

IN-DEPTH ANALYSIS
requested by the CONT Committee



Integrated Territorial Investments as an effective tool of the Cohesion Policy

Budgetary Affairs

Policy Department D for Budgetary Affairs
Directorate General for Internal Policies of the Union
PE 636.472 - March 2019

EN

DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT D: BUDGETARY AFFAIRS

Integrated Territorial Investments as an Effective Tool of the Cohesion Policy

NOTE

Abstract

This paper assesses Integrated Territorial Investments as an effective tool of Cohesion policy (CP). Based on a review of the experience of designing ITI strategies and implementation experience thus far in 2014-2020, it highlights the key factors facilitating or impeding effectiveness and sets out recommendations for the future.

IP/D/CONT/IC/2018-156

25/03/2019

PE 636.472

EN

This document was requested European Parliament's Committee on Budgetary Control. It designated Mrs Martina Dlabajová to follow the note.

AUTHOR

Dr Martin Ferry, Senior Research Fellow, European Policies Research Centre, University of Strathclyde

RESPONSIBLE ADMINISTRATOR

Ms Rita Calatozzolo
Policy Department on Budgetary Affairs
European Parliament
B-1047 Brussels
E-mail: poldep-budg@europarl.europa.eu

LINGUISTIC VERSIONS

Original: EN

ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its newsletter please write to:
poldep-budg@europarl.europa.eu

Manuscript completed in March 2019.
Brussels, © European Union, 2019.

This document is available on the Internet at:
<http://www.europarl.europa.eu/studies>

DISCLAIMER

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.

CONTENTS

CONTENTS	3
1. INTRODUCTION	5
2. CONTEXT	5
3. MEASURING EFFECTIVENESS	7
3.1. Financial Implementation	7
3.2. Evidence from Member States assessments	10
4. CONCLUSIONS AND RECOMMENDATIONS	15
4.1. The effectiveness of ITI based on current evidence	15
4.2. ITI and ISUD post-2020	17

1. INTRODUCTION

The aim of this note is to assess Integrated Territorial Investments (ITI) as an effective tool of Cohesion policy (CP), reviewing the experience of implementation, highlighting the key factors facilitating or impeding effectiveness and setting out recommendations for the future. Territorial approaches are a prominent part of CP in the 2014-20 period. Funding planned for territorial and urban strategies amounts to approximately EUR 30 billion, around 10 percent of the total CP budget. These strategies aim to provide a more territorially specific and integrated mix of interventions in order to increase their impact and to exploit fully the development potential of different types of area. ITIs were introduced to stimulate an integrated approach at different levels and spheres: with a functional territorial perspective, potentially more delegation of management tasks to the local level and, again potentially, a thematic and financial mix from different funds and operational programmes (OPs). ITIs are new CP instruments and at the mid-point of the 2014-2020 period, it is important to review their implementation. How are they performing in terms of design, delivery and monitoring? How effective are they as CP tools? Can good practice examples of effective implementation be identified? What recommendations can be made for effective implementation? The paper is based on a review of evaluations, reports and academic articles covering the implementation of ITI, financial absorption data obtained from Commission and Member States (MS) sources and a limited interviews at EU and MS levels.¹ Following this introduction, Section 2 sets out the context for the implementation of ITI in 2014-2020. Section 3 reviews current measures of ITI effectiveness, drawing on financial implementation data and the findings of evaluations and studies emerging among MS. Section 4 sets out some conclusions and recommendations based on this review, including from the perspective of ITI use in the 2021-2027 period.

2. CONTEXT

ITI, introduced under Article 36 of the CPR, is proposed as a means to deliver CP in a territorially integrated way in order to increase its effectiveness. ITI allows MS to combine funding from several Priority axes from one or several OPs (European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund and complemented by rural development funds) to deliver multi-dimensional and cross-sectoral interventions.

The key elements of an ITI are: a designated territory and integrated development strategy – the territory of an ITI can be any geographical area (urban, urban-rural, sub-regional, or inter-regional), and a package of actions to be implemented. CP Managing Authorities (MAs) have the final responsibility for ITIs. However, Intermediate Bodies (IBs - local authorities, regional development bodies etc.) may be appointed to carry out delegated tasks.

ITI can be used to implement Article 7 of the ERDF regulation for 2014-20. Article 7 makes integrated sustainable urban development (ISUD) a compulsory feature of CP implementation. This requires that at least 5% of ERDF resources, calculated at MS level, are dedicated to integrated strategies for sustainable urban development, tackling economic, environmental, demographic, social challenges. These can cover all or part of a specific urban territory. Delegation of implementation responsibilities is compulsory for ISUD. The cities, sub-regional or local bodies responsible for implementing sustainable urban strategies should at least be responsible for tasks relating to the

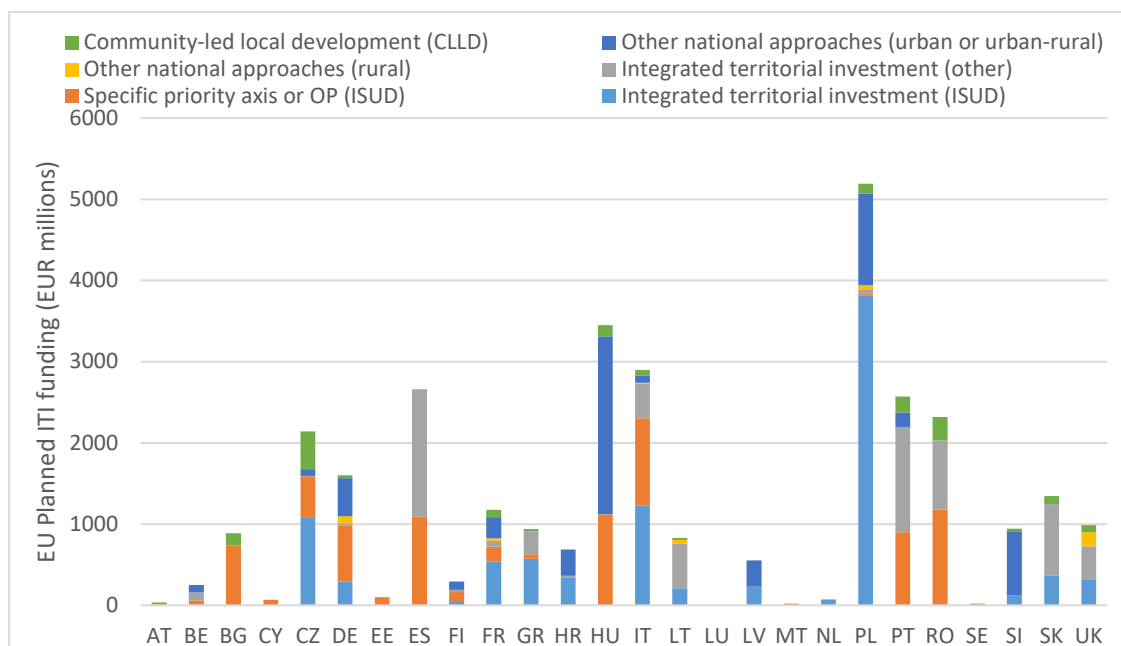
¹ This includes EPRC research conducted on behalf of the European Commission: Van der Zwet A, Bachtler J, Ferry M and McMaster I (2017) *Integrated territorial and urban strategies: how are CP adding value in 2014-2020?*, Study conducted for the European Commission (DG Regio) and under the auspices of the IQ-Net network of CP programme authorities: 'Integrated territorial development: new instruments – new results?' *IQ-Net Conference*, Vienna, Austria 13-15 June 2018; 'European Structural and Investment Funds and Integrated Sustainable Urban Development' *IQ-Net Knowledge Exchange Meeting*, Delft, 26/2/19.

