

HANDBOOK OF

# SUSTAINABLE URBAN DEVELOPMENT STRATEGIES





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SUSTAINABLE  
URBAN DEVELOPMENT  
STRATEGIES

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# Preface

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In our fast-changing world, Europe is facing pressing challenges – environmental degradation and climate change, the digital revolution, demographic transition, migration and social inequalities – and cities are often in the frontline to deliver solutions. Their importance in driving the transition towards a sustainable way of living for all is recognised in the Urban Agenda for the EU and in global agendas, such as the Sustainable Development Goals and the New Urban Agenda.

Complex challenges cannot be solved without strong and broad partnerships at the local level between citizens, civil society, industry and relevant levels of government. Cities are playing a crucial role in closing the gap between citizens and public institutions. New forms of governance for better policy design and investments are already taking place in many cities, be it through fostering cooperation between urban and rural areas based on functional areas approach, long-term strategic planning, or involving citizens in all stages of policymaking.

Cohesion policy is at the heart of this process – both in terms of funding and of fostering strategic, integrated and inclusive approach to address the above-mentioned challenges. Around EUR 115 billion is being spent in cities out of which EUR 17 billion are managed locally by urban authorities through more than 950 integrated and sustainable urban development strategies.

For the 2021-27 period, the European Commission proposes a stronger urban and territorial dimension by introducing a new policy objective “Europe closer to citizens” supporting a place-based approach and engagement of local authorities, civil society and citizens in delivering on local challenges. Furthermore, it proposes the launch of a new European Urban Initiative to support cities with capacity building, innovative solutions, knowledge, policy development and communication. The funds earmarked for sustainable urban development is also increased to 6% of the total European Regional Development Fund.

This handbook is a joint initiative of the Commission’s Directorates-General for Regional and Urban Policy (DG REGIO) and Joint Research Centre (JRC). It explains in six building blocks the support for sustainable urban development under cohesion policy. It also aims to provide valuable insights for the design of the future generation of urban strategies supported by cohesion policy programmes.



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A handwritten signature in blue ink, appearing to read 'M. Lemaître', written in a cursive style.



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A handwritten signature in blue ink, appearing to read 'Charlina Vitcheva', written in a cursive style.



# Introduction

The European Union (EU) has developed a thorough discourse on cities and their development in the past decades. Since the end of the 1990s, periodic meetings between ministers responsible for urban development led to **the consolidation of an ‘EU perspective’ on the urban question** (‘urban acquis’) that can be translated into **an EU approach to sustainable urban development**.

This approach has been refined over the years as it has been implemented on the ground, thanks to the urban initiatives promoted by the EU in the form of its cohesion policy and other specifically urban-oriented initiatives.

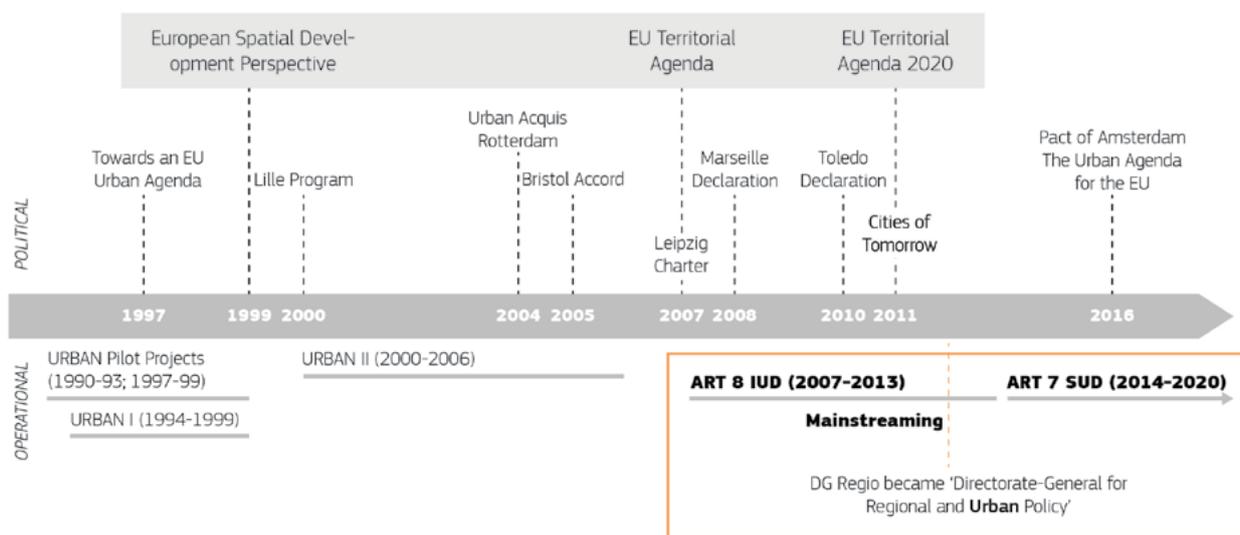


FIG. 1. The evolution of the urban dimension of the EU policy. Source: own elaboration.

2007 was a defining year in this long process. In fact, it was the year when the Leipzig Charter on Sustainable Cities was signed at an informal ministerial meeting held under the German Presidency of the Council of the European Union<sup>1</sup>. The Leipzig Charter offers two key principles for sustainable urban development: the application of a holistic, integrated development policy, and the focus of special attention on deprived neighbourhoods.

2007 also marked the start of a new programming period (2007–2014), and sustainable urban development policies became fully integrated into EU funding schemes following the positive appraisal of URBAN initiatives, in other words they became part of the ‘mainstream’ of cohesion policy.

The launch of the Urban Agenda for the EU in 2016 represented another milestone. Building on the Leipzig Charter, the Urban Agenda underlines the importance of an integrated approach to urban development that:

- goes beyond sectoral policy;
- is supported by cooperation across levels and across stakeholders;

<sup>1</sup> An updated Leipzig Charter will be adopted under the upcoming German presidency, in the second half of 2020.

- goes beyond administrative boundaries;
- targets cities of all sizes.

During the 2014-2020 programming period, cohesion policy has made Sustainable Urban Development (SUD) compulsory (5% of European Regional Development Fund, ERDF, earmarked for SUD in each Member State)<sup>2</sup> and the strategic dimension of the integrated approach has been affirmed. Moreover, new territorial instruments have been introduced to implement strategies in urban areas, namely integrated territorial investment (ITI) and community-led local development (CLLD). These emphasise respectively the importance of integrating multiple funds, and of engaging with the local community.

These key characteristics of SUD will be maintained in the upcoming programming period 2021-2027, when the minimum percentage of ERDF to be earmarked for SUD was proposed increase to 6%.

Strategies in urban areas will be promoted through an integrated and place-based approach to territorial development, where integration means multi-sectoral policy, multi-level and multi-stakeholder governance, and multi-territorial and community-led strategy.



FIG. 2. Integrated territorial development as conceived in 2021-2027 draft regulations. Source: own elaboration based on European Commission, 2018.

By analysing these milestones, the main building blocks which characterise the EU approach to sustainable and integrated urban development can be characterised as follows:

- An approach which promotes a **strategic vision** for the development of urban areas.
- An approach which targets **cities of all sizes** and promotes **integration across scales**, from neighbourhoods to wider territories.

<sup>2</sup> In line with Article 7 of regulation (EU) No 1301/2013.

- 
- A **multi-level governance and multi-stakeholder approach**, which coordinates different actors according to their respective roles, skills and scales of intervention, ensuring that citizens are actively engaged.
  - An approach which is integrated **across sectors**, and pushes cities to work across policy-areas.
  - An approach based on the **integration of multiple sources of funding**.
  - An approach which promotes result-oriented logic and establishes frameworks for **monitoring and evaluation**.

### ***The aim of the Handbook***

The European Parliament resolution of 9 September 2015 on the urban dimension of EU policies (2014/2213(INI)) underlines the need to systematise and analyse ‘all available data and shared conceptual frameworks (‘urban acquis’) in order to prevent duplication and inconsistencies and provide a clear definition of integrated Sustainable Urban Development and thus identify the common coherent and transparent EU objectives in this area’.

In reality, the EU approach to urban development is interpreted differently when it is implemented on the ground, depending on local planning cultures, as well as the wide variety of actors involved in implementing it.

Moreover, there are some aspects of methodology which need clarifying and strengthening, with the aim of providing better and clearer orientation for post 2020.

Accordingly, **the Handbook of Sustainable Urban Development Strategies aims to develop methodological support to augment knowledge on how to implement integrated and place-based urban strategies under cohesion policy**. In particular, it refers to Sustainable Urban Development (SUD) as supported by the European Regional Development Fund during the current programming period (2014-2020) and the upcoming one (2021-2027).

In this context, the Handbook contains recommendations intended to complement official regulations, without being prescriptive. In fact, **it is conceived as a policy learning tool, which should be flexible and adaptable to the needs arising from different territorial and administrative contexts**. The Handbook addresses SUD strategies as bridges between cohesion policy on the one hand (with its rationale, rules and actors) and local territorial governance systems (with their rationale, rules and actors) on the other.

The Handbook does not provide a ‘quick fix’, but rather provides suggestions - giving **concrete examples and referring to existing tools and guidelines** - on how to tackle key challenges during the process of strategy design, implementation and monitoring.

The Handbook targets **local authorities** (LA), **managing authorities** (MA) and all **other relevant stakeholders** involved in the process.

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## ***The structure of the Handbook***

The Handbook is divided into six chapters, each of which addresses one of the building blocks of the EU approach to Sustainable Urban Development. The chapters are as follows:

1. **Strategic Dimension.** This chapter addresses strategies intended as collective roadmaps which aim at triggering a desired change. Strategies represent the centrepiece of Sustainable Urban Development as promoted under cohesion policy, and reflect the current understanding of strategic planning, which is intended as an adaptive process involving the management of change.
2. **Territorial Focus.** Having an explicit territorial focus means that needs, challenges and opportunities for development must be matched with the appropriate spatial scale and territorial context. In particular, this chapter addresses three main issues: targeting neighbourhoods, adopting the functional area approach, and promoting urban-rural linkages.
3. **Governance.** Within the context of Sustainable Urban Development, 'governance' refers to how the relevant authorities and stakeholders decide to plan, finance and manage a specific strategy. The chapter focuses on three central components of governance: multi-level governance, the multi-stakeholder approach, and the bottom-up and participatory approach.
4. **Cross-Sectoral Integration.** The cross-sectoral approach to urban strategies refers to the need to overcome the 'siloes' structure of sectorally divided functions which characterises public organisations, in order to tackle multi-dimensional challenges. The goal of the approach is to ensure coherence in policy-making principles and objectives across policy areas, and to ensure actors relating to different sectors cooperate to create policies.
5. **Funding and Finance.** Suitable funding and financing arrangements are key pillars of Sustainable Urban Development as promoted by cohesion policy. There are two long-established trends in delivering this policy which are addressed in this chapter: the combination of multiple funding sources and the associated increase in the significance of financial instruments.
6. **Monitoring.** Monitoring instruments and activities support public authorities in designing and implementing Sustainable Urban Development strategies. A strong intervention logic and appropriate result indicators, combined with measurable targets, are required to assess whether the intended progress has been made. This chapter reviews the key concepts and components in monitoring strategies, highlighting what the major challenges are in setting up a monitoring framework for SUD.

Each chapter has the same structure. First, there is an introduction to the theme of the chapter, specifying how the concept is used within the framework of cohesion policy. In addition, a certain

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number of key components of the theme are individuated and addressed separately. In particular, each component tackles the most important and recurrent challenges that policy-makers face in the process of designing and implementing strategies. The challenges are formulated as questions, and the answer can be found in the text, supported by concrete examples and short case studies. Moreover, the text is enriched with short descriptions of existing guidelines, studies and online toolboxes which can help in tackling the challenges mentioned in the chapter. A series of recommendations are listed after each issue/challenge has been discussed.

### **Methodology**

The Handbook is based on a **mixed-methods analysis of SUD strategies which were implemented during the 2014-2020 programming period**. Quantitative data were collected using STRAT-Board, which is both a database and an online mapping tool providing an overview of 964 SUD strategies implemented in 2014-2020 across 28 EU countries<sup>3</sup>.

Moreover, in-depth information on a restricted number of strategies has been gathered thanks to the outcomes of the Urban Development Network (UDN)<sup>4</sup> peer review workshops on the implementation of SUD strategies which were organised in 2016-2017, and the outcomes of the DG REGIO study *Integrated territorial and urban strategies: how are ESIF adding value in 2014- 2020?* (Van der Zwet et al., 2017).

Finally, a thorough review of the literature (academic publications, reports, policy papers and other grey literature) has enriched the Handbook, and references can be found throughout the text.

## REFERENCES

European Commission (EC), Directorate-General for Regional and Urban Policy, *Policy objective 5 – Europe closer to citizens. Strategies and tools for integrated territorial development*, 2018. Available at: [http://nws.euocities.eu/MediaShell/media/DG\\_REGIO\\_Post2020\\_PO5\\_territorial\\_urban\\_EN\\_25062018.pdf](http://nws.euocities.eu/MediaShell/media/DG_REGIO_Post2020_PO5_territorial_urban_EN_25062018.pdf)

Van der Zwet, A., Bachtler, J., Ferry, M., McMaster, I., Miller, S., *Integrated territorial and urban strategies: how are ESIF adding value in 2014- 2020?*, Brussels, 2017. Available at: <https://op.europa.eu/en/publication-detail/-/publication/01fce46b-e6d6-11e7-9749-01aa75ed71a1/language-en/format-PDF/source-105076479>

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<sup>3</sup> <https://urban.jrc.ec.europa.eu/strat-board/#/where>

<sup>4</sup> [https://ec.europa.eu/regional\\_policy/en/policy/themes/urban-development/network/](https://ec.europa.eu/regional_policy/en/policy/themes/urban-development/network/)

# STRATEGIC DIMENSION

## Contributors

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Emerging and long-standing urban development issues (e.g. urban regeneration, city and regional planning, shrinking cities, urban sustainability, attracting investments, city marketing, social segregation) require the **development of a strategic framework**, and challenge traditional approaches to urban policy and planning.

Sustainable Urban Development (SUD) as promoted under EU cohesion policy coherently emphasises the importance of having a strategic framework in place. A key requirement for the success of interventions by the European Regional Development Fund (ERDF) is ensuring that individual investments are part of a long-term strategy, with a strong innovative component (AEIDL, 2013). More specifically, in the 2014-2020 programming period SUD is to be operationalised through **'strategies that set out integrated actions'**. In the post-2020 regulation, the emphasis on the strategic approach to SUD is even stronger (EC, 2018). The proposed new **Policy Objective 5 (PO5) 'Europe closer to citizens' highlights the opportunities which integrated strategies** present for the city of the future and its citizens. Furthermore, strategic planning is one of the three core elements - together with scale and stakeholders - that structure the OECD Principles of Urban Policy (OECD, 2019). From a European policy perspective, the key question is how to support local governments in drafting strategies that contribute to structural changes at territorial level (Calafati, 2014a; Calafati, 2014b).

In order to effectively improve cities' development trajectories, strategic planning requires **collective planning processes and tailor-made and realistic visions** (EC, 2011). Moreover, there has been a shift from fixed plans and solutions towards an **adaptive process involving the management of change** (Albrechts, 2015; Albrechts et al., 2016).

SUD strategies represent **a different way of working between administrative levels in a multi-level governance system**, and produce **transformative roadmaps** that include relevant actors such as citizens, companies and umbrella organisations (see chapter on Governance).

As part of the EU funding structure, SUD strategies should guarantee the coherence and integration of operational programmes (OPs), thematic objectives, (TOs) and operations with local strategies and

projects<sup>1</sup>. Moreover, the projects associated with the strategy have a direct impact on people and places. For this reason, SUD strategies should also serve as agendas for implementation.

This strategic approach matches the increased attention for the **place-based approach** advocated in the Barca report (2009) as a guiding principle for cohesion policy in 2014-2020, which will be maintained for the post-2020 programming period. Strategic policy frameworks that support place-based approaches recognise that urban challenges manifest themselves differently in different places. This is true not only in relation to different social, economic and institutional morphologies, but also to different spatial morphologies (Secchi, 2010). The place-based approach not only addresses the specific needs of each territory, but also draws on the knowledge and skills concentrated in those places to shape integrated and tailored solutions for territorial development<sup>2</sup>. Ultimately, local knowledge matches external interventions, supporting innovative collaboration, ideas and solutions.

### **EPRC (2017) INTEGRATED TERRITORIAL AND URBAN STRATEGIES: HOW ARE ESIF ADDING VALUE IN 2014- 2020?**

This study investigates how Member States have implemented strategies for sustainable urban development and other territorial strategies under the 2014-2020 regulatory provisions of EU cohesion policy. It analyses knowledge integration in strategy design and implementation, which means:

- facilitating strategic thinking and enforcing prioritisation of actions and concentration of resources at local levels;
- providing opportunities for capacity-building at the local level, empowering local communities to implement social and economic development initiatives, and endorsing participative governance and public participation in the strategic development of an area; and
- enabling new thinking and innovative approaches.

*Additional resource*

<sup>1</sup> The difference between “operations” and “projects” is adapted from Colini and Tripodi (2010) where “operations” are the lines of intervention eligible for financial support in the OP text while “projects” are the individual interventions taking place at local level to respond to the strategic aims of the OP.

<sup>2</sup> As mentioned by Barca (2009), the OECD has used the terms ‘territorial development policy’, or ‘new paradigm of regional policy’ to refer to a policy approach whose objectives are to enhance well-being and living standards in specific regions, and to generate and sustain regional competitive advantages with a fuller and better use of regions’ assets.

The study encapsulates the main challenges and main types of benefit associated with the implementation of SUD in 2014-2020. One noteworthy challenge consists in institutional and administrative capacity to manage and implement strategies, also linked to the perceived increase in the complexity of EU regulations. Other concerns include ensuring a proper understanding of integrated place-based approaches and the need to align the implementation of the strategy so that it contributes to the overall goals of operational programmes as well as to domestic or other policy frameworks.

Besides challenges, **the study highlights that SUD has strengthened knowledge and awareness of the role and importance of strategic and integrated programming.** Moreover, the study finds that there is **a clear process of local-level capacity-building underway** and that the development of the **SUD measure has improved the standard of city strategic planning**, with local authorities now more actively involved in implementing cohesion policy. It also acknowledges **strategic integration of policy goals from multiple sectors.**

### For more information

Van der Zwet, A., Bachtler, J., Ferry, M., McMaster, I., Miller, S., *Integrated territorial and urban strategies: how are ESIF adding value in 2014-2020?*, Brussels, 2017. Available at: <https://op.europa.eu/en/publication-detail/-/publication/01fce46b-e6d6-11e7-9749-01aa75ed71a1/language-en/format-PDF/source-105076479>

Furthermore, the emergence of the strategic approach in EU urban and regional policies parallels **the enlargement of city development objectives and agendas**, ranging from the enhancement of local economies and innovation, to the management of natural resources, and the provision of urban services and beyond. This creates the need for a **common strategic integrated approach** to face the increasing diversification and complexity of processes. This complexity and variation illustrates that a 'one size fits all' approach is no longer adequate, and that is crucial to build on **cities' diversity** and **existing resources**.

A careful analysis of the strategies implemented during the 2014-2020 programming period disentangles these complex processes, and reveals the main aspects of strategy-making that need to be addressed in order for the approach to advance.

SUD strategies show a wide range of approaches that can be summed up in four families: **small-scale projects** with strategic objectives; urban regeneration strategies usually covering **larger urban areas**; strategic frameworks that work as overall **organisational schemes** for area-based interventions; finally, in few but emblematic cases, strategies are organised as **collaborative platforms** and **develop challenge-led agendas**. This variation is firmly in line with the place-based paradigm and is explained by factors such as the **financial resources** involved, **domestic planning traditions** and **pre-existing policy frameworks** as well as **specific regional/national guidelines** for cohesion policy.

The variation in strategies can also be explained referring to the **management, relational and learning skills of public authorities**; strategic efforts are operationalised in different policy areas and by different implementing actors, mainly local authorities (LAs) and managing authorities (MAs) with different instruments and administrative functions. In fact, an effective SUD strategy reflects the capacity of public authorities to produce a vision and bring it forward.

Thus, SUD offers a new way of doing strategic planning, stressing the importance of how strategies are embedded in existing local organisations, resulting in very diverse arrangements.

Because SUD strategies must link up with EU programming objectives and financial opportunities, they can have a narrower focus than overall city development frameworks (for instance, spatial strategic plans). Anyway, a specific focus does not ensure that objectives, expectations, expertise and timing are aligned among managing authorities, intermediate bodies (IBs) and local authorities. Divergent views may still exist on what SUD strategies should aim at, how they should be implemented, what tasks are to be performed and by whom, and who will take part in shaping the strategy. This **conflict interplay** is inherent to the complex architecture of SUD and must be tackled within the design and implementation process.

For this reason, the assumption that place-specific strategies are more efficient and deliver better results when they are embedded in well-designed **larger policy frameworks** (EC, 2009) seems valid. EU instruments like SUD can play a crucial role in steering the process in terms of strategic thinking, connecting all actors' efforts to **a single reference strategy** that sets out the development objectives for the city as a whole. The issue is even more critical in view of the **increasing interaction between local action and global agendas**, i.e. the UN Habitat Agenda 2030 and Sustainable Development Goals (SDGs), New Urban Agenda, and the Paris Agreement, including the Urban Agenda for the EU and the forthcoming Leipzig Charter 2020.

The emphasis on strategies and their positioning within cohesion policy pose specific challenges to policymakers that can be described within two main themes that are the focus of this chapter:

- strategies as bridges between operational programmes and projects;
- synergies with other policy frameworks.

The first section will address **how to better align the intervention logic and goals set out in the OP with those set at local level**. To strengthen this link, it is crucial to work on the **policy architecture** and **reinforce capacity for delivery**, going from (good) design to (good) implementation.

The second section elaborates **how SUD strategies can be connected to local, national, European and global urban agendas**. In this respect, it is critical to set the conditions for ‘acting strategically’ (Mäntysalo et al., 2015), which implies reciprocally adapting policy phases, funding priorities and internal knowledge-exchange networks.

In this regard, **better coordination between SUD and the EU innovation agenda**, which is operationalised through **Smart Specialisation**, is explicitly suggested by the Pact of Amsterdam (2016). It seems particularly useful to explore synergies between these two strategic frameworks as they are both based on a place-based approach and could therefore mutually reinforce each other.

## STRATEGIES AS BRIDGES BETWEEN OPERATIONAL PROGRAMMES AND PROJECTS

*In this section we address:*

*How to ensure that SUD strategies bridge operational programmes and local policies?*

*How to enhance strategic capacity at local level?*

*How to ensure that SUD strategies and projects are aligned?*

The added value of an EU agenda for urban policies is that its SUD funding ensures a minimum budget **to foster a wider integrated planning process**. In so doing, it encourages strategic alignment of programming instruments across EU Member States.

The post-2020 programming period, in particular, stresses the importance of integrated territorial development strategies, which should be built on:

- an analysis of development needs and the potential of the area;
- a description of the integrated approach addressing the identified development needs and potential; and

- a list of operations to be supported.

From an operational point of view, a strategy should then contain the following elements:

- a diagnosis of the urban area and a selection of the target area(s) (see Territorial Focus chapter);
- a description of the governance model (see Governance chapter);
- a definition of the general strategic framework, which should include a long-term vision, strategic goals, specific goals, and lines of action, and should specify the intervention logic and plan for periodic review. This requires deep reflection on how goals and lines of action are integrated (see Cross-Sectoral chapter);
- prioritisation of actions to be supported by European Structural and Investment Funds (ESIF);
- a monitoring system which links OP indicators with strategy-specific indicators (see Monitoring chapter);
- an action plan that translates the long-term strategy and goals into investments with a budget and a schedule referring to the programming period of the ESIF (see Funding and Finance chapter).

## How to ensure that SUD strategies bridge operational programmes and local policies?

Many challenges originate from the fact that SUD strategies are asked to contribute to both city development goals and EU programmes managed at regional or national level.

An analysis of 2014–2020 SUD strategies highlights the importance of the overall **policy architecture** in achieving better alignment between OPs and SUD strategies.

The data show varied approaches towards strategy programming, formulation, selection and delivery in the different countries.

The total number of MAs involved in ERDF management is 108. The number of strategies between Member States differs greatly, ranging from Spain having more than 150 strategies under the same MA, and Finland, Luxembourg and Malta having only one strategy for the entire country. In the majority of the EU Member States (17), SUD is managed only at national level, while in 10 countries SUD is managed at sub-national level, with regional MAs taking responsibility. Italy is a unique case: it is the only Member State where SUD is implemented using both a national OP, which targets 14 strategies across the country, and regional OPs. At European level, however, around one-third (319) of strategies depend on national OPs while

*Learning from data*

two-thirds (663) are run under regional OPs. It seems that national authorities tend to retain control of funding management, but OPs at regional level are responsible for more strategies; this structure may present a challenge for coordination between domestic policy and regional programs.

Arguably, OPs at the national level can more easily fulfil their role of interfacing with EU goals. However, when managed at the regional level, they can be more closely attuned to local needs. This in-between position of OPs can be balanced out by their relation with SUD strategies. While OPs guarantee a financial and goal-oriented background to sustainable development initiatives, SUD strategies are the instrument used to **select the most coherent projects at local level** and collect them into a **comprehensive and multi-scalar vision** which can fulfil the instances set in OPs.

### *Learning from practice*

#### **IMPLEMENTATION PLAN - ITI OPPORTUNITIES FOR ROTTERDAM 2014-2020 (NL)**

The SUD strategy in Rotterdam is built on a long tradition of integrated planning that combines economic, social and physical objectives.

The SUD is particularly focused on the Rotterdam South district, which is one of the most deprived areas in the Netherlands, and already the target of the National Programme for Rotterdam South (NPRZ). The NPRZ was signed in 2011 by a group of 17 stakeholders, including the city of Rotterdam, the national government and the local residents' committee. It integrates physical regeneration of the area through improvements to buildings and the environment with socio-economic regeneration through investment in people (people-based approach).

The SUD Implementation Plan translates the NPRZ long-term objectives into measurable goals and concrete actions.

The related regional Operational Programme (OP), with the city of Rotterdam as managing authority, covers the highly urbanised Randstad region (which includes the four largest cities: Amsterdam, Rotterdam, The Hague and Utrecht, the so-called G4 cities).

**The OP provides support for high-value economic sectors and entrepreneurship** while at the same time **improving job seekers' chances** of finding employment.

This is well aligned with the approach that has characterised national urban policy since 1995, with a focus on large cities and city networks, as well as the objectives of the Dutch Urban Agenda (2014), i.e. economic growth, innovation and quality of life.

The current approach is supported by novel practices in city management such as more emphasis on co-creation processes, increased contributions from private initiatives and a new role for local government as a process facilitator. Strategy design and implementation have benefitted from **delivery-oriented organisation of the municipal administration**. As an example, the information chain within the administration, from the UE office to the city departments, has been significant in ensuring that strategy management is not hampered by poor information and low awareness of opportunities in the different policy areas involved.

The case of Rotterdam shows that:

- **strategic alignment among frameworks is important** but
- **implementation challenges call for better integration of policy goals** (developed at city level) **and policy delivery instruments** (provided at regional level).
- In this respect, the **strong delivery-oriented approach adopted by the municipal administration of Rotterdam** has proved effective.

### For more information

STRAT-Board strategy factsheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=NL-002&fullscreen=yes>

UDN peer review:

[https://ec.europa.eu/regional\\_policy/sources/conferences/udn\\_seville\\_2016/rotterdam\\_south\\_bank.pdf](https://ec.europa.eu/regional_policy/sources/conferences/udn_seville_2016/rotterdam_south_bank.pdf)

If OPs are the pillars that connect EU goals with the existing local agendas, SUD strategies are the instrument used to **channel those goals** into the selection and **enhancement of innovative local projects**. (FIG.1)

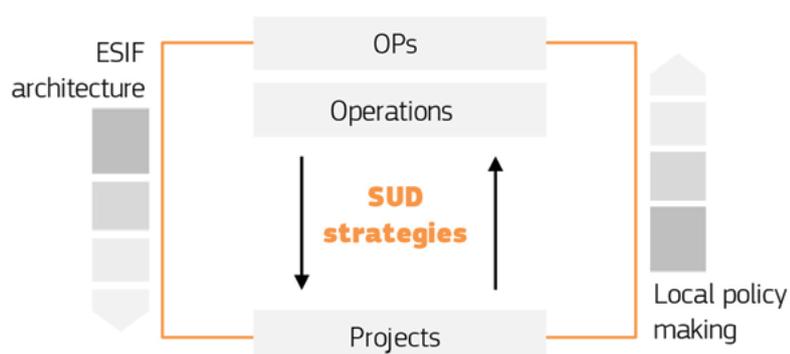


FIG.1. Relationship between operational programmes, SUD strategies and projects.  
Source: own elaboration.

Linking EU and local goals through SUD strategies is critical to avoid **two main misalignment risks**.

**First**, the focus on the specific territorial delivery mechanism (TDM) chosen to implement SUD (mainly a dedicated Operational Programme, Priority Axis or integrated territorial investment) can overshadow **the importance of strategies themselves**. In some cases, the rules governing the policy instrument cause the strategies to ‘disappear’ under the operational demands of the instrument, keeping an integrated approach formally intact but losing the long-term vision. In this case, the architecture of EU funds risks reducing the impact of strategic planning.

**Secondly**, the type of **financial contribution can impact on this misalignment**.

Around 40% of all strategies commit less than five million euros of ESIF contributions. In eight countries (Austria, Belgium, Denmark, Germany, Spain, Ireland, Italy and Luxembourg), over 50% of national strategies receive this minimum amount of money. Given the comparatively small amounts of money involved and the consequently small number of projects to be implemented, **SUD strategies risk being conceived as similar to project applications**, failing to act on existing local trajectories and processes. To counter this risk, it is important that SUD strategies be coupled with other policy frameworks and funding streams (see Funding and Finance chapter).

More generally, in order to prevent this misalignment, SUD strategies must foster coherent cooperation between higher level management (managing authorities) and local authorities, with the aim of achieving integrated development. **A focus on integration prevents SUD strategies being seen as formal documents** used by local authorities to access ERDF funds. Conversely, **the goal must be to enhance alignment in the long-term, building outcome-oriented agendas**.

In view of this, the integration of urban action into the mainstream of EU regional policy in 2007-2013 was based on the explicit **need for co-operation between cities and their regional/national MAs**. Relevant studies on the programming period 2007-2013 (EC, 2008; EC, 2010) also stress that the involvement of cities in the OP should be maintained throughout the delivery and implementation phases, with **bi-directional feedback** in place.

However, this does not always happen in practice. An in-depth analysis of a selection of strategies during 2014-2020 reveals the main bottlenecks encountered by cities in collaborating with MAs, namely **mismatches between allocated funding and local needs, restriction on eligible activities and beneficiaries, and unclear auditing rules**.

MAs and LAs mediation on these issues may smooth the elaboration of SUD strategies and ensure that the specifics of the territory are taken into account in drafting the OP. This is illustrated, for example, by the collaboration between the Croatian managing authority and Zagreb (see Governance chapter).

The key to ensuring that overall national/regional SUD objectives align with local resources is the process of **selecting strategies and, consequently, LAs**. It is important that this process reflects the **organisational capacity of both MAs and LAs**, building where possible on **existing frameworks for selection**, and providing clear **eligibility criteria**.

In the 2014 – 2020 programming period, almost 35% of LAs were designated at an early stage of programming, either in the Partnership Agreements or in the OPs, while the majority of them (52%) were appointed by means of calls with pre-selection criteria, meaning that competitive selection was guided by regional or national strategic approaches and territorial visions. Only a small percentage of LAs (1.3%) resulted from open competition based on strategy proposals.

Also, both **time management** and the **administrative capacity** to deal with political cycles are crucial in ensuring that the selection process is managed smoothly.

The competitive selection process inevitably requires an extended period of time, possibly leading to some **delays in the take-up of SUD**, particularly when a large number of strategies are expected.

There is an obvious temptation for MAs to reduce the complexity of implementation as much as possible. In some cases, this can lead to a decision to concentrate SUD opportunities in only a few cities, and steer action towards specific interventions (such as the renovation of existing buildings at the neighbourhood scale). This approach can also adversely affect the **integrated nature** of actions during the implementation phase (see the chapter on Cross-Sectoral Integration). Although in some cases such an approach may be appropriate, it could be damaging if it is adopted without a high-quality assessment of the coherence between the programme logic and the development potential of the area.

## How to enhance strategic capacity at local level?

Networking among beneficiary cities can play a role in ensuring that both cities' needs and their upgrade are taken up by the programming.

In fact, in order to create an effective strategy, it is necessary to facilitate **interplay between bottom-up local knowledge and top-down operational and analytical expertise**, with the two being of equal

*Learning from data*

*Be careful!*

importance. This is true, for instance, of the Slovenian Association of SUD cities (see the full example in the Governance chapter), with delegated responsibilities for strategy evaluation and project selection, functioning also as a coordination body for SUD.

**SUD strategies can only be integrated into the policy framework if higher level authorities** such as MAs and higher tiers of government **ensure coordination and policy learning opportunities**. France and Spain are good examples of this. In France, The French Urban Europe Network<sup>3</sup> brings together actors involved in implementing the urban dimension of cohesion policy, i.e. MAs, cities and inter-municipal associations, which put SUD strategies, regional support structures, national networks of cities and professional organisations, and national services in place. It aims to **provide guidance, facilitate exchange of practice between cities**, and ensure coordination across levels of government and European institutions.

In Spain, the Network of Urban Initiatives (Red de Iniciativas Urbanas, RIU)<sup>4</sup> initiated their works in the 2007-2013 programming period to provide local authorities with coordination and support for the implementation of SUD strategies. RIU is managed by the national body responsible for cohesion policy (Ministry of Finance) and that responsible for urban policies (Ministry of Public Works), the Spanish Federation of Municipalities and Provinces and representatives of local administrations that implement SUD (article 7). At the European level, peer-to-peer engagement and capacity-building activities are supported by the Urban Development Network (UDN) managed by the European Commission.

#### *Additional resource*

### **THE URBAN DEVELOPMENT NETWORK OF THE EUROPEAN COMMISSION**

The Urban Development Network (UDN) gathers together cities and urban areas across the EU responsible for implementing Sustainable Urban Development (SUD) strategies financed by the European Regional Development Fund. The UDN has been set up in 2014 to review how EU funds are implemented in practice in cities, and to support exchange between cities involved in SUD strategies. To that end, the UDN has run a series of technical and dissemination events, cluster events, plus peer review workshops based on an adaptation of the peer review methodology developed by the S3 Platform of the Joint Research Centre (JRC) of the European Commission. Peer reviews boost cooperation among urban author-

<sup>3</sup> <https://www.europe-en-france.gouv.fr/fr/reseau-europe-urbain>

<sup>4</sup> <http://www.rediniciativasurbanas.es/>

ities to tackle specific challenges they are facing in designing and implementing SUD strategies.

The UDN has so far promoted peer reviews at EU level (Seville 2016, Ghent 2016 and, Espoo 2017) and at national level for Spain, Greece, Cyprus and Latvia (Cordoba 2016, Barcelona 2016, Athens 2017, Liepaja 2018). The UDN peer review has been adopted by other bodies, including the Spanish Federation of Municipalities and Provinces (FAMP), which has organised three regional workshops between 2018 and 2019 for Andalusian cities involved in SUD.

Peer reviews bring together a select number of SUD strategies and allow officers from the responsible urban authorities to present what they consider challenging policy questions. Each question is discussed in small groups together with other policy officers from local authorities and managing authorities, EC representatives and invited experts. This approach creates an environment that facilitates mutual learning and policy exchange on key issues, as well as lessons that urban authorities commit to implement in the near future.

**Peer reviews have been proven to be an effective tool for sharing, exchanging and integrating knowledge on SUD strategies**, facilitating:

- integration of expertise and knowledge from a variety of sources (peers, invited experts, European Commission);
- focus on specific issues;
- sharing of good practices.

### For more information

The Urban Development Network (UDN) webpage:

[https://ec.europa.eu/regional\\_policy/en/policy/themes/urban-development/network/](https://ec.europa.eu/regional_policy/en/policy/themes/urban-development/network/)

UDN national peer reviews in Spain:

[https://ec.europa.eu/regional\\_policy/es/information/publications/reports/2017/urban-development-network-in-spain-udn-informe-sobre-los-talleres-peer-review-de-estrategias-de-desarrollo-urbano-sostenible-e-integrado-espana-2016](https://ec.europa.eu/regional_policy/es/information/publications/reports/2017/urban-development-network-in-spain-udn-informe-sobre-los-talleres-peer-review-de-estrategias-de-desarrollo-urbano-sostenible-e-integrado-espana-2016)

Regional peer reviews in Andalusia (in Spanish):

<http://www.famp.es/es/redes-observatorios/racc-edusi/>

Guidance on enhancing strategic capacity can anyway be provided at the national and regional level in a range of different formats (Van der Zwet et al., 2017):

- formal guidance for strategy design provided by MAs, possibly including templates or standardised formats for SUD;
- network activities and exchange between eligible cities prior to the selection phase;
- establishment of a permanent space for dialogue between cities and MAs or national authorities; and
- technical guidance on specific requirements.

For LAs that are small and do not have previous experience in building strategies, either in SUD or EU programmes, it can be especially **difficult to carry out management tasks** during the implementation and monitoring phases. In these cases, LAs can decide to hire external experts/consultants or to promote capacity-building internally. Some experiences presented at the UDN peer reviews seem to suggest that the second option is more successful as it favours greater **empowerment of city technical departments and engagement with the strategy on the part of technicians**. Experiences on the ground also present some different innovative solutions, proving the need for adequate tools and incentives for programme managers. In small administrations, with fewer personnel and less resources, an **innovative solution to enhance the internal coordination and efficiency may be required**, such as the introduction of economic incentives or limited changes in terms of management.

In larger and better equipped administrations, a **dedicated city office** can be set up. This has been done in Ghent (BE), where a new strategic office for the city was created with the aim of translating long-term thinking into a city-wide strategy across all local public authorities. This strategy included a strategic conceptual framework tailored to the specific situation, a strategic cycle integrated into the budget-planning cycle, toolkits for project and programme management, change management and a supporting ICT application. This approach was also applied to other EU-funded investments (see Cross-Sectoral Integration chapter).

Another useful example is provided by the city of Alba Iulia (RO), where a City Manager position was created within the local administration in order to follow up on the SUD strategy. The City Manager is assisted by the Programming Director of the municipality, the directors of the different policy areas and an external group of relevant stakeholders. In addition, a dedicated secretariat was formed to coordinate cooperation between the city and the Regional Development Agency, as well as between municipal departments. Moreover, the relevant institutions provide assistance for projects which can be found in the SUD portfolio but for which the municipality does not have the necessary competence.

## CLIMATE-KIC (2016) VISUAL TOOLBOX FOR SYSTEM INNOVATION

Climate-KIC developed the 'Visual toolbox for system innovation' to help improve the application of system innovation relating to climate change at the individual, professional and organisational level. The toolbox is a booklet-format collection of ready-to-implement tools designed to help structure and manage this transition. It is directly applicable to those strategies that are closely connected to smart cities initiatives and whose overall goals are clearly oriented to the transformation of cities into laboratories for innovative solutions. However, **the toolbox addresses capacity building in the field of strategic thinking and thus provides useful tools that can be applied to any urban strategic and systemic process**, from design to implementation.

The toolbox can be used in two ways: at the beginning of a system project/strategy, starting with the problem definition and then going through the modules, or as stand-alone tools according to the specific phase and the specific problem in strategy management. The toolkit is modular and allows users to easily pick out the tools that best fit their challenge.

The tools are designed to provide support with project management, risk management and organisational change. They address:

- problem definition
- stakeholder management (6 tools)
- multi-level perspective (4)
- visioning and backcasting (4)
- niche management (2)

All tools provide detailed instructions and visuals that help with practitioners' every-day work.

### For more information

De Vicente Lopez, J., & Matti, C., *Visual toolbox for system innovation. A resource book for practitioner to map, analyse and facilitate sustainability transitions*. Brussels: Transitions Hub, EIT Climate-KIC, 2016. Available at: <https://www.climate-kic.org/insights/visual-toolbox-for-system-innovation/>

Finally, analysis of SUD strategies demonstrates that TO11 (Institutional Capacity) is seldom directly used for strategy and project development. This does not mean, as all the examples above demonstrate, that support for

capacity building does not exist. What is evident is that increasing strategic capacities is achieved indirectly, while the emphasis is by and large on policy outcomes.

## How to ensure that strategies and projects are aligned?

Projects operationalise the strategic priorities as part of a “transformation roadmap”. They can be newly developed or already part of existing strategic development plans, but in both cases, they must respond to specific requirements.

According to ECORYS (2010), a well-designed package of urban development investment projects includes:

- projects that are clearly related to the policy goals of a development strategy; and
- projects that complement each other to form a coherent whole.

In a similar way, a recent URBACT study on Integrated Action Plans (2019) helps identify two possible ways of addressing the apparent **tension between a broad strategy and a more detailed action plan**.

1. The action plan may specify only one part of the overall strategy. In this case, there is a need to clarify how the proposed projects meet the strategy goals;
2. The action plan can be seen as more of a strategic tool that can itself be broken down into more specific actions, with a certain level of flexibility. In this case, high strategic capacity is required in order to plan actions over time and ensure overall coherence.

SUD strategies integrate elements that do not necessarily move in a concerted way, such as EU policy goals and local policy instruments. The **long-term perspective** required for strategies and the project short-term time horizon risk distorting the focus on overall goals. In this respect, some of the most-debated issues in the UDN peer reviews relate to **defining strategies in times of change and uncertainty**, the difficulties of sustaining **strategic effort at governance level in the long-term**, and **the need to ensure political and institutional commitment** during the implementation phase.

Moreover, a possible bias has been identified in the **‘projectification’** drift in the public sector (meaning the increasing use of projects and project management techniques in the activity of public administrations), which may jeopardise the continuity and efficacy of a strategy in the long-term.

*Be careful!*

## **METROLAB BRUSSELS (BE)**

Metrolab Brussels (MLB) is a project financed under the Sustainable Urban Development (SUD) strategy of Brussels Capital Region (ERDF Operational Programme 2014-2020), and it works at the interfaces between critical urban research and policy-making. More specifically, it consists of an interdisciplinary laboratory based on the collaboration of four existing research institutions (pertaining to the Université catholique de Louvain and the Université libre de Bruxelles), and involving a larger set of scientific partners, administrative partners (regional institutions) and local associations.

The project has a twofold aim:

- Policy-oriented, testing the capacity of university scholars to bring improvement to the Brussels SUD strategy, and enhancing the reflexive capacities and the critical skills of both local project leaders and regional representatives.
- Research-oriented, advancing the way in which urban research is conducted, interlinking the theoretical level with the applied one, requiring researchers to get involved with SUD actors in a concrete collaboration.

Under the theme 'Urban Metabolism', the Brussels SUD strategy is structured along three axes - inclusive metropolis, green metropolis, smart metropolis - and is implemented through 46 projects.

Metrolab is involved in various research streams organised along the three axes of the Brussels strategy (reframed as urban inclusion, urban ecology, and urban production) and applied to the SUD projects. Metrolab researchers work in an interdisciplinary way, and they look for transversal threads linking the various projects.

It is important to stress that Metrolab does not work as a 'consultant'. It didn't play a role in designing the strategy, nor directly in the design of the projects. Its work must be seen more in terms of following and monitoring the implementation of the strategy, and improving it through feedback. In other words, Metrolab works as an interface between the Brussels SUD strategy and its implementation projects, and between the SUD strategy and the OP.

Theoretical and applied research activity serves to:

- support individual projects using case studies, action-research projects, masterclasses and conferences, and publications;
- stimulate interlink and coherence among projects;

- bring projects back to the strategy, questioning and reframing the three axes on which the Brussels strategy is based, and eventually revising the strategy itself.

### For more information

Metrolab Brussels official website:

<http://www.metrolab.brussels/>

However, these challenges and risks can be faced by making the distinction between the design and the implementation phases explicit, for example by elaborating different documents corresponding to different outputs of the strategic process, or using different instruments in different phases of the strategic process, as shown by the example of Metrolab Brussels.

**The prioritisation of project-related operations leads to the definition of the project pipeline included in the SUD strategy**, which could already be drafted in an early phase of the strategic process. Nonetheless, **ongoing quality checks and clearly formulated criteria for revision would allow strategies to adapt** when changes happen (for example due to political redirection, new priorities, project unfeasibility, etc.). In this regard, the strategy delivery process from design to implementation should be understood as a **nested collection of project cycles** (URBACT, 2013). This means that priorities might be modified and new priorities might be added.

### *Learning from practice*

#### **CORK CITY DEVELOPMENT PLAN 2015-2021 (IE)**

The Cork City Development Plan is one of the 20 strategies implemented in Ireland under the EU-supported Designated Urban Centres Grants Scheme 2014-2020, which follows the approach set at national level for balanced regional development. The National Spatial Strategy, launched in 2002, has a time horizon of 20 years and aims to support a network of main cities and towns across the country (Gateways and Hubs) that have sufficient scale and critical mass to act as growth poles and spread benefits in the wider region, outside the sphere of influence of Dublin.

Due to the relatively high number of strategies and limited EU funding in Ireland, a small budget is allocated to each city. The Cork Development Plan is the main strategic planning document and it guides the overall development of the city between now and 2021.

**The SUD projects enable the integration of regional-level priorities into local-level strategies.** This alignment has been facilitated by well-established links between the managing authority and the local authority.

More specifically, given the limited SUD budget and the specific focus on individual interventions, **the integration between the OP and the city strategy has been worked out mainly at project level.** The city of Cork having full responsibility for the selection of the projects to be implemented by ESI funding, has been a challenge for strategic capacity at the city level. This has provided the city with an opportunity to think more strategically about the project pipeline, including in terms of feasibility. Thanks to the SUD process:

- During the preparation phase, 20 project proposals were developed and then prioritised based on a scoring system, and discussed by a selection committee.
- The city council has introduced a more robust system for setting priorities, to ensure that projects are able to deliver results in line with wider strategic objectives.
- Different ranking criteria were considered, including the capacity to deliver within the prescribed deadlines.
- The final two projects selected could be delivered within the limited financial resources available, as well as within the comparatively tight timescales required for cohesion policy funding.
- At the same time, the process facilitated the development of new project proposals, possibly to be funded through other means.

