



Integrated territorial and urban strategies: how are ESIF adding value in 2014-2020?

Executive summary

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Abstract

The 2014-2020 regulatory provisions to EU Cohesion policy gave Member States new opportunities to use ESIF for sustainable urban development and other territorial strategies, particularly using Integrated Territorial Investment. This study examines how Member States are responding to these new provisions and how Cohesion policy is 'adding value' to regional, urban and local development.

The study shows that there has been significant uptake of territorial strategies in 2014-2020, mainly in the form of sustainable urban development, across most Member States. Many of the strategies are new; the territorial provisions have encouraged innovation and adaptation in both thinking and practice. This innovation includes a more integrated approach to intervention, the implementation of strategies at different spatial scales, and more collaborative models of governance.

There is scope for extending the use of territorial strategies in future, albeit with simplification of some of the regulatory requirements and more flexibility in programming. There is a need for institutional capacity-building to ensure efficient implementation at local level and greater emphasis on citizen engagement. Lastly, more attention needs to be given to monitoring and evaluating the outcomes of strategies.

The 2014-2020 regulatory provisions to EU Cohesion policy gave Member States new opportunities to use ESIF for urban and other territorial strategies. The aim is to encourage a more integrated and 'place-based' approach to regional, urban and local development. Regulatory obligations were introduced requiring a greater focus on sustainable urban development, and new tools were made available in the form of Integrated Territorial Investments and Community-Led Local Development.

The rationale for these tools is based on the Treaty objectives of territorial (but also economic and social) cohesion. They are grounded in research over the past decade, from the 2009 Barca Report to more recent OECD and EU studies, which advocate the greater use of place-specific 'packages' of interventions tailored to the needs of individual areas, and designed in line with stakeholders' views while meeting overall EU objectives.

Conclusions

The main questions for this study are how Member States are responding to these new provisions and whether Cohesion policy is 'adding value' to regional, urban and local development. Six principal conclusions can be drawn.

First, **there has been significant uptake of territorial strategies in 2014-2020, mainly in the form of sustainable urban development, across most Member States.** An estimated €14.5 billion is being allocated to sustainable urban development in 2014-2020. Many Member States are exceeding the minimum five percent of funding reserved for sustainable urban development, with allocations in the range 10-20 percent in Belgium, Bulgaria, Cyprus and Romania. The study identified over one thousand territorial strategies, some 880 for sustainable urban development and a further 154 for other types of area.

Strategies are being implemented in all types of regions (More Developed Regions, Transition Regions, Less Developed Regions) and in many kinds of territory - regional, local, urban and rural. They are being applied at different scales - from city neighbourhoods and small towns with fewer than 10,000 inhabitants, to major metropolitan regions with more than five million people.

Second, **many of the strategies are new; the territorial provisions have encouraged innovation and adaptation in both thinking and practice.** Over 60 percent of strategies for sustainable urban development, and more than 70 percent of other territorial strategies, are being introduced for the first time or involve substantial modification of existing initiatives. This applies particularly in Less-Developed Regions which often have limited experience in implementing integrated place-based approaches. The territorial provisions (combined with sizeable ESIF funding) have provided incentives to introduce new and more comprehensive strategies for particular areas. In Member States where EU funding is lower, and which have an established tradition of territorial strategies, the added value is less though still present in the integration of different ESI Funds.

Third, the defining feature of ESIF-funded territorial strategies is **an integrated approach to intervention, facilitating a more coherent response to regional, urban and local development problems.** The strategies often combine a range of investment priorities, as well as different funds. Much of the funding is from ERDF and ESF, but some strategies also involve EAFRD, CF and EMFF.

While the strategies contribute to all 11 Thematic Objectives, there is a particular focus on supporting the shift towards a low-carbon economy (TO4), preserving and protecting the environment and promoting resource efficiency (TO6) and promoting social inclusion, combating poverty and any discrimination (TO9). The results also show that Integrated Territorial Investment strategies - both in urban and other territories - include a large number of investment priorities, indicating the effort being made to apply integrated solutions. However, the overarching requirements for thematic concentration means that achieving an integrated place-based approach strategies has not always been

straightforward; locally identified challenges are not always in line with the priorities set at OP level. This is evident, for example, among strategies in the Czech Republic, Greece and Romania, where a narrow thematic focus sometimes does not reflect local needs.

Fourth, **ESIF have incentivised the design and application of strategies at different spatial scales and with different geographies of intervention.** A third of urban strategies cover a functional urban area or metropolitan region. They are frequently associated with new governance structures - facilitated by the Integrated Territorial Investment tool - to support joint policymaking and implementation across administrative boundaries. Many strategies focus on rural-urban linkages to strengthen the integration between urban centres and their hinterland. There is also a strong community focus; just under a third of strategies target neighbourhoods within cities (either directly or as part of city-wide strategies), often focusing on deep-seated problems of social exclusion. However, this neighbourhood focus has not led to an extensive use of Community-Led Local Development tool as an integral part of the strategy. Of particular note is the innovative use of territorial strategies to support cooperation between cities (including across borders) and city networks, the Six Cities strategy in Finland being the most prominent example. Other territorial strategies target areas with specific geographic features such as coasts, mountains, river basins and natural parks.

