



**European Committee
of the Regions**

COTER-VI/031

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OPINION

Integrated territorial investments – a challenge for EU cohesion policy after 2020

THE EUROPEAN COMMITTEE OF THE REGIONS

- stresses that EU Cohesion policy must adopt a place-based approach to reflect the actual conditions and requirements of each specific territory if it is to contribute more effectively to achieving the EU's objectives, improve social and economic conditions and requirements for EU citizens and help eliminate inequality;
- points out that the important potential for integrated investment could be optimised in future by building on existing examples of good practice and by further adapting the place-based approach;
- considers that it should be mandatory for all Member States to facilitate the implementation of ITI in the next programming period, to enable ITI to fulfil its potential of becoming a key tool for implementing Cohesion policy and for tangible European added value for EU citizens;
- points out that ITI is an underused instrument in addressing the challenges of increasing subregional disparities highlighted in the Seventh Cohesion Report; calls for the ITI approach to be more fully exploited beyond urban areas and implemented more widely in rural and functional areas;
- recommends further simplification through the concentration of all resources dedicated to ITI in one multi-fund operational programme if possible and avoiding complicated links to individual sectoral operational programmes; the CoR also recommends that the management and financing must take place on the basis of a global grant that clearly defines the objectives, indicators, resources and responsibility for implementation;
- emphasises that specific indicators for this programming tool are essential and that regional authorities must have the possibility of providing their own indicators for assessment by the Commission during the design phase of the operational programmes.

Rapporteur

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Opinion of the European Committee of the Regions – Integrated territorial investments – a challenge for EU cohesion policy after 2020

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS,

1. points out that local and regional authorities are directly concerned by the implementation of Cohesion policy tools such as integrated territorial investments (ITI), since they are both main beneficiaries of the policy and directly involved in managing implementation of the policy under shared management. Several years after the introduction of the ITI tool under the 2014-2020 programming period and in view of its great potential for facilitating investment synergies in the use of ESI Funds, the CoR is presenting an own-initiative opinion on the matter. The Committee considers that the implementation experience of LRAs to date, in terms both of their success stories and the challenges they have encountered, should be fully assessed and taken into account with a view to the post-2020 legislative framework;

Cohesion policy goals and a place-based approach

2. stresses that EU cohesion policy must be adapted to the actual conditions and requirements of each specific territory if it is to contribute more effectively to achieving the EU's objectives and creating European added value, improve social and economic conditions and requirements for EU citizens across the board and help eliminate inequality. It must therefore not only address a region's problems sustainably and in a targeted way, but also make the most of its potential and specificities. Most importantly, it should prioritise regional policy and development, and in particular the needs of the region as opposed to those of the individual sectors. Its current complex configuration distances it from its real, original objective. Its comprehensiveness and complexity are becoming a fundamental hurdle to the effective and flexible implementation of cohesion policy at local and regional levels;
3. points out that if we genuinely want to make cohesion policy more effective, including in terms of synergy, and make the most of a region's potential, the system for configuring ESIF needs to be changed significantly, in such a way that when it comes to achieving future EU goals and creating European added value, a regional and local approach based on local circumstances (a "place-based approach") takes precedence over a national approach and common nationwide priorities;
4. calls for elements of the principle of subsidiarity and shared management to be effectively employed in the context of cohesion policy. Based on these principles, the EU should limit itself to establishing general objectives (what the EU as a whole wants to achieve), but how these are achieved should be determined at local and regional levels depending on the specific conditions and potential of the territory, which changes over time;
5. observes that reinforcing the place-based approach will involve more regular communication on the part of the Commission's departments, and especially DG Regio and the audit authorities, because they will have to communicate directly not only with national bodies, but also with

local and regional bodies. It also restricts the possibility of establishing generic models that, while making management and oversight cheaper and simpler, significantly distance cohesion policy from its beneficiaries. Implementing integrated territorial approaches based on the active participation of EU citizens will, however, have a clear impact in terms of creating European added value for those citizens, which must be the priority for the Commission as well as for all EU institutions and Member States;