### For more information

STRAT-Board strategy factsheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=IE-009&fullscreen=yes>

In Poland, responsibilities for management and implementation of SUD strategies are shared between regional managing authorities and local authorities that act as IBs. For example, in the case of the ITI strategy of the Katowice Central Subregion, located in the region of Śląskie, the MA is responsible for the formal assessment of project proposals while their qualitative evaluation is shared with the IB. The IB assesses the coherence between the projects and the SUD strategy based on selection criteria

specifically developed by the MA in cooperation with the local authorities in a dedicated working group (Ferry and Borkowska-Waszak, 2018).

**Selecting projects based on transparent and evidence-based logic** builds trust among decision-makers and can help to achieve consensus in terms of future changes. Also, there is a need for deeper inclusion of local authorities in the management of SUD in order to ensure better fit in terms of content and timing. An example of how this could work is offered by the experience generated by URBACT networks, and related toolkits.

#### *Additional resource*

### **URBACT (2013) THE URBACT II LOCAL SUPPORT GROUP TOOLKIT**

### **URBACT (FORTHCOMING) THE URBACT DIGITAL TOOLBOX**

The URBACT II toolkit illustrates useful applications of a **cyclical planning model** where policy goals are pursued in several short, successive consecutive cycles to facilitate evaluation and learning. Each tool is clearly explained and rounded off with an example, recommendations presented in a clear and simple way, rich how-to tools, examples and training exercises. The toolkit is clear, concise, flexible and available in different languages so that is broadly disseminated at local level. There are useful references of three types:

- URBACT documents,
- project planning and project cycle management documents,
- participation and consultation documents.

Even if guidance does not directly target Sustainable Urban Development, the methodology of integrated action plan could still be applied to SUD strategies.

URBACT is currently working on a digital toolbox that focuses on the **seven most common Implementation Challenges** encountered by URBACT cities in executing integrated action plans. The toolbox has been designed primarily for the URBACT III Implementation Networks but is relevant for all European cities implementing integrated strategies for urban development. It provides examples drawn from 36 cities from URBACT implementation networks, made available through videos and case studies, solution stories and concrete examples of tools that cities have used and tested.

The Implementation Challenge 4 (IC4) 'Moving from strategy to operational action-plan' addresses the issue of **ensuring coherency between strategic goals and operations**. URBACT has focused on this challenge because most cities do not usually develop plans for implementation but only broad strategic documents

### For more information

The URBACT II Local Support Group Toolkit:

[https://urbact.eu/sites/default/files/urbact\\_toolkit\\_online\\_4\\_0.pdf](https://urbact.eu/sites/default/files/urbact_toolkit_online_4_0.pdf)

## RECOMMENDATIONS

- Build the SUD strategy as an integrated planning process that works across governance levels and policy sectors, investing in the construction of a vision for the future of the urban area.
  - ▶ Conceive strategies as living documents, and therefore subject to revision, aimed at maximising the development potential of the area.
  - ▶ Take the implementation dimension into account since the design phase.
- Operationalise the strategy.
  - ▶ Define the analytical framework, the administrative and governance structure, a direct link with the priorities and indicators of the Operational Programme, and an action plan.
  - ▶ The action plan shall include a project agenda, which may be subject to revision.
- Ensure that the strategy is coherent with the OP logic.
  - ▶ Include an assessment that an integrated approach is assumed for both strategies and projects.
  - ▶ Formulate a clear rationale for the intervention, and develop criteria for project selection that demonstrate how projects contribute to the objectives of the local strategy as well as the aims of the Operational Programme(s) involved.
  - ▶ Programme coherence assessments on the basis of periodic consistency checks.
  - ▶ Keep track of other relevant projects funded outside SUD provisions, and explain their contribution to the strategy.
- Ensure smooth implementation of projects throughout the strategic process.
  - ▶ Establish a step-by-step approach, with different time horizons.

- ▶ Build in criteria for revision through which strategies can be adapted when changes happen (political redirection, sudden unforeseen priorities etc.), particularly as strategy implementation necessarily takes more than one EU programming period in most cases.
- ▶ Develop national repositories of good practices on the selection of operations and eligibility of expenditure.
- Engage structured cooperation between managing authorities and local authorities.
  - ▶ Formulate explicit criteria for the selection of LAs, taking into account the organisational capacity of both MAs and LAs, building on existing frameworks for selection, and providing clear eligibility criteria.
  - ▶ Maintain the involvement of LAs in defining the OP and in the delivery and implementation phases, using bi-directional feedback. A permanent working group or mechanism connecting the relevant government departments, MAs and LAs can be useful in providing a conduit for local objectives to be taken into account when drafting SUD measures at the OP level.
- Work on SUD timing in the management of operational programmes.
  - ▶ Develop and select strategies early on so that the SUD implementation phase is not delayed and can work within the time horizon of cohesion policy.
  - ▶ Introduce a deadline for the approval of SUD strategies to ensure timely implementation, especially when a high number of strategies are expected.
  - ▶ Avoid pre-allocation of funding before local development needs are identified.
- Provide capacity-building for all stakeholders that are involved in designing and implementing strategies at all levels (MAs and LAs).
  - ▶ Adjust institutional capacity to the workload, investing in local administration expertise in order to ensure that officers can understand place-based approaches and grasp opportunities.
  - ▶ Enhance technical expertise relating to strategic planning and complexity management at MA level, and EU funds management at local level.
  - ▶ Use technical assistance and administrative capacity building measures to uphold resources for local capacity building.
- Promote policy learning among beneficiary local authorities:
  - ▶ Develop templates for SUD strategies as part of national guidelines to facilitate benchmarking of strategies and collection of basic information.
  - ▶ Manage national policy exchange platforms on SUD strategies.
  - ▶ Promote networking in order to help people team up and influence national agendas.

## SYNERGIES WITH OTHER POLICY FRAMEWORKS

### *In this section we address:*

*How to build an SUD strategy when a strategy for the city already exists?*

*How to connect SUD strategies with national and global urban agendas?*

*How can SUD strategies develop synergies with regional/national Research and Innovation strategies for Smart Specialisation?*

The post-2020 SUD strategies will be designed and implemented in a context of radical transformations and rapid change. In order to cope with this fluid situation, it is crucial to **find effective ways of using available planning instruments strategically**. The strategic way to do things does not necessarily require a full integration of strategic frameworks and a full set of goals, but enables punctual improvement of synergies and complementarities, in several ways and domains, according to contingent needs and available resources.

The **ability of cities to implement strategies** using ERDF funds is mainly influenced by (ECORYS, 2010):

- previous experience in the field of integrated urban development;
- a conducive national/regional institutional and policy framework.

Moreover, synergies between SUD and Research and Innovation strategies prove to be of interest for EU and local policy makers.

### **How to build an SUD strategy when a strategy for the city already exists?**

Previous experience in strategic planning and **existing frameworks in place at local level can lead to different uptake of strategies**.

Analysis of strategies shows that out of 841 strategies, 62% have been built on pre-existing strategies, with no change (13%) or limited adaptation (48%). Only 38% of strategies have been specifically developed to meet SUD requirements. They include all strategies in the Czech Republic, Finland, Croatia, Lithuania, Malta, Slovenia and Slovakia, and a rather high proportion of strategies in Greece, Spain, Italy, Poland, Romania and UK.

There are **more SUD strategies that rely on pre-existing strategies** in more developed regions than in less developed regions.

*Learning from data*

*Be careful!*

**Capacity and experience** certainly help in realising SUD strategies. In the 2014-20 programming period, the beneficiary LAs in Flanders were reduced from 13 (in the 2007-13 funding period) to two (Ghent and Antwerp). The towns excluded from SUD measures were receiving substantial domestic funds – guaranteeing broad political consensus at regional and national level – while the two selected cities already had their long-term plans, and could invest ESI Funds where they saw it fitted them. In comparison, Portugal's SUD strategies suffered severe delays since many local authorities had to start drafting strategies from scratch (EPRC, 2019).

Nonetheless, **newly drafted strategies** are not necessarily due to local organisation shortcomings or challenging precedents in strategic planning. Drafting new strategies can be motivated by the **use of innovative approaches with regard to new geographical configurations**, new **institutional relationships**, new **thematic focus** (like innovation policy), and **new operating methods and ways of working**.

Likewise, relying upon existing strategies without any further adjustment to the specific nature of SUD under cohesion policy could be a missed opportunity as it could hinder, for example, the deployment of more effective strategic approaches, **the inclusion of relevant stakeholders or policy learning, along with the exchange of practices and information**. Adaptation of existing strategies in many cases refers in fact to the necessary redrafting of established strategic frameworks already in place in compulsory formats and contents specified by MAs. Beyond these formal requirements, it also refers to the translation of specific goals and actions into the OP operations' logic and taxonomy. This process is not straightforward and easy as it implies changes in the way policymakers at local level address needs and challenges.

To ensure a stable framework and capitalise on previous experience and capacity, SUD strategies can benefit from **existing local policy structures**. This is the case, for example, in Romania, Hungary and Poland, where dedicated resources in the 2007-2013 programming period were directed to **strategy design**. In those countries, the 2014-2020 strategies have therefore benefitted from past efforts which enabled them to **start implementation promptly**.

## **INTEGRATED TERRITORIAL PROGRAMME OF DEBRECEN CITY (HU)**

Debrecen is the most populated of the 22 cities in Hungary targeted by Sustainable Urban Development during 2014-2020. In the country, SUD strategies were the outcome of a comprehensive planning process, which had its roots in the previous programming period. From 2007 to 2013, one challenge for implementing Integrated Urban Development Strategies (IUDS) was the fact that regional operational programmes did not include any financial envelope, so the funding of projects depended on competitive calls. The new strand of funding presented an opportunity to build on those existing strategies. Each city has designed multi-layered strategies that include:

- a long-term integrated settlement development concept;
- a medium-term Integrated Settlement Development Strategy, align to the IULDS elaborated in 2007-2013;
- an Integrated Territorial Programme (ITP) for the 2014-2020 period to operationalise and harmonise the city mid-term IULDS with the funding opportunities provided in the seven-year term.

Because of the direct link with the financial opportunities provided by the EU programme, the ITP has been formulated in close cooperation between the LAs and the MA.

Following this pattern, **the current SUD strategy of Debrecen continues the trajectories set forth in the previous IUDS**, as well as its economic development strategy: it pursues essentially the same goals and harmonises them with thematic objectives covered by the related OP priority axis.

This broader framework is narrowed down into the Integrated Territorial Programme (ITP), which operationalises strategy objectives by emphasising local economic development and public sector efficiency. The ITP has been developed by the city of Debrecen in collaboration with the Urban and Economic Development Centre (EDC), a not-for-profit local development company, and benefits from the political supervision of the Mayor's office. The ITP narrows the scope of the city strategy in order to reconcile it with a centrally pre-defined and standardised menu of interventions of the OP.

The implementation of the SUD strategy in Debrecen was deemed particularly successful in the field of economic and business development.

The most influential internal factors for the Debrecen strategy are:

- strong political commitment,
- establishment of a long-term trajectory,
- capacity to build on previous planning and delivery experience.

In particular, the internal organisation of public administration has been improved in terms of coordination, cooperation among stakeholders and knowledge management, helping to prevent bottlenecks or to respond to emerging issues more quickly.

### For more information

STRAT-Board strategy factsheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=HU-015&fullscreen=yes>

As the Debrecen (HU) example demonstrates, clarifying the relationship between the SUD strategy and other pre-existing strategic frameworks requires also means breaking long-term strategies down into the short time-frame of EU programmes.

### How to connect SUD strategies with national and global urban agendas?

The role of domestic frameworks in this interplay is not to be underestimated. These frameworks, which may be National Urban Policies (NUPs) or more informal but still binding agreements, can have a major influence on the final SUD strategy (Van der Zwet et al., 2017). Many planning instruments at national and sub-national level in fact have a strategic as well as a regulatory dimension, so that **MA**s must be able to **combine and align their own strategic choices with higher strategic frameworks in a multi-level governance context**. At the same time, **cohesion policy may trigger the introduction of national and regional strategic planning** instruments to steer and coordinate the implementation of ESI Funds<sup>5</sup>. According to this, the European discourse on urban matters is an invitation to develop national urban agendas within the European Union (Calafati, 2014a).

The Italian case shows how (partially) incorporating strategic intentions into the national OP could miss the point of defining comprehensive SUD

<sup>5</sup> See ESPON Compass: <https://www.espon.eu/planning-systems>

strategies at urban level, but can be a first step for national authorities to frame a domestic strategy, when it does not already exist.

## **ITALY - NATIONAL OPERATIVE PROGRAMME - PON METRO (2015)**

### **ITALY - NATIONAL STRATEGY FOR INNER AREAS - SNAI (2014)**

Italy does not have a national urban agenda. Due to the diversity of the urban and territorial structures and the highly variable financial allocations across the regions, funds were used in a fairly heterogeneous and composite situation in the 2014-2020 programming period, with several delivery mechanisms chosen for SUD. In particular, Italy is the only country where SUD is channelled through both a dedicated multi-fund national OP for metropolitan areas, known as PON Metro, and through 16 ERDF regional OPs.

Two main initiatives at national level have nonetheless started in the last decade to pave the way towards a comprehensive framework, making direct reference to the EU cohesion policy.

The aforementioned PON Metro is focusing on **metropolitan cities**, although, despite its name, the implementation bodies were the core municipalities. This is because metropolitan cities were institutionalised only in 2015 and could therefore not be responsible for the management of SUD strategies in the 2014-2020 programming period. Within the ESIF framework, the 14 Italian metropolitan cities have been asked to elaborate a development strategy and to propose related development projects, in line with the chosen TOs (TO2 Digital Agenda, TO4 Sustainable energy and quality of life, and TO9 Social inclusion and fight against poverty). PON Metro refers to the Partnership Agreement for establishing its main objectives, establishing a direct link to two of the three main development drivers individuated in it: **Smart city for re-designing of urban services** and **Social inclusion and social innovation**.

The other strategy with a territorial focus is the National Strategy for Inner Areas (Strategia Aree Interne), elaborated by the Italian Agency for Territorial Cohesion and based on ESI Funds distributed at regional level (with other national and local additional funds). Regions, along with the elaboration of their OPs, selected specific

*Learning from practice*

projects aimed at improving the quality of life and economic well-being of people living in **relatively isolated and sparsely populated areas**, thus reversing negative demographic trends. The strategy underlines the need to provide adequate education, health and transport services to **reduce socio-economic disparities**, as a fundamental starting point for implementing further development projects. The selected projects resulted in an array of interventions covering all thematic objectives, combining ERDF, ESF and the European Agricultural Fund for Rural Development (EAFRD).

The Inner Areas strategy also envisions a **Federation of Projects**, gathering the authorities in charge for the project-areas (could they be individual municipalities or associations or even unions of municipalities) and offering several services (monitoring and evaluation, comparison of cases, assistance, good practices database, sharing of indicators, links with ordinary policies).

This approach is interesting for three main reasons:

- In the absence of an explicit national urban policy, the territorial instruments of cohesion policy **can push to establish strategic frameworks at national level**, directly linked to the EU's thematic priorities.
- It produces continuous **circular feedbacks linking national and local priorities**, maintaining a flexible learning process and steering attention to urban and territorial problems and needs.
- It may shine a light on the added value of **cooperation among municipalities**, focusing strategies on complex territorial configurations (metropolitan areas, inner areas) and promoting the creation of a city network based on sharing practices and indicators.

### For more information

STRAT-Board Country factsheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheetcountry?id=IT&name=Italy&fullscreen=yes>

PON Metro: <http://www.ponmetro.it/eng/>

SNAI: <http://www.agenziacoesione.gov.it/lacoesione/le-politiche-di-coesione-in-italia-2014-2020/strategie-delle-politiche-di-coesione/strategia-nazionale-per-le-aree-interne/>

In addition, NUPs have increasingly been identified as important tools for governments to implement and monitor the **progress of global agendas, providing a link with strategies at local level** (UN-Habitat and OECD, 2018). For instance, in defining the monitoring indicators for strategies it is possible to directly align them to the SDGs. In this way, monitoring of the strategy will coincide with an appraisal of how the strategy responds to SDGs (see Monitoring chapter). This process has been facilitated by the set-up of the UN Agenda 2030 and the New Urban Agenda, which are pushing for the adoption of NUPs worldwide.

## UN HABITAT AND OECD (2018) GLOBAL STATE OF NATIONAL URBAN POLICY

The Global State of National Urban Policy is the first report to monitor and evaluate NUPs at the global scale, covering 150 countries. The report sets a solid foundation for a **common methodology**, building on regional studies by UN-Habitat and the OECD's analysis of NUPs for the 35 OECD member countries. It is also a significant contribution to the monitoring and implementation of the New Urban Agenda and Sustainable Development Goals (SDGs).

It contributes to the National Urban Policy Programme (NUPP), which aims to remove obstacles and to facilitate the worldwide development of NUPs. The NUPP is a global initiative launched by UN-Habitat, OECD and Cities Alliance at the Habitat III Conference in 2016 and strengthened by the wide engagement of stakeholders from all levels of government, civil society, the private sector and academia.

The report provides:

- key findings from the analysis of the 150 countries covered, presented for each dimension investigated by the study
- recommendations for policymakers to develop and implement their NUPs
- 10 key recommendations for NUPs in support of global agendas.

### For more information

Global State of National Urban Policy: [www.oecd.org/regional/global-state-of-national-urban-policy-9789264290747-en.htm](http://www.oecd.org/regional/global-state-of-national-urban-policy-9789264290747-en.htm)

*Additional resource*

Appraisal of the state of NUP in the EU Member States shows that only nine countries have set an explicit framework for urban development, while 14 have partial elements of it in place, with a multiplicity of policy and legislative documents that coexist, and overlapping governance arrangements. Moreover, most of them are in the early stages of policy formulation, and have therefore not been applied to SUD strategies.

Although not widespread, there are good examples to build on. Strategies in France and Germany, for example, have been supported through their explicit NUPs and policy support platforms in order to **make SUD contribute to national objectives for urban development**. Another approach is provided by Sweden, where the link between current domestic priorities for integrated approaches to urban development and SUD strategies is managed by a platform made up of five government agencies including the Agency for Economic and Regional Growth (MA for the ERDF programmes). The recently-approved Urban Agenda for Spain provides a framework that local urban agendas can take into account to link SUD measures to the objectives of higher strategic agendas, like Agenda 2030 (SDGs), the New Urban Agenda and the Urban Agenda for the EU (FIG.2).

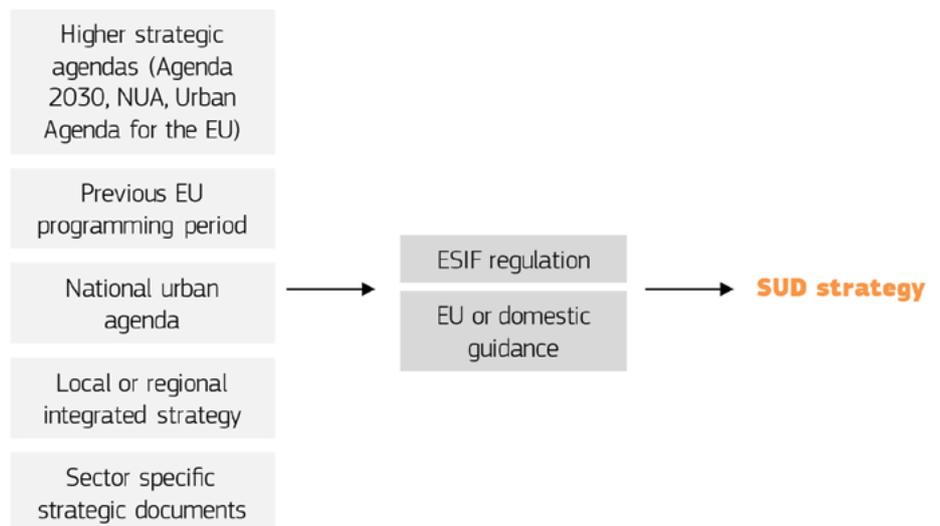


FIG. 2. Existing frameworks for SUD strategies.

Source: Van der Zwet et al. (2017) and own elaboration

## How can SUD strategies develop synergies with regional/national Research and Innovation strategies for Smart Specialisation?

Complementarities and synergies between strategies supported by the EU measure for SUD and other EU strategic frameworks often remain unexplored and present a challenge both for local authorities and for regional/national managing authorities.

However, the role of innovation-related measures has grown significantly in the past 25 years of Structural Funds implementation, placing the innovation agenda at the core of EU cohesion policy, which thus becomes a vehicle for an increasingly **spatially targeted form of innovation policy** (Morgan, 2017). Innovation policy in EU Regional Policy is presently implemented by means of Smart Specialisation<sup>6</sup>. For this reason, **exploring mutual relationships between Sustainable Urban Development and Smart Specialisation (S3) strategies can present significant opportunities**, since Smart Specialisation operationalises regional or national R&I investments through ‘integrated, place-based economic transformation agendas’.

In parallel to this, innovation has emerged as a new policy field for cities, and has become part of the EU discourse on integrated sustainable urban development and related urban initiatives promoted through cohesion policy and Urban Innovative Actions, which are both expected to continue in the post-2020 programming period, and are linked to the Urban Agenda for EU (2016) initiatives.

Among the strategies mapped by STRAT-Board, 40 strategies include thematic objective 1 (Research and Innovation), with both hard (research infrastructures) and soft interventions (promotion of innovation-led business ecosystem). Although the number is not high, it marks a step change in the approach to urban development under cohesion policy, signalling a departure from the traditional focus on economic and social regeneration of troubled urban areas and a replacement by a **focus on innovation**. This is confirmed by the far higher number of strategies (340 out of 842) that also include investments under TO2 (Information and Communication Technologies) or TO3 (Competitiveness of SMEs). At the same time, findings show that 264 strategies out of those 340 refer to some extent to social inclusion, social innovation and deprived neighbourhoods. Although this is far less than was previously typical in URBAN programmes, even when approaching innovation, entrepreneurship and technological upgrade, SUD strategies maintain a clear link with the legacy of the URBAN initiatives and its anti-poverty orientation (Atkinson and Zimmermann, 2016), as well as with the principles of the Leipzig Charter.

The future positioning of European cities will depend to a significant extent on the ability of urban economies to **determine new development**

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<sup>6</sup> Smart Specialisation is an innovative approach that aims to boost growth and jobs in Europe by enabling each region to identify and develop its own competitive advantages. Through its partnership and bottom-up approach, Smart Specialisation brings together local authorities, academia, business spheres and the civil society, working for the implementation of long-term growth strategies supported by EU funds.

For more information see the Smart Specialisation Platform website managed by the Joint Research Centre of the European Commission: <http://s3platform.jrc.ec.europa.eu/>.

*Learning from data*

**paths**, to support the **upgrading of their economic structure** and to **raise the profile of their R&I organisations**. More specifically, the Urban Agenda explicitly mentions the need for sound and strategic urban planning linked with Smart Specialisation strategies.

Cities are in fact central to innovation processes. They facilitate social, economic and cultural interactions on which the **production and circulation of new knowledge** are grounded. Research and innovation may help address the main challenges of urban areas (sustainability, economic development, health and well-being and social inclusion) through the introduction of new products and collective services produced by the interaction between research centres, universities, companies, intermediate bodies, civil society's associations and citizens (Vandecasteele et al., 2019).

Smart Specialisation, and the broader economic regeneration strategy that it promotes, can support a comprehensive view of innovation and also help to tackle the interplay of skills, space and infrastructure that is often managed at the urban level. Mutual synergies can help to achieve more effective and meaningful strategic planning by **combining responsibilities between economic development policies and urban planning**, and allowing better management of intensive **developments in new and dynamic sectors** of the local economy.

### *Learning from practice*

#### **THE SIX CITY STRATEGY – OPEN AND SMART SERVICES (FI)**

In Finland, Smart Specialisation (S3) is embedded in regional strategic programmes and overseen by Regional Councils, so that it is tightly coupled with regional plans and objectives, and coordinated by the central government. As a complement to the regional programme, Smart Specialisation is also used at urban level to implement innovation strategies. A national city-led scheme for SUD based on Smart Specialisation, called the Six City Strategy (6 AIKA), combines regional innovation strategies with broader urban development objectives. With a clear economic development focus, the Six City Strategy builds on a city network made up of the six largest cities in Finland (Helsinki, Espoo, Vantaa, Tampere, Turku, and Oulu) and aims to make Finland more competitive and improve the quality of urban services.

The strategy is based on a **solution-oriented thematic approach**, considering the network of the six cities as a unique marketplace for developing innovative solutions coming from companies and R&D organisations. Significantly, the highest decision-making body is the six cities' joint management board, formed

by the directors in charge of the six cities' *business and innovation agencies*.

This approach was initiated as part of the national Innovative Cities (INKA) Programme (2015–2017), which aims to **strategically engage cities in RDI collaborative networks promoted by Smart Specialisation**. The Six City Strategy strengthens the role of city authorities by focusing on three implementation areas:

- open innovation platforms, i.e. innovation communities for companies to test and develop new services and products together with cities, resident representatives and R&D&I organisations, plus other interest groups;
- open data and interfaces, i.e. opening up and harmonisation of public data to help companies scale up their business;
- open participation and customership, i.e. provision of more effective city services in co-operation with users and providers from the business and research sectors.

Since 2014–2015, the six cities have worked together on three-year leading projects in each of the three focus areas. Furthermore, as of 2018 the six cities have already launched up to 30 smaller pilot and trial projects, from smart mobility and clean tech to health and education, to create development environments for product testing and to boost open data for business.

The Six City Strategy has **reinforced cooperation among cities as well as between regions and cities**, while at local level it has **strengthened systemic involvement of local stakeholders**. Current efforts aim to improve communication and exchange of good practices, committing stakeholders to deliver Smart Specialisation at the city level.

### For more information

STRAT-Board strategy factsheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=FI-001&fullscreen=yes>

Six City Strategy website: [www.6aika.fi](http://www.6aika.fi)

Raunio M., Nordling N., Ketola T., Saarinen J.P., Heinikangas A., 6AIIKA Open innovation platforms. An approach to city development, 2016. Available at: [https://avoimetinnovaatioalustat.files.wordpress.com/2016/02/kc3a4sikirja\\_eng.pdf](https://avoimetinnovaatioalustat.files.wordpress.com/2016/02/kc3a4sikirja_eng.pdf)

UDN peer review: [https://ec.europa.eu/regional\\_policy/sources/conferences/udn\\_espoo/6city\\_strategy.pdf](https://ec.europa.eu/regional_policy/sources/conferences/udn_espoo/6city_strategy.pdf)

Synergies can be built by devising **collaborative platforms** according to the Quadruple Helix model promoted by Smart Specialisation, also

## Be careful!

devising an active role for local authorities in a multi-level governance setting (Larrea et al., 2019).

This implies major and challenging changes for the public sector including (Raunio et al., 2016):

- new types of partnerships and cooperation models to be managed;
- a more community-driven and bottom-up approach;
- a switch from a linear innovation process to open innovation processes;
- the development of a different mindset about the facilitating role of urban administrations in an innovation ecosystem.

Cities can thus become **living labs** to test out innovative solutions for societal challenges through the involvement of universities and research organisations, public authorities, the business sector, civil society organisations and citizens. An open innovation platform is described as an approach to urban development that systematically strives to open the urban environment and its services to be developed by third parties.

Furthermore, SUD strategies can complement S3 by covering a variety of activities that could support the implementation of innovation policies at local level directly. For example, by including R&I in their portfolio or investing in complementary policy areas such as education, training, infrastructures and entrepreneurship, as in the case of the SUD strategy of Rotterdam (NL). Moreover, Smart Specialisation can help build connections not only with EU Structural Funds for research and innovation but also with **EU research policy**, especially considering the new mission-oriented approach introduced in Horizon Europe for post-2020.

## Additional resource

### NESTA (2015) CITY INITIATIVES FOR TECHNOLOGY, INNOVATION AND ENTREPRENEURSHIP (CITIE)

The City Initiatives for Technology, Innovation and Entrepreneurship (CITIE) report provides city policymakers with a resource to help them **develop the policy initiatives that catalyse innovation and entrepreneurship** in cities.

CITIE comprises four main components:

- a framework for understanding how policy in key areas can be used to support innovation and entrepreneurship at the city level;
- a diagnostic tool that allows cities to self-assess how they perform against this framework relative to 40 global cities;
- a range of examples and case studies from around the world that shine a light on best practice;

- findings derived from the analysis of 40 leading cities around the world.

City performance is measured against nine policy roles that city governments can adopt to support innovation and entrepreneurship. The roles are Regulator, Advocate, Customer, Host, Investor, Connector, Strategist, Digital Governor and Datavore.

For each of these roles, the report highlights its scope, identifies the specific actions that constitute good practice and presents examples, shows how each city performs, and extracts lessons from top-performing cities.

### For more information

City Initiatives for Technology, Innovation and Entrepreneurship (CITIE):

<https://www.nesta.org.uk/report/citie-a-resource-for-city-leadership/>

## RECOMMENDATIONS

- Build SUD strategies on pre-existing local strategies, where possible, and in any case, taking them into account.
  - ▶ Draft them as specific documents, even when they rely heavily on existing strategies.
  - ▶ Adapt the existing strategy to the OP's goals and logic, for example through an action plan, and include a section where it is clearly stated how the activities described contribute to the programme objectives.
  - ▶ Ensure a stable framework, facilitating synergies among existing policy instruments and creating a learning path across programming periods.
  - ▶ Capitalise on previous arrangements for administration and management of ESIF and projects.
- Provide clear links to domestic policies at the local, regional and national levels.
  - ▶ Member States should align SUD strategies to domestic policies as much as possible in order to ensure synergies and, where an NUP does not exist, develop purpose-built schemes.
  - ▶ Make explicit the mechanisms that show how the integrated SUD strategies are interlinked with other strategies and national policy frameworks.
  - ▶ Gather knowledge and select actions related to other policy frameworks and funding streams.
  - ▶ Provide national frameworks to align SUD strategies to SDGs and other supranational urban agendas.

- Build mutual synergies between SUD and Smart Specialisation strategies, using the common urban development perspective to strengthen the social and inclusive dimension:
  - ▶ Identify ways to connect urban development strategies to R&I strategies for territorial development, blending different disciplinary approaches and communities of professionals and policymakers.
  - ▶ In those countries where the nexus among the two strategic frameworks is stronger, for example those countries where SUD focuses greatly on innovation, ensure that cities participate in setting up the priorities of S3, according to the quadruple helix approach.
  - ▶ Set open innovation platforms at city level with the participation of urban and regional government authorities, research centres and think tanks, universities, economic organisations, private firms and entrepreneurs as well as citizens' associations.
  - ▶ Platforms should be run under collaborative leadership principles.
  - ▶ Use S3 to build connections with EU Research Policy (like Horizon Europe).

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# TERRITORIAL FOCUS

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Today, urban areas across the European Union (EU) face a wide range of different challenges, including affordable housing, migrants' inclusion, social segregation, environmental footprint, traffic congestion, climate change, ageing, urban health. At the same time, they present opportunities for development, including diversity, creativity and innovation (Vandecasteele et al., 2019). What seems particularly relevant for integrated and place-based approaches is not only that these challenges and opportunities occur in urban contexts but also that each one has a specific spatial dimension.

Sustainable Urban Development (SUD) strategies supported by EU cohesion policy are designed to target specific areas, with a distinct territorial focus.

**Having an explicit territorial focus means that needs, challenges and opportunities for development must match the appropriate spatial scale and territorial context.** Choosing the appropriate area to implement the strategy is not only a methodological decision, but also a policy decision, which can depend on policy agendas and available governance tools. Moreover, the appropriate spatial dimension also has strategic value and can be a means of adopting an integrated approach to policy-making.

To better understand the spatial dimension of SUD strategies across the EU, it is first important to clarify what kind of urban areas are targeted. Both current and future regulatory frameworks are open to supporting **urban areas of any kind, acknowledging the importance of cities of various sizes and of different types of agglomerations encompassing multiple municipalities.** This is in line with the growing mismatch between administrative boundaries, urban structures and citizens' behaviour. Putting it differently, in the EU there is a clear spatial mismatch between where people live and where job opportunities and services are located, leading people to carry on their daily activities across the administrative boundaries of different municipalities. Due to this increased interdependency, functional urban areas have become an ever more important category for policy-makers.

Looking at the Guidance for Member States (European Commission, 2015a) related to European Structural and Investment Funds (ESIF) 2014-2020,

and at the way strategies are currently implemented on the ground, it is possible to see that **SUD strategies can have a narrower or wider spatial focus. More specifically, it is possible to** group the various approaches into three focus areas:

- **area within city/town (districts/neighbourhoods)**, that is to say one or more specific districts or localities within an administrative area;
- **cities, towns or suburbs**, that is to say an individual municipality with no restrictions regarding its population size or density;
- **functional area or multiple municipalities**, that is to say two or more municipalities that are combined for the sake of the strategy. This category encompasses functional urban areas, metropolitan areas, twin cities and city networks.

Analysis of the strategies implemented during the 2014-2020 programming period shows that the majority of SUD strategies focus on cities, towns or suburbs (45%), followed by districts/neighbourhoods (31%), functional areas (20%), a network of cities (4%), and a portion of territory with specific features such as a park, an archaeological zone, or an island (0.4%).

All the aforementioned focus areas pose special challenges to policymakers in the design and implementation process, some of which are particularly difficult and recurrent. In particular, this building block will focus on the following challenges:

- **targeting neighbourhoods**
- **the functional area approach**
- **urban-rural linkages.**

The first methodological challenge concerns **neighbourhoods**. In particular, deprived neighbourhoods where multiple problems overlap have been one of the key focuses of the URBAN Community Initiative (1994-1999; 2000-2006). URBAN promoted area-based initiatives are seen as a good vehicle for applying the integrated approach, spatially concentrating hard and soft policies in small urban areas.

At the same time, the long experience with neighbourhood initiatives has highlighted several shortcomings related to the area-based approach (Tosics, 2015; Colini et al., 2013). In this respect, **it is recommended to adopt an outward-looking perspective on neighbourhood strategies**, taking account of the interdependent relations between different urban areas and spatial or administrative scales, aiming at the integration of the targeted area within the larger context.

A second challenge concerns the **functional area approach, which is suited to addressing the interdependent relationships and challenges of multiple municipalities** (e.g. functional urban areas,

*Learning from data*

metropolitan areas but also river basins, coastal areas, mountain ranges, etc.). These territories are often spatially and economically interlinked, but politically fragmented. The challenge consists in **overcoming fragmentation and inefficient actions caused by administrative boundaries, and ensuring more coordinated action between territories**, that is to say ensuring territorial integration.

This concept is also relevant to a third methodological challenge. ‘**Urban-rural linkages**’ indicate the complex set of bi-directional links (e.g. labour market flows, public service provision, mobility, environmental and cultural services, leisure assets, etc.) **that connect places, thus blurring the distinction between urban and rural, especially for small- and medium-sized cities and towns.**

When working with complex geographical areas (functional areas, urban-rural regions, even networks of cities) the main question seems to be that of promoting better cooperation among municipalities to exploit synergies, providing links as levers for development. This is particularly relevant when different territories (either belonging to different administrations or with different characteristics, even if they are spatially far away from each other) face the same development challenges (European Commission, 2015b).

## TARGETING NEIGHBOURHOODS

*In this section we address:*

*When to adopt an area based approach?*

*How to achieve spatial concentration while consider that issues and opportunities are not confined by neighbourhood boundaries?*

One of the major challenges facing EU cities is their internal imbalance. Even urban areas that are performing well are not exempt from **growing socio-economic polarisation**, which often corresponds to spatial segregation of the most vulnerable population (Vandecasteele et al., 2019), with multiple problems becoming concentrated in certain neighbourhoods. In order to respond to this issue, cities and urban areas develop strategies of neighbourhood regeneration, applying an **area-based approach**. The area-based approach refers to **strategies that define a limited area of action, where investments are concentrated and different measures are integrated**, to simultaneously tackle the various dimensions of complex urban problems (see also Cross-Sectoral Integration chapter).

## When to adopt an area-based approach?

This approach, with a specific reference to the concentration of cross-sectoral actions and funding in selected target areas, was part of the URBAN Community Initiative method, and later became what has been defined as a common European ‘Aquis Urbain’ (European Commission, 2009). This approach became mainstream in the 2007-2013 period, and neighbourhood regeneration remained prominent in the current (2014-2020) programming period and is maintained for the upcoming one (2021-2027).

Ex-post evaluation of the URBAN II initiative (EC, Ecotec, 2010) found that the focus on small areas, namely neighbourhoods in crisis, has been proven **particularly successful when addressing specific local challenges, especially through initiatives with direct impact on local communities** (e.g. improving educational attainment, providing access to quality public services).

The area-based approach in neighbourhood regeneration allows authorities to:

- **engage local partners** (the local community, and the voluntary and private sectors) and empower them to contribute and bring value to the collective development of programs (bottom-up approach);
- more easily **organise integration** among projects and sectors<sup>7</sup>;
- **create a critical mass** and momentum, to hold stakeholders’ attention and ensure a lasting legacy.

Because of these advantages, the focus on a limited area of action has also been popular among strategies funded during the 2014-2020 programming period. In particular, 31% of them have focused on neighbourhoods. The share is even higher **for the countries that took part in the URBAN programme I and/or II, standing at 38%**, while the percentage is 6% in countries that did not take part in the Initiative (EU-13 Member States, which joined the EU in 2004 or later). This suggests that in some EU-15 countries, the URBAN method has become mainstream as a method for sustainable urban development<sup>8</sup>.

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<sup>7</sup> According to Tosics: ‘Lessons from the Urban II (2000–6) programme showed that it is much easier to organise integration on a small scale, in neighbourhoods, with interventions around the magnitude of €10 million’ (Tosics, 2017).

<sup>8</sup> The ‘EU15’ refers to countries which were members of the European Union prior to the accession of ten candidate countries on 1 May 2004. The EU15 comprised the following 15 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. The ‘EU13’ refers to the member countries which joined the EU in 2004 or later: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

*Learning from data*

The majority of strategies that target neighbourhoods have a small budget (**76% have a budget of less than € 10 million**) and focus on **thematic objectives (TO) 9 and social inclusion (82% of the strategies)**. In other words, neighbourhood strategies are largely used to provide support for physical, economic and social regeneration of deprived communities.

In some cases, community-led local development (CLLD) has been used to foster social cohesion, enhance citizen participation, or promote capacity-building and engagement of the local community (see Governance chapter). In fact, CLLD can be particularly suitable for small areas within larger cities such as deprived neighbourhoods but also town centres, areas with particular types of housing, areas undergoing industrial change, areas facing particular environmental problems, peri-urban areas and so on (Soto et al., 2012).

### **How to achieve spatial concentration while consider that issues and opportunities are not confined by neighbourhood boundaries?**

*Be careful!*

The long experience of neighbourhood initiatives has also highlighted **several shortcomings** of the area-based approach. In particular, one of the major problems concerns **strategies that maintain an inward-looking perspective and require that all the interventions be limited to the target area**. In those cases, strategies are unable to benefit from interventions on a wider scale when needed. Moreover, there is a **risk that problems are not solved, but are simply displaced to other areas**: as a consequence of investments in the action-area prices go up, leading to gentrification, pushing out the poorest inhabitants to other deprived areas of the city. In many cases, improving the situation of deprived areas would require coordinated interventions outside the borders of the area, for example, transport investments to improve accessibility, or economic measures to tackle unemployment (European Commission, Ecotec, 2010).

*Additional resource*

#### **URBACT NODUS - BRIDGING URBAN RENEWAL AND SPATIAL PLANNING (2010)**

The **URBACT NODUS project** advocates for placing area-based interventions in a wider strategic context:

‘According to the initial hypothesis of NODUS, to overcome the “area effect” it is necessary to extend the integrated approach to

the city-region (or regional) level, where the areas for interventions should be selected, NGOs and population groups should be involved in the area programmes and the outcomes should be monitored. This means the second, “external integration”: local area based actions must be integral parts of larger-scale, broader territory development strategies’ (URBACT, 2010, p.30).

The NODUS working group involved three regions: Catalonia in Spain, Emilia Romagna in Italy, and Mazovia in Poland, and four cities: Dobrich in Bulgaria, Alba Iulia in Romania, Katowice in Poland, and Amsterdam in the Netherlands. Among the results of NODUS is a methodology that uses multi-party cooperation to develop integrated urban renewal strategies across different spatial and administrative levels, in order to overcome the shortcomings of area-based interventions. The methodology comprises four steps:

Step 1: A model of multi-party governance to organise renewal and spatial planning policies on a metropolitan or city-region level.

Step 2: Methods for mapping deprived neighbourhoods on the basis of the chosen concept of deprivation and the respective, reliable and precise data, with the goal of creating bridges between deprived neighbourhoods and dynamic zones.

Step 3: Possible actions for successful renovation and social inclusion projects, particularly in terms of integrated urban renewal.

Step 4: Evaluation of the results on a regional level in order to multiply the positive effects and reach a territorial balance.

### For more information

URBACT (2010) NODUS Linking Urban Renewal and Regional Spatial Planning:  
<https://urbact.eu/nodus>

In order to overcome the limitations of an area-based approach **it is recommended to adopt an outward-looking perspective**. That means taking account of the **interdependence between different urban areas and across spatial or administrative scales, with the aim of integrating the targeted area into the larger context** (city or functional area or region). In administrative terms, this requires more flexibility, allowing some funds to be used outside the action area boundary, while keeping the strategy focused on the appointed neighbourhood(s).

This suggestion was confirmed during evaluation of the URBAN II programme (2000–2006) when it was noticed that the matching of local

actions in the programme areas with wider city and regional plans enhanced the effectiveness and impact of URBAN II resources and resulted in an integrated approach to urban development (EC, Ecotec, 2010).

To overcome the aforementioned risks, neighbourhoods must not be seen as separate islands with fixed boundaries. On the contrary, it is possible to talk about ‘interlinked hubs of activity whose precise boundaries overlap and evolve over time, and where the appropriate scale of intervention depends upon the problem to be solved’ (Soto et al., 2012, p. 4).

Many of the SUD strategies implemented during the 2014-2020 period adopted a similar approach, and some conclusions can already be drawn.

First of all, neighbourhood regeneration requires a **national/regional policy on deprived areas** to set the goals and define the indicators for selecting and monitoring intervention areas, as for example in France (see Funding and Finance chapter) and Germany. In this regard, the outward-looking approach has requirements regarding data gathering and analysis. In the selection phase, diagnosis and monitoring of the target areas is extremely important to have **access to indicators with a high level of spatial granularity**. Moreover, it is important to **compare them to the city average**, or, depending on the issues at stake, rank them within wider contexts. Even if the focus is on the target area, **territorial analysis and SWOT analysis** should be used to link problems and opportunities with neighbouring areas.

Another important step in the outward-looking approach is **placing the regeneration of neighbourhoods within a wider strategic framework**. This can be done in different ways. One of the simplest is to align the neighbourhood strategy with existing city-wide strategic frameworks. This is most successful when the neighbourhood strategy actively participates in pursuing the objectives set in the city vision. This is true, for example, of ITI Opportunities for Rotterdam (NL) 2014-2020, which applies a **‘district-driven approach’ to city development** (see Strategic dimension chapter), and that of Berlin (DE), where the Future Initiative City District contributes to the Berlin 2030 strategy.

### *Learning from practice*

#### **THE FUTURE INITIATIVE CITY DISTRICTS II - ZIS II, BERLIN (DE)**

Berlin has a long tradition of working through area-based programmes for neighbourhood regeneration. Both editions of the URBAN Community Initiative took place in Berlin. Moreover, since the end of the 1990s, national programmes like Social City

(Soziale Stadt) have been used to promote micro-interventions in deprived areas, and to encourage community participation and capacity-building.

Building on this tradition, during the programming periods 2000-2005/2006, 2007-2013 and 2014-2020, the European Regional and Development Fund (ERDF) has been used to co-finance 'Urban and local infrastructures - areas with special development needs' and 'Future Initiative City District' (ZIS and ZIS II).

Currently, ZIS II constitutes an umbrella framework at city level which allows the bundling of resources to promote the physical and socio-economic regeneration of deprived neighbourhoods and the redevelopment of 'opportunity' areas. The initiative integrates EU Sustainable Urban Development with domestic programmes such as Soziale Stadt, Stadtumbau, Bildung im Quartier, Stadtteilzentren and Bibliotheken im Stadtteil.

Actions supported by the initiative focus on education, community participation, improvement of public spaces, social cohesion, integration of migrants, redevelopment of abandoned spaces, and improvement of public infrastructure.

The Initiative allows for an outward-looking approach to neighbourhood regeneration. It provides for general objectives that the individual projects should aim at, and aligns them with the wider framework of the Berlin 2030 strategy.

To ensure that funded projects are effective, ZIS II identifies five large 'action-areas' for intervention, characterised by multiple aspects of deprivation. At a smaller scale, 35 neighbourhoods and 13 city conversion areas are the effective target areas. They are generally located inside one of the five larger action areas. However, many that fall outside those boundaries but are affected by similar problems are still eligible as target areas.

The initiative is based on three types of strategic concept: (i) integrated urban development concepts (integrierte Stadtentwicklungskonzepte, INSEK), (ii) integrated action concepts (integrierte Handlungskonzepte, IHEK), and (iii) integrated urban design concepts (integrierte städtebauliche Entwicklungskonzepte, ISEK). Taken together, these strategic concepts set out detailed planning guidance that links the performance of small-scale interventions in targeted areas to outline indicators of the Future Initiative City District.

*Learning from data***For more information**

STRAT-Board strategy fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=DE-082&fullscreen=yes>

Official website of Berlin: <http://stadtentwicklung.berlin.de/staedtebau/foerderprogramme/zis/index.shtml>

Finally, there are several cases where - although the territorial focus is on the entire city, a functional urban area, or an agglomeration of municipalities - **actions are centred, to a certain degree, on selected neighbourhoods or districts**, for example **disadvantaged neighbourhoods**. In these cases, we can consider the territorial scope of the strategy as **multi-faceted** (Van der Zwet et al., 2017).

This is confirmed by the results of the analysis, according to which **43% of strategies address the issue of disadvantaged neighbourhoods, and half of them focus on neighbourhoods**, while the other half focuses on cities or functional urban areas<sup>9</sup>. This means that the issue of deprived neighbourhoods is still central to EU-funded SUD. Moreover, it suggests that a considerable number of strategies are able to place actions on disadvantaged neighbourhoods within a wider strategic framework.

