

Introduction

This paper reviews a series of challenges and opportunities facing European cities and the ways in which they, their national governments and the European Commission have responded to them. In particular, it identifies the dynamics underlying the changes that are taking place in decision-making in cities and the gradual shift from a decision-making model based on government to one which rests more on governance.

The paper is divided into 6 sections. Section 1 identifies the diversity of the challenges facing European cities and assesses the ways in which they have responded to them. Section 2 looks at the constraints upon the achievement of good governance. Section 3 looks at the principles which have underpinned national urban strategies. Section 4 looks at the challenges of creating good governance in urban areas, especially challenges to partnership formation. Section 5 assesses the way in which a number of European countries have addressed those challenges. Section 6 looks at the emerging policy of the European Commission in this field.

1. Governance, competitiveness and cohesion: challenges and responses in European cities.

The changing perceptions and conditions of cities

1.1 In the last decade there has been a transformation in the perceptions of the role cities play within Europe. They are now high on the European agenda for a variety of reasons:

- traditionally cities have been seen in their respective national economic hierarchies. Increasingly they are seen in a wider European economic context at least;
- there has been a rapid growth in the development of networks between cities at a European level designed to promote trading links, exchange good practice and promote the interests of cities at a European level;
- there has been growing awareness of the contribution and potential of cities to Europe's economic competitiveness. Cities are increasingly seen as economic assets, not liabilities, which need to be exploited not only at a national but also at a European level;
- but there has also been growing recognition of the double-edged character of much economic change in cities during this period. The search for economic growth has not always led to social equity; indeed it has often contributed to increased social exclusion.

1.2 As we approach the millennium, cities are the best of places and the worst of places. We see prosperity, energy, creativity and innovation cheek by jowl with poverty, exclusion and deteriorating neighbourhoods. The concentration of economic, physical and intellectual resources makes many of them centres of prosperity, creativity, culture, communication and innovation - the dynamos of the European economy. Some of Europe's larger cities play important roles as the command and control centres of a rapidly developing global economy. But at the same time many cities are experiencing declining economic competitiveness, growing social exclusion and physical and environmental deterioration - making them a drain on Europe's potential economic performance and its social stability. The key social face of cities and regions is the

emergence of social exclusion in which individuals, groups and communities are locked out of the labour or housing market, receive inadequate public services, face racial discrimination and as a result experience poverty, unemployment or precarious employment, poor educational qualifications and training, crime, or ill health. Social exclusion is growing in rich as well as poor areas, in growing as well as declining areas. The growth in social exclusion is intimately connected to, and partly caused by, the search for economic competitiveness. But at the same time the growth in social exclusion is limiting the economic competitiveness of Europe's cities and regions.

Diversity and commonality

1.3 Of course, urban Europe remains enormously diverse. There is not a single model of a European city and the challenges are not the same in every city. Important differences in their economic structure and functions, social composition, size and geographical location shape the challenges cities face. Equally, national differences in traditions and cultures, economic performance, institutional arrangements and government policy have an important impact upon cities. The problems of global cities like London or Paris are not those of medium-sized cities. Declining large industrial cities with exhausted manufacturing economies, less skilled work forces and substantial immigrant communities face different dilemmas from fast growing cities based upon high tech industries. Cities in the periphery face different economic, social and environmental challenges than those at the centre of Europe.

1.4 Nevertheless, despite the differences between them, cities are affected by common trends and face common challenges. In particular, the key challenge they face is to develop new models of decision-making which will increase their economic competitiveness but at the same time to reduce social exclusion. Cities face this dilemma whether they are large or small, growing or declining economically, at the core or periphery of the European territory. And the challenge confronts decision-makers at all government levels - European, national, regional and local - and in all three sectors - government, private sector and civil society. Indeed this is the crucial challenge - to develop new processes of decision-making which will achieve solidarity, encourage participation and strengthen partnerships but at the same time reinforce the democratic process.

The causes of change

1.5 However, although the challenges are faced by and within cities, they are caused by a number of structural changes which are taking place outside cities and are primarily beyond their control. They are:

- economic globalisation - with power going upwards from the nation state and the loss of local control;
- economic restructuring - which is creating divided labour markets and the Porsche-hamburger economy;
- competition between cities, regions and nations as well as firms, with winners and losers within an as well as between cities;
- the restructuring of welfare states with the loss of support for already vulnerable individuals, communities and areas.