6. points out that, if we want to build an EU for citizens, we need to derive our policies from settlements regardless of their size, i.e. from both communities and regions, as these settlements fulfil a fundamental and unique role for citizens in terms of the quality of their lives, the environment, education, employment, social services and health, culture, and so on. As they are closest to the citizens, they are better at understanding citizens' needs and can be more aware of changes in social and demographic structures. They put in place the conditions for people's quality of life, taking into account their interests and priorities, and thus creating an indisputable European added value;
7. stresses therefore that regional policy and the regional dimension of cohesion policy not only provide a tangible direct effect for people, making the EU as such mean more to its citizens, demonstrating its real benefits for their lives and helping to eliminate economic and non-economic disparities, but in particular create the basic conditions for the implementation of other EU policies. The Committee therefore considers it essential that the implementation of regional cohesion policy itself should be thought of as an undisputed European added value, just as, for example, support for science and research in and of itself is seen as a European added value. Consequently, when implementing regional cohesion policy it should not be necessary to demonstrate a European added value for individual types of activities or even projects; rather, its contribution as a whole should be considered, taking into account both horizontal and vertical synergies;
8. points out that, in order to improve citizens' perception of cohesion policy and of the EU as such, projects that are implemented as part of this policy must be ones that bring citizens real benefits that reflect their requirements. Regional cohesion policy should therefore be established for all types of settlement, from communities to regions, including the outermost regions, and should take into account the situation on the ground as well as the potential and needs of the settlement in terms of time, conditions and location. A bottom-up approach should therefore be adopted and the potential of an integrated approach and mutual synergies should be used to the maximum. The regional and local level and functional areas straddling a number of administrative or statistical areas should play a key role in the process of achieving synergies and integration (taking into account logical links to neighbouring regions and the interests or requirements of lower territorial units), since they combine clarity of planning and strategies with knowledge of local conditions;
9. stresses that there is an indisputable European added value from the point of view of EU citizens, which is to improve the quality of life in settlements and in the EU as a whole. Improving the quality of life in settlements is a prerequisite for successful implementation of all other EU policies. This European added value can only be addressed to a limited extent with a sectoral approach, but very effectively with regional horizontal priorities, such as: quality of life

in settlements (i.e. local and regional mobility, in particular labour mobility, employment and employability, social and cultural services, inclusion and integration, security, etc.) and Smart Communities, the use of local economic and non-economic potential, and so on. The implementation of sectoral priorities to address the most important priorities from the point of view of citizens can – and do – produce only limited effects, and because they are not tailored to local conditions, they often raise (in many cases justified) doubts among citizens about the benefits not only to themselves but to the EU as a whole. Therefore, in order to address what represents tangible European added value for EU citizens, only an integrated territorial approach based on local conditions can be effectively used, as opposed to a sectoral or national approach;

10. points out that the 7th Cohesion Report, published in 2017, shows an increase in subregional disparities, including within the richest regions. ITIs are an underused instrument in addressing the challenge of rectifying these disparities. Experience during the 2014-2020 period shows that ITIs and local development instruments deployed by local players can be used to help those urban or rural regions that are struggling the most. In certain regions in Europe the implementation of ITIs and distribution of ERDF funding are based on unemployment and economic activity indicators. The regions facing the biggest challenges have received more funding than have the most prosperous regions. This rationale of interregional equity is crucial so that no region is left lagging behind overall growth levels;
11. welcomes the report *Integrated territorial and urban strategies: how are ESIF adding value in 2014-2020?*¹ published by the European Commission in December 2017 and agrees with the conclusions of this report. From this report CoR would like to stress the following points in particular which correspond to the experience of LRAs to date:
 - ITI have the potential to target development needs and problems, and to design bottom-up responses with the active involvement of local citizens and institutions to ensure that "no person or region is left behind". They also have the potential to respond to localised shocks or unexpected developments through integrated packages that provide substance to action plans.
 - the urban and territorial strategies are a clear demonstration of Cohesion policy promoting the implementation of place-based approaches to regional and urban development, and encouraged place-specific packages of interventions that were designed in line with stakeholders' views but also meeting overall EU objectives as well as EU "added value" and flexibility.
 - The strategies represent integrated development – they are multi-sectoral, multi-partner and (in a large number of cases) multi-fund. They encourage vertical and horizontal cooperation, territorial integration and knowledge-sharing. While there is a long-standing and on-going discussion at EU level on how to promote better cooperation and integration across policy sectors and between authorities, the integration of interventions is often most practical and achievable at local level.

