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Integrated territorial development: new instruments – new results?

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The IQ-Net Network promotes exchange of experience on the management and implementation of Structural Funds programmes among managing authorities and intermediate bodies. The network is managed by the European Policies Research Centre Delft under the direction of Professor John Bachtler, Stefan Kah and Dr Laura Polverari. The research for this paper was undertaken by EPRC in preparation for the 44th IQ-Net meeting held in Vienna, Austria on 13-15 June 2018. The paper was written by Dr Martin Ferry, Stefan Kah and Professor John Bachtler.

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- South and West Finland (Etelä- ja Länsi-Suomi)

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- Commissariat Général à l'Égalité des Territoires (CGET)

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Poland

- Marshal Office of the Pomorskie Region
- Marshal Office of the Warmińsko-Mazurskie Region

Portugal

- Agency for Development and Cohesion (ADC)

Spain

- Provincial Council of Bizkaia, País Vasco (Basque Country)

Slovenia

- Government Office for Development and European Cohesion Policy

Sweden

- Swedish Agency for Economic and Regional Growth (Tillväxtverket)

United Kingdom

- Ministry of Housing, Communities and Local Government
- Scottish Government
- Welsh European Funding Office

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It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.

Integrated territorial development: new instruments – new results?

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LIST OF ABBREVIATIONS

CF	Cohesion Fund
CLLD	Community-led Local Development
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
ESF	European Social Fund
EU	European Union
IB	Intermediate Body
IP	Investment Priority
IROP	Integrated Regional Operational Programme (Czech Republic)
ITI	Integrated Territorial Instrument
LAG	Local Action Group
LDS	Local Development Strategy
LEADER	*Liaison entre actions de développement de l'Economie Rurale*
MA	Managing Authority
OP	Operational Programme
NUTS	*Nomenclature des unités territoriales statistiques*
PA	Partnership Agreement
PMO	Project Management Office (Scotland)
RET	Regional Engagement Team
SALK	*Strategisch Actieplan voor Limburg in het Kwadraat* (Strategic Action Plan for Limburg Region)
SF	Structural Funds
SUD	Sustainable Urban Development
TO	Thematic Objective

EXECUTIVE SUMMARY

This paper assesses whether and how the new instruments for integrated territorial development introduced in the 2014-20 programme period are contributing to new results. Did the obligation to invest five percent of ERDF funding into sustainable urban development (SUD) and the introduction of the new implementation mechanisms Integrated Territorial Investment (ITI) and Community-led Local Development (CLLD) lead to policy innovation? What is the evidence so far for any added value in the areas of governance and integration? What are the lessons learned for the future?

State of play – The options to use territorial instruments have been taken up to a very different extent, with some programmes investing up to 40 percent of their funding into ITIs or SUD and others opting to only fulfil the minimum requirements. Implementation progress of territorial instruments is slower compared to ESIF implementation in general. Across the EU, territorial instruments and SUD had allocated around 30 percent of their funding to selected projects (decided amounts) by the end of 2017, compared to an average selection rate of c. 50 percent overall. However, the performance of the instruments is improving and project selection is catching up. Similarly, in most IQ-Net countries and regions, territorial instruments are still behind other parts of the programmes. The main reasons for delays are lengthy preparatory phases at the start of the programme period and the unfamiliarity of actors with the new mechanisms.

Assessing performance – The progress of territorial instruments is monitored and evaluated as part of wider programme-level arrangements. In many cases, programme managers have also set up specific arrangements to monitor and evaluate territorial instruments. The extent to which territorial instruments will be evaluated as part of programme evaluation plans depends on the implementation model chosen. In some IQ-Net programmes, evaluations take a wide view, drawing together different territorial approaches and instruments as part of a broad evaluation. In most cases, evaluations have not yet started and are often planned only from 2019 onwards, but in others, early evaluations are being or have been carried out (e.g. Finland, Portugal, Sweden). IBs implementing territorial instruments are also engaged in their own monitoring and evaluation activities. Some developed their own monitoring approaches, particularly in those cases where the strategy development has been strongly driven by domestic policy decisions and less so by EU requirements. Challenges of measuring the performance of territorial instruments include: suitability and availability of indicators and appropriate measurement of 'soft' impacts such as stakeholder engagement and cooperation.

Policy innovation in governance – The implementation of territorial instruments can help in developing innovative policy governance approaches and building administrative capacity at different levels and among various actors. Innovation can take three main forms: delegation of policy tasks to local levels, creation of new governance structures and strengthening of cooperative approaches. Yet, the governance of territorial instruments is creating challenges for programme managers. The effectiveness and efficiency of strategies can be undermined where existing capacities are limited. This can relate to variation in human resources available among implementing bodies and stakeholders, particularly where participation in implementing ESIF is relatively new. Designation of monitoring and control systems has been a cause of delay and drafting strategies and developing project proposals based on negotiation and consensus between partners is challenging. A difficulty for several IQ-Net programme authorities is the complexity associated with selecting operations, which is considered more onerous than with other ESIF operations.

Policy innovation in integration – Territorial initiatives funded through ESIF are intended to provide an efficient and flexible mechanism for formulating integrated responses to diverse territorial needs. There are four dimensions of integration:

- Strategic level: the aim is to strengthen synergies between different strategic frameworks by bringing together numerous investment priorities and TOs, thereby developing a comprehensive, multi-sectoral strategy for a given territory;
- Funding sources: combining different funding streams, although not compulsory, is encouraged to facilitate coordinated investment in territories;
- Territories: supporting place-based integration through a strengthened focus on functional areas or bottom-up inputs that ensure tailored approaches for each territory.
- Operations: developing integrated activities on the ground, i.e. the combination of different investments under a multi-Fund approach to enable the implementation of a more complex and tailored set of integrated projects;

Generally, integration is most notable in terms of the combination of strategic objectives in territorial instruments. Integration of funding sources and at territorial level depends strongly on governance arrangements and implementation mechanisms chosen. Most challenging is operational integration, i.e. the development of integrated activities 'on the ground'.

Lessons and future perspectives – There are positive impacts on the involvement of local authorities in the policy process. The approaches empowered municipalities by giving them a stronger role in planning, decision-making and implementation of policies that impact on them directly. Most IQ-Net programme authorities identified positive experiences and are in favour of a continuation of territorial instruments. However, proportionality and differentiation are key concerns in some of the smaller IQ-Net programmes, as is the distribution of tasks and responsibilities. One open question is the legacy of territorial instruments, particularly once funding stops. In terms of suggestions for the future, ensuring an appropriate timetable, i.e. starting early with the strategy development phase and coordination efforts, is a key issue. Future implementation rules should be clearer, simpler and less rigid.

The EC proposals for 2021-27 raise a number of questions:

- Without the obligation for a specific Art. 7 body, is there a risk that current benefits such as building new capacity and cooperation at local and city levels are lost?

- One concern is that rural development will be separated out under the new proposals – what impact will this have on the scope for integration of Funds under CLLD, but also under ITI?

- What is needed to allow for a better combination of ESI Funds on the ground, which is an issue of particular importance for multi-sectoral territorial interventions?

- Is it getting more difficult to differentiate between the various territorial instruments? Is there a higher risk of overlap, complexity and confusion?

1. INTRODUCTION

Integrated territorial development was one of the innovative elements of the 2013 reform of Cohesion policy. The new regulatory provisions for European Structural and Investment Funds (ESIF), followed the formalisation of territorial cohesion as an objective for the EU in the Treaty on the Functioning of the EU (TFEU) and a recognition in the Territorial Agenda of the European Union,[1] that new challenges (globalisation, climate change, energy security, social vulnerability and environmental vulnerability) required a more territorially specific and integrated mix of interventions in order to increase their impact and to exploit fully the development potential of different types of territories. A particular focus on sustainable urban development (SUD) was considered to be necessary through integrated strategies in order to strengthen the resilience of cities.

One of the first assessments of the new territorial provisions was undertaken by IQ-Net in November 2014, noting the following.[2]

> 'Many authorities at Member State level recognise the value of, and show enthusiasm for, integrated territorial approaches and some consider them innovative and inspiring. Potential benefits include increased efficiency and more local power/influence in decision-making. However, MAs have the difficult task of having to establish structures and implementation mechanisms that satisfy local actors' expectations but also adhere to regulatory requirements. Other challenges include local capacity issues in relation to implementing territorial approaches and questions concerning how thematic concentration and results-orientation align with ring-fenced territorial approaches.'

While the early years were undoubtedly difficult, not least the interpretation of the regulations, provision of Commission guidance, and the above-noted development of implementation structures, a stock-take undertaken in 2016-17 found that several of the early indications were being fulfilled.[3] It provided evidence of significant uptake of territorial strategies, mainly in the form of sustainable urban development, across most Member States. Many of the strategies were considered new, with innovation and adaptation in both thinking and practice. Key features of this innovation included a more integrated approach to intervention, the implementation of strategies at different spatial scales, and more collaborative models of governance.

In the intervening period, the European Commission has continued to promote learning through studies, reports and in particular the Expert Group on Urban and Territorial Matters as a forum for sharing experience. Most recently, the EC launched STRAT-Board, a web tool for EU-supported

[1] Territorial Agenda of the European Union 2020 (2011) *Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions*. Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development. 19 May 2011, Gödöllő, Hungary.

[2] 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, https://tinyurl.com/y8v6pzk7 (accessed 7 June 2018).

[3] Van der Zwet A, Bachtler J, Ferry M and McMaster I (2017) *Integrated territorial and urban strategies: how are ESIF adding value in 2014-2020*?, Study conducted for the European Commission (DG Regio),European Policies Research Centre, University of Strathclyde, Glasgow, https://tinyurl.com/ya3rpg4u (accessed 7 June 2018).

integrated territorial and urban development strategies, featuring approximately 1,000 strategies identified during a study carried out by the Joint Research Centre in Seville.[4]

With the publication of the proposals for the post-2020 reform of Cohesion policy, it is clear that integrated territorial development is here to stay. One of the five objectives for ERDF and the Cohesion Fund is 'a Europe closer to the citizens: sustainable and integrated development through local initiatives to foster growth and socio-economic local development of urban, rural and coastal areas'.

Against this background, the purpose of this paper is to examine the evolution of selected territorial instruments among IQ-Net programmes. It provides an update on progress and then focuses on **three issues: the assessment of performance; the evidence for innovation with respect to governance and policy integration; and the lessons from experience in 2014-20** that are relevant for the regulatory debate and policy preparations for 2021-27.

The paper is based on a mix of desk research and fieldwork among the 18 IQ-Net programme authorities in 15 Member States, involving additional interviews with 16 organisations implementing territorial instruments on the ground and the European Commission's DG Regional and Urban Policy (for a full list see Annex).

The paper is divided into four further sections as shown below. It should be noted that the paper will be revised following discussion at the IQ-Net Conference in Vienna, taking account of the conclusions reached and the lessons learned.

Report structure

Section 2	State of Play	• Use of territorial instruments in IQ-Net programmes • Implementation progress • Assessing performance
Section 3	Policy innovation: evidence so far	• Governance • Integration • Synthesis of findings
Section 4	Lessons and future perspectives	• Lessons learned • Outlook into 2021-27

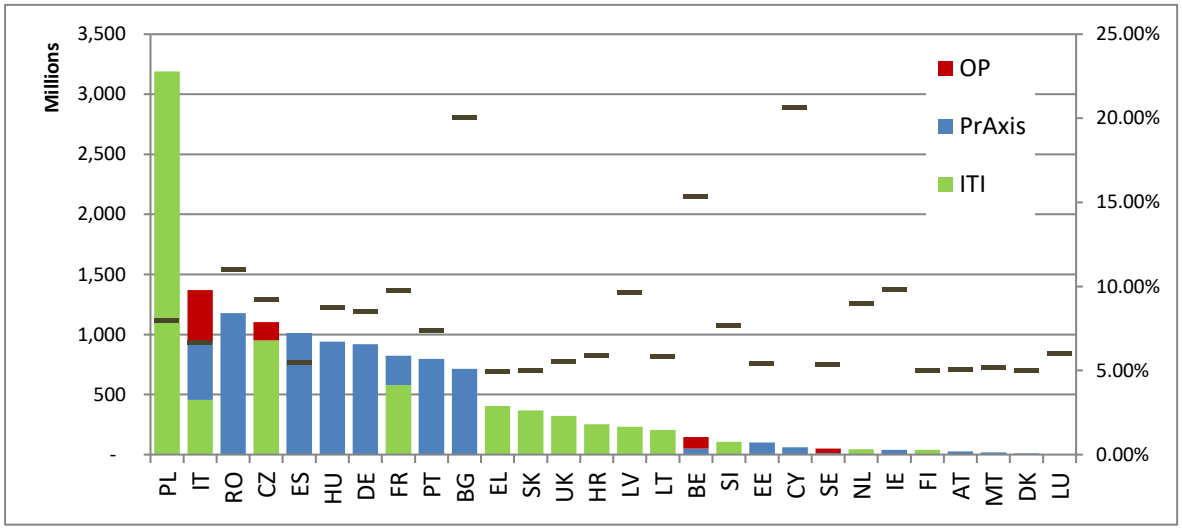
[4] http://urban.jrc.ec.europa.eu/strat-board (accessed 7 June 2018).

2. STATE OF PLAY

2.1 Use of territorial instruments in IQ-Net programmes

Article 7 of the ERDF regulation for 2014-20 makes integrated urban development a compulsory feature of Structural Funds implementation. Calculated at Member State level, at least five percent of ERDF resources have to be dedicated to integrated actions for sustainable urban development, giving cities and other sub-regional bodies the task of project selection. Figure 1 gives an overview of Art. 7 allocations by Member State and the choice of implementation model. Most Member States go beyond the minimum of five percent and often also implement ITIs outside of SUD, thereby committing additional non-urban funding to territorial development.

Figure 1: Financial allocation to SUD



Source: Matkó M (2016) *Sustainable urban development in Cohesion policy programmes 2014-2020, a brief overview*. Paper presented at Urban Development Network Meeting, 18 February 2016.

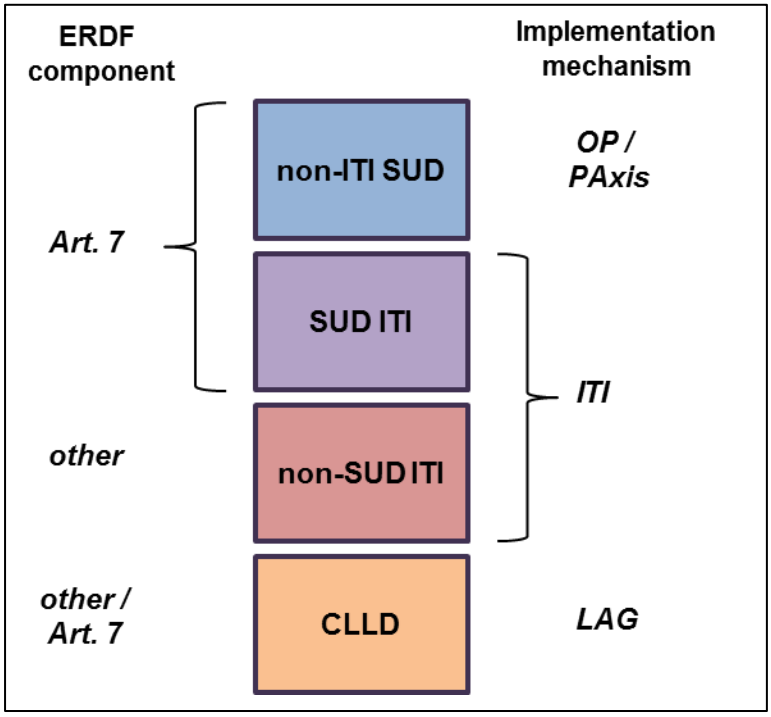
The so-called Art. 7 requirement can be implemented using a number of different approaches and instruments. Previous IQ-Net research[5] carried out in 2014 included a first stock take of what IQ-Net programme authorities intended to implement in 2014-20. Table 1 provides an update, showing the use of territorial instruments in IQ-Net partner countries and regions. It distinguishes between different types of approaches (see Figure 2):

1) **Integrated Territorial Investments (ITIs) in the area of sustainable urban development (SUD)**, thereby contributing to Art. 7 requirements (e.g. Finland, Warmińsko-Mazurskie);
2) **SUD approaches not making use of ITIs**, i.e. implemented either as a separate programme (e.g. Stockholm) or separate Priority Axis (e.g. Austria);
3) **ITIs outside of Art. 7 requirements** (e.g. Vlaanderen);
4) **Community-led Local Development (CLLD) initiatives**, including at least ERDF funding and potentially other ESI Funds (e.g. Czech Republic); and
5) **Other territorial approaches**, not using territorial instruments offered by the regulations but still making use of ERDF funding (e.g. Scotland, Wales).

[5] Van der Zwet et al (2014) *Op. cit.*

This report focusses on the first three types of instruments, but also includes experiences made with CLLD and other territorial approaches, where appropriate.

Figure 2: Different models to implement territorial instruments in Cohesion policy 2014-20



Source: EPRC.

Table 1: Use of territorial instruments in IQ-Net partner countries/regions

IQ-Net country/region	Art. 7		non-SUD ITI	CLLD (incl. ERDF)[6]	Other territorial approaches
	SUD ITI	non-ITI SUD			
Austria		X		X	
Belgium (Vlaanderen)		X	X		
Croatia	X				
Czech Republic	X			X	
Denmark		X			
Finland	X				
France	X	X	X	X	
Germany (Nordrhein-Westfalen)		X			
Greece	X	X	X	X	
Poland (Pomorskie)	X		X		
Poland (Warmińsko-Mazurskie)	X				Masurian Lakes
Portugal		X	X	X	
Slovenia	X			X	
Spain		X	X	X	
Spain (País Vasco-Bizkaia)					
Sweden	X	X		X	
United Kingdom (England)	X	X	X	X	
United Kingdom (Scotland)					Scotland's 8th City – the Smart City
United Kingdom (Wales)					Regional proofing and prioritisation of projects; Regional Engagement Teams

Source: IQ-Net research.

[6] Programmes in 18 Member States are using ERDF funding for their CLLD activities.

The options to use territorial instruments have been taken up to a very different extent in Member States and regions.[7] Some countries and regions placed particular emphasis on territorial instruments. Examples include:

- the Czech Republic, where almost one third of the IROP allocation – the largest programme in the country – is allocated to territorial instruments;
- Vlaanderen, where the ITI strategies ring-fence a considerable proportion of Flemish ERDF funding (around 40 percent), with Limburg receiving the largest amount; and
- Sweden, which makes use of a variety of implementation models to cover Art. 7 requirements (see Box 1) and uses all four possible Funds for CLLD (EAFRD, EMFF, ERDF and ESF).

