Urban AND Regional Development IN THE New Europe

EDITED
by

PANAGIOTIS GETIMIS
and
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URBAN AND REGIONAL DEVELOPMENT IN THE NEW EUROPE

Policies and Institutions for the Development of Cities and Regions in the Single European Market

edited by
Panayotis Getimis and Grigoris Kafkalas

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Contents

Part II: Hierarchies and Networks of Cities and Regions

Part III: Urban Problems and Policies

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Frans P. M. Vonk was till 1992 director of the TNO Institute of Spatial Organization. A graduate from Amsterdam University, he worked as a researcher and consultant for the Dutch Union of Local Authorities, the Dutch Ministry of Housing and the Netherlands Organization for Applied Scientific Research (TNO). Involved in international comparison of urban (economic) development and policy making since 1973, and author of various publications on this issue, his interest is more and more evolving towards (urban) policy analysis. During a sabbatical leave in 1993 he intends to deepen his understanding of public policy making, with special reference to the currently changing institutional setting (both in the Netherlands and in Europe).

Preface and Acknowledgements

The goal of this volume is to underline the importance of the emerging new types of policies and institutions for the development of cities and regions in the new Europe. The contributions are based upon papers presented to the Workshop on *Policies and Institutions for the Development of Cities and Regions in the Single European Market* organised by the URDP, a civic non-profit association, with the generous support of the Directorate General for the Coordination of Structural Policies of the Commission of the European Communities (DG XXII). Among the major aims of the Workshop was to stimulate debate on both development trends and the implementation of new policies at the various spatial levels (local, regional, national and European) of the European Community and to develop an interdisciplinary forum of researchers, academics and experts from the various European countries. We wish to thank in particular Mr Achilleas Mitsos and Mrs Maria Logotheti from DG XXII and Mr. Marios Camhis from DG XVI for their substantial help during the preparatory stage of the Workshop.

The book is in three parts:

The first part, "European Integration and Regional Development" includes chapters by M. Dunford and D. Perrons, H. Heinelt, S. Boeckhout and W. Molle, E. Plaskovitis and H. Häußermann. It poses the question of the social and economic cohesion of the European Communities from the point of view of its regions which emerge as important building blocks with significant degrees of individual self-realisation and decision-making potential in the restructuring of Europe. In particular, this part of the book addresses the issue of whether a Europe of Regions is a viable political option, given the political and administrative comlexities of the present structure. Furthermore, it focuses upon the individual cities' and regions' efforts to develop and the role of the structural funds in strengthening cohesion without loss of diversity. The impact of the Single Market upon wealth differentials and an evaluation of the structural interventions are also among the central concerns of this part.

The second part, "Hierarchies and Networks of Cities and Regions", deals with the political and economic restructuring and renegotiation of the functional roles and the hierarchies of the European cities and regions. The spread of competition between areas and its impact upon polarisation and the importance of networking for the upgrading and regeneration of the various local economies are central features of the growing debate. The contributors are M. Camhis and S. Fox, S. Krätke, M. Parkinson, P. Cooke, J. P. Gilly and N. Komninos. This part of the book also addresses the importance of the internal aspects of the new localised forms of urban and regional development and the increasing importance of agglomeration economics, despite the integrative character of the new infrastructure. A further central question is whether it is possible to combine co-operation with competition at the urban and regional levels.

The third part, "Urban Problems and Policies", addresses the issue of the changing profile of the urban scene during the last decade; with particular emphasis on the new forms of social polarisation and experimentation with new forms of urban administration and development policies. The debate centred on the fact that proliferating initiatives from both above and below seem to provide grounds for a more thorough search for European policies appropriate to the new urbanisation and the unfolding contingencies of the 1990s. This part includes the contributions of M. Mayer, P. M. Vonk, A. Loeckx, E. Preteceille, and P. Getimis and D. Economou.

We should like to acknowledge our debt to our contributors for both their stimulating part in the debates during the Workshop and the careful adaptation of their papers for this volume. Many thanks are also due to the rest of the participants in the lively Workshop debates. We are also grateful to the Principal of the Anargyrios and Korgiallenios School of Spetses, where the Workshop took place, and the Mayor and people of Spetses for their warm and enthusiastic welcome.

Last but not least we thank Matina Mitaki of the URDP that undertook the DTP's difficult task of preparing the book for publication.

P. Getimis and Gr. Kafkalas
January 1993

Introductory

1

The post-Maastricht process towards European Union and the economic and social cohesion of the Community

ACHILLEAS MITSOS

I am very happy to have been given the opportunity to address your congress with an introduction on economic and social cohesion. The reason for this is not related only to the gathering here of so many distinguished representatives of both the academic and the more directly policy-making world, nor just to the warm hospitality we are all taking advantage of in this beautiful island of Spetses, but also to the timing of this conference. It is with great pleasure that I will discuss with you issues that I am used to discuss these very days at entirely different settings, namely the various instances of the Council of Ministers and the European Parliament, where the negotiations on economic and social cohesion in the context of the Delor's Package, in other words of the Commission's proposals for the future financing of the Community, are at the most crucial phase.

