

City-hinterland co-operations – a way to find the best structure for common work

Introduction

The economic crisis is affecting smaller conurbations as much as the larger metropolitan regions. These smaller agglomerations are nevertheless the engines for the development of the decentralised regions.

The borderline between city and hinterland has quite a significant impact on many communal fields – e.g. politics, governance, provision of financing and an adequate organisation. New duties and complex problems cannot be solved under the current strict political and administrative structures

The increasing upward financial pressures from increasing needs in cities and downward pressures from restricted availabilities of public funds has been exacerbated by falling business tax revenues and restrictions on central government subsidies. This fact influences severely the resources of local and regional authorities and affects their liquidity. Reports on highly indebted cities and municipalities are increasing in quantity.

The world wide crisis is on the one hand a central problem for the European Union and its member states; on the other hand implications have to be coped with regionally and locally. Many cities have gambled with risky but appearing to be lucrative investments and have lost considerable funds. Consequently they have to find responses in their own fields of competencies with adequate measures.

The financial crisis requires a change of the customized view, especially for agglomerations. Many agglomerations are not able to cope with all these problems on their own. An intensive cooperation of all local and regional authorities, but especially between the cities and their surrounding municipalities is necessary.

This paper wants to show, how the vertical cooperation between the state, the region and municipalities can be improved by exploring the potential models that have already been tested in the CityRegion.Net conurbations. The different approaches for city-hinterland cooperation in the partner cities/regions are described shortly. Key criteria for the process of establishing cooperation and three possible structural models, the first results of CityRegion.Net, are illustrated on the following pages.

Existing cooperation structures in the CityRegion.Net countries

Graz (Austria):

In 2008 the Land Steiermark (Provincial government of Styria) in Austria passed a bill, which regulates new forms of municipal cooperation in 'great regions' and 'small regions'. The most important aims of this project called "Regionext" are a thematic and structural pooling of municipalities, more personal responsibilities within the cooperation, attractive living spaces for the inhabitants, and a better competitiveness of the region.

The process "Regionext" is currently implemented on three different levels. Firstly, municipalities have to cooperate and form "small regions", then two or more of these "small regions" are linked to "great regions" and then there is the Province of Styria with the provincial government and all the funding departments /agencies.

Each "small region" has elaborate a development concept for the small region to define which communal tasks will be performed commonly by the municipalities of the small regions. According to these models, the cooperation will receive special grants, if a certain number of municipalities decide to cooperate on specific topics.

At the moment, almost 95% of the Styrian communities have found cooperation in small regions. This high proportion was achieved in a relatively short time. In September 2009, the Province of Styria was split into seven "great regions", which are supposed to work as 'laboratories in regional development'. Each of these seven has to establish a regional assembly and a regional managing committee. Members of the regional assembly are all mayors of the municipalities of the respective region as well as all members of the Austrian Parliament and the Styrian Parliament, whose principal residence lies in the region. The regional managing committee is composed of only 12 delegates of the parliaments plus representatives of the small regions. The main tasks of the "great regions" are the development of objectives for regional policy and projects as well as the input to the Provincial Government when designing or adapting the regional development programme. Regional development concepts have to be elaborated, validated by the regional assembly. The so called "leading" projects that are illustrated in the regional concepts will then have funding priority.

The existing regional development agencies will support the regions in their operational work.

The next steps will also be highly concentrated on the level of the provincial government of Styria where sectoral funds will have to be coordinated within the framework of Regionext.

