



INTEGRATED SUSTAINABLE URBAN DEVELOPMENT

COHESION POLICY 2014-2020

The new rules and legislation governing the next round of EU Cohesion Policy investment for 2014-2020 have been formally endorsed by the Council of the European Union in December 2013.

This factsheet is one in a series highlighting key elements of the new approach.

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What is meant by Integrated Sustainable Urban Development?

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Cities are spatial concentrations of human activity and interactions. They are the engines of the European economy providing jobs and services and serve as catalysts for creativity and innovation throughout the EU. Almost 70% of the EU population lives in an urban area, and these areas generate more than two thirds of the EU's GDP. However, they are also the places where persistent problems such as unemployment, segregation and poverty, as well as severe environmental pressures, are concentrated. Policies pursued in relation to urban areas therefore have a wider significance for the EU as a whole.

It is increasingly clear that the various challenges facing urban areas – economic, environmental, climate, social and demographic – are interwoven and success in urban development can only be achieved through an integrated approach. Hence, measures concerning physical urban renewal should be combined with measures promoting education, economic development, social inclusion and environmental protection. The development of strong partnerships involving local citizens, civil society, the local economy and the various levels of government is an indispensable element. Combining capacities and local knowledge is essential to identify shared solutions and to achieve well accepted and sustainable results.

Such an approach is especially important at this time, given the seriousness of the challenges European cities currently face. They range from specific demographic changes to the consequences of economic stagnation in terms of job creation and providing services, to the impact of climate change. Identifying effective responses to these challenges will be critical for achieving the smart, sustainable, inclusive society envisaged in the Europe 2020 Strategy.

What is the aim?

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Cohesion policy 2014-2020 aims to foster integrated strategies which enhance sustainable urban development in order to strengthen the resilience of cities, and to ensure synergies amongst the investments supported by European Structural and Investment (ESI) funds.

What is included in the new approach?

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Integrated urban development strategies with a more holistic approach:

As a basic principle, the European Regional Development Fund (ERDF) should support sustainable urban development through integrated strategies that tackle the economic, environmental, climate, social and demographic challenges of urban areas (Article 7 of the ERDF regulation). The meaning of this principle is twofold: it signifies that resources should be concentrated in an integrated manner to target areas with specific urban challenges; and at the same time, that ERDF-funded urban development projects should be integrated into the wider objectives of the programmes. EU Member States should seek to use the European Social Fund (ESF) in synergy with the ERDF to support measures related to employment, education, social inclusion and institutional capacity designed and implemented under the integrated strategies.

Stronger focus on urban development at programming level:

Partnership Agreements and Operational Programmes should set out the arrangements to ensure an integrated approach to the use of ESI funds for the sustainable development of urban areas within the wider context of territorial development. The Commission also expects to see this urban development approach closely linked to the integrated approach addressing the specific needs of geographical areas most affected by poverty, or of target groups at highest risk of discrimination or exclusion – as set out in the Partnership Agreement and the Operational Programmes.

Investment priorities tuned to facilitate tackling urban challenges:

A number of the thematic objectives supported by the ESI funds have urban-specific investment priorities e.g. promoting low-carbon strategies for urban areas; improving the urban environment, including the regeneration of brownfield sites and the reduction of air pollution; promoting sustainable urban mobility, and the promotion of social inclusion through supporting the physical, economic and social regeneration of deprived urban areas (listed under Article 5 of the ERDF regulation). These investment priorities could be embedded in the integrated urban development strategy of an urban area (Article 7 ERDF regulation), complemented by actions supported by the ESF under its investment priorities (Article 3 of the ESF regulation).

Improved tools to deliver integrated actions:

- » The Integrated Territorial Investment (ITI) is a new delivery mode to bundle funding from several priority axes of one or more operational programmes for multi-dimensional and cross-sectoral interventions. An ITI can be an ideal instrument to support integrated actions in urban areas as it offers the possibility to combine funding linked to different thematic objectives, including the combination of funding from those priority axes and operational programmes supported by the ERDF, ESF and Cohesion Fund (Article 36 of the Common Provisions Regulation). An ITI can also be complemented with financial support from the EAFRD or the EMFF.
- » Community-Led Local Development (CLLD) is a tool to promote the implementation of bottom-up, local development strategies prepared and implemented by local action groups involving representatives of all sectors of local interest. It is an extension of the LEADER approach into urban areas promoting community ownership and multi-level governance. CLLD allows for needs-based capacity building activities, networking and stimulating innovation already at neighbourhood level in order to empower communities to fully exploit their potential (Articles 32-35 of the Common Provisions Regulation).

Financial instruments:

Member States are encouraged to make extensive use of financial instruments in supporting sustainable urban development. The scope of financial instruments is extended and covers all thematic objectives and investment priorities and all kinds of beneficiaries, projects and activities (Articles 37-46 of the Common Provisions Regulation).