selection of operations. Community-Led Local Development (CLLD), which is carried out through multi-sectoral area-based local development strategies led by local action groups, can also contribute to ITI.

Assessments of the effectiveness of ITI must take into account substantial differences in their design and implementation across MS.² This variation depends on specific contexts: the degree of urbanisation, the level of polycentricity, or the most pressing urban challenges. It also depends on the extent of devolved competencies, fiscal autonomy and administrative capacities at local level. The organisation of CP programmes at national or regional level and the amount of funding available for these instruments is also important. There is a need to consider different traditions and starting points on the integrated approach, differing policy cultures in terms of delegation and cooperation, the extent to which ITIs build on existing practice or are entirely new.

Territorial instruments can be implemented in a number of ways. As noted, ITI combines different funds from different priorities of OPs in order to deliver multi-dimensional and cross-sectoral actions (e.g. the ITI in Limburg combines funding from Flemish ERDF and ESF OPs). ISUD can be implemented as an ITI (e.g. the ISUD ITI in Katowice combines funding from ESF and ERDF Priorities in its regional OP alongside funds from Polish national OPs). ISUD can be supported as a specific priority axis of CP OPs or as a dedicated CP OP (as in the Stockholm ERDF OP). The level of EU funding dedicated to different types of instrument varies across MS (see Figure 1). The options to use territorial instruments have been taken up to a very different extent across MS. A substantial majority of strategies mapped on the European Commission’s STRAT-Board of ITI and ISUD cover ISUD implemented through the Priority Axes of CP OPs.(739 strategies). There are 209 ISUD strategies delivered as ITI and 120 ITI that are not implementing ISUD. For ISUD, most MS go beyond the minimum of 5% of ERDF although this represents varying amounts in different contexts.

Figure 1: Planned ITI funding per Member States broken down by implementation mechanisms (as of end 2018)*.



Source: EC, ESI Funds Open Data Platform, see <https://cohesiondata.ec.europa.eu/>

*Note: No total planned data available for DK. No declared data available for IE. Data for TC is excluded from analysis.

² Van der Zwet A, Bachtler J, Ferry M and McMaster I (2017) *Integrated territorial and urban strategies: how are CP adding value in 2014-2020?*, Study conducted for the European Commission (DG Regio)

ITI governance arrangements vary. In non-SUD ITIs, MAs usually play a dominant role, as Article 7 requirements do not apply. However, there is variation. In some cases, MAs retain all formal responsibilities, although in practice local authorities have important inputs. Elsewhere, local authorities have a more prominent formal role, notably in prioritising projects in the selection process. As already noted, delegation of implementation responsibilities is compulsory for ISUD and urban authorities have important responsibilities as formally designated IBs. In some cases, MAs delegated the minimum responsibilities required for implementation of the ISUD strategies (for instance where there were concerns over capacity at the local level). The extent to which governance has involved the use of existing arrangements or the creation of new structures (e.g. secretariats, associations of municipalities etc.) or coordination mechanisms (e.g. working groups, contracts or agreements etc.) varies.

ITI and ISUD strategies can cover a range of territories. This includes whole cities (e.g. ISUDs in Bulgaria), functional urban centres (e.g. the Prague ISUD ITI consists of the capital and its hinterland in the Central Bohemia region); an agglomeration of cities, neighbourhoods or specific zones within cities (e.g. the ISUD ITI in Rotterdam), or even networks of urban areas without common borders (e.g. the Six City ITI Strategy in Finland).

There is also variation in thematic orientation. The most commonly included CP Thematic Objectives are TO4 (Supporting the shift towards a low-carbon economy), TO6 (protecting the environment and promoting resource efficiency) and TO9 (Promoting social inclusion, combating poverty and any discrimination). TOs are further divided into investment priorities and it is worth noting significant variation across MS in the number included in ITI and ISUD strategies. For instance, ISUD strategies in Croatia, Cyprus, Czech Republic, Greece, Lithuania and Poland have a relatively high number of Investment Priorities in each strategy (above 10), whereas strategies in countries such as Austria, Belgium, Germany and Ireland, have under 5.³

3. MEASURING EFFECTIVENESS

Effectiveness is defined as the success of EU action in achieving or progressing towards its objectives. The proposed objective of ITI has two dimensions: it aims to deliver CP in a territorially integrated way; and, it does this in order to increase its effectiveness.⁴