Figure 1 Principles of regional reform in Styria, Austria

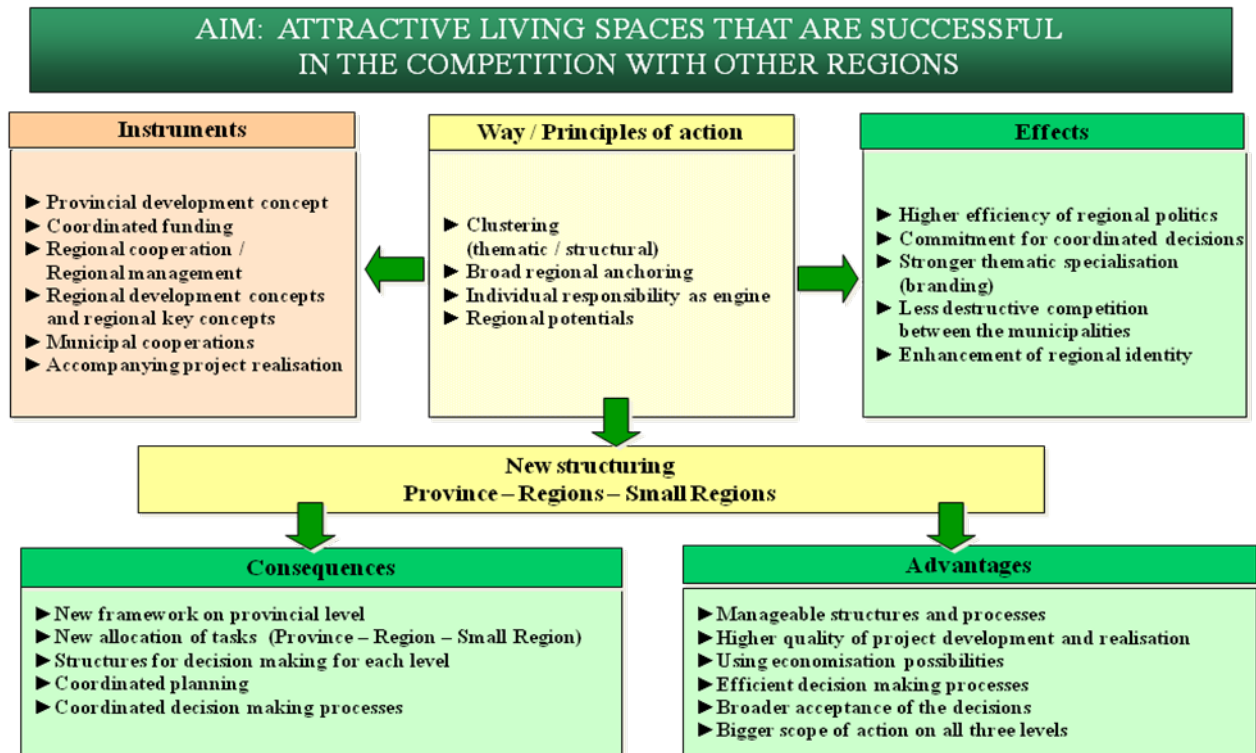
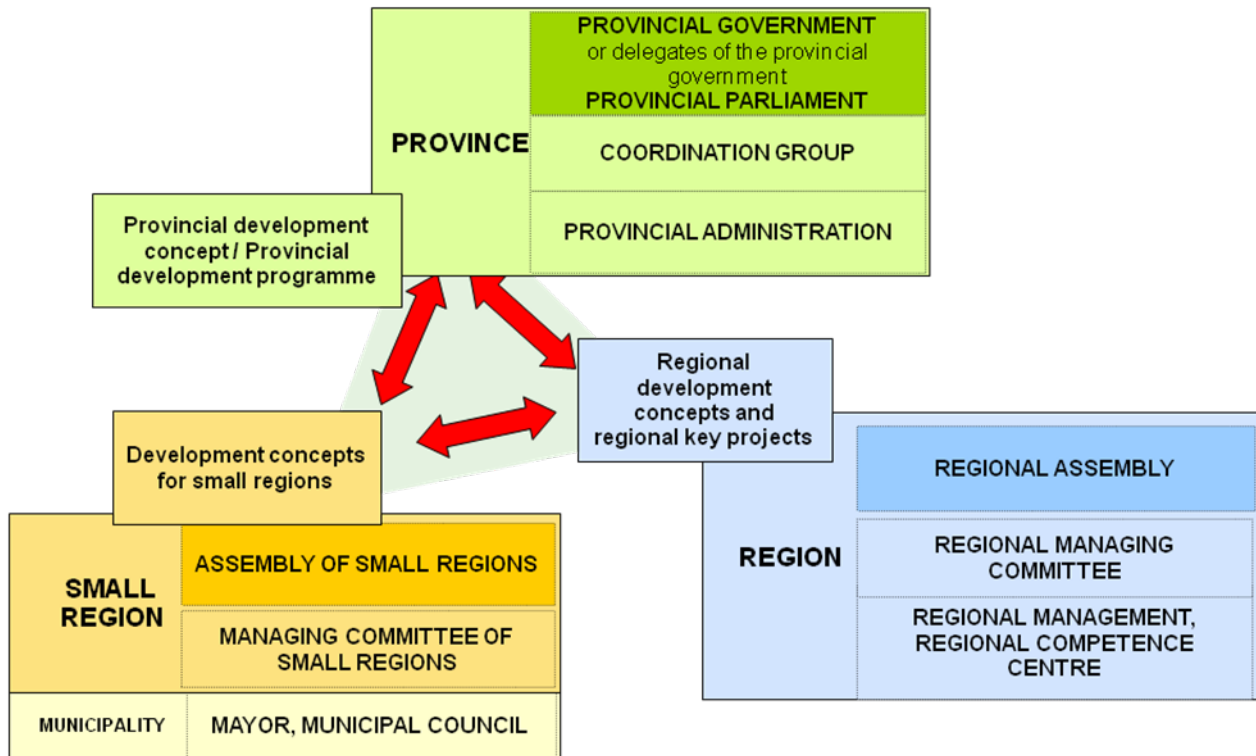