Examples of this approach can be found in Hungary and in Bulgaria, and also in France. In this last case, **strategies address conurbations formed by several municipalities, but focus their interventions on defined priority areas**, that is to say deprived neighbourhoods selected at national level according to indicators of disadvantage, established within the domestic City Policy (Politique de la Ville).

The French case combines various scales: the agglomeration of municipalities, which is the most relevant level to elaborating a large strategic vision and pulling together resources from different sources; the municipality scale; and the neighbourhood/district scale, which is most relevant to setting specific objectives, involving the local community and implementing actions.

In such strategies, it is essential to **manage a multi-scalar governance system**, by establishing wide partnerships involving representatives from the public, private and voluntary sectors at different levels (see Governance chapter). Involving actors at different levels within a partnership can be challenging but also rewarding. On the one hand, local/community partners feel more affected by the interventions, and can easily develop a sense of ownership

<sup>9</sup> The analysis of thematic contents was done on a sample of 344 strategies.

in respect to the project. On the other, actors at city or regional level can help to embed the programmes into a wider policy framework, to deliver effective monitoring and evaluation systems, and to provide support with strategy development and long-term planning.

## **INTEGRATED TERRITORIAL INVESTMENT FOR THE TOULON METROPOLIS, TOULON (FR)**

Toulon Provence Méditerranée (TPM) is an intercommunal structure created in 2001 (but then reformed recently as a metropolitan area) consisting of 12 municipalities, the main one being Toulon, located along the Mediterranean coast, in the Provence-Alpes-Côte d'Azur region. Toulon Provence Méditerranée has developed an integrated territorial investment (ITI) strategy as a tool for neighbourhood regeneration working jointly with a domestic policy, the TPM City Contract 2015-2020, within the broader framework of a Metropolitan strategy. The TPM 2015-2020 City Contract, signed in July 2015, is funded by the national City Policy (Politique de la Ville) and identifies 13 priority areas distributed over four cities of the larger urban area. An integrated metropolitan project depicts the expected change for the metropolis and provides the umbrella strategy for individual projects. To be eligible for ITI, the projects must fall within the boundary of the priority areas and must be connected to the broader issues affecting the whole territory. The ITI allows for work at the scale of neighbourhoods, while fitting the area-based project in the newly reformed metropolitan area.

The policy process is not exempt from challenges, especially concerning the management of the multi-level governance system which brings together actors at different scales with differing priorities and with different competences. In particular, the nexus between the metropolitan region and the individual priority areas is seen as a challenge for strategy implementation.

In that respect, technical assistance and capacity-building play a major role. In particular, it is worth mentioning the support given by the agency for urbanism 'AUDAT.VAR' (Agence d'urbanisme de l'aire toulonnaise et du Var) that provides territorial analysis at various scales within the regional level. AUDAT.VAR manages an observatory of the priority neighbourhoods and produces monitoring indicators ranked against the cities, the metropolitan region and the average of the 13 priority neighbourhoods. The work of the observatory has allowed evidence-based diagnosis of the local needs, which was used as a basis for the strategy.

*Learning from practice*

Moreover, a key role is that of the TPM metropolis, which acts as Intermediate Body (IB), and has established a specific department called 'European programmes and territorial development' for this purpose. The department manages the relationship between the neighbourhoods, the cities and the metropolitan area; it enables coordination among the projects; it provides for guidance and technical assistance with project development. The department's offices are shared with those of the Regional Council. This allows sectoral and area-based policies to integrate regarding issues of employment, training and economic development, contributing to an outward-looking perspective to neighbourhood regeneration.

### For more information

STRAT-Board strategy fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=FR-017&fullscreen=yes>

Service Europe-ITI TPM: <https://metropoletpm.fr/tpm/article/service-europe-iti-tpm>

Strategy fiche by Réseau Europe urbain: <https://www.europe-en-france.gouv.fr/ressources/recueil-des-strategies-urbaines-integrees>

## RECOMMENDATIONS

- Use the area-based approach when the strategy aims to address specific local challenges which directly affect local communities.
  - ▶ From a thematic viewpoint, it is suitable e.g. for reversing socio-spatial segregation, providing accessibility to quality public services, enhancing the quality of public spaces, enhancing education attainment, tackling unemployment, triggering social inclusion, and enhancing economic vitality.
  - ▶ From a methodological viewpoint, it facilitates engaging with and empowering local actors (e.g. citizens and local associations) and easier organisation of cross-sectoral integration, creates a critical mass and momentum to hold stakeholders attention and ensure a lasting legacy.
- Identify the target area(s) based on territorial indicators at the level of neighbourhoods.
  - ▶ Composite socio-economic indicators can be employed for this purpose, comprising data on level of education, unemployment, housing conditions
  - ▶ Fine-grained data is also useful in the monitoring and evaluation phases.
  - ▶ Quantitative data should be augmented with qualitative information in order to gather local knowledge and inhabitants' expertise.

- ▶ Data at the neighbourhood level should be ranked against/compared to other areas and wider contexts (city or region).
- Use CLLD for small areas within larger cities, such as deprived neighbourhoods.
  - ▶ CLLD can be used to foster social cohesion, enhance citizen participation, or promote capacity-building.
- Adopt an outward-looking perspective to neighbourhood strategies.
  - ▶ Strategic links between areas should be established, connecting deprived areas to areas of opportunity, allowing interventions outside the borders of the target area.
  - ▶ Area-based programmes should be positioned within wider strategic frameworks, such as overarching city vision and wider territorial policies. Area-based strategies should be thought of as contributing to wider objectives of city/regional development.
- Apply multi-faceted territorial focuses.
  - ▶ The appropriate scale for intervention should be chosen according to the scope and nature of the need that is being tackled.
  - ▶ Multiple scales should be considered within the same project, with intervention at one level reinforcing interventions at other levels.
- Establish a multilevel governance system.
  - ▶ Stakeholders at local level should be involved so that they feel more affected by interventions, and can develop a sense of ownership in respect to the project, ensuring long-lasting effects.
  - ▶ Different responsibilities for developing/managing public services should be taken into account
  - ▶ Actors at regional level can help embed the programmes in a wider policy framework, deliver effective monitoring and evaluation systems, and provide support with strategy development and long-term planning.
  - ▶ Joint administrative boards or intermediate management bodies can help with coordination among levels.

## THE FUNCTIONAL AREA APPROACH

### *In this section we address:*

*When to adopt the functional area approach?*

*How to delineate the functional urban area for an SUD strategy?*

*How to achieve cooperation among actors (municipalities) when there is not a pre-existing framework?*

The importance of functional urban areas in the EU can be illustrated by the size of the ‘spatial mismatch’ between where people live and where job opportunities and services are located: a substantially larger

number of people live outside the core city and cross the administrative boundaries of different municipalities to conduct daily activities (European Commission and UN-HABITAT, 2016). A recent publication by EUROSTAT (2018)<sup>10</sup> reports on the populations of the EU28's largest urban areas, comparing the size of the functional urban area and that of the city. It shows that in some urban areas like Katowice (PL), Lisbon (PT), Manchester (UK) and Paris (FR), the functional urban area had at least five times as many inhabitants as the city centre, as defined by administrative boundaries.

A recent study done on the occasion of the 17th Session of the Council of Europe Conference of Ministers Responsible for Spatial Planning (CEMAT) (Gea Strategy & Consulting, 2017) **defines functional urban areas as geographic entities formed by one or more urban centres and adjacent territories of influence, forming a unitary system based on socio-economic flows or opportunities (e.g. provision of services).**

With respect to EU urban policies, the functional area approach is relatively new. **It was a very important policy innovation when the 2014-2020 framework put a special emphasis on it in the context of sustainable urban development.**

### When to adopt the functional area approach?

The functional area approach to sustainable urban development is innovative, because it **introduces development policies based on the real needs and opportunities of territories rather than on administrative borders.** To summarise, the main **benefits** of such approach are that:

- it allows projects to capitalise on local potential;
- it encourages territorial democracy;
- it creates a flexible framework for development and planning that transcends administrative boundaries, focusing on the territorial impact of interventions (Gea Strategy & Consulting, 2017).

At the same time it may entail some **risks**, especially related to the lack of organisation. In particular, urban development strategies in functional urban areas risks failing because of:

- fragmentation, disparities, and internal competition;
- lack of coordination, capacity and communication;

*Be careful!*

<sup>10</sup> See Table 3.2 Summary table for 20 largest cities/urban areas in the EU, 2014.

- lack of leadership;
- lack of support from higher tiers of government (Moonen, 2019).

In the current programming period (2014-2020), a significant number of SUD strategies focus on **functional areas<sup>11</sup> (20%)**, channelling a significant investment of ESIF<sup>12</sup>. Some strategies also focus on networks of cities (4%), or on territories with specific features (e.g. a mountainous area, an archaeological zone, or an island) (0.4%). These categories can also arguably be defined as focusing on a functional area, whereby the functional use of the territory is the main point of departure for delineating the territorial focus.

Put differently, **the functional area approach** should not be limited to functional urban areas. Rather, it **can be used to identify a space – usually different from administrative boundaries – in which a specific interdependence (or function) occurs, and which may need to be governed jointly**. The interdependence can encompass different dimensions: **political, social, economic, cultural, territorial and geographical**. Moreover, in many cases, functional areas are complex systems, characterised by a superposition of different functional relations.

Data from analyses of strategy themes show that strategies focusing on functional areas address more T04 (low-carbon economy) and T06 (environment protection and resource efficiency). Moreover, a focus on T07 (transport) is almost exclusively addressed in functional areas (as opposed to other territorial focuses). These thematic priorities are confirmed when looking at key words characterising strategies. In particular, the first two key words for functional areas are ‘mobility’ (76%) and ‘energy’ (52%). Interestingly, even if ‘spatial planning’ is not often selected, there are other key words concerning spatial issues that are often recurrent, as for example public spaces (43%) and abandoned spaces (39%). At the same time it is surprising that two important key words characterising the new urban question as it emerges in the Urban Agenda for the EU, that is to say ‘climate adaptation’ and ‘migration’, are hardly ever found in functional areas strategies (in 11% and 0% of cases, respectively).

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<sup>11</sup> In the context of Strat-board, functional areas include various types of urban agglomerations: multiple cities/towns, metropolitan areas and Functional Urban Areas (FUA) as statistically defined.

<sup>12</sup> Overall, the largest share of ESIF funding is invested in functional areas, which absorb 51.1% of total funding (corresponding to € 8.3 billion). Cities are the second category, absorbing 35.2% of ESIF investment (€ 5.6 billion), while neighbourhoods receive 13.3% of it (€ 2.1 billion).

*Learning from data*

*Learning from data*

These findings are aligned with the OECD publication on metropolitan governance that shows that transport and spatial planning are the main fields of work of metropolitan governance bodies (OECD, 2015).

In a framework of integrated policies, **the added value of the functional area approach is seen especially in the fields of spatial planning, economic development and improving accessibility/mobility**. The functional area approach is particularly suited to solving certain problems, such as:

- **limiting urban sprawl** by adopting shared and coordinated spatial development plans;
- **improving the focus of some categories of investments** such as **business infrastructure**, quality and availability of **public services, mobility, administrative capacity**;
- providing better, **more efficient and integrated services**, e.g. joint management of schools, integration of public transport (Ministry of Regional Development and Public Administration, Romanian Presidency if the Council of the European Union, 2019).

At the same time, **it has potential to tackle emerging issues** (such as migration, or climate change), which require more innovative solutions but struggle to enter the mainstream of policy-making.

### **How to delineate the functional urban area for an SUD strategy?**

Functional urban areas do not pre-exist, in the sense that in the majority of cases they are not defined by administrative boundaries. Rather, they emerge from socio-economic and spatial relations. For this reason the first challenge is to delineate them. The complexity of the concept implies that there is no single methodology.

To establish a common framework in Europe, EUROSTAT launched a legislative initiative called 'Tercet' aimed at integrating the classification of territorial units based on population thresholds known as NUTS with a classification based on territorial typologies. Among them, **the typology of Functional Urban Area (FUA)** was introduced at a local level.

Here, the delineation methodology for FUA is based on the new harmonised definition of 'urban' developed jointly by the EU and OECD (OECD, 2012). **Functional Urban Areas (FUAs) are defined as densely populated urban centres (cities) and adjacent municipalities with high**

## levels of commuting to densely populated urban centres (commuting zones)<sup>13</sup>.

Analysis of SUD strategies during 2014-2020 shows that the boundary of the functional urban areas seldom corresponds to that of the statistical FUAs as defined by OECD/EC methodology. When superposing the two types of areas, it emerges that there is a significant overlap between the two (meaning that more of the 66% of the strategic functional area overlap with the statistical FUA) in only half the cases, and the boundary almost never coincides perfectly.

This is because the establishment of **the boundary of functional urban areas for SUD should be based on various criteria at the same time: on quantitative evidence, on territorial analysis and the objectives of the strategy**. In other words, it requires sound evaluation of the exact territory in which development should take place along with understanding of interdependent relationships, socio-economic complexity, and context, leading to a well-coordinated, coherent mobilisation of urban actors.

*Learning from data*

### **ESPON, SPIMA – SPATIAL DYNAMICS AND STRATEGIC PLANNING IN METROPOLITAN AREAS (2018)**

The SPIMA project addresses the main challenges of metropolitan development in contemporary Europe. The study builds upon ten targeted areas of analysis (Vienna, Prague, Brno, Zurich, Brussels, Oslo and Akershus, Turin, Terrassa, Lille and Lyon) and it covers key issues, including definitions for delineating metropolitan areas.

SPIMA acknowledges that despite the OECD/EC harmonised definition of FUAs, local planners tend to use different approaches to delineate metropolitan areas. SPIMA developed an alternative approach called Metropolitan Development Area (MDA). The MDA approach is particularly beneficial for local planners as it allows them to assess the relevance of the defined metropolitan area against key urban development factors including transportation, urbanisation, environment and housing.

The SPIMA study also provides guidelines for implementing an operational metropolitan planning approach based on the following key recommendations and policy implications:

*Additional resource*

<sup>13</sup> For more details on methodology see EUROSTAT, *Methodological manual on territorial typologies, 2018 edition*, Publications Office of the European Union, Luxembourg, 2019.

- Effective metropolitan planning depends on a shared governance process that is more flexible and dynamic, and is at the same time clearly linked to the administrative levels of statutory spatial planning. This implies more coordination efforts and shared competencies between governmental levels (vertically) and across policy sectors/departments (horizontally).
- Implementing a metropolitan planning approach can be highly beneficial in ensuring a 'spatial fit' between the 'de jure city' and the 'de facto city'. Such an approach implies setting different foci in strategic, statutory and collaborative planning and involves eight specific 'action areas'.
- A mix of policy tools is needed to implement the metropolitan planning approach. The most relevant set of policy tools to address challenges at metropolitan scale relate to coordination and collaboration processes such as instituting metropolitan bodies to coordinate planning efforts at metropolitan scale or establishing effective collaboration process among multiple actors.
- The formal status of the metropolitan area is not a strongly determining factor for the effectiveness of metropolitan planning and governance, whereas acceptance and recognition of the metropolitan areas as such is an essential trigger for initiating metropolitan collaboration.
- EU policy is a key incentive for regional and local authorities in initiating coordinated efforts in regional and local development. An EU metropolitan policy agenda and funding instruments can support the implementation of a metropolitan planning approach across Europe, and strengthen commitment from national and regional governments.

### For more information

ESPON (2018) SPIMA – Spatial dynamics and strategic planning in metropolitan areas: <https://www.espon.eu/metropolitan-areas>

Functional areas can be defined using criteria that are decided at national, regional or local level. Arguably, **some adaptability is required to ensure optimal strategic planning when the boundary is defined at national or regional level (whether in accordance with an existing framework or not), to facilitate better adjustment to local realities and to the strategic approach.**

In Poland, the territorial scope of SUD strategies is defined on the basis of national guidelines that set socio-economic criteria to delimit urban functional areas around regional capital cities. There is some flexibility, however, as the Lublin SUD strategy follows the same criteria but they were revised locally to include other municipalities on the basis of important functional links with the regional capital. Another example is that of the Italian Region of Veneto where the regional managing authority has defined five eligible FUAs following an adapted version of the OECD/EC methodology, but then the specific target area for the SUD strategies has been defined at local level with more flexibility.

Furthermore, **the key to successful delineation of boundaries is to have access to data that allows authorities to determine the appropriate indicators and criteria which will be used to define the area.** It is especially difficult to retrieve comparable and homogeneous data across multiple municipalities when the functional area is explicitly or uniquely defined by the strategy. Being able to identify the appropriate indicators is not only important in relation to delineating the functional area, but it is also extremely relevant in the design and monitoring phases of the strategy. Administrations can collect and harmonise data by establishing partnerships with local universities and/or research institutes, as in the case of Brno.

Online resources can also be used, such as the JRC DG REGIO tool 'Urban Data Platform+' which provides a large set of indicators at Functional Urban Area level, providing access to information regarding the status of and trends in functional urban areas across the EU<sup>14</sup>.

## THE INTEGRATED TERRITORIAL INVESTMENT STRATEGY OF BRNO (CZ)

The EU-funded integrated territorial investment (ITI) strategy of Sustainable Urban Development in Brno (CZ) has been set up to promote the territorial integration of the city and its wider hinterland through a balanced polycentric development.

A first challenge concerned the delineation of the metropolitan area of Brno, which was not previously defined. In order to prevent political motives dominating the process, an evidence-based method for delimiting the area was developed in collaboration with the local university. Delimitation was based on analyses of spatial arrangements and the intensity of spatial (functional) relations, using five main indicators: commuting to work, commuting

*Learning from practice*

<sup>14</sup> <https://urban.jrc.ec.europa.eu/>

to school, migrations flows, public transport accessibility, and individual transport accessibility. As a result, the Brno Metropolitan Area (BMA) was defined with a boundary rather similar to the one established by the OECD-EC definition of FUA.

To overcome the lack of uniform data at the wider territorial level, Brno sought collaboration with a research team (cartographers, computer scientists and social geographers from Altimapo company, a spin-off of Masaryk University in Brno) and developed an online tool called Brno Urban Grid (BUG) for visualisation and analysis of various spatial data in the wider area. Moreover, since 2014 a series of investigations have been carried out at the metropolitan scale, including the Atlas of BMA, a sociodemographic analysis of municipalities in BMA, a transport behaviour survey of BMA inhabitants, a metropolitan indicator system, and a questionnaire among mayors of municipalities in BMA with a view to possible future cooperation.

The implementation of the ITI strategy also served as an important trigger for the establishment of inter-municipal cooperation based on governance. The cooperation was mainly formalised through a Memorandum on metropolitan cooperation, signed by Brno City, the South Moravian Region and the five largest municipalities of the metropolitan area. Multi-actor integration was ensured by the establishment of a Steering Committee which comprised key actors in the metropolitan area (city and regional elected bodies, the South Moravian Innovation Centre, universities, NGOs, the economic chamber of commerce, association of cities and municipalities, and external consultants) and it was mainly aimed at evaluating the compliance of the submitted projects with the strategy. In addition, working groups were formed on three different thematic areas, following the preparation of the individual integrated projects.

The ITI was a test bed for implementing organisational integration, in the sense of a common coordinated approach of engagement of the stakeholders of the territory based on the partnership principle. The process was not exempt from challenges that could hinder cooperation (scale imbalances among municipalities, contradictory priorities emerging from diverse territories, conflicts among decision makers). Nonetheless, it seems particularly relevant that the functional area approach has been internalised by other processes, becoming a catalyst for innovative institutional metropolitan cooperation. In particular, the municipality of Brno is elaborating a

new strategic plan 'Brno 2050', with metropolitan cooperation as one of its key pillars. Finally, the ITI strategy will be continued and updated in 2019 with only domestic resources, to cover particular strategic projects in the Brno Metropolitan Area.

### For more information

STRAT-Board strategy fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=CZ-007&fullscreen=yes>

URBACT (2010) Joining forces: <http://urbact.eu/special-report-brno-road-more-cooperation-among-municipalities>

Website of Brno Metropolitan Area: <https://metropolitni.brno.cz/en/>

## How to achieve cooperation among actors (municipalities) when there is not a pre-existing framework?

The functional area approach can be found throughout all macro-regions, with the exception of a few countries. However, some differences emerge when one looks into the details. In particular, **strategies in many EU13 countries** like the Czech Republic, Estonia, Croatia, Poland and Slovakia **focus exclusively on functional areas**. In these countries<sup>15</sup>, the option of focusing on functional areas was seized as an **opportunity to create new cooperation structures across municipal borders**, especially where such cooperation was previously weak or totally absent.

*Learning from data*

## THE SUSTAINABLE URBAN DEVELOPMENT STRATEGY FOR NITRA (SK)

The Sustainable Urban Development (SUD) strategy in the Nitra region, Slovakia, focuses on the Nitra city and its hinterland.

One of the strengths of the SUD strategy is the definition of the functional urban area (FUA). This was defined along functional connections (links), mostly on the basis of daily commuting. The final configuration of the FUA was the result of negotiations between the

*Learning from practice*

<sup>15</sup> In these countries (which are dominated by less developed regions), strategies have larger ESIF budgets (strategies with the ESIF budgets of more than € 100 million are almost exclusively located there) and target larger populations.

Ministry of Transport, Construction and Regional Development of the Slovak Republic and the City of Nitra. An initial definition was derived from the national guiding document 'Territorial Development Concept of Slovakia' (Konceptia územného rozvoja Slovenska – KURS), first produced in 2001 and then amended in 2011. According to the analysis of KURS, the functional urban area of Nitra consisted in the core city and 11 villages; however the City of Nitra proposed the exclusion of two villages (Branč, Alekšince) which were not contiguous with the main core. The Ministry accepted, and the current configuration encompasses Nitra city and nine adjacent villages.

The definition of the area provided the basis for an unprecedentedly close collaboration between local and regional bodies, which that resulted in a Memorandum of Cooperation signed by the City of Nitra and the Nitra Region.

The need for such a new approach emerged during the implementation phase of the strategy, when both the Region and the City expressed a common interest in a project for a cycle route connecting several cities and villages across the functional area. The Mayor of Nitra took responsibility for the part of the cycle route within the Nitra area, while the Head of the Region was responsible for the part crossing small cities and villages. The process succeeded thanks to coordination between the two partners, with clear intentions regarding a specific project, and each with their own capacities and resources.

### For more information

STRAT-Board strategy fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=SK-005&fullscreen=yes>

Official Nitra Website: <https://www.presov.sk/so-pre-irop.html>

As the case of Nitra (SK) highlights, **when there is a lack of a common institutional framework, consensus and cooperation between different public administrations becomes even more crucial**, if obviously more challenging. Territorial integration requires the creation of **governance systems** that enable policy coherence in spatially and economically homogenous, but politically fragmented areas (see Governance chapter).

## **ADDRESSING METROPOLITAN CHALLENGES FOR THE BARCELONA METROPOLITAN AREA (ES)**

This study was prepared by the Metropolitan Research Institute of Budapest for the Barcelona Metropolitan Area (ES), and it identifies the quality and strength of governance as key aspects for the success of interventions on the functional urban area level. The study focuses on two main approaches for strengthening governance across the functional area:

- the institutional approach, i.e. creating a metropolitan organisation on a fixed territorial basis with sufficiently large range of competences (as for example in Stuttgart, Greater Manchester, and Barcelona)
- the procedural approach, i.e. developing mechanisms and rules which allow for coordinated activities on a sufficiently large metropolitan territory, not necessarily in fixed territorial patterns (as for example in Amsterdam, Copenhagen, Zürich)

Regarding the institutional approach, the study provides for concrete suggestions on how existing metropolitan level organisations can be strengthened: direct election of (at least) the president of the metropolitan area, promotion of a metropolitan identity, assumption of more functions from higher administrative tiers, strengthening of economic development cooperation with the private sector, development of strategic thinking capacity on the metropolitan level, development of stronger financial tools and methods to achieve metropolitan priorities.

Regarding the procedural approach, when establishing a strong institutional basis is not feasible, the way to go may be to seek cooperation with the surrounding area through collaboration and planning agreements, which national and regional government frameworks can give substantial help with. In the case of Zürich, for example, indirect planning power was given to the metropolitan level through higher-level regulation. In Copenhagen, meanwhile, a national planning framework became obligatory for municipalities in the metropolitan area. Finally, in the Amsterdam metropolitan area, cooperation among stakeholders was encouraged using win-win Action Plans within the framework of a loosely defined strategic plan.

## For more information

Metropolitan Research Institute of Budapest, *Addressing Metropolitan Challenges for the Barcelona Metropolitan Area. Lessons from five European metropolitan areas: Amsterdam, Copenhagen, Greater Manchester, Stuttgart and Zürich*, 2018. Available at: <https://mri.hu/wp-content/uploads/2018/07/metropolitan-areas-Barcelona-MRI-study-final-1806.pdf>

As the study by the Metropolitan Research Institute of Budapest for the Barcelona Metropolitan Area explains, there are two main possibilities when establishing a governance framework for a functional area: **the institutional or the procedural approach**. Even if the choice depends on the local context, the Romanian Presidency of the Council of the European Union (2019) **recommends adopting a soft approach** and creating a **model based on voluntary cooperation, accompanied by flexible instruments on the sub-regional level**. At the same time, a functional urban area should have **a clear legal status** and be eligible for EU funds.

Looking at various governance systems in SUD strategies, the choice of how to proceed depends on previous experience in terms of territorial cooperation. In Poland, for example, central government guidance stipulated **two possible models for cooperation**: forming **association of municipalities**, or reaching **formal agreement between municipalities**. Some smaller municipalities that have limited experience of working together have opted for formal agreements, but some larger municipalities where there is already experience with similar initiatives have opted for the association model.

There are cases where **an institutional framework for territorial co-operation exists but it does not adequately cover the functional area**. This is the case in most French urban communities, which have well defined cooperation frameworks, but these usually cover areas that do not overlap with those defined by functional links. Barcelona and many other cities also suffer from such a situation. Existing territorial cooperation might provide a basis for the development of an SUD strategy, while in such cases there is also a need to strive for the expansion of territorial boundaries, or for planning agreements with the missing parts of the functional area.

Governance arrangements become even more challenging **when strategies involve actions on multiple scales** (see the section on neighbourhood regeneration). In many cases, even when the strategy looks at a metropolitan area, interventions often target specific neighbourhoods within that area.

In addition, there can be a problem of political legitimisation and responsibility with respect to the new territorial area, which can be even greater where there are power imbalances among the municipalities that constitute the functional area.

In order to support territorial cooperation, new bodies have emerged in a number of Member States, or existing bodies have taken on new roles. These **bodies may facilitate collaboration between different localities, take on responsibilities for management and implementation, or have advisory capacities.** If no such body exists to support a functional area strategy, the governance arrangements should be well thought over at the beginning of the process, because a coherent planning approach to the functional area requires the establishment of shared governance process to enable dynamic interaction across spatial scales, policy issues, land use functions, and a wide range of stakeholders.

## RECOMMENDATIONS

- Adopt a functional area approach to SUD strategies to create a flexible framework for development that transcends administrative boundaries, focusing on the territorial impact of interventions, and on the real needs and opportunities of urban areas.
  - ▶ The functional area approach is suitable in areas formed by multiple municipalities where a specific interdependence (or function) occurs, which may need to be governed jointly.
  - ▶ The functional area approach should be promoted to give rise to new cooperation structures across municipal borders, especially where such cooperation is weak or missing.
  - ▶ The functional area approach is well-suited to tackle challenges relevant at that spatial scale, both traditional ones such as spatial planning, mobility and economic development, and new ones such as migration and climate adaptation.
- Base the delineation of the functional urban area on evidence-based criteria and strategic objectives.
  - ▶ Criteria can be provided by upper levels, but must be adapted according to the needs of local realities.
  - ▶ Not only functional links but also ties of cooperation and political realities should be taken into account.
- Seek scientific support with data gathering and develop indicators.
  - ▶ Universities and research institutes can carry out investigation and territorial analysis at the scale of the functional area, using the latest data collection techniques.
  - ▶ Evidence-based data and indicators are useful both in defining the functional area but also in monitoring the progress of strategy implementation.
  - ▶ Online tools such the Urban Data Platform+ can provide access to information on the status of and trends in functional urban areas across the EU.
- Create governance systems that enable policy coherence in spatially and economically homogenous, but politically fragmented areas.

- ▶ In some cases a formal structure for cooperation and coordination between different municipalities is suitable.
- ▶ In other cases, cooperation can be established through procedural frameworks for joint planning across the functional area, not necessarily in fixed territorial patterns.
- ▶ SUD financial opportunities can help start the process of inter-municipal cooperation, especially when it is an unfamiliar topic. However, that is not enough, as cooperation requires time and continued management.
- ▶ Tackle power inequalities and conflicts within functional areas, avoiding urban-core centric and economically driven strategies.
- ▶ To overcome conflict among priorities and interests, it can be useful to work on implementing specific projects, so that the advantages of cooperation become evident to all actors involved.

## URBAN-RURAL LINKAGES

### *In this section we address:*

*What kind of governance arrangements can strengthen urban-rural linkages?*

*How to promote urban-rural linkages within a city strategy?*

*How to deal with heterogeneous priorities for urban and rural areas within the same strategy?*

From the origin of cities, urban and rural areas were distinct and separate entities, with defined borders and functions. During the agricultural and industrial revolution, the urban-rural dichotomy still existed, but their relationship changed considerably and the development of cities and their hinterland went hand in hand. With the advent of the knowledge economy and the post-industrial city, the relationship between urban and rural areas changed again. On the one hand, functional regions have grown, incorporating smaller towns and countryside that are part of the commuting zone of larger cities. On the other hand, more peripheral rural areas and smaller cities have remained outside growing poles, losing population and lacking human capital, so that the knowledge economy has difficulties to grow there (Westlund, 2017). That means that **the traditional urban-rural dichotomy has disappeared, but the mutual interdependency and interconnections between urban and rural areas have become even more important.**

**Urban-rural linkages refer to the complex set of bi-directional links** (e.g. demographic flows, labour market flows, public service provision,

mobility, environmental and cultural services, leisure assets, etc.) **that connect places** (in a space where urban and rural dimensions are physically and/or functionally integrated), blurring the distinction between urban and rural, **and cross traditional administrative boundaries.**

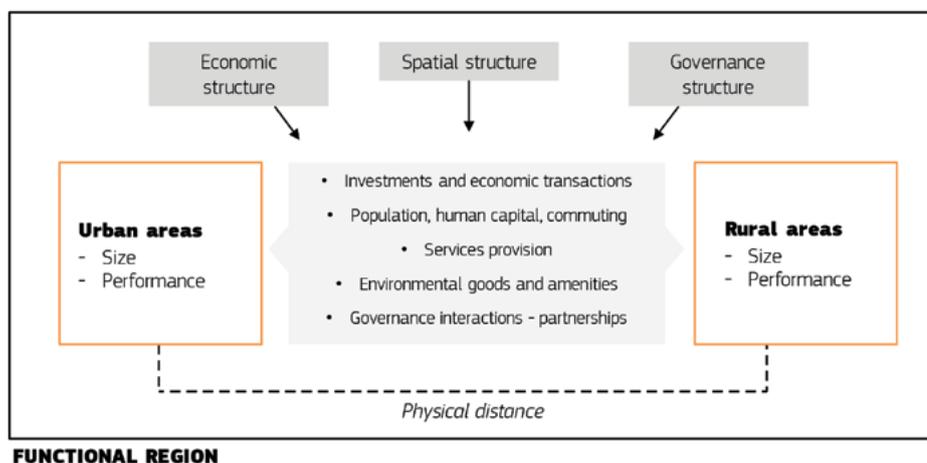


FIG. 1. Urban-rural linkages  
Source: own elaboration based on OECD (2013)

These linkages can take the shape of **a city with an urbanised core and a peri-urban area** or a **functional area covering a central city and adjacent hinterland**, but they can also connect **geographically distant places through functional links** (e.g. linking agricultural production areas to urban markets).

In fact, **urban-rural linkages are not attached to a specific town size or a certain type of spatial extension.** Even if they are especially relevant for polycentric networks of small and medium-sized cities (HESPI & EUKN, 2015), they can also apply to other morphological situations from large metropolitan regions to towns in low density areas (OECD, 2013).

The urban dimension of EU policy puts a growing emphasis on urban-rural linkages. The Urban Agenda for the EU acknowledges the need to tackle urban challenges in a larger context, including urban-rural linkages and cooperation within functional areas.

A number of URBACT networks have explicitly addressed urban-rural issues (NeT-TOPIC, CityRegion.Net, LUMASEC, Sustainable Food in Urban Communities, Diet for a Green Planet, AGRI-URBAN), introducing the topic in the sustainable urban development agenda of European cities. URBACT projects show a shift in themes from land use management, urban sprawl and governance to more focused interest on low-carbon and resource-efficiency applied to food systems, and from metro regions to small and medium-sized cities.

The importance of linking urban and rural areas within the framework of EU Sustainable Urban Development is **explicitly mentioned by the 2014-2020 European Regional and Development Fund (ERDF)**

*Learning from data*

**regulations and in the proposal for the post 2020 ones**, and it is further confirmed by the **2021-2027 budget plan for the European Agricultural Fund for Rural Development (EAFRD)**.

In particular, urban-rural linkages can be supported using the **two implementation instruments ITI and CLLD**. In fact, ITI allows authorities to set up urban and territorial strategies which integrate different funds including ERDF and EAFRD (see Funding and Finance chapter). CLLD is based on the successful initiative of the LEADER programme; it can be multi-fund (it is used both in the framework of ERDF and EAFRD) and it can be used for all type of territories (urban area, rural area or mixed area) but it is especially suitable for small and medium-sized towns and settlements in rural regions (see Governance chapter).

According to EPRC, during the 2014-2020 programming period, a significant number of SUD strategies (49%) identified specific urban-rural challenges: **‘the inclusion of rural-urban linkages as a theme in a large number of SUD and non-SUD ITI strategies** suggests that the approach offers considerable scope to **strengthen the integration between urban centres and their hinterland**. However, the extent to which this leads to the implementation of practical measures for rural-urban linkages is not always clear’ (Van der Zwet et al., 2017, p.101).

STRAT-Board data shows that urban-rural linkages are not often mentioned in surveys as one of the main topics for urban development, even if a more in-depth analysis indicates that there are many actions which clearly refer to the integration of urban and rural areas but are not categorised under the label of urban-rural linkages per se. In addition there are a few SUD strategies which combine the use of ERDF with EAFRD<sup>16</sup>.

Out of the 100 strategies that have indicated urban-rural linkages as a priority topic, **76% have a city/town scope, while 21% focus on functional areas**. Moreover, 41% of the strategies cover an area with less than 50,000 inhabitants, and 50% between 50,000 and 250,000 inhabitants. This data underlines the **relevance of the issue both to small towns and middle-sized cities and conurbations**, and show that SUD can be an effective instrument for overcoming mental barriers between urban, regional and rural policy.

In Austria, for example, many strategies target functional territories formed by conurbations or networks of small towns with a population of few thousand inhabitants. By pooling resources and establishing inter-municipal cooperation these small towns are able to form a critical mass and address urban-rural linkages.

<sup>16</sup> In terms of integration of funds in SUD strategies addressing urban-rural linkages, data shows that while ESF is often associated with ERDF, EAFRD funding is barely used, although there is vast potential in the use of ITI, CLLD or other integrated approaches.

## What kind of governance arrangements can strengthen urban-rural linkages?

Urban-rural linkages put emphasis on notions such as ‘fuzzy boundaries’, ‘transition zones’ and ‘hybrid spaces’ in an attempt to move away from conventional territorialities. This represents a challenge in terms of **governance arrangements**. Because urban-rural interactions encompass different geographies, they require **some flexibility in defining the scope for governing** these complex relationships, with different interventions being tailored to a wide range of challenges and spatial configurations.

It can be helpful, then, **to reframe urban-rural linkages as urban-rural partnerships**, which are based on a ‘mechanism of cooperation that manages these linkages to reach common goals and enhance urban-rural relationships’ (OECD, 2013, p.34).

The benefits of these forms of cooperation include the following (Pascariu & Czischke, 2015):

- achieving territorial balance, setting a common development plan;
- ensuring connectivity (both material and immaterial) and accessibility between rural and urban areas;
- promoting better spatial planning and preservation of landscapes, as well as specifically rural resources (land, culture, nature, traditions, etc.);
- promoting functional interdependence, joint economic development and mutual benefits for both areas;
- ensuring long-term political commitments for the common interests of representatives from across the political spectrum (going beyond electoral mandates), increasing political relevance and access to funds.

Shared development objectives and needs require the engagement of **‘proactive networks of rural and urban actors and institutions** [...] reassembling and redefining resources and infrastructures in ways that carve out new diversified niches to produce goods and services sustainably.’ (Marsden, 2009). This implies the inclusion of urban and rural stakeholders, such as public authorities – e.g. urban and rural municipalities – and private agents (firms, civil society, etc.).

*Additional resource*

### **RURBAN PREPARATORY ACTION FOR RURAL-URBAN PARTNERSHIPS: TWO KEY INITIATIVES (2010-2014)**

In preparation for the current programming period, the European Commission has carried out the RURBAN preparatory action agreed by the European Parliament. The preparatory action supported two key initiatives which were intended to provide evidence of and identify the potential for urban-rural partnerships in Europe.

RURBAN found that an integrated approach to urban and territorial development must go beyond business-as-usual focus on intra-city policy coordination on the one hand and traditional rural challenges on the other hand, and consider also surrounding areas, both urban and rural. The initiative provided evidence of the potential role of urban-rural partnerships for development, and explored how EU funding through the European Regional Development Fund and the European Agricultural Fund for Rural Development could best be used to support urban-rural cooperation.

### **BBSR (2013) PARTNERSHIP FOR SUSTAINABLE URBAN-RURAL DEVELOPMENT: EXISTING EVIDENCES**

The initiative was supported by the study 'Partnership for sustainable rural-urban development: existing evidences', conducted by the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) and published by the Commission in 2013. The study presents a number of good practices from programming periods 2000-2006 and 2007-2013.

### **OECD (2013) - RURAL-URBAN PARTNERSHIPS: AN INTEGRATED APPROACH TO ECONOMIC DEVELOPMENT**

The OECD report has a clear regional development policy background. It explores the concept of rural-urban partnerships through literature review and systemisation of the findings of in-depth case-studies, mainly from rural development policy initiatives and territorial cooperation programmes. Based on the analysis of the nature and implications of urban-rural interdependencies, it discusses different governance arrangements that can be used to manage these relationships. Finally, the report provides a set of recommendations on how policy can help rural-urban partnerships to be effective.

## For more information

European Commission (2010-2014) RURBAN - Partnership for sustainable urban-rural development:

[https://ec.europa.eu/regional\\_policy/es/policy/what/territorial-cohesion/urban-rural-linkages/](https://ec.europa.eu/regional_policy/es/policy/what/territorial-cohesion/urban-rural-linkages/)

OECD, *Rural-Urban Partnerships: An Integrated Approach To Economic Development*, OECD publishing, Paris, 2013. Available at:

<http://www.oecd.org/regional/rural-urban-partnerships-an-integrated-approach-to-economic-development.htm>

Although urban-rural partnerships are based on existing functional or physical links, they do not emerge spontaneously because of different factors such as power conflict, the defensive attitude of actors involved, lack of data or simply rejection of additional administrative burden.

Another relevant dimension is therefore **the strength of urban-rural organisational integration and the degree of formal ties**, leading to three main scenarios (OECD, 2013):

- areas already formally recognised as functional regions, which are targeted by projects and initiatives;
- areas characterised by strong territorial relationships, but without any tools to carry out joint planning or management;
- areas characterised by weak urban-rural functional relationships, whose development requires new forms of co-operation.

Clearly, these three situations will require different policy actions in both the design and implementation phases. Moreover, the situation may depend on the scope of the partnership and the number of administrative units involved.

However, in general terms, urban-rural partnerships work more smoothly where **formal recognition or cooperation arrangements are provided** (e.g. by national schemes), when they take the form of any existing **territorial institutional level** (e.g. province, county, metropolitan area, functional area), and where there is **strong political leadership**.

Moreover, collaboration between local urban and rural stakeholders can be fostered through **thematic working groups and specific challenge-led missions**, which are relevant in the operationalisation phase of projects. This collaboration allows significant insights and methodologies to be gathered for urban policymaking from rural development actors.

Urban-rural integration asks requires not only horizontal cooperation, but **also coordination and incentives from the upper levels of government and from institutions**. In fact, local authorities as well

*Be careful!*

as regional governments do not often have the appropriate powers to co-ordinate the full spectrum of urban-rural links. **Technical Assistance and administrative capacity building measures can be introduced into operational programmes** to sustain the promotion of effective urban-rural partnerships, especially in the case of small and medium-size cities which lack capacity and resources. Technical Assistance allows the conditions for SUD to be set up with specific support tools for experimentation, innovation, capitalisation and strategy implementation.

### *Learning from practice*

## **STRATEGIES FOR THE TOWN OF PLASENCIA (ES) AND ITS SURROUNDINGS**

Plasencia is a town of 40,000 inhabitants located in the north of the Extremadura region (Spain), a rural region with very low population density. Despite its size, Plasencia acts as a regional centre, offering services to more than 200,000 inhabitants living in the larger region and commuting to Plasencia on a daily basis.

The town of Plasencia is implementing two different SUD strategies, one targeting the municipality only and the other the town and its surroundings. The two independent strategies complement each other, and both address urban-rural linkages under their specific territorial scope. Although the two strategies are managed by different authorities, their mutual cooperation could further strengthen urban rural linkages.

The SUD strategy 'Plasencia Crece Contigo' was elaborated first and targets the main town with interventions that aim to strengthen its role as the main service hub for the larger area. It mainly addresses economic transformation, knowledge transfer and challenge-oriented innovation, e.g. a health centre for elderly people living both in and outside the main town, and mobility infrastructure.

On the basis of the work initiated for the elaboration of the city strategy, the Province (Diputación) of Cáceres and the municipality of Plasencia decided to develop another SUD strategy called 'Plasencia y Entorno'. It includes 13 villages around Plasencia together with the main town, covering a total population of 53,000 inhabitants. Projects mainly address economic development by means of non-material actions for social innovation, social services, employment and training to improve the education and skill base in rural areas (for example, educational robotics workshops for children in the 12 rural municipalities of the SUD area, the DemoLab Maker workshop on digital creativity, new technologies

and Fab Labs). Projects have been chosen following the local participation groups.

The management of this larger SUD strategy is ensured by the provincial Department of Sustainable Development and Tourism, which is part of Strategic Territorial Development Services. Its mission is to provide municipalities with instruments and technical assistance to carry out territorial analysis, strategic planning and participation. It is also responsible for rural development and pursues the promotion of better rural-urban dialogue.

The 'Plasencia y Entorno' strategy presents innovative features with regards to territorial cooperation in a rural region like Extremadura. Many policy schemes and incentives for territorial cooperation exist but they mainly address rural-rural cooperation and exclude main towns, i.e. LEADER local action groups (LAGs), cross-border partnerships with Portugal and joint communities of rural municipalities (*mancomunidades*). The LAGs create capacity in rural areas, but the streaming of funding keeps urban and rural areas apart. Moreover, so far the main urban centres in the region have had few incentives to develop closer links with rural areas.

Under such circumstances, SUD is the only instrument supporting urban-rural linkages. One of the main results driven by SUD has been the promotion of a new urban-rural partnership, overcoming political differences and revising existing policy arrangements. Thus, the strategy covers 12 rural municipalities that are grouped into six different *mancomunidades* (commonwealths of municipalities), and for the first time includes them in the Plasencia functional area.

Finally, it is worth mentioning that, building on the positive experience of Plasencia, the Province of Caceres decided to support another inter-municipal strategy for the town of Caceres and surroundings, in line with its mission to promote balanced integration between urban and rural areas and thus support all development opportunities in the region.

## For more information

STRAT-Board strategy fact-sheet ('Plasencia y entorno'):

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=ES-029&fullscreen=yes>

Strategy local website <http://dl.dip-caceres.es/convocatorias/edusi/index.php>

STRAT-Board strategy fact-sheet ('Plasencia crece contigo'):

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=ES-031&fullscreen=yes>

Strategy local website: <https://plasenciaeneuropa.eu/proyecto/plasencia-crece-contigo/>

## How to promote urban-rural linkages within a city strategy?

There are cases in which urban-rural linkages are addressed by strategies which are limited in scope to the boundary of the urban area.

This can happen especially when the rural dimension is embedded in the city, because it characterises peri-urban areas, or because there is willingness to promote greening approaches within urban boundaries (e.g. urban agriculture).

However, what is even more challenging is to **promote urban-rural linkages when operations in rural areas would fall outside the boundaries of the strategy**. For many, it would simply mean that no action is possible. However, there are smart ways to address this point, which involve the need for a truly integrated mindset capable of developing novel relationships between places, themes and actors.

When the city is part of a wider territory covered by an ERDF-supported territorial strategy (non-SUD), we recommend highlighting **complementarities and possible synergies between the two** strategies.

Another possible solution would be complementing the SUD strategies with **other funds from outside ERDF territorial instruments**. For example, one could use ESF for interventions in training and employment that do not limit the beneficiaries to within strategy boundaries (see Funding and Finance chapter).

Another possibility would be to **develop complementarities with other bodies responsible for rural development strategies, like LEADER/CLLD LAGs**. This solution does not necessarily imply the application of CLLD in urban contexts, but builds on synergies with rural CLLD (as in the case of the Liepajan SUD strategy in Latvia), on the basis of innovative solutions for rural enterprises or the promotion of the knowledge and creative economy, tourism and recreation, and cultural heritage (or similar). This fosters better policy integration between Regional Policy and Rural Development Policy and related funds.

From a practical viewpoint, **synergies can be stimulated by cross-management of urban and rural instruments, encouraging the participation of urban and rural actors in the same steering bodies**. This ensures information-sharing and better coordination of urban and rural policies. For example, representatives of a LEADER programming committee could participate in the governing body of an SUD strategy and vice versa, especially in such tasks as selecting operations or evaluating programs (Réseau Europe Urbain, 2017). Urban centres (especially medium-sized towns) could be involved in the design and implementation of territorial strategies and initiatives supported by EAFRD funding.

Managing authorities that use competitive processes can also promote urban-rural linkages by using the **impact of the SUD strategy on the wide rural region beyond city boundaries** as one of the assessment criteria for selection.

**Non-material actions can be more relevant than physical infrastructures.** In particular, cross-sectoral relationships (see Cross-Sectoral chapter), e.g. innovation activities and promotion of value chains, education and training activities, or e-government platform, beyond material interventions, can widen the impact of SUD strategies.