1.6 Rapid changes in the economic environment caused by internationalisation and industrial and corporate restructuring have transformed the character of local economies. They have brought a more fragmented labour market, a decline in manufacturing and rise in the service sector, high levels of structural unemployment, an increase in part time, insecure and low paid employment, a shift in the balance of male and female employment and a growing gap between the highest and lowest household incomes. These changes are not only found in cities where the economy is in decline or during periods of recession. They are also a feature of booming economies. Growth does not guarantee an increase in the number of jobs. Instead, capital intensive production methods reduce them. And many potential workers in the most successful cities lack the skills needed in modern industries. Growing polarisation in incomes, employment quality and job security has occurred in cities with very different economic trajectories across the European Union. These structural changes are being exacerbated by cyclical factors like global recession as well as by the enlargement of the Union through membership of the accession states in the east.

1.7 These forces have encouraged uneven social development which is increasingly played out on a spatial level in our cities and regions. This involves not only labour markets but housing markets and social welfare systems. It has to be tackled through many policy areas. It needs an integrated rather than a sectoral approach. Achieving the latter - an integrated approach - remains a key challenge for all governments at city, regional, national and European level. Many have not yet addressed the challenge. Some have attempted to do so. A few are succeeding. But much more needs to be done.

1.8 The precise forms these developments take vary by country, region and city. But they pose similar challenges to decision-makers at urban, national and European level. As a result, the major challenge for European cities into the next millennium will be to increase their economic competitiveness without at the same time increasing social exclusion. Cities, national governments and the European Commission will need to determine which urban strategies they wish to pursue and how to reconcile the two goals of competitiveness and cohesion. In the recent past governments have alternated between policies either seeking to promote social welfare or strengthening individual's or area's economies. In many countries the realisation is now growing that the two goals of cohesion and competitiveness are not mutually exclusive and that urban strategies need to focus both upon social need and economic opportunity.

How well have European cities responded to the challenge?

1.9 Despite the challenges presented by globalisation, economic restructuring and institutional change, European cities have substantial economic, social and cultural assets - and potential. Much remains to be done - but already much has been achieved which can be built upon. Many of the factors which attract investment and people to particular places - the quality of labour, education and training, the cultural, residential and physical environment, the planning and fiscal regimes, the communication and transportation infrastructure remain under the influence - if not sole control - of cities. They can be affected by city policies, although increasingly in particular with other actors. And there are many examples of successful responses to the new challenges. Despite the fact that levels of social exclusion in European cities may be less than in their American counterparts, a tradition of social democracy and welfare state provision, greater national governmental intervention, less fragmented urban governance and a

greater role for political parties at urban level has meant that the impulse to address social exclusion is greater in European than American cities.

1.10 Many cities have achieved substantial physical regeneration, especially through the renovation of their city centres which offer impressive commercial, residential, cultural and retail facilities. Many cities have concentrations of intellectual resources in universities and research institutions which encourage high levels of innovation. Many play important roles as centres of communication, decision-making and exchange. Many have substantial cultural resources which are increasingly the source of economic growth and job creation. Cities also have enormous integrative potential with the capacity to encourage community participation and civic identity. And despite the growth of exclusion, many cities remain ethnically and socially diverse and offer vibrant cultural opportunities which attract visitors and residents. Within many cities there are flourishing neighbourhoods and communities with extensive levels of social capital which are the source of community empowerment.

1.11 Across Europe there have been many successful efforts to make cities more sustainable through innovative environmental and transportation schemes. Also, there are a range of innovative initiatives to develop partnerships and achieve integrated responses to social exclusion in many cities. And despite the growth of economic competition between cities, there has been an important growth in networking between them as they seek to trade, exchange ideas and information and share good practice.

The sources of urban competitiveness?