Figure 2 Governance arrangements for regions and cities in Styria



Châlons-en-Champagne (France)

France for instance has already built up a legal framework for regional structures and tax systems for conurbation areas, to improve the downward spiral situation of their cities and municipalities.

These cooperations are institutional tools to allow municipalities on the one hand to retain their autonomy (no fusion) and on the other hand to cooperate in one or more communal fields (mandatory or optional transfer) creating a public inter-municipal cooperation (EPCI). This is a new public legal entity, with respect to its own budget (expenditure and revenue), its decision-making bodies (ex - council and president), its means of action (staff, assets, equipment). It will manage the equipment or utilities for the instigation of economic development projects, of urban planning measures, etc. at the scale of an area larger than the town.

The following three models describe cooperation possibilities in France:

- Associations of cities are applied primarily for rural and small towns. The skills required are centred on the idea of establishing joint development projects (economic development and spatial planning). Optionally they must manage at least one of four pre-defined communal tasks (e.g. protection and enhancement of the environment, housing policy and living standards, etc.) Its own taxation finances the inter-municipal cooperation.
- Conurbation communities are subject to a test population (city-center for a town of 15.000 to 50.000 inhabitants). The list of mandatory tasks reflects a policy of common development on a territory (economic development, spatial planning, urban policy, and housing policy). The law also provides a list of optional tasks. The statutes must include inter-municipal management of at least three of these tasks. They receive state support (improved FMD). The establishment of the TPU (single business tax) is required. They may also levy a tax on joint property taxes and housing taxes.
- Urban communities have been applied since 1999 to towns of more than 500.000 inhabitants. The list of required tasks is impressive (e. g. economic development activities, cultural facilities, sports, planning documents and land use management, etc.). They receive state support. The establishment of the TPU is mandatory. They may also levy a tax on joint tax and housing tax (if TPU).

In 2009 the French government proposed reforms for institutions, regional and inter-municipal cooperation. In response to the success of quantitative tax, the Secretary of State for Local authorities, no longer concealed its desire to establish by law a target date (1st January 2014) by which the last isolated communes would have to choose their community of attachment

Arezzo (Italy)

The Italian administrative system is set out in three levels of non-state territorial authorities, firstly regions, then provinces and thirdly cities/municipalities. These three levels are the only authorities allowed by the Italian Constitution. At present, within the Region, the Province represents the only territorial authority over the municipality level. The Italian Constitutional project of establishing a level of territorial authority dedicated to big cities and their hinterland has not been put into effect yet. Other forms of cooperation are freely carried on (associations among municipalities, consortiums for special services or defined as "variable-geometry tools", i.e. development plans and programmes, strategically plans, programme agreements). These tools can have a "WIDER AREA" level among different provinces, or a different area level according to the territorial policies and local needs to be integrated. This type of cooperation is agreed upon by the different territorial bodies and authorities and involves economic and social stakeholders of the area/areas in question.

Among the above mentioned cooperation tools, programme agreements allow the parties to better share and distribute functions and tasks. Thus, the development programme of a certain policy is set out by means of a real and proper agreement or contract drawn up by the territorial public bodies (region, cities, municipalities, province, chamber of commerce, etc.). This agreement defines roles, tasks, resources, etc. of each participant.