## INTEGRATED TERRITORIAL INVESTMENT FOR GOTHENBURG (SE)

The issue of promoting urban-rural linkages when operations are restricted to city boundaries is addressed by the Gothenburg Cross-sectoral Integrated Plan for Sustainable Urban Development 2014-2020. Here, the required thematic concentration on few TOs (TO1 'research and innovation', TO3 'competitiveness of SMEs' and TO4 'low-carbon economy') for both the regional programme and SUD provided limited flexibility in defining intervention priorities. As a consequence, the SUD strategy presents a strong focus on R&D cooperation (TO1), economic development (TO3) and innovation for low-carbon economy (TO4), within the city boundaries.

Interestingly, under the SUD measure in comparison to the overall regional programme, the budget allocated to TO4 is proportionally much bigger (4.5 times) than the other TOs. This suggests that the city scale has been identified as the most appropriate for action on resource efficiency and climate change, creating opportunities for more tailored action.

More specifically, under TO4 the city strategy plans interventions promoting urban-rural linkages through innovative and 'out of the box' thinking, including:

1. cross-sectoral cooperation in hubs for testing innovative solutions in the urban and rural environment, and
2. developing a Sustainable Food Strategy for the city.

This second area of work has been established thanks to the strong connection between the SUD strategy and other existing municipal programmes such as the Municipal Environmental Program, which gives priority to sustainable food, and Equal Gothenburg which is aiming at lowering polarisation among inhabitants in fields like

*Learning from practice*

health, education and income.

The design and implementation of interventions are supported by 'Urban Rural Gothenburg', which is a three-year (2017-19) ERDF-funded project for sustainable development co-led by the city of Gothenburg and Business Region Göteborg (BRG) and operating in four local hubs located in the north-eastern district of the city. 'Urban Rural Gothenburg' aims to create improved conditions for green innovation and green business development between the city and the countryside through new low-carbon approaches to local development, with particular links to food, logistics, tourism, and ecological business models. More specifically, the project primarily targets the city-region sustainable food system, which comprises the whole supply chain from food production to consumption, and explores domains like food security, food affordability and access to food. Bottom-up initiatives are supported by cooperation between the municipality, the business sector, civil society, academia, and the residents themselves. An example of actions implemented by means of the SUD measure is the new Development and Knowledge Centre for SMEs and civil society situated at the farm owned by the city. The Centre is run together with the Vastra Gotaland Region, which is also responsible for natural and cultural heritage and agricultural colleges. Another result of the project is that locally produced food is now served at municipal pre-schools. Locally produced food is one of the municipal environmental goals. The project has also resulted in a draft of a municipal Food Strategy with goals and indicators.

In addition, the SUD strategy also is linked to a LEADER/CLLD LAG called Leader Langs Gota Alv, covering five municipalities around Gothenburg and three city districts. The LAG can provide support from the Agricultural Fund (EAFRD) and the Regional Fund (ERDF) throughout the area, while the Social Fund (ESF) only covers the three districts.

### For more information

STRAT-Board strategy fact-sheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=SE-001&fullscreen=yes>

Research Forum Urban rural Gothenburg: <https://www.mistraurbanfutures.org/en/project/research-forum-urban-rural-gothenburg>

Leader Langs Gota Alv: <https://www.langsgotaalv.se/index.php/om-leader-langs-gota-alv/geografiskt-omrade>

## How to deal with heterogeneous priorities for urban and rural areas within the same strategy?

**The sample of SUD strategies tackling urban-rural linkages show the same wide range of thematic objectives covered by the total amount of strategies.** This is aligned with the broad challenges identified in literature and policy analysis. Also, **it reflects a shared understanding of urban-rural integration as a framework for action instead of a thematic categorisation.**

As a matter of fact, interventions can address **economic development and innovation** (e.g. SMEs, technology transfer, ICT solutions, food system, green economy, cultural and creative industries), **service provision and public infrastructures** (e.g. education, training, social services in health and ageing, social innovation, mobility), and **sustainable management of natural and cultural resources** (e.g. water management, renewable energy, energy efficiency, climate change, risk prevention, natural and cultural sites).

Considering this differentiated landscape of possible interventions, the challenge in SUD strategies is to **deal with the heterogeneous – and often diverging – needs** created by urban-rural linkages (social, economic, environmental and spatial) and to **prioritise actions within the same strategy.**

Two main approaches are possible, on the basis of such different factors as the maturity of the integrated approach, the level of public-public and public-private collaboration, and financial availability.

- A **multi-project and widespread approach within a holistic strategy.** A number of (small or big) projects can make the difference in the local context and can strengthen the actors' feeling of togetherness, especially when there is a strong rural-urban divide. Furthermore, a large variety of projects has two advantages. On the one hand, more projects lead to the involvement of more actors and more areas/municipalities within a variable geometry. On the other, failures of individual projects can be made up elsewhere. This approach requires quite a lot of financial resources.
- Specific and **tailored thematic actions arranged using value chain logic** to promote integration, e.g. local food innovation strategy or cultural promotion based on rural assets, possibly in connection with the smart specialisation process. This solution works well when funding is low but favourable national/regional schemes are in place to promote new partnerships between rural and urban regions with the objective of giving impetus to integrated spatial development and achieving sustainable economic growth and social and

*Learning from data*

ecological development. Focused projects can be supported by the establishment of urban regional forums serving as cooperation platforms, as well as coordination and a decision-making body for the jointly developed strategy.

### Additional resource

#### **ROBUST RURAL-URBAN EUROPE - THE ROBUST CONCEPTUAL FRAMEWORK: A GUIDE FOR PRACTITIONERS (2018)**

This guide was developed within the framework of the H2020 research project ROBUST, which explores how synergies between rural and urban areas can be applied in practice to strengthen regional collaboration, interdependence and interconnectivity.

ROBUST works with 11 Living Labs and 5 Communities of Practice. In the Living Labs, Policy makers, researchers, citizens, business and other stakeholders develop and test new solutions for rural-urban interactions. In the Communities of Practice, the Living Labs share their findings and experiences across Europe. They are: New businesses and labour market, Public infrastructures and social services, Sustainable food systems, Cultural connections, and Eco-system services.

The guide builds on the findings of an extensive research work addressing governance systems, processes and practices in 11 different city-regions, and provides recommendations for more effective arrangements and better policy frameworks.

Lessons from literature review, findings from case-studies and recommendations are organised around three main themes for rural-urban synergies: New Localities, Network Governance, and Smart Development.

#### **For more information**

Woods, M., Heley, J., and Goodwin-Hawkins, B., *The ROBUST Conceptual Framework: A Guide for Practitioners*, 2018. Available at:

<https://rural-urban.eu/sites/default/files/D1.5%20ROBUST%20Conceptual%20Framework%20-%20Guide%20for%20Practitioners.pdf>

## RECOMMENDATIONS

- Promote urban-rural linkages in all morphological situations:
  - ▶ in towns of all sizes with a physical or functional connection between urban and rural areas

- ▶ in metropolitan areas, functional urban areas and functional regions
- ▶ in networks of (especially small and medium-sized) cities.
- Establish urban-rural partnerships that bring together urban and rural stakeholders, such as public authorities – e.g. urban and rural municipalities – and private agents (firms, civil society, etc.).
  - ▶ CLLD is a tool that can be used to successfully create bottom-up partnerships.
  - ▶ Foster collaboration between local urban and rural stakeholders through thematic working groups and specific challenge-led missions.
  - ▶ Provide support and recognition to urban-rural partnerships from the national or regional level through multi-level governance schemes.
  - ▶ Introduce Technical Assistance in operational programmes to sustain the promotion of effective urban-rural partnerships, especially in case of small and medium-sized cities which lack capacity and resources.
- Complement SUD strategies with other funds outside of ERDF territorial instruments, to promote urban-rural linkages when operations in rural areas would fall outside the boundaries of the strategy.
  - ▶ Use ESF for interventions in training and employment that do not limit the beneficiaries to strategy boundaries.
  - ▶ Develop complementarities with other bodies responsible for rural development strategies, like LEADER/CLLD LAGs.
  - ▶ Stimulate cross-management of urban and rural instruments, encouraging the participation of urban and rural actors in the same steering bodies.
  - ▶ Ensure that urban centres are involved in the design and implementation of territorial strategies and initiatives supported through EAFRD funding.
- In the operational programmes, prioritise strategies that reflect functional and morphological integration between urban and rural areas.
  - ▶ This priority can be taken into account when defining the boundary of the strategy area.
  - ▶ It can also be used when establishing the criteria for selecting strategies in case of competitive procedures.
- Adopt a multi-project and widespread approach within a holistic strategy in order to strengthen the actors' feeling of togetherness, especially where there is a strong rural-urban divide.
  - ▶ This approach requires quite a lot of financial resources.
- Promote urban-rural integration using specific and tailored thematic actions, arranged along with value chain logic.
  - ▶ This approach can be adopted by local authorities seeking to address urban-rural linkages within a small budget.

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# GOVERNANCE

## Contributors

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Governance is one of the key aspects of sustainable urban development, as good governance arrangements can contribute to more transparent, inclusive, responsive and effective decision-making.

The concept of governance is not clearly defined, but in general it refers to how society, or groups within it, organise to make and implement decisions. It often involves a continuous process of negotiation over the allocation of power and resources. In theory, governance makes no assumption about which actors are most central in the process, however, whenever it concerns a form of democratic governance, political institutions and elected bodies are always assumed to play a leading role (Pierre & Peters, 2012).

This building block specifically focuses on the governance arrangements for Sustainable Urban Development (SUD) strategies. In practice, this concerns **how relevant authorities and stakeholders decide to plan, finance, and manage a specific strategy**. Next to administrative bodies and agencies (local, regional, national, EU/supranational), governance arrangements may include a wide variety of actors and institutions, such as: civil society, Non-Governmental Organisations (NGOs), academia, community-based organisations, social movements, steering groups, and the private sector.

Governance of SUD strategies is closely related to urban governance. UN Habitat states that urban governance is the software that enables the urban hardware to function. **Effective urban governance is democratic and inclusive, long-term and integrated, multi-scale and multi-level, territorial, proficient and conscious of the digital age**. Specific to the territorial dimension is governance in metropolitan areas: the better governance arrangements are able to coordinate policies across jurisdictions and policy fields, the better the outcomes. The coordination of policies is especially relevant since administrative (local) borders often no longer correspond to the functional realities of urban areas (EC, 2011; OECD, 2015) (see Territorial Focus chapter).

This building block will focus on three central components of the SUD governance process, providing suggestions for dealing with the main associated issues at stake. The three components are:

- **multi-level governance**, referring to the coordination and alignment of actions (interventions) between different levels of government;

- **a multi-stakeholder approach**, referring to the inclusion of all relevant actors throughout the whole policy cycle;
- **a bottom-up and participatory approach**, referring to the use of community-led initiatives to encourage local actors' involvement and response.

It should be noted that while the general discussion of a multi-stakeholder approach also applies to the inclusion of citizens and civil society, the third component specifically focuses on the involvement of local communities.

## MULTI-LEVEL GOVERNANCE

*In this section we address:*

*How to build administrative capacity, and benefit from experiences available at different levels?*

*How to facilitate coordination between different levels of government, and avoid or reduce potential risks associated with the practice of gold-plating?*

Multi-level governance refers to arrangements that include different levels of government (e.g. the local, regional, national, and supranational level). SUD strategy governance is inherently multi-level since it requires the involvement of the local level, as well as the regional and/or national level, depending at what level the managing authority (MA) is located. Obviously, the EU level is also structurally involved, though less so in the actual strategy governance process. In this respect, the European Commission mainly sets conditions and provides financial resources, while it tries to continuously improve the governance process using peer reviews and feedback from past programming periods.

So far, EU urban policy has mostly taken place within the context of the European Structural and Investment Funds (ESIF) (previously within the Structural Funds), whereby different instruments and governance arrangements for urban policy have been used across the four programming periods. An assessment of the urban governance dimension of operational programmes (OPs) **for the programming period 2007-2013 shows that funds were steered and managed almost exclusively at the regional or national level**, while the good practice governance instruments of the URBAN initiative remained largely unused. It was further observed that **relatively strong involvement of cities and local actors largely correlated with prior experience with national**

**frameworks for urban policy development and planning**, and thus the political willingness of higher administrative tiers to include local actors (Günter, 2011).

However, **coordinated approaches within a multi-level governance framework are needed to effectively tackle contemporary urban challenges**. Local problems should be dealt with locally, but coordinated at a higher level, to prevent unwanted consequences (externalities) occurring outside the borders of the local entities or from one level to another. What 'local' means depends on the challenge; some challenges may be best dealt with at (sub-) regional level, such as water management, while others such as public transport may be better addressed at the metropolitan level. A functional and flexible approach is needed that respects the principle of subsidiarity and can be adapted to different territorial scales as well (EC, 2011) (see Territorial Focus chapter).

Within the context of SUD, this raises the question of decentralisation and the sharing of power between the different administrative levels. The issue at stake is how a multi-level framework can best be set up. This is basically a political decision and relates to administrative capacities and the experiences at the different levels of government.

### **How to build administrative capacity, and benefit from experiences available at different levels?**

Article 7 of the ERDF regulation 2014-2020 requires that **local authorities (LAs) be responsible for tasks relating to the selection of operations**. However, if desired, MAs may also delegate more tasks. The proposed regulation for post-2020 also stresses the alignment and coordination of interventions between different levels of government, maintaining strategy governance as a key complementary feature of sustainable urban development.

A survey distributed amongst MAs concerning the SUD strategies for 2014-2020 allowed MAs to indicate the distribution of responsibilities between MAs and UAs. Respondents could choose from 16 pre-defined tasks<sup>17</sup>. Results show that **throughout the whole policy cycle, MAs**

#### *Learning from data*

<sup>17</sup> Respondents could select one or more of the following tasks: developing strategies, developing an implementation plan, approving strategy, verifying selection procedures, defining selection criteria, preparing project calls, launching calls, providing information to beneficiaries, checking eligibility, assessing the quality of operations, final verification, signing grant contract, financial management (check and financial control), monitoring and reporting and evaluation.

**have 5 more tasks on average than LAs**<sup>18</sup>. Only in 62 out of 775 strategies do LAs have more tasks than MAs (this is the case in Denmark, Greece, and Finland, France, Italy, Latvia, the Netherlands, Poland, Slovenia, and the United Kingdom). Of course, it can be debated to what extent the 16 tasks are of equal importance, and whether the allocation of tasks ‘on paper’ reflects the allocation of tasks in practice. Nonetheless, these findings suggest that **task delegation to LAs within the context of SUD strategies is limited and that MAs are dominant**<sup>19</sup>.

One reason given for the dominance of MAs (regional or national) is **concern over capacity at the local level**. For example, for the SUD strategy in Liepaja (LV) concerns over limited capacity at the local level have led the MA (in this case, the Ministry of Finance) to be responsible for the overall implementation of the OP, including the SUD-ITI. The MA approves the internal selection procedures for project applications by LAs and it monitors the process by participating as an observer in a municipal commission. All project applications ultimately have to be verified by the MA before they can be accepted. Also, the MA can perform spot checks at the local level. Although this may be necessary at first, **limited or supervised delegation can also be instrumental to capacity-building**, paving the way for increased delegation of tasks for the next programming period.

Furthermore, **technical assistance**<sup>20</sup> **is available to help implement Commission-funded programmes and projects**. Such financial support can be used to pay for preparation, management, evaluation, monitoring, audit and control<sup>21</sup>. Specifically, MAs can examine the use of technical assistance to

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<sup>18</sup> Most MAs (17%) are responsible for 7 (out of the 16 pre-defined) specific tasks within the strategy process, whereas a large majority of MAs have responsibility for 7 to 16 tasks (88%). On average, an MA is responsible for 10 tasks, often related to approving the strategy, verifying the selection procedures, final verification, signing the grant contract, financial management, and evaluation. Furthermore, the most LAs are responsible for 6 tasks (24%) whereas a majority are responsible for between 1 to 6 specific tasks (83%). On average, a LA is responsible for a total of 5 tasks, often including developing strategies, developing the implementation plan, preparing project calls, collecting applications, and assessing the quality of operations.

<sup>19</sup> For a similar analysis please see Van der Zwet et al. (2017).

<sup>20</sup> Technical Assistance is available to help stakeholders implement Commission-funded programmes and projects. Under the European Union’s cohesion policy such financial support can be used to pay for preparation, management, evaluation, monitoring, audit and control. See also: [https://ec.europa.eu/regional\\_policy/en/policy/what/glossary/t/technical-assistance](https://ec.europa.eu/regional_policy/en/policy/what/glossary/t/technical-assistance)

<sup>21</sup> EU rules place a limit on the proportion of funding from the operational programmes that can be allocated to technical assistance. If technical assistance is initiated by or on behalf of the Commission, that ceiling is 0.35% of the annual provision for each fund. If technical assistance comes from the Member States, the ceiling is 4%. See also: [https://ec.europa.eu/regional\\_policy/en/policy/what/glossary/t/technical-assistance](https://ec.europa.eu/regional_policy/en/policy/what/glossary/t/technical-assistance)

strengthen the institutional capacity of local authorities. The support can take the form of workshops, training sessions, coordination and networking structure, as well as contributions to the cost of participating in meetings regarding the preparation, implementation, monitoring and evaluation of the strategy<sup>22</sup>.

**When capacity or experience with the implementation of EU-level projects is strong, a wide range (or even a majority) of tasks can be delegated to the LA.** This is illustrated by the example of The Hague in the Netherlands, where the city authorities have extensive responsibilities in terms of management and implementation. Sustainable urban development under Article 7 ERDF de facto implies that LAs are designated as intermediate bodies (IBs)<sup>23</sup>, given that they are responsible for tasks relating, at least, to the selection of operations. However, The Hague has had the status of IB since 1994 and its (largely delegated) responsibilities not only include project selection but also monitoring and financial management. However, the example of The Hague appears to be rare, which can arguably be related to **‘delephobia’, that is fear of losing control over the process at higher administrative levels (Tosics, 2016).**

### *Learning from practice*

#### **THE WALBRZYCH (PL) AGGLOMERATION SUD STRATEGY**

A proactive approach from the local authority can increase the number of tasks which are delegated. For example, the Walbrzych agglomeration (Poland) is the only Polish IB with full responsibility for SUD integrated territorial investment (ITI), whereas others depend on MAs to varying degrees (e.g. to conduct project calls, formally and substantially assess projects, sign contracts with beneficiaries and/or carry out financial control).

The Walbrzych agglomeration is located in the Dolnoslaskie region in South West Poland. The area covers 1748 km<sup>2</sup>, of which 18% comprises urban territories. The strategy covers 22 municipalities that have been selected based on functional municipal links within the Dolnoslaskie region, as well as formerly existing structure in the Walbrzych agglomeration.

Using ITI as an implementation mechanism entailed a long process of negotiation between the agglomeration and regional and national

<sup>22</sup> See also: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0240&from=EN>

<sup>23</sup> In general, IBs are understood as bodies that have one or more tasks delegated to them by MAs. It is uncertain whether minimum requirements for delegation will be part of the regulation for the programming period 2021-2027.

authorities, since the use of ITI was obligatory in the functional areas of regional capitals, but optional for other territories. Thus, strong lobbying from the agglomeration was required to show that its territory was qualified. In the end, the Dolnoslaskie region implemented three ITIs: one around its regional capital at Breslau, and two around important FUAs, of which the Walbrzych agglomeration is one.

The agglomeration considered it important to take full responsibility as IB in order to build local capacity, to ensure decision-making on the local level and to be able to choose the most appropriate projects for the territory's development. In order to obtain full ITI responsibilities, it was necessary to prepare a separate system of cooperation with the MA, since the delegated tasks are different from the other two regional strategies. Having been accepted as IB, the administrative challenges are substantial, given that the IB has to implement the strategy throughout the process all on its own. To ensure sufficient capacity and manage the implementation process, the IB applied for additional funding from the regional operational programme's technical assistance budget, to employ and train more people (offering jobs to formal employees of the MA with EU funding management experience).

Both the IB and the MA consider the SUD-ITI to bring substantial added value. A key contribution lies in changing the approach to territorial governance in the region, and in Poland as a whole. In Poland, three distinct levels of sub-national public administration exist - regional, district and local - but there is a lack of robust frameworks for forming partnerships across these tiers. However, the SUD-ITI strategy has created such a framework and provided incentives for an integrated approach to territorial governance. The MA values the formation of inter-municipal associations and welcomes their representatives as observers of the regional operational programme monitoring committees. Also, the delegation of sub-tasks to sub-regional authorities has been instrumental in raising awareness of building responsibility for implementing cohesion policy in a broader range of partners, and boosting administrative capacity. For these reasons, there are growing calls to establish domestic regulations and structures to ensure that these arrangements become permanent.

### **For more information**

STRAT-Board strategy fact-sheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=PL-023&fullscreen=yes>

*Be careful!*

**The establishment of new bodies to take on responsibilities is also a way to overcome limited capacity**<sup>24</sup>. For instance, supporting structures have been created in several Member States and in almost all cases in Poland and Bulgaria. While the nature of these new governance arrangements differs, one **key objective is to boost implementation capacity**. For example, the IB for the SUD strategy in Pazardzhik (BG) established a new management team, including monitoring and control experts. In Poland, new Associations of Municipalities and Districts are included in the IBs. For this, MAs have used technical assistance from the national operational programme to staff these new bodies. Arguably, **such special support structures also increase capacity in the longer term**, potentially becoming a catalyst for institutional changes that facilitate cooperative governance mechanisms (Ferry et al., 2018).

New governance structures **have also been established to strengthen coordination and ensure representation**, particularly for SUD strategies where the coordination of input by MAs, IBs and urban authorities was crucial, but complex (see Cross-Sectoral Integration chapter). For example, Sweden established a national platform to support cooperation, coordination, knowledge-sharing, and the dissemination and exchange of experiences in SUD. The platform links practice and policy at local, regional and national levels (Ferry et al., 2018).

A potential risk is that the creation of a new body will only create more work. For this reason, it should be clear from the outset **how the support structure will support the process** (Will it boost implementation? Will it improve coordination?). The key words are representation, coordination, capacity, and bringing together expertise. New bodies can be established on and between all levels, and can also build upon existing structures.

Also, **sharing tasks can build capacity and alleviate the workload**, while actors **benefit from each other's experience**. Analysis of SUD strategies which were implemented in the 2014-2020 programming period shows that tasks shared between the UA and MA mainly related to preparing project calls, providing information to beneficiaries, checking eligibility, and assessing the quality of operations.

However, in general, **sharing tasks also brings with it coordination challenges**, since collaboration across jurisdictions and levels of government is difficult even when there is a clearly recognised need for it. Possible challenges include transactions costs, competitive pressure, resource constraints, differing priorities, and fears that the distribution of costs or benefits will be one-sided.

<sup>24</sup> For the programming period 2014-2020, it is estimated that approximately 20% of the SUD strategies have led to a new body (n=348) – for reference see Ferry et al. 2018.

In this respect, **(common) pitfalls to avoid include** under-estimating the coordination challenges throughout the whole policy cycle, belated engagement in coordination, establishing coordination bodies without clear added value in the decision-making process, and proliferation of inter-governmental contracts that are complicated to manage.

*Be careful!*

### **SUD-ITI STRATEGIES IN SLOVENIA – THE ASSOCIATION OF URBAN MUNICIPALITIES**

In Slovenia, 11 SUD strategies are implemented through the ITI mechanism in 11 urban areas. This was felt to be a big challenge since the division of (funding) management is complex and there is limited administrative capacity to act as intermediate body in the individual cities, while the urban areas vary considerably in size, with Ljubljana being the biggest (288.500 inhabitants) and Slovenj Gradec the smallest (16.593 inhabitants in 2017). Since it was impossible to tackle the issue as an individual city, the solution was to join forces through the Association of Urban Municipalities of Slovenia (Združenje Mestnih Občin Slovenije – ZMOS). The notion of ‘together we are stronger’ was demonstrated and well heard by the managing authority and ministerial IB, for instance, by removing obstacles generated by gold-plating.

The Association already existed and was therefore operative immediately. In order to deal with the limited human resources within the urban municipalities and the Association, an ITI expert implementation commission was established that includes one representative from each city already experienced in EU policies and the implementation of projects co-funded by the EU. Also, additional employment (0.6 FTE) was co-financed by Technical Assistance.

Intensive dialogue with the managing authority and Ministerial IBs (Ministry of infrastructure and Ministry of the environment and spatial planning) led to the Association being accepted as the IB for conducting the final selection and ranking of the ITI projects. The process for accrediting the Association as IB required a multitude of documents, such as a description of the management and control system, evaluation and fraud risks, agreement with the MA on the implementation of the IB role, and a change in national legislation to identify the Association as an IB. To smooth the process, the documents relating to the Association were produced

*Learning from practice*

by the ITI expert commission, while the others were produced in collaboration with the MA and the Ministerial IB.

The Association prepared and published calls for the relevant theme and beneficiaries submitted outline applications including an implementation plan. In accordance with the selection criteria from the OP, the Association classified the applications, after which local authorities prepared detailed project applications. Subsequently, the Ministerial IBs checked that the procedure was carried out transparently and correctly, and that applications were complete, before sending them back to the Association to confirm that the detailed version corresponded with the shorter versions and that they were aligned with the objectives of the priority axis. After obtaining confirmation from the Association, the Ministerial IBs sent the detailed project applications to the MA to adopt the decision on their co-funding.

One lesson learned from setting up the SUD–ITI governance arrangements is that it must be continued in order for the strategies to be successful. Also, it shows that networking among LAs is needed as early as urban development planning and the ITI structure building process, so that the MA and IBs can gain good knowledge of the situation on the ground and the actual effects of different solutions and/or limitations. Finally, networking has encouraged actors to exchange information, ideas and experiences relating not only to the strategies, but also to other EU-related issues relating to the future financial planning in Slovenia.

### For more information

Presentation at Urban Development Network SUD meeting Rome (IT) June 2018: [https://ec.europa.eu/regional\\_policy/sources/conferences/udn\\_italy\\_2018/zdenka\\_simonovic.pdf](https://ec.europa.eu/regional_policy/sources/conferences/udn_italy_2018/zdenka_simonovic.pdf)

STRAT-Board country fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheetcountry?id=SI&name=Slovenia&fullscreen=yes>

A clear **benefit of multi-level governance is the exchange of experience, and the opportunity to learn from previous mistakes across levels**. Most often, learning happens over time, whereby information produced in a first step is used in a subsequent one. For that reason, it is suggested that **previous results coming from monitoring evaluation systems be used in the decision making-process for subsequent cycles**, with information being shared among all levels at an early stage (see Monitoring chapter).

Finally, it should be noted that strategies may face **political challenges**. For example, the Brexit referendum caused uncertainty during the design phase for the SUD strategy in London. A more general political challenge is that **timelines between levels may be out of sync** due to different administrative lifecycles and/or (re-)elections (Medeiros, 2019).

## **How to facilitate coordination between different levels of government, and avoid or reduce potential risks associated with the practice of gold-plating?**

Another more specific issue that may arise when policy involves different levels of government is **'gold-plating'**. This **refers to imposing additional administrative obligations over and above the minimum requirements when transferring EU Legal Requirements into national ones**. Gold-plating may be 'active' or 'passive'. 'Passive' gold-plating is when national, regional or local authorities fail to implement the simplification measures proposed by the ESIF regulations. In practice, it is sometimes difficult to differentiate between the general administrative burden from ESIF and that specifically arising from gold-plating. Nonetheless, it is estimated that **in general around one-third of administrative burden can be put down to gold-plating**, putting a large strain on resources and hampering efficient coordination and alignment.

Some ESIF tools are **particularly vulnerable to gold-plating**, particularly **integrated approaches such as integrated territorial investment (ITI), community led local development (CLLD)** (see also the third section of this chapter) and **multi-fund programmes**, which includes SUD. The potential risks associated with the practice of gold-plating result 'from the complexity in the implementation of these tools, including the dispersion of roles and responsibilities across many players, and the necessity for the formation of new bodies of coordination, thereby leading to repeated and controlling efforts' (European Parliament, Directorate-General for Internal Policies, 2017: 54).

Of all tools, ITI - which was used as an implementation instrument in more than 20% of SUD strategies in 2014-2020 - is most associated with gold-plating because it implies 'multiple captains on the same ship' and a merging of different management traditions, whereby the diverging interests of the different actors may lead to additional rules or divergent interpretations of the same rules.

Another source of gold-plating can be the additional rules of eligibility MAs set up for SUD strategies. For example, to prevent processes that are

*Be careful!*

perceived too risky or complex, MAs might confine the topics SUD strategies can address. However, this can hinder the development of an integrated approach. Therefore, **it is advised that MAs reflect upon ways that their rules of eligibility could negatively affect integrated strategies.** In this respect, it can be useful to have a dialogue with local authorities beforehand to identify their needs. However, it should also be noted that gold-plating is **not inherently negative.** Sometimes, additional adaptation of complex legal texts may clarify their application within the local context. For example the Polish regulation of ITIs may plausibly have had a positive effect on metropolitan cities around the country's regional capital cities, whereas the national adaption of the regulation offered a more precise formulation of the instrument's use (see box on Poland ITI in Funding and Finance chapter). Nonetheless, **steps can be taken at all levels involved in the ESIF shared management system to facilitate alignment and reduce unnecessary gold-plating.** For example, national level can start to remove unnecessary legislation (or bodies) in order to decrease administrative costs, and free up resources to support the effectiveness of the programmes. Also, the inter-operability of e-governance tools can be enforced and national coordination strengthened. National online tools (support systems, information systems) that can be used throughout the whole project cycle can reduce the administrative burden for beneficiaries, while the application of EU regulations can be made uniform within Member States. This way, all managing and implementing bodies can have access to the same information and develop a common course of action. At the programme level, beneficiaries (LAs) should be subjected to the least administrative burden possible, and provided with clear and simple steps for the duration of the entire project. At the same time **the reduction of gold-plating and administrative simplification should be handled with care, so that it does not threaten the fulfilment of the basic goals** of Structural Funds, those of striving towards sustainable and inclusive development<sup>25</sup>.

#### Additional resource

### OECD TOOLKIT FOR EFFECTIVE PUBLIC INVESTMENT ACROSS LEVELS OF GOVERNMENT

The OECD has developed an online resource to guide public officials and policymakers in effective public investment across levels of government. To this end, 12 basic principles have been developed,

<sup>25</sup> The information on gold-plating in ESIF is largely derived from a study titled *Research for REGI Committee – Gold-plating in the European Structural and Investment Fund (2017)* commissioned by the Directorate General for Internal Polices. Please refer to this study for a more in-depth account.

grouped into three pillars that represent systemic multi-level governance challenges for public investment:

Pillar 1 addresses coordination and focuses on the different types of governance arrangements and incentives that can help with coordination

Pillar 2 highlights key public management capacities that should be in place to bolster conditions for effective investment.

Pillar 3 focuses on the key framework governance conditions for public investment.

For each principle, there is a description of why it is important, common pitfalls to avoid and how to overcome the main related challenges. Furthermore, each principle is illustrated with some best practices from OECD countries.

In addition to the 12 Principles, the Toolkit offers comparative indicators and good practices which are in use in numerous countries, regions and municipalities.

Furthermore, a self-assessment section helps governments assess the strengths and weaknesses of their public investment capacity, with a focus on the sub-national level, supporting policymakers in setting priorities for improvement.

### **For more information**

OECD official website: <https://www.oecd.org/effective-public-investment-toolkit>

## RECOMMENDATIONS

- Start collaboration between different levels as early as possible.
  - ▶ When all different levels of government are involved in the process from the very beginning, this promotes a sense of ownership across levels, which provides a good basis for collaboration.
  - ▶ Early involvement of all levels allows obstacles, such as limited capacity or overregulation, to be identified early. This way, there is more time to anticipate or remove those obstacles.
- Consider different means of support for overcoming limited capacity, such as Technical Assistance, establishing an extra body, or sharing tasks.
  - ▶ Technical Assistance is available to help stakeholders implement Commission-funded programmes and projects. It can be used in various innovative ways to enlarge staff capacity or support preparation, management, evaluation, monitoring, audit or control.

- ▶ The creation of an extra body can support capacity-building and facilitate the coordination of tasks. While establishing such a body might seem an extra burden initially, it can prove efficient in the long run.
- ▶ Tasks can be partially delegated or shared to reduce the workload, which may also contribute to future capacity-building.
- Mobilise all past experiences and outcomes of projects with similar thematic objectives (TOs) and/or governance arrangements.
  - ▶ When past experiences are evaluated during the preparatory phase, lessons learned can be taken into account for the new process.
  - ▶ Moreover, when the professionalisation and capacity development of the public workforce is kept as independent as possible from political cycles, capacity loss is minimal and existing experience will not be lost.
- Review the stock of regulations frequently and make a continuous effort to coordinate regulation across levels.
  - ▶ Structured coordination efforts (e.g. using inter-governmental platforms, regulatory harmonisation agreements and regulatory uniformity agreements) can minimise or prevent complex and/or unnecessary administrative processes and formalities, improving quality and consistency in regulatory systems across governments.
  - ▶ When assessing new or existing regulation on a structural basis, the costs and benefits of (new) regulatory compliance for sub-national governments can be more easily assessed and taken into account.

## THE MULTI-STAKEHOLDER APPROACH

### *In this section we address:*

*How to ensure all relevant stakeholders are identified and involved in the strategy process?*

*How to apply the 'partnership principle' effectively throughout the strategy process, and ensure continuous stakeholder engagement?*

A fundamental element of sustainable urban development is mobilising input from various stakeholders, particularly at the local level. Compared to individual projects, **SUD strategies entail an integrated place-based approach that involves a much broader range of actors** (e.g. other public bodies, academia, research and education institutes, civil society, NGOs, and the private sector).

Analysis of SUD strategies (2014-2020) shows that a majority of strategies (75%) involve at least one additional governance actor<sup>26</sup> alongside the

<sup>26</sup> Respondents could select one or more options: national level administration, a regional body, a local authority, an association of local authorities, a steering group/

(mandatory) inclusion of the local level, the regional or national level government, and the EU level<sup>27</sup>. When only one additional actor is included, this is usually a newly created body, an association of local authorities, a steering group/committee, or representatives of civil society. When two or three additional actors are included, these usually comprise the actors named before, as well as NGOs, interest groups, newly created bodies, or private stakeholders. Actors that were relatively little involved are: academia (nearly 4% of strategies) and public private partnerships (less than 1%). It should be noted that some categories are largely or wholly represented by one country (e.g. the inclusion of a newly created body is exclusive to Finland and Bulgaria, along with one strategy in Poland).

Following these observations, it can be argued that **the inclusion of additional actors in the governance structure can be improved**, especially as regards the inclusion of **academia, which can play a significant role in supporting the implementation of evidence-based policy**. Also, more generally, collaboration between different kinds of actors can strengthen **networks based on reciprocity, trust and cooperation**. In this respect, it is not only the number of stakeholders that is important, but arguably even more so the practical significance of their involvement. However, to begin with, a multi-stakeholder approach means identifying and selecting relevant actors, as well as establishing a method to support and facilitate smooth collaboration.

At this point, it is again important to note that in this particular section, the focus is mainly on the inclusion of public and private stakeholders, other than representatives of different layers of government (as discussed in more detail earlier) or cross-sectoral stakeholder involvement (see Cross-Sectoral Integration chapter). Furthermore, while the general discussion of the multi-stakeholder approach presented here also applies to the inclusion of citizens and civil society, the third and final component of this building block specifically focuses on the involvement of the local communities.

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committee, a public private partnership, a non-governmental organisation, interest groups, representatives of civil society, private stakeholders, academia, a newly created body, or other.

<sup>27</sup> The majority of these strategies involved one additional governance actor (35%), followed by the inclusion of three additional actors (17%), and two additional actors (15%). For a somewhat smaller group of strategies, it was indicated that four to six additional actors took part in the governance arrangements (7%). For one quarter of the strategies it was specified that no additional actors had been included (25%).

## How to ensure all relevant stakeholders are identified and involved in the strategy process?

A compulsory element of the proposed regulation for post-2020 is the multi-stakeholder approach, referring to the requirement that interventions involve all relevant actors, including business and neighbourhood entities, throughout the whole policy cycle in the planning and decision-making process, and implementation of integrated territorial strategies.

**No individual stakeholder or policy sector can achieve complex objectives on its own.** The challenge is to bring the necessary stakeholders together in a policy cycle. Depending on local and regional conditions and the policy field being addressed, **different stakeholders are involved at different stages of the policy cycle. Different modes of governance** can also be relevant to bringing the relevant stakeholders on board.

The method of selecting stakeholders and keeping them motivated is crucial to developing successful governance arrangements and outcomes. To begin with, there is a **trade-off to be made between including all potential stakeholders and establishing an efficient governance process.** In general, the involvement of many additional actors may increase funding opportunities and strengthen ownership, but at the same time, it may also be **time-consuming** and thus hinder progress. Furthermore, the involvement of a wide range of stakeholders can make the policy process fragile due to its complexity (Spatial foresight, 2015). Thus, efforts should be made to involve all the important affected stakeholders, while not reaching out in an unnecessarily broad way.

### *Additional resource*

#### **THE EUROPEAN CODE OF CONDUCT ON PARTNERSHIP IN THE FRAMEWORK OF THE ESIF**

In the 2014-2020 programming period, the partnership principle has been strengthened: regional, local, and urban public authorities, trade unions, employers, NGOs, and other civil society bodies which promote issues such as social inclusion, gender equality, and non-discrimination are involved in all stages of the planning, implementation and monitoring of projects financed by the European Structural and Investment Funds (ESIF).

In order to make this process as fair and transparent as possible, the Common Provisions Regulation for the ESIF created a European Code of Conduct on Partnership. The Code of Conduct takes the form of a legally binding Commission Regulation.

In particular, Member States are required to:

- be transparent in selecting partners
- provide sufficient information to partners and give them sufficient time to make their voice heard in the consultation process
- ensure that partners are involved at all stages of the process, from planning to evaluation
- support capacity-building of partners
- create platforms for mutual learning and exchange of best practices<sup>29</sup>.

Specifically, the code identifies the main relevant actors to consider for both Partnership Agreements and programmes. It further lays out the main principles and good practices concerned with the involvement of relevant partners in the preparation, monitoring and evaluation of programmes supported by the ESIF.

### For more information

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0240>

The ‘optimal’ combination of stakeholders depends on several case-specific factors, such as existing governance structures, past governance experience, the policy issues at stake and the main rationale behind the process. Relatively skilled and experienced actors that work in a pre-existing cooperative culture often deliver good results, but **existing cooperation structures can also become barriers** to new forms of (more effective and efficient) cooperation.

Alongside the (mandatory) involvement of stakeholders at different levels of government, SUD also strongly implies more horizontal stakeholder involvement, including additional public and private stakeholders. In general, **three sectors are distinguished from each other**: the third sector (comprising NGOs, non-profit organisations including charities, voluntary and community groups, etc.), the knowledge sector (comprised of universities and research institutes), and the private sector (comprised of for-profit businesses run by private individuals or groups, and not controlled by the state). Obviously, what constitutes a good mix of stakeholders varies from strategy to strategy. In that respect, **the number and type of stakeholders**

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<sup>28</sup> The Commission glossary provides a description of the European code of conduct for regional policy: [https://ec.europa.eu/regional\\_policy/en/policy/what/glossary/e/european-code-of-conduct](https://ec.europa.eu/regional_policy/en/policy/what/glossary/e/european-code-of-conduct)

**involved depends on the policy issues being addressed.** Stakeholders with decision-making powers and/or large social and political influence which is needed to solve the policy issue should always be included. Along with public stakeholders, NGOs or private actors can also be included. What's more, special care has to be taken to involve the stakeholders that are most affected by the issue, especially if they **face difficulties in representing themselves** (minorities, economically disadvantaged groups etc.) In general, third-sector stakeholders can play an important part in representing the social perspective and in supporting citizen inclusion and engagement. **The involvement of the knowledge sector can support the development of evidence-based policy** and provide support with developing indicators for monitoring and evaluating the strategy. Finally, **the private sector can add the business perspective and be involved in transforming pilot ideas into marketable products.**

The SUD strategies for 2014-2020 show various practical examples of public and private stakeholder involvement. For example, in Maribor (SI), intensive collaboration by means of a strategic council with the university and NGOs added significant value to the strategy. In the SUD strategy for Brussels (BE), it has been observed that the strategy greatly benefitted from the development of inclusive partnerships, with actors from both the social economy and voluntary sectors. Furthermore, for the SUD strategy in Vejle (DK), the inclusion of private-sector partners helped build a common basis for private and public partnerships, strengthening cooperation in sustainable urban development. In this respect, a project on the utilisation of construction waste is expected to have raised awareness among Small and Medium sized Businesses (SMB's) on the commercial potential of sustainable utilisation of waste. Finally, Stockholm (SE) introduced a mobilisation group for the ESIF 2014-2020 programming period. Regarding its SUD strategy, this mobilisation group – which includes the city municipality and the association of municipalities – invited a broad range of public and private stakeholders for a pre-mobilisation meeting. In this meeting the initial project ideas and key challenges were discussed. Following this input, the MA wrote the call for applications.

#### *Additional resource*

#### **OECD PRINCIPLES ON URBAN POLICY (2019)**

The OECD Principles on Urban Policy (2019) consolidated the lessons from the past decades of work on cities. In total, eleven principles have been identified based on input from a diverse range of stakeholders, including international organisations, development banks, networks of cities and local governments,

research institutes and academia, and the private sector. The principles aim is to guide policymakers in building smart, sustainable and inclusive cities. Within this context, principle number 9 is singled out:

Principle 9. Promote stakeholder engagement in the design and implementation of urban policy, by:

- involving all segments of society, notably the most vulnerable residents and users, such as women, elderly, youth and children, the disabled, migrants and minorities;
- harnessing innovative mechanisms for engaging with the private sector, notably property developers, urban planners, institutional investors, the financial sector, as well as regulators, academia, non-profit organisations and civil society;
- promoting outcome-oriented engagement by clarifying the decision-making line and how stakeholder inputs will be used, allocating proper resources, sharing information, making it accessible to non-experts and striking a balance between over-represented groups and unheard voices.

### For more information

OECD official website: <https://www.oecd.org/cfe/urban-principles.htm>

Different types of **stakeholders have different motivations for becoming involved** in a governance process. Knowing these motivations is important for getting and keeping the relevant stakeholders on board. **Several main drivers can be discerned:** influence, funding possibilities, cost savings, addressing a local challenge, durability, responses to their own challenges, new networking opportunities, gaining access to news sources of information, and publicity. Despite the categorisation, motivations can also be interlinked and interpreted differently. Influence, for example, may entail influencing policy outcomes, or gaining influence with the government administration, including for personal career development. However, **knowing the different motivations, and anticipating them, can be crucial for the involvement of relevant stakeholders.** It should be noted however, that different motivations could create conflicts and unwanted complementary effects (Spatial Foresight, 2015).

*Additional resource***THE URBACT STAKEHOLDER ANALYSIS METHOD (2013)**

The URBACT II Local Support Group Toolkit (2013) presents a method for Stakeholder analysis. With the help of a stakeholder analysis table, the interests and motivations of stakeholders can be identified. This table further offers possible actions to address these various interests. The method distinguishes between primary and secondary stakeholders. Primary stakeholders are those directly affected by the policy, and secondary stakeholders are those with an intermediate role, such as policymakers and delivery agents. By completing the table, users can reflect on what should be done to meet or counteract stakeholder interests, and to think about which actions will maximise the engagement of those who are likely to support the plan, and minimise the resistance of those who may block it.

**For more information**

[https://urbact.eu/sites/default/files/urbact\\_toolkit\\_online\\_4\\_0.pdf](https://urbact.eu/sites/default/files/urbact_toolkit_online_4_0.pdf)

Finally, **identifying stakeholders can be a politically charged responsibility**, whereby internal or external pressures influence the range of stakeholders. Sometimes stakeholders with ‘vested interests’ are not consulted, as well as those with clear opposing views. However, the inclusion of ‘opponents and those with clear interests’ can also be a way to reach consensus (Spatial Foresight, 2015).

**How to apply the partnership principle effectively throughout the strategy process, and ensure continuous stakeholder engagement?**

Analysis of SUD strategies for 2014–2020 suggests that so far **the widest range of stakeholders is involved in the preparatory and/or design phase of the strategy**. This agrees with the general observation that the flexible nature of stakeholder engagement has resulted in **a preference for setting up ad hoc mechanisms such as hearings, panels and workshops, rather than a more systematic inclusive approach**. Often, stakeholder engagement is reactive rather than proactive, **responding to a need or obligation**, such as a regulatory framework. However, this is a potential waste of opportunity, especially because stakeholder input is often mobilised by the establishment of

specific support structures that theoretically could stay in place throughout the whole policy process.

To make the most of the partnership principle, **stakeholders should be involved in the entire strategy lifecycle**. This is expected to increase the quality of the strategy, and to strengthen and broaden policy ownership. It should be noted, however, that **optimal stakeholder composition is likely to change over time**. For this reason, it is important to adjust the configuration of stakeholder groups during the process in order to find the most appropriate arrangements for different steps in policy development (OECD, 2015b).

### **SUD IN THE URBAN AGGLOMERATION OF ZAGREB (HR) TILL 2020**

The SUD strategy in the Urban Agglomeration of Zagreb (UAZ) covers what is considered the most developed area of Croatia. The UAZ consists of the City of Zagreb and 29 other local authorities (10 cities and 19 municipalities). The development strategy defines 3 main objectives and 12 priorities, focusing on improving quality of life, public and social infrastructures, developing a sustainable economy, and environmental management. All 29 representative bodies of local governments had to adopt the strategy before it was adopted by the Zagreb Assembly.

The City of Zagreb is responsible for strategy development, but all local governments have been involved in the design process. Besides taking part in sectoral consultation regarding the use of ITI as the implementation mechanism, representatives from local governments participated in a series of working meetings and workshops.

At the instigation of the City of Zagreb, a Partnership Council (PC) was established, tasked with preparing, developing and monitoring the strategy's implementation. The PC is comprised of all UAZ's local governments, counties and regional coordinators, and it includes other public bodies, universities, educational providers, training and research centres, economic and social partners, business, and civil society organisations. Cities, municipalities, counties and regional coordinators proposed their own representatives, whereas the PC selected the representatives for the higher education institutions, educational providers and services, economic and social partners, and civil society organisations. In total, the PC includes 57 members.

