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The background of the cover is an aerial photograph of Delft, Netherlands, featuring the prominent spire of the St. Lawrence Church. A large, semi-transparent blue circle is overlaid on the center of the image, containing the title and subtitle text.

STRATEGIC PLANNING FOR SUSTAINABLE URBAN DEVELOPMENT

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1 INTRODUCTION

This paper presents issues and themes emerging from experience of implementing Integrated Sustainable Urban Development Strategies (SUD), under Article 7 of the ERDF regulation. Based on a review of academic and policy sources, the aim is to inform knowledge exchange, particularly in the context of strategic planning for SUD implementation in the 2021-2027 period. Section 2 sets the varied context for SUD implementation in 2014-2020 before highlighting some of the most significant challenges and constraints faced by programme authorities and urban authorities involved in SUD. Section 3 briefly summarises implementation progress identified in assessments of SUD implementation, in terms of financial performance but also concerning the identification of specific benefits that are now emerging. Section 4 describes some basic organising principles that can support good practice before the concluding section briefly summarises key issues to be considered in the context of planning for SUD in the 2021-2027 period.

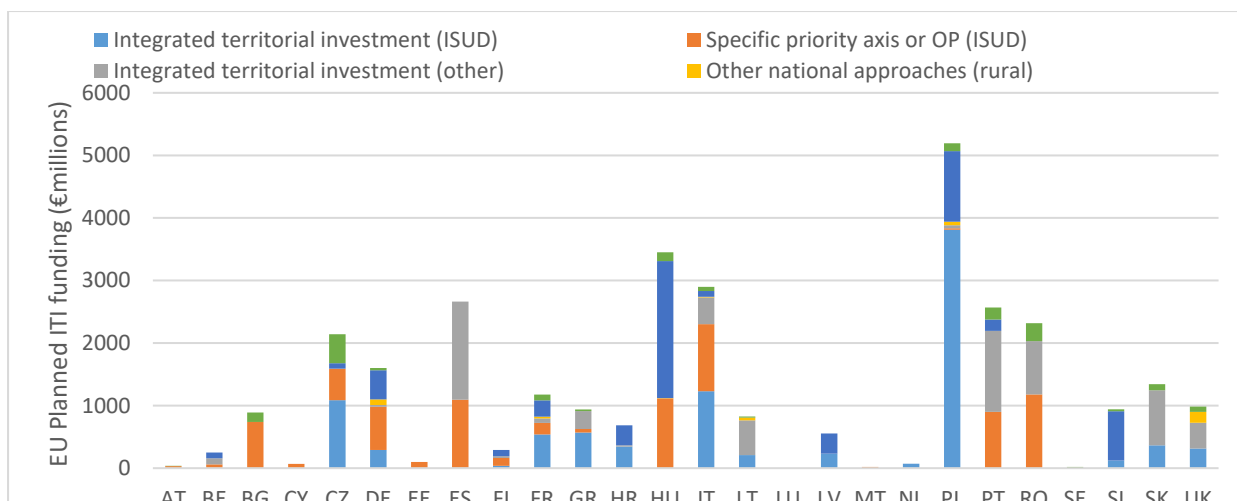
2 CONTEXT

Assessments of the achievements of SUD must take into account substantial differences in their design and implementation across MS.¹ This variation depends on specific contexts: the degree of urbanisation, the level of polycentricity, or the most pressing urban challenges. It also depends on the extent of devolved competencies, fiscal autonomy and administrative capacities at local level. The organisation of CP programmes at national or regional level and the amount of funding available for these instruments is also important. There is a need to consider different traditions and starting points on the integrated approach, differing policy cultures in terms of delegation and cooperation, the extent to which ITIs build on existing practice or are entirely new.

SUD can be implemented in a number of ways. ISUD can be implemented as an ITI (e.g. the ISUD ITI in Katowice combines funding from ESF and ERDF Priorities in its regional OP alongside funds from Polish national OPs). ISUD can be supported as a specific priority axis of CP OPs or as a dedicated CP OP (as in the Stockholm ERDF OP) (see Figure 1). Community-Led Local Development (CLLD), which is carried out through multi-sectoral area-based local development strategies led by local action groups, can also be implemented in urban areas.