Portugal uses the majority of options for territorial instruments provided by the regulations, using all the available Funds (including ERDF under SUD, ERDF, CF, ESF and EAFRD under ITI, and ERDF, ESF, EAFRD and EMFF under three different types of CLLD – rural, coastal and urban), along with a range of other ESIF co-funded territorial instruments, targeting both urban and non-urban areas: PROVERE (Programme for the Economic Valorisation of Endogenous Resources) and urban development strategies for complementary urban centres (PARU – Urban Regeneration Action Plans, PAMUS – Action Plans for Sustainable Urban Mobility, PAICD – Action Plans for the Disadvantaged Communities).

In Finland, SUD is implemented on the basis of a single ITI entitled the 'Six City Strategy' (6Aika). The Strategy was developed and is implemented jointly by the six largest cities in Finland, namely: Helsinki, Espoo, Vantaa, Oulu, Tampere and Turku. These cities are key hubs for RTDI activity in Finland and represent 30 percent of the country's total population forming a comparatively large area in an international context.

[7] For more details see: Van der Zwet A, Bachtler J, Ferry M and McMaster I (2017) *Integrated territorial and urban strategies: how are ESIF adding value in 2014-2020?*, Study conducted for the European Commission (DG Regio), https://tinyurl.com/ya3rpg4u (accessed 7 June 2018).

Box 1: Sweden - Three OPs, three city areas, three TOs and three ways of implementation

In Sweden, there are eight regional OPs and one national OP co-financed by ERDF. Three of the regional OPs implement strategies for sustainable urban development (SUDs), namely Stockholm OP, West Sweden OP and Skåne-Blekinge OP, comprising the three main cities in Sweden. Functional labour market regions with minimum populations of 60,000 people qualify for SUD strategies. In Stockholm, the entire NUTS 2 region is covered by the SUD; in Västsverige the SUD is implemented in the municipality of Gothenburg centred on the development area of Hisingen in the north-eastern part of the city; and in Skåne-Blekinge the SUD strategy involves the municipality of Malmö and is geographically centred on three areas where new public transport stations are being constructed, and the development area of Lindängen.

The implementation arrangements differ between the three OPs as follows:

1) The Stockholm OP has the **entire programme dedicated to implementing SUD**.
2) The West of Sweden **OP implements SUD through an ITI** and has earmarked five percent of the OP's ERDF budget for this purpose. The ITI covers only the city of Gothenburg.
3) The Skåne-Blekinge OP has earmarked 18 percent of the OP funding to **a Priority Axis on SUD**, which covers only the city of Malmö.

In addition, the Government has also a National Platform for Urban Development to discuss issues related to SUD. The platform, which comprises five agencies, was established in 2014, builds on the special initiative of the government, which ran between 2008 and 2012 to promote sustainable development of cities, towns and neighbourhoods – the Delegation for Sustainable Cities. The purpose of the platform is to increase cooperation, coordination, knowledge sharing, dissemination and exchange of experiences in SUD. The platform is an important link between practice and policy at local, regional and national levels. The platform also provides process support for the regional structural fund programmes with their work on SUD.

Source: IQ-Net research, Partnership Agreement of Sweden and http://urbact.eu/sweden (accessed 7 June 2018).

In Warmińsko-Mazurskie, the ITI for Olsztyn is formally a strategy, but the MA perceives it as a '**programme within a programme**'. The ITI is seen as an instrument of the regional OP as the programme contributes to the overall strategy for the functional urban area of Olsztyn. Originally, areas of strategic intervention were identified under the direction of the Ministry of Regional Development, and ITI projects were to be designed with this in mind, supported from the regional OP but also from national OPs and the OP Eastern Poland. This remains the aim in Olsztyn (although this approach may be different in other Polish regions). Notably, the integration of support from national OPs in the ITI framework has been limited as ITI support is not seen as a priority by national OPs. Nevertheless, the approach in the regional OP Warmińsko-Mazurskie means that the impact of the ITI must be considered as part of the regional OP contribution to strengthening the functional area and not as an isolated intervention: it is a way to guarantee a set of projects funded by the programme and contributing to the development of the functional urban area.

Some IQ-Net programmes decided not to make use of any of the implementation mechanisms offered by the regulations (Bizkaia, Scotland and Wales) and **Art. 7 requirements have been fulfilled in other parts of the respective Member States**.

- In the United Kingdom, the minimum allocation of five percent at Member State level is met through implementation in England only and the English ERDF OP funds SUD ITI in London and in the eight English Core Cities. In addition, one non-SUD ITI is being implemented in England, in Cornwall and the Isles of Scilly. Scotland and Wales decided to implement

territorial or urban measures outside of Art. 7 requirements. Scotland's 8th City - The Smart City' is an intervention under the Scotland ERDF OP led by Glasgow City Council, working in partnership with Scottish Cities Alliance, a collaboration of the Scottish cities (Aberdeen, Dundee, Edinburgh, Glasgow, Inverness, Perth and Stirling) and Scottish Government. The Smart City intervention aims to create a programme of projects across all cities with nine thematic clusters and 29 collaborative 'projects'. The projects involve cities working collaboratively, in the fields of open data, mobile working, energy, waste, public safety, intelligent street lighting, water management etc. In Wales, the territorial approach has been addressed through the 'region-proofing' of all projects as well as 'regional prioritisation' of regional operations.

- In Spain, the Art.7 requirements are addressed through a multiregional OP for Sustainable Growth under a single Priority axis. The urban development strategies are selected through a competitive selection procedure managed at national level, and are implemented by local authorities at the neighbourhood level through integrated interventions in up to four TOs.

Table 2 and

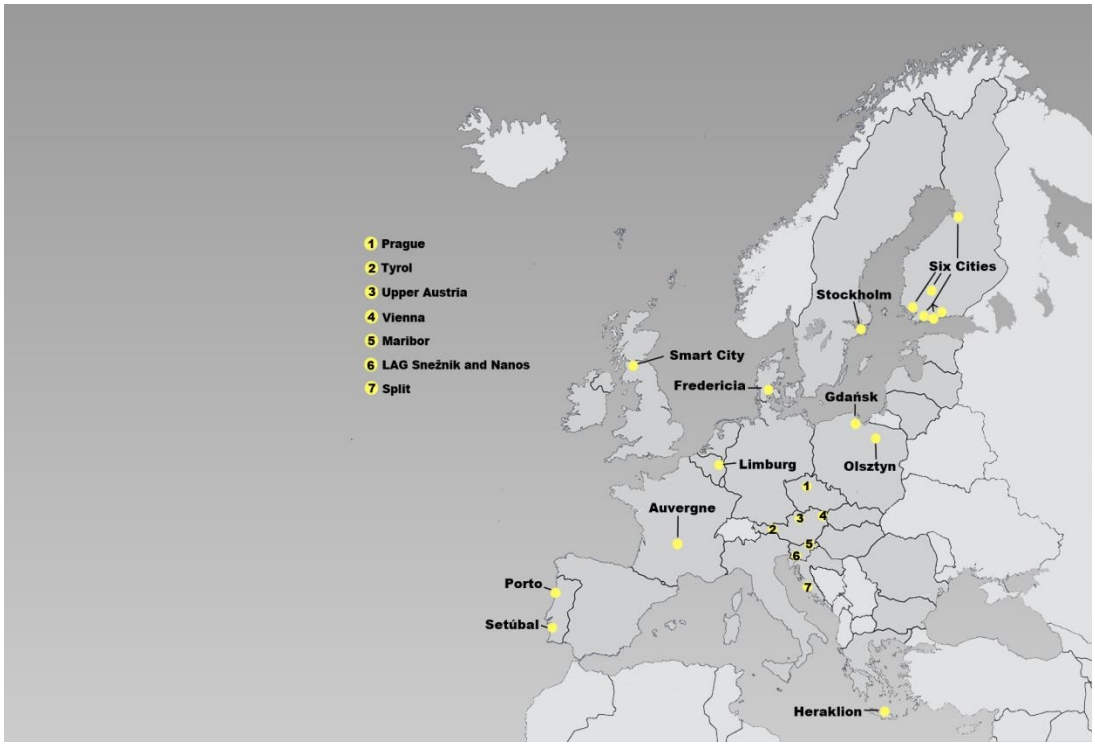
Figure 3 show the territorial instruments examined for this report. It includes mostly SUD ITIs and non-ITI SUD, but also one non-SUD ITI, several CLLD LAGs and one other territorial approach co-funded by ERDF. SUD interventions in Upper Austria cover 12 city-regions, the Six City strategy in Finland covers six cities (Helsinki, Espoo, Vantaa, Oulu, Tampere and Turku) and Scotland's 8th City – the Smart City covers the seven Scottish cities.

Table 2: Selected examined territorial instruments

IQ-Net country/region	Example	Type of instrument
Austria	Vienna	non-ITI SUD (ERDF)
Austria	Upper Austria	non-ITI SUD (ERDF)
Austria	Tyrol	CLLD (EAFRD, ERDF)
Belgium (Vlaanderen)	Limburg	non-SUD ITI (ERDF, ESF)
Croatia	Split	SUD ITI (ERDF, ESF)
Czech Republic	Prague	SUD ITI (ERDF)
Denmark	Fredericia	SUD (ERDF)
Finland	Six City strategy (6Aika)	SUD ITI (ERDF, ESF)
France	Auvergne*	non-ITI SUD (ERDF)
Greece	Heraklion	SUD ITI (ERDF, ESF)
Poland (Pomorskie)	Gdańsk	SUD ITI (ERDF, ESF)
Poland (Warmińsko-Mazurskie)	Olsztyn	SUD ITI (ERDF, ESF)
Portugal	LAG ADREPES**	CLLD (EAFRD, ERDF, EMFF, ESF)
Portugal	Municipality of Porto	non-ITI SUD (ERDF)
Slovenia	Maribor	SUD ITI (ERDF, CF)
Slovenia	LAG Snežnik and Nanos	CLLD (EAFRD, ERDF)
Sweden	Stockholm	non-ITI SUD (ERDF, ESF)
United Kingdom (Scotland)	Scotland's 8th City – the Smart City	Other territorial approach

Source: IQ-Net research. **Note**: *one Priority Axis is dedicated to SUD, **Association for Rural Development of the Setúbal Peninsula, responsible for three CLLD types (rural, urban and coastal).

Figure 3: Map of examined territorial instruments and frameworks implemented in IQ-Net countries and regions



Source: EPRC.

The funding allocations to urban territorial instruments and the choice of **thematic orientation** in IQ-Net differ widely (Table 3 and Table 4).

Table 3: ERDF and ESF allocation to urban territorial instruments in IQ-Net (€ million)

	ESIF total	ERDF	ESF
Gdańsk (PL)	**259.2***	193.4	65.8
Prague (CZ)	**203.0***	203.0	
Stockholm (SE)	**135.5**	35.5	100.0
Limburg (BE)	**71.9**	45.2	26.7
Olsztyn (PL)	**58.6**	42.1	16.5
Split (HR)	**54.2**	46.6	7.6
6Aika (FI)	**40.3**	39.5	0.8
Porto (PT)	**26.5**	26.5	
Vienna (AT)	**19.7**	19.7	
Heraklion (GR)	**14.4**	13.0	1.3
Maribor (SI)	**13.2***	13.2	
Fredericia (DK)	**2.0**	2.0	

Source: IQ-Net research. **Note**: *The implementation of territorial instruments in Gdańsk, Prague and Maribor also involves contributions from the CF, but these are not technically part of the ITI. In the case of Gdańsk the contribution is substantial, with €646.6 million of CF funding.

With the exception of Thematic Objective (TO) 11 on institutional capacity, all TOs are covered by at least one instrument (Table 4). **TO4 (low-carbon) is targeted by all 12 instruments** and other areas commonly addressed are TO3 (SME support) and TO9 (social inclusion). The example of 6Aika in Finland shows the diverse range of investments. There, ERDF co-funded pilot projects cover a wide range of themes including: traffic and mobility; city districts as testing environments; gamification and learning; health and wellbeing; circular economy and cleantech; and media. ESF co-funded pilot projects in turn have investigated and developed career paths and service guidance for young people; developed new forms of participation in employment and social services; promoted employment of young people in the gaming industry; and, brought job seekers and small firms to deliver experiments in order to address growth challenges of firms. Other interesting examples come from Greece, where innovative elements are covered by the strategies. In the region of Attiki, the port-city of Piraeus implements a SUD strategy focusing on the blue economy, which aims at connecting the city with the activities of the port, and there is also a SUD ITI centred on the influence of traditional music.

Table 4: Thematic Objectives covered by selected urban territorial instruments in IQ-Net

	1	2	3	4	5	6	7	8	9	10	11
6Aika (FI)	✓			✓				✓	✓		
Fredericia (DK)	✓			✓							
Gdańsk (PL)			✓	✓			✓	✓	✓		
Heraklion (GR)		✓	✓	✓	✓	✓	✓		✓	✓	
Limburg (BE)	✓		✓	✓							
Maribor (SI)				✓		✓					
Olsztyn (PL)	✓		✓	✓	✓		✓		✓		
Porto (PT)				✓		✓			✓		
Prague (CZ)				✓	✓		✓			✓	
Split (HR)			✓	✓		✓	✓	✓	✓	✓	
Stockholm (SE)	✓		✓	✓							
Vienna (AT)	✓			✓					✓		

Source: IQ-Net research.

2.2 Implementation progress

Progress of territorial instruments is slower compared to ESIF implementation in general. Across the EU, territorial instruments and SUD had allocated around 30 percent of their funding to selected projects (decided amounts) by the end of 2017, compared to an average selection rate of c. 50 percent overall. However, according to the EC, the performance of the instruments is improving and project selection is catching up.[8]

Similarly, in most IQ-Net countries and regions, territorial instruments are still behind other parts of the programmes, both in financial terms and in terms of performance indicators (Auvergne, Czech Republic, Denmark, Nordrhein-Westfalen, Portugal, Slovenia). In some cases, no projects had yet been approved at the time of writing and indicators contributing to the Performance Framework have not yet shown any progress at all.

[8] Interview with the EC and https://tinyurl.com/y8p4m7hw (accessed 7 June 2018).

The main reasons for delays are lengthy preparatory phases at the start of the programme period and the unfamiliarity of sometimes new actors with the new mechanisms.

- **The prolonged strategy development process has taken up a lot of time** and delayed the start of actual implementation (Auvergne, Croatia, Czech Republic, England, Greece, Portugal, Slovenia, Upper Austria). In Greece, for instance, some ITI strategies are still awaiting approval and in the Czech Republic, the last CLLD strategies were only approved at the end of 2017.
- **There are a very high number of strategies or instruments in some cases**. In Portugal, there are 105 non-ITI SUD strategies; Spain has selected over 170 strategies in three calls, the last of which was finalised in May 2018 covering 50 strategies. In the Czech Republic, there is a total of 178 CLLD strategies alone.
- **There is unfamiliarity with the new mechanisms** of ITI (e.g. Slovenia) or CLLD (e.g. Portugal), or there was no previous coverage of the urban dimension (Auvergne). In Auvergne, for instance, the actors involved in programme implementation had to familiarise themselves with the new field. In some urban authorities, where there are comparatively large funding amounts for urban investments, the administrators lacked experience in managing projects of this scale. In Portugal and Sweden, it was unclear what the new CLLD approach would imply, particularly in comparison to the established LEADER approach. Portugal created a model that would accommodate the various interests of the different actors involved, but this took over two years to develop.

Other challenges include the following.

- **Lack of capacity at local level** (Croatia, Greece). In Greece, the main issues relate to public procurement and State aid, where municipalities do not always have the necessary capacity.
- **Administrative delays** (Czech Republic, Slovenia, Sweden). Processing applications takes more time than expected. In Slovenia, the selection procedure in ITIs is divided into two phases. Projects are first selected by the IB, then there are additional administrative and technical checks by the line ministries in charge of the respective Priority Axis and by the MA.
- **Lack of demand**. In Denmark, SUD funding was supposed to be fully allocated by 2016. However, there were fewer applications with lower amounts than expected. For instance, the city of Vejle has not managed to attract a sufficient number of participants to project activities.

In other cases, programme managers reported that territorial measures are progressing well (e.g. Finland, Pomorskie, Scotland, Sweden, Tyrol, Warmińsko-Mazurskie).

- In Sweden, 100 percent of the SUD budget in the West Sweden OP has been earmarked to just three projects and in the Stockholm OP, 86 percent of the total budget has already been invested (March 2018).
- In Finland, implementation of the strategy is progressing well, too, with commitments at 73 percent and payments at 29 percent (March 2018). This is also related to the fact that many of the ITI projects are much larger than average ESIF projects.
- In Pomorskie, project uptake is strong, though this is more apparent under ‘hard’ investments in infrastructure. There is a challenge for ‘softer’ projects, e.g. involving cities and NGOs which have longer-term, less tangible results and which may be moved down the list of actions as priority is given to short-term, tangible achievements.

Measures to improve take-up focus on marketing and the provision of guidance to potential applicants.

- In Denmark, the MA has improved its guidelines for applicants and for this it has received support from the regions and the interest organisation Local Government Denmark. In its guidelines, the MA highlights two good practice examples from the municipalities Kolding and Fredericia on how to deliver an integrated urban development strategy.
- In the Czech Republic, the MA supports project applicants and CLLD LAGs, for instance by providing tutorials on YouTube,[9] which show how to operate the electronic monitoring system for managing calls and project applications in practice.
- Also in Nordrhein-Westfalen, the ERDF MA, IB and other bodies are currently working with local authorities to accelerate implementation e.g. via communication, advice and practical support.

Many IQ-Net programmes are experiencing a **major acceleration of programme progress** and **do not have major concerns about the project pipeline** (Austria, England, Finland, Greece, Portugal, Slovenia, Vlaanderen, Warmińsko-Mazurskie). In Auvergne, for instance, the MA is expecting that the delays will be caught up towards the end of the programme period as urban authorities seem to have a pipeline of projects prepared. Also, Slovenia expects acceleration and there is high demand for funding due to fact that there are pressures on domestic funding for municipalities and therefore cities are looking for alternative sources.

Looking at progress specifically in CLLD, some IQ-Net programmes (Austria, Sweden) report good progress, but this more challenging, for instance, in the Czech Republic and Slovenia, where project uptake is slower. In the Czech Republic, out of 178 CLLD LAGs, only 110 LAGs have opened a call for projects yet and so far about 900 project proposals have been received. The project pipeline is expected to improve, but there are challenges in terms of the excessive administrative burden for the programme managers. This has resulted in staff fluctuations at the MA of the IROP. In Slovenia, project approval takes up to six months, not least because there are a lot of project proposals.