¹

http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/integrated_strategies/integrated_strategies_en.pdf.

- ITI's bring significant level of institutional innovation in regional and urban development and creates new relationships or operating methods. The process of strategy development and implementation has encouraged or required new ways of working, thinking and collaboration. In many cases it's also creates cooperation and networks among different centres/areas.

Integrated territorial investments and the current programming period

12. asserts that integrated territorial investment (ITI) appears to be an effective tool through its scope for implementing a place-based approach and has already been employed in many Member States in the current programming period in a range of circumstances and in various forms, i.e. from regional Integrated Territorial Investment and urban agglomerations (urban "Article 7" ITIs), to Community-led Local Development (CLLD) and other integrated territorial instruments;
13. welcomes the fact that during the preparations for the current programming period, several first-rate papers were published which highlighted the fact that an integrated territorial approach, based on local conditions that change over time, should be adopted in order to make EU funds more effective and more focused on the results of projects. These papers put forward actual principles for approach and implementation. Unfortunately, however, these principles have not always been implemented systematically and in the current programming period a national and highly sectoral approach has prevailed, which may mean less administration for the European Commission but does not achieve the required effect in specific regions and for specific EU citizens, as is clear from recent debates on the state of cohesion policy;
14. considers the most important of the papers mentioned above to be "**An Agenda for a Reformed Cohesion Policy – A place-based approach to meeting European Union challenges and expectations**", known as the **Barca Report**, which was published in April 2009. This highlights integrated territorial and place-based approaches as the cornerstone for revitalising cohesion policy and calls for "a place-based development strategy aimed at both core economic and social objectives";
15. welcomes the fact that the European Commission (DG Regio) has also drawn up a very good paper in collaboration with experts, entitled "**Scenarios for Integrated Territorial Investment**", which was published in January 2015 and puts forward four scenarios for the implementation of integrated territorial investment based on various conditions and territorial characteristics. The proposals set out in the paper have been applied only to a limited extent in the current programming period, not least due to the late publication of the paper (i.e. not until 2015). It would be useful to take this as a starting point in discussions about the future of ITI;
16. welcomes the fact that 20 Member States have voluntarily participated in the implementation of ITI in the current programming period. Regrettably some countries have used ITI only with regard to the application of Article 7 of the ERDF Regulation, which stipulates that at least 5% of national ERDF allocations under the "Investment for growth and jobs" objective must be reserved for integrated urban development strategies, without taking enough account of actual

needs at local and regional levels. A significant number of Member States have also used the tool more broadly ("thematic" ITIs implemented under Article 36 CPR). This important potential for integrated investment could be optimised in future by building on existing examples of good practice and by further adapting the instrument to diverse local and regional requirements, implementing the recommendations set out in this opinion;

17. regrets that there has been a considerable delay in the implementation of integrated regional approaches and that the tool has not yet been able to produce all of the synergies that it could and should produce. However, this cannot and must not be extrapolated to suggest that implementing EU cohesion policy through integrated territorial investment is not effective. On the contrary, given the complications and lack of clarity, the fact that this tool – thanks to the great efforts of the staff of all the stakeholders – got off the ground at all and is yielding results with a real positive impact on the territory and its citizens is proof of its potential. Moreover, the CoR emphasises the added value of the integrated regional approaches where they have acted as a lever for capacity-building in certain contexts, facilitating an integrated territorial approach and multilevel governance where this had previously not existed.

