does not fully take into account the particular features of different urban areas, such as their economic structure, whether they are growing or declining and so forth. We therefore need to add to the basic typology consideration of the issues facing urban areas.

Underlying features of urban areas

In considering different types of urban area we can build on the work identified above and separate out:

- Economic capital
- Social capital
- Network capital
- Environmental capital

As urban areas are rarely divorced from their surrounding region, as explored by TPG 1.1.1 in the context of functional urban areas, so any consideration of urban typologies needs to take into account both the surrounding regional context as well as immediate urban conditions.

To examine each in turn:

Economic capital: Inter alia, the economic capital of the urban area can be indicated by the strength of the business base, levels of employment in different sectors, levels of R&D and innovation and the success in attracting inward investment

Social capital: Inter alia, the social capital of the urban area can be indicated by the level of skills and qualifications present in the labour force and the strength of social integration. Low levels of socio-economic disparities are assumed to indicate strong levels of social capital. Demographic profile will also act as an indicator in this area.

Network capital: Inter alia, the network capital of an area is indicated by the strength of networks within an area and the strength of urban management and self-governance.

Environmental capital: Inter alia, the environmental capital of the urban area is indicated by levels of use of public transport, car ownership rates, extent of urban green space, density of development and infrastructure for pollution management.

A myriad of issues might face urban areas. These will be reflected in differing strengths of the four capital identified above. As these change over time so might the position of any urban area within a given typology. We identify below potential categories associated with each form of capital. For each category the direction of change over time will also be assessed where possible, enabling a dynamic picture of change to be presented.

Capital	***Categorisation***
Economic capital	Reliance on traditional industrial structure Reliance on new industrial structure Reliance on service economy Territory in transformation from industrial to service economy Strongly performing economy Weakly performing economy High levels of employment Low levels of employment High levels of unemployment Low levels of unemployment
Social capital	Urban area experiencing disparities Urban area not experiencing disparities Ageing population structure Stable population structure Youthing population structure Highly qualified labour force Low levels of qualifications in labour force
Network capital	Strong urban management Weak urban management Strong capacity for self-governance Weak capacity for self-governance
Environmental capital	Compact urban form Dispersed urban form Low levels of pollution High levels of pollution Presence of green spaces Strong use of public transport Weak use of public transport

The categorisation above relates to different typologies of urban area. In the case of the Structural Funds we can assume that the following types of urban area are of interest:

- Declining industrial urban areas
- Urban areas exhibiting strong socio-economic disparities

Instruments

Instruments examining the territorial effects of Structural Funds in urban areas require an understanding both of the regional context in which the urban area operates as well as a knowledge of particular local conditions. For each of the categories identified above an assessment can be made at the urban level and at the regional level as to whether an urban area scores high, medium or low. The scoring should be undertaken against European or national averages rather than as subjective measures. Equally, wherever possible trend based data is to be used to identify direction of change, as well as the strength of the indicator.

A priori, identification of declining industrial urban areas and urban areas exhibiting strong socio-economic disparities is proposed through the use of various data sets, particularly:

Declining industrial area		***Area of socio-economic disparities***	
Economic structure	NUTS 3	Concentrations of unemployment	sub-NUTS 3
Economic performance	NUTS 2/3	Concentrations of deprivation	sub-NUTS 3
Unemployment levels	NUTS 3		

This will be supplemented though consideration of the range of data sources identified to build a picture of the particular issues facing identified urban areas. Taking on board these different dimensions will enable a fuller consideration of the urban typology developed by TPG 1.1.1.

Towards hypotheses of territorial effects

The focus of this study is on the territorial effects of the Structural Funds in urban areas, concentrating on:

- Declining industrial urban areas
- Urban areas exhibiting strong socio-economic disparities

The intent is that the study will identify:

- What has taken place through the Structural Funds in relation to tackling industrial sector change
- The different problems faced in declining urban industrial areas

On this basis two hypotheses have been developed:

- That consistent criteria can be developed for identifying a typology of declining industrial urban areas
- That Structural Fund actions are targeted upon tackling the identified problems of these areas in a consistent manner in the fields of:
    - Economic restructuring
    - Environmental improvements
    - Overcoming socio-economic disparities within urban areas

ANNEX 1 - MAPS

Powerpoint File attachment

ANNEX 2 –

RELEVANT FIELDS OF INTERVENTION IN THE STRUCTURAL FUNDS

Categorisation of fields of intervention in the Structural Funds relevant to urban areas

The list below of areas of Structural Fund intervention relevant to urban areas is based on Article 36 of the General Regulation

Structural Funds: Areas of Intervention by category and sub-category

1. PRODUCTIVE ENVIRONMENT

15 Assisting large business organisations

151 Investment in physical capital (plant and equipment, cofinancing of state aids)
152 Environment-friendly technologies, clean and economical energy technologies
153 Business organisation advisory service (including internationalisation, exporting and environmental management, purchase of technology)
154 Services to stakeholders (health and safety, providing care for dependants)
155 Financial engineering

16 Assisting SMEs and the craft sector

161 Investment in physical capital (plant and equipment, cofinancing of state aids)
162 Environment-friendly technologies, clean and economical energy technologies
163 Enterprise advisory service (information, business planning, consultancy services, marketing, management, design, internationalisation, exporting, environmental management, purchase of technology)
164 Shared business services (business estates, incubator units, stimulation, promotional services, networking, conferences, trade fairs)
165 Financial engineering
166 Services in support of the social economy (providing care for dependents, health and safety, cultural activities)
167 SME- and craft-specific vocational training

17 Tourism

171 Physical investment (information centres, tourist accommodation, catering, facilities)
172 Non-physical investments (development and provision of tourist services, sporting, cultural and leisure activities, heritage)
173 Shared services for the tourism industry (including promotional activities, networking, conferences and trade fairs)
174 Tourism-specific vocational training

18 Research, technological development and innovation (RTDI)

181 Research projects based in universities and research institutes

182 Innovation and technology transfers, establishment of networks and partnerships between businesses and/or research institutes

183 RTDI Infrastructure
184 Training for researchers

2. HUMAN RESOURCES

21 Labour market policy
22 Social inclusion
23 Developing educational and vocational training not linked to a specific sector (persons, firms)
24 Workforce flexibility, entrepreneurial activity, innovation, information and communication technologies (persons, firms)
25 Positive labour market actions for women

3. BASIC INFRASTRUCTURE

31 Transport infrastructure

317 Urban Transport

32 Telecommunications infrastructure and information society

321 Basic infrastructure
322 Information and Communication Technology (including security and safe transmission measures)
323 Services and applications for the citizen (health, administration, education)
324 Services and applications for SMEs (electronic commerce and transactions, education and training, networking) 33 Energy infrastructures (production, delivery)

331 Electricity, gas, petroleum products, solid fuel

332 Renewable sources of energy (solar power, wind power, hydro-electricity, biomass)
333 Energy efficiency, cogeneration, energy control
34 Environmental infrastructure (including water)
341 Air
342 Noise
343 Urban and industrial waste (including hospital and dangerous waste)
344 Drinking water (collection, storage, treatment and distribution)
345 Sewerage and purification

35 Planning and rehabilitation

351 Upgrading and Rehabilitation of industrial and military sites
352 Rehabilitation of urban areas

36 Social and public health infrastructure