2.3 Assessing performance

Measuring the performance of these integrated territorial approaches is fundamental in demonstrating their effectiveness and identifying their impact in terms of policy innovation. The results of these assessments are important not just in feeding into and strengthening their implementation but also in informing the broader ongoing debate on the use of territorially-integrated approaches in ESIF. The assessment of integrated place-based strategies takes place within the context of a well-established Cohesion policy monitoring and evaluation culture but there are specific challenges. For example, these can be related to measuring initiatives that can cover multiple themes or policy fields and multiple Funds or the challenge of combining measurement of impacts under a specific, limited number of policy themes with assessments of integrated territorial results. It should also be noted that these strategies have only been in operation for a short period of time. In exploring responses to these challenges, it is useful to distinguish between programme and instrument levels.

[9] https://www.youtube.com/channel/UCd0hOLYx3At-cYrQgFFRSgw (accessed 7 June 2018).

2.3.1 Monitoring and evaluation arrangements

The progress of territorial instruments is monitored and evaluated as part of wider programme-level arrangements. However, in many cases, programme managers have set up specific arrangements for territorial instruments. This includes dedicated monitoring arrangements. For instance the MA in England has set up a monitoring strategy to check progress in implementing SUD and also to monitor the performance of the IBs. In involves six-monthly meetings with the IBs to review progress and discuss any issues of concern.

The extent to which territorial instruments will be evaluated in the context of the programme evaluation plans depends on the implementation model chosen. If SUD is implemented as a separate OP (e.g. Stockholm) or Priority Axis (e.g. Austria), the SUD dimension of a programme will need to be evaluated separately due to regulatory requirements to evaluate all OPs and Priority Axes. For instance, in Austria, there will be an evaluation of Priority Axis 4 covering SUD, carried out jointly with Priority Axis 5 (covering CLLD and city-regional measures in Styria). In Spain, an evaluation was completed in 2017 assessing the selection process and outcome of the first call for urban development strategies under Priority Axis 12 (covering SUD) of the Sustainable Growth ERDF 2014-20 OP. A second evaluation of the results of the urban development strategies is scheduled for 2022.

In some IQ-Net countries, **evaluations take a wide view, drawing together different territorial approaches and instruments as part of a broad evaluation** (Portugal, Slovenia, Sweden). In Sweden, a joint evaluation was carried out at the beginning of the programme period, jointly between the MAs for the EAFRD, EMFF, ERDF and ESF, which also covered the implementation of CLLD. Slovenia will compare its different territorial mechanisms and their performance, using a variety of methods including interviews with all relevant stakeholders and looking into how the bottom-up approach has been implemented. In Portugal, the **issue of territorial instruments is a central element in the country's Global Evaluation Plan**. At the time of writing, an evaluation was underway, which, although not limited to territorial instruments, centres on how the territorial approach is applied under Portugal 2020, including not only territorial instruments, but also territorialised policies. It is an 'umbrella' evaluation, which will allow analysis of the panoply of policies implemented on a territorial basis, how these have been conceived and what their first results are. The two responsible teams at the ADC (Strategic Evaluation and Monitoring Unit, and Regional Policy Unit) have been in close contact with the evaluators, with the intention of constructing and presenting a theory of change of the territorial approach – centred on analysing the construction of the instruments, their **integration**, **complementarity** and their **coherence and relevance in the territory** (see Box 2). At a later stage, other Portuguese evaluations will specifically focus on the operationalisation of ITIs and CLLD.

Box 2: Evaluating the territorial approach of Portugal 2020

'Evaluation of the Operationalisation of the Territorial Approach of Portugal 2020 in the Context of Convergence and Territorial Cohesion'.

Overall objective

To evaluate the adequacy of the territorial approach of Portugal 2020, considering the contribution of the configuration and implementation of the programming instruments that operationalise it in the four thematic areas, to the achievement of the expected results and impacts in terms of reducing regional disparities and consequent reinforcement of economic convergence and territorial cohesion.

Specific objectives

To evaluate a set of policies / programming instruments which operationalise territorial approaches (integrated territorial policies, territorialised policies, and positive discrimination measures for low-density territories) of Portugal 2020, assessing:

- the *complementarity* and *synergies* between policies / programming instruments implemented in the same territory in pursuit of the objectives of economic convergence and territorial cohesion;
- the effectiveness of formal and informal *coordination* mechanisms between policies / instruments, the various levels of government / public administration, and among all stakeholders in the territory;
- the relationship between the *design* of the programming instruments / policies and their *implementation*, in terms of achieving their objectives; and
- the adequacy and relevance of *positive differentiation measures* for low-density territories based on the proposed methodology, including, if appropriate, a proposal for the revision of the methodology.

Evaluation scope

- Territorial: covers all five NUTS 2 regions in the mainland
- Programming: covers all four thematic OPs and the five regional OPs in the mainland
- Temporal: the reference period corresponds to the beginning of Portugal 2020 implementation

Evaluation criteria cover the following dimensions:

(i) Relevance, (ii) Coherence, (iii) Operational efficiency, (iv) Effectiveness, (v) Impact (ex ante), (vi) Relevance, Coherence, Effectiveness (with regard to positive differentiation measures for low-density territories).

Theory of change of the territorial approach of Portugal 2020

Key elements of the proposed evaluation methodology are outlined in the Synthesis Scheme of the Theory of Change, which is a working document, at the time of writing not yet stabilised. However, in the process of the evaluation exercise, there is scope for adjusting issues related to the theory.

In this methodological model, a number of assumptions / hypotheses have been formulated, aimed to grasp the cause-effect links along various dimensions, and the associated risks identified. More specifically, the formulated assumptions / hypotheses and risks seek to gauge – along a range of the above-mentioned criteria – the cause-effect links between activities, outputs and results in the following dimensions:

- programming dimension (activities → outputs)
- governance mechanisms dimension (activities → outputs)
- differentiation measures for low-density areas (activities → outputs)
- effectiveness of implementation dimension (outputs → results)
- efficiency dimension: adequacy of the scale (outputs → results)
- efficiency dimension: synergies and complementarities (outputs → results)
- leadership and multi-level governance (outputs → results)
- differentiation measures for low-density areas (outputs → results)

Source: IQ-Net research.

ITI or SUD strategies are not required to be evaluated specifically in addition to evaluations of Priority Axes contributing to these. Nevertheless, there will be **specific evaluations focusing on territorial instruments** in several cases (Czech Republic, Nordrhein-Westfalen).

- In Vlaanderen, the programme's **mid-term review will look at the general ITI approach**, for which each ITI will be evaluated individually. The MA is particularly interested in understanding how the ITIs operate and whether the current structures are effective and efficient. The evaluation will look specifically at the **territorial impact of the ITI strategies**. It will also look at softer impacts on governance structures and financial impacts of projects.
- In Nordrhein-Westfalen, the call 'Strong Urban Districts – Strong People' will be evaluated from October 2018, particularly looking at the **interaction between ERDF and ESF and the added value of working with more than one Fund**. Other potential evaluation issues include: social, economic and ecological effects; contribution of the ERDF to the goal of preventing social exclusion; and horizontal objectives.
- In the Czech Republic, the National Coordination Authority plans an evaluation of territorial instruments in 2018. The Ministry of Regional Development provides **methodological assistance including evaluation support** to implementing bodies of integrated territorial instruments.

In most cases, **evaluations have not yet started and are often planned only from 2019 onwards**. In Greece, there will be evaluations of ITIs and CLLD in 2022. In Denmark, evaluations were initially planned for 2018, but due to implementation delays, these will be postponed. Implementation delays are also limiting the extent of evaluation in the Czech Republic.

Box 3: Early evaluations in Finland

In 2015, an internal evaluation looked at the preparatory phases of the strategy and in 2016 (May-September), an external evaluation (separate from the OP) focused on: the objectives; results achieved; mobilisation of the operational model in the cities; the management and governance model and organisation of the strategy; and the need for changes. At this stage, the evaluation was not focused on results or impacts, or on the results of individual projects, but rather on how well projects were supporting the implementation of the strategy. Specific recommendations included:

- the strategy should focus on larger joint projects involving more cities;
- future implementation requires more emphasis on project ideas and generation, which in turn requires more resources particularly for the city coordinators;
- there needs to be a greater focus on communicating the results;
- there needs to be more clarity with respect to the different roles and responsibilities, particularly in terms of communication, idea generation, and involvement of businesses; and
- business involvement needs to be a cross-cutting theme in the strategy's implementation (linked to idea generation and to project-selection criteria).

Although not an evaluation as such, in 2017, the VTT Technical Research Centre of Finland developed a report on impacts, which was intended to provide support for the management and monitoring of the Six City Strategy. The report was drafted as the cities and funders have a joint need to monitor the impacts of the strategy and to develop project generation, implementation, monitoring and reporting with the view of increasing impacts.

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

Still, early evaluations have been or are being carried out in Finland, Portugal, Spain and Sweden. In Sweden, a joint evaluation covering all the three Swedish territorial approaches (SUD ITI, non-ITI SUD and CLLD) was underway at the time of writing and the first draft report is expected after the summer 2018. Finland has already carried out three evaluation or similar studies between 2015 and 2017 (see Box 3) and The Six City Strategy has been selected as the key project from Finland to celebrate 30 years of Cohesion policy. This is welcomed as it will provide international visibility to the strategy and the projects. As noted, Spain carried out an evaluation of the urban development strategy selection process. In other IQ-Net regions and countries, such as Nordrhein-Westfalen and Slovenia, **there will still be evaluations underway in 2018**.

Evaluation arrangements for CLLD are usually driven by the lead Fund, which is the EAFRD in the examined cases (Slovenia, Sweden, Tyrol). In Slovenia, for instance, the national rural network is preparing evaluation guidelines for the LAGs, which will build on the experience made in 2007-13. A likely element will be the organisation of events at national level to present good practices from the regions. CLLD networking also plays an important role in England, where it is used to capture knowledge about the challenges and impacts of CLLD. Also, each CLLD project in England will be required to complete a summative assessment for the MA at the end of the investment. Sweden is putting particular emphasis on the evaluation of its multi-Fund approach to CLLD, e.g. of how CLLD is working in a context of four Funds and how it is embedded into wider regional development policies (see Box 4). As CLLD also includes an ERDF contribution in the IQ-Net examples, the approach will **also be evaluated as part of the ERDF programme evaluations**. In Austria, the Tyrolean CLLD will be evaluated in the context of the evaluation of ERDF OP Priority Axis 5 (which also covers city-regional measures in Styria) in 2019/20.

Box 4: Evaluating CLLD in Sweden

There is an evaluation plan coordinated by the Secretariat of Evaluation at the EAFRD MA (Swedish Board of Agriculture). The CLLD evaluations will be carried out in a collaborative manner where the MAs of other ESI Funds are actively participating. In this way, the collaboration across Funds and organisational borders should ensure relevance and complementarity between all evaluations related to CLLD. At the time of writing, there is an ongoing Swedish evaluation of CLLD that looks at:

- the CLLD strategies' role in relation to other regional development strategies;
- the experiences of learning between actors;
- projects in both rural and urban areas;
- the Swedish four-Fund approach to CLLD (EAFRD, EMFF, ERDF, ESF); and
- the expected synergies between projects under different ESI Funds.

Other evaluations include the following.

- The evaluation of the impact of CLLD, which will be mainly based on quantitative methods that will look specifically at the CLLD approach and (among other things) geographical and demographic issues. The evaluation is currently in the early start-up phase with first results expected at the end of 2018.
- Ongoing evaluation of CLLD, which is carried out at the local development group level to see how the programme can be improved and, at the request from stakeholders, analyse specific aspects such as the multi-Fund approach adopted by the CLLD in Sweden.
- Evaluation of the duration of CLLD effects. Evaluators are working closely with a limited number of LAGs which have initiated a joint evaluation project together with the Secretariat of Evaluation. Part of the evaluation is to identify successful factors for the long-term sustainability of projects, while another aspect is to improve learning and knowledge spill-overs between projects.

Evaluation approaches are:

- Implementation evaluation of CLLD – qualitative methods. *Implementation evaluation*.
- Evaluation of the impact of CLLD – qualitative methods mainly. *Outcome/impact-based evaluation.*
- Ongoing evaluation of CLLD – mainly qualitative methods, including interviews, participatory/non-participatory observations, semi-quantitative methods, including questionnaires. *Process evaluation*.
- Duration of CLLD effects – mixed method (statistical analysis, interviews). *Long term outcome/impact evaluation.*

Source: IQ-Net research.

2.3.2 Assessing performance by intermediate bodies

Although progress of territorial instruments is monitored as part of wider programme-level monitoring, **IBs implementing territorial instruments are also engaged in monitoring and evaluation**. Some have developed their own monitoring approaches, **particularly in those cases where strategy development has been strongly driven by domestic policy decisions and less by EU requirements.**

- In Limburg (Vlaanderen), the SALK strategy is monitored on a six-monthly basis as part of domestic monitoring arrangements. This is based on the indicators and targets that have been defined in the strategy's design process. Twice a year there is a monitoring report for the Flemish government and the provincial government. Furthermore, there is ongoing internal monitoring at project level. The indicators are project specific and measure the

number of businesses supported, the number of activities carried out and the number of communication activities. Although these indicators are considered to be sufficient by the Flemish government, there have been questions at the provincial level by politicians that wish to understand the impact of SALK on the job market. However, this is very difficult to discern; direct jobs may be possible to measure, but many projects have only indirect impacts on job creation. The SALK Commission had already determined at the strategy design stage that there would be no monitoring of job creation because of the subjectivity of this measure.

- Vienna carried out the scoping project SMART.MONITOR in 2015-16 in order to develop a suitable monitoring approach for its Smart City Wien Framework Strategy. The results of the project were practical recommendations to monitor the progress of the strategy.
- In Scotland, the Project Management Office (PMO) in Glasgow has established a Programme Assurance Framework to monitor the progress of the Scottish 8th City strategy (Box 5).

Box 5: Monitoring progress of Scotland's 8th City strategy

In order to monitor the progress of Scotland's 8th City strategy, the Programme Assurance Framework sets out the operational requirements for governance, management and reporting of the programme and the supporting projects. The approach is based on tailored PRINCE2 methodology (project management methodology used by the United Kingdom government) and has been informed by learning from participation in the domestic Future City Glasgow programme, as well as guidance from the MA (Scottish Government). The Framework seeks to reconcile the need for rigorous reporting on delivery and performance with the preference of project leaders to not be burdened with overly frequent reporting schedules. Measurement and monitoring of performance applies at the levels of project (city), operation (collaboration) and programme (strategic intervention).

Each project has identified a number of key outputs and results that will be delivered. These are reported throughout the lifetime of the project and in some cases beyond. Monthly progress reports must be submitted to the PMO using the Project Status Report template. Each project should identify the processes in place for measuring and recording each of the project's outputs and results. This should be done in advance of the project starting and the methodology recorded as part of the project plan. Where appropriate, a baseline figure should also be identified. Information on the outputs/results and proof of their achievement form part of the document retention process for the projects.

Completion of the monthly Project Status Report is supported by several strategic documents which are subject to consultation and approval the 8th City Advisory Group, including:

- Performance Measurement Framework, showing how project outputs outcomes will be measured and their contribution to relevant city, Scottish and European targets
- Stakeholder Engagement Strategy showing how information will be sourced and shared with communities, businesses and other stakeholders
- Benefits Realisation Strategy and plans for each project

The PMO collates the Performance Management information and reports progress to the Advisory Group, Strategic Board and MA. Lessons learned are also captured within the Project Status Report. The PMO makes regular monitoring visits, at the end of the Design, Build, and Implementation 'stages' to review progress. As part of monitoring visits, a Project Monitoring Review form is completed and results retained within the PMO for audit.

Source: ERDF 2014-20 Strategic Intervention: Scotland's 8th City - the Smart City Programme Assurance Framework.

In terms of evaluation, **many implementing bodies will carry out their own evaluations in addition to programme-level ones** (e.g. Czech Republic, Denmark, Finland, Split). In some cases, implementing bodies will receive support from their respective MA. This can be in the form of

guidance and technical assistance (e.g. Croatia) or financially. In Denmark, the municipalities that have been granted funding will contract external evaluators with an indicative budget of five percent of the ERDF funding to evaluate their projects. In other cases, there are **no specific plans for evaluation at instrument level** (e.g. Gdańsk, Maribor, Prague, Upper Austria). Yet, Upper Austria is already considering ways to continue its city-regional strategies beyond the end of the current programme period.

The **variety of evaluation approaches by implementing bodies** is exemplified by two cases from Denmark and Finland.

- In Denmark, the Fredericia Municipality has decided to **use an external evaluator** to evaluate its two SUD projects. The Municipality will meet with the evaluator during spring 2018 to establish the evaluation approach. The bi-annual reporting to the MA is helpful to ensure the ongoing monitoring of progress of the projects.
- In Finland, the 6Aika strategy **carries out a type of ongoing self-evaluation**, which is organised in the form of workshops (so-called *suuntapajat*). These workshops gather relevant stakeholders (including the management group, steering group, city coordinators and lead project partners). The idea behind the self-evaluation is to identify and strengthen good practices as well as to address any problems. The workshops are organised every six months. Progress, results and effectiveness of projects are also evaluated regularly so that the activities can be better focused. Some of these evaluations are internal, but external expertise is also used (sometimes jointly for a number of key projects).

Some IBs are applying self-defined indicators that are more appropriate to their local context, rather than using common indicators suggested by the European Commission (e.g. Heraklion, Maribor, Split). Examples are the easily quantifiable indicator of increased use of new cycle routes in Maribor and the more complex health index in the Greek city of Kavala. However, the development and monitoring of complex indicators is challenging. Capturing innovative effects may require a combination of tailored quantitative and qualitative approaches (e.g. through the use of focus groups, surveys etc.) but there are often issues with data availability and difficulties in defining and monitoring qualitative indicators. In several cases, developing these methods requires capacity-building and expert support (e.g. in Heraklion).

2.3.3 Assessment challenges

Cross-cutting challenges of measuring the performance of territorial instruments relate to **both quantitative ('hard') and qualitative ('soft') indicators**.

The available quantitative indicators are not always suitable or easy to measure. Many indicators defined in the programmes are easily measured, such as number of jobs created or energy consumption. Some quantitative indicators, however, such as CO_2 reduction, still require a complex methodology for measurement. The municipality of Fredericia in Denmark will make use of support from the external evaluator to specify the approach to following up this indicator. Also, specific types of projects can make measuring results difficult, e.g. in Vienna, where SMEs are not supported directly, but in the context of firm-related services. More broadly, there are issues about whether standard, common programme indicators can accurately capture the contribution of these instruments to policy innovation. These indicators need to be designed to assess the effects of integrated

approaches in a functional area, and often there is no data available. In the Czech Republic, for instance, some territories are delineated as functional and/or across administrative borders and thus are not compatible with the available statistical sources and monitoring data.

Capturing qualitative aspects requires particular effort. Some potential impacts of territorial instruments on policy innovation in the areas of governance or integration (see Section 3) are difficult to capture. Approaches by IQ-Net programme managers to addressing this challenge include the following.