As emerged from the workshop on the state of sustainable urban development and ITI held at the European Committee of the Regions in 2017², the main difficulties in introducing ITI in the current programming period are:

- Late delivery of the "Guidance for Member States on Integrated Sustainable Urban Development (Article 7 ERDF Regulation)", which the European Commission did not publish until May 2015. It was only on the basis of this document that a start was made on developing the architecture needed to implement ITI in Member States, tracing the boundaries of urban areas and identifying the procedures for approving policy documents on urban development, as well as the policy documents themselves. Only then could the planning of individual projects begin.
- The main problem with the implementation and drafting of policy documents for urban areas with regard to ITI was that in most countries the operational programmes (OPs), along with their indicators and management systems, had already been approved at the beginning of the preparation phase for ITI implementation, without taking ITI into account. Urban strategies therefore had to adapt to the various pre-existing OPs and indicators, which greatly limited the flexibility of the strategies and their real synergetic effects.
- In some cases the compulsory allocation of OP resources to ITI has not taken place, thus effectively rendering meaningless the whole notion of implementation and the achievement of effects of synergy by means of ITI.

²

which was proposed by the Region of Murcia and organised jointly with the European Commission in the framework of the TAIEX REGIO PEER 2 PEER tool (a tool designed to promote the exchange of expertise and good practices between bodies that manage funding under the European Regional Development Fund (ERDF) and the Cohesion Fund, thereby increasing their administrative capacity and ensuring better results from EU investments).

- Delays to implementation and the creation of unnecessarily complex ITI implementation structures in which, even at the level of urban areas, intermediary bodies need to be set up to monitor and evaluate projects, whereas in reality project selection mostly takes place at the level of the managing authorities of each OP. These structures seem disproportionate in some cases, given both the small amount of resources allocated to ITI and the very limited powers of these intermediary bodies or the possible duplication of action. Such complex implementation systems make the whole process unduly complicated in such cases.
- The remit and powers of the bodies responsible for selecting operations (as defined in Article 7 of the ERDF Regulation) are not sufficiently taken into account in the implementation process. Where integrated territorial strategies for sustainable urban development are implemented in a functional area greater than official urban boundaries, the position of subregional authorities that are operating on the basis of a broad partnership of stakeholders in the area and on the basis of multi-level governance is, for the most part, not sufficiently well enshrined in law.

The workshop also highlighted the positive aspects, in particular the fixed resources for the implementation of strategies, as well as the creation of synergies between projects and, above all, dealing with issues on the basis of local conditions and potential, i.e. the real application of a place-based approach;

The way forward after 2020 – proposals for the next programming period

18. considers that in order to know how best to implement ITI after 2020, we should build on the experience gained from its implementation thus far. However, it is not enough simply to modify the current voluntary system for implementing ITI for the next programming period. Current experiences should be seen merely as the test results of pilot projects, which should be used as a basis for genuinely transforming EU cohesion policy into a policy based on regional development and an integrated territorial and place-based approach that will truly make the most of the region's potential and address its economic and social problems and challenges, for the benefit of EU citizens and the EU as a whole;
19. proposes that the "Scenarios for Integrated Territorial Investment" paper should form the basis of the next programming period and be applied as extensively as possible. The ITI approach should be more fully exploited beyond urban areas, where it is most frequently used now, and implemented more widely in rural and functional areas defined in different ways on the basis of local conditions, as outlined in the four scenarios set out in that paper. It is very important for the integrated territorial investment tool to be applied to functional areas because providing them with targeted support based on a bottom-up approach could be particularly effective and productive in terms of creating synergies between local resources and external sources of financing. It should be mandatory for all Member States to facilitate the implementation of the integrated territorial investment tool in the next programming period, to enable ITI to fulfil its potential of becoming a key tool for implementing EU regional cohesion policy, while applying the principles of partnership at all times and ensuring that local and regional authorities are fully involved in the design, implementation, monitoring and evaluation of the strategy;