1.12 The evidence across Europe is that the competitive city can be judged in terms of six criteria. The successful, competitive city will have more rather than less of the following characteristics

- economic diversity both in manufacturing as well as the service sector, especially in the high value added sector;
- a supply of skilled labour to operate in the knowledge based industries which give cities a competitive edge;
- good linkages and networks between the suppliers and consumers of that skilled labour in the universities, research institutions, the government and private sector;
- the quality of environment - social, cultural as well as physical - which will allow a city to attract and retain the potentially mobile workforce needed to operate modern industries;
- good communications, including not only physical communication in terms of airports, highways, rail and information technology but also a culture of openness and internationalisation;
- the strategic capacity to mobilise the social, cultural and political resources from the public, private and community sectors to create and implement a long term economic development strategy for the city.

1.13 Substantial economic, social and environmental challenges to European cities remain. But much has already been achieved in facing those challenges. A key aim of European urban policy should be to increase awareness of what has been - and can be - done and to encourage the institutional processes which will enable cities to build upon their assets and potential to achieve long-term sustainability. The challenge is to develop strategies, policies and instruments which will:

- improve the economic competitiveness of cities and Europe itself by maximising their economic, physical and intellectual assets and encourage innovative institutional and individual behaviour;
- distribute the benefits of increased economic competitiveness and reduce the growing social exclusion which is both a threat to the economic competitiveness and social stability at a European level;
- make cities more sustainable and not impose the costs of development upon their surrounding regions, the planet itself or future generations;
- encourage innovative and flexible decision-making processes that will integrate the actions of partners in the public, private and community sectors, from European to local level, and increase synergy between existing institutional processes and resources;
- encourage a more balanced European urban system by discouraging unnecessary competition between cities, support the needs and opportunities of medium-sized as well as larger cities across the Union, encourage better urban-regional and urban-rural linkages and encourage more effective networking between cities across the Union and between cities within regions.

The remainder of this paper considers the potential constraints upon and prospects of achieving the ambition of good governance in European cities.

2. Constraints upon the search for good urban governance.

2.1 The challenge of achieving good urban governance does not take the same form or intensity in every European city. The precise patterns vary from country to country and city to city partly depending upon national economic trajectory, labour market policies, welfare state policies and citizenship rights. However, despite such differences, there are a number of common financial and institutional trends which affect the capacity of cities to achieve good governance. These include :

- growing political and public concern about rising levels of public expenditure and taxation which has made national governments anxious to reduce levels of public expenditure. The pressure for financial orthodoxy has been increased by the needs of EU member states to meet the convergence criteria for EMU. There will be fewer public resources available in future - and cities will have to shoulder their share of the burden;
- as national governments attempt to roll back the public sector, there has been the increasing substitution of private for public provision in many policy sectors - in housing, welfare, training and education, transportation, infrastructure and communications;
- a decline in service provision by single public agencies and the growth in mixed models of service delivery and public provision;

- increasing decentralisation of responsibilities - if not always resources - away from central government to regional and city governments;
- paradoxically, despite, the first four trends, the pressure for increased public services and expenditure is growing. Social and demographic changes mean there will be more old people, more single parent families, more women in the labour force, growing social exclusion. In the countries of the former Eastern bloc, in addition to problems on revenue budgets, there will be huge pressures to modernise and upgrade their physical stock which will affect budgets at national government and European level.

2.2 The combination of these trends means that cities will face growing social exclusion but increasing financial pressures in a more complex, fragmented institutional environment. Cities will need to be more creative, more institutionally innovative in finding financial packages which will allow them to fund programmes and projects which will contribute to their economic competitiveness but reduce social exclusion. Increasingly partnership models will be required. The challenge of devising effective models of governance will become increasingly urgent.

2.3 A recent OECD report identifies a variety of key dilemmas faced in achieving better urban governance. It notes that most metropolitan areas are still governed through outdated and overly complex institutional and financial structures which are often operated by hierarchical, rule-driven public sectors. These structures discourage the emergence of new processes of locally-led governance where government, in concert with business and other social partners, pursues strategies to achieve democratically designated priority outcomes. The report cites three main obstacles to better governance:

- the fragmentation of administrative jurisdictions within metropolitan areas which results in lack of correspondence between administrative and functional territories. This creates a complex policy environment in which area-wide consensus is difficult to reach on medium and long term goals such as environmental quality; economic development and competitiveness, social cohesion, equitable public finance, and the level and quality of public services across the urban region;
- increasing strain on the financial/fiscal ability of local authorities in metropolitan areas who face additional charges at a time when economic and social conditions have deteriorated for many groups of the population, and when major investments in infrastructure are required to enable metropolitan areas to compete in the global economy. In many countries, decentralisation has been used as an opportunity for upper levels of government to download responsibilities to the local level without introducing the corresponding, but politically difficult, financial and fiscal reforms. The reform of urban public finance - the backbone of good governance - is lagging behind the institutional changes in metropolitan areas;
- a lack of transparent, accountable decision making processes and of clear political leadership at the local level. There is a growing demand for more democratic, less hierarchical, more flexible, transparent and accountable systems of governance, based on more horizontal networking with a wide range of partners from the private sector and community groups. But decentralisation

and rationalisation is not enough. It should be accompanied by modernisation of the public sector, making full use of new information technologies and based on a new culture of governance which is more people centred - demand rather than supply-driven - and which can cope better with the increasing complexity and diversity of urban populations.

3. National urban strategies

3.1 National policies are an important part of the context in which cities have to respond to change. The institutional, financial, planning and legislative frameworks still vary enormously between European countries. Nevertheless, three trends which transcend national boundaries are worth noting. The first is that during the 1980s and 1990s the balance between national, regional and local responsibilities and powers has been changing in many European countries. In particular, there has been a growing pattern of decentralisation of powers and responsibilities to lower levels of government. Traditionally decentralised countries like Germany have continued that process. But even countries more traditionally centralised like Belgium, France, Spain and Italy have been creating or increasing the authority of regional and urban institutions during the past decade.

3.2 National motives varied. Sometimes the changes were in response to regional demands for greater territorial autonomy. Sometimes governments were anxious to dismantle centralised decision-making systems created in the post-war period. Sometimes national leaders were anxious to shift responsibility for difficult problems of urban economic restructuring down to local level. The degree of national fiscal support given to regional and urban institutions to face their new responsibilities varied and induced differing degrees of financial difficulties. Nevertheless, the important point is that decentralisation created greater autonomy and political space at the lower levels of decision-making, which many of Europe's most dynamic urban and regional leaders exploited to develop new political roles for themselves and new economic strategies for their areas. By contrast, where countries did less to decentralise as in Portugal, Greece, Ireland and Britain, cities and regions have fewer powers and perhaps less capacity to generate local responses to economic restructuring.

3.3 A second general trend has been the emergence of more explicit national urban strategies in many European countries. The countries which urbanised first and hence experienced urban decline first - Britain, France and Germany - were the first to develop systematic urban policies. The process which began during the late 1960s increased in the 1980s. But the trend emerged in many other countries during the 1980s and 1990s. The scale and sophistication of national strategies still varies and they remain relatively under-developed in some countries, but national recognition of the importance of cities and problems strengthened throughout the 1990s and should continue through the next decade. This pattern can be seen in the emergence of City Challenge in the United Kingdom, the Contrats de Ville and Zones Franche in France, the area-based partnerships in Ireland, the major cities policy in the Netherlands and the KvarTERS-loft policy in Denmark. They vary in detail but all are attempting to develop explicit urban strategies to improve competitiveness and reduce social cohesion through integrated, area-based and partnership based national strategies.

3.4 A third trend has been growing recognition of the economic opportunities for cities. This was encouraged by increased awareness of the importance of economic competition between nations and cities during the 1980s and the potentially increased pace of that process after the creation of the Single European Market. Urban leaders became more aware of the need to avoid falling behind the already successful European cities and sought to identify new economic niches in the European economy. But national leaders also became conscious of the potential contribution of cities to national economic competitiveness and performance. In particular, in many countries the contribution of capital and larger cities was acknowledged and the governmental restrictions that had been placed upon their growth by redistributive regional and planning policies in the 1970s were frequently relaxed during the 1980s. This encouraged the economic and population resurgence of many cities but also encouraged the growth of economic competition between European cities. In these three ways, national strategies guarantee that cities will remain high on both domestic and European agendas.