*Learning from practice*

The priorities and objectives for the strategy were defined based on extensive data collection. Data from the Central Bureau of Statistics and FINA data were used, as well as documentation and reports from the Ministry of Regional Development and EU funds, and other public bodies and relevant institutions. Direct contact has also been established with various stakeholders and consultations have been held.

The proposal indicating the contribution of the strategy – including projects, and planned financial amounts – was drafted based on input from all the individual members of the PC, and also took into account input derived from several thematic workshops. Subsequently, the final draft of the strategy was shared with all members electronically for them to provide their feedback.

As of the time of writing (May 2019), the strategy was still in its infancy, however the establishment of the PC makes it possible to include the view of all relevant stakeholders during the preparation, development and monitoring of the strategy's implementation.

### For more information

STRAT-Board strategy fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=HR-001&fullscreen=yes>

After mapping which stakeholder is responsible for what and at which level, it is important to **keep the stakeholders informed throughout the process**, although it might not be necessary to involve them all at every stage. In that respect, it is useful to **determine ahead of time when particular stakeholders should participate**, and to discuss these expectations with stakeholders beforehand. This way, any 'false expectations' can be clarified and possible obstacles to participation removed. Furthermore, **ex ante consultation can be used to determine different actors' level of interest at different stages of the development process**.

A structural approach to systematic stakeholder engagement throughout the strategy process requires decision makers to carefully **anticipate bottlenecks and mitigate risks** (see also Cross-Sectoral Integration chapter). Common obstacles include institutional barriers such as a **fragmentation of administrative actors or poor legal frameworks**. When responsibilities are scattered across sub-areas administered by different actors, consultation and accountability will most likely be weak. Also, the **absence of a sound legal framework that includes standards for inclusive decision making**, and capacity to assess

compliance to these standards, hampers effective and enduring stakeholder engagement. Another category of obstacles concerns bottlenecks that impede effective implementation of the stakeholder engagement process. Here, the process itself is not questioned, but **poor logistics, process issues or conflicting goals** hinder it. In this respect, engagement efforts should be allocated staffing and budget, similar to other components of the policy development process.

**Various mechanisms and tools are available to support enduring stakeholder engagement.** These mechanisms or tools can be classified into two types: 1) **formal mechanisms**, referring to tools with an institutional or legal basis, such as an official agreement, a contract, or charter with clear operating rules and priorities, and 2) **informal mechanisms**, referring to agreements and collaboration efforts implemented at the discretion of the convener of the engagement process. An advantage of the formal structure is that a clear set of rules, platforms and vehicles are likely to lay the groundwork for effective stakeholder engagement throughout the process. A disadvantage could be that it might facilitate institutional lobbying. One advantage of informal mechanisms is flexibility, as there is an open atmosphere that fosters discussion and a sense of community. Also, meetings and workshops are adaptable in timeframe and scale, while they can be applied to a whole range of issues. Actors can express their wishes, needs and concerns. However, without a minimal support structure, it will be difficult to incorporate their views into final decisions. In this respect, follow-up is needed to transform these views into actual contributions, beyond information-sharing. What kind of stakeholder mechanism is best depends on the context, the stakeholders concerned, the policy goals targeted, and local needs.

Finally, **to improve future stakeholder engagement, the effectiveness, costs and benefits of the approach should be evaluated.** This can also increase accountability for decision-makers, measuring how far public and institutional resources, including stakeholder's time and efforts, have been used effectively. In the short term, dialogue and cooperation can lead to higher-quality decision-making and increased willingness from stakeholders to solve common problems. Long-term benefits may include more confidence in government decisions or capacity-building.

Special attention should be paid to **supporting the involvement of stakeholders that cannot easily participate by themselves**, for a variety of reasons (finances, language, different cultural background, etc.), but are important from the perspective of the programme.

Finally, it should be noted that **stakeholder engagement also requires continuous effort from the actor that initiates it.** Stakeholder engagement takes a lot of time, and thus requires open-mindedness and a willing to listen and learn.

*Additional resource***URBACT: MAINTAINING INVOLVEMENT OF LOCAL STAKEHOLDERS AND ORGANISING DECISION MAKING FOR IMPLEMENTATION**

URBACT provides guidance on seven different implementation challenges, in order to support cities in exploring the common difficulties in implementing integrated action plans. Each of the seven challenges is addressed by a separate piece of guidance, but all of them are interlinked. The guidance on the second implementation challenge concerns maintaining stakeholder involvement and organising decision-making for implementation. First, the guidance discusses the specific nature of this challenge, addressing key issues such as:

- understanding the different relationships between stakeholders and the different roles they play in the implementations process
- taking account of the role of political stakeholders and challenges related to operating in a political arena
- understanding that working directly with communities and citizens requires a lot of effort, since expectations and ways of working can be very different
- recognising that the implementation phase is different to the planning phase and that partnerships need to change accordingly
- recognising that the need for setting up governance structures for delivering action plans requires changes from the governance arrangements in place during the planning phase

Subsequently, the guidance provides suggestions for tackling the challenges in practice. For example, it provides a checklist of information to look for and consider (e.g. Do you know who all your stakeholders are? Have you carried an out active analysis on them? etc.). It also suggests several different tools and support programmes, such as the URBACT Stakeholder Ecosystem mapping tool and the Participants Learning Kit, as well as the iPESLE method that helps to assess what kind of local context the strategy operates in. This is useful for getting a better understanding of what might be important to local partners and what challenges they may face.

**For more information**

<https://urbact.eu/participatory-implementation>

## RECOMMENDATIONS

- Start the process of stakeholder involvement by mapping all potential stakeholders.
  - ▶ A careful mapping of stakeholders helps to determine the most influential stakeholders.
  - ▶ Stakeholders can be mapped in terms of their roles, responsibilities, influence, motivations, level of connectivity and scale.
  - ▶ Consider all stakeholders that have a stake in the outcome or that are likely to be affected, including public and private stakeholders.
- Discuss expectations, responsibilities and process involvement ahead of time with the various stakeholders.
  - ▶ Understanding the core motivations (and mandate) of each stakeholder is crucial in assessing the level of stakeholder influence and degree of engagement.
  - ▶ Anticipate that partnerships need to change while moving from one phase of the strategy to another (e.g. from the preparatory and planning phase to the implementation phase).
  - ▶ Review whether the governance structure is also suitable for the implementation phase.
  - ▶ Define in advance the ultimate line of decision-making, the objective for stakeholder engagement, and the expected use of inputs. This can also help clarify issues relating to communication, trust, consensus-building and solidarity.
- Allocate proper financial and human resources to stakeholder engagement.
  - ▶ Avoid fragmentation and provide a single point of contact for all stakeholders.
  - ▶ Use clear and understandable language and avoid jargon.
  - ▶ Maintain open-mindedness throughout the process in order to learn and grow.

## THE BOTTOM-UP AND PARTICIPATORY APPROACH

### *In this section we address:*

*How can CLLD contribute to bottom-up and participatory approaches, and what can we learn from it?*

*What are alternative ways to stimulate and strengthen citizen engagement?*

Cohesion policy covers the development of every city and region in the EU. Its objectives require governance mechanisms that focus on sub-national levels and emphasise 'bottom-up' processes and citizen engagement. The 2014-2020 cohesion policy programming period introduced a new territorial tool to address local development, called community-led local development (CLLD).

CLLD aims to encourage an integrated bottom-up approach to territorial development through strong representation of local actors, as well as significant financial support for strategy implementation and the related participatory process (Servillo & de Bruijn, 2018). CLLD is expected to promote community ownership by increased participation. Moreover, **the approach supports multi-level governance by providing local communities with a way to fully take part in shaping the implementation of EU objectives** (Czischke & Pascariu, 2015).

The CLLD initiative is based on the success of the LEADER programme<sup>29</sup>, and borrows some of its key principles. However, two important financial innovations characterise CLLD in comparison to LEADER. First, it offers a wider use of funds, including ERDF and ESF (whereas LEADER was limited to EAFRD and EMFF). Second, it offers the possibility of integrating funds in support of a local development strategy (see Funding and Finance chapter). Furthermore, while LEADER was applied only to the rural context, CLLD can also be used for urban areas. In particular, **it is an area-based local development strategy for sub-regional areas that have a population of between 10,000 and 150,000 inhabitants** (derogations are permitted when justified). Following this, it is specifically suited to small and medium-sized towns, or to neighbourhoods in large cities.

Another main characteristic of CLLD is that **the bottom-up approach should include the establishment of a Local Action Group (LAG)** to take charge of the entire local development strategy process. Essentially, an LAG is a public-private partnership with decision-making powers. **None of the actors included in the LAG can have a majority.** In practice this means that the local municipality gives up its decision-making right, although it has a say as one of the participants (but it has to accept if the majority of opinions are different to its own) (Servillo & de Bruijn, 2018).

*Be careful!*

An associated concern is that unaccountable local groups will overshadow the democratically elected officials and the public sector. However, recent examples of CLLD indicated that elected members considered the approach to have enriched the democratic process rather than hindered it (Czischke & Pascariu, 2015).

Besides establishing a LAG, CLLD should be carried out through an integrated and multi-sectoral local development strategy that identifies a target area and related population, and includes an analysis that lays out the approach' strengths, weaknesses, opportunities, and threats (SWOT analysis).

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<sup>29</sup> The term 'LEADER' originally came from the French acronym for 'Liaison Entre Actions de Développement de l'Économie Rurale', meaning 'Links between the rural economy and development actions'. More information available at: [https://enrd.ec.europa.eu/leader-clld\\_en](https://enrd.ec.europa.eu/leader-clld_en)

Furthermore, the territorial strategy itself should be analysed (vision, action plan, management and monitoring plan, and financial structure).

Similar to SUD, CLLD is one of the territorial delivery mechanisms for integrated approaches to local development, and they were expected to complement each other. However, an assessment of SUD strategies implemented during 2014-2020 shows **that the integration of CLLD strategies has been very limited** (Van der Zwet et al., 2017). Nonetheless, some selected cases illustrate its potential added value.

## **How can CLLD contribute to bottom-up and participatory approaches, and what can we learn from it?**

The strong participative element of CLLD is especially useful when a strategy's aim is **to foster social cohesion, enhance citizen participation, and/or to promote capacity-building**. In this respect, it is **a powerful tool for work in deprived neighbourhoods**. CLLD can be seen as an approach that starts from the demand side of local development, taking the needs of local people as a starting point. One especially novel element is that strategies are designed and projects are selected by local entities. In this way, people become active partners in the policy, rather than passive 'beneficiaries'. It is stated that involving people in the co-production, brings several important benefits:

- people who were seen as the problem are empowered to become part of the solution;
- their direct experience in combination with the views of other stakeholders can help to adapt policies far better to real needs and opportunities;
- their involvement in the process increases their capacity to act and take constructive initiatives;
- this in turn fosters a sense of local identity and pride, as well as a feeling of ownership of and responsibility for activities, which increases capacity to act and take constructive initiatives;
- taking part as equal around the table with other partners builds bridges and trust between people, private enterprises, public institutions and sectoral interest groups.

In short, CLLD responds to an urgent need to find ways of **building trust with and engagement of local people**<sup>30</sup>. Its bottom-up form of

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<sup>30</sup> Guidance on Community-Led Development for Local Actors. See: [https://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/guidance\\_clld\\_local\\_actors.pdf](https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_clld_local_actors.pdf)

governance triggers a new way of approaching the territory, creating the conditions necessary to pursue social innovation, and identify unexpressed needs (Servillo, 2017).

Overall, CLLD implementation for the 2014-2020 programming period shows that general uptake was much broader than within SUD (supporting almost 800 LAGs, of which almost one-third has an explicit urban development focus). However, the geographical spread showed important differences, whereby the EU13 Member States made much more use of it than the EU15 (the older EU Member States), which generally have more experience with LEADER.

In some Member States, it is expected that CLLD will be taken up in relation to SUD strategies, but there is no dedicated budget (as in the case of Lithuania). In other Member States (SK, HU, LV), CLLD is not part of the SUD strategy, but will be implemented in its territory. And in still other cases (GR, IT, PT, HU, RO, SI), the use of CLLD is planned, but it is not clear how far it will be related to SUD (Van der Zwet et al., 2017). One of the best examples of urban CLLDs is that of Scheveningen (NL), which has been established within the ITI mechanism of The Hague (NL).

### *Learning from practice*

#### **SUD STRATEGY IN THE HAGUE AND CLLD STRATEGY IN SCHEVENINGEN (NL)**

The Hague is one of the four largest cities in the Netherlands. Its SUD strategy is implemented by means of an ITI mechanism, and targets a broad range of objectives in relation to innovation, the low-carbon economy, and improving the business climate and job opportunities. The strategy is embedded in the city's official implementation programme, which is called Haags Uitvoeringsprogramma (HUP). The strategy targets six neighbourhoods which are considered to be of strategic importance, either because they provide opportunities for economic growth, or for urban regeneration. In this respect, the Scheveningen area, and specifically its harbour and coastal parts, is identified as a key strategic location for growth and employment opportunities. Therefore, this area is supported by CLLD.

More specifically, Scheveningen is an area of the city of The Hague that borders the beach and it is a recognised tourist destination. At the same time, it also experiences some issues of social and economic marginalisation. The area is further known for its strong local identity and active community, at times also expressing an anti-establishment attitude. In particular, the CLLD has been used to face the latent social

tension between the local population and the local authority. The local community had expressed the feelings that it was not involved enough in decision-making processes. CLLD and the establishment of an LAG led by the SIOS Foundation enabled a bottom-up approach. The LAG also includes three SMEs, a representative from the cultural sectors, a representative from the sports sector and three groups of local residents. The LA and the MA are not involved in the decision-making process or in the monitoring of the strategy, but act as an facilitator. The city hired an independent chair for the group.

The most innovative aspect of the approach was that inhabitants could initiate projects themselves, with SIOS Foundation support, aimed at improving their own residential area. In order to overcome possible conflicts between different stakeholders within the partnership, a professional mediator was in charge of bringing all the groups together. Furthermore, The LAG introduced an innovative approach to project selection, involving citizens online or through local newspapers. Given that the use of CLLD is new, there are some challenges. First of all, funding is relatively low, and therefore scale is limited. Besides, much of the work is dependent on local volunteers, for whom the implementation process can be complex. Also, the public voting system for project selection experienced some difficulties either in terms of costs or achieving results.

Overall, one clear added value of the CLLD is the active involvement of local citizens that has potentially increased the sense of democracy. It also provided citizens with some practical insights into the different view within the community, most likely increasing acceptance of project decisions. Finally, the project has brought people together who do not usually come into contact with each other. This might also foster new forms of collaboration. Finally, the CLLD in Scheveningen shows that its smaller-scale projects (compared to those under regular ERDF funding) speed up the delivery of the initiatives.

### **For more information**

Czischke D., and Pascariu, S., The participatory approach to sustainable urban development in the cohesion policy period 2014-2020: making CLLD in urban areas work, URBACT, 2015. Available at:

[https://urbact.eu/sites/default/files/clld\\_thematic\\_report.pdf](https://urbact.eu/sites/default/files/clld_thematic_report.pdf)

STRAT-Board strategy fact-sheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=NL-001&fullscreen=yes>

Although the exact implementation of CLLD in relation to SUD 2014-2020 still needs to be assessed, it is hypothesised that its limited use follows from the **high level of perceived administrative risk**. This is to say, CLLD implies delegating power and many of the project promoters are relatively 'small players' with relatively large numbers of projects per million of expenditure. Furthermore, CLLD aims to limit the decision-making power of the municipality and this is just the opposite of the trend started with ITI, namely an increase in the role of local municipalities.

Another more general reason might be that successful implementation of **LEADER has paradoxically impeded financial and thematic innovation**. Moreover, the **relatively limited financial support for the EU15**, in combination with an inherently stronger thematic concentration on TOs 1 (research and innovation), 2 (access to information and communication technologies), 3 (competitiveness of small and medium enterprises), and 4 (the low-carbon economy), while CLLD arguably related best to TO 9 (social inclusion), may also have decreased uptake. It can further be assumed that the **additional administrative burden** that follows from combining multiple funds (see also Funding and Finance chapter), is an obstacle to implementation, although the CLLD setup has reduced complexity substantially (Servillo, 2017).

Also, **institutional and political cultures may affect how far CLLD is considered**: some countries have a tradition of self-governance and horizontal decision-making (e.g. Finland, Sweden and the Netherlands) and others less so. Arguably, the former are more inclined to use CLLD (Czischke & Pascariu, 2015).

One possible way to improve the take-up of CLLD is **to focus on marketing and on providing guidance to potential applicants**. For example, in the Czech Republic the MA supports project applications and CLLD LAGs by providing instruction videos on YouTube, showing how to operate the electronic monitoring system for managing calls and project applications (Ferry et al., 2018).

Furthermore, to promote CLLD it is important that **the achievements of the LAGs are made visible**, whereby there is continuous evaluation of the implementation of local development strategies, ensuring results and assessing performance and long-term impacts. Data on **successful examples of CLLD in urban areas can be collected while information and motivation campaigns can promote wider uptake**. Training can also support local actors and public administration in better understanding how CLLD in urban areas can be used (Haken, 2017).

## What are alternative ways to stimulate and strengthen citizen engagement?

While the best way to fully exploit the potential of CLLD requires assessment, its use may not be necessary in all cases, whereas **some domestic arrangements already foster local community engagement**. There are some examples of SUD strategies that make use of approaches similar to CLLD with regards to citizen engagement in urban contexts. For example, in Finland, the OP supports civic-led development in the urban areas across the Six City Strategy. Also in Brussels (BE), the OP explicitly supports the development of a participatory framework in order to support a more inclusive approach to project development. Furthermore, in Berlin (DE), CLLD was considered in order to ensure the engagement of local actors in integrated location-specific strategies, but it was noted that community led development is already embedded in the domestic approach (*ZIS II*). See also the example of the SUD strategy in Reggio Emilia (IT) below (Van der Zwet et al., 2017).

### SUD STRATEGY IN REGGIO EMILIA (IT)

Reggio Emilia is one of the eight provincial capitals of the Italian Emilia Romagna region. The SUD strategy (2014-2020) was implemented using a multi-theme priority axis and the wider strategy focuses on education, a community welfare model for the provision of social services, and entrepreneurship based on start-ups and the smart city approach.

The strategy's interventions specifically target the refurbishment, functional re-qualification and promotion of the St. Peter Cloisters, located in the historic city centre. The aim is to use the building as an event space and a hub for social innovation. In this respect, a so-called 'Open Lab' will be established on the premises. It is expected that this lab will also benefit the wider municipality and the surrounding territory. In particular, the St. Peter Cloisters will be an 'incubator' for social innovation, promoting bottom-up projects developed through a co-design process with citizens at neighbourhood scale in the frame of the public policy 'Quartiere Bene Comune'.

The development of the strategy document entailed a range of participatory governance and stakeholder engagement activities. The municipality (that acts as the IB) managed the consultation process, with support from academics and consultants. The process consisted of four stages: listening, project co-development,

*Learning from practice*

experimentation and prototyping, and development and guidelines. Together, the four stages led to the identification of the strategy's main themes.

Also, the interventions have been characterised by strong stakeholder involvement and civic engagement, conducted under a project named Collaboratorio-RE (merging the Italian words 'collaborazione' (collaboration) and 'laboratorio' (workshop)). In this respect, a structured process of consultations with local stakeholders and civil society was used to determine the scope of the Open Lab activities. Firstly, this included a top down analysis of needs through a study conducted by the University of Modena-Reggio Emilia. Second, bottom-up stakeholder input was obtained by means of a (large) number of meetings, special gatherings, and brainstorming exercises. This responded to the objective to co-build the initiative together with citizens.

A managing body will be selected to run the Open Lab, with responsibility for managing the Lab and the associated cafeteria. This body will also co-manage the redeveloped space together with the municipality. It is expected that this redeveloped space will host activities for a much wider territorial and thematic scope than the Open Lab. However, at time of writing, it was considered a challenge to find local people equipped with the necessary skills. Arguably, the development of the strategy would have benefitted from a simplification of administrative procedures linked to the ROP, and from more structural preparatory work to engage local operators. However, the consultation process for both the strategy and the interventions has evaluated as very successful. It is further assumed that these processes of co-creation have strengthened policy ownership, responsiveness, and political accountability.

### For more information

STRAT-Board strategy fact-sheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=IT-076&fullscreen=yes>

It is important to note that in most SUD strategies, **citizen engagement is restricted to the early stages of strategy development**. Many partnerships involve all relevant agencies in horizontal and vertical chains, but only few directly involve citizens, and when they do, the **dialogue is often one-sided**. Probably, this is down to limited resources and the fact that the management of these stakeholder groups is one of the easier

areas to spend less time on. Also, civil servants can be deeply resistant to opening up to citizens, fearing that it will be a burdensome process, or not wanting to delegate power below their own level, which is also known as the **subsidiarity barrier** (URBACT, 2019).

Thus, a key challenge is to keep citizens and communities involved throughout the process, to gain their input and **to increase the legitimacy of the operational decisions that will arguably impact the quality of their lives most directly**. Citizen participation or engagement should **go beyond ‘ad hoc involvement’** such as public hearings or public comment periods, and should be a dynamic process with end users – citizens – centre stage. In this respect, Sherry Arnstein (1969) describes a **ladder of citizen participation** that shows participation from high to low.

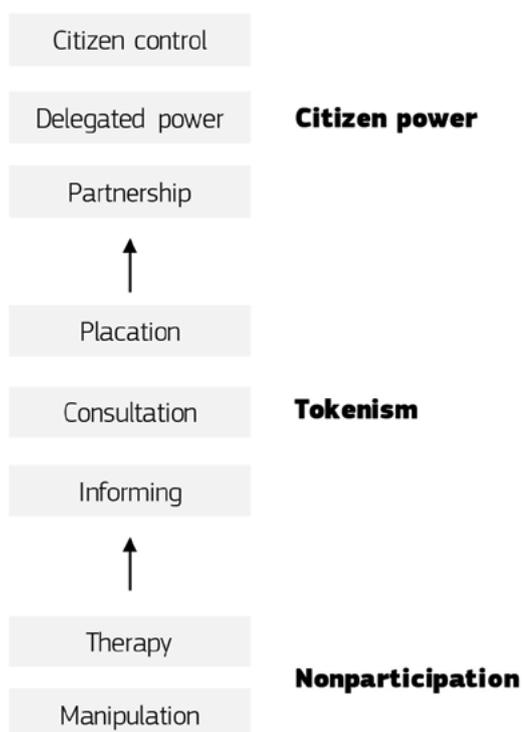


FIG. 1. Sherry Arnstein's ladder of participation  
Source: own elaboration based on URBACT, 2019.

In general, the lower two rungs are not considered participation at all, whereas the middle three are described as tokenism; citizens are allowed to hear and to have a voice, but they lack power to ensure their views will be taken on board. Only the upper three rungs - 'partnership, delegation, and citizen control' - are considered truly meaningful in term of citizen participation, enabling citizens to take part in negotiations and engage in trade-offs with traditional power holders. Moreover, when it comes to the top two rungs, citizens obtain the majority of decision-making seats of full managerial power. While the ladder is obviously a simplification, its main purpose is to show that important gradations of citizen participation exist, and that real participation is ultimately about citizen control.

Despite the challenges associated with empowering citizens to address local problems, URBACT is also seeing **a growing interest at city and neighbourhood level in pursuing deeper approaches to citizen participation**. Recently, there have been more and more examples of participatory budgeting (see Funding and Finance chapter) and digital platforms. For example, in Paris (FR), citizens can submit proposals for local projects and vote on how public investments will be spend. Paris uses this model as a platform to build citizen engagement and transform the working relationship with the municipality. A similar approach exists in Cascais (PT) and both cities are labelled as URBACT best practices. Furthermore, in Madrid (ES) a new platform has been introduced to involve citizens in proposing new initiatives through their Decide Madrid Portal, stemming from the city's commitment to widening citizen participation. Also Athens (GR) has established a digital civic platform, providing both digital and physical space for civil society and public sector collaboration. Since its launch in 2013, it has enabled almost 400 groups to design and provide over 3000 services for vulnerable groups (URBACT, 2019). Finally, although there are mechanisms from the national to the local level that foster local community engagement, this is not at all the case in all EU countries, and it can even differ within countries. Therefore, along with the alternative approaches, CLLD has to be considered an important tool, based on a set of well-elaborated regulations, to safeguard citizen involvement. For all these reasons CLLD should be further promoted in the post-2020 period, and better links developed to other tools such as ITI.

## RECOMMENDATIONS

- Go beyond 'tokenism' in citizen engagement.
  - ▶ To enable citizens to have a real say in policies that will directly affect their lives, citizen participation should move beyond 'tokenism' and one-sided dialogue.
  - ▶ Public officials should recognise citizen input as meaningful and complementary to the policy process. This suggests a shift in attitude from 'we know best' to 'between us, we know best'.
- Choose a targeted approach to participation.
  - ▶ One key to successful and meaningful participation is looking beyond the usual suspect normally involved in the policy-making process. Some groups are structurally under-represented in decision-making (most notably vulnerable groups such as migrants and women). If policies are likely to affect these groups, special effort should be made to engage them.
- Explore the different ways in which citizen participation can be fostered.

- ▶ Citizens can nowadays be involved in the policy-making process by many different means. It is essential to understand which methods are most suitable for what kind of engagement, taking advantage of the growing range of media to get the message across. In this respect, alternative pioneering platforms should be considered, such as participative budgets, crowdsourcing tools and citizen assemblies.
- Look at lessons learned and share instruments for participation between cities.
  - ▶ Based on a growing repertoire of tools, cities should improve their capacity to capture and share their experiences. By sharing, cities can build their capacity to support higher levels of citizen participation.
- Explore the uptake and advantages of CLLD.
  - ▶ Technical Assistance can be used to build knowledge about CLLD in regions where territorial tools are deployed and to disseminate this knowledge where CLLD has no or limited uptake.

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# CROSS-SECTORAL INTEGRATION

## Contributors

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**Urban issues** cannot be tackled using sectoral policies alone. Their complex nature implies that various dimensions of the problem are interlinked, mutually reinforcing each other. For this reason, solving urban questions requires **cross-sectoral integrated strategies**, built on a wider information base, and tackled through more collaborative **governance** (see also Governance chapter). Creating integrated strategies means covering gaps and blind spots in policy-making, and reconciling urban planning with other urban-related policy sectors (Leipzig Charter on Sustainable Cities, 2007; Pact of Amsterdam, 2016).

The concept of **sustainable development**, as introduced by European and global organisations, highlights the **complementarity** of actions in multiple policy areas – namely: the social, economic and environmental areas – in setting local governments trajectories and **goals**. The United Nations' (UN) *New Urban Agenda* (2016) has set the need for broad cross-sectoral and cross-level integration as one of its fundamental requirements for policy and institutional change. According to the Agenda, cities should aim to achieve 'an enabling environment and a wide range of means of implementation, including access to science, technology and innovation and enhanced knowledge-sharing on mutually agreed terms, as well as capacity development and mobilisation of financial resources' (NUA, 2016). The UN's Sustainable Development Goals emphasise the importance of implementing them jointly, with them being intertwined and multi-dimensional concepts. According to the Organisation for Economic Co-operation and Development (OECD), 'enhanced policy coherence for sustainable development can help identify and manage these relationships and limit or overcome any negative impact'. To this end, 'an effective and inclusive institutional mechanism to address policy interaction across sectors and align actions between levels of government' is required (OECD, 2019).

For the European Commission (EC), **integration** is a key dimension of **cohesion policy**. Within this context, integration means coordination between policy areas (horizontal), between different levels of government (vertical) and across different territorial scales and areas (territorial) (see

Introduction). The **cross-sectoral approach**, more specifically, describes **the need to overcome the 'silos' structure, meaning the sectoral/policy field division of functions characterising public organisations**. The cross-sectoral approach entails both a horizontal and vertical dimension, referring in the former case to the relationship between departments in the same administration and in the latter to departments working in different administrations, or between government departments and external/private providers of services.

**Cross-sectoral integration** therefore means:

- ensuring **coherence in policy-making principles and objectives** among different policy sectors in public administrations, and **aligning priorities and timeframes**;
- **collaboration among different departments**, and across levels, in order to co-produce policies.

For an effective cross-sectoral integration to take place, all levels of administration should first agree on a form of collaboration conceived of as more than a purely organisational effort where powers and responsibilities are left unquestioned.

According to this principle, a cross-sectoral approach must be used, and must be based on explicit local needs and problems. The main aim of the approach is in fact to **anticipate and contrast possible negative externalities** of one-dimensional policies at local level, in order to avoid conflicting consequences and to make interventions in cities more effective (EC, 2019). Going beyond an immediate sectoral answer, considering how it can benefit from, or at least not jeopardise, other strategic objectives, raises awareness of the broader system in which every urban intervention is embedded. Furthermore, the approach allows administrations to add value to less institutionalised or more categorised issues (like gender, migration, climate change, etc.), building a multi-faceted and more effective answer to apparently straightforward traditional problems (building a new housing complex, opening a new school, introducing a new bus line, etc.). This flexibility is supposed to be further enhanced in the next programming period (2021-2027) by the introduction in the proposed regulations of policy objectives (POs) with broader scope, in place of the sectoral thematic objectives (TOs). Integration of funds at higher levels of EU architecture is intended to allow more freedom at all administrative levels, while maintaining a consistent framework.

The cross-sectoral integrated approach, though, is different from the 'holistic model of sustainable city development' (EC, 2011). The two are actually complementary: the holistic model provides a comprehensive view and guarantees overall coherence among policies, ensuring that no dimension is left behind; the integrated approach introduces a **pragmatic perspective**, producing

added value from the joint consideration of multiple policies, building on **governance capacity** and **funding** and **implementation instruments**.

Sustainable Urban Development (SUD), as envisioned in the 2014-2020 funding programme, can enhance cross-sectoral policy-making in this direction (Czischke & Pascariu, 2015), providing the framework for synergies among institutions and setting the stage for organising urban policies in accordance with multiple resources. According to Article 7 of European Regional Development Fund (ERDF):

*Integrated urban strategies should be comprised of **interlinked actions** which seek to bring about a lasting improvement in the **economic, environmental, climate, social and demographic conditions** of urban areas. Whilst **the operations supported by ESI funds need not cover all these elements, the wider strategy must take account of all the aspects listed**. [...] interrelated and interlinked, it means that actions should not be proposed and funded in complete isolation from each other, but rather that they should be developed within the context of a wider integrated strategy with the clear aim of **creating a coherent and integrated response to the problems of the urban area concerned**. (EC, 2016, p.8).*

Against this backdrop, cities have been asked to shape cross-sectoral integrated policies and projects, adopting this approach throughout the policy cycle. Strategic planning is based in fact on an agreement between actors, whose partnerships must consider a number of cross-cutting issues in their work. These cross-cutting issues help to ‘connect the dots’ within and between thematic partnerships.

From this point of view, cross-sectoral integration is useful in overcoming possible **bottlenecks in strategy- and policy-making**.

But while the formulation of urban strategies should be realised in an integrated way almost by definition, the phases of their implementation can be more difficult. Overcoming sectoral division is **not a solution to every problem** (URBACT, 2019). Authorities and officials willing to engage in cross-sectoral integration have to deal with many **challenges**.

In this chapter, cross-sectoral approach will be discussed in relation to two main components:

- **cross-sectoral integration within cohesion policy structure**, where the main challenges involve creating an enabling environment for integration at all levels, and dealing with existing conditionalities to guarantee that other cohesion goals are met – namely, thematic concentration;
- **cross-sectoral integration in territorial governance**, where local actors struggle to overcome the strict internal organisation of territorial administrations, and to include a wide range of public and private actors in the implementation of cross-sectoral projects.

# CROSS-SECTORAL INTEGRATION WITHIN COHESION POLICY STRUCTURE

## *In this section we address:*

*How to integrate themes at the operational programme level?*

*How to achieve cross-sectoral integration with a limited number of thematic objectives available (thematic concentration)?*

Sustainable Urban Development in the EU's cohesion policy aims to promote complementary actions in multiple policy areas.

The structure and regulations of cohesion policy funds set the principles for enhancing these synergies through a process of selection and interpretation of the dimensions involved in development disparities. Themes and bundles of themes selected by the EC for the distribution of its funds – namely thematic objectives and investment priorities (IPs) – are therefore those able to tackle the problems of unbalanced development, but also those for which the EC's contribution can be more effective in smoothing the process of policy implementation.

*Member States and regions shall ensure that the interventions supported by ESI funds are complementary and are implemented in a coordinated manner with a view to creating synergies, in order to reduce the administrative cost and burden for managing bodies and beneficiaries [...]. (Annex I, 3.1.2, Common Provision Regulation).*

The 'urban' dimension of development, in particular, acts as a boundary object, enabling collaboration between the EU and territorial authorities. More broadly, urban development related Priorities and Programmes help to enhance a multilevel and cross-sectoral governance system.

Managing authorities (MAs) especially should guarantee the integration of all the relevant themes in SUD strategies, smoothing mismatches between local and cohesion policy objectives and guaranteeing proper technical support to local authorities (LAs). In relation to cities' needs, and cohesion policy progress, issues and effectiveness linked to funds can vary, requiring those bundles to be reframed, as well as the conditions for their use. For this reason, the architecture of funds, in its evolution from one programming period to the next, has tried to enhance flexibility and has proposed new instruments. Nonetheless, the analysis of SUD strategy-making in the current programming period (2014-2020) has highlighted the difficulties encountered by both MAs and LAs in integrating different thematic objectives and, eventually, including more European Structural and Investment (ESI) funds in the design and implementation of SUD strategies.

All these difficulties can be classified into two main challenges as follows.

## How to integrate themes at operational programme level?

Regulations play an important role in defining the conditions and possibilities for integrating themes into operational programmes (OPs). The Common Provisions Regulation collects the basic features of the different funds, allowing a holistic view of possible synergies but also of the limitations imposed. In this way, the EC gives territorial authorities an overview of funding possibilities and explains how to, eventually, join more funds. Common provisions, though, maintain thematic silos which are used to divide up funds. A first step in cross-sectoral integration can be found in individual funds structures. In ERDF, in particular, integration of policies at local level is proactively envisioned in two ways. First, Article 7 fosters the integration of multiple, diverse policies through SUD strategies as the proper way to approach urban development<sup>31</sup> (see Introduction). Secondly, even though all investment priorities are possible under a SUD strategy, ERDF Regulation brings forward specific urban-related investment priorities:

- 4.e. promoting low-carbon strategies for all types of territories, especially for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures;
- 6.e. taking action to improve the urban environment, to revitalise cities, to regenerate and decontaminate brownfield sites (including conversion areas), to reduce air pollution and to promote noise-reduction measures;
- 9.b. providing support for physical, economic and social regeneration of deprived communities in urban and rural areas;

These IPs acknowledge the transverse relevance of urban-related issues. The proposed regulation for the 2021-2027 programming period modifies funds architecture even more in this direction:

- the urban dimension of cohesion policy is strengthened, with the proposal to raise the minimum percentage of ERDF dedicated to sustainable urban development from 5%, as in 2014-2020 period, to 6% for 2021-2027;
- the eleven thematic objectives are consolidated into five policy objectives<sup>32</sup>.

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<sup>31</sup> Regulation (EU) No 1301/2013, Art. 7, comma 1: 'The ERDF shall support, within operational programmes, sustainable urban development through strategies that set out integrated actions to tackle the economic, environmental, climate, demographic and social challenges affecting urban areas, while taking into account the need to promote urban-rural linkages.'

<sup>32</sup> The new objectives focus on having 'a (1) Smarter, (2) Greener, (3) Connected, and (4) Social Europe'. A new cross-cutting objective (5) is then dedicated to bring Europe closer to citizens by supporting locally developed investment strategies across the EU (EC, 2019).

This second decision broadens the scope of each objective, allowing Member States to be more flexible in shifting funds within a priority area. For instance, investments in administrative capacity can now be delivered under each policy objective instead of needing a separate policy objective (TO11 in 2014–2020). The urban dimension, in particular, can be now tackled in a new way: combining IPs from POs 1–4 in the cross-cutting PO5, which promotes integrated territorial development.

## PO5 AND POST-2020 REGULATIONS

The proposed post-2020 framework offers more flexibility in terms of funds and aggregation of thematic objectives. The aim is to allow local strategies to fully integrate policies and sectors according to their particular needs. In particular, the proposal for the new funding programme introduces Policy Objective 5 (PO5) – ‘Europe closer to citizens’. The eleven TOs for 2014–2020 are consolidated into five policy objectives, but only PO5 allows full thematic flexibility. It frames two specific objectives:

- fostering integrated social, economic, cultural and environmental development and security in urban areas;
- fostering integrated social, economic, cultural and environmental local development and security, including rural and coastal areas.

Those can be reached combining different interventions of the other four POs, in addition to the intervention fields explicitly listed under PO5: public investments in tourism assets and services, cultural and natural heritage, regeneration and security of public places.

Considering that PO5 can combine activities financed under all other policy objectives, it enables a genuinely multi-sectoral integrated approach tailored to the local context.

### For more information

Proposal for a Regulation Of The European Parliament And Of The Council on the European Regional Development Fund and on the Cohesion Fund:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A372%3AFIN>

*Additional resource*

Steps in this direction are set to guarantee more degrees of freedom for territorial authorities, acknowledging that relevant synergies between policy sectors can only be achieved by including bottom-up needs, taking local actors’ capabilities into consideration.

In pursuing this goal, a **major role is taken by managing authorities**. Being in charge of drafting the operational programmes, they can increase the coherence and efficiency of funding; they can select objectives early in the process, distribute tasks and decide strategies' territorial focus – taking account of the existing administrative organisation (FUA, metropolitan area, city, etc.).

According to analysis of 2014-2020 experiences, those decisions are more effective when based on a dialogue with the authorities involved, including those in charge of managing other EU funds – in particular, the European Social Fund (ESF). This dialogue is not only fundamental in the realisation of SUD strategies, but also responds to the partnership and multi-level governance principles set in the Common Provision Regulation<sup>33</sup> (see Governance chapter).

### *Learning from practice*

## **TUSCANY REGIONAL OPERATIONAL PROGRAMME (IT)**

Tuscany Regional Operational Programme is the result of an **experienced management structure** and of a **process of co-design** of programme priorities, involving both managing and local authorities. Cross-sectoral integration is thus pursued, creating a network of support and coordination inside MA departments, and opening the programming process to territorial instances.

The funds management system is embedded in the extant administrative structure: a traditional sectoral organisation complemented by a solid governance system, based on strong and long-standing links between the Region and the municipalities. The result is a 'diffuse' organisation, where programming and management functions are distinct: a central coordination office is in charge of the programme, i.e. writing and structuring the OP and the Urban Axis; meanwhile, each administrative department manages and monitors actions separately.

The Urban Axis, in particular, has a manager in charge of vertical integration (with beneficiaries) and of horizontal integration (within administrative sectors). At the same time, the actions included in the Axis are actualised by the relevant departments. All the officials,

<sup>33</sup> See also Article 6 of the Proposal for a Regulation of the European Parliament and of the Council. COM (2018) 375: '(1) Each Member State shall organise a partnership with the competent regional and local authorities. [...] (2) In accordance with the multi-level governance principle, the Member State shall involve those partners in the preparation of Partnership Agreements and throughout the preparation and implementation of programmes'.

according to their tasks, are in close contact with local authorities, and also exercise a technical support function.

This close relation stands from the beginning as a fundamental part of the process. The first step in writing the OP is a co-design phase in collaboration with local authorities, in order to delineate objectives and actions for territorial development. Despite the choice to include only two TOs in the Urban Axis (namely TO4 (the low-carbon economy) and TO9 (social inclusion)), the collaborative design of the IPs allowed the MA to articulate them in a way that reflects upstream the transverse needs of the whole area.

The links between ERDF and ESF funds are also sketched in the programming phase. The OP is built in dialogue between managing authorities. For instance, correlation with ESF programming was part of the selection criteria for strategies.

SUD strategies, in fact, are selected through a call for interest directed to cities. This choice helps the MA to stimulate the inclusion of specific features in the strategic documents. Among those, the call asks for clarity on connections with other public and private funds: although bundling multiple funds is not a requirement *per se*, these synergies are seen as a plus.

The Programme encourages holistic strategies as well, not only focusing on fund-related topics. This incentive, far from creating a mismatch with the objectives fixed in the OP, allows cities to elaborate their objectives more freely, and allows a higher degree of flexibility in topic integration.

### For more information

STRAT-Board strategy fact-sheet: [https://ec.europa.eu/regional\\_policy/en/atlas/programmes/2014-2020/italy/2014IT16RFOP017](https://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/italy/2014IT16RFOP017)

Official website of Regione Toscana:

<http://www.regione.toscana.it/porcreo-fesr-2014-2020>

<http://www.regione.toscana.it/-/por-fesr-2014-2020-i-progetti-di-innovazione-urbana-piu->

For instance, MAs can encourage LAs to draft broad strategies, encompassing and integrating several themes and policy fields, but also clearly stating the mutual interactions among objectives. This information will make it easier to foresee their implementation through integrated projects directly referring to those objectives.

Further encouragement can be provided by organising a competitive selection process for SUD strategies, or at least a 'call for interest'. Through these

*Be careful!*

procedures, MAs can ask local administrations to fulfil specific conditions (as a more or less binding requirement, according to the capabilities of the involved cities). These conditions can be the integration of specific bundles of IPs, or collaboration among multiple departments.

MAs can also facilitate cross-sectoral integration by their **choice of territorial delivery mechanism**. During the 2014-2020 programming period, the use of multiple thematic objectives could be achieved through a dedicated urban operational programme, drawing from one or more funds. MAs, though, are often characterised by specific **targets, instruments and schedules** that are not necessarily calibrated to cross-sectoral policies.

The administration managing the OP is sometimes related to a specific policy sector (for instance, the Ministry of Infrastructure) and may have specific reference actors and monitoring processes. This is even more visible when the MA bundles more funds. Soft policies, normally financed through ESF, are not easily taken into account by spatial/infrastructure departments – which are usually more familiar with bidding procedures for ERDF (see Funding and Finance chapter).

With the proposed regulation for 2021-2027 programming period, the urban related OP option remain available but new combinations of instruments are introduced to extend the process of cross-sectoral integration at city level.

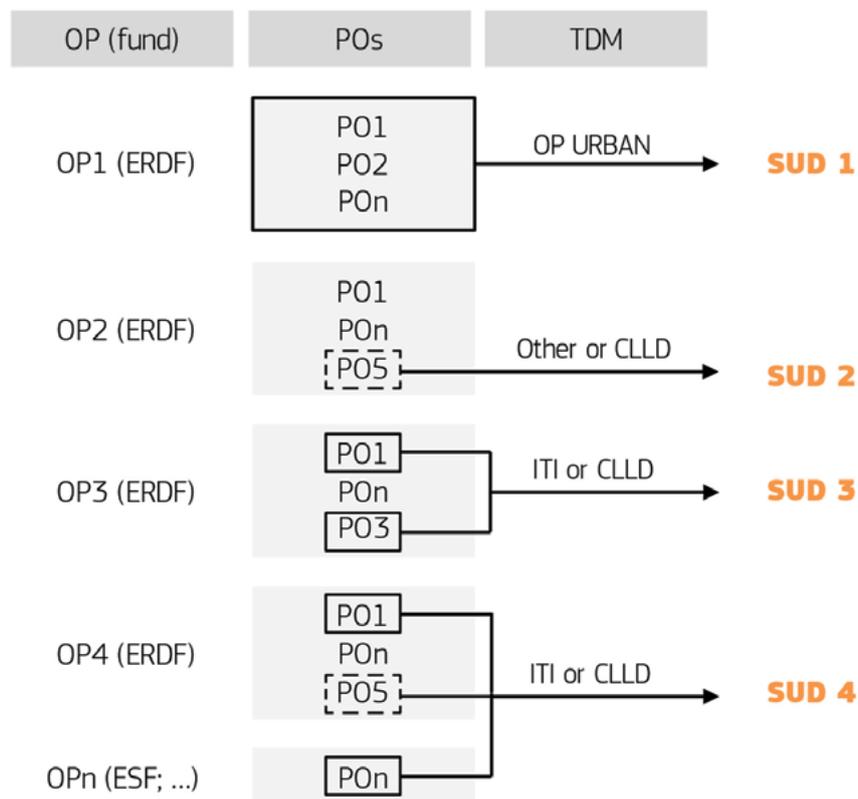


FIG. 1. Territorial delivery mechanisms structure, in the proposed regulation for 2021-2027 programming period.

Source: own elaboration.

MAs can also decide in their programmes the use of a specific territorial implementation instrument - integrated territorial investment (ITI) or community-led local development (CLLD), to combine more POs while drafting SUD strategies. ITI, in particular, is envisioned, sometimes already in Partnership Agreements, to encourage cross-sectoral integration in inter-municipal strategies, for instance in drafting SUD strategies in functional urban areas. ITI is in fact useful in incrementing funding resources and responding to more complex and variegated challenges (see Finance and Funding chapter). In Rotterdam, for instance, it is suggested that the development of the ITI in the functional urban area helps to address innovation policies, which normally need a broader territory with more actors involved. In Gothenburg, the SUD strategy also integrates, through the ITI, sectors that the city does not usually take on, such as innovation and business development.

When it comes to putting more funds together, though, organisational issues and bureaucratic burdens increase. This approach is more useful in addressing administrations that can count on a large amount of EU funding contributions and which have experience in EU funds management. Successful cross-sectoral integration then depends substantially on the expertise and ability of the offices in charge to overcome siloed thinking and to work collaboratively with other institutions and departments (see section two of this chapter).

### **How to achieve cross-sectoral integration with a limited number of thematic objectives available (thematic concentration)?**

European Structural and Investment Funds have a set of conditions for their use. Every programming period regulation, though, keeps working on these rules, to guarantee a balance in regional development among Member States. In the 2014-2020 programming period, funds were channelled according to eleven thematic objectives. However, **each fund is especially focused on a few topics, which reflect its thematic concentration**. In particular, the ERDF is focused on the first four TOs, which are considered key priorities:

- innovation and research (TO1)
- the digital agenda (TO2)
- support for small and medium-sized enterprises (SMEs) (TO3)
- the low-carbon economy (TO4).

Moreover, the amount of resources allocated to each thematic objective depends on the category of region. As regards ERDF, for instance:

*Learning from data*

- in more developed regions, at least 80% of resources must be invested in at least two of the four key priorities;
- in transition regions, this focus is for 60% of the resources;
- in less developed regions, it is for 50% of the resources.