Fifth, **the territorial provisions are promoting more collaborative models of governance.** Strategies are being implemented through governance arrangements that bring together different levels of government and both governmental and non-governmental actors. Increased institutional collaboration is evident across a range of programme implementation functions but is particularly strong (and common) for tasks related to project selection and assessment. Collaboration is being driven partly by the need for efficient management, for example where several local authorities are partners in a strategy. It is also motivated by the requirement to share knowledge and expertise and to build administrative capacity, especially at local level.

One aspect of governance proving difficult is the involvement of citizens. The development of strategies usually involves consultation with stakeholder groups and, less commonly, with citizens. However, the extent of citizen engagement has frequently been limited, with a need for more participatory methods to improve the utility and accountability of strategies to the public, an issue of particular importance for the more locally focused strategies.

Lastly, **more attention needs to be given to the evaluation of the outcomes of territorial strategies.** At this early stage there is no evidence on the impact of the new territorial provisions, and there are very different approaches to monitoring and evaluation the strategies across Member States (for example, few strategies have evaluation plans). There are, of course, formidable difficulties to evaluating outcomes for strategies which combine different funding streams, have multiple objectives and priorities, and vary in the scale of funding. However, more work needs to be done at Commission, Member State and programme levels to improve the quality of monitoring data, and apply of evaluation methods.

Recommendations

The initial positive experiences with territorial strategies (integration, targeting functional areas, collaborative governance) described above indicate the potential for applying the principles of a place-based approach to a larger part of post-2020 programmes and interventions. There is scope for extending the territorial tools – notably Integrated Territorial Investment - particularly for functional territories and urban networks. However, for both the 2014-2020 and 2021+ periods, the application of territorial strategies should take account of the following recommendations.

First, there are **regulatory changes** that could improve the policy framework through simplification and greater flexibility, notably:

- maximising the scope for proportionality and differentiation in obligations in relation to scale of funding;
- strengthened conditionalities that encourage Member States to commit to the long-term sustainability and legacy of strategies;
- more flexibility in applying thematic concentration to take account of perceived local needs;
- a reassessment of how Community-led Local Development provisions could be more effectively integrated in urban strategies, particularly with a view to further involving citizens in strategies; and
- a road map which would facilitate the approval of integrated place-based strategies at various stages and ensure timely implementation.

Second, future **programming** could be improved, in the first instance through better knowledge flows. There is scope for a more active role of the Commission as a knowledge broker, offering support and inspiration for urban and regional authorities in terms of identification and dissemination of good-practice examples and the range of options that could suit different institutional contexts, objectives and budget allocations. There is also mileage in improving knowledge transfer for other (non-urban) territorial strategies as well as between strategies in urban centres with extensive experience of territorial approaches and those with limited experience. The potential for a multi-fund approach is also under-exploited, which could be improved through better institutional coordination among the Commission services responsible for different ESI Funds and other EU funding instruments.

Better programming also depends on action by Member State authorities. Specifically, they should ensure that appropriate institutions are in place to facilitate a coordinated approach to strategy development. National ministries (especially coordination bodies), should provide support and specific guidance to ensure more consistency in the design of strategies, and they should seek alignment of strategies to domestic policies as much as possible in order to maximise synergies.

Third, there are several recommendations for the Commission and Member State authorities relating to **implementation** - to improve efficiency (e.g. better monitoring, improved collaboration) and accountability. Strengthening the local level and engagement requires:

- national and sub-national authorities to provide administrative capacity-building support for local and community leadership and involvement in Community-led Local Development initiatives; and
- strategy development to incorporate participatory methods to promote citizen engagement (at a minimum, strategy documents should be available publicly and formulated to make them readily accessible to citizens).

Finally, with respect to **monitoring and evaluation**, Member States and the Commission as well as urban authorities need to invest in better and comparable data, and evaluation should become an integral part of strategy design and implementation. Specifically:

- assessments should have a strong results focus, assessing the intervention logic of strategies and the added value of taking a territorially integrated approach;
- alongside quantitative assessments of physical progress against 'hard' indicators, assessments should also consider qualitative approaches to capture the less tangible results of implementing the strategies;
- monitoring should be built around the key output and result indicators set out for the relevant ESIF funds, but these basic indicators should be complemented by relevant strategy specific indicators, and, in particular qualitative indicators and assessments; and
- assessment methodologies should be tailored to the specific budgets, scope and implementation approaches of territorial provisions.

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