- **Measuring stakeholder engagement and cooperation** (England, Scotland, Tyrol). Tyrol tries to include aspects such as the degree of 'networking' or 'interconnectedness' into its efforts to assess the performance of CLLD. These aspects are measured, for instance, by how many stakeholders have been included and how, and what type of working groups have been set up. A similar approach has been adopted in Scotland, where Glasgow City Council as the lead partner of Scotland's 8th City initiative created a non-OP output indicator on stakeholder engagement to be undertaken pre, during and post implementation. In England, local CLLD evaluations will also cover 'softer' outcomes such as governance and local co-operation, and wider impacts on project activity on participants and beneficiaries which might not have resulted in delivery of OP targets. Some CLLDs have indicated that they will use Social Impact Evaluation methodologies as part the measurement of their programmes.

- **Involvement of the local population to gather bottom-up feedback** (Slovenia, Tyrol). In Tyrol, the IB carries out so-called 'regional talks' (*Regionsgespräche*) every two years, which allow for direct feedback from stakeholders in the eight CLLD regions. There was a series of talks at the start of 2018 and there will be another round in 2020. In Portugal, in assessing the effectiveness of the integrated SUD strategy under TOs 6 and 9 components, the municipality of Porto uses a result indicator aimed at measuring the increase in the level of satisfaction of residents living in the intervention areas, to be captured via annual satisfaction surveys.

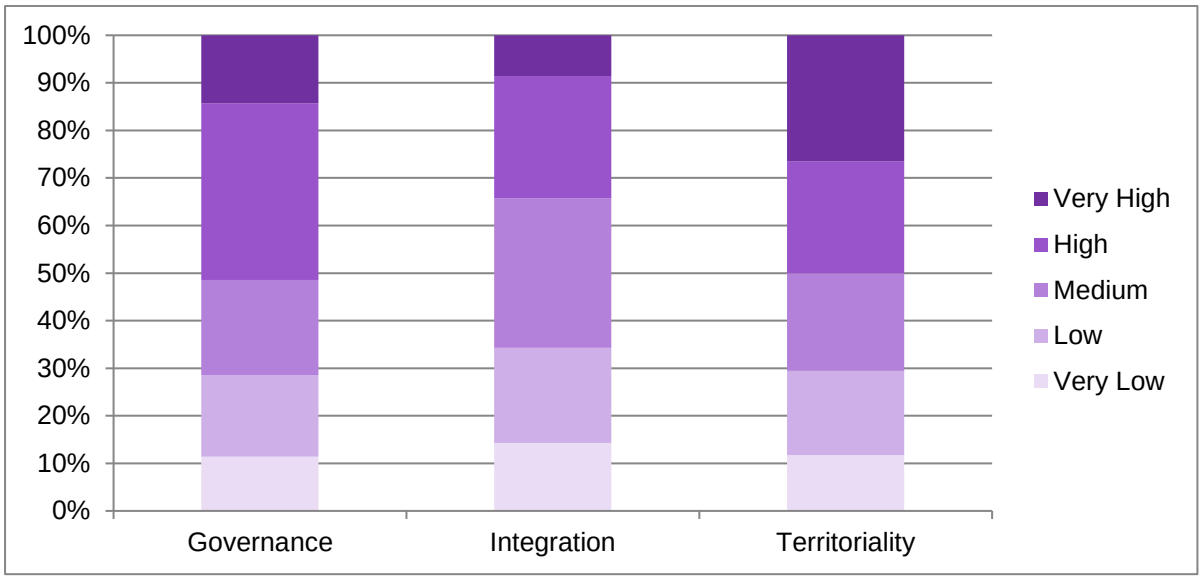
However, one challenge that often remains is the **insufficient capacity for monitoring and evaluation** in a number of cases, particularly at the local level (e.g. Greece, Pomorskie).

3. POLICY INNOVATION: EVIDENCE SO FAR

In addition to their contribution to programme results and their direct impact on the territory they are covering, a key potential added value of territorial instruments is their contribution to policy innovation. The dimensions analysed for this study are governance (Section 3.1) and integration (Section 3.2), which includes territorial integration (Section 3.2.3).

IQ-Net programme managers and IBs responsible for a number of selected ITIs, SUD and CLLD were asked to rate the perceived impact that the introduction of territorial instruments in 2014-20 had on a number of areas (Figure 4). About half of the respondents thought that the impact of territorial instruments in the area of governance and territoriality was high or very high. The assessment is somewhat lower in the area of integration, intended here as integration between Funds and/or policy areas. However, there are differences, depending on whether the model applied is ITI (SUD or not) or SUD, without ITI. The following sections will explore the IQ-Net programme managers' views on the contribution of territorial instruments in more detail, highlighting differences under these headings, providing brief illustrative examples and identifying some of the key explanatory factors for variation.

Figure 4: Contribution of territorial instruments to policy innovation – IQ-Net assessment



Source: IQ-Net research, based on 41 responses by IQ-Net programme managers at national, regional and local level.

3.1 Governance

In theory, the implementation of ITIs and similar ESIF-funded instruments such as CLLD can have a significant impact in developing innovative policy governance approaches and building administrative capacity at different levels and among various actors. This includes through:

- strengthening the participation of sub-national public authorities in the management and implementation of development initiatives;
- introducing city and local authorities to the specific requirements associated with the management and implementation of ESIF operations; and
- addressing inefficiencies in governance caused by fragmentation of the involvement of local authorities and other stakeholders in the design and implementation of strategies and projects

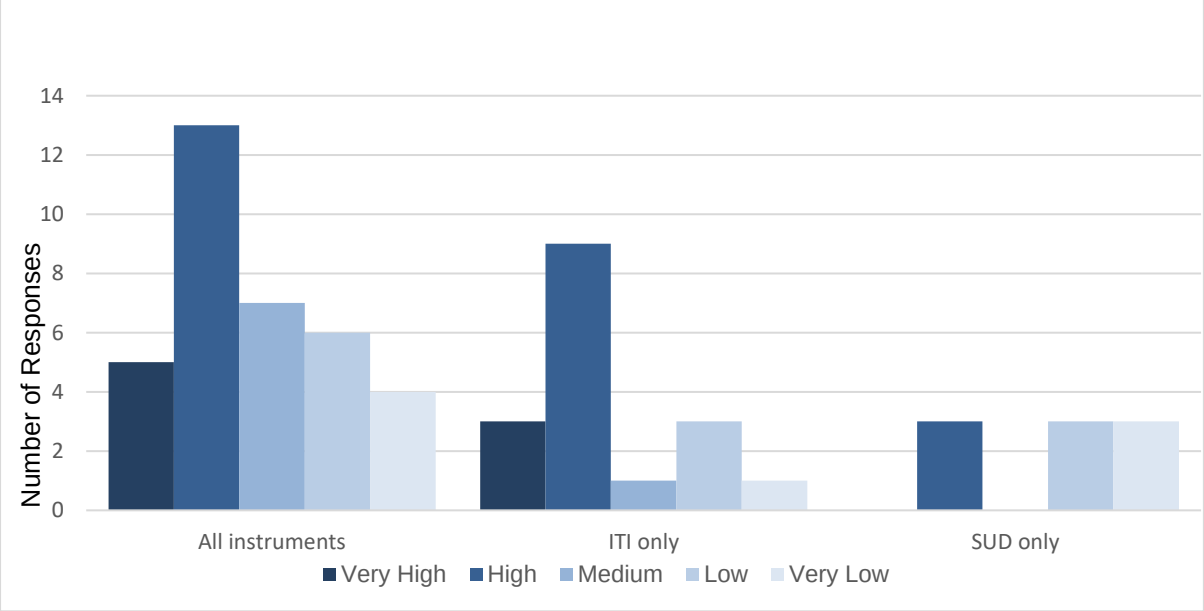
can strengthen the potential for building trust and reduce rivalry, competition and duplication of ESIF projects.

However, it is important to note that the scope for integrated territorial investments to strengthen governance in these ways is influenced by a range of factors.

- There is substantial variation in Member State institutional and regulatory contexts, in the distribution of governance responsibilities and capacities across administrative tiers etc.
- Some areas have long-established traditions of working with integrated urban strategies and have limited ESI funding allocations. In these cases, evidence of changes may be limited and mainly confined to reinforcing existing trends.
- Conversely, in areas with large ESI allocations and weaker traditions of integrated urban development, the extent of changes in governance and capacity could be significant.
- Different instruments (ITI (SUD), CLLD, others) have different incentives and regulatory requirements that condition governance approaches.

It is also important to take into account the potential for governance arrangements for ITI to reflect superficial rather than substantial change. Broader critiques of Cohesion policy have noted the potential for management and implementation systems to involve formal consultation rather than strategic engagement and the creation of so-called 'Potemkin' partnerships that form to access funding rather than develop genuine cooperation. These issues raise questions about the effectiveness and long-term sustainability of governance arrangements set in place for these territorial investments.

Figure 5: Perceived impact of territorial instruments on governance



Source: IQ-Net research, based on 41 responses by IQ-Net programme managers at national, regional and local level. **Note**: 'All instruments' also includes replies related to CLLD, which have not been presented separately due to a low number of responses.

IQ-Net programme managers as well as intermediate bodies responsible for a number of selected ITI, SUD and CLLD were asked to rate the perceived impact that the introduction of territorial instruments

in 2014-20 had in the area of governance (see Figure 5). The second and third sets of columns show the responses by policy-makers dealing with ITI and SUD respectively.

Looking at responses overall, policy innovation in the area of governance is generally perceived to be quite high by a majority of IQ-Net programme managers. Interestingly, the scores for ITIs are higher than those for SUD (e.g. Finland, Pomorskie, Prague).

In exploring the scope for ESIF-funded territorial instruments to introduce innovation in governance, it is useful to assess **different aspects or dimensions: delegation of policy tasks to local levels, the creation of new governance structures and the strengthening of cooperative approaches**.

3.1.1 Delegation of responsibilities to local levels

One dimension relates to **the sharing and delegation of responsibilities for the implementation and management of ESIF to local levels of government**. This has particular relevance in the governance of Sustainable Urban Development where the use of Article 7 for the implementation of ERDF makes integrated urban development a compulsory feature of the ESIF regulation. One of the main goals of the approach is to empower cities. As such, a novel feature of the regulation is the requirement to delegate implementation tasks to cities for interventions that are programmed as part of the minimum five percent ERDF share to implement SUD.

Among IQ-Net programme managers there are examples where there has been **extensive delegation of governance tasks to the local level**.

- This is the case where capacity or experience of implementing EU projects is strong. For instance, in Vienna the process of setting up governance arrangements was straightforward as the implementing body for Art. 7 is also the IB for Vienna of the whole OP and has experience of ESIF management and implementation responsibilities.

- It is also apparent where the process is part of broader trends towards stronger involvement in implementation at the regional or local level. In the Stockholm SUD, the prominent role of the urban authority is part of a broader 'Stockholm model' introduced for ESIF implementation in the 2014-20 period (see Box 6). The SUD Priority Axis of the Auvergne OP relies on urban authorities as IBs to select projects. The MA, however, remains responsible for the management of the programme and effectively had to reject a number of projects selected by the urban authorities as they were non-compliant with the OP's objectives.

Box 6: The Stockholm model

In Stockholm OP, a key innovation related to governance in 2014-20 has been the so-called 'Stockholm model', which is mentioned also in the programme documents (ERDF and ESF). In accordance with this model, the implementation of the programme is based on proactive working methods, encouraging cooperation and involvement of a wide range of regional actors and linking of funding to relevant and strategic development priorities (rather than funding being spread across a number of different projects). In accordance with the Stockholm model, the Structural Funds Partnership[10] does not only prioritise projects, but also takes more responsibility for mobilising regional actors prior to project calls, as well as for promoting knowledge development and learning. The mobilisation of actors takes place through informal meetings prior to project calls. The regional actors meet up and discuss challenges (linked to the SUD priority in question) and how the programme and indeed the projects could solve these challenges. The purpose is to bring together stakeholders to collaborate on 1-3 project applications, depending on the call. This approach enables the development of projects that have a direct strategic link to the region's challenges. As a result, the regional actors take a more proactive role in the implementation of the programme. Furthermore, the regional actors are also more engaged in learning from the activities that take place.

Source: IQ-Net research and http://ec.europa.eu/regional_policy/en/newsroom/news/2016/11/14-11-2016-stockholm-region-invests-in-sustainable-urban-development (accessed 7 June 2018).

Among other IQ-Net programmes, the delegation of tasks to the local level is more limited and MAs have passed on the minimum responsibilities required for implementation of the strategies.

- Generally, in these cases participation of local authorities in the development of strategies associated with integrated territorial investments has been strong. Subsequently, they are involved in in checking the quality of applications in terms of coherence with these strategies as part of project selection processes. For other implementation tasks, local authorities in these cases depend to varying extents on the support of MAs, e.g. to conduct project calls, formally and substantially assess projects, or sign contracts with beneficiaries and carry out financial control.

- This approach is often the result of concerns over capacity at local level, especially where new implementation models are being built 'from scratch'. In Poland, for instance, the IB for the Wałbrzych Agglomeration SUD in Silesia is the only one in the country with full ITI implementation responsibilities. All other ITIs in Poland depend to varying extents on the support of regional MAs.

- Even where delegation is relatively limited, experience of implementing can still have an impact, representing an important step in the further evolution of local authority participation in development policy. The Split ITI in Croatia, for instance, involves the delegation of some management responsibilities to the city, representing partial decentralisation and strengthening local input into regional development. In Greece, some ITI implementation tasks have been delegated to the local and/or regional authorities, which is seen an important step in the direction of multilevel governance and empowering local authorities. In England, SUD has given the MA the opportunity to give city authorities designated as IBs an increased

[10] The Swedish Structural Funds Partnership exists in each programme area. It is a cross-sectoral platform composed of politicians from municipalities and county councils, as well as senior executives from academia, industry, public and non-profit sectors. The Structural Funds Partnership prioritises projects to be funded by the ERDF and ESF.

role in decision making, although the overall responsibility for appraising, approving and monitoring projects remains with the MA.

In non-SUD ITIs, MAs usually play a dominant role where Article 7 requirements do not apply. However, it is important to note some variation in the allocation of responsibilities within non-SUD strategies.

- In some cases, MAs retain all formal responsibilities, although in practice local authorities have important inputs. In Cornwall and the Isles of Scilly, the MAs for the England ERDF and ESF OPs nominally retain responsibilities for project selection, implementation and monitoring. In practice, Cornwall Council and other bodies play a significant contributory role, with some shared functions in the development of project calls and provision of information to potential beneficiaries.

- In other non-SUD ITIs, local or regional authorities have a more prominent formal role. In the Elbląg regional ITI in Warmińsko-Mazurskie, an ITI Office, which is part of the City Office, has advisory and operational functions: it participates in the strategic assessment of projects and also recommends the schedule of project calls to the MA.

There is significant variation in levels of delegation, even within Member States. The extent to which responsibilities for the governance of integrated territorial investments are delegated varies considerably, not just across types of instrument but also for the same instruments within Member States. This reflects varied experience and capacities in implementing these types of initiatives in sub-national authorities.

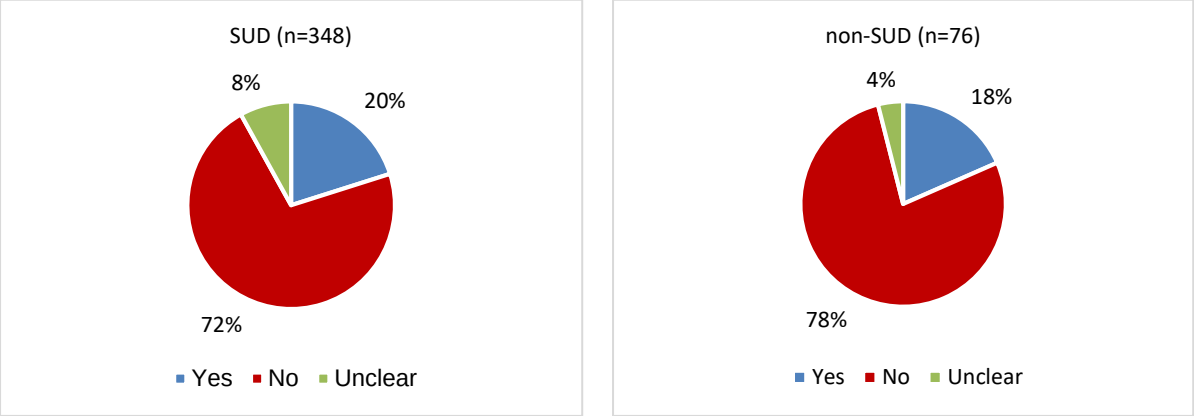
In Portugal, for instance, some urban authorities were uncertain of the human resources and other costs associated with assuming SUD IB tasks and thus delegated them to the respective Inter-municipal Communities / Metropolitan Areas (which were IBs in 2007-13 for implementing the global grants (ITI predecessor) and therefore have relevant implementation experience) or MAs. This differed across municipalities, depending on their assessment of administrative costs involved. Even where implementation tasks have been assumed by the municipality (e.g. Porto), it is noted that due to the novelty of the delegation mechanism under the SUD instrument, this presents a new challenge for urban authorities, implying a process of learning and consolidation of knowledge and experience for the exercise of the management competences that are now delegated to it.

3.1.2 Establishment of new governance structures

EU-funded integrated territorial investments have in some cases been associated with the establishment of bodies at the local level to fulfil implementation tasks. Increasing the role of local authorities, NGOs and other sub-national bodies involved in managing and implementing ESI Funds can, in the longer term, help to strengthen capacities for implementing territorial development.

In most IQ-Net cases, existing organisations have taken on key responsibilities for implementing these territorial strategies. This is in keeping with the broader picture across the EU. Looking specifically at ITIs, Figure 6 illustrates that implementation tasks are carried out by existing bodies in a substantial majority of cases.

Figure 6: Have new bodies been created for the implementation of the strategies?



Source: Van der Zwet et al (2017) *Op. cit.*

However, there are cases where new bodies have been established. This is evident in new structures put in place for the implementation of instruments under Article 7 and of course in the establishment under CLLD of local action groups made up of representatives of local public and private socio-economic interests. The specific role and function of the new institutions varies. Nevertheless, it is possible to highlight some key objectives.

A basic objective in several cases has been to boost capacity for implementing strategies. Territorial strategies can be particularly useful in building capacity where there are a large number of small sub-national public authorities, because they can help to build critical mass, allowing the administrative and/or political burden to be shared. To facilitate this, in several cases implementation by urban and regional authorities has required new organisational arrangements that increase administrative capacity.