3.1. FINANCIAL IMPLEMENTATION

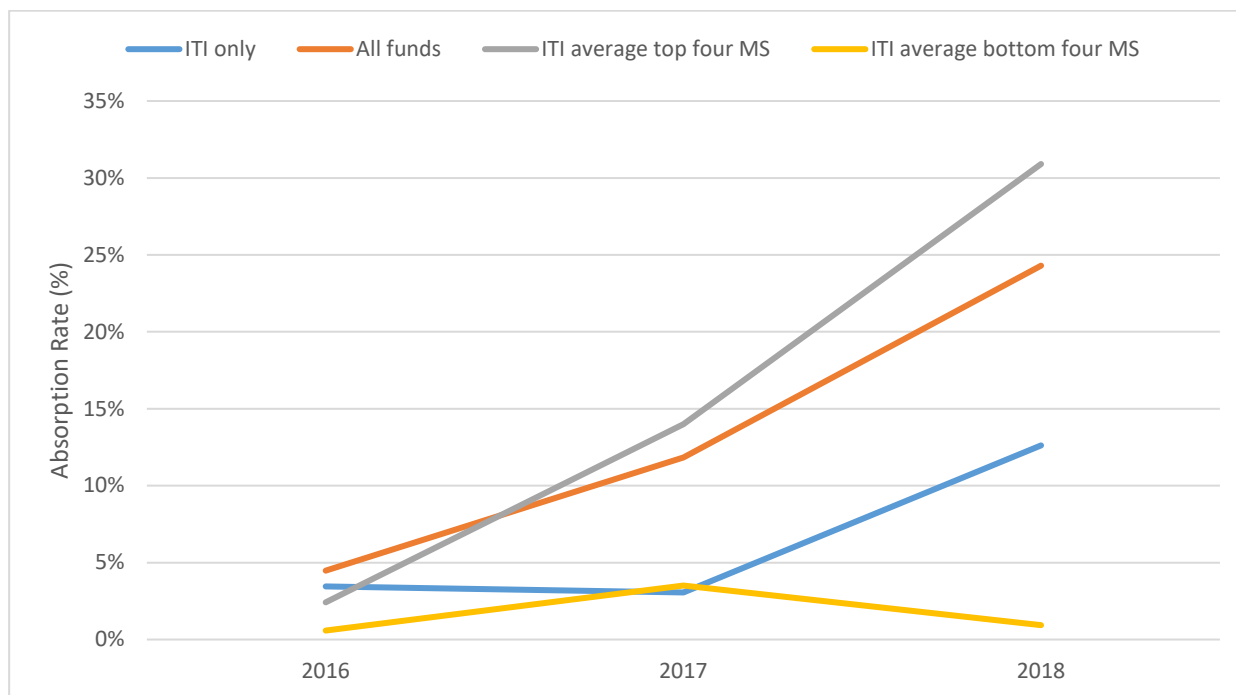
A first measure of effectiveness is implementation progress to date.⁵ According to the European Commission's CP data platform, in comparison to other CP projects, the implementation of operations funded under ITI and ISUD experienced substantial delays at the beginning of the 2014-2020 period. However, the implementation rate for these instruments has improved, and the rate at which funds have been committed to projects and spent accelerated in the course of 2018. Figure 2 shows the total declared spending on ITI and ISUD at the end of 2018 as a percentage of total planned, compared to total planned and declared spending for all CP funding.

³ Van der Zwet et al. (2017) *op. cit*

⁴ Article 36 of the Common Provisions Regulation

⁵ See Better Regulation Toolkit - https://ec.europa.eu/info/sites/info/files/file_import/better-regulation-toolbox-47_en_0.pdf.

Figure 2: Comparing absorption rates (ITI funds and all CP funds).

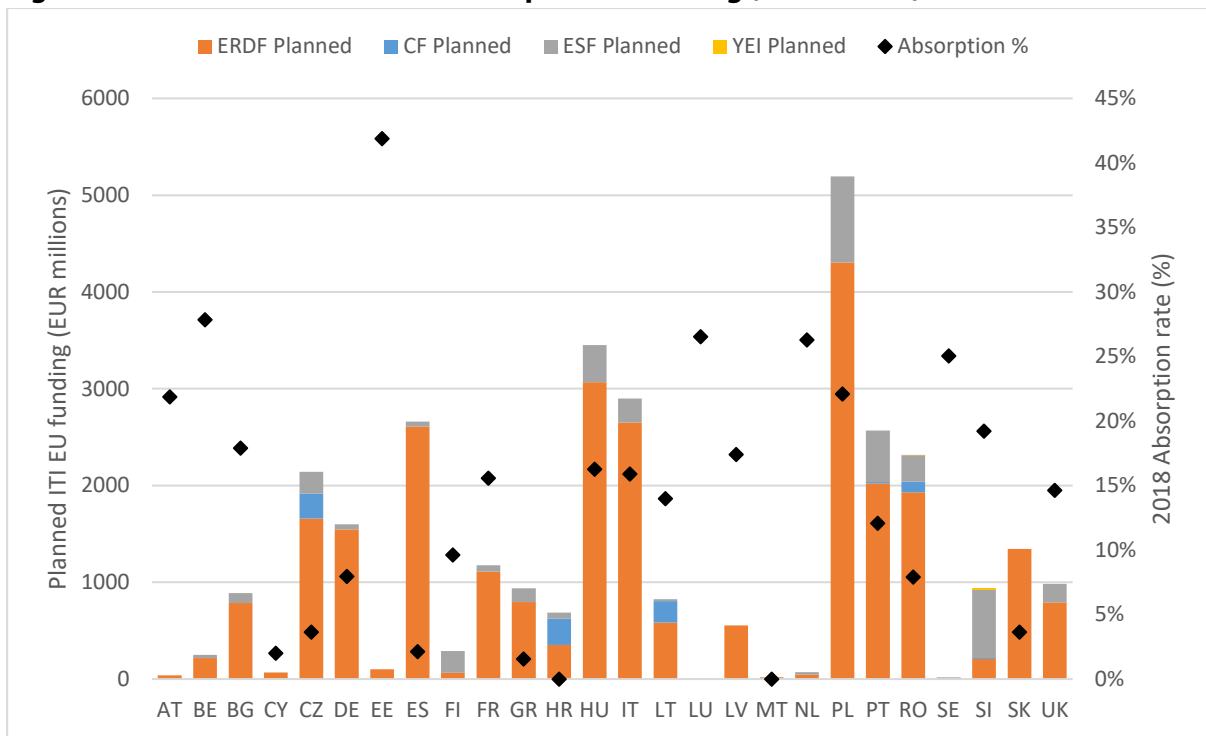


Source: EC, ESI Funds Open Data Platform, see <https://cohesiondata.ec.europa.eu/>

*Note: No total planned data available for DK. No declared data available for IE. Data for TC is excluded from analysis.