Zürich (Switzerland)

In Switzerland and also in the Canton of Zurich, there are different initiatives being implemented in order to improve regional structures and cooperation. One strategy is a better institutionalisation of the larger metropolitan region (Zurich: 7 cantons, 220 communities, several agglomerations, etc.). Another strategy is to find more binding and efficient structures for the strategic cooperation and policy-making between municipalities. On an operational level, they know the system of purpose-orientated associations (Zweckverbände). Last but not least, there is also a trend in Switzerland for fusions between two or more municipalities. However, in the Canton of Zurich, the number of municipalities has not changed for about 50 years and still stands at 171.

For the cooperation between Zurich and surrounding municipalities there is no ceiling for all cooperation or interests. The municipalities are very anxious to avoid losing their autonomy.

Munich (Germany)

The official cooperation structure for Munich is the Planning Region of Munich. 186 municipalities and 8 counties are compulsory members. Munich's Planning Region is the largest and economically strongest of 18 regions in Bavaria. The regional plan was elaborated according to the guiding principles of the Spatial Development Program of Bavaria (LEP) and deals with all topics of regional concern.

Additionally, municipalities of the region cooperate with Munich in certain fields, e. g. "Munich Transport and Tariff Association (MVV)", "Inzell initiative" as PPP to improve the overall traffic situation, "MORO-initiative" (City of Munich and 9 municipalities) to strengthen sustainable development within the region of Munich, the "Association of Regional Recreational Areas (EFV)", which focuses on the establishment of recreational areas and cycling paths, financed by all 60 members (City of Munich, counties, municipalities), and the "Greater Munich Area (GMA)". This association is responsible for regional marketing and organizes the representation of the GMA-region at the ExpoReal Trade Fair, one of the most important trade fairs for real estates. It has more than 100 voluntary members from the public and private sectors.

Finally there is the Munich Metropolitan Region Initiative that is a voluntary regional cooperation platform of counties and municipalities of southern Bavaria. It was launched on May, 2007. The Munich Metropolitan Region Initiative provides an umbrella for partners from the worlds of business, politics, education and science, culture, and government to meet and contribute their involvement and commitment. Any participant willing, above all, to play an active part in a project is welcome to join (Principle of Openness). Participants cooperate on a voluntary basis and on equal terms, aware of their mutual responsibilities (Principles of Voluntariness and Equal Rights).

It is planned to intensify the cooperation in the following four fields:

- Knowledge
- Business and Marketing
- Environment and Health
- Transportation and Mobility

Once a year, the Munich Metropolitan Region stages a Metropolitan Conference. The conference aims to develop a joint identity, gather new ideas for projects, and attract additional participants to secure their involvement and support.

Figure 3 The region of Munich

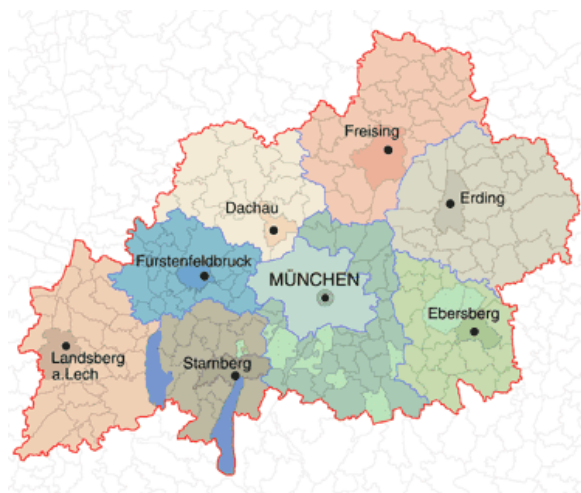
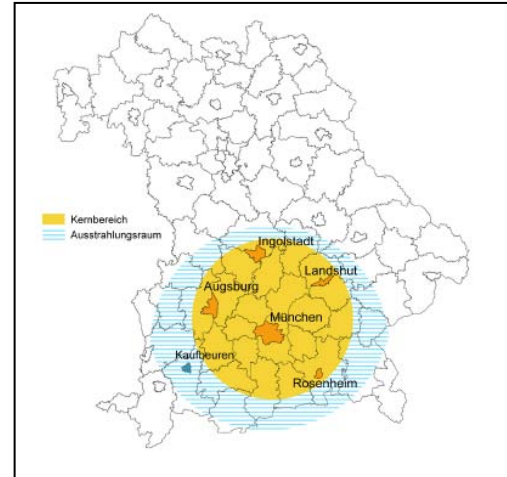


Figure 4 Munich Metropolitan Region (EMM)



Trikala (Greece)

In order to achieve cooperation, promotion and representation of local authorities at regional and national level the following private law legal persons have been created:

- Local Union of Municipalities and Communes (TEDK) in each prefecture with the compulsory participation, as members, of all the municipalities and communities as well as the associations of municipalities and communities of the prefecture.
- Central Union of Municipalities and Communities of Greece (KEDKE), members of which are all the above local unions. It is supervised by the Minister of Interior, Public Administration and Decentralisation.
- The union that represents the second level local government of Greece (ENAE), members of which are all the second level local authorities with their legal representatives.

