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The use of Integrated Territorial Investments (ITI) by Member States

CEMR overview
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About CEMR

The Council of European Municipalities and Regions (CEMR) is the broadest organisation of local and regional authorities in Europe. Its members are over 50 national associations of municipalities and regions from 41 European countries. Together these associations represent some 150 000 local and regional authorities.

CEMR's objectives are twofold: to influence European legislation on behalf of local and regional authorities and to provide a platform for exchange between its member associations and their elected officials and experts.

Moreover, CEMR is the European section of United Cities and Local Governments (UCLG), the worldwide organisation of local government.

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Three key messages

The Integrated Territorial Instrument (ITI) can be a useful instrument to provide funding for integrated development actions from neighbourhoods to larger areas (urban regions or metropolitan areas, surrounding rural regions or even funding inter-municipal cooperation) using different European funds.

- Many Member States will already use the ITI as an instrument to deliver integrated strategy on a specific territory. The Commission, Member States and the European Parliament should continue to further encourage the use of this place-based instrument.
- Clear and definitive guidelines and accompanying measures should be given to Member States and Managing Authorities on the scope and the management rules of this instrument. The Commission guidance in the preparation of the ITIs was not sufficient, and the guidance the Commission is at the very moment developing comes a little late. Therefore, it was sometimes a complex issue for LRA to develop an ITI.
- The involvement of local governments from the beginning in the conceptualisation phase is key for the success and ownership of the integrated territorial strategy that will be implemented at the local level.

Introduction

The Common Provision Regulation (CPR)¹ has created a new territorial development instrument, the Integrated Territorial Investment (ITI, Article 36), which will help to implement the new cohesion policy in urban and functional areas. Besides, it is expected that at least 5% of the European Regional Development Fund (ERDF) at national level will be spent for sustainable urban development, and the ITI is one of the instruments that can be used in order to fulfil this obligation.

The ITI contains thematic and territorial dimensions, which consists in the coordination of different sectorial policies in a particular area with specific features. The thematic dimension is concentrated on the Europe 2020 objectives of smart, sustainable and inclusive growth and the eleven thematic objectives of the CPR. Local governments are directly involved in the development of such strategies; and the ITI may give the opportunity of the delegation of management to intermediary bodies.

The purpose of this report is to identify the state of play of the use of the ITI by Member States and Managing Authorities (MA).

CEMR actively contributed to the development of this tool and very much encourages Managing Authorities to make full use of them. This European overview has been possible thanks to the answers of the officers of 22 national associations of local and regional authorities that are members of the Council of European Municipalities and Regions (CEMR). A survey was issued at the beginning to officers enquiring on the use of ITI in the Partnership Agreement (PA) and Operational

¹ Regulation n°1302/2013 adopted on 17 December 2013 by the Parliament and the Council, laying down common provisions (CPR) on the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF),

Programmes (OPs) in CEMR member associations, taking into account that all the PAs have not yet been adopted by the Commission.

Eight questions have been asked:

1. How many ITIs will be used in your country?
2. What are the criteria of selection of the ITIs in your country?
3. What is the purpose of each ITI?
4. What are the main activities and themes?
5. Will intermediate bodies be designated?
6. What is the budget dedicated to ITIs?
7. Which EU funds will be used for the ITIs?
8. What difficulties were experienced in your countries regarding the ITIs?

Member State	ITI	Member State	ITI	Member State	ITI	Member State	ITI
Austria	no	Finland	yes	Latvia	yes	Slovenia	yes
Belgium (Flanders)	yes	France	yes	Lithuania	yes	Spain	no
Belgium (Brussels-Capital Region)	no	Germany - only 2 out of 16 "Länder"	yes	the Netherlands	yes	Sweden	no
Bulgaria	yes	Hungary	yes	Poland	yes	UK (England)	yes
Czech Republic	yes	Ireland	no	Romania	yes	UK (Scotland)	no
Denmark	no	Italy	no	Slovakia	yes	UK (Wales)	no
Estonia	no						

15 Member States out of 22 covered by this report might use the ITI as an instrument to address territorial challenges with an integrated approach and a strong thematic focus: Belgium (Flanders), Bulgaria, Czech Republic, Finland, France, Germany (Schleswig-Holstein and Baden-Württemberg only), Hungary, Latvia, Lithuania, the Netherlands, Poland, Romania, Slovakia, Slovenia and UK (England only). Around a hundred of ITI should be applied.