There is some variation in spending across types of instrument. According to Commission data, for ITI ISUD, of the approximately EUR 9.2 billion EU spending planned, around EUR 1.5 billion had been spent by end of 2018 (around 16 percent). For ISUD as a specific OP priority axis, around 11 percent of the approximately EUR 8 billion EU funding planned had been spent. For other national territorial instruments covering urban or urban-rural areas, around 13 percent of the planned EUR 6 billion had been spent. For non ISUD ITI, around EUR 611 million of EUR 6.7 billion had been spent, around 9 percent. For CLLD, around 11.5% of a planned budget of approximately EUR 1.8 billion had been spent. Other national territorial approached covering rural areas had spent around 6 percent of the planned EUR 485 million.

There is substantial variation in the ITI and ISUD spending rates of MS. Figure 2 also sets out the average percentage of declared EU spending against planned EU spending for the four MS with the highest levels and the four MS with the lowest levels, as of the end of 2018. As can be seen, there has been a significant acceleration in spending in the top four MS, indeed exceeding the average rate for all funds. On the other hand, the pace of spending in MS with the lowest rates dropped between 2017 and 2018. Figure 3 sets out some of the characteristics of planned ITI and ISUD funding at MS level against their rate of spending at the end of 2018.

Figure 3: Characteristics of ITI and ISUD planned funding (at end 2018)*


Source: EC, ESI Funds Open Data Platform, see <https://cohesiondata.ec.europa.eu/>

*Note: No total planned data available for DK. No declared data available for IE. Data for TC is excluded from analysis.

At this stage in the 2014-2020 period, it is challenging to identify clear correlations between specific characteristics ITI and ISUD and financial performance. However, some points are worth noting (see also Figure 1):

- The highest rates of spending (over 25% of planned) are found in smaller countries with low levels of funding allocated, in some cases limited to ERDF funding for ISUD in an OP axis (e.g. EE). This group also includes countries that use ISUD ITI but have considerable experience implementing similar territorial instruments (e.g. NL).
- The group of MS with 'medium' spending rates (10-25%) is more diverse. Again it includes MS with smaller and/or experienced MS. However, it also includes MS with substantial allocations and a mix of Cohesion policy funds (e.g. HU, PL). Poland is notable in that it has by far the highest amount of funding allocated to territorial instruments (over EUR 6 billion), and has made extensive use of ITI, allocated across 24 ISUD ITI strategies. It is worth noting that Polish regional OPs include ERDF and ESF funding, facilitating integration) and 6 non-SUD ITI strategies, including ERDF and ESF. The majority of strategies are located around the regional capitals, of which six are metropolitan areas.
- The MS group with lower spending rates is also varied. These cases often involve a mix of Cohesion policy funds and instruments. There are also some cases where a relatively large number of smaller strategies are being implemented, covering a range of territories and including strategies for individual municipalities. For instance, Spain has 128 territorial and urban strategies (123 supporting ISUD through an OP priority axis and 5 non-ISUD ITIs). The

areas targeted include urban areas constituted by a single municipality as well as groupings of urban and suburban municipalities.

This suggests that **in terms of financial performance, an approach to urban and territorial strategies that takes into account proportionality, in terms of existing administrative experience and capacity, the level of funding involved, emphasising functional rather than administrative boundaries, is beneficial.** Implementing a large number of smaller strategies can create implementation challenges: designing and implementing each strategy has common administrative requirements, regardless of the level of funding, and this approach potentially involves a large number of actors with varied capacity and experience. However, it should be noted that this is only a 'snapshot' of financial implementation in 2018. Moreover, a range of factors can have an impact: the varied impact of the financial crisis across MS and regions can produce unanticipated fluctuation in demand under some programme priorities and affect the availability of co-financing. ITI implementation relies on quality of governance, experience in implementing CP and/or similar domestic territorial instruments. Implementation rates can also be affected by institutional settings: organisational flux, staff turnover, administrative reforms or political change.⁶

3.2. EVIDENCE FROM MEMBER STATES ASSESSMENTS

3.2.1. Monitoring and evaluation challenges and approaches

The effectiveness of ITI and ISUDs can be difficult to evaluate. Identifying the value of 'integrated' approaches is complex, especially if there is strong diversity in terms of participants, themes and territories covered. The success of territorial instruments should be analysed beyond addressing 'hard' physical indicators. There are 'softer' outcomes, considering other factors such as cohesion within the territory targeted, wellbeing of residents etc.⁷ Moreover, there are potentially important effects related to the process of ITI and ISUD implementation that may be observable only over the longer term (e.g. new participatory cultures in policy-making or cooperative governance models).⁸

The monitoring and evaluation of ITI and ISUD takes place as part of the broader OP management and implementation system but often with adaptations or additions. Applying programme systems to monitor and evaluate project progress against selected programme indicators and targets. Nevertheless, the need for tailored monitoring and evaluation for these strategies is evident, particularly in cases where the level of funding is substantial or where the ITI covers multiple OPs. In some cases OP indicators and targets are adapted to take into account the contribution of the strategy (e.g. in Katowice ITI ISUD). In other cases, the strategy is monitored through established systems used for the overarching domestic strategies to which they contribute (e.g. City Contracts in France).

Dedicated monitoring and evaluation structures and processes are often in place. In the United Kingdom (England), for example, six-monthly meetings are held between the MA and ISUD IBs to review performance. These cover: progress in implementing the ISUD strategy (projects approved), consistency of approach across all projects, process issues (governance and relationship with partners), local strategic fit, value for money and deliverability as set out in project selection criteria and the

⁶ Bachtler, J., Ferry, M. and Gal, F. (2018), *Implementation of European Structural and Investment Funds*, Research paper for the European Parliament BUDG Committee.

⁷ URBACT (2015) *The Integrated Approach to Sustainable Urban Development in 2014-2020: Implementing Article 7*, Final Thematic Report.

⁸ Kontigo AB (2018) *Hållbar stadsutveckling i Regionalfonden Utvärderingsrapport*, evaluation of Sustainable Urban Development, carried out for Swedish Agency for Economic and Regional Growth.

mitigation of risks in meeting deadlines). These meetings are used to update Programme Monitoring Committee meetings (where there is a sub-committee dedicated to ISUD).⁹ ITI or ISUD strategies are not required to be evaluated specifically in addition to evaluations of Priority Axes contributing to these. Nevertheless, the value of specific evaluations focusing on territorial instruments is reflected in their inclusion as part of Cohesion policy evaluation plans in several MS.

