

Brussels Declaration

by the Mayors of the EU Capital Cities on

Public investment, Cohesion policy and the Urban Agenda for the EU

Brussels, 25th of September 2018

Preamble

The European Union is not just numbers and budgets, rules and standards. First and foremost, it is home to more than 500 million citizens who have a right to good quality of life in a socially, ecologically and economically sustainable environment. To these citizens, public authorities must guarantee good quality services combined with the healthy and sustainable management of public funds. Investment in quality of life takes place on the ground, in our cities and regions, and in established partnerships of the public and private sector. EU Cohesion policy has contributed substantially to the development of our social, economic and territorial cohesion and has helped to overcome regional disparities. EIB financial instruments have been of great support likewise, and the Urban Agenda for the EU allows for an impact assessment on how EU policy can create better living environments in the cities and urban areas of the European Union. However, public investment has decreased substantially since the beginning of the Global Financial Crisis which creates distortions and disparities in our societies and economies, often beginning in cities. Therefore, we, the Mayors of the EU Capital Cities, underline the need for better conditions to enable cities to invest in the present and future quality of life of our citizens.

On public investment

The High-Level Task Force on Investing in Social Infrastructure in Europe¹ states in its 2018 report that investments in social infrastructure have decreased by 20 percent since 2009 in the EU and estimates the overall investment gap at 150 billion EUR per year for the next ten years. The urgency of relaunching public investment in Europe is now widely agreed.

Major international organisations, such as the ECB and the OECD, support this wholeheartedly. A study published in 2014² by the IMF shows that an increase in public investment equivalent to 1% of GDP has a 1.5 % impact on GDP in the medium term (4 years), that is if the investment is being financed by debt and not by cost-saving measures designed to achieve budgetary neutrality. Local public investment represents half of total public investment within the European Union³.

In the past three years, progress has been made to support public investment, but it remains insufficient.

We welcome the Investment Plan for Europe, also known as the Juncker Plan, implemented in 2015 as a first attempt by Europe to meet investment shortfalls in the Union. However, the Juncker plan on its own does not solve the problem of public investment since it mainly targets the lack of private investment. And the private sector prefers to invest in financially attractive projects regardless of their public purpose.

The second initiative adopted by the Commission in 2015 to relaunch public

¹ Report of the High-Level Task Force on Investing in Social Infrastructure in Europe: "Boosting Investment in Social Infrastructure in Europe", by Lieve Fransen, Gino del Bufalo and Edoardo Reviglio (January 2018)

² "Is it the right time to relaunch investment in infrastructure? The macroeconomic effects of public investment." IMF, 2014.

³ 50,09% according to the "OECD:Subnational governments 2018 Key Data"

investment was the introduction of the "investment clause" which, under certain strict conditions, makes it possible to temporarily withdraw from budgetary restrictions in times of recession whenever this investment improves long-term economic and budgetary prospects. However, the investment clause found very limited application⁴.

As Mayors of EU Capital Cities, we recommend the European Commission to enable the public investments required for the well-being of all and which ensure favourable economic prospects regardless of the economic climate. We, the Mayors of EU Capital Cities invite the European Commission to strengthen the investment capacity in the existing institutional framework by using its interpretational leeway regarding the effect of co-financed and nationally financed public investments in its annual fiscal assessment of a member state. This would enable cities to fully contribute to the achievement of the objectives of the European Union such as objective 9 of the EU Cohesion Policy 2014-2020⁵: "Promoting social inclusion and combating poverty and discrimination" that allows for an interpretation of housing as structural reform as well.

We also call on Member States to ensure that cities have the financial means and associated powers to make the investment decisions necessary for sustainable economic growth, consistent with urban development plans and accountable to voters at local level. Making use of the European Charter of Local self-government is one of the instruments that could be used for this purpose.

In view of the difficulty of overcoming ESA 2010 standards without modifying treaties, we take notice of the recommendations of the High-Level Task Force on Investing in Social Infrastructure in Europe and the Opinion "Proposals for reform of the Economic and Monetary Union" published by the Committee of the Regions

⁴ https://ec.europa.eu/info/sites/info/files/economy-finance/com_2018_335_en.pdf

⁵ http://ec.europa.eu/regional_policy/en/policy/how/priorities

(CoR) in December 2017⁶. The CoR calls on the European Commission to publish a white paper setting out an EU-level typology for the quality of public investment in public expenditure accounts, on the basis of its long-term effects.

In view of solving the investment shortfall we also invite the Commission to take into account the suggestions made by many experts to re-evaluate the access criteria to the investment clause.

We fully support EUROCITIES and CEMR in their work and reflection on long-term public investments and encourage the European Commission and Member States to take full account of the positions and proposals from cities that will result from this.

We, the Mayors of EU Capital Cities, believe that sustainable public investment positively influences the daily lives of our citizens, contributes to social cohesion, is favourable for our local economies and enables a long-term strengthening of the competitiveness of the European economy. These are driving forces for relaunching the European project, which will secure a better quality of life for our present populations, and also benefit future generations.

On future Cohesion policy, the MFF and Brexit

The Mayors of Capital Cities strongly advocate an EU budget capable of addressing the manifold challenges ahead. We acknowledge the proposal of the European Commission for the Multiannual Financial Framework (MFF) for 2021-2027 and the close link to the political priorities of the Union.

The Mayors of Capital Cities ask the Member States to support the proposed commitments equivalent to 1,114 % of the EU-27 gross national income budget for 2021-2027. Cuts to the proposed commitments would endanger the modernisation of

⁶ <https://webapi.cor.europa.eu/documentsanonymous/cor-2018-01039-00-00-ac-tra-en.docx>

the budget, undermine the effectiveness of EU politics on the ground and weaken public support for European integration.