The report is divided into four parts: the first one deals with the kind of territory selected; the second one with the thematic objectives of the ITIs; the third part with the funds and governance that will be applied; and the final part with the difficulties encountered by the Member States and the Managing Authorities to use such an instrument.

I. What kind of territory is targeted?

The territorial dimension of ITIs gives the opportunity to develop integrated strategies and actions in cities and urban areas, in deprived urban areas and neighbourhoods, in city-regions and metropolitan areas, in geographical areas of a region isolated from each other but who share the same characteristics (e.g. a network of cities small and medium size), in rural areas and national parks, in functional areas as well as cross-border areas, etc. It allows not to stick to the traditional administrative divisions.

In several Member States, the territory concerned has been chosen according to socio-economic criteria. For instance in Bulgaria, the targeted territory, the North-Western Region, was the weakest developed within the whole territory of the EU.

In the Netherlands deprived urban areas have been targeted for the four ITIs of the four largest cities that are confronted to specific common challenges in these neighbourhoods: Amsterdam, Rotterdam, The Hague, and Utrecht (G4).

In Romania, the Danube Delta Biosphere reserve is the targeted territory as it has a sparse and isolated population, a weak economic specialisation and poor access to services.

In the Flemish Region, there will be three ITIs for Limburg, Kempen, and West-Vlaanderen. The ITI in Limburg will be implemented in a context of lower income per capita than the rest of the Region, lower employment opportunities, and the implementation of a reconversion policy following the closing down of the Ford factory in Genk. An expert group has developed a strategic action plan for Limburg (SALK). Kempen has similar characteristics as Limburg, with a restructuring industry (i.e. Philips factory). A socio-economic committee has developed a Regional Pact 2013-2018 in which the ITI will be integrated. Finally in West-Vlaanderen, there is a lack of industry, a low rate of investments, and a lack of qualified personnel. The strategic plan 'West Deal' will be the framework to which the ITI will contribute.

Also when it does not cover a specific unique territory it is because the chosen areas have the same features, like in Finland where there will be one ITI covering the six largest cities: the ITI called "6AIKA - Open Cities" covers Helsinki, Espoo, Vantaa, Tampere, Oulu and Turku. The cities together cover 30% of inhabitants in Finland and have built a joint development strategy. There is an option to create and implement other ITIs based on regional needs during the programme period. The Ministry of Employment and the Economy organised a call for proposals for sustainable urban development from different city cooperation networks. One proposal was chosen by the Ministry according to certain selection criteria: was required a well specified theme which was different to the common content of structural funds operational programme and which included innovative elements. There is a strong linkage between national urban policies and sustainable urban development supported by EU structural funds.

In Poland, there will be 17 ITIs consisting in 18 regional capitals and their functional areas which will develop integrated development strategies. For instance there will be a unique ITI covering three agglomerations: Czestochowa, Bielsko and Rybnik, together with their functional areas, and including all the sub-areas. A number of additional ITI instruments will be offered within 16 governmental regions. However, the process of the development of regional Operational Programmes along with the analyses of the areas that would be suitable for such support are still in progress, so it is not possible to give one the exact number. In Poland, the ITIs will be carried out:

- Obligatory: in the regional capitals and their functional areas;

- Optionally: in the regional and sub-regional cities and their functional areas;
- Additionally: in other areas that require integrated approaches. The decision to implement ITI on non-urban areas is to be undertaken by the managing authorities of the regional operational programme.

In the Czech Republic, there will be 7 ITIs, in particular a Prague Metropolitan ITI which covers the City of Prague and parts of Central Bohemia: both areas face similar issues. In France, 10 regions out of 26 have included this instrument in their draft OPs. As mentioned in the draft Partnership Agreement, the ITIs may be targeted on towns, cities and urban areas in all regions, on city priority neighbourhoods in two regions, and on countries and regional parks in two regions. In Slovakia there will be eight regional ITIs and eight ITIs at city level; as well as in Latvia, nine ITIs for each of nine cities. In Lithuania, the five largest cities above 100 000 inhabitants will each create their own ITI. In Slovenia, 11 Municipalities (Urban authority) will have the possibility to use ITIs. Finally in Germany, there will probably be ITIs in only two Bundesländer: Schleswig-Holstein and Baden-Württemberg.