The importance of ‘softer’ or less tangible impacts of the strategies, is reflected in the development of qualitative indicators. A prominent example is Brno ITI, where the results of the strategy and the contribution to particular OP objectives will be measured with the help of an indicator system compulsorily set for the strategy. ‘Hard’ results are measured by the set indicators (e.g. area accessible from TEN-T by 45 minutes; share of public transport on the total passenger transport). ‘Softer’ areas, including added value in terms of new forms of cooperation, strengthened social and human capital, etc. are also included through special surveys and questionnaire research. Specific components of the monitoring and analysis work include: a sociodemographic analysis of municipalities in the metropolitan area, based on official census data; a transport behaviour survey of metropolitan inhabitants; a questionnaire among mayors of municipalities (covering topics to be covered in the strategy, interest in participating in cooperation frameworks) and the development of a new metropolitan-level indicator system.¹⁰

3.2.2. EMERGING RESULTS FROM MONITORING AND EVALUATION

At the mid-point of the 2014-2020 period and the implementation of the Performance Framework, MS, MAs and IBs are taking stock of progress in implementing ITI and ISUD. The results of mid-term evaluations are emerging and authorities are reflecting on their implementation experience in various fora. At this stage, it is possible to identify perceived benefits and challenges emerging.

There is a broadly positive assessment of the role of ITI and ISUDs in incentivising cooperation, integrating funds and generally supporting the territorial dimension of CP as part of a ‘place-based’ approach. Many of ITIs and ISUDs were considered new, with innovation and adaptation in both thinking and practice. Specific features of this innovation included:

- **Accelerated implementation after a delayed start.** As noted above, programme authorities are experiencing a major acceleration in implementation progress as project design, selection and implementation systems gather momentum. In some cases, there is a high demand for funding due to fact that there are pressures on domestic funding for municipalities (e.g. Slovenia).¹¹
- **Increasing the emphasis on projects related to specific territorial development needs.** The role of these instruments in underlining the territorial (rather than sectoral) dimension of CP projects is valued by MAs and IBs. The implementation of territorial instruments has introduced or strengthened the focus on specific types of area (functional areas, city-region, urban-rural zones etc.).¹²

⁹ See for instance ‘European Structural and Investment Funds and Integrated Sustainable Urban Development’ IQ-Net Knowledge Exchange Meeting, Delft, 26/2/19.

¹⁰ Šašinka, P. (2018) Metropolitan cooperation development in Brno metropolitan area (BMA) through ITI, presentation at *EUKN Policy Lab*, Prague 9/11/18.

¹¹ Ferry M, Kah S and Bachtler J (2018) Integrated territorial development: new instruments – new results?, IQ-Net Thematic Paper 42(2), European Policies Research Centre Delft.

¹² Ibid.

- **The benefits of integrating funds and policy fields.** Evaluations have noted the benefits that these strategies offer in taking a ‘joined up’ approach to addressing complex territorial development challenges. By combining inputs from different funds, priorities or programmes, these strategies can create more sophisticated responses to issues that have related social and economic components. For instance, an evaluation of ITI in the Dutch G4 cities concluded that there is added value in addressing job market supply and demand mismatches: problems are viewed beyond the bounds of single policy areas and knowledge institutions, businesses and government representatives are incentivised to work together.¹³
- **Capacity building in multi-annual, multi-level strategic planning and policy instrument design, particularly at local level.** In some cases, innovative governance structures have been established (e.g. associations of municipalities, steering groups etc.) to strengthen coordination and ensure representation. This is increasing the role of local authorities, NGOs and other sub-national bodies involved in managing and implementing ESI Funds and can, in the longer term, help to strengthen capacities for implementing territorial development.¹⁴
- **Developing a cooperative culture.** The combination of the financial incentives, the requirements associated with the ITI or ISUD and growing awareness of the strategic benefits has introduced new cooperative dynamics in cases where limited traditions of collaboration among local authorities had resulted in fragmentation and rivalry (e.g. between core city municipalities and surrounding areas) in applying for CP. This has been particularly noticeable in some Central and Eastern European MS, such as Poland.¹⁵
- **Boosting citizen participation in local and regional governance, strengthening accountability.** ITI can increase citizen participation in local and regional governance, through direct involvement in the decision-making process, in increasing accountability for decisions.¹⁶

Nevertheless, these assessments identify substantial challenges involved in designing and implementing ITI and ISUD.

- **Defining and designing territorial strategies.** Authorities face a fundamental challenge in deciding the optimal geographic scope, thematic content and governance arrangements for strategies, with varying approaches even within MS.¹⁷ In several instances, programme authorities have found it difficult to reconcile differences between functional and administrative boundaries. This has been the case in accommodating Article 7 requirements in negotiating ISUD ITIs, where the absence of an administrative level covering the optimal functional area has led to the establishment of several smaller ISUDs based around individual municipalities.¹⁸ As noted above, this approach can have an impact on delivery, fragmenting impacts and creating issues of capacity and coordination.

¹³ Ecorys (2019) *Evaluatie Geïntegreerde Territoriale Investerings*, evaluation carried out for Dutch Ministry of Social Affairs and Employment.

¹⁴ Ferry, M. and Borkowska-Waszak, S. (2018) ‘Integrated Territorial Investments and New Governance Models in Poland’ *European Structural & Investment Funds Journal* 1/2018.

¹⁵ EGO (2018) *Ewaluacja systemu realizacji instrumentu ZIT w perspektywie finansowej UE na lata 2014-2020*, evaluation carried out for Polish Ministry of Investment and Development.

¹⁶ European Parliament (2016) *Report on new territorial development tools in cohesion policy 2014-2020: Integrated Territorial Investment (ITI) and Community-Led Local Development (CLLD)* (2015/2224(INI))

¹⁷ Kontigo AB (2018) *op. cit.*

¹⁸ Mória, P. (2019) ‘Sustainable Urban Development (SUD) implementation: the case of Norte’, presentation at European Structural and Investment Funds and Integrated Sustainable Urban Development’ *IQ-Net Knowledge Exchange Meeting*, Delft, 26/2/19.