I want to start by saying that I know that for some of you (and not just the non-Greeks) economic and social cohesion is synonymous to the transfer of Community funds to the poor member states, or, to put it bluntly, to "buying off" the poor countries' concession for the further moves towards integration that the rich member states decide to pursue.

Personally, I have no difficulty to accept that the structural funds are (by far) the most important means to achieve cohesion, and, moreover, that a further substantial increase of the funds directed towards the poorer countries is a *condition sine qua non* for those countries' approval of certain restrictions in their economic policies' marge for maneuvre that would otherwise be impossible. But economic and social cohesion is not just that. Economic and social cohesion is the corollary of integration and at the same time, the expression in concrete terms of the Community's deepening, in other words, of the more advanced European integration.

It is well known that during these last 35 years European integration has not followed a predetermined voluntarist approach, but the so called "gradualist" approach. The need for larger and freer market has always been the initial driving force for further steps towards integration, and the "deepening" of the Community, i.e. in other terms, the continuous transfer of more and more responsibilities of the governments of the member states to either intergovernmental or supernational bodies, has always been the outcome as well as a secondary, but not less powerful, driving force towards integration.

In this context, the historical turning point has undoubtedly been the Single Act of 1986 - the legal and institutional expression of the new balance that had to result from the extremely ambitious "1992 project", the decision to abolish all barriers in the movement of persons, goods, capital and services within the Community. It is in this new Treaty that, for the first time, economic and social cohesion and, even more directly, "reducing disparities between the various regions and the backwardness of the less-favoured regions" is acknowledged among the objectives of the Community (Article 130a), and the need to provide the Community with the appropriate means to cope with this objective is explicitly made.

These means were to be both financial and non-financial, as article 130b explicitly asked for cohesion to be taken into account in "the implementation of the common policies and of the internal market". In other words, the actual implementation of Community policies such as the common agricultural policy or the research policy, as well as the Community's position in the commercial negotiations with e.g. the USA should also include the cohesion dimension. Although working for the Commission of the E.C., and moreover, being co-responsible for the application of this article, I must admit, that its practical implementation has not been up to now very successful, partly because of the - expected - resistance of the "northern countries", and partly because even the "southern countries" did not wish to press hard in these areas, fearing that this would harm their negotiating power in the budgetary transfer discussion.

Coming now to the financial expression of the objective of economic and social cohesion - the structural funds of the Community, I can read the objection: "Why is the Single Act considered as the 'historical turning point' when the funds existed already long before the Single Act?" For two reasons: Firstly, because from the moment the reduction of the development gap between e.g. the Greek islands and the central Europe regions becomes the objective of the Community, this Community becomes a **partner** to the Greek authorities, at national as well as at regional or local level, that have a similar objective and, as in all cases of partnership, each partner should contribute with whatever resources he has to the achievement of the common objective. Secondly, because the new objective of the structural funds leads directly to the need to modify the way these funds are administered in such a way as to maximize their **economic impact.**

These may sound as purely theoretical considerations, but they are not. In the pre-Single Act period the main guiding principle of the Structural Funds was the need to "raise the Community's flag" to as many as possible actions. What was important was to show that for the construction of road A or for the realization of the training seminar B the Community budget contributed... , and the only *ex ante* decisions that had to be taken (explicitly or implicitly) concerned each country's quota and some basic rules of eligibility.

The need for maximizing the real economic impact resulted not only to a substantial increase of the available funds (the well-known Delors package of 1988 that lead to the doubling by 1992 of the funds for the less developed regions), but also to the substitution of the "quota cum eligibility approach" by the **"programmation approach"**. Regional, state and Community authorities, in a partnership procedure, seat together and come up with the best possible medium term framework program for the development of the region in question.

Each partner has a distinct role in this process. The basic development priorities must be decided by the government and no one else. After all, governments are elected precisely for that, and no one should be allowed to assume this responsibility in their place. (I know of course that this point must be constantly reminded not at colloquies like this one but in Brussels -as well as to certain governments, I am afraid- because, as every person who has lived or worked in less developed countries would agree, it is often difficult to restrict the power of the official who is asked simply to execute an existing budget, because the distinction between the power to execute and real power tends to become thinner and thinner). The role of the Commission of the E.C. is not to substitute for national governments in setting the basic priorities, but to add the European dimension to these decisions, both negatively, in the sense of avoiding decisions that contradict other Community' policies (competition rules, environment legislation etc.), and positively, by providing the necessary expertise in the combat against the backward methods and practices in the decision making process, that constitute the most difficult to overcome obstacle to development. Finally, the regional and local authorities have an extremely important, although less clearly defined, role to play, because they are the only ones that are in a position to motivate the endogenous development potential, in the absence of which no real development is possible.