20. also proposes that the starting point when designing overarching integrated strategies should be functional and logical territories, which should not be larger than NUTS III regions, unless logical links in the territory in question create a different functional unit within which the strategy can be implemented more effectively. This does not mean that the NUTS III authorities or those of similar regions should also be the sole management body for implementing the ITI strategy or that only integrated strategy should be developed in this area. On the contrary, the Committee considers it appropriate to take local and functional conditions and logical links as the basis for framing individual integrated territorial investment strategies for different types of territory within the above-mentioned functional unit, the outputs and impacts of which should, however, be harmonised at this level. This harmonisation should also make it possible to establish logical thematic links with neighbouring regions and to take into account the interests or requirements of lower territorial units. However, implementation of strategies and their management should take place in such a way as to maximise the effect and should above all be on a voluntary basis and respect local conditions and circumstances;
21. strongly recommends concentration of all resources dedicated to ITI in one multi-fund operational programme, if possible, so that individual ITIs should always correspond to only one operational programme – i.e. that individual bodies implementing ITI should communicate with only one managing authority of an operational programme. ITIs actually have a much greater added value when they are multi-funded. A common set of rules integrating investments from the ERDF, the ESF, the Cohesion Fund and those parts of the EAFRD relating to general rural development would be the most efficient way of implementing cohesion policy objectives. If the idea of linking ITIs to a single operational programme is not adopted for the next programming period, it will be necessary to avoid creating complicated links to individual sectoral operational programmes; The CoR is in favour of multi-fund programmes implemented at regional level. The operational programme that the ITI is part of should logically be multi-funded. To achieve greater synergies, however, the ITI tool should also be allowed, where appropriate, to establish functional links with other operational programmes and other instruments (such as Horizon and EFSI). ITI implementing bodies at all levels should be given maximum flexibility when it comes to achieving goals. Designating a lead fund for technical assistance could also facilitate the operational implementation of multi-funding;
22. considers that, when implementing an ITI, productivity and performance indicators adapted to the overall purpose of the integrated territorial investment must be taken into consideration. Specific indicators for this programming tool are therefore essential and, as a result, during the design phase of the operational programmes, regional authorities must have the possibility of providing their own indicators, which will be assessed by the Commission to ensure that the proposed measures, the measurement indicators and the ITI objectives correspond to one another. Similarly, it should be noted that legal difficulties (cf. state aid rules) sometimes arise from positive discrimination in the objective and subjective scope of the ITI, e.g. as a result of the conditions of the competitive call for proposals;
23. further recommends that the designation of the territories concerned by the ITI, its implementation provisions, goals and budgetary allocations are clearly defined upfront in the partnership agreements (or in similar documents that define the relations between the Member States and the EU in the future programming period) as well as in the corresponding operational

programmes, of which they should form an obligatory part. At the same time, when the relevant OP is approved, each body that implements an ITI should discuss and approve, together with the OP's managing authority, an agreement with the Commission (a direct tripartite agreement between the bodies carrying out the ITI, the OP managing authority and the Commission is essential for successful implementation). This would specify the implementation methods and establish indicators that focus on the real impact of the ITI strategy in the territory in question. In countries where the partnership principle is not properly established and is purely superficial, the European Commission should help create relations based on proper partnership, in particular when it comes to implementing ITI;

