



INTEGRATED SUSTAINABLE URBAN DEVELOPMENT

COHESION POLICY 2014-2020

The European Commission adopted legislative proposals for cohesion policy for 2014-2020 in October 2011

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

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What is meant by Integrated Sustainable Urban Development?

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Cities are the engines of the European economy and can be considered as catalysts for creativity and innovation throughout the EU. Some 68 % of the EU population lives in a metropolitan region, and these regions generate 67 % of the EU's GDP. However, they are also the places where persistent problems such as unemployment, segregation and poverty are at their most severe. The policies pursued in relation to urban areas therefore have a wider significance for the EU as a whole.

The various dimensions of urban life – environmental, economic, social and cultural – are interwoven and success in urban development can only be achieved through an integrated approach. Measures concerning physical urban renewal must be combined with measures promoting education, economic development, social inclusion and environmental protection. In addition, the development of strong partnerships between local citizens, civil society, the local economy and the various levels of government is a pre-requisite.

Such an approach is especially important at this time, given the seriousness of the challenges European cities currently face. These challenges range from specific demographic changes to the consequences of economic stagnation in terms of job creation and social progress, and to the impact of climate change. The response 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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The proposals from the European Commission for cohesion policy 2014-2020 aim to foster integrated urban policies to enhance sustainable urban development in order to strengthen the role of cities within the context of cohesion policy.

What is proposed?

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» **Integrated investment strategies, with a more strategic and 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 and social challenges of the urban areas (Article 7, paragraph 1 of the proposed 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 projects in urban areas 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.

- » **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 integrated actions for sustainable urban development implemented through the Integrated Territorial Investment (ITI) tool (see below), with the management and implementation delegated to cities (Article 7 paragraph 2 of the proposed ERDF regulation). The form and degree of the delegation of the management to the cities may vary according to the institutional arrangements of each Member State. The cities implementing integrated actions for sustainable urban development with delegated management should be included in a list accompanying the Partnership Contracts (Article 7, paragraph 2) and the operational programme (Article 87, paragraph 2 [c]). These lists are indicative and could be modified during the course of the programming period.
- » **Urban Development Platform:** Based on a list of cities prepared by Member States in their Partnership Contract, the Commission will establish an Urban Development Platform comprising 300 cities throughout Europe, which will stimulate a more policy-oriented dialogue on urban development between the cities at European level and the Commission. It is not a funding instrument, but rather a mechanism for making the contribution of cities under cohesion policy to the Europe 2020 Strategy more visible, facilitating integrated and innovative actions for sustainable urban development and capitalising on the results (Article 8 of the proposed ERDF regulation).
- » **Innovative urban actions:** In order to foster new and innovative solutions in sustainable urban development, at the initiative of the Commission, the ERDF may support innovative actions subject to a ceiling of 0.2 % of the total ERDF allocation. The innovative urban actions shall be urban pilot projects, demonstration projects and related studies of European interest. Their scope may cover all thematic objectives and investment priorities (Article 9 of the proposed ERDF regulation).
- » **Stronger focus on urban development at a strategic level:** Based on the orientations of the Common Strategic Framework (CSF), the Partnership Contracts should set out the arrangements to ensure an integrated approach to the use of CSF funds for the sustainable development of urban areas. The operational programmes should set out the contribution to the integrated approach for territorial development, including – where appropriate – a planned integrated approach to the development of urban areas (Articles 11, 14, and 87 of the proposed Common Provisions for CSF Funds 2014 2020). It is also widely expected 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 Contract and the operational programmes.
- » **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 is 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 (CF) (Article 99 of the proposed Common Provisions for CSF Funds 2014-2020).

- » **Increased opportunity to tackle urban challenges covered by the investment priorities:** Four of the thematic objectives, which shall be supported by the CSF Funds in order to contribute to the Europe 2020 Strategy for smart, sustainable and inclusive growth, have related urban-specific investment priorities (listed under Article 5 of the proposed ERDF regulation). It is recommended that cities combine the actions supported by the urban-specific sectoral investment priorities (to promote low-carbon strategies for urban areas, to improve the urban environment, to promote sustainable urban mobility, and to promote social inclusion through supporting the physical and economic regeneration of deprived urban areas) and embed them in the integrated urban development strategy of the city to implement the principle of integrated urban development (Article 7 paragraph 1 of the proposed ERDF regulation). They may also combine these actions with other actions supported by the ESF under its investment priorities (listed under Article 3 of the proposed ESF 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 32-40 of the proposed Common Provisions for CSF Funds 2014-2020).
- » **Networking:** 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 proposed ETC regulation).

What is different from 2007-2013?

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- » **Reinforced integrated approach to tackle urban challenges:** While Article 8 of the ERDF Regulation in the 2007-13 period provided the option to implement urban development with an integrated approach, in the 2014-2020 period urban development shall be implemented through strategies setting out integrated actions (Article 7 paragraph 1 of the proposed ERDF regulation). Article 12 of the proposed ESF regulation also provides for the complementary contribution of ESF to such strategies.
- » **Integrated Territorial Investment replaces separate priority axes for urban development:** The introduction of the ITI, which allows for the implementation of operational programmes in a cross-cutting way, will support the thematic approach and facilitate the right mix of investments in the integrated urban 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 5% of each priority axis of an Operational Programme) will remain to complement the multi-fund approach (Article 55, paragraph 8 and 88 of the proposed Common Provisions for CSF Funds 2014-2020).
- » **More functional approach allowing for interventions at the right scale:** As an ITI 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.

What are the practical effects?

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- » Member States should form **partnerships with competent regional, local and urban authorities** and involve them in the preparation of the Partnership Contract and in the preparation, implementation, monitoring and evaluation of the programmes (Article 5 of the proposed Common Provisions for CSF Funds 2014-2020).
- » **Member States should identify the cities** where integrated sustainable urban development will receive cohesion policy support in order to strengthen the role of cities in the programmes, and to ensure that a minimum of 5% of the ERDF resources allocated is invested in integrated actions for sustainable urban development.
- » In both the Partnership Contract and the Operational Programmes, Member States should indicate: the cities implementing integrated actions for sustainable urban development with delegated management and which cities they wish to be considered for participation in the **Urban Development Platform**. The Operational Programme will also set out the indicative financial allocation from each priority axis to the integrated actions.

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