- In Poland, Intermediary Bodies for SUD include new Associations of Municipalities and Districts (in some cases an alternative has been to sign a formal agreement between municipalities). MAs have used technical assistance from the national Technical Assistance OP to staff these newly established bodies. Urban implementing bodies have not previously held any major governance responsibilities. As a result, the ITI instrument has particular significance and potential added value in Poland – as a means of building structures that could have a long-term benefit beyond 2020.

- In the London SUD, an ESIF Working Group has been established, responsible for the everyday 'hands-on' implementation, management and delivery of the ITI.

In several cases, new governance structures have been established to strengthen coordination and ensure representation. This is particularly the case for SUD strategies, where coordinating the input of MAs, IBs and urban authorities is crucial but can be complicated. Moreover, a fundamental objective of these territorial initiatives is to mobilise input from a range of stakeholders, particularly at the local level and new structures have been set up in some Member States to meet these needs.

- The Finnish Six Cities SUD strategy has established a separate (ERDF-funded) project, namely the Six Cities Strategy office. The office consists of centralised personnel as well as city-specific coordinators. The office aims to ensure that the national implementation of the

strategy and cooperation is realised in line with the decisions of the strategy management group and the steering group.

- In Sweden, a National Platform for Urban Development was established in 2014 to discuss issues related to SUD. The platform, which comprises five agencies, was created in 2014 to increase cooperation, coordination, knowledge sharing, dissemination and exchange of experiences in SUD. The platform is an important link between practice and policy at local, regional and national levels. The platform also provides process support for the regional structural fund programmes with their work on SUD.

- Though not involved in ITI, in Wales, four Regional Engagement Teams (RETs) have been set up using Technical Assistance. These help potential beneficiaries develop EU funding proposals which can help meet existing and future opportunities in the four Welsh regions. The RETs work with a range of partnerships in Wales including the City Region Boards (Swansea Bay and Cardiff City Region), North Wales Economic Ambition Board, Growing Mid Wales Partnership and Regional Skills Partnerships to coordinate investments in the four Welsh regions.

- In Upper Austria, the introduction of Art. 7 measures led to the creation of new City-Regional Fora (*Stadtregionale Foren*). These serve as a platform for coordination and cooperation, consisting of representatives of the respective core city as well as representatives of the municipalities of the interlinking area.

- For the Maribor SUD, a strategic council has been constituted with the task of supporting the implementation of the strategy. It consists of experts from the main stakeholder groups, such as the city administration, university, NGOs and the city council, to ensure the involvement of interest groups and communities. These have been very important, particularly in the creation of the strategy, where there was strong demand from NGOs to participate.

3.1.3 Introducing new, cooperative dynamics

A key question is the extent to which the reorganisation of tasks and structures to implement territorial strategies is prompting new, more cooperative approaches to policy governance 'on the ground'. In this respect, there is evidence from programme managers that innovative processes are underway. In some cases these are 'spilling over' into broader policy fields.

This can involve new or strengthened 'horizontal' cooperation between city and local authorities. There are cases where local authorities have come together to discuss coordinated approaches to development for the first time as a result of these initiatives, a clear demonstration of innovative approaches. In several cases, particularly those involving SUD, the fact that there was a dedicated envelope of funding to access was key in bringing stakeholders together. Transaction costs for participants in these instruments can be high and thus incentives in the form of funding and increasing influence over resource allocation decisions is crucial.

- For the Olsztyn SUD in Warmińsko-Mazurskie, dynamics in the relationship between the core city municipality and smaller surrounding municipalities have changed. Limited cooperation between the city and surrounding areas has traditionally been an obstacle to strategic

development and use of EU funding in the region. However, the combination of the financial incentives, the requirements associated with the SUD and growing awareness of the strategic benefits has introduced new cooperative dynamics.

- Similarly, in Prague, discussions initiated through the preparation of the ITI strategy motivated local authorities to engage more strategically with each other. There is a perception that such dynamics are creating value beyond the framework of the ITI (particularly in encouraging integrated approaches in the sphere of transport more generally).

- In Finland, the Six City Strategy has introduced new cooperative tools (e.g. fast trials, see Box 7), which in turn have been adopted by other actors and other policy areas outside the Strategy. Therefore, the Strategy has really been a pioneer in introducing new ways of thinking and new tools.

Box 7: 'Fast Trials' in the Finnish Six City Strategy

New tools of developing cities have been gathered into a 'Fast trials cookbook' published by Forum Virium Helsinki. The cookbook responds to the needs of the cities by offering new ways of working in which the city, businesses and residents are together developing future services. The cookbook contains the best ways of implementation which have been tested in a project entitled 'Smart Kalasatama'.[11] As part of the 'Smart Kalasatama' project, 16 different trials were selected (amongst 150 applications) to be implemented. The implementation of these trials involved c. 30 firms, of which some of them have progressed also internationally. The trials implemented in Kalasatama have also strengthened the identity of the area, as nearly third of its residents has been involved.

The fast trials have already spread to other areas outside Kalasatama, including to other areas of Helsinki, and to other cities in Finland, such as Oulu, as well as to other policy areas (e.g. to social and health care). The idea of publishing the cookbook has been to inspire different actors to try and test new ways of implementation. The learning that has been produced from the 'Smart Kalasatama' project is intended to city and service developers and to any other actors who are interested in trying out things in a real environment.

Source: IQ-Net research and www.forumvirium.fi/cookbook/ (accessed 26 April 2018).

Such experiences are not limited to SUD and ITI. In the West of Sweden, CLLD local development groups have a substantial impact on what is being done on the local areas. The CLLD approach has, for instance, made it possible for smaller projects to take part, which has widened the target groups within the programmes and opened opportunities for instance for smaller associations. In Scotland, the Smart Cities initiative, supported by ERDF, is innovative as it involves seven cities working together on different projects. They are required to adopt a more cohesive and collaborative approach.

Implementation of territorial strategies can also reinforce cooperation at 'higher' levels, between programme authorities and between central Ministries and departments.

- In England, the integrated nature of ITI has led to the ERDF MA and the ESF MA working proactively together to align timetables for appraisal/approval decisions and drive the pace of implementation.

[11] Smart Kalasatama has been developed since 2014 as a smart city corner (based on smart solutions) located in the centre of Helsinki, by the sea and with good transport connections. The vision is that Smart Kalasatama has a population of 25,000 and 10,000 jobs by 2030. See https://fiksukalasatama.fi/en/ (accessed 7 June 2018).

- In Slovenia there is good cooperation between line ministries which are the IBs for the three ITI themes.
- In the Finnish Six City Strategy there are efforts to organise joint events for Six City Strategy stakeholders and INTERREG project stakeholders to promote learning and dissemination of good practice.

There is also scope for the implementation of these instruments to strengthen vertical coordination, providing an opportunity to connect local and regional levels in policy-making, allowing exchange of ideas

- In Tyrol, CLLD has provided a framework for bottom-up themes to be translated into policies or strategies for a wider territory (e.g. in the development of a digitalisation strategy).
- In Gdańsk SUD, the system for measuring emission levels in public buildings used in the partner municipalities introduced a standard model that is now being used across the region. Previously local authorities operated their own specific systems, making it difficult to aggregate and compare results.

New partners or stakeholders can be involved in cooperative processes in the implementation of territorial strategies. Cooperation may be new in terms of the type of partners involved.

- In Portugal, the use of CLLD has reinforced partnership arrangements and in some cases the role of local private actors in decision-making has increased in terms of representation. Urban authorities (e.g. Porto municipality) note that the SUD instrument stimulates a significant involvement of public and private actors (including in terms of investment activity), particularly under the urban rehabilitation component – contributing to the pursuit of the strategic objectives. For instance, the urban rehabilitation action plan, as part of the SUD strategy, aims to ensure the availability of a public and private investment fund through FIs, namely the Financial Instrument for Urban Rehabilitation and Revitalisation (IFRRU 2020).
- In the case of Greece, under SUD, there are informal partnerships between the urban authorities and local groups for the design and implementation of the SUD strategy.
- In Nordrhein-Westfalen, local authorities have made very good use of the integration of ESF and ERDF under this project call to implement a more collaborative approach on the ground, bringing together a range of local administrative departments and entities to cooperate more effectively – particularly on the theme of preventing social exclusion and supporting the integration and development of all children.

3.1.4 Capacity concerns

Nevertheless, the governance of territorial instruments is creating challenges for programme managers. This not only limits the scope for innovation to take place through the implementation process, it can also create broader challenges for ESIF management and implementation. The main concerns relate to capacity, complexity and duplication or overlap.

The introduction of territorial instruments in 2014-20 can create additional administrative effort. However, a 2017 report commissioned by the EC estimates that the impact on administrative costs for programme managers is close to zero (ITI: 0; CLLD: increase of 0.1 percent), while the impact on the

administrative burden on the beneficiaries is slightly beneficial (ITI and CLLD: reduction by 0.1 percent).[12]

The effectiveness and efficiency of strategies can be undermined where existing capacities are limited. This can relate to variation in human resources available among implementing bodies and stakeholders, particularly where participation in implementing ESIF is relatively new.

Efficiency relates to technical capacity and is particularly challenging as projects are part of ESIF funding and thus subject to eligibility requirements, targets associated with decommitment rules and the Performance Framework, financial control and audit etc.

- Administrative tasks can be particularly challenging for smaller municipalities outside of core towns and cities (e.g. in Austria, Warmińsko-Mazurskie).
- In England, the pace of SUD implementation has been slower than expected and this, in part, can be explained by the lack of experience of some localities. Some did not fully understand the importance of the geographical focus of the territorial instrument. Some areas expressing an initial interest did not come forward with applications, and some applications were not of the quality required to progress.
- In Croatia, there is a lack of experience among stakeholders in developing projects. Staff are being trained to strengthen their capacities. External consultants are also being used.
- In the Fredericia SUD in Denmark, the municipality managing Structural Funds projects is involved in a steep learning curve. Moreover, universities and SMEs are reluctant to become involved due to the administrative burden they expect this will place on them. For example, SMEs joining as partners must consider the impact of State aid rules, the time spent on reporting and other administrative tasks and this is a disincentive for participation.

3.1.5 Complexity

Beyond the administrative burden associated with the implementation of ESIF, the governance of ESIF territorial instruments is complex and makes specific demands. This refers to all stages of the process. In Portugal, coordination between MAs and IBs is stronger in cases where previous experience exists.

Designation of monitoring and control systems has been a cause of delay for programmes in 2014-20 and designating the appropriate delivery bodies for ITI (especially under Article 7) has proven time-consuming in several cases.

- In Greece, the designation of Intermediate Bodies has been complicated by public procurement and State aid rules and made more difficult by the need to avoid conflict of interests and transparency between different units within these bodies.
- In Slovenia, designation took time due to the fact that ITIs are relatively new mechanism. Time was needed to establish the implementation system and to designate the new IB.

[12] Sweco, t33 & Spatial Foresight (2017) *Use of new provisions on simplification during the early implementation phase of ESIF*, https://tinyurl.com/ybj746ow (accessed 7 June 2018).

Drafting strategies and developing project proposals based on negotiation and consensus between partners is challenging: finding common priorities, agreeing how to shape common projects, deciding which partners can be involved etc.

- In the case of Pomorskie, initial experience in supporting territorial initiatives in 2007-13, provided crucial experience the process of city cooperation which is now being rolled out on a larger scale. Nevertheless, for the Gdańsk SUD, developing and approving the strategy, identifying project ideas and producing project applications took two years. This put pressure on absorption. Moreover, over these two years the market changed dramatically, the basic assumptions on which projects were based became less relevant and the MA has had to do additional work in adapting priorities.

A difficulty for several IQ-Net programme authorities is the complexity associated with selecting operations, which is considered more onerous than with other ESIF operations. Managing project selection and appraisal usually involves several compulsory stages – formal and technical assessments, assessments of coherence with the territorial strategy, assessments of cost-effectiveness etc. – that involve different inputs from programme authorities, local authorities and other stakeholders.

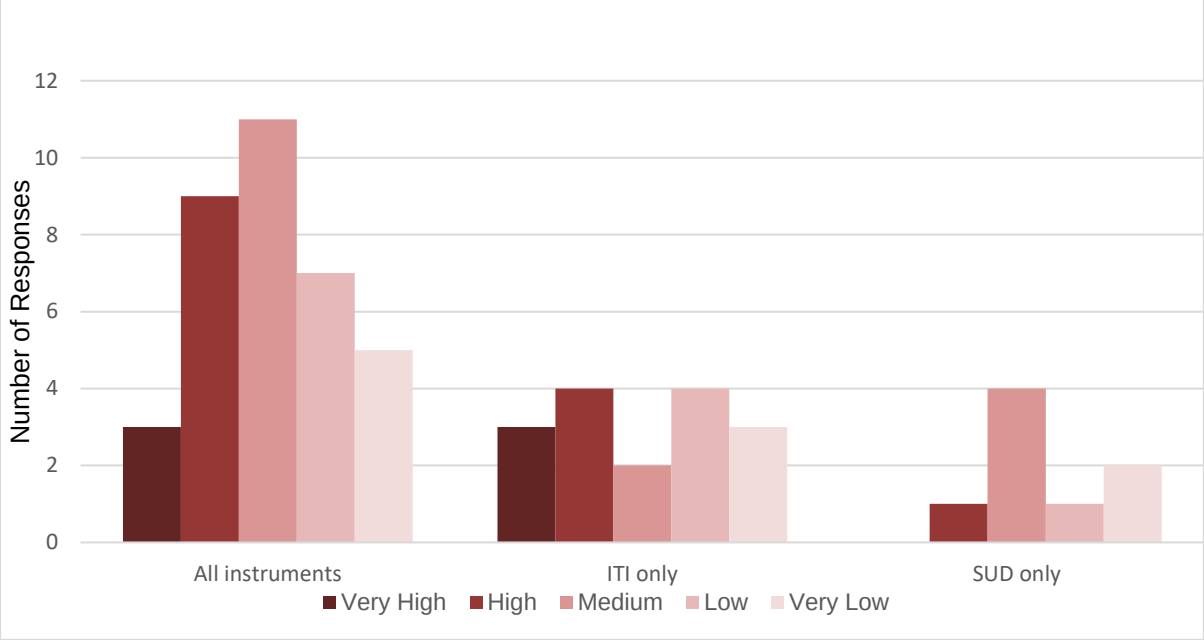
Several IQ-Net programme managers have noted the very complicated structure and decision-making process involved in territorial initiatives, with multiple stages of assessment and approval that are very time-consuming and confusing for applicants (e.g. Vienna, Nordrhein-Westfalen). Of course, the process can be complicated further when there are tensions between stakeholders at the local level or between MAs and IBs on the priorities and projects to support. For instance, assessments of a projects strategic quality may differ from the perspective of a territorial strategy and the OP of which it is part.

Difficulties in capacity and complexity are heightened where various ESIF programmes and instruments pursue overlapping goals. For instance, on the same territory issues of social inclusion can be addressed through SUDs and urban CLLD, or an ITI, but also with ESF co-funding in broad OPs or indeed in other EU and domestic initiatives. Ensuring integration across these initiatives in order to achieve synergies and lessen the burden on programme authorities and beneficiaries is a substantial governance challenge. For instance, the coverage of ITI Prague overlaps with several CLLD strategies. Some applicants in the sphere of education have submitted similar proposals under both instruments.

3.2 Integration

Territorial initiatives funded through ESIF are intended to provide an efficient and flexible mechanism for formulating integrated responses to diverse territorial needs. Any assessment must differentiate between territorial instruments (SUD, ITI, CLLD etc.) as these have different strategic and regulatory frameworks and delivery mechanisms that inform the scope for integration. As with the area of governance, IQ-Net programme managers and IBs for territorial instruments have been asked to rate the perceived impact that the introduction of territorial instruments in 2014-20 had in the area of integration (see Figure 7). Integration means integration of strategies, Funds or at operational level. The second and third sets of columns show the responses by policy-makers dealing with ITI and SUD respectively.

Figure 7: Perceived impact of territorial instruments on integration



Source: IQ-Net research, based on 41 responses by IQ-Net programme managers at national, regional and local level. **Note**: 'All instruments' also includes replies related to CLLD, which have not been presented separately due to a low number of responses.

Assessments for integration are more restrained than those for governance (Section 3.1). The same number of respondents thought the impact was low/very low as those who thought it was high/very high. Looking at the responses from an exclusively ITI or SUD view does not show any particular trend either.

One of the reasons for the lack of a clear message is likely to be the fact that integration can be interpreted differently. In order to assess the development of innovative, integrated approaches through ESIF-funded territorial instruments, four dimensions of integration can be identified: strategic, funding, operational and territorial.

- **Strategic level: strengthen synergies between different strategic frameworks** by bringing together numerous Investment Priorities (IPs) and TOs, thereby developing a comprehensive, multi-sectoral strategy for a given territory.
- **Funding sources: combine different funding streams**, although not compulsory, but encouraged to facilitate coordinated investment in territories.

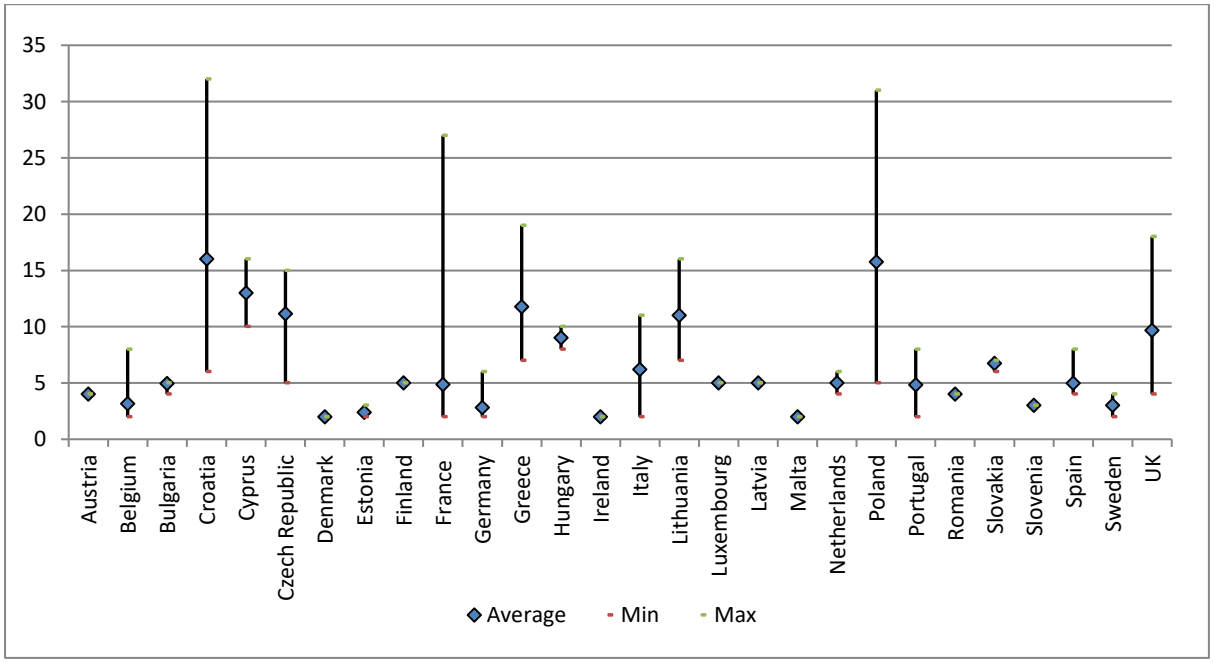
- **Operations: develop integrated activities on the ground**, i.e. the combination of different investments under a multi-Fund approach to enable the implementation of a more complex and tailored set of integrated projects.
- **Territories: place-based integration** by a strengthened focus on functional areas or bottom-up inputs that ensure tailored approaches for each territory.