- **Mobilising potential beneficiaries.** Authorities have experienced problems in raising awareness of ITI and mobilising potential beneficiaries. The development of a ‘project pipeline’ has sometimes proven difficult, due in part to unfamiliarity with these instruments and perceptions of the associated administrative challenges. There have been problems in mobilising potential beneficiaries to apply under specific thematic headings, such as the shift towards a low carbon economy, which in some cases has prompted a change in the ITI strategy.¹⁹ There have also been challenges in mobilising the appropriate range of stakeholders. There is a danger that strategies become ‘municipality-centric’, with limited participation from other partners (e.g. other sub-national government units, NGOs, the voluntary sector and the private sector), limiting the leverage of vital resources.²⁰
- **Developing strategic projects.** Evaluations have placed particular focus on the challenges of developing strategic, integrated project proposals. Particularly where implementation has been delayed and spending deadlines have placed pressure on programme authorities, there is a danger that emphasis in the design and selection of projects is placed on speedy absorption rather than strategic quality. Beneficiaries also require time to plan for the allocation of human and financial resources (including the identification of co-funding). This suggests that it is beneficial to have a list of projects ‘ready to go’ at the outset of the programme period.²¹ Evaluation studies have noted the need for more emphasis on project ideas and generation, which in turn requires more resources particularly for IBs or other actors involved in providing support to beneficiaries.²² There is also an argument for the pre-selection of ITI projects rather than the use of competitive calls.²³ Strategic projects can be identified prior to the launch of programmes or developed through processes of negotiation, ensuring the inclusion of certain actor groups in the programming process or the coherent targeting of overarching development issues on the territory.
- **Regulatory issues and complex implementation.** The implementation challenges associated with ITI and ISUD, especially at lower levels of public administration and/or where participation in implementing these types of instrument is relatively new, have been highlighted in academic publications and policy reports.²⁴ Regulatory issues are common in CP implementation but have particular implications in the context of integrated territorial instruments. The designation of monitoring and control systems, meeting public procurement or state aid rules, thematic concentration, the CP performance framework and the results-orientation, etc. all create specific challenges in the context of these strategies.²⁵ There are differences in the regulatory framework and guidance for ERDF and ESF, (for instance in terms of eligibility rules, project application requirements, financial control and audit etc.) that limit integration of Funds. The substantial variation in size in terms of population covered, thematic focus, budget, geographic scale and implementation approach in the strategies mean that in

¹⁹ White, G. (2019) ‘England 2014-2020 ERDF Programme: Sustainable Urban Development’, presentation at European Structural and Investment Funds and Integrated Sustainable Urban Development’ *IQ-Net Knowledge Exchange Meeting*, Delft, 26/2/19.

²⁰ Dimopoulou, M. (2019) ‘Urban Strategies in 2014-2020 for Greece: towards better implementation’, presentation at European Structural and Investment Funds and Integrated Sustainable Urban Development’ *IQ-Net Knowledge Exchange Meeting*, Delft, 26/2/19.

²¹ Heath-Drugović, S. (2019) ‘Looking Forward, Strengthening and Embedding SUD in 2021-2027’, presentation at European Structural and Investment Funds and Integrated Sustainable Urban Development’ *IQ-Net Knowledge Exchange Meeting*, Delft, 26/2/19.

²² IQ-Net research and Valovirta V (2017) *6Aika-strategian vaikuttavuusmalli*, VTT, 17 August 2017.

²³ EGO (2018) *op. cit.*

²⁴ European Parliament (2016) *Report on future perspectives for Technical Assistance in Cohesion Policy* (2016/2303(INI)); Committee on Regional Development; Tosics, I. (2017) ‘Integrated territorial investment: A missed opportunity?’ in Bachtler, J., Berkowitz, P., Hardy, S. and Muravska, T. *EU Cohesion Policy: Reassessing performance and direction*, Routledge: London.

²⁵ Van der Zwet A, Miller S and Gross F (2014) ‘A First Stock Take: Integrated Territorial Approaches in Cohesion Policy 2014-20’, *IQ-Net Thematic Paper 35(2)*, European Policies Research Centre.

some cases these regulatory challenges are disproportionate relative to the number and scale of the operations involved.²⁶ Moreover, these challenges are particularly felt at the level of operations. Management of different Funds is often carried out by different institutions, which have different cultures and this can cause barriers to integration. Complex regulations can inhibit the integration of Funds at the operational level in terms of developing project ideas, working with different authorities on different electronic platforms, etc.²⁷

- **Monitoring and evaluation issues** have already been noted. Some evaluations have emphasised the challenges involved in carrying out studies of ITI in MS where a range of approaches are involved.²⁸
- **Communication, visibility.** There is a need for stronger focus on provisions for communicating the results of these instruments. This is challenge for CP in general but visibility, awareness raising, and promotion are particularly important as increased civic participation in CP is a key potential benefit of these instruments.²⁹

Thus, **initial assessments of the effectiveness of territorial instruments in terms of strengthened integration reveals substantial variation** under different headings.³⁰

- **Integration is evident in strategic terms.** The drafting of strategies has been used widely as a means of pursuing integrated approaches through involving representatives of different districts, municipalities, sectors etc. in the process. The strategies on which territorial instruments are based provide explicit frameworks for integrated approaches, drawing together thematic headings within a territorial focus and clarifying the logic of intervening in specific areas.
- **Integration of Funds is common within strategies.** Despite the dominance of ERDF in funding integrated territorial instruments, due to the fact that combining Funds is not compulsory for ITIs, and the complexity of pooling / mixing resources from different Funds, many strategies draw resources from multiple ESI Funds. This is a potentially important policy innovation as it 'packages' different combinations of ESI Funds in closely defined territories.
- **Increased territorial integration as an innovation stemming from these instruments can be identified in some contexts.** This refers notably to cases where the implementation of territorial instruments has strengthened the focus on specific types of area (functional areas, city-region, urban-rural) and facilitated the design of policy interventions that stretch across traditional administrative borders (e.g. transport, social inclusion, labour market instruments).
- **Integration at the operational level is most challenging, although a limited number of innovative approaches are emerging.** Strategic integration and a multi-Fund approach should enable a more tailored set of integrated projects to be implemented 'on the ground'. However, this is the most challenging aspect of integration, related to regulatory challenges, differences in implementation approaches for different Funds, capacity issues etc.