In addition, certain TOs must receive a minimum amount of funds, again according to the region classification. A certain percentage of ERDF resources, for instance, must be spent on TO4, namely on low-carbon economy operations:

- more developed regions: 20%
- transition regions: 15%
- less developed regions: 12%.

Although these percentages may change in the next programming period, the implication for managing and local authorities is the same: SUD strategies must take certain objectives into consideration, depending on the type of region and on the available resources. Further restrictions can be also set at national level or regional level, and made subject to specific guidelines for urban development established in the Partnership Agreement.

Thematically, SUD strategies in 2014-2020 contributed to all thematic objectives and to a wide variety of investment priorities, mainly from ERDF as well as ESF. However, the most commonly used TOs for SUD strategies are TO4 (low-carbon economy), TO6 (environmental protection and resource efficiency) and TO9 (social inclusion). In terms of cross-sectoral integration, 27% of strategies use four TOs, while around 36% of strategies integrate more than five IPs per strategy.

A higher number of objectives and priorities at disposal could allow cities more flexibility in tailoring strategies that are applicable to their local problems. Nonetheless, a collaborative selection of significant topics and their combinations can be effective, especially when few TOs are made available by the MA of the member state or region. The stricter thematic concentration is in the context of SUD, the more it influences the content of the strategy, and the more difficult cross-sectoral integration can be.

Local authorities are sometimes forced to adopt themes in their strategies that are not considered a priority or, conversely, cannot use the funds to act on urgent problems. A proper application of the partnership principle and a deep understanding of the effects of the alternative forms of SUD architecture on cross-sectoral integration and the relevance of the chosen priorities, could help palliate this risk.

## **INTEGRATED STRATEGY OF ÚSTÍ NAD LABEM-CHOMUTOV (IS ÚCA ITI) (CZ)**

*Learning from practice*

For the 2014-2020 programming period, cohesion policy is supporting seven Sustainable Urban Development strategies in the Czech Republic, using integrated territorial investment (ITI) as implementation instrument. In total, seven operational programmes contribute to the strategies, as well as three different funds: European Regional Development Fund (ERDF), Cohesion Fund (CF), and European Social Fund (ESF). Taken together, the strategies address almost all thematic objectives. However, the mix of themes varies slightly across the seven strategies according to an analysis of the socio-economic indicators conducted at national level.

The case of the Integrated Strategy of Ústí nad Labem-Chomutov (IS ÚCA ITI), in particular, targets a functional urban area, including five main cities and their hinterlands. The area has experienced structural problems and complicated socio-economic transformation since 1990. It can be described as a structurally disadvantaged area (due to the previous focus on heavy industry), and it has been regularly listed among the regions in need of support from national regional policy programmes.

In IS ÚCA ITI, ESIF funding is absolutely crucial for strategy implementation and supports investment priorities in several thematic objectives and funds: (i) transportation accessibility and internal connectivity, (ii) landscape and environment, especially revitalising brownfield sites, (iii) economic competitiveness based on technologies, knowledge and innovation, and (iv) social cohesion. Nonetheless, as the scope of thematic activities designated for ITIs was defined centrally by the National Coordination Authority in the Ministry of Regional Development, the financial framework was also labelled as more 'top-down' than 'bottom-up'.

The main challenges in the ÚCA territory on the ground include transforming its socio-economic structure (decline of traditional industries, low employment, structural unemployment, pathological social features), and solving severe environmental problems (air, water and soil pollution, regeneration of brownfield sites). Only some of these weaknesses, though, can be addressed using ITI financial support as it has been drafted. For example, transportation and urban mobility pertain to important objectives of the strategy, even though their significance for the territory is low; at the same

time, the financial support allocated to environmental policies is lower than the real needs.

It is possible that IS ÚCA ITI could generate systematic and integrated projects, e.g. systematic planning of welfare services and social housing, a public transport system, public security and crime prevention, revitalisation of brownfield sites. However, additional financial resources, long-term planning (longer than one ESIF programming period), and coordination between central and local level are still needed.

### For more information

STRAT-Board strategy fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=CZ-001&fullscreen=yes>

More generally, the narrowing of eligible themes and activities, for instance in relation to the ITI rules imposed at national or regional level, can undermine the confidence of local partners in the instrument's capabilities (see also the issue of gold-plating in the Governance chapter). What is recommended is to develop a **shared understanding** of what is meant by cross-sectoral integration **between the various levels involved** in governance of ESI funds (URBACT, 2019). This can be achieved by **setting up formal and informal ways to provide multi-stakeholder input and feedback**: as mentioned, managing authorities should foresee the involvement of LAs in setting OPs priorities, but also encourage feedback from LAs on ongoing strategic processes and simplify multi-fund application procedures. At the same time, local authorities should raise their leverage on EU decisions, 'lobbying' to **bring their needs to the higher levels of the funds architecture**. Participation in international networks and initiatives can also be useful in enhancing their knowledge of MA-LA collaboration best practices and co-design and, more generally, raise awareness of possible approaches to cross-sectoral cooperation. A staff exchange and mobility between MAs and cities could also help to build accountability between the various government tiers and knowledge about cross-cutting issues. Such a programme makes staff aware of difficulties and limitations of the specific context.

When LAs have to deal with a limited set of thematic objectives made available by MAs downstream, there are nonetheless ways to realise cross-sectoral integrated strategies. For example, **even individual thematic objectives can be considered through a holistic view** that takes account of integrated actions among different sectors. For instance

TO1 (research and innovation), in a sustainable strategy, can be intended as transversal (e.g. see the concept of social innovation) and address mixing hard and soft measures pertaining to different policy areas. That means that **strategies can still achieve integration even when using a limited number of TOs**. In Finland, for instance, the Six City strategy (see box in the chapter on Strategic Dimension) combines regional innovation strategies with broader urban development objectives, starting from a clear economic development focus. Nonetheless, as of 2018 the six cities have launched up to 30 smaller pilot and trial projects ranging from smart mobility, clean-tech, health and education, to creating an enabling environment for business development. In turn, this sectoral collaboration has boosted exchanges between different departments, cities and local actors, which can be used as a basis for new cross-sectoral strategies.

Moreover, the local authority can decide autonomously to concentrate its strategy on a specific priority theme. This decision does not imply that it cannot pursue the integration of multiple objectives. Themes can be cross-cutting, recognised by multiple departments (for instance, regeneration of deprived neighbourhoods), able to bring together several projects, resources and actors. International agendas actually stress the existence of **cross-cutting issues which can bring multiple policies and projects together while guaranteeing their overall coherence** – see for instance the Urban Agenda for the EU.

Finally, another possibility is the use of **additional territorial instruments to address specific issues** that cannot be tackled directly by the SUD strategy. In particular, the reference here is to the possibilities offered by community-led local development for urban areas as promoted during the current and the upcoming programming period (a detailed explanation of CLLD can be found in the Governance chapter). With CLLD, it is possible to integrate topics, funds and actors (including non-public actors), enhancing bottom up decision-making, sharing information, and shedding light on specific issues which did not make it to the political agenda. For instance, CLLD can be used in synergy with an ITI in order to address thematic objectives not included in the SUD strategy in a particular area. One example is the integration of social policies through TO9 (social inclusion) in a deprived neighbourhood, while, at urban or functional urban area level, the ITI addresses another set of policy themes. In this specific case, integration would be achieved by considering the two strategies together.

## RECOMMENDATIONS

- Explore the multiple possibilities for cross-sectoral integration made available by cohesion policy regulations.

- ▶ Operational programmes can be built using thematically transverse investment priorities (urban-related)
- ▶ The proposed regulations for 2021-2027 add new ways to combine topics and funds at the operational programme level.
- ▶ In particular, the introduction of PO5 will allow OPs and strategies to include topics with more flexibility.
- Plan cross-sectoral integration in SUD strategies during the drafting of operational programmes.
  - ▶ MAs should involve LAs from the first phases of programming, thus assuring the commitment to the partnership and multi-governance principles.
  - ▶ MAs can set specific requirements or suggestions in operational programmes to enhance cross-sectoral cooperation in strategy-making.
  - ▶ MAs can use competitive selection procedures for strategies, in order to capitalise on the strategic capacities of LAs, and push them to design integrated strategies.
  - ▶ MAs can choose the proper territorial delivery mechanism, to make multiple TOs and funds available to cities.
- Establish formal and informal ways to provide input and feedbacks on cross-sectoral integration, in order to avoid mismatch between top-down decisions and local needs.
  - ▶ Develop a shared understanding between MAs and LAs of what is meant by cross-sectoral integration.
  - ▶ Managing authorities should encourage feedback from LAs regarding ongoing strategic processes.
  - ▶ Local authorities can raise their leverage on EU decisions by ‘lobbying’ to bring their needs to the higher levels of the funds architecture, for instance participating in international networks and initiatives. In this way, cities can get in contact with peers and learn from best practices for MA-LA collaborations.
  - ▶ Build confidence and accountability between participating tiers of government, for instance by allowing staff to move between MAs and LAs.
- Build cross-sectoral integrated strategies also in case of an individual thematic focus, and with a few thematic objectives.
  - ▶ LAs can use broad interpretations of the available TOs.
  - ▶ When the strategy focuses on a specific topic, it is possible to define multiple objectives, considering the main theme as a starting point and addressing it from different points of view.
- Use community-led local development (CLLD) to gather attention and funds on particular problems at local level.
  - ▶ Select issues and sort out solutions within an enlarged network of local actors (beneficiaries, citizens, associations, etc.).

# CROSS-SECTORAL INTEGRATION IN TERRITORIAL GOVERNANCE

## *In this section we address:*

*How to make different departments and offices work together?*

*How to achieve Cross-Sectoral Integration at local level in the implementation phase?*

ESI funds coordination allows **silos to be broken down, synergies** to be identified and **complementarities among policy fields** to be found. For this reason, the realisation of an SUD strategy is also an opportunity to overcome existing sectoral **barriers inside territorial administrative organisations**.

This expectation requires not only a focus on instruments, in which funds and topics are integrated according to specific rules, but also a focus on the establishment of collaboration between actors and departments across local governance structures (see Governance chapter for a broader discussion on collaboration between actors). In this way, the role of strategies in merging interests and stakeholders is enhanced, as well as the capability of regions and cities to cultivate a **stable and long-term integrated sustainable development process**.

Policy integration at this level has been traditionally understood as mainly related to the management of human resources and efficiency objectives. The literature on policy integration is dominated by empirical analysis and is mainly dedicated to facing the complexity relating to specific cross-sectoral topics (in particular, especially at the beginning of its diffusion, to environmental protection and climate change issues) (Tosun & Lang, 2013).

While this is still true, cross-sectoral integration as promoted by the EU also has the ability to boost innovation, not only erasing boundaries between sectoral policies, but also redrawing them (Rode et al., 2017).

Moreover, within the multi-level governance of SUD strategies, silos can be different at national, MA and LA levels. Vertical integration using cross-sectoral policies can imply **delegation of powers and responsibilities** and emphasise the role of politics in pursuing a more centralised or decentralised approach.

Due to its innovative character, cross-sectoral integration has to deal with multiple bottlenecks, linked in particular to **actors' preferences** and more generally to challenges in framing **multiple interests** (Tosun & Lang, 2013).

Finally, the level at which the integration takes place carries different meanings, and different goals, depending on practice. Cross-sectoral integration during **implementation**, especially, can be challenging.

## How to make different departments and offices work together?

There are two main forms of cooperation to be put into practice in overcoming sectoral barriers: **flexible** cooperation (building ad hoc, temporary, solutions around emerging issues) and **structural** cooperation (focusing on organisation/administrative structures).

In both cases, the optimal solution is to ensure coherence among participating authorities' departments and **think of possible joint policies and projects as early as the strategy formulation stage**. Prompt and unambiguous decisions at early stages of the process require precise knowledge of existing relations among departments and territorial authorities and actors, the ability to build upon past experiences of collaboration on integrated strategies, anticipating potential contrasts of interest among officers and very clearly allocating responsibilities and duties.

However, this level of anticipation is rare, and many turning points can intervene in the long process of strategy-making (from **changes in political priorities**, to **redistribution of functions** and **administrative reorganisation**). In these cases, specific measures can be put in practice to smooth collaboration throughout the process.

The first step to be considered is the **choice of strategic issues and objectives which deserve a cross-sectoral integration effort**.

*Be careful!*

Complex integrated issues can reach the political agenda more easily (Tosun & Lang, 2013) because they gather more interests and are more likely to generate awareness. These are not always addressed in practice, however, because related aims and priorities are not shared among stakeholders. This situation can appear when the city fails to include all interested parts in the selection of topics early on. The **sharing of information among internal (and external) resources working for and within the administration** is fundamental, both in integrating proper content and objectives of the strategy, and to identify **priorities according to their feasibility**.

For instance, a newsletter can be sent to all officials, updating them on opportunities and results of all departments, while at the same time questionnaires can be circulated among them to grasp emerging needs.

Also the **characteristics of the organisation** – for instance, number of departments and officials that can be put at work on the transverse policy, office structure, project management process – can contribute to determining which issues could be integrated. In a big administration, the presence of a specific office or an appointed official, in charge of collecting all the information coming from each policy manager, can help to define possible cooperation. In smaller environments, human and personal interactions,

and, therefore, opportunities to engage in common activities, are the trigger for defining possible collaborations. Even the spatial organisation of offices can be altered to increase the probability of interaction. In Ghent, for instance, the administration introduced flexible desks that make it possible to create more contact between staff from different departments.

It follows that the decision on which policy fields to integrate depends heavily on the capacity to **put together different departments' interests**. To this end, one suggestion could be to introduce, early in the process, self-assessment phases, which can be used to grasp the main strengths and weaknesses in integration (see box below).

## REFERENCE FRAMEWORK FOR SUSTAINABLE CITIES (RFSC)

The Reference Framework for Sustainable Cities (RFSC) is an online toolkit for local authorities that are involved in or are willing to start a process of integrated and sustainable urban development. The RFSC addresses the principles of integrated sustainable urban development and assists local authorities when designing, implementing and monitoring strategies and projects at city level.

Initially created within the framework of the Leipzig charter (2007) by EU Member States, the European Commission (DG REGIO) and relevant stakeholders, it has been further developed by the French Ministry of Housing and Sustainable Homes with the scientific support of CEREMA (Centre d'études et d'expertise sur les risques, l'environnement, la mobilité et l'aménagement) to follow the progress of the Urban Agenda for the EU and the implementation of the UN Agenda 2030 and the 17 Sustainable Development Goals (SDGs) at local level, with a new version launched in 2016. It is endorsed and promoted in Europe by CEMR (Council of European Municipalities and Regions).

The toolkit can be applied to urban strategies or projects at various scales but it works better for small and medium size city strategies by offering a simple, structured and informative self-evaluation tool. The most useful feature for strategic thinking is the identification of five key pillars for strategy development (spatial, governance, social, economic and environmental) and a related set of 30 strategic objectives. The RFSC provides for a detailed description of these objectives that can structure a strategy for sustainable urban development in a holistic way. In addition, the tool can also be used

*Additional resource*

to design a strategy to localise the SDGs. Thus, it can be useful at an early stage of strategy elaboration for setting the strategy framework, explaining the key components of sustainable urban development and facilitating discussion. Key issues of sustainable urban development strategies are explicitly addressed, e.g. citizen involvement, capacity-building and monitoring and evaluation. The prioritisation among the five pillars or the SDGs can be visualised by means of a spider-web diagram that shows the thematic focus of strategies, which objectives are best addressed, or conversely what to strengthen in order to achieve an holistic approach, and what can be done to pursue an integrated approach. Similarly, the evaluating the impact of specific actions to be implemented and contributing to each strategic objective provides a basic estimation that mainly helps reinforce the inner coherence of the strategy.

### For more information

RFSC website: <http://rfsc.eu/>

RFSC, *Towards green, inclusive and attractive cities*, RFSC, July 2019, Brussels, 2019. Available at: [https://issuu.com/rfsc/docs/towards\\_green\\_\\_inclusive\\_and\\_attractive\\_cities](https://issuu.com/rfsc/docs/towards_green__inclusive_and_attractive_cities)

In the case of Novo mesto (SI), for instance, the self-assessment in SUD strategy-making allowed the offices to validate their efforts in overcoming historical barriers in cross-sectoral cooperation.

There are **bundles of policies that are traditionally integrated at local level**, thanks in part to affinity of instruments and targets. For instance, mobility, infrastructure and planning issues are commonly tackled through similar spatially related approaches. Consistent with above suggestions, **building on existing experiences and actors-networks, and retaining know-how created through past experiences of cooperation**, are sure ways to avoid this impasse. The knowledge built during projects, for instance, can be capitalised on through lunchtime talks and periodic presentations.

When the authorities' interest is to build an integrated approach among sectors and departments which have never worked together, the **availability of extra funds** can help to enhance collaboration and management of complex interventions. In this regard, MAs can advise and support the use of the **EU's technical assistance** funding to enhance the cross-sectoral capacities of the officials involved.

In these situations, though, it is necessary to consider the advantages of innovation compared to its **inherent costs**, especially if the process is

concentrated into a short period. Fixed administrative and bureaucratic structures establish a path dependency that is hard to contrast without involving innovative processes. Investments are firstly needed in for capacity-building (see chapter on Strategic Dimension) – for instance providing courses to existing officers, and fostering ownership of EU-funded projects by city staff – in order to ensure that officials properly understand issues and grasp opportunities from different policy areas, not only their own. Introducing new roles – experts in coordination and communication, or bid-writing experts – can also guarantee independent advice and can help to manage the process from a new external point of view (see Governance chapter and box on JASPERS in this section).

### **SUD STRATEGY IN GHENT (BE)**

Ghent uses a large array of policy tools to implement the strategy. The administration was recently restructured to have only 10 departments in order to make organisational structure and responsibilities clearer and simpler. At the same time, the tendency towards decentralisation of urban management was pursued with the creation of neighbourhood managers and an urban development company. According to the city, in fact, better results come from the existence of networks across the city, which are useful in developing extensive knowledge and include more actors.

Another structural step was taken with the institution of a Coordination Unit for EU funds. The Unit offers a range of services to different departments (full management, just financial and audit, informative) on the basis of needs. This is paid for out of the EU project's technical budget in the case of successful applications. One of the initiatives thus related was the creation of 'envelopes' of financial resources for objectives, for which various departments could apply. The collaborative design of the budget ensures the need for them to coordinate/cooperate to access the resources.

The city also experimented with non-structural tools to integrate contributions both from public and non public actors. The establishment of 'city contracts' between the city and the regional government enabled an exchange of information across departments at different levels. Likewise, the city built on the participation of citizens and associations for the inclusion of different instances in the formulation and implementation of projects. Attention for the more physical and infrastructural themes (renovation of the old Docks area and re-organisation of the mobility) was coupled with

*Learning from practice*

the organisation of a season (during the project construction) of events, temporary use and informative events to link soft and hard policy initiatives.

Some further suggestions rely on job organisation: divide the tasks clearly, prepare and consult relevant bodies' internal rules/processes, focus on transparency (e.g. with periodical reports).

### For more information

STRAT-Board strategy fact-sheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=BE-007&fullscreen=yes>

Finally, the creation of new offices (more structural approach) or ad hoc committees (more flexible) to manage cross-sectoral policies in an inter-departmental way are two of the most-used approaches. The example of Rotterdam (NL) is significant in terms of structural changes: the city reorganised the offices completely, moving from 30 departments to 5 clusters. The structural reorganisation, though, was paired with a set of softer measures (the directors of the clusters meet on a weekly basis and are informed all together about the available EU funds and ongoing processes).

It is important to stress that SUD strategies are often delivered within a context of **multi-level governance** – for instance, when the strategy targets a functional urban area (see Governance and Territorial Focus chapter). In these cases responsibilities and functions for specific topics could be spread among different actors, making their integration more complex. Next to bring all relevant actors together to deliver a coordinated response to a problem, in fact, this means that various levels of governance need to be involved.

LAs in charge of strategy formulation should be able to establish contacts with corresponding policy departments at other administrative and territorial levels, sharing knowledge and working together to agree on coordinated objectives. In Gothenburg (SE), for instance, the newly formed executive Committee of the City defined sectors, partners and themes for cross-sectoral cooperation, and indicated cross-sectoral projects and activities, all linked to the three priorities defined by the programme. The ERDF programme structure is reflected in the strategy with the creation of a fund coordination group inside the City organisation. The group consists of four representatives of major local programmes upon which the strategy is based. The MA is also part of the group. There is also a regional partnership involving labour unions, and the social and business sectors. The group meets at least three times a year to pave the way for synergies

between the EU and local objectives and functions as a platform where knowledge can be stored and extended to be available to all territorial authorities.

## How to achieve cross-sectoral integration at local level in the implementation phase?

The elaborate and complex nature of cross-sectoral SUD strategies and related actor networks, hardly matches the existing **implementation structure** without the creation of **bottlenecks**. Those can be situational or be perceived as inherent in the implementing system. Most problems are observable in relation to:

- overlap with **sectoral plans** activities;
- **translation** of cross-sectoral goals into **policies and projects**;
- conflict between **long-term and short-term objectives**;
- **involvement of external actors** in implementing a project.

**Often, SUD strategies overlap with sectoral plans**, risking inconsistencies among their priorities and goals. If the process of sectoral plan-making is parallel to that of strategy-making, or proceeds from it, **synergies can be jointly built**. This is also true for the relation of SUD to higher-level plans.

When sectoral plans are already in place, though, it may be necessary to update them in order to achieve proper coherence. Instead of completely revising the plan, which is a burden both in terms of human and time resources, **administrations can ensure complementarity and coherence by acting on monitoring activities**, introducing indicators and tools which link the specific sectoral objectives to the overall strategies (see Monitoring chapter).

When the strategy is left particularly broad and integration is not detailed in respect to the succeeding actions and expected achievements, it can happen that integrated added value gets lost. In fact, at the implementation stage, **projects can be caught back in the silos system**. This happens partly because the EU's cohesion policy structure reproduces a sectoral division also in the later phases of the process, in particular during financial management and reporting. For this reason, simplification could be seen as a necessary condition, especially if the local authority has not yet developed enough coordination capability.

In such cases, the local authority could resort to external expertise. Additional assistance – like that provided by Jaspers (see box below) – can complement administration efforts and help deal with the complexity of integrated projects.

*Additional resource***JASPERS – JOINT ASSISTANCE TO SUPPORT PROJECTS IN EUROPEAN REGIONS**

JASPERS is a partnership between the European Commission (DG REGIO), the European Investment Bank and Member States to improve the quality of investment projects delivering EU policies. JASPERS provides advisory support on the preparation of plans and projects supported by ERDF, CF, Connecting Europe Facility (CEF) and Instrument for Pre-Accession Assistance (IPA). This assistance has been active for over a decade. Today, JASPERS operates in 23 countries (all 28 countries are eligible). JASPERS has supported more than 650 projects and helped the absorption of more than € 130 billion.

In particular, under the umbrella of the EU Urban Agenda and cohesion policy, JASPERS:

- advises authorities on strategic planning in urban, smart and social development sectors;
- supports beneficiaries to help them meet the required standards in preparing projects eligible for EU funds;
- improves the capacity of administrations and beneficiaries by transferring knowledge about project preparation, environmental issues, EU legislation and any related needs;
- speeds up the EU approval process by carrying out an independent quality review which prepares the ground for the European Commission's decision.

Providing upstream support for integrated urban strategies, Jaspers' advisors (more than 120 technical experts covering the sectors mentioned above) help cross-sectoral interactions between relevant topics to be utilised.

*Learning from practice***METHODOLOGICAL ADVICE ON HOW TO SET UP AN INTEGRATED, CROSS-SECTORAL URBAN REGENERATION PROGRAMME IN NOVO MESTO (SI)**

Slovenia's Partnership Agreement for 2014-2020 programming period, and the related operational programme, identify Novo mesto as a strategic node, and support it to strengthen its regional role and development potential. By using an integrated territorial investment, EU funds for Sustainable Urban Development have been directed to finance measures in urban renewal, energy efficiency and sustainable mobility. JASPERS was requested to provide

guidance to the local authority, assisting it in identifying integrated projects. JASPERS helped Novo mesto deploy a methodology that facilitated the strategic alignment of ‘packages of measures’ (i.e. schemes). In particular, JASPERS helped the LA to build its integrated strategy using policy-led Multi-Criteria Analysis. The analysis was aimed at reviewing the eligible ITI-backed *schemes*, connecting them with the city’s overall development strategy. In this way, the LA could develop a holistic view of investments, reducing the negative effects of division between silos.

JASPERS was also beneficial in the process of breaking silo divisions in the municipality, as the process of analysing the city’s action plan demanded inter-departmental cooperation. In this sense, there are separate challenges in the planning and implementation phases. There is a natural organisational inclination towards manageable projects that are one-dimensional in their nature as it is more ‘realistic’ for administration to achieve their goals. On the basis of such analysis, Novo mesto set-up an ‘integrative’ projects office that oversees all phases of the strategy process (implementation, project build-up, alignment with policies) and enables communication channels between departments and stakeholders.

### For more information

JASPERS webpage: <https://jaspers.eib.org/>

JASPERS Networking Platform webpage: <http://www.jaspersnetwork.org/>

STRAT-Board strategy fact-sheet:

<https://urban.jrc.ec.europa.eu/strat-board/#/factsheet?id=BE-007&fullscreen=yes>

### Implementation of integrated projects could also be facilitated

by breaking them into a series of steps. In particular, actions can be realised in relation to **long- and short-term objectives**.

In this case, the risk is that multiple parallel processes of sustainable urban development proceed in an un-governed way, with urgent issues – especially those gathering political interests – being given attention, while issues with less relevant, or more complicated, implications remain pending in coordination inertia or spending reviews.

When there are not transverse offices and ad hoc resources to deal with broad and complex processes such as these, administrations should make

*Be careful!*

*Additional resource*

sure to guide these processes while taking different speeds into account. For instance, using **implementation, investment or action plans as intermediate steps to organise actions in time.**

### **URBACT (2019) STUDY ON INTEGRATED ACTION PLANS (IAP STUDY) URBACT ACTION PLANNING NETWORKS**

The URBACT Report (see box in Strategic Dimension chapter) tried to spot trends, strengths and weaknesses in approaches to integration. An important aspect of the methodology was breaking down the concept of ‘integrated action planning’ into its diverse elements in order to assess the Integrated Action Plans (IAPs) against each other. The study provided in this way:

- a more detailed understanding of ‘integration’;
- refined criteria for assessing and improving integration for sustainable urban development.

Starting from the URBACT definition of four types of integration<sup>34</sup>, fourteen aspects of integrated action planning have been identified, covering: integrated planning processes, planning for integrated urban development and integrated plans. Among the resulting indicators, some pertain more directly to the cross-sectoral integration dimension:

- actions are needs-based – they respond to real needs based on a sound understanding of the local context, challenges and opportunities;
- actions address all three pillars of sustainable development in terms of economic, social and environmental objectives;
- actions address the full range of policies/sectors of activity;
- actions and objectives are aligned and complementary to existing strategies in place at city, regional, national or European levels;
- the plan effectively balances the need for both ‘hard’ (physical/ infrastructure) and ‘soft’ (human capital) investments;
- the plan seeks to mobilise all available funding - from EU Funds to private local sources.

Interesting lessons, trends and important variations can also be identified by considering each aspect in turn. In particular, the study spots trends across URBACT networks of cities being stronger at developing a clear internal strategic logic to their

plan than they are at developing strong 'external' coherence with other strategies and external funding sources. It is highly likely that improving integration with relevant strategies and funding will increase their likelihood of achieving implementation, scale and impact. Specifically:

- urban strategies need to be integrated, but action plans can be more specific, applying to only one part of the overall strategy. In this way, the action plan may not need to cover all the sectoral and spatial dimensions, so long as the overall strategy does;
- alternatively, IAP itself can be seen as more of a strategic document which will need to be broken down into more specific actions in due course. Much depends on where the city/region is at in terms of its overall sustainable development strategy and how it intends to implement that;
- integrating funding is one of the major challenges/potential opportunities for local development in Europe. Coming up with clearer and more detailed funding strategies for the planned actions could therefore help to increase the chances and impact of implementation.

### **For more information**

URBACT website: <https://urbact.eu/integrated-action-plans-study>

Instruments like the Reference Framework for Sustainable Cities (RFSC) can help cities to evaluate the cross-sectoral integration of their strategies and projects, highlighting which objectives are best addressed the best, or, conversely, what can be done to pursue a more integrated result (see Reference Framework for Sustainable Cities box).

In a similar way, an individual big project that is identified with the strategy can be broken up into smaller projects (as in Ghent Old Docks strategy). This effort makes integrated actions more manageable, even within unexpected 'shocks' in the starting conditions.

Cross-sectoral strategies and policies, even more than sectoral ones, need support from political, administrative and societal actors which are able to smooth the process and overcome difficulties. In the best-case scenario, the inclusion of proper stakeholders and the creation of the tools required happens during strategy formulation. This condition can help the LA to foresee possible bottlenecks in implementing the individual actions related to the integrated strategy. In the South Essex area (UK), the strategic process

brings together local authorities and NGOs as early as the drafting phase, discussing how to integrate different objectives, defining who is in charge of what and in which areas.

However, unforeseen bottlenecks can arise in the course of the process. For this reason, it is worth grounding the strategy in a broad network of actors which can provide feedback on all stages of policy-making. Opportunities for multi-level dialogue (public presentations, workshops), with social and business sectors, academia and other institutions, are useful in creating synergies based on strategy awareness and sharing (EC, 2016).

Actors' networks can also be created using the urban space as a 'trading zone' (Balducci, 2015): strategies, or part of them, can directly address needs and problems related to specific areas of the city (neighbourhoods, public spaces, buildings). This approach, rooting multidimensional policies or projects in visible and delimited interventions, can also help to enhance the fruitful involvement of people with differing interests. Moreover, it can underline the interconnections of multiple factors in causing urban problems.

For instance, the project of redevelopment of a square has been, in the city of Novo mesto (SI), the main way to raise awareness of cross-sectoral integration complexity and, at the same time, its critical role in solving apparently intractable problems (traffic, deterioration of public spaces, etc.). In this way, public officials and the local population have become aware of the advantages of integrated solutions through visible outputs (measurable effects, physical transformations, etc.).

Moreover, the networks created can set intermediate consultation phases and disseminate the strategy, putting it into practice directly focusing on urban spaces.

## RECOMMENDATIONS

- Ensure coherence between objectives and actions across participating departments.
  - ▶ Weigh possible joint policies and projects as early as the strategy formulation phase.
  - ▶ Use newsletters and questionnaires to circulate information on departments' activities and needs.
- Identify main strengths and weaknesses in the administrative organisation.
  - ▶ Introduce a phase of self-assessment of integration capacity in different departments.

- ▶ Start the cross-sectoral integration process involving the departments that are more willing to collaborate.
- ▶ Build on existing actor networks, also using past experiences as a reference point.
- ▶ Organise lunchtime talks and periodic presentations on good collaboration practices.
- Invest in capacity-building in order to enhance officials' understanding of possible cross-sectoral synergies.
  - ▶ MAs should ensure the use of Technical Assistance funding by LAs.
  - ▶ Weigh the possibility of introducing new figures and experts.
  - ▶ Weigh the possibility of creating new offices or ad hoc committees to manage cross-sectoral policies in an interdepartmental way.
- Provide instruments (pacts, meeting, sharing moments) to guarantee multi-level and inter-municipal dialogue among corresponding and complementary departments involved in the strategy.
- Enhance synergies, and avoid inconsistencies, between SUD strategies and existing sectoral plans.
  - ▶ When plans already exist, act through the monitoring system to adjust inconsistencies, introducing indicators and tools which link the specific sectoral objectives to the overall strategies.
- Draft the strategies already during the planning process ahead of implementation of integrated projects.
  - ▶ Consider using external expertise to assist the LA in operationalising integrated projects.
- Use intermediate steps in the policy process - implementation, investment or action plans – to prioritise and to detail parts of the integrated strategy.
  - ▶ If the strategy focuses on a big project, break it down into smaller interventions and manageable goals.
- Include a broad network of stakeholders throughout the policy process, in order to overcome possible bottlenecks in implementing integrated policies.
- Enhance stakeholder engagement by focusing on the spatial dimension of policies.
  - ▶ Anchor policies to urban places to foster a sense of ownership among stakeholders.
  - ▶ Show public officials and local population the advantages of integrated solutions through visible outputs (measurable effects, physical transformations, etc.).

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# FUNDING AND FINANCE

## Contributors

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Suitable funding and finance arrangements are a key pillar of Sustainable Urban Development (SUD) as promoted by the EU's cohesion policy. There are two long-established trends in delivering this policy (Bachtler, Mendez and Wislade, 2017; OECD, 2018): combining multiple funding sources and, on a related note, the increasing significance of ESIF financial instruments. In the case of cohesion policy, the term financial instrument means **a mechanism which transforms EU resources into financial products such as loans, guarantees, equity** etc. Financial instruments are foreseen in Article 37 of the Common Provisions Regulation.

The rationale behind the use of multiple funding sources is that this provides efficiency gains by exploiting synergies with European Structural and Investment Funds (ESIF), and that it mobilises a wider range of actors and resources. In this way, the added value of structural funding is optimised and cohesion policy's capacity to steer and to accelerate investment is enhanced. When it comes to integrated Sustainable Urban Development (Article 7, Regulation (EU) No 1301/2013) in particular, an additional justification for combining funding sources is that integrated Sustainable Urban Development concerns itself with a diverse range of complex urban issues. Therefore, a range of funding sources have to be deployed in order to secure full funding for a programme whose scope is to address interrelated social, economic and environmental issues in a strategic and integrated manner.

The significance of ESIF as contributors to SUD strategies in the 2014-2020 programming period varied across member-states. According to data from STRAT-Board, 60% of the strategies committed more than € 5 million of EU funding per strategy, but utilisation of multiple ESIFs per strategy was not a widespread practice. In lower income countries, the challenge was to complement EU funds with alternative sources of funding. In higher income countries, ESIF played a role in funding investment in a limited number of regions or target areas. There, SUD strategies were able to act as tools to coordinate an intervention and used ESIFs to complement other sources of funding (national, private etc.).

### *Learning from data*

The financial support for SUD via integrated territorial development was proposed to increase from a minimum 5% to a minimum 6% of European Regional and Development Fund (ERDF) resources at national level in the 2021-2027 programming period. This, in itself, adds to the momentum favouring the combination of funding sources and the broader use of financial instruments. This trend is bound to be reinforced by thematic concentration of ERDF and Cohesion Fund (CF) resources on a well-defined yet diverse range of thematic areas as well as by low growth and increasing regional disparities in the post-crisis era.

**Combining funding sources is not only a matter of doing more with less but also a matter of identifying the necessary resources and channelling them to projects that are best suited to address the policy issues at hand.** For example, energy efficiency in buildings could be funded via grants, but because such projects have the potential to generate revenues or savings, it is in principle feasible to finance them via financial instruments, utilising revolving funds.

The policy-oriented structure of the diverse EU funding landscape could in principle incentivise prospective project promoters to prepare policy-relevant investment projects which they may otherwise have not considered worthwhile. ESIF financial instruments in particular, are mainly aimed at tackling market failure and sub-optimal or imperfect market operation (EIB, 2015; OECD, 2018). Therefore, by extension, local authorities (LAs) which have the capacity and know how to draw funding from a diverse range of funding sources could draft investment programmes which would be better placed to support the implementation of integrated sustainable urban development plans. In the 2021-2027 programming period, it is anticipated that cities will be able to use an updated version of their existing integrated urban development strategies to access the dedicated SUD funding support. This will mean that a coherent investment programme to back up said strategies will be even more important if cities are to combine funding sources in order to implement their existing strategies.

There are a few **key challenges** (OECD, 2018; Windisch, 2019) that have arisen during the current programming period in terms of funding and financing SUD. The first and arguably most important set of challenges has to do with the **institutional and administrative capacity of local authorities (LAs)**, and to some extent managing authorities (MAs) too, to plan and manage SUD strategies. The requirement for an integrated approach was quite novel to many MAs and LAs across the EU and thus, understandably, significant familiarisation time was required. After the concepts were understood, adopted and made mainstream in the national context, it proved challenging for LAs to match the administrative requirements and target groups of various ESIF, domestic funds and financial instruments between them under the umbrella of an

*Be careful!*

SUD strategy. These requirements can extend to anything from differences in eligibility rules, to the timing of the calls, to the quality of the SUD strategies, to the design of the OP itself (which exceeds LA competence).

The second set comprises challenges connected to the **ability or willingness of LAs to take on debt**, due to:

- political and legal factors as well as debt ceiling regulations
- the small size of the LA's budget/revenue
- the small size of the projects the LA wishes to carry out

The third is the **capacity of LAs to manage programmes which combine ESIF grants with products offered by financial instruments and other private and/or domestic sources**, starting from the legal establishment of such programmes within the national legal and institutional context. In several national contexts, LAs' competencies in dealing with issues pertaining to the provision of public and merit goods and associated services.

**Negotiating with financial institutions and being able to understand, let alone design, financial strategies of this sort is more often than not something quite novel to LAs.**

Finally, **there are cases and contexts where a 'grant' culture has taken hold**. Therefore, administrative and political personnel do not see a benefit in combining funding sources and using products offered via financial instruments as part of a comprehensive investment programme. Interestingly enough, when intermediate lending is used to overcome this difficulty (for example when the EIB lends to a National Promotional Bank which in turn provides credit to projects directly), then issues arise about the capacity of the intermediary to manage said projects in an adequate way.

This building block will therefore discuss three main themes:

- the integration of ESI funds amongst themselves and with domestic funds;
- the involvement of private investors and the third sector in funding SUD strategies;
- the use of financial instruments and financial products in SUD.

The first section will address how to better align ESIF amongst themselves and with other available domestic sources. Thus, this section will also discuss issues of strategy drafting and of stakeholder coordination.

The second section elaborates on how suitable bankable projects could be developed and institutional provisions and programme designs which could tackle policy and planning risks and thus facilitate engagement with private sector investors within the SUD framework.

The third section is closely related to the second and addresses the role of financial instruments and financial products within the SUD framework.

# THE INTEGRATION OF ESI FUNDS AMONGST THEMSELVES AND WITH OTHER DOMESTIC FUNDING

## *In this section we address:*

*How can ESI Funds be better integrated amongst themselves?*

*How can ESI Funds be better integrated with domestic funds?*

**The regulatory provisions for SUD strategies promoted the idea of combining multiple funding sources**, although this was not obligatory. **The main rationale for this approach was operational effectiveness**: integrated urban development tries to address a diverse set of interconnected issues while each funding stream, for example each structural fund, has different thematic priorities, different target groups (companies, people etc.), different conditions for awarding funding, specific monitoring, evaluation and financial reporting mechanisms. The same applies when it comes to domestic funding streams. It could be argued that the diversity of funding rules and priorities between funding sources works against the concept of co-funding. The same could be said about the EU state aid regulatory regime. In addition, in order to address a wide range of complex challenges it would be necessary to engage multiple stakeholders and, given the scale of the issues to be addressed, to provide a mix of public, private and merit goods. An SUD strategy could therefore be utilised as a vehicle for organising said funding sources in a coherent area-based intervention programme.

A wealth of information and insights regarding how ESI funds could be combined amongst themselves and with national funding regimes comes from the Urban Development Network (UDN) workshop outputs<sup>35</sup>. These indicate that **a fit-for-purpose SUD strategy should be able to highlight the social, economic and environmental dimensions of the challenges facing the target area in order to identify appropriate EU funds**. This, in turn, facilitates the coordinated use of ESI funds with domestic funds at the level of the SUD strategy. Coordination becomes easier in cases where national policies and strategies take into account EU thematic priorities and the national funding regime has consolidated its funding agencies and mechanisms.

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35 [https://ec.europa.eu/regional\\_policy/en/policy/themes/urban-development/network/](https://ec.europa.eu/regional_policy/en/policy/themes/urban-development/network/)

## How can ESI Funds be better integrated amongst themselves?

**National and EU regulatory frameworks have an important role to play in defining the conditions and possibilities for integrating multiple funding sources under one strategy.**

During the 2014-2020 programming period, the use of multiple funds has been possible under a multi-fund operational programme (OP). In that case, the territorial delivery mechanism can be the OP itself or a multi-fund priority axis (PA). Otherwise, it is possible to select thematic objectives from different operational programmes as part of an integrated territorial investment (ITI) plan.

### *Learning from data*

Multi-fund SUD strategies have been drafted by 15.7% of cities in the 2014-2020 programming period. Of those, 13% drew from two funds, including ESF or European Agricultural Fund for Rural Development (EAFRD), while only 2.6% (26 cases) drew from more than three different funds. ERDF covers the bulk of funding needs in all cases. The Member States where multi-fund strategies are deployed more often are mainly those which joined the EU after 2004, especially Poland, Hungary, Czech Republic, Lithuania, Slovenia (see box on Integrated territorial investments in Poland). Overall, 109 strategies used an ITI as a territorial instrument, while 31 strategies used a multi-fund PA and 14 cases used a multi-fund OP. The ITI was the most frequently utilised instrument in the few cases where more than two funds were used. In particular, 86 out of 134 strategies which utilised CF funds used an ITI, while the rest used a multi-fund PA.

### *Learning from practice*

## INTEGRATED TERRITORIAL INVESTMENTS IN POLAND

Within the 2014-2020 programming period, 24 Polish Sustainable Urban Development (SUD) strategies have been implemented by means of integrated territorial investment (ITI). Each SUD strategy refers to a functional urban area: 17 of these areas are located around the regional capitals, comprising all Polish regions (*voivodeships*); six are metropolitan areas (with over 1 million inhabitants) and the remainder are urban agglomerations of sub-regional importance.

Territories and regional authorities in charge of SUD are directly designated by the central government, which sets the joint use of ERDF and ESF, the available thematic objectives and the socio-economic criteria to delimit the functional urban areas as main criteria. Regional authorities managed a long drafting and negotia-

tion process with all the municipalities of the designated territory to define OPs able to fit with national indicators and local inputs. The process also foresaw the appointment of Implementing Bodies, varying among capital cities, urban authorities themselves and inter-municipal associations.

The main sources of funding for this process were the funds available from the EU. Poland is investing € 6 billion in SUD-ITI strategies (11.6% of overall ERDF funds, against the minimum requirement of 5%), of which around € 2.87 billion come from the ERDF and around € 536 million from the ESF. Additionally, the National OP is contributing indirectly to ITIs (with around €876 million), as it is funding complementary projects through CF. Moreover, ITIs are co-financed with domestic resources of around € 1.1 billion (for the majority, purposely destined to functional urban areas). Polish ITIs had the highest amount of ESIF contributions in the 2014-2021 programming period of any Member State. Funds were bundled around 10 implementation priorities on average per strategy. This is exceptionally high, when compared to other Member States.

The ITI instrument was chosen for its potential added value, as a way to build a collaborative culture among territorial actors. Moreover, strategic planning skills were substantially enhanced and local authorities became much more involved in cohesion policy implementation (as opposed to acting only as beneficiaries).

### For more information

STRAT-Board country fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheetcountry?id=PL&name=Poland&fullscreen=yes>

Alongside their advantages, it should be borne in mind that **cross-funded measures require new ways of monitoring and assessment** (see Monitoring chapter). Deciding who will monitor and assess the strategy and the distribution of the related tasks is important. This should be decided while bearing in mind the strategy's contents and cross-sectoral characteristics.

Often, the ability to measure the integration of ITI provisions is lacking. According to Van der Zwet et al. (2017, p. 66): 'ESF has its own governance and measurement framework, which can be difficult to integrate with the ERDF system. For monitoring purposes, results are often put into "pigeonholes" in a central monitoring system and, as a result, integrated effects may be lost'. It could therefore be useful **to create a commis-**

**sion for coordinating and monitoring the ITI**, which would elaborate the content of the annual reports from the different OPs, propose updates to the ITI, inform the monitoring committee and contribute to its implementation (see also Cross-Sectoral Integration chapter).

**Coordination between ESIF and national regimes also becomes easier when MAs engage LAs early on in the design of operational programmes.** Engaging LAs early on also helps to integrate multiple topics and to enlarge the pool of possible funding resources down the line (see Cross-Sectoral Integration chapter). It is advisable to plan the management of the integrated process from the early stage of strategy drafting, in order to sharpen objectives, clearly identify beneficiaries, possible sources of funding and the way to combine them at a later stage.

It can be demanding to develop cross-cutting themes at the SUD strategy level and if the OP is not designed in a way which facilitates this, the task of integrated planning and thus of designing an integrated investment programme can become much harder.

It is for this reason that, in order to facilitate the integration of ESI funds at the investment programme level, it is necessary to set up formal and informal ways to provide multi-stakeholder inputs and feedback into OP design. This could include feedback between LAs, MAs and national institutions (Ministries etc.) whose competence lies in setting the strategic direction of OPs. This dimension is developed further in the relevant chapter on Cross-Sectoral Integration, which discusses the design of multi-fund OPs in more detail.

Assuming that policy and administrative alignment between ESIF and national regimes has been achieved, and that OPs have been designed in a way that facilitates fund integration, it is still necessary for MAs to keep the integrated nature of SUD in mind when designing and launching calls. The calls for projects pertaining to different funds may have different requirements and timing. This could impact on the ability of LAs to perform their key role in the selection of projects. The problem arises especially when sectoral separation is reflected at the local level.

Therefore, the wording and scope as well as the timing of the calls' launch facilitates the submission of projects which could attract funding from multiple sources (national or other ESIF). Drafting such calls becomes a tall order when trying to coordinate between OPs managed by different MAs. The same applies in cases where one OP is in effect set up to manage one ESI fund. To allow for some flexibility, **MAs could try overlapping call periods, bearing in mind the capacity of LAs to handle many simultaneous calls.**

Occasionally, a multi-fund approach may be deemed unachievable by an LA due to the high level of complexity and associated risks. In these cases,

**synergies between funds can be achieved through specific mechanisms at the local level, and with novel instruments at the EU level** (see box on Investment Platforms). It may happen that ESI funds, for instance, are not formally allocated to the strategy but effectively contribute to its implementation. This is the case with Brussels' (BE) SUD strategy, where a number of complementary strategic objectives have been identified, to which not only ERDF but also ESF can make a contribution. From an operational viewpoint, the process is smoothed by the creation of a committee that includes representatives and officials of the ESF and ERDF (Van der Zwet et al. 2017, p.75).

## **How can ESI Funds be better integrated with domestic funds?**

In addition to the considerations pertaining to coordination between structural funds, Member States have developed and are committed to domestic sectoral strategies and foresee significant funding for their implementation. Even more so, several Member States have a developed national urban policy which is often premised on a tradition of integrated urban planning and relies on significant dedicated funding programmes.