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

¹ Van der Zwet A, Bachtler J, Ferry M and McMaster I (2017) *Integrated territorial and urban strategies: how are CP adding value in 2014-2020?*, Study conducted for the European Commission (DG Regio)



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

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

Countries have very different SUD funding relative to their urban population.² Research has differentiated between different categories. Some Member States have high Article 7 resources compared to urban population, these tend to be in east-central Europe and some southern European countries (for example Slovakia has 185 eur per head of urban population). Medium Article 7 resources compared to urban population are found in Italy and Spain (34 eur per head) and low Article 7 resources compared to urban population are found in central and north-western Europe (e.g. France 11 eur per head, United Kingdom 7, Austria 6).

Governance arrangements vary. As already noted, delegation of implementation responsibilities is compulsory for ISUD in 2014-2020 and urban authorities have important responsibilities as formally designated IBs. In some cases, national or regional-level MAs delegated the minimum responsibilities required for implementation of the ISUD strategies (for instance where there were concerns over capacity at the local level). The extent to which governance has involved the use of existing arrangements or the creation of new structures (e.g. secretariats, associations of municipalities etc.) or coordination mechanisms (e.g. working groups, contracts or agreements etc.) varies.

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

² Tosics, I. (2017) 'Integrated territorial investment: A missed opportunity?' in Bachtler, J., Berkowitz, P., Hardy, S. and Muravska, T. *EU Cohesion Policy: Reassessing performance and direction*, Routledge: London

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

3 CHALLENGES & CONSTRAINTS

Assessments of experience thus far identify substantial challenges involved in designing and implementing ITI and ISUD.

- **Defining and designing territorial strategies.** The process of preparing and approving SUD strategies was often very long, delaying the launch of operations. Formal procedures, including designating urban authorities as Intermediate Bodies, were time-consuming. Authorities faced a fundamental challenge in deciding the optimal geographic scope, thematic content and governance arrangements for strategies, with varying approaches even within MS. In several instances, programme authorities found it difficult to reconcile differences between functional and administrative boundaries. This has been the case in accommodating Article 7 requirements in negotiating SUD ITIs, where the absence of an administrative level covering the optimal functional area has led to the establishment of several smaller ISUDs based around individual municipalities. This approach can have an impact on delivery, fragmenting impacts and creating issues of capacity and coordination.
- **Mobilising potential beneficiaries.** Authorities experienced problems in raising awareness of SUD and mobilising potential beneficiaries. The development of a 'project pipeline' has sometimes proven difficult, due in part to unfamiliarity with these instruments and perceptions of the associated administrative challenges. There have been problems in mobilising potential beneficiaries to apply under specific thematic headings, such as the shift towards a low carbon economy, which in some cases has prompted a change in the ITI strategy. There have also been challenges in mobilising the appropriate range of stakeholders. There is a danger that strategies become 'municipality-centric', with limited participation from other partners (e.g. other sub-national government units, NGOs, the voluntary sector and the private sector), limiting the leverage of vital resources.
- **Developing strategic projects.** Evaluations have placed particular focus on the challenges of developing strategic, integrated project proposals. Particularly where

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

implementation has been delayed and spending deadlines have placed pressure on programme authorities, there is a danger that emphasis in the design and selection of projects is placed on speedy absorption rather than strategic quality. Beneficiaries also require time to plan for the allocation of human and financial resources (including the identification of co-funding). Evaluation studies have noted the need for more emphasis on project ideas and generation, which in turn requires more resources particularly for IBs or other actors involved in providing support to beneficiaries. There is also an argument for the pre-selection of strategic projects rather than the use of competitive calls.⁴

- **Regulatory issues and complex implementation.** Regulatory issues are common in CP implementation but have particular implications in the context of territorial instruments. The designation of monitoring and control systems, meeting public procurement or state aid rules, thematic concentration, the CP performance framework and the results-orientation, etc. all create specific challenges in the context of these strategies.⁵ There are differences in the regulatory framework and guidance for ERDF and ESF, (for instance in terms of eligibility rules, project application requirements, financial control and audit etc.) that limit integration of Funds. In some cases these regulatory challenges are disproportionate relative to the number and scale of the operations involved.⁶ Management of different Funds is often carried out by different institutions, which have different cultures and this can cause barriers to integration.⁷
- **Monitoring and evaluation.** There are substantial challenges in developing and applying a results framework for urban strategies: covering the sectoral and territorial dimensions, capturing different geographies, disaggregating the results of the strategy from the results of the operational programme as a whole or other interventions.⁸
- **Communication, visibility.** There is a need for stronger focus on provisions for communicating the results of these instruments. This is a challenge for CP in general but visibility, awareness raising, and promotion are particularly important as increased civic participation in CP is a key potential benefit of these instruments.⁹

⁴ EGO (2018) *Evaluacja systemu realizacji instrumentu ZIT w perspektywie finansowej UE na lata 2014-2020*, evaluation carried out for Polish Ministry of Investment and Development

⁵ Van der Zwet A, Miller S and Gross F (2014) 'A First Stock Take: Integrated Territorial Approaches in Cohesion Policy 2014-20', *IQ-Net Thematic Paper 35(2)*, European Policies Research Centre.