4. The spatial architecture of urban governance

4.1 European countries have different economic and social trajectories, different institutional frameworks and cultures and different urban systems and policies. But despite this diversity, during recent years there has been a convergence of views about the problems they face and the kinds of policy responses they should be adopting. In all countries, policy makers are confronting growing social exclusion in urban areas created by globalisation, economic restructuring, technological change, institutional restructuring and urban competition. All are grappling with the need to reduce centralisation, improve the performance of national and local governments, de-bureaucratise delivery systems and create partnership mechanisms and cultures.

4.2 The trend is most marked in northern European countries which urbanised first and experienced economic, social and environmental decline earliest - Britain, France, the Netherlands. Policy approaches vary between countries but most attempt to promote innovation in the preparation, packaging and delivery of services to particular groups, often concentrated within particular areas and neighbourhoods. They attempt to:

- improve the integration of policy making at European, national, regional and local levels;
- promote the horizontal integration of policies across different policy sectors;
- link mainstream government policies with specific anti-poverty or area-based initiatives;
- develop new cross-sectoral institutional arrangements for the delivery of programmes which widens the range of actors involved.

4.3 Typically new institutional arrangements have had to be created to achieve this integration process including new central-local partnership mechanisms or the creation of national government inter-departmental committees with political support from the top of national government. But there are several challenges faced in this process. For example, underpinning most of these initiatives is the concept of partnership. Partnership is a vogue word. Governments, business, local authorities, the community

and voluntary sectors increasingly subscribe to the value and virtues of partnership. The principle has been extended to a wide range of policy sectors - training, housing, community care, social services, community and urban regeneration. This growth of interest in partnerships is uncontested. But its virtues and achievements are not. The concept is ambiguous. It means different things to different people. Some regard the idea as a uniquely valuable way of addressing the changing world that local institutions face. Others see it as a way of distracting attention from many economic, legal, institutional and financial constraints that cities face.

4.4 The question of what is in Partnership for the private sector and why would they invest their scarce resources in the partnership process is also critical. For partnerships to work, the private sector must either be convinced that there is an immediate advantage in terms of the services, programmes and projects that are being delivered through the partnership mechanism. that would not be delivered without the partnership. Alternatively, the private sector must be persuaded that the long term goals of the partnership the reduction of school exclusion or increase in competitiveness overall will make the city more attractive to the private sector on the long term, even if the immediate benefits are not apparent and the costs in terms of partnership working are.

4.5 But whatever it virtues, achieving partnerships is not easy. It requires integration between:

- the public, private and community sectors;
- different policy sectors including housing, education, training, welfare taxation and benefit systems, economic development;
- different parts of the public sector, especially within national government administration.

Achieving this integration and creating partnerships between key agencies remains a major problem in many countries and cities.

4.6 Equally, this debate also raises the question of what is the right spatial scale at which to intervene - the region, the city or the neighbourhood? This may vary across policy sectors. For example, in terms of economic policy - labour market, transport, infrastructure, planning issues - the wider regional framework might be the most appropriate spatial level. By contrast, for addressing social exclusion, the neighbourhood might be the most appropriate level. Just as policy cannot be confined to neighbourhood initiatives but must connect to the wider city, the fate of urban areas cannot be considered outside their regional context. This is particularly the case in terms of labour market. It may never be possible to find enough jobs for excluded people within the excluded community. There needs to be a strategy for the wider labour market. If area-based approaches towards excluded communities are adopted, there is still a need to develop mechanisms which link them strategically to the economic and social mainstream of the wider urban and regional areas.

4.7 In addition, the relationship between cities and regions is crucial - they can not and must not be separated. There is a growing recognition that economic, social and institutional links between cities and regions are becoming more complex. Just as urban regeneration cannot be confined to neighbourhood initiatives but must connect to the wider city, the fate of urban areas cannot be considered outside their regional context. The threats and opportunities faced by cities are similar to those faced by

regions and equally the challenges for regional policy are similar to those for urban policy. A recent OECD review of developments in regional policy, for example, identified the following trends:

- a shift in the goal of policy away from the simple goal of achieving regional equality to one of economic competitiveness;
- new territorial bases for regional policy, with a greater recognition not only of sub-national territories but of the role of regions in their national and international contexts;
- the state is ceasing to be the lead actor in policy with the move towards the enabling state and broad partnerships between state, industry, and community involving the transfer of skills, new forms of joint financing and new structures based on equality rather than hierarchy.