In those cases, especially in higher income countries, the SUD strategies were introduced to the national context less as an innovation and more as an opportunity to complement national funding with EU funding. This often posed a challenge to MAs and LAs as they had to deal with two sets of issues: alignment between national and EU policy, and alignment between national and EU funding regimes, at least in terms of conditionalities and administrative procedures. **The impact of SUD strategies funded via ESIF could be enhanced further if said SUD strategies could be aligned to national strategies and funding regimes which overlap with or are complementary to their objectives.**

### **THE FRENCH 'POLITIQUE DE LA VILLE'**

The French city policy is a policy of urban cohesion and solidarity, on both the national and local levels, towards disadvantaged neighbourhoods (called the priority neighbourhoods) and their inhabitants. It is conducted by the State, local authorities and NGOs with the common objective of ensuring equality between territories, reducing development gaps between deprived neighbourhoods and their urban units and improving the conditions for life of their inhabitants.

*Learning from practice*

It is implemented by means of city contracts, which integrate the actions under the European Structural and Investment Funds and are linked to the plan contracts concluded between the State and the region. First and foremost, it mobilises and adapts actions under common law and, where the nature of the difficulties so requires, implements its own instruments.

It is part of a process of co-construction with inhabitants, associations and economic players, relying on the establishment of Citizens Councils according to the terms defined in the city contracts and on co-training.

In France, the convergence of calendars between the City Contracts, the adoption of operational programs and electoral mandates represents a unique opportunity to combine political mobilisation of the ERDF and the ESF, for the benefit of residents of priority neighbourhoods.

### For more information

STRAT-Board country fact-sheet: <https://urban.jrc.ec.europa.eu/strat-board/#/factsheetcountry?id=FR&name=France&fullscreen=yes>

An example of how alignment was achieved between SUD strategy and the national policy and funding regime is the city of Toulon (FR), where a city contract was effectively used as a coordination mechanism between various initiatives and plans covering Toulon Provence Méditerranée (see Territorial Focus chapter).

Another example of how such coordination was achieved is the city of Berlin (DE). In this case, the Future Initiative City Districts II programme (ZIS II) had an explicit goal of bundling funds from domestic and ERDF sources. A suitable allocation regulation was key in achieving this. Administrative Regulation ZIS II ERDF 2014 (*Verwaltungsvorschrift Zukunftsinitiative Stadtteil II EFRE 2014 -VV ZIS II EFRE 2014*) combined ERDF and domestic funding rules. Funding procedures followed a dedicated organisational structure, and a specialised set of indicators was developed to complement ERDF evaluation. To simplify things, no financial instruments were used and no ITI and CLLD arrangements utilised.

	<i>Project volume (€) 2014-2020</i>	<i>Funding partners</i>
<b>Action fund</b>	max 1.500	City of Berlin Federal funds (Social City)
<b>Project fund</b>	min 5.000	City of Berlin Federal funds (Social City)
<b>Building fund</b>	min 50.000	EU (ERDF) City of Berlin Federal funds
<b>Network fund</b>	min 50.000	EU (ERDF) City of Berlin

FIG. 1. Funding structure per project volume and funding source in Berlin

Source: own elaboration based on:

[https://www.stadtentwicklung.berlin.de/wohnen/quartiersmanagement/index\\_en.shtml](https://www.stadtentwicklung.berlin.de/wohnen/quartiersmanagement/index_en.shtml)

In the region of Tuscany (IT), the MA established an Urban Axis (Axis VI: Urban Development), and adopted a territorial strategy and regional guidelines to guide it in selecting intervention areas and proposals, following a call for expressions of interest. Proposals took the form of Urban Innovation Projects and were submitted by municipalities, who developed them in collaboration with the MA. To assist integration with national funding sources, in the selection process the MA awarded bonus points to municipal proposals which:

- were positioned within interventions already receiving funding under Regional Law 65/2014;
- were integrated with public housing projects;
- foresaw co-funding higher than the required 20%.

Finally, there are ways to deal with the complexity of the funding landscape. Even when the additional funds to be accessed are relatively small, it is still possible to draft an SUD strategy combining funding sources, without straining LAs resources. **A strategic funding unit**, similar to what Ghent (BE) did when the city decided to develop strategic funding as a competence, **could offer the necessary know-how and coordination capacity in LAs** whose investment programme size is large enough to justify the associated costs.

## RECOMMENDATIONS

- Keep the integrated nature of SUD in mind when drafting calls for projects.
- Highlight the social, economic and environmental dimensions of the issues facing the target area and how they are reflected in EU policy priorities, so that your SUD can target appropriate EU funds.
  - ▶ A better understanding of local need and how it relates to EU and domestic policy facilitates the coordinated use of ESI funds and domestic funds at the level of the SUD strategy.
- Relate domestic policies and strategies with EU thematic priorities where possible and desirable and consolidate your funding regimes where necessary.
- Establish a strategic funding unit to offer the necessary know-how and coordination capacity, so long as the investment programme is large enough to justify the overhead costs.
  - ▶ Pooling resources to establish such a unit in order to serve more than one LAs is also worth considering in cases where LAs have medium-sized and small investment programmes.
- Develop cross-cutting themes, especially if the OP is not designed in a way which facilitates this.
  - ▶ MAs should engage LAs early on in the design of OPs.
  - ▶ It is necessary to set up formal and informal ways to provide input and feedback into OP design.
- Use territorial delivery mechanisms in a properly considered way to bundle more funds into the same strategy.
  - ▶ Two or more funds can be combined directly at the level of the operational programme (and strategies implemented through the operational programme itself, or through a multi-theme Priority Axis).
  - ▶ Integrated territorial investment (ITI) can be used to combine thematic objectives from different operational programmes and funds.
  - ▶ Integrated territorial investment (ITI) can be used to design holistic strategies, and to augment funding contribution, considering less conventional categories of investments for urban development.
- When an ITI is used, plan all possible sources of funding and the way to combine them from the early stages of strategy design.
  - ▶ Potential beneficiaries can be more variegated when you use more than one fund. They should be clearly identified during strategy design.
- Coordinate different managing authorities, especially with regard to calls for projects and monitoring systems.
  - ▶ MAs could agree on overlapping periods for project proposals. In this way, a project can be presented at the same time and not be re-scheduled or delayed.
  - ▶ Create a commission to coordinate and monitor the ITI, which elaborates the content of the annual reports of the different OPs, proposes

updates to the ITI, informs the monitoring committee and contributes to its implementation.

- Put synergies in place between funds through regulatory mechanisms and instruments at local level, when necessary.
  - ▶ Existing competences of MAs and/or regional authorities can be utilised in order to achieve better integration of ESIF and domestic funding via incentive mechanisms and regulatory instruments. The process of drafting such regulations and mechanisms is an opportunity to garner political support that transcends party political divisions and mandates.

## INVOLVING PRIVATE INVESTORS AND THE THIRD SECTOR IN SUD FUNDING STRATEGIES

### ***In this section we address:***

*How could SUD strategies be utilised to manage the risks associated with implementing an investment programme?  
How could private sector engagement be facilitated?*

An SUD strategy identifies needs and thus provides fertile ground to come up with project ideas on how to tackle those needs. In some cases, depending on the context in each country, some projects would be best suited to public funding but in other cases there may be scope for involving other actors in the funding process (citizens, third sector), for establishing public-private partnerships or for private investors to engage with their own ideas and funding.

The integrated planning approach inherent in SUD strategies can assist in identifying a wide range of challenges which are specific to an intervention area or may even be relevant to a wider area. **When said challenges, which are often linked to negative externalities, are addressed, an area may well turn into an attractive destination for private investment.** Very often, businesses and the real estate sector are attracted to such areas, which have benefitted from improved accessibility, environmental amenities and enhanced infrastructure and social welfare provision. **Once an area is turned around in this way, the focus of public policy often shifts towards managing growth in that area.**

An SUD strategy would usually be a precursor to such an area turnaround and the challenge during its drafting and implementation is to attract investors who would be willing to invest in projects in line with its objectives

(as for example the transition to a low-carbon economy). **Key to such engagement are projects that offer net revenue or a saving as well as a suitable risk-sharing protocol and therefore are potentially 'bankable'**<sup>36</sup>. Including such projects in an SUD strategy could widen its scope and diversify its funding sources.

By the same token, many of the investments carried out as part of an SUD strategy will provide much-needed public goods but will not generate revenue or savings. In fact, such investments in public goods may well require additional resources from the (public) agency/body which will be called upon to operate and manage them. **Engaging the third sector and civic society may well provide a way for public authorities to diffuse the costs, multiply the benefits of said investment and enhance the local sense of ownership and pride of place** by passing on the operation and maintenance responsibility to stakeholders who are willing to assume stewardship of said infrastructure.

### **How could SUD strategies be utilised to manage the risks associated with implementing an investment programme?**

**One of the most significant effects of putting a sound SUD strategy in place is that it can go some way towards addressing policy, planning and political risks**, and thus de-risking the investment programme of an LA.

Fully developing and implementing an LA's project pipeline according to a coherent integrated strategy which will attract the private sector will almost certainly last more than one term in office for the political personnel involved. Therefore, due to its consultation and governance provisions, an SUD strategy which has followed a participatory approach can substantively contribute to reducing political risks (see Governance chapter).

**The timelines of project pipeline maturity rarely coincide with political timelines which, as a rule of thumb, are comparatively shorter.** The projects are very likely to be completed and the impact will certainly be felt during the subsequent political term, if not later than that. The SUD strategy incentivises a type of political organisation that promotes political consensus around stable policy priorities and investment programmes, in the medium term at least. The funding regime which Article 7 of the 2014-2020 ERDF regulation introduced and which the oncoming

*Be careful!*

<sup>36</sup> <https://blogs.worldbank.org/ppps/preparing-bankable-infrastructure-projects>

regulation<sup>37</sup> will build upon streamlines financial resources and policy instruments to push local, regional and even national stakeholders to plan their investments for the medium term according to area-based analysis.

**Medium-term policy continuity**, which in a democratic state is ensured by said consensus, **could greatly enhance the potential of SUD strategies to integrate private funding sources in order to tackle area-specific challenges in a holistic way.**

The Six City strategy (6Aika<sup>38</sup>) from Finland is a good example of how six city councils came together to agree a common strategy which they committed to for the entire duration of the programme in order to be able to provide a politically stable business environment. They achieved that by close cooperation at the strategy preparation stage, in which they involved the relevant Ministry too. The six cities were building up on a long tradition of cooperation and joint lobbying on legislative matters and were faced with similar economic, social and environmental challenges. The commitment of their political personnel to the strategy allowed the six cities to play a reliable role as enablers when it came to supporting business growth. This was a key premise of their SUD strategies.

An SUD strategy is also an opportunity for LAs to vertically integrate national, regional and local policy and funding frameworks. Vertical integration in turn significantly increases the probability of successfully implementing an investment programme. An example of how this de-risking works is provided by the cases of the SUD strategies of Kavala (GR) and Heraklion (GR). The drafting process allowed the LAs of those cities to re-examine pre-existing national-level policies, regional and local statutory plans and programmes and to bring together under one strategy projects which adhered to said plans, policies and programmes. Therefore, said strategies faced fewer of the policy and planning obstacles and bottlenecks which often plague the implementation of public and private investment projects in Greece.

**Feedback from key local stakeholders, like the private sector, the third sector and civic society should be incorporated during the strategy design phase and throughout the overall process.**

This would facilitate the design of strategies which better reflect the realities on the ground and address practical issues which beneficiaries might face at the implementation stage.

In addition to the wide range of available civic engagement techniques, participatory budgeting could also assist LAs in the de-risking process, enhance citizens' sense of ownership and facilitate project sustainability over time. Participatory budgeting was first introduced in 1989 in Brazil

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<sup>37</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A372%3AFIN>

<sup>38</sup> [https://ec.europa.eu/regional\\_policy/sources/conferences/udn\\_espoo/6city\\_strategy.pdf](https://ec.europa.eu/regional_policy/sources/conferences/udn_espoo/6city_strategy.pdf)

*Be careful!*

and is currently a well-established practice in several cities across the globe. It is gaining ground in the EU as well, for example in Poland, Portugal and France. In Paris, in 2016, about 5% of the capital budget of the city (or approximately €100 million) was dedicated to 21 participatory budgets where almost 160,000 people voted to select between 219 project ideas<sup>39</sup>. This form of participatory budgeting could inform SUD strategies, with a view to improving their relevance and effectiveness (European Commission, 2009).

Having said that, **LAs should be well aware of the challenges of a participatory approach, like the erosion of trust if expectations are not properly managed, the influence that the process design has on actor participation, the influence of individual-issue lobbying groups etc.** (see Governance chapter).

### **How could private sector engagement be facilitated?**

**An SUD strategy drafting process which includes private sector actors creates opportunities to include private sector-led solutions and projects in its investment programme.** By the same token, it is important for private sector actors and LAs to enter into a dialogue early on so as to expedite the private sector-led project maturity process. This also means that LAs who operate a project pipeline and who understand and prepare for the priorities of the oncoming programming period can engage in preparatory work for drafting suitable strategies (or appropriately adjust existing strategies). This in turn will allow them to respond to calls early in the programming period. It might even be that projects for which the LA is the promoter are complemented by a private sector project pipeline where the LA acts as the facilitator and assists with project maturity in a coordinated way so as to achieve the objectives of the strategy.

**Building relationships, know-how and the trust necessary to engage private project promoters and investors takes time.** The role of locally rooted financial institutions can be crucial in that respect too. In effect, the logic of the SUD strategies incentivises LAs to become active in cultivating an ecosystem which they can draw on to contribute to their long-term investment programme, backed and guided by an SUD strategy. An example from which suitable lessons can be drawn is the approach followed by the city of Tampere (FI). It plays the role of ‘Solution Enabler’ and ‘Steward’ in order to create an environment ‘in which new businesses and smart solutions can emerge and grow’. Among other actions, this involves: bringing together parties which would not normally come together in order

<sup>39</sup> <https://urbact.eu/participatory-budget>

to collaborate and utilising public funding to support the ecosystem creation effort.

An option which is especially pertinent to project portfolios with a wide range of diverse and smaller scale projects, is **bundling the interventions foreseen in an SUD strategy in an investment programme and thus mixing the funds at the investment programme level.**

This would mean that the LA investment programme comprises a wide range of projects, each of which could be funded from a different source, while all the projects reflect policies and priorities set out in the strategy. This is how the municipality of Athens (GR) managed to combine ESIF, EIB, national, municipal and private funds to implement its ITI for Sustainable Urban Development, called Athens 2020.

### **THE ATHENS 2020 INVESTMENT PROGRAMME (GR)**

The municipality of Athens used its long-term strategic plan, the Integrated Urban Development Plan (IUDP), to guide its 'Athens 2020' investment programme. The IUDP is a plan anchored in Greek legislation which aims to guide interventions in declining areas. The city also drafted a 'Resilience Strategy', a 'Climate Action Plan' and a statutory 'Operational Plan'. The Athens 2020 investment programme amounted to approximately € 190 million euros, of which € 85 million were bundled under the ITI Plan for Sustainable Urban Development: approximately € 68 million was drawn from the ERDF and the ESF under Article 7. Another € 55 million was drawn in via a European Investment Bank loan and the remainder came from other municipal sources, from private sources and from other (non-article 7) ESIF funds.

The investment programme spanned a range of project categories, including: Urban Revitalisation, Public Spaces and Buildings, Energy Upgrades, Waste Management, Economy and Tourism, Social Solidarity, IT and Services etc. EU regulations regarding the minimum level of national contributions applied to the entire investment programme, but state aid regulations were applied on a project-by-project basis.

#### **For more information**

<https://www.cityofathens.gr/node/32182>,

*Learning from practice*

**Including projects which can realistically be expected to be completed during the SUD investment programme lifespan lends**

*Be careful!*

**credibility to and inspires confidence in the strategy.** However, the process of bringing a project to maturity can take a significant amount of time and effort. This is where LAs could channel the technical assistance available to them via the ERDF or other sources (see box on URBIS in the following section). Ideally, LAs could also guide project promoters and their investors to seek technical assistance from said sources, if their project proposal is eligible for this of course.

ESI funds are bound by regulations regarding state aid and, therefore, projects which are expected to generate net revenue would require detailed appraisal calculations in order to be funded by a combination of private and ESI funds. Specific, rather limited exemptions apply.

**Dealing with state aid issues can become challenging in an investment programme that combines public funds (ESIF and national resources) with private funding at the project level.** As previously mentioned, EU regulations set specific requirements that determine how public and private funds should be apportioned to any such project. Going through this process may make sense for large investments where allocating the necessary resources would not disproportionately burden the project timelines and overheads. Therefore, sufficient LA capacity is required in order to manage that risk and guide stakeholders accordingly. The competent national authorities also have a role to play in helping local stakeholders to navigate this demanding regulatory and legal landscape.

## RECOMMENDATIONS

- Include potentially 'bankable' projects in SUD strategy to attract investment better aligned to strategy objectives
  - ▶ Projects are bankable when they offer net revenue or saving as well as a suitable risk-sharing protocol.
  - ▶ The inclusion of bankable projects can widen the scope of the strategy and diversify its funding sources.
  - ▶ LAs should operate a bankable project pipeline for the short-, medium- and long-term and thus be proactive and not reactive.
- Engage the third sector and civic society in order to spread costs and multiply the benefit of investment in public goods.
  - ▶ Passing the stewardship of suitable public infrastructure to the third sector may well enhance the viability of said infrastructure and promote local ownership and pride.
- Reduce policy, planning and political risks through sound strategy design and stakeholder engagement in order to enhance the chances of an LA investment programme being implemented, and attract private investors.

- ▶ Every available opportunity should be used to create political consensus around the strategy and its investment plan, in order to provide a stable environment irrespective of political timelines.
- ▶ Engaging the public sector, civic society and the third sector in drafting the strategy could offer significant advantages, provided the associated challenges can be managed appropriately.
- ▶ Use participatory budgeting to enhance citizens' sense of ownership and ensure that the projects are sustainable over time.
- Enter into a dialogue early on in order to expedite the private sector-led project maturity process.
  - ▶ LAs should focus on cultivating relationships with investors. Building up know-how and trust takes time.
  - ▶ An SUD strategy investment programme should include enough projects at a suitable stage of maturity in order to generate confidence within the investor community.
- Organise projects and multiple funding sources in an 'Investment Programme' format.
  - ▶ The Investment Programme format allows LAs to manage the project pipeline and state aid issues more flexibly, thus facilitating strategy implementation and boosting investor confidence.
  - ▶ Include projects which can realistically be expected to be completed during the lifespan of the SUD investment programme.
  - ▶ Guide project promoters and their investors to seek Technical Assistance with bringing projects to maturity.
- LAs should build up their capacity to manage state aid issues and guide stakeholders accordingly.
  - ▶ The competent national authorities also have a role to play in helping local stakeholders to navigate the demanding regulatory and legal landscape.

## ENHANCING THE USE OF FINANCIAL INSTRUMENTS AND FINANCIAL PRODUCTS

### ***In this section we will address:***

*What has been the rationale for and use of ESIF financial instruments in urban development?*

*What role does the EIB play in supporting the use of financial instruments and financial products in SUD strategies?*

*How can LAs bring financial instruments and financial products into the SUD strategy funding mix?*

There has been an established tradition of using financial instruments to deliver programme support<sup>40</sup> at least since 1994-1999<sup>41</sup>, but their use at that time was focused on supporting enterprises in some Member States. Their use became more widespread in subsequent programming periods and as of 31 March 2017, ‘operational programme contributions paid to the Financial Engineering Instruments in the area of urban development [...] amounted to € 1,595.59 million<sup>42</sup>’ whereas ‘the total amount committed in funding agreements to Financial Engineering Instruments from the 172 ERDF and 20 European Social Fund (ESF) operational programmes (OPs) [...] was € 16,967.80 million<sup>43</sup>’. In the 2014-2020 programming period, financial instruments ‘represent more than 10% of ERDF resources’ with more than EUR 14 billion allocated to financial instruments by the end of 2017<sup>44</sup>.

A significant turning point for the use of financial instruments was the introduction of the ‘Investment Plan for Europe’, which became known as ‘The Juncker Plan’ after Jean-Claude Juncker, the former president of the European Commission who announced it in November 2014. The European Fund for Strategic Investments, one of the three pillars of the ‘Investment Plan for Europe’ is estimated to have offered EUR 65 billion in guarantees from the EU budget to the European Investment Bank (EIB), in order to mobilise market-driven investment of over € 400 billion in higher-risk projects. Crucially, although the European Fund for Strategic Investments is demand-driven, meaning there are no sectoral or geographic quotas, it has triggered the highest percentage of investment/GDP mostly in countries in Southern and Eastern Europe<sup>45</sup>. Although it is too early to assess the impact of the ‘Investment Plan for Europe’ in terms of territorial and social cohesion, it has indeed served as a proof of concept for the potential of financial instruments in leveraging resources and managing risk, and has enhanced the role of the EIB as an EU policy implementation agent. The ‘Investment Plan for Europe’, which has almost run its course, will be followed by the ‘InvestEU’ initiative<sup>46</sup> in 2021 (see box on InvestEU Programme).

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<sup>40</sup> See the European Commission’s dedicated portal for financial instruments: <https://www.fi-compass.eu/>

<sup>41</sup> [https://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/closure\\_data\\_fei\\_2017.pdf](https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/closure_data_fei_2017.pdf)

<sup>42</sup> [https://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/closure\\_data\\_fei\\_2017.pdf](https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/closure_data_fei_2017.pdf)

<sup>43</sup> [https://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/closure\\_data\\_fei\\_2017.pdf](https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/closure_data_fei_2017.pdf)

<sup>44</sup> <https://cohesiondata.ec.europa.eu/stories/s/dtw6-5akv>

<sup>45</sup> [https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results\\_en](https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results_en)

<sup>46</sup> [https://ec.europa.eu/commission/publications/investeu-programme\\_en](https://ec.europa.eu/commission/publications/investeu-programme_en)

## THE INVESTEU PROGRAMME

The InvestEU Programme will bring together under one roof the multitude of EU financial instruments currently available to support investment in the EU, making EU funding for investment projects in Europe simpler, more efficient and more flexible.

The Programme consists of the **InvestEU Fund**, the **InvestEU Advisory Hub** and the **InvestEU Portal**. It will further boost job creation and support investment and innovation in the EU. It will run between 2021 and 2027 and it builds on the success of the Juncker Plan's European Fund for Strategic Investments by providing an EU budget guarantee to support investment and access to finance in the EU. InvestEU aims to generate €650 billion in additional investment.

The InvestEU Fund will support four policy areas: sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses; and social investment and skills.

The InvestEU Advisory Hub will provide technical support and assistance to help with the preparation, development, structuring and implementation of projects, including capacity-building.

The InvestEU Portal will bring together investors and project promoters by providing an easily-accessible and user-friendly database.

### For more information

[https://europa.eu/rapid/press-release\\_MEMO-18-4010\\_en.htm](https://europa.eu/rapid/press-release_MEMO-18-4010_en.htm)

## What has been the rationale for and use of ESIF financial instruments in urban development?

Financial instruments (FI), which provide investment support by way of loans, guarantees and equity participation, have been used by Member States to deliver ESIF since 1994-1999. Those can be utilised in combination with technical support, interest rate subsidies and guarantee fee subsidies<sup>47</sup>. Financial instruments, set up in European regions during the 2007-2013 programming period, mainly target enterprises. At that time, it

<sup>47</sup> <https://cohesiondata.ec.europa.eu/stories/s/dtw6-5akv>

also became possible to **use such financial instruments to support urban development projects, with the introduction of the Urban Development Funds (UDF)**<sup>48</sup>. As of 2010, **financial instruments can be used to invest in activities pertaining to energy efficiency and renewable energy.**

In 2014-2020, the overall multi-annual financial framework and ESIF policy framework aim is to deliver more of the EU's structural funding via financial instruments, which **should be approached as a delivery mode** and not as an objective in itself. MAs are obliged to 'conduct an ex-ante assessment into the potential relevance of and rationale for using financial instruments as a delivery tool' (Scottish Government, 2015).

The objective behind the deployment of ESIF financial instruments is to **tackle market failure for projects with relatively low financial performance but high economic performance** (i.e. not to crowd out market finance). The European Commission expects that the use of ESIF financial instruments in an era of fiscal retrenchment will contribute to obtaining the following benefits<sup>49</sup>:

- resource leverage and thus increased impact;
- gains in efficiency and effectiveness, especially when revolving funds are used;
- positive effect on project quality of the requirement to repay the investment;
- wider range of financial tools and private sector expertise available for policy delivery;
- weaning off the dependency on grants;
- supporting public policy with the use of private sector funds.

As set out in Article 38 of the Common Provisions Regulation, **responsibility for managing an ESIF financial instrument lies with MAs but** in some cases **implementation may remain with the MA or be entrusted to another financial intermediary** which fulfils the necessary requirements, like a National Promotional Bank or institution, the EIB or an International Financial Institution.

According to the European Commission's short reference guide<sup>50</sup> for MAs 'Activities supported by financial instruments must be judged [...] to be able to repay the investment'. Therefore, for the European Social Fund it is the reimbursement capacity of the recipient which has to be assessed, whereas, for the remaining ESIFs, the investments have to generate income or savings on future expenditure.

<sup>48</sup> UDFs were first introduced by the JESSICA initiative in 2007-2013.

<sup>49</sup> [https://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/fi\\_esif\\_2014\\_2020.pdf](https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf)

<sup>50</sup> [https://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/fi\\_esif\\_2014\\_2020.pdf](https://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf)

A UDF can be established at either a national, regional or local/city level and is used to invest in public-private partnerships and other projects included in an integrated plan for sustainable urban development<sup>51</sup>.

There were also three holding funds, one each in the Netherlands, Italy and the UK, which specifically provided support to urban development and energy efficiency.

## **What role does the EIB play in supporting the use of financial instruments and financial products in SUD strategies?**

Building on previous successful experience, and faced with an ‘investment gap’ in the aftermath of the 2007 financial crisis, the European Commission moved to set up the **European Fund for Strategic Investments** while continuing to promote the use of financial instruments.

In light of the European Fund for Strategic Investments and the oncoming ‘Invest EU’ initiative, the **EIB is assuming a key role across the EU for the purpose of utilising financial instruments** to fund SUD strategies, not least because it was **entrusted with the role of delivering advisory support**.

**The use of financial instruments is inextricably linked to the availability of bankable projects.**

Where funding is provided as an EIB framework loan<sup>52</sup>, the recipient will have to find the source of income that will repay the loan. **A framework loan is provided to a public sector entity, which would be the LA in the case of SUD. The loan is not tied to a specific project but is intended to fund an investment programme.** Thus, in many cases, framework loans are used to fund public sector projects which will generate efficiency gains in sectors like energy, water etc.

Although ESIF Financial instruments are premised on an ex-ante market analysis that should deal with bankability requirements, challenges could arise. The European Fund for Strategic Investments’ implementation experience also highlights the fact that a lot of potential promoters were facing difficulties with preparing projects which would fit bankability requirements.

**One such challenge had to do with the size of the LA’s investment programme.** Many LAs are neither able nor willing to borrow significant amounts of money. The EIB therefore developed a novel financial instrument, the ‘**Investment Platforms**’<sup>53</sup> which created a common

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<sup>51</sup> <https://www.eib.org/en/products/blending/jessica/funds/index.htm>

<sup>52</sup> See: <https://www.eib.org/en/products/loans/framework-public-sector.htm>

<sup>53</sup> <https://eiah.eib.org/about/services-investment-platforms.htm>

*Additional resource*

platform to manage a diverse range of financial products (investment loans, intermediary loans, frameworks loans) thus reducing overheads and allowing for smaller LAs or smaller projects to become eligible for lending.

## INVESTMENT PLATFORMS

Investment Platforms can help to finance smaller projects and bundle funds from different sources to enable diversified investments with **a geographic or thematic focus**. They help to better share risk, make it easier to attract private investors and eventually unlock financing for individual projects. An Investment Platform can combine **EU funds, national support and financing from private investors**. The Platform itself can then provide loans, guarantees and/or equity financing to the underlying projects, depending on their specific needs.

The European Fund for Strategic Investments, the financial pillar of the Investment Plan for Europe (the IPE or Juncker Plan) can provide financial support to such Investment Platforms. The set-up of Investment Platforms can be flexible. Both public and private actors can establish such platforms (they typically also provide part of the financing); the legal form and the **financing structure depends on the projects' needs and the main investors' interests** (managed account, co-investment agreement, special purpose vehicle, etc.). Financing for economic, environmental, and social purposes can then be provided through Investment Platforms supported by the European Fund for Strategic Investments to help achieve the aims of the Investment Plan for Europe.

The Advisory Hub can give specific advice to help develop and structure Investment Platforms. Advanced proposals for Investment Platforms can also apply directly to the EIB Group for European Fund for Strategic Investment financing.

### For more information

<https://eiah.eib.org/about/services-investment-platforms.htm>

**One challenge for the effort to utilise financial instruments and financial products has to do with the preparation of a large enough project pipeline.** It emerged that there was a dearth of bankable projects in the pipeline<sup>54</sup> across the EU. The potential project promoters

<sup>54</sup> [https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/what-investment-plan-europe\\_en](https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/what-investment-plan-europe_en)

often needed technical support in generating an adequate pipeline of projects. Thus the EIB was brought in by the European Commission to provide the necessary support, initially via Joint Assistance to Support Projects in European Regions (JASPERS)<sup>55</sup> and later via the European Investment Advisory Hub (EIAH)<sup>56</sup>. The EIAH is ‘a single access point to various types of advisory and technical assistance services. It supports the identification, preparation and development of investment projects across the European Union’. The idea behind the EIAH is that project<sup>57</sup> promoters approaching the EIB can receive bespoke advice and support so as to improve the quality of their proposal. Two of the relevant initiatives related to urban projects under the EIAH umbrella are the Urban Investment Advisory Support (URBIS)<sup>58</sup> and the support to the Circular Economy<sup>59</sup>.

### URBAN INVESTMENT ADVISORY SUPPORT, URBIS

URBIS is a new dedicated urban investment advisory platform within the European Investment Advisory Hub (EIAH). URBIS is set up to provide advisory support to urban authorities in order to facilitate, accelerate and unlock urban investment projects, programmes and platforms. URBIS has been developed in **partnership between the European Commission (DG REGIO) and the EIB** in the context of the EU One Stop Shop for Cities and in support of the ambitions defined in the EU Urban Agenda.

Existing advisory services are often organised on the basis of specific programmes and specific sectors, whereas urban authorities may require more urban- and location-specific advisory support, addressing both city-wide investment planning and financing needs for projects as well as integrated urban development programmes comprising a number of smaller projects within a strategic framework. Such an approach often requires an **integrated/ packaged advisory offer** – and this is what URBIS will provide. Other existing advisory programmes, such as JASPERS, ELENA and fi-compass, which also provide support to urban authorities, will remain available.

*Additional resource*

<sup>55</sup> <https://jaspers.eib.org/>

<sup>56</sup> <https://eiah.eib.org/about/index>

<sup>57</sup> The term ‘project’ in this instance means a ‘loan operation’.

<sup>58</sup> <https://eiah.eib.org/about/initiative-urbis>

<sup>59</sup> <https://eiah.eib.org/about/initiative-circular-economy.htm>

In its initial phase, URBIS will consist of the following three modules, to be implemented in parallel:

- increased efforts to **raise awareness** of existing instruments, programmes, and services;
- **tailor-made** technical and financial **advice** for cities, and
- exploring **innovative financing** approaches for city investments.

This service will be provided in line with the current EIAH pricing policy (whereas public sector promoters currently receive support free of charge).

### For more information

URBIS: <https://eiah.eib.org/about/initiative-urbis.htm>

## How can LAs bring financial instruments and financial products into the SUD strategies funding mix?

It is in principle **easier for an LA to combine EIB and EU funding, its own funding and private sector funding at the investment programme level than at the project level**. Funders can be quite flexible in that respect. For example, in some less developed regions, the EIB can provide funding up to 50% at portfolio level and the joint EIB and ESIF contributions can reach 90% of the programme. This means that ESIFs can be combined with EIB money, private sector and an LA's own sources to create an investment programme comprising several projects, whereby each project could be funded entirely by one individual source. Other sources which can be mobilised could include products offered by other ESI financial instruments, although these would need to be suitably tailored.

An example of how such an approach worked in practice is that of Greater Manchester (UK). It combined its EU Investment Plan with the Greater Manchester Strategy and the Greater Manchester Growth and Reform Plan and prescribed 60% use of ESI financial instrument funds. The SUD strategy was framed within said strategies and aims to assist the LA in managing the Article 7 funding in order to achieve a sub-set of the goals of those strategies, namely the transition to a low-carbon economy, and research and innovation. Projects planned in the SUD strategy could therefore draw funding from a financial instrument called 'Evergreen Fund II'.

The approach followed in the case of Portugal (IFRRU 2020) is also indicative of the possibilities that exist when national-level initiatives are

coordinated with SUD strategies by virtue of their design. IFRRU 2020 is an ESIF financial instrument (fund of funds) which aims to support urban development and physical regeneration in deprived urban areas with a view to facilitating the transition to a low-carbon economy. Its funding comes from eight ERDF regional OPs and the operational programme 'Sustainability and Efficiency of the Use of Resources' (PO SEUR, Cohesion Fund); moreover, further contribution comes from the EIB, the Council of Europe Development Bank, domestic sources and commercial banks, whereby financial intermediaries were obliged to at least meet the amount of public funds committed. Project promoters contributed 30% on average. Within the regional OPs, eligible projects under Investment Priority 6.5 'Urban rehabilitation' have to be in a designated area covered by an urban rehabilitation plan (e.g. Urban Regeneration Action Plan, PARU), while those under Investment Priority 9.8 – Disadvantaged Neighbourhoods must support physical revitalization of spaces dedicated to disadvantaged communities. Support to energy efficiency in housing is then granted through IFRRU as part of the resources in PO SEUR. Crucially, before any project can be approved for funding, competent municipality has to issue a binding opinion to the effect that it is consistent with their SUD strategy.

Last but not least, the use of **novel financial products should not be underestimated** as part of the funding mix supporting the implementation of SUD strategies. The example of Alba Iulia (RO) is indicative of the opportunities that emerge in this direction. Alba Iulia sought and got a credit rating from Moody's, then borrowed directly from its citizens via a bond issue. Although that money was not used for the purposes of the SUD strategies investment programme, the example of Alba Iulia shows what is possible even in a relatively small municipality. Obviously, **LA borrowing is strictly regulated in EU Member States**. However, novel funding approaches, like Green City Bonds and Social Impact Bonds, could also be considered as part of the mix for LAs whose size, financial situation and legal context allows such an endeavour to be undertaken.

Green bonds are products whose popularity is rapidly increasing, ever since the EIB launched the first Climate Awareness Bond in 2007. A **Green City Bond would be a bond issued by an LA, whose proceeds will be used in funding infrastructure and services which accrue tangible and monetisable environmental benefits**. The first Green City Bond was issued by Gothenburg (SE) in 2013 and was soon followed by bonds issued by several US cities. According to the Green City Bonds Coalition (2015) Green City Bonds could:

- grow and diversify the investor base to include firms, individuals, funds and other retail and institutional investors who would not otherwise engage in municipal financing.

- inform and involve residents not only as constituents but also as active investors in the renewal of their neighbourhoods and their city.
- increase collaboration and synergies between different parts of municipal governments e.g. finance, housing, planning and regeneration, environmental protection etc.

Social impact bonds are another financing alternative for public sector organisations which are tasked with delivering social outcomes and in fact the EIB Advisory Hub has recently launched the Advisory Platform for Social Outcomes Contracting. **A social impact bond is a contract between the public sector and investors, to deliver social outcomes and pass part of the savings back to said investors.**

If better social outcomes do not materialise in the form of monetary savings then interest is not paid and repayment of principal may not be possible. They are therefore quite risky investments but could potentially be utilised as part of an SUD strategy, to the extent that it includes relevant projects. In these cases, social outcomes could be coupled with an amount of monetary savings to repay the partners. SUD strategies can provide a thoughtful framework for the use of this instrument in relevant integrated projects, especially if supported by an implementation or investment plan.

## RECOMMENDATIONS

- Use financial instruments to multiply the effectiveness and impact of ESIF funding in urban development.
  - ▶ Financial instruments can help realise projects with relatively low financial performance but high economic performance.
- Refer to the European Investment Bank support and tools for the use of financial instruments in SUD strategies.
  - ▶ LAs can apply for framework loans to fund their investment programmes.
  - ▶ Investment Platforms can be used to diversify risks, to reduce overheads and to become eligible under the InvestEU initiative.
  - ▶ Use the European Investment Advisory Hub (EIAH) for tailor-made technical and financial advice.
- Seek to combine multiple sources of funding and financing at the investment programme level in the first instance.
  - ▶ Take into account national authorities frameworks and support for the selection of tailored financial instruments.
  - ▶ Explore the use of novel financial products (green bonds, social impact bonds) to complement the financial strategy of an investment programme.

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# MONITORING

## Contributors

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**Monitoring constitutes a fundamental pillar in the design and implementation of Sustainable Urban Development (SUD) strategies.** This corresponds to the increased results-orientation of the European Structural and Investment Funds (ESIF), which advocates clear articulation of the specific objectives of programmes. A stronger focus on results should not be seen as a mere obligation, but rather as a main outcome of mounting evidence that results-oriented frameworks and proper monitoring have important advantages. More specifically, SUD strategy monitoring produces the following three benefits:

- **It provides managing authorities (MAs) and urban authorities with timely information on progress**, which allows for a quick identification of issues, and refocusing on strategic priorities when needed. In this sense, monitoring systems are crucial ‘early warning systems’.
- **It supports the data needs of SUD strategy evaluation.** In order to carry out SUD strategy evaluation, policy-makers, stakeholders and beneficiaries need information about the effectiveness of the strategy. Monitoring supplies evidence for this purpose.
- **It strengthens transparency and legitimacy.** On the one hand, monitoring systems can clarify and communicate the rationale of SUD and its results to policy practitioners, stakeholders and citizens. On the other, broad engagement with different organisations, groups and citizens in the design and implementation of monitoring processes raises awareness and strengthens the commitment of local communities to SUDs.

**The long history of EU regional and urban policies suggests that MAs are already familiar with the design and implementation of monitoring systems and processes. However, SUD strategies are relatively new instruments and there are specific issues related to the development of their monitoring frameworks.** SUD strategies take an integrated approach to urban development, and many, if not all strategies entail that different components of the strategy interact

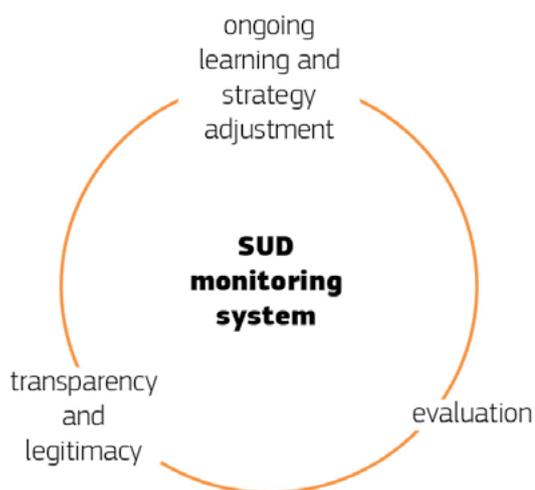


FIG. 1. SUD monitoring rationale

Source: Polverari, 2015.

and reinforce each other in their working. Thus, SUD strategy monitoring often requires multi-sector monitoring, while also taking into account the overall effect of the integrated approach. Furthermore, many strategies are intended to generate less tangible effects (e.g. increase social cohesion, strengthen community trust) that require special measurement methods. Moreover, SUD strategies are always part of a broader context, which may mean taking account of sustainability objectives that have been set at regional, national or supranational levels.

This chapter supports SUD strategy monitoring by reviewing its key concepts and methodologies, and by providing links to additional material and sources of support when relevant. It includes several practical examples that can serve as cases of good practice. The chapter is structured around three main sections that each focus on a specific component of SUD strategy monitoring and discuss one or two related challenges:

- **monitoring framework;** seeing how to put the key concepts of monitoring into practice, discussing ways to measure the effect of an integrated approach;
- **data collection and management;** discussing how to collect and manage data for interventions that are expected to have tangible effects, as well as for those that are expected to generate intangible effects;
- **parallel objectives;** discussing how monitoring of local objectives can be aligned to regional, national, or global sustainability agendas.

All sections conclude with recommendations regarding the design and operation of SUD strategy monitoring, based on lessons learned from the 2014-2020 programming period, and with a view to the 2021-2027 programming period.

## MONITORING FRAMEWORK

*In this section we address:*

*How to put the key concepts around monitoring into practice?*

*How to monitor and assess the effects of an integrated approach?*

There is a substantial range of support available to authorities involved in monitoring sustainable development, either specifically focused on SUD strategies under cohesion policy, or sustainable urban development in general.

**The Directorate-General for Regional and Urban Policy (DG REGIO) of the European Commission (EC) provides methodological guidance on integrated sustainable urban development, specifically referring to the implementation of SUD strategies.** As regards monitoring, the guidance summarises the requirements for the composition of the Monitoring Committee (MC), as well as the requirements for setting up a monitoring system (EC, 2016).

In addition, **there is a specific EC guidance document available on monitoring and evaluation under the Cohesion Fund (CF) and European Regional and Development Fund (ERDF) for the 2014-2020 programming period.** This document explains the key concepts surrounding monitoring and evaluation, and offers some practical points for implementation (EC, 2014).

Building on these documents, the key concepts around monitoring will be discussed in the following paragraphs, providing links to additional material when relevant. A shared understanding of the main concepts should form the basis of their practical application.

### **How to put the key concepts around monitoring into practice?**

**In the 2014-2020 programming period, more explicit efforts have been made to design programmes according to a logical framework.** The logical framework (or intervention logic) is a way to describe a 'results framework' and can be seen as a tool for monitoring the effectiveness of a programme, strategy or action plan. Programmers start with an assessment of the need to be addressed. Then, they identify the results to be achieved through interventions that will fulfil this need. For example, if the need is to decrease the number of road traffic incidents, possible interventions are creating better road signs, improving driver

behaviour, or changing behaviour towards public transport. Thus, the point of departure is a need, and the means to fulfil that need, rather than the resources available. Essentially this implies a reversal of the traditional input-driven logic that has dominated the programming approach until recently. Intervention logic should lead to a 'clearer articulation of the policy objectives [which] is key to implement a results-oriented policy and moving away from an excessive focus on the absorption of funding' (EC, 2014). Therefore, more emphasis is being placed on monitoring to examine whether the anticipated results are being achieved (or whether efforts should be re-targeted).

Within the logical framework, **specific objectives should define the change that a strategy intends to achieve in a measurable and realistic way.** In general, it takes significant time to define these specific objectives, since it not only requires careful wording, but also the inclusion of relevant stakeholders (who might all have different objectives). It might be wise to appoint a facilitator to guide the discussion in the most objective way. **To clearly define specific objectives, complex terminology should be avoided, consistently using the key terms, and formulating them in individual sentences.** In this respect, it might be helpful to phrase the objective by using a verb that expresses change, e.g. 'to reduce...' or 'to improve...' (URBACT, 2016). Once the specific objectives are defined, indicators should reflect on the intervention logic behind the objectives. Thus, a specific objective could be: to decrease the number of road traffic incidents on the city ring road.

**Clearly defined indicators are essential for monitoring SUD performance.** An indicator quantifies data so that it can be structurally measured and monitored in order to determine whether change is taking place. Indicators should be closely linked to investment activities and regularly measured. As regards SUD strategies, there are several main types of indicators that play a role. The main objective is to track progress towards the target values by means of so-called output and result indicators.

**Result indicators** are defined as indicators that describe a specific aspect of a result, being a feature that can be measured. **Result indicators require a baseline value, which is usually the value of a result indicator at the beginning of the programming period.** This baseline value can be derived from existing statistical or administrative data. However, especially for smaller interventions, it may be necessary to first collect this information, for example by conducting a survey. Next to a baseline value, **result indicators should have a target value, which refers to the actual result that is aimed for.** However, it should be noted that some results may not be immediately visible and therefore it might be necessary to take this delay into account. For example, a baseline value for a result indicator might be 148 accidents reported per year on the

*Be careful!*

city ring road. The target value for this result indicator could then be set at 100 accidents per year (a decrease of more than 30%).

To ensure their quality, indicators have to meet certain criteria. According to the Better Regulation guidelines of the Commission<sup>60</sup>, these should be:

- **relevant**, i.e. closely linked to the objectives to be reached;
- **accepted** (e.g. by staff, stakeholders). The role and responsibilities of the indicator need to be well defined;
- **credible** for non-experts, unambiguous and easy to interpret. Indicators should be as simple and robust as possible;
- **easy** to monitor (e.g. data collection should be possible at low cost);
- **robust** against manipulation (e.g. administrative burden: if the target is to reduce administrative burdens to businesses, the burdens might not be reduced, but just shifted from businesses to public administration).

Finally, it is important to note that **when it is expected that indicators will observe change in people, they require a careful definition of the target population**. In this case, indicators should usually aim to measure change in the wider underlying population, rather than just in the group that is specifically targeted. For example, if the aim is to reduce unemployment among those aged between 14 and 16 years old, the result indicators should measure the change in overall youth unemployment in the relevant area. This way, the results of the specific policy will still be distilled, rather than picking up trends that are general to the overall youth population. Also, it can help detect undesired side effects; like reducing unemployment among 14-16 year olds, but increasing it among 16- 18 year olds (URBACT, 2016, p.21).

**Output indicators typically describe the product of the resources spent (e.g. money, time, effort) based on the policy interventions.**

They measure the direct outputs of the programme. In principle, they should cover the investment priorities of a programme and be derived from its intervention logic and actions. Therefore, output indicators are based on agreed definitions and measurement units to be used in operational programmes (OPs), facilitating aggregation at the national and EU level.