²⁶ Ferry, M. and McMaster, I. (2018) Assessing Integrated Territorial and Urban Strategies: Challenges, Emerging Approaches and Options for the Future: European Structural & Investment Funds Journal, Vol. 6 Issue 1, p58-67. 10p.

²⁷ Ecorys (2019) *op. cit.*

²⁸ Kontigo AB (2018) *op. cit.*

²⁹ IQ-Net research and Valovirta V (2017) *op. cit.*

³⁰ Ferry M, Kah S and Bachtler J (2018) *op. cit.*

Nevertheless, there are interesting approaches emerging at operational level where innovative approaches to linking complementary projects or sequencing of operations are facilitated by the territorial provisions (see Box 1):

Box 1: Supporting integration at the operational level

In Nordrhein-Westfalen, the ERDF MA implementing the ISUD notes that a key innovation is the combination of ESF and ERDF funding in a project call to address various aspects of the Land's goal of preventing social exclusion. This in turn is seen as due to the Land government's goal of integrating EU Funds as far as possible at local level. For example, a call on the theme of Strong Urban Districts – Strong People, launched in February 2015 includes ERDF and ESF.

In Rotterdam ISUD ITI, there are parallel projects where firms in the territory are supported in the development of innovative technologies through ERDF, while ESF provides targeted training to create a labour supply for jobs in these sectors. Firms make an input in the design of the related training courses and make commitments to give starting places to trainees when they qualify. Nevertheless, evaluation evidence indicates that genuinely integrated approaches are only apparent in a limited number of projects. When cooperation between the municipal departments responsible for social affairs and economic development is already in place, this greatly increases the chance of success of a jointly initiated ESF-ERDF project.³¹

4. CONCLUSIONS AND RECOMMANDATIONS

4.1. THE EFFECTIVENESS OF ITI BASED ON CURRENT EVIDENCE

Some important insights emerge from this assessment of Integrated Territorial Investments (ITI) as an effective tool of CP. Reviewing the experience of implementation thus far, it is evident that:

- **Financial performance has accelerated after initial delays.** The design and development of ITI and ISUD strategies and the launch of operations experienced significant delays in the first years of the 2014-2020 period. There is an overall pattern of accelerated implementation rates, particularly since 2018.
- **Within this, there is substantial variation in the pattern of implementation progress and in current rates of spending.** This appears to be related to the administrative experience and capacity of bodies involved in implementation, and issues particularly where a large number of smaller strategies are being implemented, although broader contextual factors must also be taken into account.
- **Emerging evidence from monitoring and evaluation indicates several challenges involved in the design and implementation of ITI and ISUD:** defining and designing

³¹ Ecorys (2019) *op. cit.*

territorial strategies (including overcoming mismatches between functional areas and administrative boundaries); mobilising potential beneficiaries in the development of strategic, integrated project plans; overcoming capacity issues and regulatory complexity (for instance related to specific issues such as public procurement or stemming from differences in the regulatory framework and guidance for ERDF and ESF), and developing monitoring and evaluation systems that are able to capture and assess the impacts of these instruments.

- **Nevertheless, the role of ITI and ISUD in supporting the effectiveness of CP's territorial orientation is also apparent.** There is increasing emphasis on projects that strive to take a 'joined up' approach in addressing complex territorial challenges. There is also evidence that implementing these instruments is building strategic and administrative capacity and incentivising cooperative approaches to CP implementation, particularly at the local level.
- **Integration is most notable in terms of the combination of strategic objectives in territorial instruments.** Integration of funding sources and at territorial level depends strongly on governance arrangements and implementation mechanisms chosen. Most challenging is operational integration, i.e. the development of integrated activities 'on the ground'. Combining funding sources at operational level is very challenging at operational level due to regulatory barriers and capacity issues. There are examples of innovative approaches emerging in MS where there is strong experience of cooperative working among beneficiaries. This level of integration holds significant potential for the effectiveness of CP territorial instruments but in most cases it requires sustained support beyond a single programme period.

Although ITI and ISUD are implemented in a variety of ways, some general recommendations to promote effective implementation can be identified.

- **The need for capacity-building.** This relates to MAs and IBs in developing and implementing strategies, projects, drawing in human resources (dedicated staff), structures (secretariats, working groups); tools (guidance, e-tools) etc. It is important to consider building institutional capacity and skills amongst regional and local administrations to embed the integrated approach in institutional cultures. MAs can support Implementing Bodies by ensuring sufficient time to develop plans and in providing capacity-building. There are examples where Technical Assistance has been used to develop strategies, strengthen project selection procedures, support implementing structures etc. Beyond this, there is value in more intensive, applied exchange of knowledge and experience among ITI and ISUD practitioners to create opportunities for learning through peer-to-peer interaction.
- **Proportionality.** It is important to ensure that the chosen approach to implementing territorial instruments is proportionate to the amount of funding available and existing experience and competences at different administrative levels. An approach that addresses the key issues in a given functional area is needed to avoid fragmentation, duplication and complex implementation. MS should avoid pre-allocation of funding (e.g. to municipalities) before these development needs are identified.
- **Timing.** In the current period, delays in implementation and tight deadlines for spending have sometimes led to a purely bureaucratic approach to the implementation of the strategies. Therefore, it is crucial that the drafting of strategies and projects should start in parallel with drafting of OPs. The scope to adapt or update pre-existing strategic documents concerning the

territory to be covered, as proposed by the European Parliament in its response to the Commission's proposals for 2021-2027, could ease administrative burdens for authorities at this stage.

- **Specific attention to mobilisation of beneficiaries and development of project pipelines.** Strengthening the integrated approach rather than achieving thematic targets or targeting specific sectors makes demands on provisions for the mobilisation of beneficiaries and the development of project pipelines. Research is noting the need to strengthen bodies responsible for beneficiary support. In some cases, the benefits of non-competitive project selection modes in ensuring strategic, integrated projects has been noted.
- **Monitoring and evaluation.** Assessment of territorial instruments is challenging and often requires investment in monitoring and indicator systems. However, this is integral to urban strategies, in terms of measuring progress and identifying 'what works'. This also demonstrates the 'added value' of integrated approaches – for local, national and EU audiences.
- **Longer term sustainability.** It is important to consider the sustainability of these instruments in the longer term and how their benefits and innovations can be embedded. Establishing dedicated structures and mechanisms can help embed practice and ensuring a balanced mix of project types and the active participation of a range of stakeholders is important. An important issue is exploring options for the leverage of other non-CP public and private resources. Evaluations have noted the need to strengthen linkages between EU-funded and domestic territorial instruments, to include more space for experimentation, for instance facilitating more use of Financial Instruments; and to sharing success stories.