3.2.1 Strategic integration

Generally, integration is most notable in terms of the combination of strategic objectives in territorial instruments. At the stage of planning and drafting the territorial strategy, in virtually all cases there was an effort to integrate thematic aims and prepare the strategy in accordance with the needs of that territory.

For ITI and SUD, an assessment of the number of IPs that contribute to ESIF thematic objectives contained in strategies gives an indication of the extent of strategic integration. Figure 8 shows significant variation across Member States in terms of the average number of IPs for SUD strategies. Strategies in Croatia, Cyprus, Czech Republic, Greece, Lithuania and Poland have a relatively high number of IPs in each strategy (above 10), whereas strategies in Austria, Belgium, Estonia, Germany, Ireland, Malta, Romania, Slovenia and Sweden have on average a low number of IPs (under five). Furthermore, in countries such as Croatia France, Greece, Poland and the United Kingdom the range of IPs is relatively varied. For example, in Poland the lowest number of IPs included in a strategy is five whereas the highest is 31. As is shown in Section 2.1, there are significant differences between different delivery mechanisms (OP, Priority Axis and ITI) in terms of the number of IPs. ITIs generally include a higher number of IPs, which is not surprising considering that the ITI mechanism is able to combine investment from different Priority Axes, OPs and Funds.

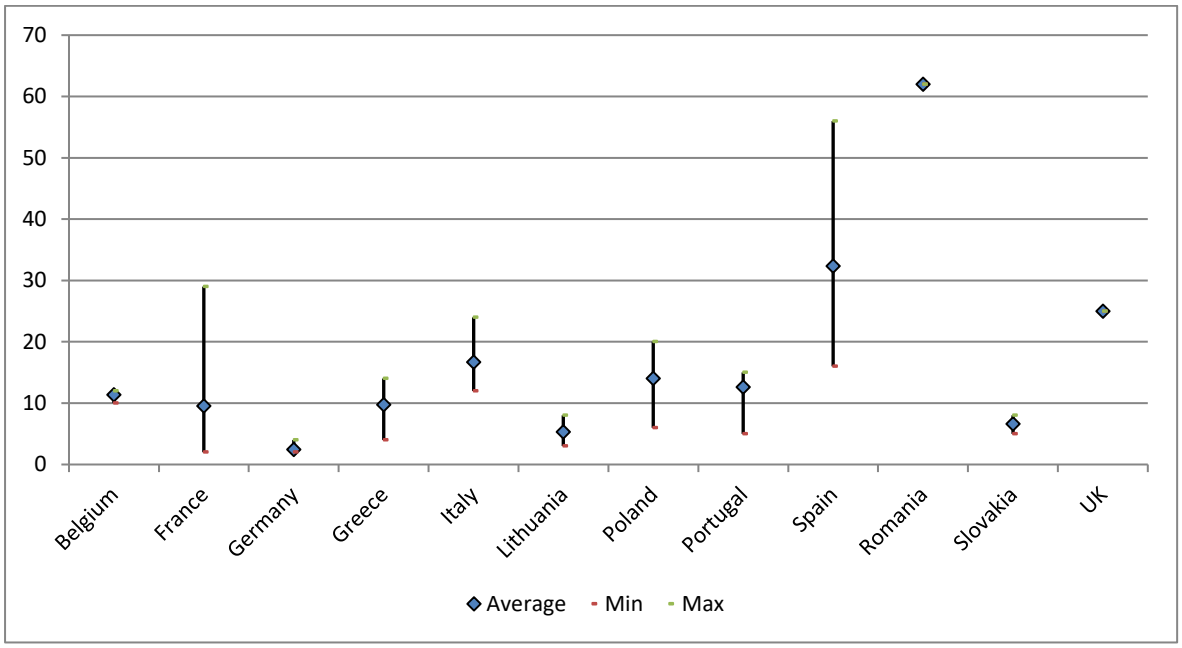
Figure 8: Average, minimum and maximum number of IPs per Member State (SUD)



Source: Van der Zwet et al (2017) *Op. cit.*

Figure shows the same graph for non-SUD ITI strategies. There is considerable variation, but on average non-SUD ITI strategies include eight IPs, which is twice as high as strategies implemented by OP and Priority Axis; SUD strategies implemented by ITI also have a higher number of IPs.

Figure 9: Average, minimum and maximum number of IPs per Member State (non-SUD ITI)



Source: Van der Zwet et al (2017) *Op. cit.*

IQ-Net programme managers have noted the innovation in territorial instruments in bringing an integrated thematic and territorial focus to investment, strengthening the logic of intervening in specific areas. This includes integration between different ESIF programmes, allowing Member States to integrate Priority Axes from one or several OPs to deliver multi-dimensional and cross-sector interventions. In Warmińsko-Mazurskie, the Olsztyn SUD is part of the multi-Fund regional OP (ERDF and ESF). Additionally, it is possible that projects resulting from the ITI Strategy may be treated preferentially in the project selection process under national programmes, mainly the Infrastructure and Environment OP and the Eastern Poland OP in the field of public transport, heating and housing.

It also implies inter-sectoral integration – among the various sectors and thematic domains supported by the interventions in the territory. For instance, the Porto SUD strategy foresees the generation of synergies between its three axes, integrating three inter-connected sectoral action plans, covering the domains of sustainable urban mobility (IP 4.5), urban regeneration (IP 6.5), and support to disadvantaged communities (IP 9.8) (a common feature of all Portuguese Art.7 SUD strategies).

It also includes **integration between ESIF and domestic strategies**:

- In Vlaanderen, the Limburg ITI forms a part of the domestic strategic action plan for the region (*Strategisch Actieplan voor Limburg in het Kwadraat* – SALK) which includes short, medium and long-term recommendations to enhance economic recovery and support sustainable job creation. SALK plays the role of a territorial strategy as required by ESIF Regulations. EU funding contributes to fund the action plan for the region (€45.2 million ERDF and €26.7 million ESF). The combination of ERDF and ESF resources is expected to lead to increased

leverage. The Flemish Government provides the same amount to co-finance the selected initiatives.

- In England, CLLD is expected to have a positive and innovative impact on integration – especially as part of a broader Local Development Strategy (LDS). At the local level, all LDS aim to deliver a number of policy themes including skills, employability, business support and employment growth, transport and connectivity outcomes, health and community capacity development. LAGs will select a portfolio of projects that complement each other and deliver synergies between these strategy themes and deliver the LDS as a whole.

- In Portugal, the objectives of territorial strategies ensure a strong coherence and articulation with other instruments (both domestically and EU-funded) within the framework of integrated territorial development approaches, as well as with spatial planning instruments. For instance, ESIF co-funded territorial strategies are anchored in NUTS3 integrated territorial development strategies, which provide the overall framework ensuring the strategic coherence of all territorial interventions in a region, being also articulated with the wider regional (NUTS2) strategy. The SUD of the Porto municipality, for example, assumes an essential role in pursuing the objectives of the Integrated Territorial Development Strategy for the Porto Metropolitan Area, as well as the 'Porto Metropolitan Arch' National Plan.

3.2.2 Integration of Funds

In terms of the integration of funding streams, according to financial data gathered in research for the Commission, **ERDF plays the dominant role in ITIs**. The total allocated funding to ITI is €13.8 billion, most of which (€11.8 billion) is funded through ERDF, with 12 percent (€1.7 billion) funded through ESF and €0.3 billion from Cohesion Fund.[13] **In several cases (e.g. England) SUD strategies are limited to ERDF**, so there has been minimal synergy or integration with other Funds.

Nevertheless, **although combining Funds is not compulsory for ITIs, there is evidence of funding integration**. Many strategies draw resources from multiple ESI Funds. According to Commission research, 40 percent of SUD strategies are multi-Fund and nine percent draw from three Funds or more. Over a third of the SUD strategies include ESF funding. In the case of non-SUD ITI strategies, the findings demonstrate that one of the main advantages of this approach is the combination of funding from multiple funding streams; in 62 percent of the strategies have allocations from two Funds, and 35 percent of the strategies have allocations from more than two Funds.

In cases of multi-Fund OPs, SUD can be implemented using a combination of Funds as part of a Priority Axis or OP mechanism. This is the case in Gdańsk and Olsztyn SUDs which are implemented through multi-Fund regional OPs that include ERDF and ESF in a complementary way, notably in the revitalisation of specific areas. The Finnish 'Six Cities' joint SUD ITI strategy draws on almost €40 million under the ERDF priority 'Producing and using the latest knowledge and skills' in the national Sustainable Growth and Jobs OP. ESF measures in the OP relating to employment, education and social inclusion and can be subsidised within the framework of the ITI strategy. With ESF funding there is no top-slicing of monies for a specific purpose. Rather, the regions themselves

[13] Van der Zwet et al (2017) *Op. cit.*

propose the amount of the subsidies from the ESF which should be used for the implementation of the strategy. In 2016, a total of €828,000 was budgeted under ESF.

Integration of funding streams is a particularly prominent feature of CLLD. Member States or regions can decide to offer a framework using only one Fund for the support of CLLD in specific types of areas. In practice, the adoption of a mono-Fund CLLD structure (other than those only using EAFRD, i.e. the traditional LEADER approach) applies only to a limited number of cases. The decision in 2014-20 to create CLLD by extending the established LEADER approach to include ERDF and ESF constitutes an interesting challenge in terms of enlargement of the thematic intervention. New aspects of CLLD aim to facilitate integration of funding streams. For instance, there is now a single methodology for CLLD and, for simplification purposes, it is possible to designate a 'lead Fund' covering all management costs. Table 5 sets out the combination of Funds used in CLLD in different Member States.

Table 5: CLLD funding sources by Member State

Member States	ESI Fund			
	EAFRD	EMFF	ERDF	ESF
BG, DE, ES, FR, GR, IT, PL, PT, RO, SE, UK	X	X	X	X
CZ, HU	X		X	X
SI	X	X	X	
LT	X	X		
CY, DK, EE, FI, IE, LV	X	X		
AT, NL, SK	X		X	
BE, LU, MT	X			

Source: Servillo L A (2018) *Community-Led Local Development in the EU. Insights from the Expert assignment about CLLD implementation under ERDF and ESF*, 5th Meeting of the LEADER / CLLD Sub-group, 8 March 2018.

Notable examples from IQ-Net programmes include the following.

- In Austria (Tyrol) and Slovenia, CLLD has brought integration between EAFRD and ERDF for the first time.
- In Portugal, CLLDs are now multi-Fund and in general the perception is that integration between Funds is higher under CLLD than under ITI. Yet, the operationalisation of the articulation between the different Funds and eligibilities of each intervention is not easy.
- In Sweden, the CLLD multi-Fund approach has allowed programme authorities to integrate social issues, rural issues and also issues dealing with businesses.

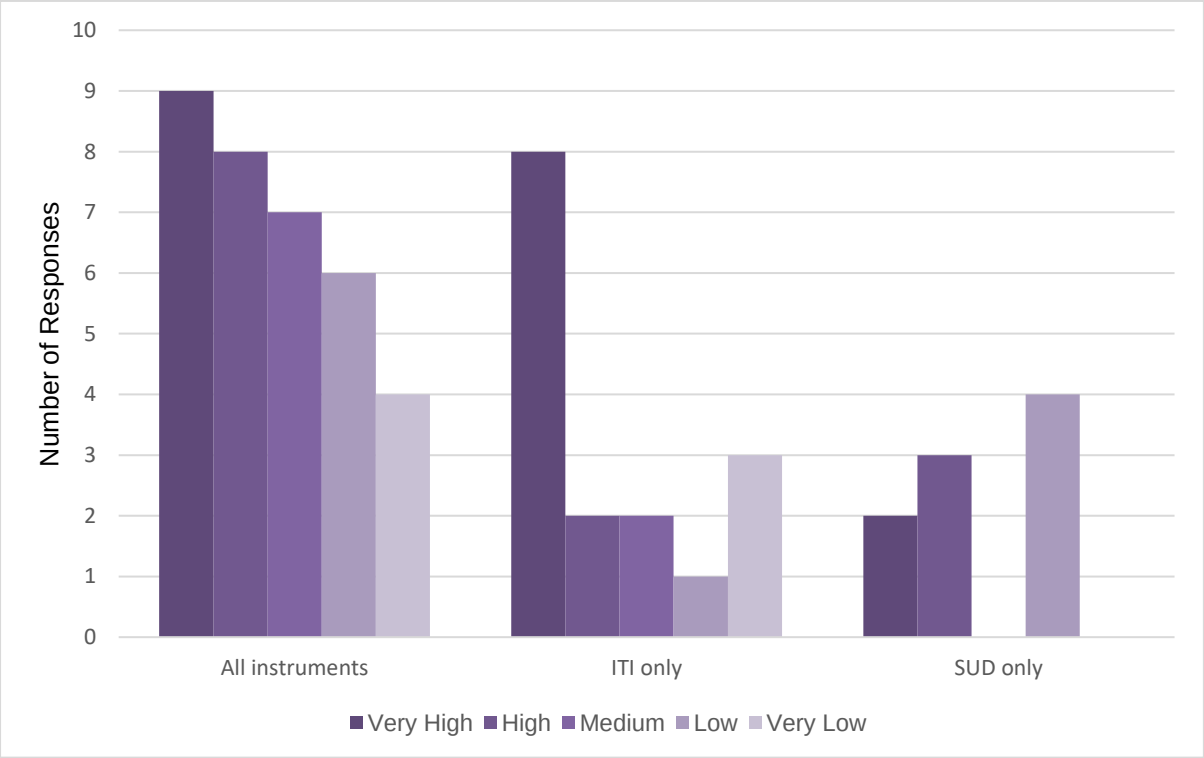
In other cases, **ESIF is being combined with domestic funding to support area-based initiatives outside of ITI or CLLD models**. Scotland's Smart Cities initiative has established joint investment plans using domestic and local funding and will be building on this using ERDF to implement virtual connectivity and clustering to reach the scale and breadth of other world cities – an 8th City made up of the seven working in partnership. Domestic United Kingdom City Deal funding has been used as match funding for the ERDF by some of the cities which are in receipt of it.

3.2.3 Territorial integration

Policy innovation in terms of territoriality relates to different dimensions. For instance, innovation can concern a **new or strengthened focus on functional areas** (e.g. metropolitan areas, city-regions, urban-rural etc.) or the **facilitation of bottom-up input that ensures a specific 'tailored' focus** for a given territory.

IQ-Net programme managers and IBs for territorial instruments have also been asked to rate the perceived impact that the introduction of territorial instruments had on territoriality or territorial integration (see Figure).

Figure 10: Perceived impact of territorial instruments on territoriality



Source: IQ-Net research, based on 41 responses by IQ-Net programme managers at national, regional and local level. **Note**: 'All instruments' also includes replies related to CLLD, which have not been presented separately due to a low number of responses.

Policy innovation in terms of territoriality is considered to be high or very high by about half of the respondents (e.g. Croatia, Pomorskie, Upper Austria, Warmińsko-Mazurskie). The very high impact can largely be attributed to the assessment from an ITI perspective.

An added value of territorial instruments is that these allow focusing on functional areas. In both Polish IQ-Net regions (Pomorskie, Warmińsko-Mazurskie), **ITIs have played an important role in strengthening the functional integration of municipalities**.

- In Pomorskie, the ITI has played an important role in strengthening the functional integration of the cities of Gdańsk, Gdynia and Sopot (the 'Tri-City' area) and improving strategic coherence in the territory covered. The dedicated funding offered by ITI and the condition of establishing an Art. 7 body provided incentives to compromise and find common solutions to shared challenges, and discuss and develop joint strategic projects.

- In Warmińsko-Mazurskie, this has traditionally been an obstacle to strategic development and the use of EU funding. In particular, the cooperation between Olsztyn and smaller municipalities surrounding the city had been limited. In fact, the Olsztyn city authority did not participate in the first ITI meeting, only the smaller municipalities took part. Eventually the combination of financial incentives and requirements associated with the ITI motivated Olsztyn to take part and subsequently the benefits of cooperation have become clear. Cooperation between the ITI and the MA has also become stronger as experience has grown.

In Upper Austria, **new strategic frameworks for functional areas** between cities and their surrounding municipalities have been set up, and in Croatia, expressions of **interest from other municipalities bordering the urban agglomeration** of Split indicate that the value of the ITI mechanism has been recognised.

One area with added value is public transport, where the ITI contributes to the interconnection of public transport between the core cities their surrounding area (e.g. Gdańsk, Prague). In Portugal, the sustainable urban mobility component of SUD strategies (e.g. Porto municipality), 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).

Interesting examples of territoriality are provided by Finland and Sweden, where **funding provided under SUD connects not only actors in the same territory, but also from different territories without common borders**.

- The example of 6Aika in Finland is a particular case as it crosses regional borders by definition, being a network of six cities across the country. While Structural Funds implementation entails a very close network of actors, the Six City Strategy has broadened this network, and spread beyond regional borders. Essentially, the Strategy implementation has brought together different city actors, and engaged actors also at the grassroots level. This has in turn introduced new opportunities.

- One project in Stockholm has been asked to interact with SMEs in the South of Sweden in accordance with Article 70 CPR, which allows funding operations outside the programme area to a limited extent. This has brought added value to the Stockholm OP (in terms of having more companies present to solve problems), as well as added value for companies located in the South of Sweden. The project 'Stockholm Digital Care' is about increasing the growth of SMEs which benefit older people in the region (to increase the number of commercial digital products and services which are specifically tailored to older people living at home, as well as make already existing digital products and services more known). The vision is to create a joint, open development arena for cooperation between SMEs, municipalities and the county. The project started in autumn 2015 and will be ongoing until 2020.

The new instruments also allow **use to be made of territorial capital** and promotion of projects related to territorial development needs (Croatia, England, Warmińsko-Mazurskie). It enables local actors to **set their own priorities and gives them a feeling of ownership** (England). In the case of

Vienna, it allowed urban themes to be emphasised more than in the past. Without the requirement to invest five percent into SUD, there would still have been ERDF support in Vienna, but it would most likely have been sectorally and not territorially oriented. For instance, IP 9b (improvement of disadvantaged areas) might not have been selected.