Have we succeeded? This is obviously a very prominent question and the central one to which we must give the right answer if we want to help move forward the very tough negotiations that are taking place right now on the future financing of the Community. After all, it is quite normal that those who pay require the "best value for their money", even if, as we all know, this requirement does not always prevail (see e.g. the budgetary returns to the U.K.), and, furthermore, the most important benefits from participation in the Community are **not** the budgetary ones. (The fact that Germany e.g. is by far the most important net contributor to the Community budget does not mean that Germany is not an important "net recipient" of Community's policies in general).

The question of the evaluation of the impact of funds' intervention may be crucial, but is also a question to which no clear answer can be given. First, because we must compare the present situation to a hypothetical situation that would exist if the Community's funds were not present (the famous *ceteris paribus* condition probably the most powerful, but dangerous at the same, time tool of analysis), and second, because we are faced with the impossible task of trying to evaluate the real impact of an action that has not been completed. The programming phase was for the period 1989-1993, and obviously we can't talk of any *expost* real effects in 1992.

What we can do, and have done, is a thorough *ex ante* evaluation, in other words an evaluation of the **potential impact** of the structural interventions of the Community. We have used macro-economic models, input-output analyses and all the sophisticated methods that economic analysis provides us with, and we have published some of the results of the 300 studies that we have commissioned in the so-called "Mid-term review", the Communication that the Commission submitted to the Council and the Parliament in support of its proposals for the future financing of the Community. The results of this analysis are striking. Let me quote just two figures: Total public expenditure on the projects cofinanced by the structural funds represents more than 5% of Greece's gross domestic product, and the potential impact of the structural funds during the period 1989-1993 could be to increase the growth rate of Greece's national product for more than 0.5% per year.

I said at the beginning of this brief introduction that the timing of this colloque is perfect, and the reason for this is that, as you all know, it is at this very moment that the negotiations at the Council of Ministers on the Delors II proposals have entered their most dramatic phase. No serious economist would ever make predictions for the immediate future (we all prefer to predict the more distant future, hoping that if things turn wrong no one will remember our predictions), but we, at the Commission, are confident that the conclusions of the forthcoming Summit of Edinburgh are going to be positive, i.e. not far from the Commission's initial proposals.

If the turning point concerning the role of cohesion in the process of integration has been the Single Act, the European Union Treaty (the famous but not really known Maastricht Treaty) should be the point of consolidation of this role. The Treaty of Maastricht being the result of the need to abolish the last major obstacle to complete market integration - the existence of different moneys in different parts of the integrated market - will provide with the need for a new push towards economic and social cohesion of the Community.

In this context, the Commission has proposed a far reaching plan that includes a further doubling of the available funds for the least developed regions and countries within the next five to seven years. This doubling will be partly covered by the existing structural funds (the Regional Fund, the Social Fund, and the orientation section of the Agricultural Fund) and partly by the introduction of a new fund the Cohesion Fund. This Cohesion Fund is geared not towards regions but towards member states, and it is intended to finance projects in two major areas were externalities are very present - transport and environmental infrastructure. But the most important distinguishing characteristic of this fund is its direct link to the overall macro-economic policy of the country in question. Macro-economic considerations do not provide simply for the overall framework within which the structural funds actions will work, but a condition for the cohesion fund's interventions.

New objectives for the Union are set out, and the role of economic and social cohesion in the process of European integration is greater than ever before. But these new objectives, and the new balance of power leads us also to new type of conflicts, or to entirely new dimensions to old conflicts. Liberalism vs. state intervention as the fundamental ideological dilemma of the past is shifted upwards, in the sense that not only the "internal market" has extended beyond the national boundaries, but also that state intervention is giving more and more its place to intervention by institutions at transnational level. In other words the central question becomes **what Europe do we really want**.

It is in this context that we should look at the question that seems too technical but covers in reality a huge political and ideological battle: The dilemma between the objective of monetary, **nominal** convergence and that of **real** economic and social cohesion. The first leads to the common establishment of specific macro-economic goals (e.g. 3% inflation), and asks each member state to do the necessary in order to fulfil this goal. The second acknowledges that, at least to a certain extent, nominal convergence and real cohesion may be divergent, or even contradictory objectives. It is up to the Community, together with all the national, regional and local authorities to do the necessary to achieve this objective. All necessary measures must be taken in order to reduce the existing gap, both in terms of **levels of development,** through direct income redistribution measures from the rich to the poor regions, and in terms of **levels of development potential**, through the financing of those measures of physical and human infrastructures that constitute the real barrier to development.