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

⁷ Ecorys (2019) *Evaluatie Geïntegreerde Territoriale Investerings*, evaluation carried out for Dutch Ministry of Social Affairs and Employment.

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

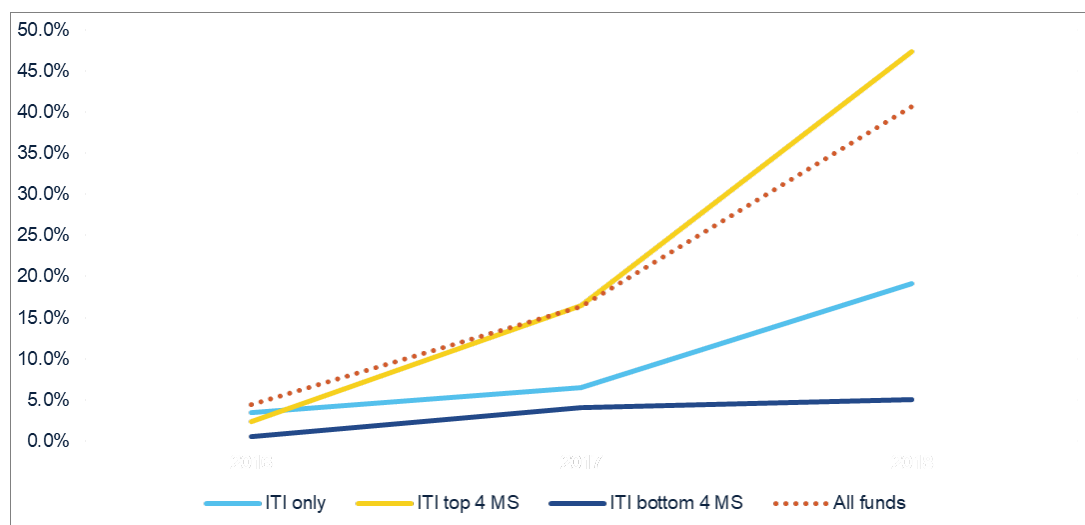
⁹ IQ-Net research and Valovirta V (2017) *6Aika-strategian vaikuttavuusmalli*, VTT, 17 August 2017.

4 ASSESSING ACHIEVEMENTS

4.1 Financial progress

One measure of performance is progress in financial implementation to date. According to the European Commission's CP data platform, in comparison to other CP projects, the implementation of operations funded under ITI experienced substantial delays at the beginning of the 2014-2020 period. There is substantial variation in the spending rates of MS. Figure 2 also sets out the average percentage of declared spending against planned spending for the four MS with the highest levels and the four MS with the lowest levels, as of the end of 2018. However, the implementation rate for these instruments has improved, and the rate at which funds have been committed to projects and spent accelerated in the course of 2018. Figure 2 shows the total declared spending on ITI at the end of 2018 as a percentage of total planned, compared to total planned and declared spending for all CP funding. Data for 2019 are not yet available but recent research evidence indicates continued progress as capacity and experience has developed.¹⁰

Figure 2: Cumulative absorption rates, 2016-2018 (ITI funds and all CP funds).



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

¹⁰ Gal F (2019) *Speeding Up Spending: Taking Steps Towards Faster Project Implementation*. IQ-Net Review Paper 45(1), European Policies Research Centre Delft.

4.2 Emerging benefits

Drawing on the results of evaluations and reviews of experience it is possible to identify some emerging achievements of SUD implementation.