4.8 These trends in regions are identical to those faced by cities and by urban policy. But in the past governments have not recognised the scope for institutional and policy collaboration between cities and regions. Cities and regions often do not function well together even though problems and opportunities typically cross urban and regional boundaries. There is not an artificial distinction between them. But typically this is not recognised which gives rise to such problems as:

- fiscal exploitation with the region using but not paying for services provided by the city;
- the physical segregation of excluded communities with an unwillingness across the region to collaborate and share services and financial responsibility for those communities;
- local tax regimes which encourage municipalities to compete against each other;
- administrative boundaries which are often too narrowly drawn to make economic or social sense.

5. Governance Partnership and urban regeneration - the European experience

5.1 Many of the attempts to improve urban governance have involved partnership and area-based initiatives within particular cities. They present an important opportunity to assess the challenges involved in difficulties in implementing good urban governance. I recently examined cities France, Ireland, the Netherlands and Denmark. The countries vary in population size from 60m in France to 5m in Denmark. They vary in the degree of centralisation from the tightly centralised Irish to the decentralised Danish system. They vary in the scale and nature of their welfare state provision from the corporatist model of Denmark and the Netherlands to the minimalist system in Ireland. And they vary in their economic structure and performance from the successful high growth, high value added, diverse economies of the Netherlands and Denmark to the rapidly modernising Irish economy.

5.2 Policy makers in these countries not only share common administrative and technical dilemmas. They face common political challenges. Developing integrated and area-based solutions to the structural problems of social exclusion presents a variety of such challenges, including:

- generating political support for the principle of area based initiatives;
- generating long term financial and institutional resources for them;
- integrating the priorities, policies and programmes of central and local government departments;
- bending the priorities of mainstream programmes and agencies to excluded areas;
- involving the private sector in meaningful policy-making and implementation;
- empowering communities;
- achieving partnership;
- achieving transparency and accountability for partnership mechanisms.

5.3 The degree of progress achieved in different countries has been affected by a variety of factors including:

- the national institutional framework especially levels of centralisation;
- the capacity, contribution and commitment of the public, private and community sectors;
- the nature of working relationships between different sectors.

Vertical integration - the balance of power between national and local institutions.

5.4 To work effectively, area-based responses require vertical integration and in particular a shift in the balance of power between national, regional and local governments. This issue is challenging for all the countries in this study, many of which have centralised systems of government. None of them has very powerful regional level government. France experienced a process of decentralisation at the beginning of the 1980s, but regional governments are not as powerful as many outside the metropolitan elites had hoped. The Irish experiment with regional councils is only three years old and has borne little fruit to date. The Netherlands is introducing sub-regional level government in the metropolitan areas but the system remains under-developed. It is actively attempting to decentralise, but the system has a long way to go. Provincial councils in Denmark have few real powers in relation to local authorities. Denmark has the most decentralised system but, in the interests of fiscal equity, national government retains considerable influence over the finances and policies of local authorities.

5.5 The two most centralised countries in my study are France and Ireland. In both cases, the standing, resources and capacity of local authorities is low. In Ireland, there is a recognition of the need to devolve power from national government, to improve the capacity and performance of the public sector generally and local authorities in particular. But the process is only beginning and there is not yet a clear indication of how far it will proceed. In France, there is substantial local demand for a second act of decentralisation to match the reforms of 1982, which have not delivered as much as had been hoped. Local policy-makers argue that to improve urban policy there should be a national commitment to reduce national state power, rationalise the structure of local government and administration and improve the capacity and performance of local government. It is not clear that the national government shares the view that change is needed. In all four countries, persuading national politicians and officials to let go of power and influence remains a necessary, but unresolved, task.

Partnership between the public, private and community sectors.

5.6 Partnership is an explicit goal in many countries. But the progress made towards more partnership based decision-making varies. Involving the private sector has proved difficult in most of the countries. Often there is little tradition of direct private engagement in local decision-making and little incentive to participate. Sometimes the sector is not asked, partly depending upon national culture and traditions. The French have probably achieved the least in this field. The role of the central state, despite the 1982 reforms, has made it difficult to engage the other two sectors. The effort to achieve partnership working in France through the contract systems has been confined to making the different part of the French state - national departments, regions, departments and communes - co-operate rather than creating partnerships with the private and community sectors.