All these unions have responsibilities of a consultative character on matters pertaining to local authorities.

In order for the Greek local authorities to deal with the new challenges, a change/reformation in the existing administrative division will be needed. At present there are 914 Municipalities and 120 communities. The new proposal of KEDKE is the creation of 380 – 390 municipalities in order to have less and more powerful local authorities.

The cooperation of communes should be organised by the creation of liable supporting inter-municipal mechanisms (technical, economical, management, etc.).

Częstochowa (Poland)

The Union of Village-Mayors, Mayors of the towns and Mayor of the city of Częstochowa Region, the Municipals Union in affairs of waterworks and sewerage, and the cooperation to prepare the Development Programme of Częstochowa Subregion within the framework of Regional Operational Programme of the Silesian Voivodeship for years 2007–2013 form the structures on regional level in the Częstochowa Region.

This is why the City of Częstochowa takes the initiative to create "Częstochowa Metropolitan Area", which will include the City of Częstochowa with its surrounding municipalities. The participants of this Metropolitan Area will cooperate in the scope of creating public space, realization public services, for example: public transport, education, protection of health, environmental protection and social assistance. In the range of organization of regional cooperation (city-surroundings), a new administrative level isn't needed, but an effective mechanism is needed, which allows efficient action for supra-communal issues and tasks.

Kielce (Poland)

Kielce belongs to the Association of Polish Cities, an organization with rich tradition dating back to the interwar period 1917-1939. Its main activities are exchange of experience, training, lobbying, consulting of acts on law, etc. The City is also a member of the Association of Polish Districts, where 320 districts and cities are involved.

Regional structures for city-hinterland cooperation are provided only on sectoral level, e. g. the Regional Tourism Organisation, which was established in 2002 and initiates and runs regional tourism projects. The municipalities pay fees for a voluntary membership. This cooperation is very successful, so that every municipality wants to participate. It is also open for tourism operators, hoteliers, etc. It has built an atmosphere of trust among its members and shows that a "bigger" structure can reach more. It works closely with journalists and politicians and has the support of the Marshall office.

Oradea (Romania)

Oradea Metropolitan Area represents an association of Oradea City with its nine surrounding communes. The overall objective of Oradea Metropolitan Area is to support the sustainable development, while the specific objective consists of increasing the cohesion of the economical-social quality life. This means working for an integrated development approach and launching integrated projects of

common interest for all members of our organization in domains like: environment, transport, spatial planning, energy and economic development.

Currently, in Romania, the multiplication of Metropolitan Areas is realised. This process can be viewed under two aspects:

- Firstly, it increases the possibility to absorb European/national funds for major projects, it increase the visibility of smaller communes and the chances to attract foreign investments.
- Secondly, it enables to solve common problems that emerged between the City and the communes concerning different aspects: spatial planning, the creation of integrated public services.

In order to have successful city-hinterland cooperation it is important to institutionalize the cooperation process which could take the form of a **metropolitan area, development agency**, etc. Nevertheless, in order to give the possibility for metropolitan areas to succeed in the accomplishment of their missions it is important to precise the limits/framework of their competencies and the financial sources that contributes to these aims.

This means the existence of an effective national legislation for metropolitan areas and a strong will for local public authorities to accept and organize the transfer of competencies and financial sources to these structures.

Recommended process for creation of cooperation

The partners of the network "CityRegion.Net" have implemented their experiences in developing best models of regional structures to face the financial crisis in the cities. The joint current analysis was that all cities have more or less financial problems not only affected by the crisis but more because of their fields of infrastructure activities, which get more and more expensive and could be arranged much better in regional cooperation in an agglomeration area. Environment, waste and waste water management, public transport or social affairs are issues which could be arranged more efficient in regional cooperation.