- **Strengthened focus on needs of specific urban areas.** The role of these instruments in underlining the territorial (rather than sectoral) dimension of CP projects is valued by MAs and IBs. The implementation of territorial instruments has introduced or strengthened the focus on specific types of area (functional areas, city-region, urban-rural zones etc.). This is apparent in cases where sustainable urban mobility is a priority as integrated projects are boosting connectivity between core cities and their surrounding functional urban areas. In Portugal, the sustainable urban mobility component of SUD strategies, although integrating elements with specific effects in the relevant municipal area, has a broader territorial coverage, being defined at the respective NUTS 3 level, thus ensuring coherence of relevant initiatives within the broader territory (e.g. the Porto Metropolitan Area).¹¹
- **The benefits of integrating funds and policy fields.** Evaluations have noted the benefits that these strategies offer in taking a 'joined up' approach to addressing complex urban challenges. By combining inputs from different funds, priorities or programmes, these strategies can create more sophisticated responses to issues that have related social and economic components. Examples include the added value in combining ERSF and ESF in addressing job market supply and demand mismatches in specific territories. Problems are viewed beyond the bounds of single policy areas and knowledge institutions, businesses and government representatives are incentivised to work together.¹² Another approach is to use ISUD to support the low carbon economy as a cross-cutting priority. The Gothenburg ISUD has priorities related to innovation and business support but includes cross-sectoral cooperation hubs for support of the low carbon agenda.¹³
- **Innovative ESIF design and delivery.** Implementation of SUD is also prompting new approaches to linking complementary projects or sequencing of operations. This concerns the sequencing of ERDF/ESF calls in terms of timing and content and the use of project selection criteria promoting integration. In Nordrhein-Westfalen, a key innovation is the combination of ESF and ERDF funding in a project call to address various aspects of the Land's goal of preventing social exclusion. In Rotterdam ISUD ITI,

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

¹² Ecorys (2019) *Evaluatie Geïntegreerde Territoriale Investerings*, evaluation carried out for Dutch Ministry of Social Affairs and Employment.

¹³ Urban Development Network (2016) *Integrated Sustainable Urban Development Strategies*, peer Review Report Gothenburg (Sweden).

there are parallel projects where firms in the territory are supported in the development of innovative technologies through ERDF, while ESF provides targeted training to create a labour supply for jobs in these sectors.¹⁴ The demands involved in monitoring and evaluating SUD are also stimulating new approaches. This can relate to more participatory approaches, including citizen engagement, which is crucial in setting relevant goals and indicators and guaranteeing commitment in urban areas. There are examples of SUDs drawing on a broadening range of tools and sources to monitor and measure data on priorities such as housing, green space availability, air and noise pollution levels, walkability and access to public transit. Online platforms are being used to generate and share data and maps with city employees, citizens, companies, project developers and other cities.¹⁵

- **New governance structures and cultures have been established** (e.g. associations of municipalities, steering groups etc.) to strengthen coordination and ensure representation. This is increasing the role of local authorities, NGOs and other sub-national bodies involved in managing and implementing ESI Funds and can, in the longer term, help to strengthen capacities for implementing territorial development.¹⁶ As an example, the Six City Strategy Office in Finland uses city coordinators to mobilise funding applications and implement collaborative projects. Some cities have only developed these capacities during the implementation of the ITI Strategy, employing new new, dedicated EU coordinators at the city level to facilitate funding applications in the future. New cooperative dynamics are evident in cases where limited traditions of collaboration among local authorities had resulted in fragmentation and rivalry (e.g. between core city municipalities and surrounding areas) in applying for CP. This has been particularly noticeable in some Central and Eastern European MS, such as Poland.¹⁷ Finally, it is important to reiterate the potential role of ITI in increasing citizen participation in local and regional governance, through direct involvement in the decision-making process.¹⁸

5 PRINCIPLES OF GOOD PRACTICE

In assessing implementation experience and achievements so far, it is possible to identify some basic organising principles that can support good practice and improve the efficiency and effectiveness of SUD:

¹⁴ Ecorys (2019) *op. cit.*

¹⁵ Stoop, R (2019) 'The urban data scan in Antwerp' presentation at workshop 'How to apply a result framework and develop monitoring tools for urban strategies?', European Week of Regions and Cities, 10 October 2019.

¹⁶ Ferry, M. and Borkowska-Waszak, S. (2018) 'Integrated Territorial Investments and New Governance Models in Poland' *European Structural & Investment Funds Journal* 1/2018.

¹⁷ EGO (2018) *Ewaluacja systemu realizacji instrumentu ZIT w perspektywie finansowej UE na lata 2014-2020*, evaluation carried out for Polish Ministry of Investment and Development.