CLLD is distinctive as it allows drawing funding from different funding sources with a different territorial focus. In Sweden, this includes EAFRD for rural areas, EMFF for coastal and ERDF/ESF for all types of areas, including urban. This means that CLLD can be implemented in different types of territories, including rural areas or in collaboration between urban and rural areas. Sweden tried to increase its CLLD focus on cases where the countryside meets urban areas (i.e. the border areas).

In England, **CLLD strategies demonstrate a particularly strong level of innovative territoriality**. In developing their CLLD Local Development Strategies, Local Action Groups (LAGs) selected a CLLD area of between 10,000 and 150,000 residents in the top 20 percent most deprived areas. CLLD projects must target residents and businesses in these areas. Some CLLDs have a single contiguous area. Others have separate sub-areas within a city/town which will present challenges for LAGs and projects to target residents within those territories including the eligibility of match funding at that level of territory.

Yet, in many other cases, the added value of the new instruments in terms of territoriality is limited by MAs (Nordrhein-Westfalen, Pomorskie, Vlaanderen). This is partly related to the fact that, as in the Czech Republic, the requirements for projects funded under integrated tools can be the same as the requirements for projects funded under other programme areas. In Vlaanderen, the ITI strategies have not directly led to a more territorial approach in relation to the implementation of ERDF funding. There is an argument that such territorial effects can also be achieved through the generic programme.

In other cases it is considered that **existing arrangements and structures are already ensuring a sufficient degree of territoriality**.

- The Pomorskie MA feels that they have already been 'territorially-oriented' before the introduction of the 2014-20 territorial instruments – there is a strong synergy between the Pomorskie spatial plan and its regional development strategy (as well as six regional strategic programmes which operationalise the strategy) and – as a result of the integrated approach – a regional OP under Cohesion policy.

- In Nordrhein-Westfalen, domestic urban policy already had a very strong territorial focus before 2014-20, as is the case in the whole of Germany. For instance, there is an umbrella *Bund-Länder* programme, which has been funding integrated and bottom-up urban development strategies and projects for a long time.

Challenges for territoriality often relate to differences between functional and administrative boundaries (Czech Republic, Portugal).

- In the Czech Republic, **some of the ITI or CLLD areas are not functional areas but rather administrative areas**, as political considerations played a role when the territories were defined.

- In Portugal, **attempts to focus on functional areas were hampered by conflicting domestic and EU-level conditions**. Initially, there were efforts to implement SUD (Art. 7) ITIs for the two functional Metropolitan Areas of Lisbon and Porto (which was not the finally adopted approach). However, there are no Art. 7 strategies for these areas; instead, there are separate SUD strategies for each of their municipalities (18 in the Lisbon and 17 in the Porto area). A further 70 SUD strategies are dispersed around other areas of the country. The responsibility for the implementation of these two ITIs falls with the Metropolitan Areas of Lisbon and Porto, but these are not urban authorities and therefore could not assume the functions of implementing an SUD strategy like other municipalities.

Other challenges include:

- **Suitability and choice of themes**. In Vlaanderen, the MA does not consider some OP Priorities to be suitable for sub-regional implementation. For example, the innovation priority is an overarching priority for Vlaanderen which should not be subject to regional competition.

- **Boundaries between regions with different Cohesion policy eligibility**. In Wales, the question of territoriality was the main driver to decide against the implementation of ITIs. The Welsh regions represent functional economic areas that cut across NUTS 2 boundaries (the East and West Wales and the Valleys programme areas), but the fact that they are divided into two programme areas with a somewhat artificial boundary would have made the implementation of ITIs more complicated.

- **Long distances**. In Finland, there are practical challenges due to the long distances between the six cities in its Six City network. This means, for instance, that meetings are increasingly taking place digitally, e.g. through Skype.

Connecting urban and rural areas is a key concern in several cases and a number of interviewees (e.g. Denmark, Limburg, Slovenia) feel that **territorial instruments are not sufficiently connecting these different types of territories.**

- In Slovenia, for instance, ITIs are implemented only in defined ‘degraded areas’ in each of the 11 cities implementing ITIs. There are no urban-rural development connections at the moment and the MA argues for a better coordination of any urban measures with rural areas in the future.

- Limburg (Vlaanderen) notes that there is a need for a more territorial approach in its strategy. Most projects focus on central areas, whereas the periphery has been targeted less. Recently, there have been discussions about better integrating these areas into the overall SALK strategy.

- In Denmark, the Priority Axis for SUD is seen as striving against the principle of territoriality by only comprising urban areas. The city of Fredericia would like to cooperate with farmers in the surrounding rural areas.

- In Scotland, the intervention Scotland's 8th City – the Smart City faces the challenge that several cities (e.g. Stirling, Inverness, Perth) serve a huge rural hinterland. They plan to include these more explicitly in the future of the project.

Yet, there also concerns about the scope for cities to support genuinely urban themes. The Association of City Municipalities in Slovenia, which acts as IB for the selection of projects for all 11 ITIs in Slovenia, argues that specific measures for urban issues are needed, independently of whether or not these are of relevance to functional areas.

A bottom-up approach is felt to be important to ensure a place-based strategy focusing on local needs and strengths (Greece, Prague, Slovenia). Yet, **some IQ-Net programme managers consider that the bottom-up element is limited** (Czech Republic), both in terms of ITI (Czech Republic, Pomorskie) and SUD (Denmark), as well as of CLLD (Czech Republic).

- In Denmark, the SUD strategies in themselves cannot be defined as being developed bottom-up. However, at the local level there is a long tradition of citizen involvement, which has also been the case in the development of individual plans and strategies. However, it cannot be attributed to the SUD strategy development.

- For the MA in the Czech Republic, the needs of ITI and CLLD can only partially be covered by what is possible to support within Cohesion policy. A bottom-up input would show its real added value if there were no limits in terms of the thematic range of the programmes.

3.2.4 Integration at operational level

The development of a more tailored set of integrated projects to be implemented 'on the ground' is the most challenging aspect of integration, related to regulatory challenges, differences in implementation approaches for different Funds, capacity issues etc. (see Section 3.1.4). Moreover, in many Member States the implementation process has been underway for a relatively short period of time. Nevertheless, it is possible to identify examples of project sequencing in ESIF territorial instruments. **This can involve the implementation of parallel projects (that complement each other) or successor projects (that build on each other)**.

- In Nordrhein-Westfalen, the ERDF MA implementing the SUD notes that a key innovation is the combination of ESF and ERDF funding in a project call to address various aspects of the *Land*'s goal of preventing social exclusion. This in turn is seen as due to the *Land* government's goal of integrating EU Funds as far as possible at local level. For example, a call on the theme of Strong Urban Districts – Strong People, launched in February 2015 includes ERDF and ESF (and, in principle, also EAFRD) (see Box 8).

- In Rotterdam SUD, there are parallel projects where firms in the territory are supported in the development of innovative technologies through ERDF, while ESF provides targeted training to create a labour supply for jobs in these sectors. Firms make an input in the design of the related training courses and make commitments to give starting places to trainees when they qualify.

- In the Finnish Six Cities SUD, programme authorities have tried to integrate operations by defining similar/corresponding themes for the calls for ERDF and ESF proposals and launching these calls at the appropriate time.

- There are examples of operational integration where the territorial instrument builds on other sources of EU support. For instance, Gdańsk SUD is building on initiatives tested under the EU-funded CIVITAS network of cities dedicated to cleaner, better transport. This supports over 800 innovative urban transport measures and solutions in over 80 Living Lab cities across the EU. In Gdańsk, this initiative piloted new transport technologies to introduce new trolley buses with lowered emission rates for tourist connections. The ITI is now developing this work and investing in new buses to develop these lines.

- In Vlaanderen, ITI is supporting a Technology/Talent campus in Genk through coordinated ERDF and ESF investment. The core activities of the campus are education, training and related services in (innovative) technologies. For instance, an in-house innovative provision of courses is developed which cultivates essential theoretical and practical competencies. To that end infrastructure is created which also allows interesting and concrete opportunities to be offered in lower, secondary, higher technical and university education. ERDF will finance the building and ESF will finance educational provisions.

Box 8: Integrated urban strategies in Nordrhein-Westfalen

The Nordrhein-Westfalen ERDF OP has launched three calls focused on integrated urban strategies:

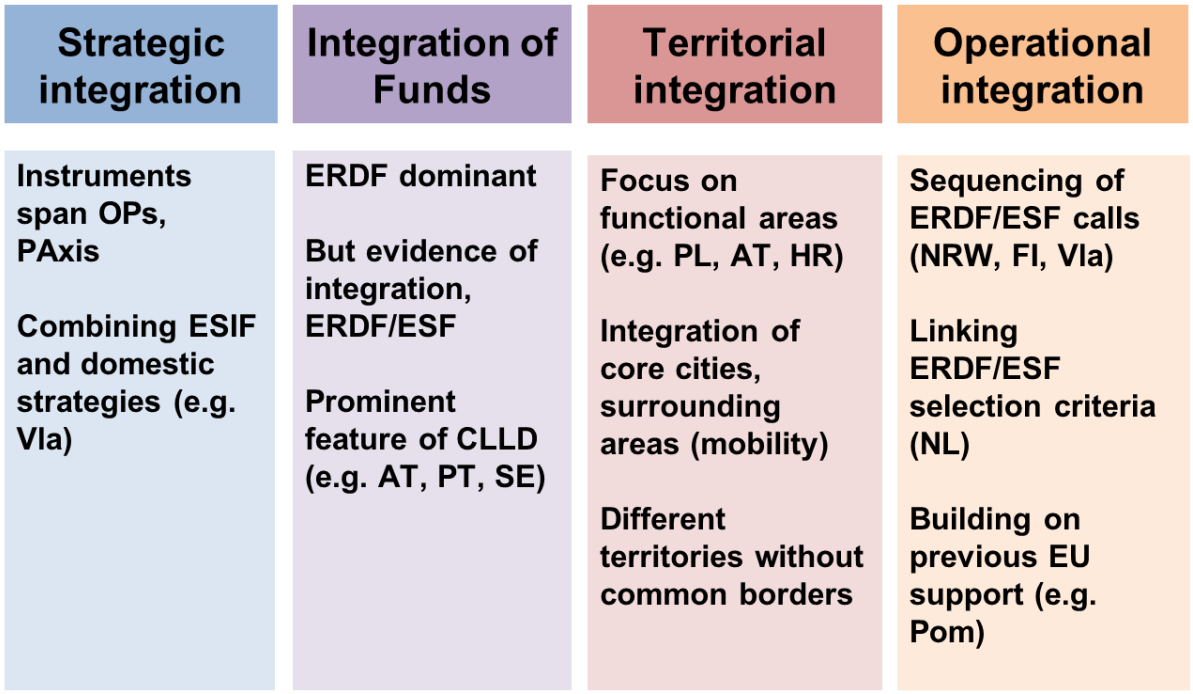
- A call on the theme of **Strong Urban Districts – Strong People** (*Starke Quartiere – starke Menschen*), launched in February 2015, under Priority Axis 4 (Sustainable urban development / Preventing social exclusion), and including ERDF and ESF (and, in principle, also EAFRD). At the time of writing, 26 Integrated Local Strategies had been accepted, and 30 projects within these strategies had also been approved, while a further c. 40 project applications are being prepared. A further nine Integrated Local Strategies have been under assessment.
- A call on **Green infrastructure** (*Grüne Infrastruktur NRW*), launched in August 2016 with two project deadline dates, and currently closed, also under Priority Axis 4. Under this call, 11 Integrated Local Strategies have been approved.
- A call named **Regio.NRW**, which includes funding under Priority Axis 4 (as well as the other 3 PAs) for a range of bottom-up themes, including urban/local strategies. A first call deadline on urban/local strategies led to the submission of two Integrated Local Strategies. A further call was published in April 2018, with one theme focusing on developing brownfield business/industrial sites (*Wirtschaftsflächen*) under Priority Axis 4 (and a second theme on regional innovation).

Source: IQ-Net research, https://www.efre.nrw.de/wege-zur-foerderung/projektaufrufe/starke-quartiere-starke-menschen/, https://www.efre.nrw.de/wege-zur-foerderung/projektaufrufe/gruene-infrastruktur-nrw/, https://www.efre.nrw.de/wege-zur-foerderung/projektaufrufe/regionrw-2-aufruf/ (all accessed 7 June 2018).

3.2.5 Challenges to integration

There are a number of challenges facing programme authorities as they aim to strengthen integration in ESIF territorial instruments (see Figure 11).

Figure 8: Challenges in different dimensions of integration



Source: EPRC.

Regulatory complexity is a common challenge in ESIF implementation but has particular implications in the context of integrated territorial instruments. Despite increased attention for territorial approaches, the majority of ESI funding is programmed sectorally as required by the regulations and Common Strategic Framework. Differences in the regulatory framework and guidance for ERDF and ESF, for instance in terms of eligibility rules, project application requirements, provisions for financial control and audit etc.) can limit integration of Funds.

This can have an impact on strategic integration, especially the requirement for thematic concentration. Strategic integration is challenging. The designated IPs targeted in ESIF OPs will not always match closely the needs and ideas of local actors. In some contexts, this tension is emphasised by the principle of thematic concentration in ESIF for the 2014-20 period, which sets out minimum level of resources which should be spent on some specific areas of intervention.[14]

This is especially true at the level of operations. In theory, the multi-Fund approach can also be applied at project level, in reality, multi-funded projects barely exist. The multi-Fund approach remains largely confined to the strategy level, and its implementation is done through mono-funded projects. While integration can be supported in strategic frameworks, in practice integration does not work because of the different rules associated with specific ESI Funds. According to several IQ-Net programme managers, the most important change necessary for increased integration of funding would be harmonisation of rules between ERDF and ESF. The different rules and processes are the main barrier for integrated projects.

Management of different Funds is often carried out by different institutions, which have different cultures and this can cause barriers to integration.

[14] Tosics I (2015*) Integrated Territorial Investment - A Missed Opportunity?*, Paper presented at 2nd Joint EU Cohesion Policy Conference, Riga, 2-4 February 2015.

- **Approaches to governance can vary across ESI Funds, complicating implementation**. For instance, urban authorities often have a prominent role in the selection of ERDF projects, while for ESF there are cases where the MA has more responsibility. Different monitoring and indicator systems are also barriers. In the case of Vlaanderen, the ESF OP operates in a different manner which does not suit the ITI approach as they do not implement at the sub-regional level. Although there is some integration thematically at the strategy level, it is limited in operational terms.

- **Different funding instruments have different target groups as well as different requirements for receiving funding**. In some cases there is a challenge in using ESF in strategies that target the business sector because these beneficiaries are not traditional targets of the fund. Third, different Funds have historically targeted different stakeholder groups that are difficult to integrate.

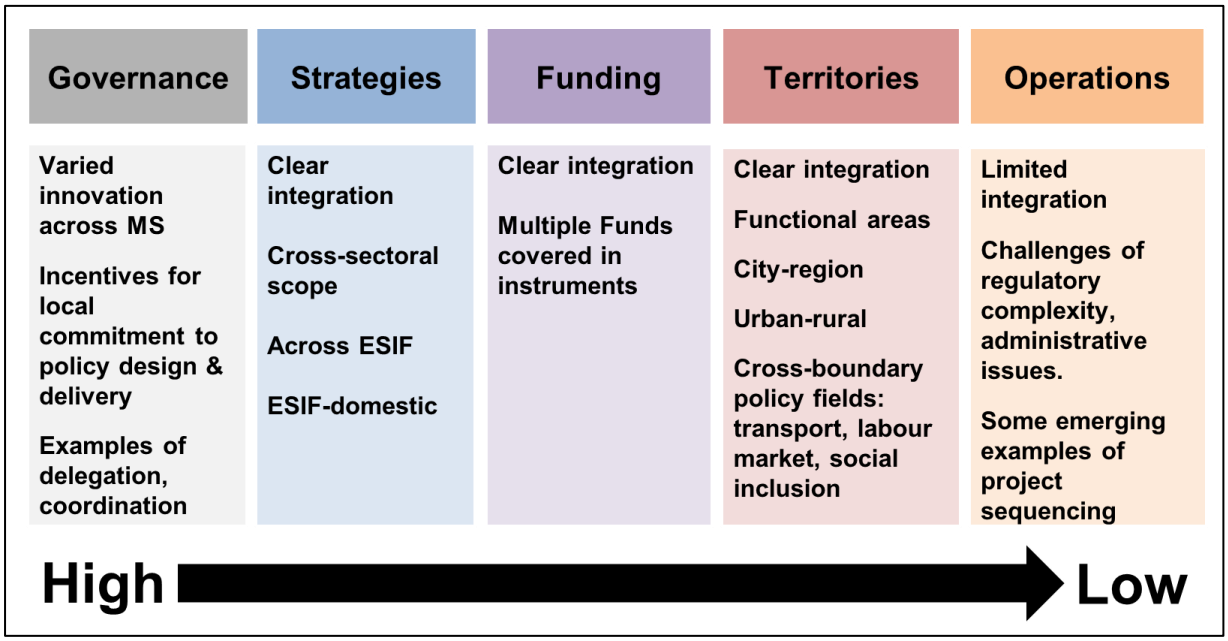
- **The existence of a multi-Fund approach is beneficial to the potential beneficiary but creates administrative burdens 'on the ground'**. Efforts to integrate Funds at the operational level can create substantial administrative burdens for potential beneficiaries in terms of developing project ideas, accessing guidance, working on different electronic platforms, etc. In some cases the bureaucratic burden makes the process too complex from the point of view of the final actors, especially if the associated funding is limited and there is no guarantee of success.

However, in those cases **where there are MAs already responsible for ERDF and ESF there is already a higher degree strategic integration and therefore less need for these types of regulatory provisions** (e.g. Scotland, Wales). In Wales, for example, the MA covers ERDF, ESF and EAFRD so they already have an integrated approach to ESI Fund management. There is a single Programme Board covering all Funds, a single PMC covering all Funds, there are common rules across Funds. This explains why the MA has decided that the additional burdens and risks imposed by ITI status would not bring any added value in the Welsh context.

3.3 Policy innovation

Assessment of progress in implementing territorial instruments and sustainable urban development 'on the ground' indicates that they are potentially important means for encouraging policy innovation, especially at a local level. Though not equally apparent across Member State contexts, there is emerging evidence of innovation taking place under different headings (see Figure 12).

Figure 9: Policy innovation in different areas



Source: EPRC.

In terms of governance, these initiatives provide incentives for local commitment to policy design and implementation (see Box 9).