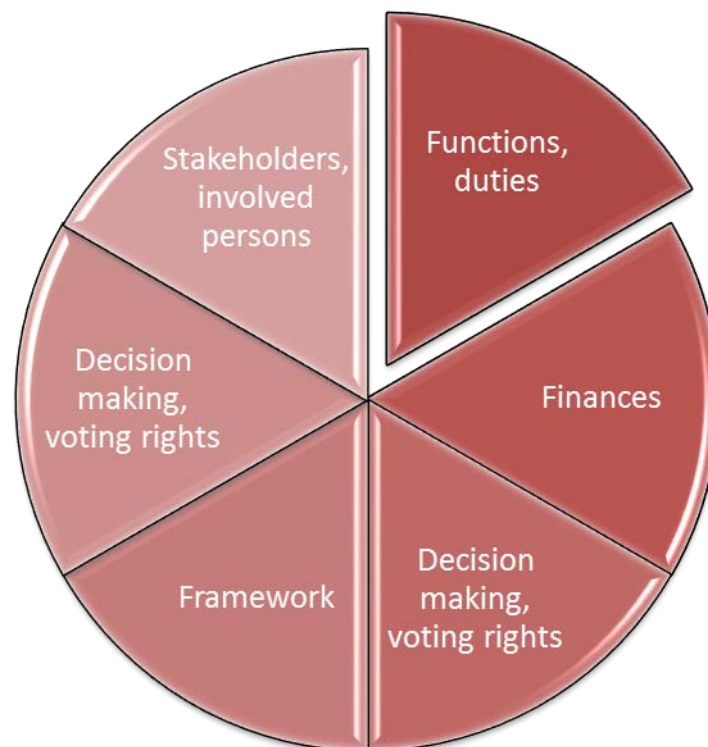
All these tasks would need a strong government on the functional urban area level. The development of efficient cooperation structures in the city-regions is the main question for cityregions in the future.

But how can municipalities join forces to share communal tasks and reduce costs?

CityRegion.Net has identified the requirements that a co-operation within a cityregion must fulfil according to its partners. After analysing them, it became

evident that not only models for possible structures could be helpful but also methods on how to create a co-operation.

Generally the following building blocks are defined which play a major role during the process of establishing a cooperation.



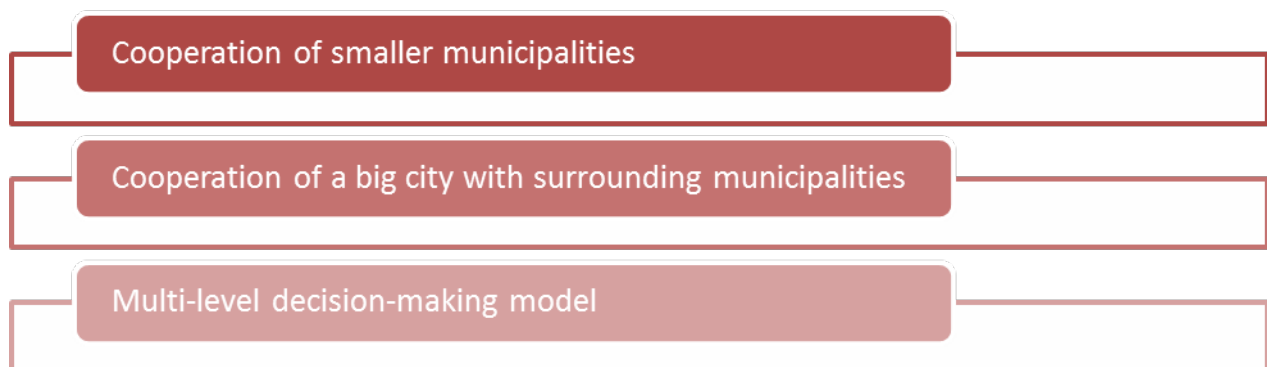
These five criteria for building a cooperation do not stand in a certain sequence, they could also run parallel. But the definition of these five criteria when forming a cooperation is important for its future success. It therefore depends on

- a) the framework – e. g. which legal preconditions are there, is the cooperation forced by law or on a voluntary basis
- b) how should decisions be made, who has the right to vote
- c) which persons should be involved, who are possible stakeholders, what could be the urgency, necessity, exogenous stimuli of possible partners
- d) which functions, tasks, duties can be shared in the cooperation, who is responsible for which tasks and why
- e) how can the cooperation be financed, how can the common revenues be shared, etc.