The Mayors of Capital Cities particularly regret the significant cuts in Cohesion policy budget: 10% in real terms, compared to the 2014-2020 period. The European Council and Commission have openly and repeatedly acknowledged the positive impact that Cohesion policy has had in the past and its potential for the future. We recall that the promotion of economic, social and territorial cohesion is one of the Treaty objectives and that the Seventh Report on cohesion⁷ demonstrates that Cohesion policy is actually achieving this goal. At a time where the European Union is facing a multitude of crises we believe we need a strong Cohesion policy where European, national, regional and local priorities meet and converge. We also believe that the cohesion budget is particularly important as it is one of the most visible European policies in the daily lives of our citizens.

Despite the disappointing budget allocated to the Cohesion policy in the framework of the new MFF proposal, the Mayors of EU Capital Cities welcome the improved texts the draft regulations for the next funding period. The proposals for the simplification of the management of the fund will be particularly important in improving the effectiveness and perception of the policy by the final beneficiaries on the ground.

We support the proposal to allocate at least 6 percent of ERDF resource at national level to sustainable urban development and encourage setting the threshold at 10%. Capital cities invite the European Commission to consider a direct allocation of such resources to the Capital Cities or ,as an alternative, an earmarked budget in the national or regional Operational Programmes. However, this would also request more clarity on the process of delegation to Urban authorities in order to ensure their effective involvement and administrative capacity.

⁷ http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf

Capital cities also particularly welcome the proposals made by the European Commission to foster a place-based approach organised around functional areas working across administrative borders. We emphasise that the implementation of such programmes has to be managed in a strong cooperation and partnership with all levels of government. Capital cities will be very vigilant on the definition and the importance given to this partnership principle in the new regulations and consider it obligatory to be included in related processes.

The Capital Cities recall the importance of the EU as a global actor and in particular its crucial contribution to sustainable development that lies at the core of European values and constitutes an overarching objective of the EU as set out in the Treaties. In this perspective the EU response to the 2030 Agenda should underpin the definition of the EU longer-term vision and consider reorienting the EU budget towards the achievement of the EU's long-term objectives after 2020 as indicated in the Council conclusions⁸ and Commission Communication⁹.

The Mayors of EU Capital Cities regret the decision of the UK Government to leave the EU and call for the closest possible relationship between the EU27 and the UK in the future while also recognising that this relationship will need to fully respect the integrity of the European Single Market and the indivisibility of its four freedoms. It is essential that the Brexit negotiations limit as far as is possible the resulting economic disruption. Subject to agreement on an orderly Brexit, we believe that the new MFF could allow for the UK to be involved, as much as is possible for a third country, in the key funding programmes. In particular, this means Horizon Europe, but could also include the programmes being brought together under the European Urban Initiative and other relevant funding and co-operation programmes. We invite the Commission to reflect on how UK cities could be welcome to continue

⁸ <http://www.consilium.europa.eu/en/press/press-releases/2017/06/20/agenda-sustainable-development/>

⁹ http://www.consilium.europa.eu/register/en/content/out/?&typ=ENTRY&i=ADV&DOC_ID=ST-14774-2016-INIT

their involvement in the Urban Agenda process. The Mayors of the EU27 capitals look forward to continuing their close co-operation with London and other large cities in the United Kingdom.

On the Urban Agenda for the EU

As Mayors of Europe's Capital Cities, we are greatly encouraged to see how the 'Urban Agenda for the EU', as established by the Member States and supported by the EU institutions in the 'Pact of Amsterdam' in 2016, has developed into a highly relevant framework for policy cooperation between European cities, Member States, the European Commission and other stakeholders;

We welcome the acknowledgment of the importance of the Urban Agenda for the EU as expressed by the European Parliament in its resolution adopted on July 3rd 2018 on the 'Role of Cities in the Institutional Framework of the Union' (2017/2037(INI)); and as evidenced by the Opinion by the Committee of the Regions, entitled the 'Implementation assessment of the Urban Agenda for the EU', adopted on July 4th 2018;

We praise and support the recently published proposal by the European Commission, as part of the new ERDF programme, for a 'European Urban Initiative', which should be an important step to strengthen the support and coordination of the Urban Agenda, and which also aims to support sustainable urban development;

The Capital Cities of the EU are committed, together with other local authorities, to contribute to the success of the Urban Agenda by making all relevant capacity and expertise available that is needed for the thematic Partnerships to produce relevant, concrete and convincing actions and recommendations for better EU, legislations, funding instruments and knowledge exchange; We would also welcome increased support from the Commission to contribute too and implement the outcomes of the Urban Agenda of the EU.

We urge, however, the European Commission to express a stronger level of commitment to the Urban Agenda for the EU, ensuring that all relevant Directorates-General of the European Commission actually dedicate capacity and time to cooperate in the different thematic Partnerships that have been activated; In this regard we also recall the commitments taken by the EU through other existing multilateral initiatives on urban issues such as the UN New Urban Agenda adopted in Quito in 2016.

In this respect, we look forward to the acknowledgment of the Urban Agenda for the EU by the European Commission as a key framework for multilevel governance and cooperation on Europe's main policy priorities, and in particular we call the European Commission to include the Urban Agenda for the EU in the Annual work programmes of the different thematic Directorates General.

The Mayors of the Capital Cities of the European Union

Brussels, 25 September 2018