24. points out that recent experience with the implementation not only of ITI but also of the EFSI at regional level has generally shown that, to ensure stability and the resulting impact, the management and financing of ITI must take place on the basis of a global grant that clearly defines the objectives, indicators, resources and responsibility for implementation. However, this global grant must not be perceived as a source of funds to be used at will, but must be clearly linked to achieving the objectives and indicators set out individually for each ITI strategy as part of the negotiation of the relevant OP. The Global Grant Scheme should guarantee predictability and security of resources for the implementation of ITI strategies and in this way also allow for a flexible combination of this financial resource with other EU and national tools (e.g. EFSI and Horizon) and own resources. This is to ensure that a genuine strategic approach can be taken as part of the implementation of integrated territorial investments and that the maximum possible integration of resources and the greatest synergies within sub-regions, as well as across territories within a region, can be achieved;
25. considers that implementing an ITI should result in an improvement to the financial management of the operational programmes. Complementarity does not mean increased funding for the implementation of this programming instrument. In accordance with the principle of "incentivising rather than penalising", co-financing rates should be increased to cover investment costs that relate directly to the objective of the ITI;
26. also recommends that the implementing bodies delivering ITI should be reserved exclusively for local and regional authorities at different levels, associations of municipalities and local development councils set up by law, the Euroregions and inter-regional territorial cooperation bodies, as they alone can ensure that the strategies will be implemented. They should be granted maximum flexibility, both in the selection of activities and interventions needed to achieve the objectives and in the degree and focus of support, so that they can effectively combine EU, own, national and private resources in order to achieve the greatest possible synergetic effect for the strategy. They should also be allowed to change the degree and focus of the support during the implementation of the strategy in response to the territory's changing socio-economic conditions, so as to achieve the objectives as effectively as possible and maximise European added value. In this connection, the European Commission is invited to lay down clear rules to create legal certainty on issues of liability in ITI use;
27. considers it essential to go beyond a mere grouping of projects co-funded by different funds and to pursue a genuine and suitable integrated management strategy. In this regard, notes that, with a view to making ITI more efficient and more effective, increased practical support and

guidance are needed to improve both understanding of the tool and the design and implementation of the strategies, thereby making the most of the tool's potential. To this end, recommends evaluating the possibility of establishing a specific permanent support body for regions interested in using this tool, which would inform, advise and promote the exchange of best practices;

28. points out in conclusion that preparations for the implementation of the ITI tool for the programming period after 2020 must be launched immediately after the publication of the forthcoming draft legislation on ESI Funds post-2020 so that individual ITI strategies are drafted and discussed in detail with citizens and other stakeholders before the first discussions of the operational programmes with the European Commission. This is because a bottom-up approach is much more participatory and more complicated and requires much more time to negotiate than a top-down approach. The implementation of the ITI tool should be incorporated into the draft legislation on ESI Funds post-2020 and into draft budgets, which will underpin the future cohesion policy.

Brussels, 1 February 2018

The President
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

II. PROCEDURE

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|---|--|
| Title | Integrated territorial investments – a challenge for EU cohesion policy after 2020 |
| Reference(s) | N/A |
| Legal basis | Article 307 TFEU |
| Procedural basis | Own-initiative (under 41 b) (ii)) |
| Date of Council/EP referral/Date of Commission letter | N/A |
| Date of Bureau/President's decision | 12 July 2017 |
| Commission responsible | Commission for Territorial Cohesion Policy and the EU Budget |
| Rapporteur | Petr Osvald (CZ/PES) Member of Plzeň City Council |
| Analysis | 3 November 2017 |
| Discussed in commission | 13 December 2017 |
| Date adopted by commission | 13 December 2017 |
| Result of the vote in commission (majority, unanimity) | majority |
| Date adopted in plenary | 1 February 2018 |
| Previous Committee opinions | Opinion on Simplification of ESIF from the perspective of Local and Regional Authorities (COR-08/2016) ³ Opinion on the Future of Cohesion Policy beyond 2020 (COR-1814/2016) ⁴ |
| Date of subsidiarity monitoring consultation | N/A |

³ [OJ C 88, 21.3.2017, p. 12–21](#)

⁴ [OJ C 306, 15.9.2017, p. 8–19](#)