In England, the Government has created 39 Local Enterprise Partnership (LEP) areas which will deliver the vast majority of the ESI programme on a sub-national basis, in line with 39 local EU investment plans. Each LEP receives an allocation of EU funding from central Government to deliver its local plan. There has been a big debate around if these 39 bodies, which have a differing legal status depending on local circumstances, should be classed as Intermediate Bodies (IBs) or use ITIs as a delivery tool. As it stands, if the UK's proposed Partnership Agreement is approved by the Commission, only the London LEP will have an Intermediate Body status. Following last-minute negotiations in July 2014, Cornwall and the Isles of Scilly LEP will have an ITI. The other 37 LEPs will have the main abilities associated with IB status, such as project selection, but will not be officially classified as such. The main concern is that introducing an IB or an ITI in between Managing Authorities and the LEP would lead to accounting difficulties. Nevertheless a few 'core cities' in England such as Birmingham remain keen on having a greater degree of delegated power, such as that foreseen for London or Cornwall and the Isles of Scilly.

Austria, Brussels-Capital Region (Belgium), Denmark, Estonia, Italy, Ireland, Spain, Sweden, and the UK (Scotland and Wales at least), will not make use of the ITI as a tool for integrated territorial development.

Indeed in Sweden for instance, there will not be any ITIs in the way described by the Commission. However, 4 out of 8 regional programmes to be funded by the ERDF, have chosen sustainable urban development as a priority in different ways. The implementation of these measures is a "light version" of ITI, in the sense that the cities have to develop integrated development plans in order to receive funding. Managing Authorities will be in charge of assessing the plans and creating criteria for cities which can participate (size, etc.). However, there will not be any delegation of management, meaning for instance distribution of funding to subprojects.

In Spain, there will not be any ITI but something similar to URBAN projects will be developed (co-financing of innovative demonstration projects to tackle urban problems).

In Wales, as the Welsh Government is a single Managing Authority for three of the four funds (ERDF, ESF and EAFRD), and Wales is a relatively small joined up nation, the introduction of ITIs would seem to create doubling up of functions and so add an additional layer of unnecessary bureaucracy. Consequently, there are currently no proposals for the adoption of ITIs in Wales. Moreover, there is

very little interest from MA in the multi-funds OP's for 2014-2020. Indeed there will be different OPs according to each fund: a West Wales and Valleys ERDF Programme, a West Wales and Valleys ESF Programme, an East Wales ERDF Programme, an East Wales ESF Programme, an All-Wales Rural Development Plan, and an All-Wales European Maritime and Fisheries Programme (run at UK Government level).

In the Region of Brussels-Capital, the draft ERDF Operational Programme does not provide for Integrated Territorial Investment. This can be explained by the different competences of those responsible for the various programs, but also by the specific nature of the ERDF OP which is, in essence, an integrated city-wide program: the Region has the peculiarity of having its own ERDF OP whose scope is an urban area and aims to contribute to the sustainable development of the City, as a whole and through integrated actions.

II. What are the thematic objectives of the selected ITIs?

The thematic objectives vary in each targeted territory.

In the Czech Republic for instance, for the City of Prague and parts of Central Bohemia (nearly 2 million inhabitants), the ITI will support different thematic areas: transport (for integrated transport system), environment (anti-flood measures), and regional education system (capacity of schools in the circle around Prague).

In Finland, the thematic objective of the ITI covering the six largest cities is to enhance access to, as well as to improve, the use and quality of information and communication technologies supporting city regeneration. The six cities will create in their network a joint smart service ecosystem through cooperation in the following themes:

- Open participation - cities involving inhabitants in decision-making and developing activities;
- Open data - cities open their public data and harmonise interfaces;
- Open innovation platforms - cities create common operational environments where inhabitants and enterprises can develop new skills.

In France, the primary objective of the ITIs is to contribute to achieve the objectives set by the European Structural and Investment Funds, developing the strategy of the Operational Programmes close to the territories. Most of the selected themes are: ICT (OT2), the fight against climate change (OT4), environment and the rational use of resources (OT6), and support to SMEs (OT3).

In the Netherlands, the thematic objectives of the four separate ITIs developed by the four largest cities will be to:

- promote sustainable and quality employment and support labour mobility by supporting employment-friendly growth, including the conversion of declining industrial regions and enhancement of accessibility to, and development of, specific natural and cultural resources;
- promote social inclusion, combating poverty and any discrimination by providing support for physical, economic and social regeneration of deprived communities in urban and rural areas.