EU regulation<sup>61</sup> provides a list of **common output indicators** according to several types of interventions. This list includes indicators which measure aspects of SUD in a general way, e.g.: solid waste (measuring waste recycling capacity in tonnes/year); water supply (measuring additional population served by improved water supply); open spaces created (measured

<sup>60</sup> [https://ec.europa.eu/info/sites/info/files/file\\_import/better-regulation-toolbox-41\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/file_import/better-regulation-toolbox-41_en_0.pdf)

<sup>61</sup> (EU) No 1301/2013.

in square metres), or rehabilitation housing in urban areas (measured in housing units). It should be noted that these common output indicators normally apply to the ERDF **and that they may be complemented by programme-specific output indicators, although the Commission recommends the use of common indicators as much as possible.**

Furthermore, SUD strategies that are implemented by means of integrated territorial investment may include investment priorities coming from other ESI funds, meaning that each SUD strategy should consolidate its own set of indicators.

**Overall, it can be stated that is easier to measure output than results, as outputs are directly linked to project activities and financial inputs.** For example, if the specific objective is to decrease the number of road traffic accidents on the city ring road, relevant interventions could be improving road signals, improving driving behaviour, or encouraging people to use public transport by building a new circle train. If the latter intervention is chosen, the output indicators could measure the kilometres of newly constructed railroad. However, the effect of this new railroad (output) on the number of traffic accidents (result) is less straightforward, given that many more factors may affect this outcome. **In short, outputs refer to what has been done, and results refer to what has been achieved** (URBACT, 2016).

Figure 2 illustrates objectives, results and outputs within a simplified logical framework for the purposes of programming, monitoring and evaluation. In line with the integrated approach, it is expected that projects allocated to the interventions should tackle economic, environmental, climate, demographic and social challenges in urban areas, while taking into account the need to promote urban-rural linkages.

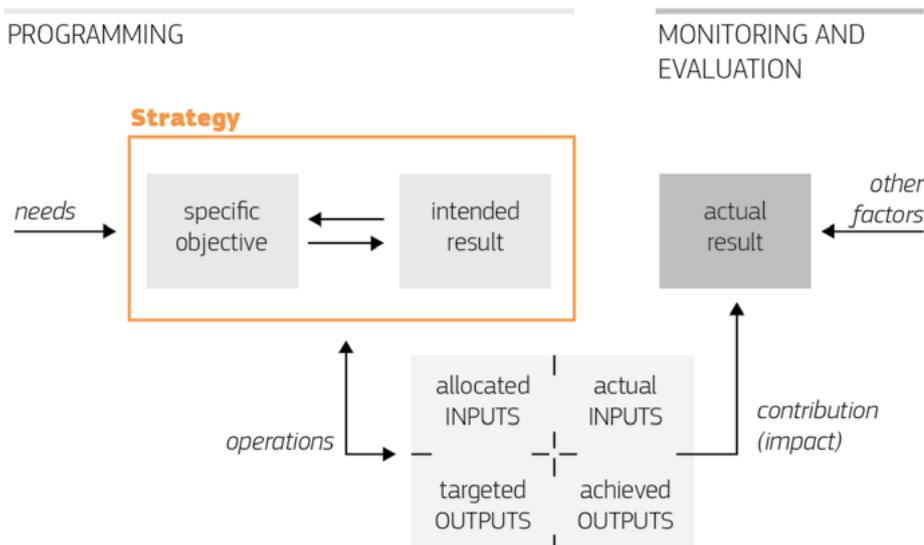


FIG. 2. Logical framework scheme for programming, monitoring and evaluation  
Source: EC, 2014.

In 2016, URBACT published a guide on how to use the results framework (logical framework). This guide is considered particularly useful for those cities that are working with an SUD strategy. Please see the box below.

### Additional resource

## URBACT (2016) URBACT GUIDE: APPLYING THE RESULTS FRAMEWORK TO INTEGRATED ACTION PLANS

The main purpose of the guide is to provide guidelines on how to use the results framework within an URBACT network, and especially within the URBACT Local Groups. **It discusses key concepts (e.g. intervention logic, targets, baseline, result and output indicators, milestones, monitoring and evaluation)** in an accessible way, describing monitoring as ‘the routine collection of information about progress of the activities, outputs and results of the projects within the action plan’ (p.30).

**The guide further discusses how to determine specific objectives (what is the desired change?), how to define result and output indicators to measure what will be achieved, how to collect data for result indicators, and how to perform monitoring and evaluation.**

Along with suggestions and guidelines, the **guide offers multiple practical examples to illustrate and clarify key concepts.** For example, the difference between specific objectives, result indicators and output indicators is illustrated as follows:

Specific objective	Result indicator	Result indicator baseline	Result indicator target value	Output indicator
Increase the energy efficiency of office buildings in the metropolitan area	Average energy usage of office space (kWh/m <sup>2</sup> /year)	242 (2015)  (kWh/m <sup>2</sup> /year)	220 (2019)  (kWh/m <sup>2</sup> /year)	- m <sup>2</sup> office space refurbished  - Number of office workers trained in e-efficiency

### For more information

<https://urbact.eu/files/applying-results-framework-integrated-action-plans>

[https://urbact.eu/sites/default/files/measuring\\_performance\\_implementation.pdf](https://urbact.eu/sites/default/files/measuring_performance_implementation.pdf)

## How to monitor and assess the effects of an integrated strategy?

**One of the key challenges facing SUD strategies is that SUD indicators combine measurement of a specific sector or policy theme**

**with assessment of integrated territorial effects.** It can be challenging to ensure that integrated territorial effects are captured alongside particular sectoral contributions related to thematic objectives (TOs) or investment priorities (IPs) of OPs. Thus, consideration should be given to how to link integrated territorial investments with impact on development in the territory across sectors. There are different approaches to addressing this challenge.

**One way is to first break down different dimensions (and sectors) involved in the strategy.** This approach departs from the assumption that all components should be effective in order for the strategy to be effective as a whole.

**When all components show the desired effects, it is likely that the entire strategy as a package has also been effective.**

Once the analysis of all sectors/dimensions has been conducted, the authority can weigh up whether additional indicators are needed to monitor impact that is specific to the interaction of two or more dimensions.

For example, the Maribor (SI) SUD has several pre-defined sets of indicators in the strategy, organised under five different headings: Self Reliant Maribor (e.g. number and effectiveness of SMEs, startups etc., lower social transfers); Mobile Maribor (e.g. share of public transport, share of cyclists and pedestrians commuting etc.); Smart Maribor (e.g. level of satisfaction of citizens with the administration, transformation of neighbourhoods and communities etc.); Urban Maribor (e.g. indicators of tourist visits and attractiveness etc.); and Grounded Maribor (e.g. environmental indicators etc.). Each project is advised to define additional indicators at the project level<sup>62</sup>.

Furthermore, **departing from (existing) theory, evaluation can be carried out as to how far the intervention logic of the different components fits with each other and whether they are likely to create synergies.** Put differently, building upon theoretical assumptions, the individual effect of 'integration' is assessed. This method examines the effect of integration more from a process point of view.

Moreover, **methodologies can be developed for assessing the effect of an integrated strategy. This option usually requires some advanced research skills.**

For large programmes, such assessments are usually based on macroeconomic models. Another method is to perform a counterfactual impact evaluation, whereby the situation of the territory that has received investment is compared to the situation of an unsupported territory (EC, 2016). However, this method is mostly used to examine larger territories, since it is easier to find counterfactuals for these.

Acknowledging that guidance on how to measure impacts of integrated investment is not yet very explicit, the EC currently examines how far a wider

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<sup>62</sup> Also see the presentation given at a UDN event in Ghent 1-2 December 2016: [https://ec.europa.eu/regional\\_policy/sources/conferences/udn\\_ghent\\_2016/Maribor.pdf](https://ec.europa.eu/regional_policy/sources/conferences/udn_ghent_2016/Maribor.pdf)

harmonisation across ESIF indicators is feasible<sup>63</sup>. In this context, assessments are specifically carried out to determine whether common indicators can be used for several sectors simultaneously to capture the territorial dimension. **Work is also ongoing on identifying territorial indicators and measurement methods that can link different policy sectors to sustainable development and territorial cohesion.** In this respect, the European Observation Network for Territorial Development and Cohesion (ESPON) has developed a set of indicators to support policy development for territorial cohesion. Please see the box below.

### *Additional resource*

#### **ESPON: INDICATORS FOR INTEGRATED TERRITORIAL AND URBAN DEVELOPMENT**

ESPON's working paper uses two fundamental questions as jumping-off points:

- How far is it possible to measure the move towards integrated territorial and urban development?
- What kind of indicators and data types are needed to capture the impact of integrated investments on territorial and urban development across sectors?

Looking at different themes and application contexts, ESPON suggests a set of indicators that can be used to measure the impact of integrated investments on an aggregate level. Most of these indicators should not be used as direct result indicators (measuring the exact achievements of the strategy); rather, they are suitable for assessing policy by monitoring, evaluation, or benchmarking.

For example, the indicators 'long-term unemployed as a proportion of total unemployed' is likely to provide information on economic development and possible structural problems. If large groups of people are long-term unemployed, social exclusion could be an underlying factor. When the number of long-term unemployed decreases, this could point to an overall positive effect of integrated investments that were targeted to fight social exclusion.

ESPON further offers suggestions for the use of composite indicators, and provides several policy recommendations for the EU, national and regional level, such as the following.

<sup>63</sup> It is suggested that for this purpose three levels of indicators can be identified: output indicators (deliverables of the interventions), direct result indicators (immediate achievements specifically linked to the interventions), and policy result indicators (the intended outcome in terms of economic and societal challenges addressed by the policy interventions).

- While it would be useful to have a Europe-wide methodology and indicators list, cities/metropolitan areas are encouraged to take responsibility for formulating specific and sound visions, with tailored indicators for the main objectives/priorities, and to translate ‘integrated territorial development’ into their specific contexts.
- Data availability might be an issue in many cases, so the indicators presented in the working paper are not an off-the-shelf solution, but need to be adjusted depending on the national/regional context.
- Registered statistics may often prove to be a better source of data than official statistics. In many instances, information included in national registers is overlooked because of possible non-compliance with statistical standards; however, careful examination of data can remedy this problem.
- If integrated territorial development strategies cover several administrative territories, it is worth examining the spatial distribution of indicators such as dispersion and clustering.

### For more information

<https://www.espon.eu/integrated-indicators>

Finally, **some authorities have also started to experiment with composite indices that integrate different dimensions together in order to measure and monitor the evolution of territories.**

The advantage of an index (or composite indicator) is that it provides a single value for all indicators combined. As such, complex information can be presented in an easily understandable way. For example, ESPON (2016) has developed a fairly easy-to-understand ‘polycentricity index’ that consists of three equally weighted indicators (urban structure, accessibility, and territorial cooperation). Assuming that integrated territorial investments intend to make territories more polycentric, this indicator can be used to measure the impact of integrated investment in a single quantitative value.

However, there are important caveats to bear in mind when using composite indicators. **Even if data can be combined and weighted, it remains an analytical challenge to aggregate social, environmental, economic and institutional metrics into a composite indicator that can be compared on both spatial and temporal levels.** It is difficult

*Be careful!*

to produce a meaningful aggregation of diverse metrics, and this requires advanced methodological knowledge, especially as the weights of the selected indicators can have a substantial influence on the final value of the composite indicator and are sometimes only a general representation of the impact of policies or investments in question (Colantonio & Dixon, 2009).

**The EC Joint Research Centre's (JRC) Competence Centre on Composite Indicators and Scoreboards has experience in building composite indicators and can be consulted on the technicalities around finding the best methods and approaches.** Also, the EC has developed some concrete proposals on regional composite indicators which can serve as inspiration for developing composite indicators that could be adapted to local circumstances: the European Regional Competitiveness Index (NUTS 2 level); the European Regional Inclusive Society Index (NUTS 2 level); and the European Social Progress Index (NUTS 2 level)(ESPON, 2018).

#### *Additional resource*

### **EUROPEAN POLICIES RESEARCH CENTRE (EPRC) MEASURING INTEGRATED TERRITORIAL AND URBAN STRATEGIES: CHALLENGES, EMERGING APPROACHES AND OPTIONS FOR THE FUTURE**

This report discusses methodologies for measuring the effectiveness of sustainable urban development strategies and integrated territorial investment. It specifically elaborates the development of indicators for territorial provisions, highlighting the key considerations involved in assessing the achievements of strategies. The report identifies several frequently used indicators to assess achievements (results) of integrated strategies, such as:

- vacancy rate within cities
- levels of satisfaction of residents living in relevant areas
- reduced air pollution
- public transport use as a share of total passenger transport

#### **For more information**

[https://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/integrated\\_strategies/measuring\\_integrated\\_strategies\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/integrated_strategies/measuring_integrated_strategies_en.pdf)

**Finally, it is worth noting that other EU-funded instruments implemented in Member States can provide support in the design and implementation of SUD monitoring.** For example, Smart Specialisation Strategies are place-based national or regional innovation strategies

that are monitored by tracking the developments related to policy interventions within the strategy's specific priority areas. The monitoring mechanism should be able to capture and track the relevant expected changes that are foreseen in each priority by means of an appropriate choice of result indicators; it should also capture and follow the policy output that ought to make expected changes happen. For those territories that have limited experience in this field, it is suggested to begin developing internal capacities and experience starting with a simple indicator system. The Joint Research Centre offers several sources of support, including a Massive Open Online Course (MOOC) on strategy monitoring.

## RECOMMENDATIONS

- Make sure the monitoring system follows the logical framework, moving from needs (what has to be addressed?), to specific objectives, (what is the desired change?), to indicators (how can this change be measured?).
- Make sure that specific objectives define the change a strategy intends to achieve in a measurable and realistic way:
  - ▶ be careful about wording, and keep terminology simple and consistent;
  - ▶ try to formulate the specific objectives in a single sentence;
  - ▶ if needed, use a neutral facilitator to guide the discussion about the specific objectives among all relevant stakeholders;
  - ▶ to formulate the specific objective, use verbs that imply change, such as 'to reduce...', 'to improve...', 'to widen and access...'
- For many administrations, a lack of human capacity and/or methodological skills can be an issue. Consider the use of EC technical assistance to increase staff capacity and/or other sources of support to provide training on data and methodologies for staff working on monitoring (e.g. collaboration with local universities).
- Explore the options for bringing in external expertise and stakeholders to support with the design of the monitoring framework.
- If possible, design the monitoring framework from a long-term perspective. Longitudinal data (repeated measurements over time) is key to high-quality monitoring:
  - ▶ Ideally, the monitoring framework can also be used to monitor future sustainable urban development initiatives.
- Explore several ways to examine the effects of an integrated approach.
  - ▶ The 'easiest' way to monitor (and evaluate) an integrated approach, is to first assess the effectiveness of all components separately, assuming that if all components have been effective, the strategy as a whole has also been effective.
  - ▶ Also, based on theory, an assessment can be carried out as to how far the intervention logic for the different components fit with each other

and whether they are likely to create synergies. Such examination of the 'integrated' process can support ex-ante evaluation, or monitoring during the programme.

- ▶ Finally, depending on available capacity, macroeconomic models can serve to assess the effect of an integrated programme as a whole. Another method is to perform a counterfactual impact evaluation, whereby the situation of the territory that has received investment is compared to the situation of an unsupported territory.

## DATA ON TANGIBLE AND INTANGIBLE EFFECTS

*In this section we address:*

*What kind of data is needed to capture the tangible and intangible effects of urban development across sectors?*

### **What kind of data is needed to capture the tangible and intangible effects of urban development across sectors?**

**SUD strategies can produce tangible and intangible effects.** Examples of tangible effects are an increase in households that live within 500 metres of a public transport stop, or a decrease in air pollution. A less tangible result of SUD is increased social cohesion in the neighbourhood, or an improvement in (perceived) quality of life. In that respect, intangible effects often refer to people's perceptions and beliefs, and require more subjective measurements. In particular, strategic urban planning with an emphasis on the social dimension (e.g. education and skills, housing, participation and empowerment, social mixing, employment, or demographic change) is expected to cause intangible results. However, intangible effects are not restricted to this dimension. **In order to cover all aspects of the SUD strategy and to obtain an overall idea of the situation, the monitoring of both tangible and intangible effects should be considered.**

**Data collection for the measurement of intangible effects often relies on surveys, interviews, observational methods, and focus groups.** Survey design entails a trade-off between obtaining enough information and the time respondents need to spend to complete the survey. Clearly, the longer it takes to conduct the survey, the less likely people are to participate and concentrate. A choice also has to be made between open and closed questions, or a mix of both. Open questions probably provide

more detailed information, while data from closed questions are easier to process and compare.

**A common way to construct a closed question is using the Likert**

**scale.** The Likert scale is a rating scale whereby respondents are asked to agree or disagree with a statement or belief using a five- or seven-point answer scale. Often this scale includes a neutral midpoint. An example of such a question is: *Please indicate the extent to which you agree or disagree with the following statement: 'I feel part of this neighbourhood'. Please select one of the following options: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.* Interviews and focus groups also require careful consideration of questioning. Questions should not be leading, respondents should feel 'safe' to express their opinions, and a focus group should provide all participants with an equal chance to speak up.

**In general, all these methods of data collection are prone to (self-) selection bias,** whereby the people who are most active in the neighbourhood are also the most likely to participate to a survey, interview and/or focus group. It is also important to reach people who are less actively involved in the community. Furthermore, to increase the chance that all types of people living in a specific territory are included, it is advisable to reach out to people at different times of the day and on different days of the week (reaching those that work during the day/evening etc.). **Combining two or more methods to collect the data (e.g. focus groups and a survey) enhances the credibility of a study.**

## MEASURING SOCIAL COHESION AND QUALITY OF LIFE IN ROTTERDAM (NL)

Rotterdam has developed several indicator systems to assess and monitor social developments in its neighbourhoods. One of these is the **Social index** that specifically analyses neighbourhoods' social qualities, collecting and aggregating data along four dimensions:

- 1) Personal abilities (language skills, health, income, and education)
- 2) Living environment (level of discrimination, housing, pollution, public facilities, etc.)
- 3) Participation (going to school/work, social contact, social and cultural activities, etc.)
- 4) Bonding (mobility, 'feeling connected' etc.)

The index produces a score between 0 and 10, serving the purpose of:

- measuring the social qualities of a place at a given time.

*Learning from practice*

- showing and comparing the differences between 64 out of the 80 Rotterdam districts,
- providing a baseline for assessing policies.
- analysing the strengths and weaknesses of each neighbourhood in terms of the four dimensions.

Rotterdam also uses a **Safety Index** that combines objective data on the number of crimes committed and reported with subjective data such as perceptions of safety. This index also produces a score between 0 and 10 which indicates the safety level of a neighbourhood. Both the Social and Safety indices are based on both statistical and survey data.

These indices have become essential tools for assessing urban development, and specifically regeneration projects in the city. However, the process of data collection carries significant cost implications. For this reason, the Social Index is now run on two-yearly basis, instead of annually. The city is looking into ways to develop alternative cost-effective methodologies for conducting local surveys, such as involving local communities, or using proxy indicators to measure softer impacts. Another issue is the mobility of residents (e.g. moving out of a neighbourhood after their situation improves), which makes it difficult to trace the effectiveness of local projects. In these situations, authorities must decide whether people-based indicators or area-based indicators are most useful.

### For more information

<https://wijkprofiel.rotterdam.nl/>

**Whereas intangible effects are often measured using qualitative data (measuring approximations, descriptions and concepts), tangible effects are generally measured using quantitative data.** Quantitative data concern measures of values or counts, expressed in numbers. It describes quantities, and can answer questions such as 'How many?', 'How much?', and 'How often?'. For example, quantitative data measure the number of people that use public transport during rush hour, or the micrograms of air-polluting particles per cubic meter ( $\mu\text{g}/\text{m}^3$ ). Because quantitative data consist of counts and numbers it is well suited for (advanced) statistical analysis. In contrast, qualitative data are often analysed by means of a narrative, describing patterns, connections, relationships, and/or themes. **However, it is also possible to amend**

**more qualitative information, such as attitudes or beliefs, to quantitative data, for instance by using a Likert-scale.**

**The type of data collected depends not only on what kind of information is desired, but also on human capacity and data availability.** In some Member States, the introduction of integrated urban approaches represents a continuation of domestic practices, albeit with some changes. **The benefits of having SUD embedded in a broader domestic strategy are apparent in the availability of a set of dedicated indicators and datasets.** Moreover, there is often strong capacity and experience for monitoring territorially integrated initiatives.

**Moreover, where city-wide monitoring systems have been developed, they often fulfil an important role in the selection of SUD priority areas for intervention, and in progress assessment at the project and programme levels.** For example, Antwerp (BE) uses urban scans based on geodata and statistical information to monitor and measure data on priorities such as housing, green space availability, air and noise pollution levels, walkability and access to public transit. This allows policymakers to develop integrated strategic projects, and make informed spatial decisions. Two online platforms allow these data and maps to be shared with city employees, citizens, companies, project developers and other cities. **The project is named as an UR-BACT good practice.**

**In other territories, integrated, strategic urban development initiatives represent a relatively new approach.** SUD involves new ways of working, with multiple goals relating to behaviour and outcomes, raising issues concerning limited capacity and experience for monitoring these new approaches. Beyond this, there are challenges concerning the availability and quality of data. Nevertheless, **in several Member States initiatives are underway at national and sub-national levels to develop capacities to provide a stronger base for SUD monitoring,** such as in Poland and Hungary.

**In Hungary, work is ongoing to increase the use of data in urban authorities. This involves developing a Smart Cities Index with a range of themes, indicators and data sources** (statistical data, surveys, map-based analytics). One key to the process is the development of an electronic interface to support local governments, a focus on international good practice, and a unified web platform for urban planning.

**In Poland, monitoring of urban policy implementation is part of a general development policy monitoring system that uses the STRATEG data base** (including sets of indicators on the national

and European level). To implement its National Urban Policy, the Ministry of Investment and Economic Development cooperates with the Central Statistical Office in updating and developing appropriate indicators and methodologies. The Urban Policy Observatory is also involved, conducting monitoring and research in the field of urban policy. As a result, a range of support for SUD is being developed: monitoring studies, data integration and sharing (including databases, geo-portals), dissemination of knowledge, education and contribution to the debate on urban policy in Poland (including congresses of urban policy, revitalisation congresses, and workshops) (Ministry of Investment and Economic Development, 2019).

Furthermore, **technological advances in information generation and communication provide increasing possibilities to collect data for SUD monitoring.** There is growing interest in the potential of processing and networking capabilities to open up new methods of working within and across administrations. New sources of knowledge relating to urban domains can be accessed through so-called 'big data', including censuses, household, transport, environment and mapping surveys, social media and commissioned interviews and focus groups. New ways for policymakers to connect with stakeholders to improve urban development interventions are being explored. **Citizens are encouraged to play an active role in defining indicators for their city, and to participate in the collection and consideration of data.**

For example, **the European Network of Sustainable Urban Mobility Plans (SUMP) points to cycling apps that gather data for local transport planners.** The raw data coming out of these apps are not always easily interpreted for monitoring, but guidance and tool-kits are being developed for this. As a case in point, the NISTO project, supported by the INTERREG IVB North-West Europe programme has developed a toolkit to monitor smart mobility and guidelines to convert sensor data from smartphones (e.g. GPS) into indicators that can be used in monitoring.

Moreover, the JRC has gathered a range of data and tools to support SUD implementation. For example, with the support of DG REGIO they have developed **the Urban Data Platform plus (UDP+). This platform contains information on 807 cities, 673 functional urban areas and 271 metropolitan regions.** It includes longitudinal data (repeated measures over time) on a wide variety of indicators, covering population dynamics, the economy, the labour market, education, research and innovation, social issues, transport and accessibility, environment and climate, governance, and security and safety. All data are publicly accessible and downloadable, and can serve to provide baseline information or as source of inspiration. Note that if the desired indicator is not publicly available, a proxy indicator may be considered. **A proxy indicator is an indirect**

**measure of the desired information, offering a fair approximation of it.** For example, the incidence of childhood asthma might serve as a proxy measurement of air quality.

Finally, **given that technological advancements are making more and more data available, authorities may also benefit from partnerships with private actors or research institutes.** Public and Private Partnerships (PPPs) may greatly contribute to the implementation of a cross-disciplinary and cross-sectoral assessment and monitoring system. PPPs can be based on exchange of data, knowledge and skills (Colantonio & Dixon, 2009).

**Once data (quantitative or qualitative) have been collected, it is essential that the data are structured in a clear way.** It is advisable to keep the data in one central file or program, with back-ups. Indicators should have a clear descriptive name, as well as clear descriptive values. Furthermore, it is suggested that authorities use a dashboard to support sharing and monitoring of data. **A dashboard is an easy-to-read overview of the key monitoring data, showing current status and progress towards targets for the various indicators in a visual way** (URBACT, 2016). The database should be continuously maintained by performing updates and corrections when necessary. It is also necessary to check that the **data comply with the General Data Protection Regulation (GDPR).**

## RECOMMENDATIONS

- Collect a combination of quantitative and qualitative information to cover all components/dimensions of the strategy.
  - ▶ Ideally, indicators that measure tangible effects are complemented by indicators that measure intangible effects.
  - ▶ A quantitative framework (based on counts and numbers) can be complemented by a qualitative assessment of interventions (perceptions and attitudes) to obtain the bigger picture.
  - ▶ Participatory approaches, including citizen engagement, are crucial in setting relevant goals and indicators and guaranteeing commitment. For example, use surveys or questionnaires to measure residents' levels of satisfaction.
- Take timing into account. Some indicators used for measuring the territorial impact of integrated investments require time to capture effects, particularly for intangible results.
- Make sure to select a representative sample of respondents in order to consult beyond the 'usual suspects'.

- Invest in cost-effective data-gathering procedures and methodologies. See how far data already collected by the city, regional, national or EU statistical sources can be used.
- Make sure to document the framework, methodology and indicators. Provide enough detail so that others not directly involved (or those that will be involved in the future) can replicate independently.
- Consider using a dashboard to support sharing and monitoring of data. A dashboard is an easy-to-read overview of key monitoring data, which shows current status and progress towards targets for the various indicators in a visual way.

## DIFFERENT LEVELS OF OBJECTIVES

*In this section we address:*

*How can local objectives be aligned with regional, national or global sustainability agendas?*

### **How can local objectives be aligned with regional, national, or global sustainability agendas?**

Another broader challenge when monitoring SUD strategies is to align their results framework to objectives and goals that have been set at different administrative levels. Many, if not all, SUD strategies are designed and implemented within a context of local, regional, national, and/or supranational agendas.

**At the urban level, SUD implementation should be coordinated as much as possible with other initiatives and systems which are being implemented in the urban areas.** This may include the alignment or coordination of monitoring systems. However, the extent of alignment varies, depending on the size and scope of urban-level initiatives. In some cases, there are interesting examples of alignment, such as in Vienna (see the box below).

*Learning from  
practice*

### **SUD AND CITY MONITORING – SMART. MONITOR, VIENNA (AT)**

In Vienna, SUD implementation is monitored within the ERDF OP monitoring system. However, SUD monitoring is also supported

through monitoring of the Smart City Vienna Framework Strategy. Led by the city's Department of Urban Development and Planning, the strategy was designed independently from cohesion policy programming.

As a framework strategy, it provides reference points for many existing sectoral strategies, covering areas such as planning, energy environment, mobility, innovation, health and the digital agenda. The three key areas the strategy focuses on are quality of life; resources; and innovation.

As part of this initiative, an exploratory project, called SMART.MONITOR developed a monitoring concept for the framework strategy. The results of the project are practical recommendations for monitoring the progress of the framework strategy, and this has supported SUD monitoring. Initial reviews of SMART.MONITOR have highlighted some important points:

**Choice of indicators.** Although the chosen indicators generally provided a good framework, some indicators require more precise definitions, while additional indicators have also been proposed to deliver a more comprehensive overall picture.

**Data management.** The first cycle of monitoring showed the high added value of and need for an exchange of data beyond municipal institutions to increase awareness and avoid duplication. A clear overview of all data and centralised access is considered very valuable.

**Dialogue and cooperation.** Despite the involvement of many departments and associated organisations, it was felt some actors could still be more strongly involved. Also, emphasis was put on the continuity of staff involved in the monitoring process.

**Monitoring interval.** To ensure that the monitoring process evolves into an effective support tool for the strategy, monitoring intervals should be kept as short as possible. This keeps momentum high and avoids (re)training of staff. The exact interval should be based on a cost-benefit analysis.

### For more information

<https://smartcity.wien.gv.at/site/en/the-initiative/monitoring/>

**At OP level, there are challenges in setting indicators based on local needs alongside those determined in the priorities and measures of ESIF OPs.** The multi-dimensional character of SUD makes

it possible to integrate a wide range of interventions in several sustainability-oriented domains. For this reason, a limited number of ESIF programme indicators may not be sensitive enough to capture the specific focus and impact areas of SUD strategies. In such cases, it may be necessary to use more specific indicators. For instance, specific SUD-related ‘strategic’ indicators, linked to programme priorities and measures can be used to strengthen alignment. Several examples of such indicators have been identified, many of which can be linked to the common indicators used for ESIF programmes (Van der Zwet et al., 2017)

**At EU level, the upcoming review of the Urban Agenda for the EU will highlight the role of urban areas in overarching issues such as climate adaptation, air quality, inclusion of migrants and refugees, housing, digital transition, and the circular economy.** This includes the contribution of SUDs. One of the pillars of the Urban Agenda for the EU is to contribute to and enhance the knowledge base on urban issues and exchange best practices. Following this, many of the action plans that followed from partnerships on specific issues have formulated concrete actions to improve databases and data collection. Ideally this should result in better data availability, as well as standardisation, facilitating comparison between EU territories.

In terms of monitoring the effect on sustainability, the framework developed by **the global Agenda for Sustainable Development includes 17 Sustainable Development Goals (SDGs) to be monitored using more than 232 indicators and 169 targets**<sup>64</sup>. SDG number 11 concerns ‘Sustainable Cities and Communities’ and specifically addresses the monitoring framework related to urban settlements, including aspects related to housing, mobility, governance, water, and rural-urban synergies. In addition, other SDGs include urban-based targets, e.g. city product per capita (8.1.1), women in local government (5.1.1) and local expenditure efficiency (16.6.1). **The alignment of SDGs at local level can be achieved through a scale-down process known as ‘localisation’**<sup>65</sup>. This process takes account of sub-national contexts in achieving the 2030 Agenda, from the setting of goals and targets to determining the means of implementation and using indicators to measure and monitor progress. Localisation brings city networks and stakeholders together to represent the views of local actors, and encourages the bottom-up monitoring process which is essential to delivering all committed objectives goals. However, **the alignment process demands close coordination efforts, also taking into account any other potential agendas, such as EU, national, and regional ones.**

<sup>64</sup> <https://www.un.org/sustainabledevelopment/development-agenda/>

<sup>65</sup> <https://www.local2030.org/>

## ROADMAP FOR LOCALIZING THE SDGS: IMPLEMENTATION AND MONITORING AT SUB-NATIONAL LEVEL

This roadmap was published by the Global Taskforce of Local and Regional governments, the United Nations Development Programme (UNDP), and UN Habitat, to help local and regional governments implement and monitor the SDGs. Support with delivering the 2030 agenda is structured in five parts:

- **Awareness-raising**, getting to know the SDGs at the sub-national level.
- **Advocacy**, including a sub-national perspective in national SDG strategies.
- **Implementation**, localising the SDGs.
- **Monitoring**, evaluating and learning from experiences.
- **Going forward**, where to go from here?

Links to additional material are provided in the section on monitoring, along with recommendations for establishing monitoring frameworks for localised SDGs.

It is emphasised that local indicators should be linked to those of the 2030 agenda and adapted to each territory's needs and context. Furthermore, local and regional authorities should participate in monitoring and evaluating the SDGs at national level, and the information gathered at local level should be used in national SDG monitoring and reporting. If possible, local governments should set up joint initiatives to create strong sub-national mechanisms. When resources are insufficient, national authorities should collect data from all the different territories in a comprehensive matter.

### For more information

[https://www.uclg.org/sites/default/files/roadmap\\_for\\_localizing\\_the\\_sdgs\\_0.pdf](https://www.uclg.org/sites/default/files/roadmap_for_localizing_the_sdgs_0.pdf)

Furthermore, **the Joint Research Centre, in cooperation with DG REGIO and UN-HABITAT, is working on monitoring the urban dimension of the 2030 Agenda for Sustainable Development.** Some cities and regions have taken the lead and have started producing SDG Voluntary Local Reviews (VLRs), even though no method and indicator framework has currently been agreed upon. To this end, a *European Handbook for SDG Voluntary Local Reviews* (VLRs) is being finalised (Siragusa et al., 2020). It provides key examples of official and experimental indicators, which are useful in setting up an effective SDG local monitoring system

specifically targeted at European cities. For each SDG, the Handbook highlights examples of harmonised and locally collected indicators. **Indeed, VLRs are a great opportunity to foster the localisation of the SDGs and to boost their implementation.**

It is also worth noting that the EU-wide network Council of European Municipalities and Regions (CEMR) has developed a **Reference Framework for Sustainable Cities (RFSC)**<sup>66</sup>, which is an online toolkit that offers a self-assessment of local strategies or projects. One of the components of this self-assessment is monitoring progress. In this respect, **the RFSC offers a choice between several European and global sustainability frameworks, of which the SDGs form one.** The RFSC states that all SDGs have targets directly related to the local and regional level, and therefore the ability to integrate the SDGs in the design, implementation, and monitoring of local strategies is crucial for achieving these targets. Progress can be monitored by means of sound, relevant indicators coming from city, European, and global databases. The RFSC enables you to choose the indicators that fit your broader framework and allows you to enter values so that you can monitor them (see Cross-Sectoral Integration chapter for a more general description of the tool).

**Also, the Organisation for Economic Co-operation and Development (OECD) has initiated a programme to help cities and regions develop, implement and monitor strategies to achieve the SDGs**<sup>67</sup>. The programme supports interested cities and regions in fostering a territorial approach to the SDGs by:

- **measuring** where they stand vis-à-vis the national average and their peers.
- **engaging in a multi-level dialogue** with their lower and upper levels of government to build consensus on who can do what, at what scale and how.
- **sharing best practice** and lessons from international experience.

As regards measurement, the OECD foresees a tailored, consensual and localised indicator framework, as well as harmonised and comparable OECD territorial statistics for SDGs. Among other things, learning can take place by pilot testing the indicator frameworks in different contexts. Current pilot cases within EU countries are the city of Bonn (DE), the region of Flanders (BE), and the region of Southern Denmark. The final report *A Territorial Approach to the SDGs: A role for cities and regions to leave no one behind* will be launched at the 2020 World Urban Forum.

<sup>66</sup> <http://rfsc.eu/#choose-your-framework>

<sup>67</sup> <http://www.oecd.org/cfe/territorial-approach-sdgs.htm>

## **ALIGNING SUD INDICATORS AND ‘GLOBAL’ OBJECTIVES IN A CORUÑA (ES)**

The SUD indicator system in A Coruña is an innovative and coherent instrument that takes into account indicators from several policy levels: (i) Global: UN Agenda 2030, UN Habitat, (ii) European: Indicators of Sustainable Development of Eurostat, (iii) National: the Spanish Urban Agenda, Indicators for SDGs of National Institute of Statistics and Spanish Network of Sustainable Development Indicators.

The integration of inputs from other related policy frameworks is being carried out through a pilot exercise that aims to monitor the SUD territorial specificities in A Coruña on the one hand, and to allow benchmarking exercises between urban areas and cities on the other. For this purpose, three different levels of indicators have been identified:

- (1) descriptive indicators, applicable at the general level on the domains of the Urban Agenda,
- (2) indicators of Urban Sustainability, also framed at the Urban Agenda level but with a targeted focus on measurement of sustainable actions, and
- (3) Monitoring and Evaluation indicators, applicable at the level of the Strategic action plan and aimed at measuring combined actions in terms of overall progress.

Besides alignment with other policy frameworks and the proposed integrated approach, the monitoring system is also designed with a number of basic criteria in mind. According to the monitoring and evaluation committee, indicators should be:

- strongly based on a bottom-up approach;
- standardised, i.e. urban audit type;
- able to measure both local action and Sustainable Development Goals;
- able to measure aspects which are useful within the framework of the Spanish Urban Agenda;
- able to measure the behaviour of the city in relation to its own objectives and strategies;
- able to contemplate different territorial scenarios, (metropolitan areas, districts, neighbourhoods);
- able to integrate gender aspects, i.e. equality and diversity;

- integrated with the city management dashboards, i.e. mobility, assets management, licenses;
- aligned with the model of Spanish Smart Cities.

### For more information

[www.coruna.gal/agendaurbana](http://www.coruna.gal/agendaurbana)

Finally, **no matter what type of monitoring system is established and what framework it sits within, the indicators should be able to reflect desired development on the critical issues as defined in the strategic plan.** The final stage of monitoring should connect measurements back to the diagnostic phase of the strategy. If results after or during implementation do not match the strategy's objectives, the cause of the deviations must be investigated. Based on this analysis, corrective action can be taken, reformulating the strategic plan in the best way possible. After the final review of the strategy, the complete cycle of strategic planning is closed, serving at the same time as a starting point for a new cycle of strategic development.

## RECOMMENDATIONS

- Consider how SUD strategy indicators can be aligned with those that apply to city, regional, national, and global level sustainability agendas:
  - ▶ Explore the process of scaling-down, also known as 'localisation' to align with objectives initially set at higher levels.
  - ▶ Explore the available guidance on localising SDGs (e.g. the Global Taskforce of Local and Regional governments, JRC, OECD, RFSC, and UN Habitat).
- Try to establish cooperation between different local authorities to create strong sub-national mechanisms for monitoring higher level agendas.
  - ▶ When resources are insufficient, try to ensure that higher-level authorities collect data from all the different territories in a comprehensive matter.
- Try to ensure that the information gathered at local level(s) is used in national SDG monitoring and reporting. Ideally, local and regional authorities should participate in monitoring and evaluating the SDGs at national level.
- Finally, always keep in mind the distinction between measuring SUD strategy achievements in specific territories and populations, and measuring the performance of EU-funded programmes and priorities or agendas at different levels.

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# List of abbreviations

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CF	Cohesion Fund
CLLD	Community-led local development
DG REGIO	Directorate-General for Regional and Urban Policy
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional and Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
FI	Financial instrument
FUA	Functional urban area
IB	Intermediate body
IP	Investment priority
ITI	Integrated territorial investment
LA	Local authority
LAG	Local action group
MA	Managing authority
NGO	Non-governmental organisation
NUTS	Nomenclature of territorial units for statistics
OECD	Organisation for economic co-operation and development
OP	Operational programme
PA	Priority axis
SME	Small and medium-sized enterprises
SUD	Sustainable urban development
TO	Thematic objective

## **Article 7**

Article 7 of the European Regional Development Fund Regulations (No 1301/2013) regards Sustainable urban development. The centrepiece of Article 7 ERDF is the existence of integrated sustainable urban strategies, addressing economic, environmental, climate, demographic and social challenges. The strategy constitutes the framework for the selection of singular operations.

## **Beneficiary**

A public or private body and, for the purposes of the EAFRD Regulation and of the EMFF Regulation only, a natural person, responsible for initiating or both initiating and implementing operations.

## **Cohesion Fund (CF)**

Since 1994, the Cohesion Fund has been used to provide support for the poorer regions of Europe and stabilise their economies with a view to promoting growth, employment and sustainable development. The Fund contributes to financing environmental measures and trans-European transport networks - particularly high-priority projects of European interest - in the 13 Member States that have joined the EU since 2004, as well as in Greece and Portugal. The Cohesion Fund may also be used to finance the priorities of the EU's environmental protection policy.

## **Community-led local development strategy**

A coherent set of operations the purpose of which is to meet local objectives and needs. It contributes to achieving the Union strategy for smart, sustainable and inclusive growth, and is designed and implemented by a local action group.

## **Europe 2020 Strategy**

Europe 2020 is the EU's ten-year strategy for smart, sustainable and inclusive growth. In order to deliver on this objective, five ambitious targets have been set, covering employment, research and development, climate change and energy sustainability, education, and the fight against poverty and social exclusion.

Cohesion policy is committed to supporting the Europe 2020 Strategy financially. This is why, in the 2014-20 programming period, funding is targeted on 11 thematic objectives that address the Europe 2020 goals. A specific percentage of investments has to focus on these thematic objectives.

## **European Regional Development Fund (ERDF)**

The ERDF provides financial support for the development and structural adjustment of regional economies, economic change, enhanced competitiveness as well as territorial cooperation throughout the EU. For the 2014-20 period, the budget for the ERDF amounts to more than € 250 billion. The Fund

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supports projects under the 11 thematic objectives for cohesion policy, and focuses in particular on T01, T02, T03 and T04.

### **European Social Fund (ESF)**

Established in 1958, the ESF is one of the EU's main financial instruments for supporting national policies that seek to increase employment and employment opportunities, improve quality and productivity at work, and reduce social exclusion and regional employment disparities.

As one of the five European Structural and Investment Funds (ESIF), the ESF works towards achieving the 11 thematic objectives set out for the ESIF in the 2014-20 programming period. In particular, the main priorities for the ESF are T08, T09, T010 and T011.

### **European Structural and Investment Funds (ESIF)**

For the period 2014-20, cohesion policy is financed by the European Structural and Investment Funds (ESIF). The ESIF include five different funds, which are all covered by Regulation (EU) No 1303/2013 of the European Parliament and of the Council, the so-called 'Common Provisions Regulation'.

The Structural Funds have two components: the European Regional Development Fund (ERDF), providing financial support since 1975 for the development and structural adjustment of regional economies, economic change, enhanced competitiveness as well as territorial cooperation throughout the EU; and the European Social Fund (ESF), set up in 1958 and seeking to contribute to the adaptability of workers and enterprises, access to employment and participation in the labour market, social inclusion of disadvantaged people, combating all forms of discrimination, and creating partnerships to manage reforms in employment. The other three funds constituting the ESIF are the Cohesion Fund (CF), which supports exclusively less-developed Member States; the European Agricultural Fund for Rural Development (EAFRD); and the European Maritime and Fisheries Fund (EMFF).

### **European Territorial Cooperation**

European Territorial Cooperation is the instrument of cohesion policy that aims to solve problems across borders and to jointly develop the potential of diverse territories. Cooperation actions are supported by the European Regional Development Fund through three key components: cross-border cooperation, transnational cooperation and interregional cooperation.

### **Ex ante conditionalities**

Ex ante conditionalities are one of the key elements of the cohesion policy reform for 2014-20. They were introduced to ensure that the necessary conditions for the effective and efficient use of ESIF are in place.

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### **Financial instrument (FI)**

Financial instruments help to trigger investments on the ground for revenue-generating and cost-saving activities, while maximising private investment with minimum public support to deliver the cohesion policy objectives of economic, social and territorial cohesion. Financial instruments represent a more efficient and sustainable alternative to complement traditional grant-based support. The European Regional and Development Fund and the Cohesion Fund support projects on the ground, transforming EU resources into financial products such as loans, guarantees and equity.

### **Territorial delivery mechanism (TDM)**

A delivery mechanism is understood as the set of processes and procedures required to achieve the defined policy objectives. They regulate tasks relating to the implementation of the EU budget, and, where appropriate, the relationship between the public body which is accountable for the implementation of the EU budget and the authorities to which implementation tasks have been delegated.

### **Integrated territorial investment (ITI)**

Where an urban development strategy or other territorial strategy, or a territorial pact referred to in Article 12(1) of the ESF Regulation, requires an integrated approach involving investments from the ESF, ERDF or Cohesion Fund under more than one priority axis of one or more operational programmes, actions may be carried out as an integrated territorial investment (an 'ITI'). Actions carried out as an ITI may be complemented with financial support from the EAFRD or the EMFF.

### **Intermediate body (IB)**

Any public or private body which acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority, in relation to beneficiaries implementing operations

### **Managing authority (MA)**

Under the auspices of the EU's cohesion policy for 2014-20, a managing authority is responsible for the efficient management and implementation of an operational programme. A managing authority may be a national ministry, a regional authority, a local council, or another public or private body that has been nominated and approved by a Member State. Managing authorities are expected to conduct their work in line with the principles of sound financial management.

### **Operation**

A project, contract, action or group of projects selected by the managing authorities of the programmes concerned, or under their responsibility, that contributes to the objectives of one or more priorities.

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### **Operational programme (OP)**

Operational programmes are detailed plans in which the Member States set out how money from the European Structural and Investment Funds (ESIF) will be spent during the programming period. They can be drawn up for a specific region or a country-wide thematic goal (e.g. Environment).

Member States submit their operational programmes on the basis of their Partnership Agreements. Each operational programme specifies which of the 11 thematic objectives that guide cohesion policy in the 2014-20 programming period will be addressed through the available funding.

### **Partnership Agreement**

For the programming period 2014-20 each Member State has produced a Partnership Agreement (PA) in cooperation with the European Commission. This is a reference document for programming interventions under the Structural and Investment Funds and link them to the aims of the Europe 2020 growth strategy. It defines the strategy and investment priorities chosen by the relevant Member State and presents a list of national and regional operational programmes (OPs) which it is seeking to implement, as well as an indicative annual financial allocation for each OP.

### **Smart specialisation strategy (S3)**

The national or regional innovation strategies which set priorities in order to build competitive advantage by developing and matching research and innovation strengths to business needs. The aim is to address emerging opportunities and market developments in a coherent manner, while avoiding duplication and fragmentation of efforts. A smart specialisation strategy may take the form of, or be included in, a national or regional research and innovation (R&I) strategic policy framework.

### **Technical assistance**

Technical assistance is available to help stakeholders implement Commission-funded programmes and projects under the European Union's cohesion policy. Such financial support can be used to pay for preparation, management, evaluation, monitoring, audit and control. Money for such activities is made available through the European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF).

### **Thematic objectives (TOs)**

In the 2014-2020 programming period, the European Structural and Investment Funds, in particular the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund, will support 11 investment priorities, also known as thematic objectives:

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1. Strengthening research, technological development and innovation
  2. Enhancing access to, and use and quality of information and communication technologies (ICT)
  3. Enhancing the competitiveness of small and medium-sized enterprises (SMEs)
  4. Supporting the shift towards a low-carbon economy in all sectors
  5. Promoting climate change adaptation, risk prevention and management
  6. Preserving and protecting the environment and promoting resource efficiency
  7. Promoting sustainable transport and removing bottlenecks in key network infrastructures
  8. Promoting sustainable and quality employment and supporting labour mobility
  9. Promoting social inclusion, combating poverty and any discrimination
  10. Investing in education, training and vocational training for skills and lifelong learning
  11. Enhancing institutional capacity of public authorities and stakeholders and efficient public administration

At the same time, the first four of these thematic objectives constitute key priorities for the ERDF, and a significant part of the investment will focus on these areas (between 50% and 80%, depending on the region's level of development).

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