5.7 Equally there are problems of empowering the community sector in all four countries. The degree of centralisation in France and Ireland has traditionally left little space for communities to participate in decision-making. In Ireland, when it was attempted, it left the new partnerships in an anomalous political position with some difficulty in demonstrating their legitimacy. Where community empowerment is being attempted, as in Denmark, a range of familiar problems emerged:

- the lack of community capacity and resources in relationship to professionals and the public sector;
- low levels of community interest and worries about activist burnout;
- worries about community representativeness;
- awareness of the long term commitment required to empower communities.

There is considerably greater awareness of the need to engage communities directly in at least three of the four countries in my study. And progress has clearly been made in all of them. But the dilemmas of real community empowerment continue, even where there has been real political commitment.

Achieving political support for cross-departmentalism

5.8 Two political targets are particularly difficult to achieve - cross-departmental working as well as the bending of resources towards excluded communities. These have not been easily attained in any of the countries. Functional specialisms and departmental political self-interest have proved difficult to break down everywhere. Every national government has recognised the need to focus upon this explicitly and has created, cross-departmental teams of politicians and/or officials. Ireland initially placed responsibility for the policy in the Taoiseach's office to give it political weight. The Dutch appointed a Secretary of State with a modest budget to mobilise support for the policy. The French created an inter-ministerial and inter departmental committee. The Danes equally created an Urban Commission with senior Ministers involved to attempt to get a cross-departmental collective response. In most countries there have been some clear gains and in particular there have been improved working relationships between officials. In general, getting support at cabinet level or from the prime Minister's office, is most helpful. But achieving substantial department commitment and changes in attitudes, priorities and behaviour remains a major challenge in all the countries.

5.9 My view is that we need to ensure a long-term commitment to sustainable neighbourhood regeneration at all levels of government. It requires from local authorities, regional agencies and central government:

- visionary city leadership, effective partnerships and a strategic approach to urban regeneration;
- secure commitment of mainstream departmental spending to neighbourhood regeneration;
- strong links between regional economic strategies and neighbourhood regeneration;
- the need to co-ordinate funding streams and consultations with communities;
- the need to provide a strong government lead on urban regeneration which will ensure the co-operation of key departments; greater policy integration at neighbourhood level and effective monitoring and dissemination of good practice.

6. Improving urban governance: The European Commission's position

6.1 Throughout the 1990s the European Commission has played a bigger and bigger part in trying to increase the economic competitiveness of cities but reducing social exclusion in them. Its policy has broadened and deepened to grapple with the complex mix of opportunities and problems different European cities face. We have now reached a watershed with the publication of 'Sustainable urban development in the European Union: a framework for action'. The document was launched at the end of 1998 in the Urban Forum in Vienna. It is the definitive word on how the Commission sees our cities and how it intends to help.

6.2 The Commission is proposing 24 actions to meet four broad challenges faced in European cities: strengthening economic prosperity and employment; promoting equality, social inclusion and regeneration; protecting and improving the urban environment; contributing to good urban governance and empowerment. It plans to respond to them by encouraging and financing more integrated, area-based and partnership actions at national and local level and facilitating the exchange of good practice about urban regeneration through a range of institutions and networks.

6.3 The document has received a good reception. There is clearly substantial support for its overall principles and framework. People have accepted its key principles are right. It builds upon good practice at European and national level. It moves beyond the Commission's previous policy documents. But the Commission's plans raise some big issues which we have to face.

- making sure we mainstream urban issues in wider EU policies;
- integrating the policies of key partners;
- bringing in important missing policy issues like housing;
- building bridges between cities and the Commission;
- getting the right spatial architecture for urban policy;

Beyond initiatives to mainstreaming the urban agenda

6.4 A key issue for many cities is the link - or lack of it - between the document and the reform of the structural funds proposed in Agenda 2000. In particular many are concerned that the potential opportunities of increased support and resources from Agenda 2000 are outweighed by the proposed demise of the Community initiative, URBAN. They believe that URBAN has delivered high quality projects; encouraged the principles of integration, partnership, targeting and subsidiarity in member states which do not always practice those principles themselves; forged valuable direct links between the Commission and cities; had given Commission support to cities outside Objective 1 and 2 regions.