Several actions will then be led on:

- labour potential: improvement of the connection between the labour potential and the demand for skills on the labour market by stimulating cooperation between enterprises, education and government.
- attractiveness of deprived urban areas: improvement of the attractiveness of urban areas for investment through delivering high quality and accessible business locations.

In Poland, the integrated actions that will be taken in the framework of ITIs will tackle economic, environment, climate, demographic and social changes that have an impact on city areas.

In Flanders, the three ITIs will be oriented towards the socio-economic development of the areas. In Limburg, the objective of the ITI will be to strengthen the job creation and employment rate, the innovation and entrepreneurship, and to allow the transition to a low carbon economy. In Kempen, the ITI will aim to strengthen the evolution to an innovation-driven economy. There is also a particular interest in energy transition (availability of geothermic energy in the area), science and biotechnology (very important presence of big pharmaceutical industry). In West-Vlaanderen, the ITI will seek to stimulate (young) entrepreneurship, strengthen SMEs, and also education (technical university alliance).

In Slovenia, urban authorities have to prepare the strategy for urban development (according to the guidelines set by the responsible ministry). In the strategy they have to identify project that will be founded through the ITIs and to include the economic, environmental, climate, demographic and social challenges of the selected territory. The projects will be financed (selected) though a public tender where all ITIs will compete with their own projects.

Finally in Romania, building on the experience accumulated with the Integrated Urban Development Plans in the 2007-2013 programming period, in particular with the growth poles policy, the aims of the ITIs in the functional urban areas selected will be to further develop the national competitiveness, by focusing on innovation, R&D, access to European networks, territorial partnerships (urban-urban, urban-rural areas).

III. What funds and system of governance will be applied?

The ITI requires the implementation of an integrated territorial development strategy, encouraging the combined use of the ESF, the ERDF and the Cohesion Fund. It can also be complemented with financial support from the European Agricultural Fund for Rural Development (EAFRD) or the European Maritime and Fisheries Fund (EMFF).

Most Managing Authorities will use the ESF, the Cohesion fund and/or the ERDF to finance ITIs. The Prague metropolitan ITI will for instance be based on the ERDF and the Cohesion fund, but not on the ESF. In the Netherlands, approximately €46 million from ERDF and €25 million from ESF will be used to finance the four ITIs. However there are still discussions going on concerning the use of EMFF for the City of The Hague. In Poland, according to the Partnership Agreement, the designated ITIs will be partly funded by resources from the Structural Funds: 5.2% of the total ERDF allocation and 2.4% national ESF allocation (allocated to the ITI in regional capitals and their functional areas). In

Romania, a multi-fund approach will be developed, using ERDF and ESF. Finally in Slovenia, around 6% of the ERDF and 3.5% of the Cohesion Fund should be used to finance the ITIs.

Regarding the governance, the delegation of management is optional for ITIs which will not be implemented in urban areas. The Managing Authority can decide to delegate some specific tasks of the ITI to intermediate bodies, but can keep the control of the budget. Sub-regional authorities have the responsibility for the implementation. For the ITIs that will be implemented in urban areas, sub-regional bodies have to be responsible for the tasks related to the selection of the operations. The MA remains responsible for the programming (organisation, decision and budget) but urban authorities must be involved in the identification of the operations (not only association or involvement but a real delegation which confers them a full responsibility in the selection of the projects). All in all, a partnership approach is really needed.

In Bulgaria, the relevant MA of OP will manage the relevant part of integrated projects that combine soft investments and investments in infrastructure. At NUTS II level, an ITI coordination structure will be established. This structure will be composed of units of experts that will facilitate and coordinate ITIs in all the five districts within the Region.

In the Czech Republic, the City of Prague will be a Managing Authority of the Prague metropolitan ITI. Besides, the MA intends to set up a stakeholder committee which will be responsible for a fulfilment of the ITI investment strategy.

In Finland, one Regional Council will be nominated as an intermediate body to act as managing authority. This authority makes the administrative financing decisions based on content-related decisions made by a strategic steering committee (formed by city mayors and nominated experts).

In the Netherlands, ITIs are part of the Structural Funds programme 'Opportunities for West II' (of the Netherlands), of which the City of Rotterdam is the Managing Authority. The ITIs are then sub-delegated to the respective City governments. The four ITIs are a continuation of the current (2007-2013) sub-delegated City programmes of the G4.