One should also not forget that personnel contacts of key actors and the visions of politicians have a certain impact on the creation of a cooperation.

Three models for possible cooperation identified by CityRegion.Net

During the research on successful structures it became clear that there is not only one cooperation model. It strongly depends on the size and the intentions of the participating cities / municipalities. CityRegion.Net therefore recommends three different models, always respecting the five key criteria that are described above.



For the three recommended structural models the following parameters were defined:

1. Cooperation of smaller municipalities

- **Functions:** establishing joint development projects & common management of at least 1 municipal task (e. g. housing policy, development and maintenance of roads, provision of schools)
- **Finances:** own budget, own taxation + local, provincial, national funds / ERDF co-financing
- **Framework:** inter-municipal cooperation with autonomy right; legally determined by statutes, no jurisdiction, own staff, assets, equipment
- **Decision making / voting rights:** Extension of powers is subject to a blocking minority of a third of its members; reduction of its power can only be decided unanimously (one voice)

- **Stakeholders / involved persons:** associative committee with representatives of municipal councils, whose membership is mostly egalitarian

2. Cooperation of a big city with surrounding municipalities

- **Functions:** fulfilment of tasks that are not manageable for a city on its own (e. g. public transport, waste water management, spatial planning, location management, tourism, etc.)
- **Finances:** own fees, own budget for cooperational projects
- **Framework:** own legal status; own organisational office with assets, equipment, staff, etc.
- **Decision making / voting rights:** decisions are made by a double
- qualified majority (3/5 of the members must be present and have to represent 3/5 of the inhabitants)
- **Stakeholders / involved persons:** all mayors of all participating municipalities + members of the provincial parliament, no other stakeholders

3. Multi-level decision-making model:

Within CityRegion.Net Zürich proposed a new cooperation form - a multi-level decision-making model based on the following building blocks:

- **Functions:** shared projects, lobbying, identity-building, etc.
- **Finances:** yearly contributions in relation to the inhabitants of counties and municipalities, and separate financing of larger projects by those who are interested and willing.
- **Framework:** association with statutes, management board, small office, but with clear political lead (not by administrations)
- **Decision making / voting rights:** more inhabitants, more voting rights, more financial contributions
- **Stakeholders / involved persons:** both county governors and communal mayors

These three cooperation models should be considered as recommendations for European cities / municipalities that are in the phase of forming a communal cooperation. If these parameters were clarified commonly by all partners beforehand, cooperation without mistrust or competitiveness should be possible.

Conclusions

In this introduction we argued that cities and municipalities are challenged to form co-operations to better cope with communal tasks in times of reduced income and increasing costs for infrastructure and services.

New approaches are particularly needed for financing the measures with respect to an equal and fair cost distribution between cities and their hinterland. Furthermore new methods have to be applied for the redesign of processes and structures ('regional governance') and for the development of projects of common interest as well as for the protection and conservation of the environment.

The main challenges of urban infrastructure finance are the lack of adequate funding. In many European countries there also still exists an insufficient legal and administrative framework for private sector participation, such as attractive investment laws, tariff laws and policies, transparent and reliable planning and procurement processes, and sufficient accounting standards of local governments. In particular, medium-sized and small cities have problems to access private funds due to their low absorptive capacity for outside financing resulting from local budget deficits. Furthermore, their financing needs are comparatively small and unattractive for commercial financial institutions.

Improving or creating an adequate environment for increased private sector participation normally requires sector and often additional legal reforms. This takes time and will only be successful if development partners have the political will to undergo sensitive and sometimes painful reforms and policy changes. This refers in particular to the issue of adequate user fees and tariffs.

Another aspect is that of a missing coordination of taxes between the cities. That means facing the crisis, cities still do not have a joint cooperation in financial matters but they are still acting in sort of a 'competitive situation', pressing down – even now – prices for land or infrastructure and there by getting even less income into their city household.

This report shows that the CityRegion.Net partner cities are already in certain cooperations – some of them forced by law, some of them voluntary, others are only loose associations in sectoral fields, some do have their own taxation, others pay fees, etc.

Besides many differences in the partner cities' existing structural models for city-hinterland cooperation, they have in common the five key criteria - functions, finances, framework, decision making / voting rights and last but not least stakeholders / involved persons.



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With these cooperation models a structural framework could be created for cityregions, which could make it easier to share not only the communal tasks, but also the financial burden and to split the revenues. Access to funds and finding private investors should also be facilitated.