- **This can involve the delegation of governance responsibilities to local and urban levels of public administration and the mobilisation local partners to become more directly involved in decision-making processes.** The delegation of tasks to sub-regional authorities has been instrumental in raising awareness of the role of integrated strategic planning, building responsibility for Cohesion policy implementation tasks in a broader range of partners, and boosting administrative capacity. The extent to which responsibilities for managing and implementing these initiatives have been delegated varies considerably across Member States and regions, driven largely by existing institutional contexts and administrative capacities. However, even where delegation is relatively limited, experience of implementing territorial instruments and sustainable urban development can still have an impact, in some contexts representing an important step in the evolution of local level participation in development policy.

- **Innovation in governance can also be identified in the creation or strengthening of coordination mechanisms.** This can concern horizontal coordination at the local level: the relationship between different actors within the neighbourhood; between the neighbourhood and city; and between local authorities within the territory. Vertical cooperation can also be

strengthened, notably the relationship between local authorities and ESIF MAs. Related to this change is the scope for change in the culture of governance and the way different policy actors – politicians, practitioners and stakeholders – interact. There is evidence from the research of stronger cooperative approaches, with actors coming together to discuss the use of ESIF within a strategic framework rather than compete for individual pots of funding. Indeed, in some cases this is a completely new practice.

- **There are caveats to bear in mind.** First, although there is significant potential for innovation in governance approaches through implementation of these instruments, this depends on several factors, including: the distribution of existing competences and capacities among different actors; and the willingness to devote sufficient time, funding and administrative resources to maintaining these governance arrangements. The research has identified the potential for different tensions to be reflected in, rather than resolved by, territorial instruments and SUD: between larger and smaller municipalities; between ESIF MAs and IBs. Moreover, generally speaking the involvement of actors outside of public administration is so far limited. Involving civic representatives, NGOs, different sectors (education, health, welfare etc.) and private economic actors in governance can boost accountability, and provide an additional source of investment, both of which are crucial for sustainability. However, the capacity and available resources of actors for engagement in these governance processes varies: maintaining local stakeholder and community engagement in a sustainable way is challenging.

Box 9: Key innovations: DG REGIO perspective

- Often new cooperation has started between cities and their surrounding territories, as well as national networking between cities.
- Urban authorities are more involved in planning, decision-making and implementation of policies concerning them (with national variations).
- There are increased citizen involvement and bottom-up approaches.
- Urban or local actors participate in dedicated European networks, which support sharing of good practice, knowledge and innovation, including knowledge from the Urban Innovative Actions Initiative.[15]

Source: European Commission.

Assessing the **results of territorial instruments and sustainable urban development in terms of strengthened integration** reveals substantial variation under different headings.

- **Integration is very evident in strategic terms**. The drafting of strategies has been used widely as a means of pursuing integrated approaches through involving representatives of different districts, municipalities, sectors etc. in the process. The strategies on which territorial instruments and SUD are based provide explicit frameworks for integrated approaches, drawing together thematic headings within a territorial focus and clarifying the logic of intervening in specific areas. This includes integration between different ESIF programmes and between ESIF and domestic strategies. However, there is varied information in the strategies on specific mechanisms for integration, and on their alignment with ESIF OPs.

[15] http://www.uia-initiative.eu/en (accessed 7 June 2018).

- **Integration of Funds is also common within strategies**. Despite the dominance of ERDF in funding integrated territorial instruments, due to the fact that combining Funds is not compulsory for ITIs, and the complexity of pooling / mixing resources from different Funds, many strategies draw resources from multiple ESI Funds. This is a potentially important policy innovation as it 'packages' different combinations of ERDF, ESF, CF and EAFRD in closely defined territories.

- **Increased territorial integration as an innovation stemming from these instruments can be identified in some contexts**. This refers notably to cases where the implementation of territorial instruments has strengthened the focus on specific types of area (functional areas, city-region, urban-rural) and facilitated the design of policy interventions that stretch across traditional administrative borders (e.g. transport, social inclusion, labour market instruments). It should be noted that policy innovation through territorial integration is not evident in all contexts. In some cases, existing arrangements and structures are already ensuring a sufficient degree of territoriality. In other cases, resolving tensions between administrative and functional borders, the complexity created by the overlap of different EU and domestic interventions operating in a given territory and the struggle of finding the appropriate mix of priorities to pursue has limited the strength of territorial integration.

- **Integration at the operational level is most challenging, although a limited number of innovative approaches are emerging**. Strategic integration and a multi-Fund approach should enable a more tailored set of integrated projects to be implemented 'on the ground'. However, this is the most challenging aspect of integration, related to regulatory challenges, differences in implementation approaches for different Funds, capacity issues etc. Integrated approaches remain much more visible at the strategy level while implementation is done through mono-funded projects. Nevertheless, there are interesting approaches emerging at operational level where innovative approaches to linking complementary projects or sequencing of operations are facilitated by the territorial provisions (e.g. in Germany, Poland and the Netherlands).

4. LESSONS AND FUTURE PERSPECTIVES

4.1 Lessons learned

Considering the delayed start of the actual implementation of territorial instruments in many cases, IQ-Net programmes found it somewhat difficult to draw lessons at this stage. The EC identified some **positive impacts on the involvement of local authorities in the policy process**. The approaches empowered municipalities by giving them a stronger role in planning, decision-making and implementation of policies that impact on them directly. Cities engage more with other urban authorities: with their neighbours or in functional regions; and also in national and European networks.

Most IQ-Net programme authorities identified positive early experiences and **are in favour of a continuation of territorial instruments** (Austria, Croatia, Finland, Greece, Nordrhein-Westfalen, Pomorskie, Slovenia, Warmińsko-Mazurskie).

- In Finland, the ITI could be carried forward to the future, and there is openness amongst the actors to **expand it beyond the current approach** of covering the six largest cities. Finland is a small country with similar challenges across the country, and the ITI has been an effective tool in 'forcing' actors to cooperate.

- In Nordrhein-Westfalen, the local authorities and the *Land*-level ERDF MA would like to **continue to take an integrated approach to urban development in the future, particularly in terms of combining ESF and ERDF funding**. The model is seen to be generating more integrated approaches to implementation and are valued by many local authorities as a means to gathering a critical mass of resources in a context of severe fiscal constraints. Also, there is still a need for funding for integrated urban development in Nordrhein-Westfalen, i.e. there are ongoing complex economic, social and environmental challenges. Examples include ex-military areas, coal/steel restructuring areas, demographic change and social problems, poor educational and other opportunities for children and young people in urban areas, need for integration measures to support new immigrants etc.

- In Greece, policy-makers at the national-level found that a key merit of the territorial approach has been allowing both **metropolitan areas as well as second tier cities** to boost their place-based strengths.

There are also more critical views among IQ Net partners. The MA in Denmark would prefer not to include territorial instruments post-2020 if they had the choice. They consider that territorial instruments can be perceived as striving against national efforts to simplify the business support system. With an increasing focus on developing projects co-financed by Structural Funds that cut across administrative regions, it can be difficult to justify that, for instance, there are seven separate urban initiatives in which municipalities are working on waste management in parallel.

Proportionality and differentiation are key concerns in some of the smaller IQ-Net programmes (Austria, Denmark, Vlaanderen) and where there is long-term experience with integrated urban development in domestic policy (e.g. Nordrhein-Westfalen, Vienna). Both Denmark and Vlaanderen would like to see territorial instruments remain voluntary and implemented only when appropriate (see Box 10). Nordrhein-Westfalen would like differences between Member States to be taken more into

account. The Commission should allow greater flexibility, e.g. by leaving it to the Member State to determine how strategies should be integrated. This would allow taking advantage of existing expertise and approaches in urban development.

There are a number of other concerns.

- **The involvement of governance levels below the level of MA can have unintended consequences**. In Vlaanderen, for instance, there is some pressure from the provincial level to allocate ERDF funding to the provincial level across Vlaanderen in the 2021-27 programme period and the ITI approach could be a way to facilitate this. The MA does not consider this a positive development as it leads to questions around scale, effectiveness and efficiency. Similarly, the MA in Slovenia expects pressure from the cities during the programming phase for 2021-27, as these will want their funding to be continued and to have more influence.

- **The distribution of tasks and responsibilities**. Practitioners in the Czech Republic wonder if the role of instrument holders could be changed: holders could ensure the preparation of strategies but project appraisal procedures could solely be carried out by the MA and its IB. Project applicants would only obtain a confirmation from the ITI body or CLLD LAG that the project proposal is in accordance with the respective territorial strategy.

- **The coherence of the territorial aspects with EU sectoral priorities** (Greece). The Greek National Coordination Authority had initially proposed that territorial instruments should constitute a separate Priority Axis in the OPs and a separate TO.

Box 10: Vlaanderen: lessons learnt with ITI

From the start of the 2014-20 programme period, the MA in Vlaanderen expressed concerns in relation the implementation of ITI strategies and particularly regarding the effectiveness and efficiency of this approach. The variation in terms of absorption and quality of projects between the ITI strategy in Limburg on the one hand and the ITI strategies in West-Vlaanderen and De Kempen on the other hand confirms these. The main lessons are:

- MAs of smaller OPs should carefully consider the effects on efficiency and the administrative burden the ITI approach can have on their programme;
- the ITI approach should not lead to a division of already relatively small budgets, as this will limit the effectiveness of ERDF funding;
- the focus of the strategies should be carefully guarded and strategies should not become a 'wish list' of different activities (particularly when there are limited resources); and
- there needs to be a clear rationale for adopting the ITI approach and avoid snowballing under political pressure.

In the future, the EC should clarify under which conditions the ITI instruments can be useful and under which conditions they are not. The EC could be a voice which directs sub-regional actors to ITI when appropriate, but also points out the risks in cases where the approach is perhaps less justified (i.e. particularly in smaller programmes). One option could be a minimum financial threshold for ITI strategies.

Source: IQ-Net research.

One open question is the **legacy of territorial instruments**, either once the projects have been closed or the strategy is completed. In Finland, there are discussions about the continuation of projects, including the responsibility and funding for these. IQ-Net programme managers in the Regional Council of the Tampere region have been gathering working models into a report/book at

the time of writing. Programme managers in Warmińsko-Mazurskie consider that, in order to ensure that ITI effects are sustainable the initiative should be supported for at least one more programme period by Cohesion policy. Territorial approaches should be continued long enough to allow their benefits to become embedded.

Ensuring an appropriate timetable is a key issue: strategy preparation has to start early (Croatia, Czech Republic, Pomorskie). Ideally, this should take place before the launch of the programme period. Pomorskie benefitted from having 'para-ITIs' in 2007-13, in which there was some dedicated funding for the Tri-City. This served as a 'pilot' stage for ITI and initiated the process of city cooperation. The Portuguese ESIF coordinating body notes the length of processes preceding the start of territorial instruments operationalisation, while the Porto municipality stresses that given the novelty of the SUD approach and the complexity of the existing regulations, provision of timely information and additional guidance to municipalities from the start of the programming of the Portugal 2020 PA would have been advantageous for successful implementation.

Efficient coordination of different stakeholders is essential (Slovenia) and compromise is key (Pomorskie). Partners participating in territorial initiatives need to be able to identify benefits for themselves. This is a learning process and the MA in Pomorskie has started to see evidence that municipalities are developing the capacity to reach consensus. The Porto municipality considers the involvement and participation of local authorities and local stakeholders, both in the planning and definition of investment priorities and in the implementation of relevant programmes and projects, as well as the pursuit of synergies between different intervention domains, attraction of investment by a wide range of actors (public and private) and mobilisation of various financing instruments, important for ensuring that integrated territorial development strategies respond to the specific needs of each territory.

Other lessons include the following.

- **Dedicated funding is vital**. Financial support is the key incentive for cooperation (Czech Republic, Pomorskie).
- **Funding for a mix of project types**. Support is needed for both physical infrastructure and soft measures (Slovenia).
- **Widen the territorial partnership**. Partners from outside of public administration (NGOs, universities, private sector) need to be more involved (Pomorskie).
- **Ensure genuine coordination between different instruments**. Territorial instruments should be based on governance strategies that promote greater coherence and integration of interventions, capable of generating a multiplier effect for sustainable urban development (Porto).

Most concrete technical proposals for 2021-27 relate to the future implementation rules. These should be a) **clearer** (Slovenia), b) **simpler** (Greece, Nordrhein-Westfalen, Slovenia) and c) **less rigid** (Pomorskie). In Pomorskie, there are examples, e.g. under ESF, where ITI partners developed innovative, strategic project ideas that the MA supported but these could not be taken forward because they were ineligible. Nordrhein-Westfalen argues that there should not be any additional or specific rules for SUD interventions.

Some **specific suggestions** are:

- bodies implementing ITIs should not necessarily also have the role of IB (Czech Republic);
- more emphasis on the interface and coordination of urban measures (Greece, Slovenia);
- continuation of the bottom-up approach, but with closer cooperation (Slovenia);
- creation of a link between territorial development and smart specialisation (Croatia);
- allow taking into account local needs by flexible approach to thematic concentration (Slovenia, Warmińsko-Mazurskie);
- focus on fewer TOs, particularly where budgets are small (Denmark);
- ensure a regulatory framework allowing the combination of funding from different ESI Funds (Czech Republic, Slovenia); promote greater integration between the various existing programmes and funds through funding models involving funds such as the ERDF and the ESF to support the implementation of the same typology of projects (Porto);
- no requirement to produce new strategies for the new programme period (Nordrhein-Westfalen); and
- increase the minimum allocation from the current five percent of ERDF (Greece).

4.2 Outlook into 2021-27

Many of the lessons learned during the implementation of territorial instruments so far are relevant for not only the remainder of the 2014-20 programme period, but also for the 2021-27 period (see Table 6). The EC proposals for 2021-27 were published on 2 May 2018. The territorial dimension will be 'housed' under new the policy objective 'Bringing ESIF closer to citizens', which will support locally-led development strategies and sustainable urban development across the EU. The minimum allocation of ERDF funding for SUD will be increased to six percent and the ITI approach will be maintained but simplified. For instance, there is scope for Member States to propose their own ITI models to the EC. Also, CLLD will be maintained, including as a tool for SUD. The role of the lead Fund in CLLD management will be emphasised.

Table 6: IQ-Net recommendations vs Commission proposals

Partner recommendations	COM proposals
Article 7 IBs should be optional	Requirement for Article 7 IBs waived
Increase in ERDF SUD envelope	ERDF SUD envelope up: 5% to 6%
Increased flexibility in implementation models	MS free to propose own ITI models, CLLD as a tool in urban areas
Regulatory simplification to facilitate integration of funds	ERDF, ESF still differentiated, EAFRD falls out of CPR
Thematic concentration and territorial integration?	Thematic concentration continued

Source: IQ-Net research.

The proposals raise a number of potential issues for discussion.

- A specific Article 7 body will be an option, but no longer a requirement. Cities can take on the role of IB, but this approach is voluntary. This can be seen as a simplification, but is there a risk that potential benefits in terms of building new capacity and cooperation at local and city levels are lost?

- One concern is that rural development will be separated out under the new proposals – the EAFRD is not covered in the proposals for the new CPR. What impact will this have on the scope for integration of Funds under CLLD, but also ITI?

- The proposals could have gone further in facilitating integration of Funds on the ground, i.e. at the level of operations. What is needed for a better combination of ERDF and ESF, which is particular importance for many urban themes such as revitalisation?

- Given these proposals (e.g. softening of IB under Article 7, encouraging CLLD in an urban context), is it getting more difficult to differentiate between these instruments? Is there more potential for overlap, complexity and confusion?

5. ANNEX: LIST OF INTERVIEWEES

IQ-Net country (region)	Organisation / role	Date	Format
Austria	• Secretariat of the Austrian Conference on Spatial Planning (ÖROK)	16 April 2018	Face-to-face
	• *Land* Upper Austria	5 April 2018	Phone
	• *Land* Tyrol	24 April 2018	Phone
	• City of Vienna	3 May 2018	Phone
Belgium (Flanders)	• Enterprise Flanders Agency	18 April 2018	Face-to-face
	• Limburg Province	25 April 2018	Phone
Croatia	• Ministry of Regional Development & EU Funds	26 March 2018	Face-to-face
	• City of Split, Department for International and EU projects	20 March 2018	Phone
Czech Republic	• Ministry of Regional Development	5 April 2018	Face-to-face
	• Prague Institute of Planning and Development, Office of Strategy and Development	5 April 2018	Face-to-face
Denmark	• Danish Business Authority	3 April 2018	Face-to-face
	• Fredericia Municipality	23 April 2018	Phone
Finland	• Helsinki-Uusimaa Regional Council	15 March 2018	Face-to-face
	• Regional Council of the Tampere Region	5 April 2018	Skype
France	• MA of the OP Auvergne (FR), Conseil régional Auvergne-Rhône-Alpes, Clermont-Ferrand	17 May 2018	Phone
Germany (Nordrhein-Westfalen)	• *Land* Ministry for Economic Affairs, Energy, Industry, SMEs and the Craft Sector	13 March 2018	Face-to-face
Greece	• Planning and Development Department, Management and Organisation Unit of Development Programmes (MOU)	7 March 2018	Face-to-face
	• Special Service for Strategy, Planning and Evaluation (EYSSA), NCA	25 April 2018	Face-to-face
	• Special Management Service 'OP Kriti'	30 April 2018	Phone
Poland (Pomorskie)	• Marshal Office of the Pomorskie Region	24 April 2018	Face-to-face
	• ITI ROP Pomorskie	24 April 2018	Face-to-face
Poland (Warmińsko-Mazurskie)	• Marshal Office of the Warmińsko-Mazurskie Region	24 April 2018	Face-to-face
Portugal	• ADC Cohesion and Development Agency	3 May 2018	Face-to-face
	• ADREPES, Association for Rural Development of the Peninsula of Setúbal	28 May 2018	Written
	• Municipality of Porto	12 July 2018	Written

IQ-Net country (Region)	Organisation / role	Date	Format
Slovenia	• Government Office for Development and European Cohesion Policy	18 April 2018	Face-to-face
	• LAG Snežnik and Nanos	12 April 2018	Skype
	• Maribor City Council	28 March 2018	Skype
	• Slovenian Association of City Municipalities (ZMOS)	26 April 2018	Phone
Spain (País Vasco)	• Provincial Council of Bizkaia, País Vasco	4 May 2018	Phone
Sweden	• Tillväxtverket (Swedish Agency for Economic and Regional Growth)	22 March 2018	Skype
	• Ministry of Enterprise and Innovation	16 April 2018	Phone
	• Jordbruksverket (Swedish Board of Agriculture)	16 April 2018	Written
United Kingdom (England)	• Ministry of Housing, Communities and Local Government	3 April 2018	Face-to-face
United Kingdom (Scotland)	• Scottish Government	19 April 2018	Face-to-face
	• Glasgow City Council	9 May 2018	Face-to-face
United Kingdom (Wales)	• Welsh European Funding Office (WEFO)	16 April 2018	Face-to-face
DG REGIO	• Unit DDG.03 - Inclusive Growth, Urban and Territorial Development	16 May 2018	Written