In Slovenia, urban authorities will choose the projects (the responsible ministry confirms the urban strategy with the projects) and in case the city has the knowledge and resource it will also manage and audit the realisation of these projects.

In France, the ITIs may be based on territorial strategies that may be subject to a contract between the MA and the local authority responsible but do not generally foresee total management delegation. In terms of governance, the involvement of the relevant territorial authorities (for instance the public inter-municipal cooperation establishments) may be realised through the selection of projects in the context of dedicated bodies (technical committees).

In Flanders, the overall coordination of all the funds will be done at a yearly high-level coordination meeting organised by the Flemish government bringing together the management committees of the different funds. For the ITIs in particular, in Limburg, the provincial committee of Limburg including all the partners of the Limburg Taskforce will be involved. In Kempen and West-Vlaanderen, there will be the Flemish Agency Enterprise and the Flemish Ministry on Spatial Planning with the involvement of the relevant management committees.

IV. What are the difficulties encountered by Member States and Managing Authorities?

Several difficulties have been highlighted by CEMR's members.

First of all, the late national decision for using the ITI instrument has been highlighted as a major difficulty to properly frame the territorial strategy, create the coordination structure, determine the budget and prepare the national legal base for ITI. So the deadline regarding the completion of the ITI strategy and national Operational Programmes was a real issue in several Member States, like in Bulgaria and Czech Republic.

In Finland, implementing joint activities in six cities might be challenging. Also the integration of ESF funded projects may cause some extra work due to the fact that ESF funding is allocated separately through standard procedures.

In Flanders, a major point of discussion with the Commission was about the size of the ITIs, in combination with the funds set aside for the 13 centre-cities: the approach was considered as too fragmented which could lead to less impact. In the new proposal, the urban development is limited to the two largest Flemish cities (Antwerpen and Gent), and the three ITI's are withheld.

In the Netherlands, the main issue was the lack of vision given by the Commission during the drafting process of the Operational Programmes, on what an ITI should be and how the ITIs can be integrated in the regional programme. For the moment, only a draft guidance fiche is available for Desk Officers, released in January 2014².

Precise guidance was needed on the scope and the management rules of this instrument. For instance more detailed explanations should have been given on the possibility to transfer the budget between the ITI without modifying the OP, on the limited need to only mention the indicative amounts of ERDF and ESF for sustainable urban actions and only the indicative financial allocation for non-urban ITIs in the OP, on how the task of the selection of the operations on the 5% for urban development have to be implemented, etc.

² http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_iti.pdf

Conclusion

The “Integrated Territorial Investment” instrument implies a coordinated approach of public policies (transport, environment, support to SMEs, employment, etc.). It will be used widely all over the European Union, but not in all the Member States. It will be applied beyond restricted urban areas, and will help develop an integrated approach also in functional areas, neighbourhoods, at regional or at local level.

However some countries will use the integrated concept of ITI but will not implement it within this formal instrument. Indeed the main issue regarding the ITI was the lack of clear vision on what an ITI should be and how to use the multi-fund approach: it then took time to Member States to decide on the implementation of such an instrument in their Partnership Agreement and on encouraging MA to implement it to develop integrated development strategy.

The involvement of local and regional authorities who will benefit from this instrument should be done from the beginning of the process in order to facilitate the ownership and to be able to adapt the rules of management, monitoring and audit to such an instrument in due time.

CEMR will follow the implementation of urban and non-urban ITIs in order to support MA, and help regional and local governments be able to implement the ITI even at a later stage, when the mid-term review will be done. CEMR asks the Commission to develop guidance to help Member States and MA to use and implement the instrument in a proper way and to be able to implement an integrated approach on a territory.

Other instruments will be used under the territorial approach, like the Community Local Led Development (CLLD), which is based on the LEADER approach but has been extended to urban and functional areas. However, in most Member States, the CLLD will continue to be used in rural areas, with the EAFRD. The ITIs will then, for the moment, be the main instrument to develop integrated strategies in urban and functional areas, in deprived neighbourhoods, etc.

CEMR believes that local and regional authorities, Member States, the European Commission and the European Parliament must work hand in hand to further encourage and facilitate the use of this instrument by local governments on targeted territories. CEMR and its members are committed to play an active role in this process and to contribute to a successful use of ITIs.