Ring-fencing funding for integrated sustainable urban development:

A minimum of 5% of the ERDF resources allocated to each Member State shall be invested in the implementation of integrated strategies for sustainable urban development. There are several options as to how these strategies can be financed:

- using the new Integrated Territorial Investment (ITI) tool,
- by means of a specific operational programme,
- or through a specific priority axis (Article 7(2) of the ERDF regulation).

Increased responsibility for urban authorities:

The implementation of sustainable urban development strategies requires a degree of delegation to the urban authority level (Article 7(4) and 7(5) of the ERDF regulation) This may vary according to the institutional arrangements of each Member State but urban authorities shall be responsible for at least the selection of operations. Each Member State is required to set out in its Partnership Agreement the principles for the selection of the urban areas where integrated actions for sustainable urban development are to be implemented and an indicative allocation for those actions.

Innovative urban actions:

€ 330 million will be provided to support innovative actions in the area of sustainable urban development (as set out in Article 8 of the ERDF regulation). These innovative urban actions shall include studies and pilot projects to test new solutions to urban challenges that are likely to grow in the coming years.

Strengthened networking:

- » The Commission will establish an Urban Development Network comprising urban authorities which receive funding from the ESIF to be spent in line with ERDF Articles 7 and 8 (Article 9 of the ERDF regulation), This Network will act as a forum for capacity building and exchange between the cities pioneering new techniques and developing integrated investments. The Network is not a funding instrument but a way for cities to share feedback on the use of these new approaches.
- » Under the European Territorial Cooperation (ETC) objective, the exchange and learning programme for cities will continue to provide them with networking opportunities in order to share and develop good practices in urban development (Article 2 of the ETC regulation 2014-2020). In particular, cooperation between urban authorities will continue under a financially strengthened URBACT III programme.

What is different from 2007-2013?

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Reinforced integrated approach to tackle urban challenges:

While only an option in the 2007-13 period, urban development shall be implemented through strategies setting out integrated actions in the 2014-2020 period (Article 7 ERDF regulation). Article 12 of the ESF regulation also provides for the complementary contribution of ESF to such strategies.

More functional approach allowing for interventions at the right scale:

As interventions of sustainable urban development can cover different types of cities and urban areas, as defined by Member States, it allows for the financing of integrated actions ranging from neighbourhood or district level to functional areas such as city-regions or metropolitan areas – including neighbouring rural areas.

Introduction of new tools to promote integrated actions:

New and more flexible tools such as integrated territorial investment (ITI) and community-led local development (CLLD) support the integrated approach to sustainable urban development and facilitate a mix of instrumental and participatory ways of implementing urban development strategies.

More responsibilities and opportunities for cities:

Member States will be able to give cities the opportunity to design and implement fully integrated strategies, which combine the resources of different priority axes and operational programmes.

Operations supported by several funds, multi-fund Operational Programmes and cross-financing:

The implementation of integrated urban development strategies will be enhanced by the possibility to combine actions financed by ERDF, ESF and CF either at programme or operation level. Cross-financing between ERDF and ESF of a part of an operation (up to 10% of each priority axis of an Operational Programme) will remain to complement the multi-fund approach (Article 98, Common Provisions Regulation).

What are the practical effects?

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Integrated sustainable urban development has become an integral part of the strategic framework of cohesion policy 2014-2020. This will have a number of practical effects on the various levels of governance concerning the preparation and implementation of programmes:

- » **Urban authorities** receiving funding in line with ERDF Article 7 will have to prepare integrated urban development strategies that are able to tackle the multiple challenges facing their cities. They will also have a broader scope of responsibility concerning the actual implementation of that strategy as a minimum level of delegation will be required. When designing these integrated strategies, urban authorities are encouraged to use the Reference Framework for Sustainable Cities (RFSC) which is a practical web-based tool designed to assist cities in this regard.
- » **Member states** are required to provide a thorough territorial analysis and a stronger urban focus in their relevant Operational Programmes. They will also have to put in place arrangements to delegate a number of tasks (at least project selection) to urban authorities related to implementation of sustainable urban development strategies.
- » The **European Commission** will pursue: greater integration in terms of urban development by exercising scrutiny on this aspect during the assessment of the Operational Programmes; increased innovation through the Innovative Actions initiative; and reinforced capacity building and exchange of experience through the Urban Development Network and the financially strengthened URBACT III. programme.

For more information

For more factsheets related to aspects of Cohesion Policy:

http://ec.europa.eu/regional_policy/what/future/publication/index_en.cfm

For more general information about Regional Policy:

http://ec.europa.eu/regional_policy/index_en.cfm