¹⁸ European Parliament (2016) *Report on new territorial development tools in cohesion policy 2014-2020: Integrated Territorial Investment (ITI) and Community-Led Local Development (CLLD) (2015/2224(INI))*

- **Supporting coordination** is crucial but it has several dimensions.¹⁹ It concerns coordinating thematic policies, integrating Policy Objectives and Investment Priorities to address key challenges comprehensively. It also means coordinating 'hard' and 'soft' investments, integrating physical interventions with business/innovation support, human resource and social investments. There is a horizontal dimension, partnerships at local level are needed to group key actors around specific challenges. There is also a vertical dimension, aligning policies and funding through the vertical chain of governance to regional and national levels to ensure coherence and build scale.
- **Capacity-building.** This relates to MAs and IBs in developing and implementing strategies, projects, drawing in human resources (dedicated staff), structures (secretariats, working groups); tools (guidance, e-tools) etc. It is important to consider building institutional capacity and skills amongst regional and local administrations to embed the integrated approach in institutional cultures. MAs can support Implementing Bodies by ensuring sufficient time to develop plans and in providing capacity-building. There are examples where Technical Assistance has been used to develop strategies, strengthen project selection procedures, support implementing structures etc. In France substantial training activity was included into the TA budget to allow cities to prepare. Also in Italy, substantial TA resources were used to support a national committee to support the 14 metropolitan cities as new IBs. There is value in more intensive, applied exchange of knowledge and experience among SUD practitioners to create opportunities for learning through peer-to-peer interaction. In some cases, external support has been valuable in building capacity for SUD implementation (e.g. drawing on domestic City Contracts in France, World bank input in Romania, or support available from EU level - JRC, UIA, ESPON, URBACT etc.).
- **Ensuring proportionality.** It is important to ensure that the chosen approach to implementing territorial instruments is proportionate to the amount of funding available and existing experience and competences at different administrative levels. An approach that addresses the key issues in a given functional area is needed to avoid fragmentation, duplication and complex implementation. MS should avoid pre-allocation of funding (e.g. to municipalities) before these development needs are identified.
- **Timing.** In the current period, delays in implementation and tight deadlines for spending have sometimes led to a purely bureaucratic approach to the implementation of the strategies. Therefore, it is crucial that the drafting of strategies and projects should start in parallel with drafting of OPs. The scope to adapt or update pre-existing strategic documents concerning the territory to be covered, included in the Commission's proposals for 2021-2027, could ease administrative burdens for authorities at this stage.

¹⁹ Kneeshaw, S. and Adams, L. (2018) presentation at UDN meeting Liepāja, Latvia 28-29 June 2018.

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

6 LOOKING FORWARD TO 2021-2027

Looking at current plans for SUD in the next programming period, there are aspects of the current approach that are maintained but simplified. The draft regulation clarifies the anticipated structure and content of ITI strategies. This new generation of strategies can build on existing frameworks. IB status for SUD implementation is now optional, rather than compulsory and 6% rather than 5% minimum of ERDF is to be allocated to SUD at national level.

ITI fits into the new Policy Objective (PO) framework, with special emphasis on PO5 (EU closer to citizens), and a specific objective for integrated territorial development targeting urban areas. MS can programme investments under this, as long as they meet minimum requirements of having strategies based on cross-sectoral, multi-stakeholder approaches and a relevant local or territorial body that draws up the strategies and is involved in the selection of operations. This would contribute to the 6% urban earmarking but not to thematic concentration requirements. However, SUD based on ITI can be programmed under PO1-4, targeting urban areas, and this would contribute to thematic concentration targets in PO1 and PO2. Thus ITI appears the simplest way to link SUD earmarking and thematic concentration.

There are still regulatory challenges to the integration of Funds 'on the ground'. This applies to the different provisions for ERDF and ESF but there has also been debate about the proposal to uncouple rural development from cohesion policy, from the CPR and the impact this has on strategies that cover urban-rural linkages.

It is also important to note the potential impact of the new Cohesion policy environment on these strategies. There will be a substantial decline in funding available in several Member States and this could lead to a significant reorganisation of the programme architecture within which SUDs operate. Moreover, the principle of thematic concentration, proposed changes in co-financing rates and a shift to n+2 will put pressure on programme authorities to absorb funding and make it challenging to implement projects under innovative or complex instruments such as SUD, where the development of strategic frameworks and project pipelines can take time.