6.5 However, even if we recognise the value of projects supported by URBAN we must nevertheless be more sceptical of it as a policy principle. The evidence from many countries is that the economic and political weight of special initiatives like URBAN, are relatively modest in relation to need or to the resources being invested in cities. As a result, however good individual URBAN projects are, they have a relatively minor impact overall upon cities. We should recognise that the URBAN initiative has probably served its purpose and that it is now time to move on. We will achieve more by concentrating our energies upon the Commission's mainstream programmes and making them more sensitive to cities through revised guidelines than by attempting to rescue the more visible - but in the end less important - initiative.

Improved governance - achieving integration.

6.6 The framework clearly represents a more integrated approach to urban issues by the Commission. The plan for a Commission inter-service group to encourage further integration is important. But it is clear that the Commission has much further to go, including linking ESF and ERDF, to achieve a more integrated approach. Indeed, many argue that we need a Commissioner for Urban Affairs to really achieve such integration. This idea has received a mixed response from European politicians, whose national experiences of such an initiative are mixed. But the idea is unlikely to go away. Whatever happens, the Commission will have to begin to deliver on the expectations of greater integration raised by the document.

6.7 At the same time, it is very clear that member states and local authorities still have to get rid of their traditional functional and departmental boundaries and their sectoral approach to policy making to deliver a more integrated approach to urban policy. In particular, many member states have yet to accept the key policy principles is encouraging. It is important that when revising the guidelines the Commission should insist that member states endorse those principles when applying for structural funds so that cities' interests cannot be ignored by unsympathetic national or regional governments.

Housing - a missing link between competitiveness and cohesion?

6.8 Housing remains a central issue for urban policy. There is a huge demand for the Commission to recognise that next to jobs - for which it has responsibility - that housing - for which it does not - was the most important element of urban policy. There is substantial support for the view that if it cannot finance mainstream housing activities, the Commission should at least support housing related regeneration activities, including for example, training programmes, community capacity building, the provision of community facilities and environmental improvements. Again there is considerable

experience to build upon in different countries which cities and the Commission could pull together so that we do not reinvent the wheel.

Building bridges between cities and the Commission.

6.9 The probable demise of URBAN and hence the loss of direct links between the Commission and cities is a potential problem for some cities. It could mean that in future, cities will have to make their cases indirectly through regional and national government structures and intermediaries. To sustain the gains of the past years, cities will need to find a new way of putting their case directly to the Commission. In turn, the Commission will have to find a way of receiving and negotiating cities' demands. This will demand political goodwill and institutional creativity at both local and national level.

6.10 However, cities will also need to develop better links with their own national governments. Cities cannot expect the Commission to deal with all the problems or opportunities that European cities face. These will have to remain essentially a national responsibility. The crucial issue is to determine where the Commission can genuinely add value to cities, rather than adopting the begging bowl policy which demands European money simply because social exclusion exists in cities. Also, the cities must pull more together in their common cause rather than asking for special attention for the interests of large, or the medium sized or the smaller cities as they sometimes do.

The right spatial architecture of urban policy

6.11 Arguably the most significant part of the framework document are the Commission plans to introduce Integrated Urban Development Plans. These will require that cities are integrated into regional development plans, as a central feature of structural fund negotiations in future. Although confined to Objective 1 and 2 regions, this is an important breakthrough which places cities at the centre of regional policy. In the short term, they would attract more support and resources for cities. But in the longer term the plans could be a lever to achieve much better working relationships between cities and their regions. This idea has enormous potential whose implications have not yet been explored.

6.12 The challenge is to develop the right spatial architecture for urban policy so that different levels of government - European, national, regional and local - can make the best intervention - whether at neighbourhood, city, sub-regional or regional level. The proposal for Integrated Urban Development Plans opens that important debate. The approach is already being explored in a number of countries - for example, in France with Contrats d'agglomération and in the UK with the Local Government's Association plans for conurbation wider strategies in its New Commitment to regeneration. Both echo the essential principles of Territorial Action Plans proposed by EURO CITIES. There is much to be worked out. That must be part of the next phase of work.