4.2. ITI AND ISUD POST-2020

There is increasing focus among policy-makers at EU and MS levels on preparations for CP in the next programming period, and the role of ITI and ISUD within this. This involves making inputs into the regulatory debate but also consideration of practical preparations for implementation of these instruments in 2021-27.

- **ISUD and the new PO framework.** According to the current Commission proposals, sustainable urban development will be 'housed' under the new the Policy Objective (PO) 5 'Bringing ESIF closer to citizens'. While greater visibility of the territorial dimension is likely to be welcomed by MS and stakeholders, it could be argued that this approach has an impact on the perception of the territorial dimension as a horizontal and cross-cutting objective. ERDF will continue to have a special focus on sustainable urban development, where at least 6%, rather than 5%, must be allocated at national level to integrated territorial development in urban areas. This can be implemented within this new Policy Objective 5 under its first specific objective which is fostering the integrated social, economic and environmental development, cultural heritage and security in urban areas. The Commission notes that although 'housed' under PO5, the approach to supporting ITI is fundamentally similar as in 2014-2020, i.e. ITI is across-cutting theme and in can be supported across POs. It is clearly stated in the regulations that ITI, including ISUD, can be implemented under any PO.

- **Aspects of the current approach are maintained but simplified.** For instance, there is scope for MS to propose their own ITI models to the Commission. A specific Article 7 body will be an option, but no longer a requirement. Cities can take on the role of Implementing Body, but this approach is voluntary. Moreover, the basic required content of ITI strategies has been clarified (the geographical area covered by the strategy; an analysis of the development needs and the potential of the area; a description of an integrated approach to address the identified development needs and the potential; and a description of the involvement of partners in preparation and in the implementation of the strategy). More specific or detailed requirements can be programmed later beyond these basic requirements. Moreover, there will no longer be a requirement in CP to undertake the designation of management and control systems, a process that delayed the launch of territorial instruments in some MS in 2014-2020.
- **Flexibility and diversity.** There are moves toward a clearer categorisation for territorial development measures and ITI coverage, with the aim of supporting the 'integrated' aspect of these instruments. This involves reference in the draft regulations to the use of ERDF, ESF+, EMFF and EAFRD, and to the use of ITI, CLLD, OPs or priority axes, as proposed by the European Parliament. This is reflected in the STRAT-Board interactive mapping tool jointly developed by DG JRC and DG REGIO under the umbrella of the Knowledge Centre for Territorial Policies. This provides a visual overview of ISUD and ITI strategies currently implemented across Europe with a break down according to geographical unit (from countries to localities), but also by different attributes, such as localisation, spatial focus, thematic concentration, size of population, funding arrangements and implementation mechanisms. There is a six-fold categorisation of spatial focus: neighbourhood; cities, towns or suburbs; functional urban area; city network; region; and, others), reflecting the Commission's recognition of diversity.
- **Commission support, guidance.** It should be noted that there is not expected to be substantial, detailed guidance accompanying the regulations. This is in part a response to the push for increased simplification but also aims to ensure flexibility in implementing ITI in different territorial contexts. The regulation and guidance will address only to those points which have legal content. There will be very limited descriptive text. Nevertheless, the Commission is committed to providing support to authorities. Several initiatives are in place to further the EU's 'urban agenda' (e.g. URBACT and the Urban Development Network), and proposals for the next period include the European Urban Initiative that will provide capacity-building support. The STRAT-Board has already been noted. The Commission aims to provide targeted guidance, driven by stakeholders and the clear communication of specific needs is crucial as negotiations on the new financial perspective intensify.

These proposals raise a number of issues for EU bodies, MS, programme authorities and urban authorities. For instance:

- Is there still some uncertainty concerning how ITI and ISUD can be implemented across the new POs?
- Is the minimum requirement of 6% of ERDF enough to incentivise ISUD implementation across MS?

- What do the proposals offer in terms of simplification and facilitating integration of Funds 'on the ground' (i.e. addressing different regulatory provisions for eligible ERDF, ESF expenditure, monitoring different ERDF and ESF indicators etc.) at the level of operations? ESF+ is not excluded from ITI but there is no explicit provision in the current ESF+ regulation to ensure the fund can support integrated territorial development.
- The financial envelope for Technical Assistance under ERDF is proposed to be reduced from 4% of the Fund in the 2014-2020 period to 2.5% in 2021-2027. Higher ceilings apply to ESF (at 4%). What impact will proposed cuts in ERDF Technical Assistance have on the scope to build capacity in implementing ITI and ISUDs?
- It should also be noted that some programme authorities consider that the proposed return to the n+2 rule could be counterproductive. Projects most at risk of non-compliance with n+2 targets include more complex operations or those where administrative experience is limited and in some cases this draws in territorial instruments.
- One concern is the scope to implement integrated territorial instruments in rural or peripheral areas. The European Parliament has proposed the allocation of ERDF resources to ITI in areas with natural, demographic disadvantages or with limited access to services. However, the EAFRD is currently not covered in the proposals for the new CPR. What impact will this have on the scope for integration of Funds under ITI in non-urban areas?
- Finally, given these proposals does the introduction of increased flexibility (e.g. softening of IB requirements under Article 7, encouraging CLLD in an urban context, scope for MS to propose own models etc.), is it getting more difficult to differentiate between these instruments? Is there more potential for overlap, complexity and confusion?

This paper assesses Integrated Territorial Investments as an effective tool of Cohesion policy (CP). Based on a review of the experience of designing ITI strategies and implementation experience thus far in 2014-2020, it highlights the key factors facilitating or impeding effectiveness and sets out recommendations for the future.

DISCLAIMER

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.



Print ISBN 978-92-846-4716-3 | doi: 10.2861/533671 | QA-04-19-354-EN-C
PDF ISBN 978-92-846-4717-0 | doi: 10.2861/73586 | QA-04-19-354-EN-N